



Office of the Inspector General

MEMORANDUM

DATE March 30, 2018

TO Dr. Carla Hayden
Librarian of Congress

FROM Kurt W. Hyde 
Inspector General

SUBJECT Final Report for Public Release - *Limited Number of Improper Payments Found During Nine-month Period*, Report No. 2017-SP-101

This transmits our final report on the results of our improper payments evaluation for the Library of Congress (Library). For the nine-month period under review, October 1, 2016, through June 30, 2017, Office of Inspector General (OIG) reviewed for: 1) split purchase card payments, 2) duplicate payments, and 3) payments to employees and contractors with a conflict of interest. The findings and recommendations appear on pages two to four. Management's response to our recommendations appears in Appendix B.

Based on your written response to the draft 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: 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

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EXECUTIVE SUMMARY

OIG initiated an evaluation to review for: 1) split purchase card payments, 2) duplicate payments, and 3) payments to employees and contractors with a conflict of interest. For the nine-month period under review, October 1, 2016, through June 30, 2017, we assessed approximately \$149 million in accounts payable expenditures, including purchase card transactions. OIG identified a limited number of infractions that equaled about \$48,000.

Improper payments are payments that should not have been made or were made in an incorrect amount. Examples of improper payments include duplicate payments, payments made to the wrong recipient, and payments for which insufficient or no documentation exists. However, we note that, as a legislative branch agency, the Library is not required to comply with the Improper Payments Elimination and Recovery Act of 2010 (IPERA), which requires Inspectors General to annually assess and report on whether executive branch agencies complied with IPERA requirements related to the estimation of improper payments.

OIG issued two evaluation reports on improper payments in fiscal year 2011.¹ In those reports, we found that the Library's controls for preventing and detecting duplicate payments were generally operating effectively but opportunities to strengthen those controls existed. This evaluation continues our work from those prior OIG reports. OIG also issued an interim audit report on the purchase card program in March 2017; OIG determined that OCFO needed to strengthen the purchase card program's internal control environment, such as by updating policies, procedures, and training requirements.²

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.

¹ *Improper Payments Review*, Report No. 2010-AT-103, March 2011; and *Improper Payments Review II*, Report No. 2011-SP-101, May 2011.

² *The Purchase Card Program Needs Up-To-Date Policies and Procedures and Stronger Oversight*, Interim Report No. 2015-PA-102, March 2017.

Limited Number of Improper Payments Found During Nine-Month Period from October 2016 through June 2017

To accomplish our objective, OIG identified areas where improper payment infractions could occur based on our prior work.³ We obtained expenditure data recorded in the Library's electronic financial system, Momentum, and from J.P. Morgan's purchase card administration system, PaymentNet.⁴ We performed data analysis using scripts (programs) to perform 100 percent testing to find 1) instances where two or more payments were made to the same vendor, on the same day, by the same card holder, which in total equaled more than the micro-threshold limit of \$3,500, 2) instances where the same vendor was paid, whether by purchase card or accounts payable, for the same good or service during our scope period,⁵ and 3) instances where employees and contractors had the same address, bank account, or name.

For the nine-month period, we found approximately \$35,000 in split purchase card transactions and \$7,000 in erroneous payments. We also found about \$5,800 in payments that lacked sufficient documentation for determining whether payments were properly made. We did not find any duplicate payments. Our evaluation did not include payment transactions of the Library's gift shop because we were already in the process, as part of an audit of the purchase card program, of examining internal control weaknesses associated with the Library's gift shop's involvement in the purchase card program. For more information on our objective, scope, and methodology, see Appendix A attached to this memo. We found:

- ***seven split purchases involving 17 purchase card transactions totaling approximately \$35,000.*** The FAR and Library policy prohibit purchase cardholders from splitting purchases into multiple transactions to avoid the requirements for purchases over the micro-purchase threshold.⁶ Purchases that exceed the micro-purchase limit, and are not covered by a waiver,⁷ must be procured through the Office of Contracts and Grants Management. Library policy delegates responsibility to approving officials for overseeing the cardholders under their control and, specifically, ensuring that internal controls are in place so that cardholder transactions comply with FAR requirements.⁸ The Program Coordinator did not retain records of monitoring for split purchases until mid-March 2017. As a result, there were no records indicating that the cardholders responsible for the seven split purchases in question had been counselled for their violations.⁹

³ See Report No. 2010-AT-103 and Report No. 2011-SP-101.

⁴ 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.

⁵ We limited our review of possible purchase card duplicate payments to payments greater than \$999.99. This represented more than 56 percent of all purchase card payments.

⁶ See FAR 13.003(c)(2); LCD 06-01, page 7; and LCD 7-220.1, section 6.1. The micro-purchase limit is \$3,500 for supplies and \$2,500 for services.

⁷ The Library allows purchase cards to be used to purchase select classes of goods and services without competition under certain circumstances.

⁸ LCD 06-01, page 4; LCD 7-220.1, section 4.3.6.

⁹ Although OCFO had records of identifying one split transaction involving three transactions in June 2017, OCFO could not confirm that they counselled the cardholder.

- ***no duplicate payments in our testing of purchase card transactions where the individual transaction amount was equal to or greater than \$1,000.*** In our review of invoice payments not made by purchase card, OIG identified three erroneous payments for food catering services totaling about \$7,000, although the Library had taken corrective action to address the erroneous payments.¹⁰ The transaction came to the Library's attention because the vendor who provided the services made inquiries about payment; the vendor was paid three to four months after the services were rendered. Library policy generally requires payment within 30 days from the date when goods and services were provided.¹¹ In reviewing relevant documents in Momentum, OIG found that the Approver could have detected and prevented the erroneous payments.¹² In two instances, the Approver did not detect that the invoices provided in Momentum were not associated with the vendor being paid. In the third instance, another Approver approved a payment request without an invoice attached in Momentum.
- ***four separate purchase card transactions totaling about \$5,800 that did not have sufficient documentation for determining whether payments were properly made.*** 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.¹³ In one instance, the documentation in Momentum was not associated with the vendor that was paid. In the three other instances, no supporting documentation was provided in Momentum; OIG followed-up with the responsible cardholder, who did not provide OIG with sufficient documentation. Library policy requires cardholders to maintain documentation for purchase card transactions¹⁴ and requires approving officials to perform periodic reviews of cardholder files and supporting documents.¹⁵

¹⁰ OIG referenced having detected two duplicate payments totaling \$1,628 in our March 2011 improper payments report.

¹¹ LCD 6-320.2, *Payment Procedures*, section 6.7. As a legislative branch agency, the Library is not subject to the Prompt Payment Act and corresponding executive branch guidance.

¹² LCD 6-320.2, *Payment Procedures*, section 3 defines an Approver as a staff member with the authority to validate the accuracy of payment documents processed in the financial system and to authorize disbursement.

¹³ 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.

¹⁴ LCD 06-01, page 5; LCD 7-220.1, section 4.2.7.

¹⁵ LCD 06-01, page 4; LCD 7-220.1, section 4.3.6.

OIG recommends that:

1. The Program Coordinator counsel the cardholders and approving officials responsible for the seven split purchases identified by OIG.
2. OCFO assess whether the approving officials associated with the erroneous payments and the transactions lacking sufficient documentation require additional training and/or whether counselling should be initiated by their supervisors.

APPENDIX A: OBJECTIVES, SCOPE, AND METHODOLOGY

The Library's purchase card program, established in 1993, enables the Library to streamline federal acquisition processes for small dollar purchases. In June 2013, the former Librarian delegated authority to the Office of the Chief Financial Officer (OCFO) to oversee the program.¹⁶ The Agency Program Coordinator (Program Coordinator), located in OCFO, is responsible for monitoring the purchase card program to ensure compliance with the Library's policies and procedures. Two important positions in the program are cardholders and approving officials. Cardholders use purchase cards to acquire goods and services. Approving officials are responsible for the review and approval of individual purchase card transactions made by cardholders in Momentum, the Library's electronic financial system. The Library's policy is to maximize the use of purchase cards in line with Federal Acquisition Regulation (FAR) subparts 13.003(e) and 13.301(b). Subpart 13.301(b) provides that agencies are to establish procedures for use and control of the card that comply with the Treasury Financial Manual and that are consistent with the terms and conditions of the current General Services Administration credit card contract. Subpart 13.003(e) states that agencies shall use purchase cards "to the maximum extent practicable in conducting simplified acquisitions."

During the evaluation, a new Library of Congress Directive (LCD) for government purchase cards was issued and became effective April 1, 2017.¹⁷ As a result, we used both the former and current LCDs for the evaluation. OIG also relied upon relevant guidance issued by the Office of Management and Budget (OMB).¹⁸

The evaluation's objective was to determine whether the following types of infractions occurred: 1) split purchase card transactions, 2) duplicate payments, and 3) payments made where conflicts of interest exist between employees and vendors providing goods and services to the Library. The evaluation's scope included all accounts payable expenditures, including purchase card transactions, made by the Library from October 1, 2016, through June 30, 2017; this was approximately \$149 million in expenditures. As referenced in the memorandum, OIG has issued several previous reports relevant to this evaluation. OIG issued two evaluation reports on improper payments in fiscal year 2011¹⁹ and an interim audit report on the purchase card program in March 2017.²⁰

¹⁶ Memorandum dated June 11, 2013, from James H. Billington, former Librarian of Congress, to Jeffrey Page, former Chief Financial Officer, and Nicole Broadus, Accounting Operations Officer, Subject: Delegation of Authority - Governmentwide Commercial Purchase Card Program.

¹⁷ LCD 7-220.1, *Government Purchase Card*, was issued and became effective April 1, 2017. Prior to the issuance of the new directive, LCD 06-01, *Use and Management of the Government Purchase Card*, was in effect. See the Objectives, Scope, and Methodology section for further details.

¹⁸ Although the Library is not subject to OMB guidance, as a legislative branch agency, the Library's policy is to generally conform to OMB guidance on internal controls, as stated in Library of Congress Regulation 1-630, *Internal Control Program*.

¹⁹ *Improper Payments Review*, Report No. 2010-AT-103, March 2011; and *Improper Payments Review II*, Report No. 2011-SP-101, May 2011.

²⁰ *The Purchase Card Program Needs Up-To-Date Policies and Procedures and Stronger Oversight*, Interim Report No. 2015-PA-102, March 2017.

When infractions were identified, OIG reviewed supporting documentation obtained from Momentum and cardholders to validate our results. OIG noted multiple infractions in the data associated with the Library's gift shop, but did not review them further or include them in this report. This is because OIG was already in the process, as part of an audit of the purchase card program, of examining internal control weaknesses associated with the Library gift shop's involvement in the purchase card program. For example, as described in an interim report for the audit, OIG determined that the gift shop had been reconciling purchase card activity improperly in Momentum for years.²¹ OIG consequently concluded that Momentum data related to the Library gift shop's involvement in the purchase card program was unreliable for the purposes of this evaluation and should not be used. OIG's interim audit report included numerous recommendations to strengthen the gift shop's purchase card program internal controls.

In performing the evaluation, OIG communicated (electronically and in-person) with purchase card holders located in various Library offices and representatives of the Office of the General Counsel, the Office of Contracts and Grants Management, Human Resources Services, and the Accounting Operations Office in the Office of the Chief Financial Officer. All of our activities took place in the Library's Madison Building in Washington, District of Columbia.

OIG also utilized relevant requirements and guidance in applicable laws and regulations. As discussed in the background section, a new Library directive was issued for the purchase card program during our fieldwork and became effective April 1, 2017. OIG consequently used both the former and current LCDs for the evaluation. OIG also relied upon relevant guidance provided in OMB Circular A-123.

We conducted this evaluation in accordance with *Quality Standards for Inspection and Evaluation* published by the Council of the Inspectors General on Integrity and Efficiency and Library of Congress Regulation 1-140, *Inspector General*. Those standards require that we plan and perform our evaluation to obtain sufficient, appropriate evidence to provide a reasonable basis for determining compliance. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our evaluation objectives.

²¹ *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, January 2018.

APPENDIX B: MANAGEMENT'S RESPONSE



Office of the Librarian

MEMORANDUM

DATE March 22, 2018
TO Kurt Hyde, Inspector General
FROM Mark Sweeney, Acting Deputy Librarian 
SUBJECT Comments on OIG Draft Audit No. 2017-SP-101, *Limited Number of Improper Payments Found During Nine-Month Period*

Thank you for the opportunity to comment on the results of your evaluation of improper payments for the period October 1, 2016 through June 30, 2017.

We agree oversight of the purchase card program and retention of appropriate and accurate supporting documentation for Library purchases is important. The Library has been working with your office to ensure a balance in our contracting policies between the efficiencies and flexibilities necessary to obtain items and services under the micro-purchase thresholds and adoption of appropriate internal controls. As your report notes, for at least the last year, the Program Coordinator has implemented additional procedures to: monitor for purchases made by the same cardholder within a short timeframe to the same vendor or for similar goods or services; obtain information and documentation adequate to determine if the transactions are appropriate individual transactions or represent split purchases pursuant to the Federal Acquisition Regulation (FAR) section 13.003(c)(2); and retain records on actions taken in response to split purchases. The Library has taken action as described below to satisfy the recommendations you provided.

The Library's Program Coordinator is aware of the importance of tracking and documenting follow-up on potential split purchases identified during the approval process. The Program Coordinator will continue to monitor purchase card transactions to ensure they reflect an office's entire requirement arising during a given period of time and that recurring requirements are handled via applicable contracting rules. Where transactions under review meet the definition of split purchases, the Program Coordinator will take action to include remedial training, counseling, suspension or removal of the cardholder's buying privileges, and recommend disciplinary action to the cardholder's supervisor as appropriate. With respect to the first recommendation, the cardholders and approving officials for the transactions identified were contacted, provided with additional guidance and informally counseled.

Regarding your second recommendation, the Office of the Chief Financial Officer has emailed approving officials and their supervisors, reminding them of their official

responsibilities when reviewing payments for approval, and will track future instances. If it is determined that an approving official or Contracting Officer Representative (COR) has erroneously approved invoices, the supervisor will be notified with a recommendation for additional training or to identify a new approving official or COR.

Please let me know if you have questions or require additional information.

cc: Edward Jablonski, Chief Operating Officer
Mary Klutts, Chief Financial Officer
Ron Backes, Director, Office of Contracts and Grants Management
Elizabeth Pugh, General Counsel