



Office of the Inspector General

MEMORANDUM

DATE January 26, 2018

TO Dr. Carla Hayden
Librarian of Congress

FROM Kurt W. Hyde 
Inspector General

SUBJECT *Interim Report for Public Release – Library Management Needs to Exercise Stronger Oversight of the Library Gift Shop’s Participation in the Purchase Card Program, Interim Report No. 2015-PA-102*

This transmits our interim report for the Office of the Inspector General’s (OIG) performance audit of the Library of Congress (Library) purchase card program. OIG initiated the audit to determine whether (1) the Library’s internal controls over the program are appropriately designed and (2) the controls are effectively working. As explained in the Executive Summary on page one, this interim report provides findings and recommendations associated with the audit’s second objective, which is ongoing. OIG issued an interim report on our findings associated with the audit’s first objective in March 2017. The findings and recommendations appear on pages four to nine. Management’s response to our recommendations appears in Appendix B.

Based on your written response to the draft interim report, we consider all of the recommendations resolved. Your response provided an action plan for the implementation of each recommendation, including an implementation date, in accordance with Library of Congress Regulation 9-160, *Rights and Responsibilities of Employees to the Inspector General*, §6.A.

We appreciate the cooperation and courtesies extended by the Office of the Chief Financial Officer (OCFO) and other units within the Library during this audit.

cc: Director, National and International Outreach
Chief Operating Officer, Office of the Chief Operating Officer
Chief Financial Officer, Office of the Chief Financial Officer
General Counsel, Office of the General Counsel

This page left blank intentionally

EXECUTIVE SUMMARY

OIG initiated the audit to determine whether (1) the Library's internal controls over the purchase card program are appropriately designed and (2) the controls are effectively working. In the course of conducting the audit's second objective, OIG determined that Library management needs to exercise stronger oversight of the Library gift shop's participation in the program. OIG completed this interim report to alert Library management of our initial findings before completing the audit to enable the Library to take corrective actions immediately.

OIG determined that the gift shop has an ongoing problem with splitting needs into smaller purchases to circumvent the purchase card program's single-transaction limits, a practice prohibited by Federal Acquisition Regulation policy and Library policy. For the three-month period under review, August 1, 2015, to October 31, 2015, OIG identified split purchases involving nine transactions that represented approximately \$22,000 in purchases or about 14 percent of the gift shop's purchases for the period. To provide greater purchasing flexibility, OCGM informed OIG that it had initiated an effort to identify other contracting options for the gift shop.

OIG also determined that gift shop management needs to strengthen the gift shop's independent receipt and acceptance practices. Independent receipt and acceptance of goods and services is a control activity that helps prevent and detect fraudulent, improper, and abusive transactions in a purchase card program. OIG identified eight instances that lacked evidence of independent receipt and acceptance for the three-month period under review; they represented approximately \$17,000 in purchases or about 10 percent of the gift shop's purchases for the period.

Gift shop management also needs to uphold internal controls for the proper functioning of the obligation reconciliation process. Library policy requires cardholders to perform monthly reconciliations of the purchase card activity under their purview; these reconciliations help to ensure that purchases are appropriate and legitimate. OIG identified that approximately 36 percent of the gift shop's reconciliations were improper for the three-month period under review; they represented about \$23,800 or about 14 percent of the gift shop's transactions for the period.

Given the audit's findings, OIG made recommendations for the Library to strengthen its oversight of the gift shop's involvement in the purchase card program, such as by monitoring the gift shop's involvement in the program more closely and holding gift shop personnel accountable for upholding program requirements.

MANAGEMENT RESPONSE

In response to our draft report (see Appendix B), the Library's senior leadership agreed with all of our recommendations and provided time frames for the implementation of corrective actions. It should be noted that before issuance of the draft report we alerted Library management to the issues and they began to immediately implement corrective actions.

BACKGROUND

This is OIG's second interim report for our audit of the Library's purchase card program. OIG is issuing interim reports to enable the Library to take corrective actions before OIG completes the audit. OIG issued an interim report on the audit's first objective in March 2017; the interim report was entitled *The Purchase Card Program Needs Up-To-Date Policies and Procedures and Stronger Oversight*.¹ This second interim report provides our findings and recommendations for our ongoing audit work associated with the second objective.

The background section of the first interim report covered several important topics, such as the establishment of the federal government's purchase card program in 1984 and the Library's purchase card program in 1993. It also described the size of the purchase card program. OIG reported that the program had approximately 194 cardholders and 74 approving officials. Program expenditures were \$5.7 million in fiscal year (FY) 2016, which was a 20 percent increase in expenditures from FY 2014 to FY 2016. Additionally, it outlined OIG's previous work related to the Library's purchase card program.²

The first interim report also identified key documents. At the time, program requirements were documented in Directive 06-01, *Use and Management of the Government Purchase Card*, dated September 18, 2006, but it was replaced by Directive 7-220.1, *Government Purchase Card*, dated April 1, 2017. OIG has also continued to rely upon relevant requirements and guidance in Federal Acquisition Regulation (FAR) policy, the Office of Management and Budget's (OMB) Circular A-123, Appendix B (Circular A-123), and the Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government*.

This audit pertains to the Library's gift shop, which is located in the Library's Thomas Jefferson building and is accessible online.³ In performing the audit's second objective, OIG is examining purchase card program data for the three-month period August 1, 2015, to October 31, 2015. In total, the Library had about 1,500 purchase card transactions with a net value of approximately \$1.3 million for the period. OIG did not set out to focus on the Library's gift shop, but it came to OIG's attention when we identified irregularities in the data associated with the Library gift shop. This prompted a more in-depth analysis, the results of which are provided in this report. The Library gift shop's cardholder made significant use of the purchase card during the period under review. For the three-month period, the cardholder had about 161 purchase card transactions with a net value of approximately \$167,000 for the period; this was about 13 percent of the net value of all transactions.

The Office of Business Enterprises oversees the gift shop, which conducts its business as a revolving fund. Revolving funds operate similar to businesses in that they are designed to be

¹ <https://www.loc.gov/about/office-of-the-inspector-general/annual-reports/>

² See *Contracts and Grants Management – Purchase Card Program: Controls and Communication Need Improvement*, Report No. 2003-PA-103, March 2004; *Improper Payments Review II*, Report No. 2011-SP-101, May 2011; and *Benchmarking the Library of Congress Information Technology Fiscal Year 2014 Budgetary Obligations and Human Capital*, 2015-IT-101, March 2016, page 10. Also, in 2014, OIG investigators determined that a senior Library employee directed subordinates to split purchases totaling nearly \$40,000 at the end of FY 2013.

³ <https://library-of-congress-shop.myshopify.com/>

Library Management Needs to Exercise Stronger Oversight of the Library Gift Shop's Participation in the Purchase Card Program

self-sustaining after initial start-up. Although revolving funds operate without annual Congressional appropriations, the funds must receive annual Congressional authority to spend their operating revenues. In FY 2016, the gift shop's fund had program costs of approximately \$1.8 million and a surplus of about \$314,000.⁴

In performing the audit's first objective, OIG identified three staff positions of particular importance in the purchase card program's operations. These are

- cardholders, who use purchase cards to acquire goods and services and can be held financially responsible if the cards are not used in accordance with regulations;
- approving officials, who are responsible for the review and approval of individual purchase card transactions made by cardholders in Momentum, the Library's electronic financial system; and
- members of the Agency Program Coordinator (Program Coordinator) who are OCFO personnel responsible for assisting cardholders and approving officials and for evaluating and monitoring the purchase card program to ensure compliance with the Library's policies and procedures.

In the case of the Library's gift shop, another important position is the gift shop's buyer. The buyer, a retail specialist, identifies goods for the gift shop to sell. The buyer creates purchase orders, obligates funding for purchase card transactions in Momentum, and places orders with vendors. The cardholder, an accountant working in a different section, pays vendors using the purchase card. The cardholder's supervisor is also the Library gift shop's approving official.

OIG's first interim report noted that a risk commonly cited in federal audits of government purchase card programs is a weak internal control environment.⁵ The report identified that the Library's control environment had several areas of weakness: the program's policies, procedures, and training requirements needed to be updated; the program's internal controls needed to be updated and outlined in policies and procedures; and OCFO needed to update performance expectations to better enforce program policies and procedures. The Library has taken action to correct these deficiencies. The findings in this second interim report demonstrate the risks associated with having a weak internal control environment.

⁴ In FY 2015, the gift shop revolving fund had program costs of \$1.8 million and ran a surplus of \$194,000.

⁵ For example, see the following reports: Department of the Interior Office of Inspector General, *U.S. Department of the Interior's Internal Controls for Purchase Cards and Fleet Cards*, Report No. 2015-ER-011, September 2016; Department of Commerce Office of Inspector General, *Internal Controls for Purchase Card Transactions Need to Be Strengthened*, Report No. OIG-13-025-A, May 2, 2013; and Treasury Inspector General for Tax Administration, *Controls Over the Purchase Card Program Were Not Effective in Ensuring Appropriate Use*, Reference Number: 2011-10-075, August 31, 2011.

THE LIBRARY GIFT SHOP NEEDS ASSISTANCE FROM THE OFFICE OF CONTRACTS AND GRANTS MANAGEMENT TO ADDRESS THE SHOP'S PURCHASING NEEDS

OIG determined that the Library gift shop has an ongoing problem with splitting purchases. FAR and Library policy prohibit splitting needs into smaller purchases to circumvent single-transaction limits.⁶ We reported in May 2011 that the gift shop split purchases on 18 occasions; the violations totaled \$13,230.⁷ For the three-month period under review for this audit, August 1, 2015, to October 31, 2015, OIG identified split purchases involving nine transactions. They represented approximately \$22,000 in purchases or about 14 percent of the gift shop's purchases over the period.

OIG recommended in our May 2011 report that the Office of Contracts and Grants Management (OCGM) and OCFO develop a remedy that would provide the Library gift shop with greater purchasing flexibility; Library management concurred with the recommendation. Since that time, OCGM has provided assistance, such as by creating blanket purchase agreements for the gift shop's use, but the gift shop informed OIG that it wanted additional support, such as by increasing the number of vendors on the gift shop's blanket purchase agreements.⁸ OIG contacted OCGM about this matter and OCGM initiated an effort to identify other contracting options for the gift shop, such as by increasing available contracts or expanding the use of agreements or other contract vehicles.

OIG recommends that:

1. Library gift shop management, in consultation with the Program Coordinator, develop, document, and implement controls to facilitate the ability of the Library gift shop's cardholder and approving official to prevent split purchases.
2. OCGM provide the Library gift shop with alternative ordering methods that provide the gift shop greater purchasing flexibility and that they be implemented. (OCGM has already initiated steps to address this.)

LIBRARY GIFT SHOP MANAGEMENT NEEDS TO STRENGTHEN THE GIFT SHOP'S INDEPENDENT RECEIPT AND ACCEPTANCE PRACTICES

Independent receipt and acceptance of goods and services—by someone other than the Library gift shop's buyer or cardholder—is a control activity that helps prevent and detect fraudulent, improper, and abusive transactions in a purchase card program. According to GAO, independent receipt and acceptance provides reasonable assurance that the organization has actually received

⁶ See FAR 13.003(c)(2); Library Directive 06-01, page 7; and Library Directive 7-220.1, section 8.4. The Library's limit increased effective October 1, 2015 from \$3,000 to \$3,500.

⁷ *Improper Payments Review II*, Report No. 2011-SP-101, May 2011.

⁸ A blanket purchase agreement is a simplified method of filling anticipated repetitive needs for supplies and services by establishing "charge accounts" with qualified sources of supply.

the purchases it is paying for.⁹ OMB similarly states that agency purchase card policies and procedures must address, when appropriate, the documentation of independent receipt and acceptance to ensure that purchased goods are actually received.¹⁰ For the three-month period under review, OIG identified eight instances in which the Library gift shop purchased goods that lacked the important control of independent receipt and acceptance (e.g., a signature or initial on the vendor invoice, receipt, or shipping document). The eight instances represented approximately \$17,000 in purchases or about 10 percent of the purchases made by the Library gift shop during the period.

OIG believes that strengthening independent receipt and acceptance is of particular importance for the Library gift shop because it purchases pilferable assets (i.e., items that are portable and can be easily converted to personal use), such as jewelry. Of the eight transactions lacking independent receipt and acceptance, five were included in one of the split purchases identified by OIG and involved the same vendor. For four of the five transactions, the gift shop's purchase orders did not match the vendor-issued invoices according to quantity of goods and net cost. In each case, the vendor provided units in excess of the amount authorized by the purchase order and the cardholder paid for the excess amounts; in total, the cardholder paid a net cost of approximately \$2,500 more than what was listed on the gift shop's purchase orders. For the fifth transaction, the purchase order listed 5,000 units, whereas the corresponding vendor-issued invoice did not identify the quantity of units provided. Nevertheless, the cardholder paid the net cost of \$1,733 listed on the vendor-issued invoice; this was approximately \$222 less than the amount listed on the purchase order.

By having an independent employee review packing slips or vendor-issued invoices vs. purchase orders upon the arrival of goods, the gift shop could mitigate the risk of paying for excess units that have not been authorized and have not been obligated for in the Library's financial management system, Momentum.¹¹ It could also enable the gift shop to hold vendors accountable for properly invoicing the goods they provide. The Library gift shop should not accept goods that have not been authorized, properly obligated for in Momentum, and properly invoiced.

OIG determined that the gift shop did not have written procedures related to independent receipt and acceptance. Library purchase card policy did not reference independent receipt and acceptance.

OIG recommends that Library gift shop management:

3. Develop, document, and implement independent receipt and acceptance procedures. The procedures should prohibit the acceptance of goods that have not been authorized, properly obligated for in Momentum, and properly invoiced. The procedures should also require evidence of independent receipt and acceptance for cardholder payment and for the approving official to conduct reviews to help ensure adherence to this requirement.

⁹ GAO's *Audit Guide, Auditing and Investigating the Internal Control of Government Purchase Card Programs*, GAO-04-87G, page 41, November 2003.

¹⁰ OMB Circular A-123, Appendix B, section 13.2.

¹¹ The gift shop buyer told OIG that funding in Momentum is obligated based on the purchase order.

4. Conduct a review to determine whether other amounts were overpaid since August 2015, the start of OIG's period under review, and recover any overpayments as appropriate, in addition to the \$2,500 identified in this audit for the short time period selected.

LIBRARY GIFT SHOP MANAGEMENT NEEDS TO UPHOLD INTERNAL CONTROLS FOR THE PROPER FUNCTIONING OF THE OBLIGATION RECONCILIATION PROCESS

Library policy for the period under review and in effect during our fieldwork requires cardholders to perform a monthly reconciliation of purchase card activity under their purview.¹² Cardholders are required to electronically match each purchase card funding obligation with its corresponding transaction in Momentum. These reconciliations help to ensure that purchases are appropriate and legitimate. However, in testing the reconciliations performed by the Library gift shop's cardholder for the three-month period under review, OIG identified that approximately 36 percent of them were improper; in every case, the vendor names on the obligations did not correspond with the vendor names associated with the transactions. These improper reconciliations amounted to about \$23,800 or about 14 percent of the total dollar amount of transactions reconciled by the cardholder during the period under review.

The Library gift shop's purchasing activities were designed to be segregated between the gift shop's buyer and purchase card holder. The buyer identifies goods to sell in the shop, places orders for the goods with vendors, and creates funding obligations in Momentum for the orders. The cardholder pays for the ordered goods using the gift shop's purchase card and is supposed to perform the reconciliations. However, the cardholder told OIG that the buyer has been instructing the cardholder on obligations and transactions to match as part of the reconciliation process for years. This arrangement undermines the potential benefits of segregated duties, which are reducing error, misuse, and fraud. For example, it would have prevented the cardholder from identifying the transactions found by OIG in which the vendor charged the Library \$2,500 for excess units that had not been authorized by the gift shop's purchase orders and obligated for in Momentum.

OIG also determined that the buyer has been mismanaging funding obligations. The buyer told OIG that for various reasons the orders he places can ultimately cost more or less than the amount he obligates for them in Momentum. When the orders cost more, rather than increase their funding obligations in Momentum, the buyer instructs the purchase card holder to match excess purchase amounts to non-corresponding obligations, which results in the improper reconciliations. This practice violates Library policy, which states that purchases must be reconciled with their corresponding obligations.^{13,14}

¹² Library Directive 06-01, page 11 and Library Directive 7-220.1, section 4.2.8.

¹³ Ibid.

¹⁴ OCFO informed OIG that Momentum does not prevent cardholders from reconciling obligations with transactions involving different vendors. This is because vendor names can sometimes be written or spelled differently.

The Library gift shop's improper reconciliation practices undermine its budgetary and accounting functions. The gift shop can not accurately determine its remaining budget authority if its obligations do not accurately represent how much it plans to spend. Also, because the gift shop has been reconciling improperly for years, accounting data on its purchase card obligations can not be relied upon, such as for tracking unliquidated obligations, an area that needs improvement at the Library generally. The Library's FY 2016 financial statements audit, performed under the supervision of OIG, identified a significant deficiency in the Library's management of unliquidated obligations, which may result in difficulties in managing funds, improper payments, inaccurate budgetary reports, and possible violations of Federal regulations.¹⁵

Further, in reviewing the \$23,800 in improper reconciliations, OIG could not find documentation in Momentum for the purchases (e.g., invoices, packing slips, etc.) and could not trace the purchases to the gift shop's hardcopy supporting documentation. Consequently, according to OMB's definition, the payments made for these purchases constitute improper payments. OMB states that payments should be considered improper payments when an agency cannot discern whether payments were proper as a result of insufficient or lack of documentation.¹⁶

OIG recommends that:

5. OCFO's Program Coordinator require the Library gift shop's buyer, purchase card holder, and approving official take or repeat all required purchase card trainings as stated in Library Directive 7-220.1, section 5.2, including the General Services Administration's Smart Pay Purchase Card Training and the Program Coordinator's Administrative training, Financial Management System training, and Federal Acquisition training (for the approving official).
6. Library gift shop management, in consultation with OCFO's Program Coordinator, develop, document, and implement controls to facilitate the ability of the Library gift shop's approving official to detect improper reconciliations.
7. Library gift shop management maintain proper documentation, such as including proper documentation in Momentum.

THE LIBRARY NEEDS TO EXERCISE GREATER OVERSIGHT OF THE GIFT SHOP'S PARTICIPATION IN THE PURCHASE CARD PROGRAM

The Library needs to strengthen its oversight of the Library gift shop's involvement in the purchase card program, as demonstrated by this audit's findings related to split purchases, independent receipt and acceptance practices, and reconciliations. OIG makes several recommendations to this end.

¹⁵ The *Library of Congress Financial Statements for Fiscal 2016*, Schedule of Findings, Significant Deficiencies, I. Untimely De-Obligation of Funds (*New Condition*).

¹⁶ OMB, Memorandum M-15-02, Subject: Appendix C to Circular No. A-123, *Requirements for Effective Estimation and Remediation of Improper Payments*, October 20, 2014, page 7.

The Program Coordinator Needs to More Closely Monitor the Library Gift Shop

The Program Coordinator did not detect the Library gift shop's policy violations – its splitting of multiple purchases and its years of improper reconciliations. Current Library policy requires the Program Coordinator to oversee the purchase card program, cardholders, and approving officials.¹⁷

According to Library policy, the Program Coordinator has the responsibility, for example, to take appropriate action if a cardholder frequently violates purchase card procedures, including the revocation or suspension of purchasing authority.¹⁸ Further, OMB Circular A-123 states that agencies may impose disciplinary actions for charge card infractions, including removal for serious or repeated infractions.¹⁹

OIG recommends that the Program Coordinator:

8. Monitor more closely the gift shop's compliance with internal controls and program requirements.
9. Assess the nature and extent of the Library gift shop's policy violations identified by OIG and take appropriate action for violations.

Library Gift Shop Personnel Need to Be Held More Accountable

The buyer's performance plan and performance appraisal for the period under review did not reference upholding purchase card program requirements, such as not splitting purchases and performing proper reconciliations. The cardholder's performance plan for the period under review referenced meeting compliance requirements related to performing reconciliations, but the cardholder was not held accountable in the performance appraisal for the improper reconciliations. The cardholder's performance plan and performance appraisal did not reference upholding any other purchase card program requirements, such as not splitting purchases.

OIG recommends that Library gift shop management:

10. Establish expectations and hold its purchase card program personnel accountable for routinely upholding the program's internal controls and requirements, including the buyer, cardholder, and approving official.²⁰

¹⁷ Library Directive 7-220.1, section 4.1.

¹⁸ Library Directive 06-01, page 3; Library Directive 7-220.1, section 4.1.19.

¹⁹ OMB Circular A-123, Appendix B, section 4.9.

²⁰ OCFO has reported that it established expectations to hold its purchase card program personnel accountable for routinely enforcing the program's internal controls and requirements; this was in response to a recommendation OIG made in its first interim report for this audit.

The Program Coordinator Needs to Better Define the Approving Official Role

Approving officials have expressed to OIG confusion about their responsibilities, including the gift shop's approving official. We do not agree that there is confusion as to their inherent responsibilities; nonetheless, the Program Coordinator should mitigate the potential risks of approving officials not adequately performing their internal control-related responsibilities by fully defining and communicating such responsibilities to approving officials.

As stated in Library policy, one specific responsibility is to approve purchase card transactions.²¹ Approving officials are also responsible generally for overseeing the cardholders under their supervision, and for ensuring compliance with FAR and Library regulations. For example, current Library policy states that approving officials must perform periodic compliance reviews of cardholder files and supporting documents.²² OIG noted that the Library gift shop's approving official had not been performing periodic compliance reviews and had not been reviewing the cardholder's reconciliations.

OIG recommends that the Program Coordinator:

11. Examine the role of the approving official in the purchase card program and determine in greater specificity the activities approving officials should perform to fulfill their responsibilities and uphold the program's internal controls and requirements, such as preventing and/or detecting split purchases and improper reconciliations.
12. Communicate guidance on these activities to approving officials through Library policy, a written memorandum, and/or training as appropriate.²³

²¹ Library Directive 06-01, page 4; Library Directive 7-220.1, section 4.3.5.

²² Library Directive 7-220.1, section 4.3.6.

²³ OCFO has reported that it established trainings for cardholders and approving officials on the internal controls they are required to uphold; this was in response to a recommendation OIG made in its first interim report for this audit.

APPENDIX A: OBJECTIVES, SCOPE, AND METHODOLOGY

The audit's objectives are to determine whether (1) the Library's internal controls for its purchase card program are appropriately designed and (2) are effectively working. OIG issued an interim report for the first objective in March 2017.²⁴ This new interim report relates to our audit work associated with the second objective and our examination of purchase card transactions made between August 1, 2015 and October 31, 2015; this time period was selected during our planning activities at the start of the audit. While completing the second objective, OIG identified irregularities associated with the Library gift shop's cardholder and decided to focus on the Library gift shop. OIG is issuing interim reports to facilitate the Library taking corrective actions as soon as possible. This practice is in-line with government auditing standards²⁵ and Library of Congress Regulation (LCR) 1-140, *Office of Inspector General*. Consequently, our activities related to the second objective have been largely focused thus far on the library gift shop. OIG will continue the second objective with the issuance of this report. By design, our scope does not include an assessment of the Library's use of convenience checks.²⁶

As referenced in the background section of the report, OIG has addressed the Library's purchase card program in previous reports. We initiated this current audit on March 23, 2016, completed our fieldwork for the first objective on December 15, 2016, and completed our fieldwork related to the Library gift shop on November 27, 2017. Our activities have taken place in the Library's Madison Building in Washington, District of Columbia.

Audit methodologies for this second interim report included document analysis, data analysis, and in-person interviews. After identifying the irregularities, OIG conducted interviews with the Library gift shop's buyer, cardholder, and approving official. In conducting the interviews, OIG determined the Library gift shop's process flow for creating obligations, making purchases, and reconciling the obligations with the purchases.

As described in the background section, there were two documents of particular importance because they outlined program requirements: Directive 06-01, *Use and Management of the Government Purchase Card* dated September 18, 2006 and the updated version Directive 7-220.1, *Government Purchase Card*, dated April 1, 2017. OIG also utilized relevant requirements and guidance in OMB Circular A-123 and GAO's *Standards for Internal Control in the Federal Government*. OIG also took into account relevant laws and regulations, the Library's strategic plan and annual reports, and other relevant records.

²⁴ *Interim Report for Public Release – The Purchase Card Program Needs Up-To-Date Policies and Procedures and Stronger Oversight*, Interim Report No. 2015-PA-102

²⁵ GAO, *Government Auditing Standards*, December 2011, GAO-12-331G.

²⁶ Some Offices of Inspector General have reviewed convenience check programs as part of their examination of purchase card programs. For example, see Department of the Interior Office of Inspector General, *U.S. Department of Interior's Internal Controls for Purchase Cards and Fleet Cards*, Report No. 2015-ER-011, September 2016.

OIG also obtained and analyzed hardcopy documentation and electronic data related to the Library's gift shop's transactions for the period under review.²⁷ Of the 1,500 purchase card transactions with a net value of approximately \$1.3 million for the period, the Library gift shop's sole cardholder had about 161 purchase card transactions with a net value of approximately \$167,000 for the period; this was about 13 percent of the net value of all transactions. OIG analyzed the hardcopy documentation and electronic data to identify split purchases, reconciled the hardcopy documentation and electronic data for each transaction, and examined the electronic reconciliations performed by the Library gift shop cardholder. Library purchase card holders are required to perform a monthly reconciliation of transactions and funding obligations created in the Library's financial management system, Momentum. The results from these tests were incorporated into the report.

OIG conducted performance audit activities in accordance with Generally Accepted Government Auditing Standards as prescribed by the Comptroller General of the United States and LCR 1-140, *Office of the Inspector General*. GAO's standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our second audit objective.

²⁷ Hardcopy documentation was provided by the Library gift shop. Electronic data was obtained from the Library's financial management system, Momentum, and J.P. Morgan's PaymentNet, the Library's source for purchase card transaction data. Momentum's general and application controls are subject to annual audit as part of the Library's financial statement audit. OIG assessed the PaymentNet data to confirm that the data were sufficiently reliable for the purposes of this report.

APPENDIX B: MANAGEMENT'S RESPONSE



Office of the Librarian

MEMORANDUM

DATE January 11, 2018
TO Kurt Hyde, Inspector General
FROM Mark Sweeney, Acting Deputy Librarian *MS 1/11/18*
SUBJECT Response to OIG Interim Report No. 2015-PA-102, Library Management Needs to Exercise Stronger Oversight of the Library Gift Shop's Participation in the Purchase Card Program

Thank you for the opportunity to comment on the subject interim report. We appreciate the ability to respond to the findings and improve the gift shop's use of the purchase card program and its financial documentation procedures.

The Library concurs with the report's findings and recommendations and provides status updates and anticipated target completion dates in the attached chart. As you are aware, the Library has recently updated its purchase card program policies and procedures, has provided additional training to purchase card holders, and has implemented changes in the financial system to enable greater transparency of purchase card transactions and vendors. The Library has begun to explore contractual solutions to ensure the gift shop has the flexibility necessary for retail operation functions while maintaining compliance with federal procurement and fiscal requirements. In addition, Library management will oversee development of controls and periodic inspections to ensure gift shop ordering and reconciliation processes adhere to purchase card program requirements.

Please let me know if you have questions or would like to discuss this in greater detail.

Attachment

cc: Mary Klutts, Chief Financial Officer
Jane McAuliffe, Director, National and International Outreach
Edward Jablonski, Chief Operating Officer
Elizabeth Pugh, General Counsel

Library Management Needs to Exercise Stronger Oversight of the Library Gift Shop's Participation in the Purchase Card Program

Report	#	Recommendation	Status	Target Completion Date
2015-PA-102	1	Library gift shop management, in consultation with the Program Coordinator, will develop, document, and implement controls to facilitate the ability of the Library gift shop's cardholder and approving official to prevent split purchases.	The Program Coordinator will assist Library gift shop management with developing, documenting and implementing controls to prevent split purchases.	3/31/2018
2015-PA-102	2	OCGM provide the Library gift shop with alternative ordering methods that provide the gift shop greater purchasing flexibility and that they be implemented.	The gift shop staff has consulted with OCGM to determine the most flexible procurement options for large purchases in the gift shop. The gift shop has submitted to OCGM requisitions for additional agreements with vendors not currently covered by existing contracts, which will facilitate gift shop ordering outside the purchase card process.	1/31/2018
2015-PA-102	3	Develop, document, and implement independent receipt and acceptance procedures. The procedures should prohibit the acceptance of goods that have not been authorized, properly obligated for in Momentum, and properly invoiced. The procedures should also require evidence of independent receipt and acceptance for cardholder payment and for the approving official to conduct reviews to help ensure adherence to this requirement	Procedures for independent receipt and acceptance will be included in the document described in #1 above.	3/31/2018
2015-PA-102	4	Conduct a review to determine whether other amounts were overpaid since August 2015, the start of OIG's period under review, and recover any overpayments as appropriate, in addition to the \$2,500 identified in this audit for the short time period selected	OCFO will conduct random "periodic reviews" to audit and test gift shop compliance.	conduct annually (to begin after GAO audit completion)
2015-PA-102	5	OCFO's Program Coordinator require the Library gift shop's buyer, purchase card holder, and approving official take or repeat all required purchase card trainings as stated in Library Directive 7-220.1, section 5.2, including the General Services Administration's Smart Pay Purchase Card Training and the Program Coordinator's Administrative training, Financial Management System training, and Federal Acquisition training (for the approving official).	Gift shop and BE finance and accounting staff have taken all of the required training assigned through November. Additional training assigned in December will be completed in January.	1/31/2018
2015-PA-102	6	Library gift shop management, in consultation with OCGM's Program Coordinator, develop, document, and implement controls to facilitate the ability of the Library gift shop's approving official to detect improper reconciliations.	See response to #1 above.	3/31/2018
2015-PA-102	7	Library gift shop management maintain proper documentation, such as including proper documentation in Momentum.	BE staff involved in purchasing, receiving and approving payments for merchandise have been advised of OCGM documentation requirements. BE finance manager is conducting inspections.	On-going
2015-PA-102	8	Monitor more closely the gift shop's compliance with internal controls and program requirements.	The Program Coordinator is beginning compliance reviews in fiscal 2018 and the gift shop's compliance will be monitored more closely as a result.	3/31/2018

Library Management Needs to Exercise Stronger Oversight of the Library Gift Shop's Participation in the Purchase Card Program

2015-PA-102	Library Management Needs to Exercise Stronger Oversight of the Library Gift Shop's Participation in the Purchase Card Program	9	Assess the nature and extent of the Library gift shop's policy violations identified by OIG and take appropriate action for violations.	OCFO has assessed the nature and extent of the policy violations and feels that the requirement for all staff to be retrained, performance of compliance reviews, and documentation of internal procedures for the gift shop is appropriate.	Completed
2015-PA-102	Library Management Needs to Exercise Stronger Oversight of the Library Gift Shop's Participation in the Purchase Card Program	10	Establish expectations and hold its purchase card program personnel accountable for routinely upholding the program's internal controls and requirements, including the buyer, cardholder, and approving official.	The Program Coordinator will be sending service unit heads and existing approving officials information that clarifies the approving official roles and responsibilities and confirms the appropriate designees for this role. The Program Coordinator has sent reminders to cardholders summarizing their responsibilities and will be performing compliance reviews in fiscal 2018.	3/31/2018
2015-PA-102	Library Management Needs to Exercise Stronger Oversight of the Library Gift Shop's Participation in the Purchase Card Program	11	Examine the role of the approving official in the purchase card program and determine in greater specificity the activities approving officials should perform to fulfill their responsibilities and uphold the program's internal controls and requirements, such as preventing and/or detecting split purchases and improper reconciliations.	See response to #10 above.	3/31/2018
2015-PA-102	Library Management Needs to Exercise Stronger Oversight of the Library Gift Shop's Participation in the Purchase Card Program	12	Communicate guidance on these activities to approving officials through Library policy, a written memorandum, and/or training as appropriate	See response to #10 above.	3/31/2018