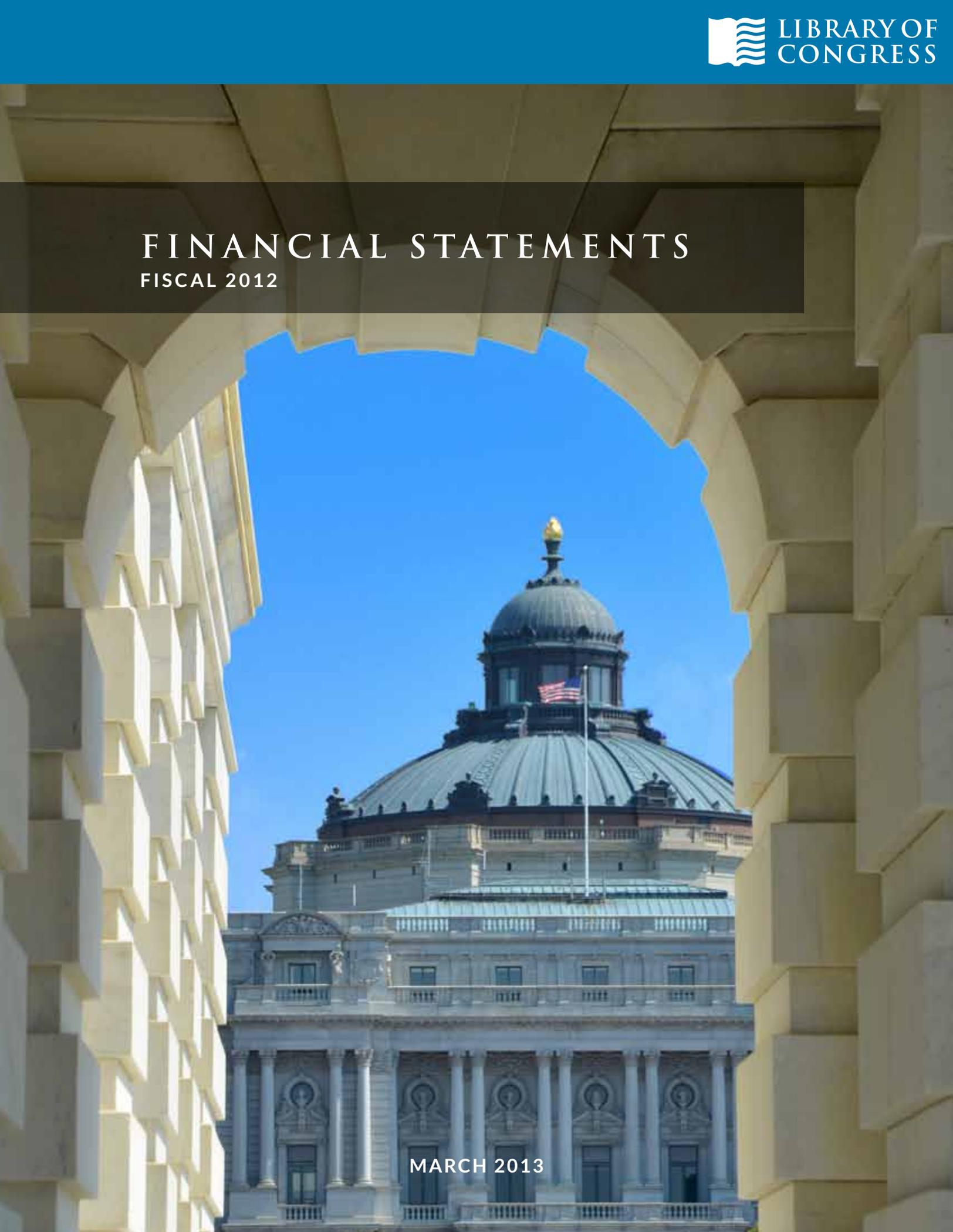


FINANCIAL STATEMENTS

FISCAL 2012



MARCH 2013



THE LIBRARIAN OF CONGRESS

The President of the Senate
The Speaker of the House of Representatives

Mr. President and Mr. Speaker:

It is my pleasure to submit to you the Library's fiscal year 2012 financial statements and accompanying opinion of the independent auditors, CliftonLarsonAllen, LLP. For the seventeenth consecutive year, the independent auditors have issued an unqualified "clean" opinion of the Library's consolidated financial statements.

The net cost of the Library's six major programs totals \$762.3 million including \$102.1 million in costs incurred by four other agencies (i.e., Architect of the Capitol, Government Printing Office, United States Capitol Police and the Office of Personnel Management) in support of the Library's programs. The net cost also includes \$122.5 million in earned revenue from copyright registration fees, cataloging distribution sales, and other fee-based and reimbursable programs.

I am prepared to respond to any questions you may have on the 2012 financial statements and auditors' opinion.

Sincerely,

A handwritten signature in cursive script that reads "James H. Billington".

James H. Billington
The Librarian of Congress

THE LIBRARY OF CONGRESS
Financial Statements for Fiscal 2012

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THE LIBRARY OF CONGRESS

Management's Discussion and Analysis

Fiscal Year Ended September 30, 2012

Introduction

The Management's Discussion and Analysis (MDA) is designed to provide a high level overview of the Library: who we are, what we do, and how we accomplished our mission during fiscal 2012.

The Library of Congress and Its Mission

The Library of Congress, an agency in the legislative branch of the government, is the world's largest and most comprehensive library, managing 92 collections – many of them having unique and irreplaceable items – in more than 470 languages. It directly serves not only the Congress, but also the entire nation with the most important commodity of our time: information.

The Library's mission is to make its resources available and useful to the Congress and the American people and to sustain and preserve a universal collection of knowledge and creativity for future generations.

Strategic Plan

The Strategic Plan contains five discrete institution-wide strategic goals:

- Provide authoritative research, analysis, and information to the Congress
- Acquire, preserve, and provide access to a universal collection of knowledge and the record of America's creativity.
- Sustain an effective national copyright system.
- Lead and work collaboratively with external communities.
- Manage proactively for demonstrable results.

Through its Strategic Plan, the Library of Congress charts a course for achieving measurable results and codifies its accountability to the American public and their elected representatives.

The Strategic Plan's goals set broad outcomes to which each of the Library's major organizations relates. It also establishes broad strategies to be followed and defines performance indicators to determine progress toward achieving the goals and outcomes. Supported by a rigorous annual program performance planning process, and regular program performance assessment reviews, the Strategic Plan ensures Library organizations are all working toward common ends and provides the background for the Library's annual Congressional Budget Justification.

During fiscal 2010 the Library worked to revise the Library's Strategic Plan. Along with a new mission and more intuitive structure, the plan includes result statements and related annual objectives that were implemented in fiscal 2011.

Brief History

At the dawn of the 19th century, the American Republic was still little more than a bold experiment. Barely a decade removed from the establishment of constitutional democracy, our lasting future as a nation was not yet assured and our national character was only beginning to emerge.

It was in this context that the U.S. Congress created what would become one of the greatest and most distinct American institutions. Mindful of the link between an informed people and functional governance, the Congress in 1800 established the Library of Congress by appropriating \$5,000 to purchase a collection of 740 books and three maps.

President Thomas Jefferson would make early and indelible contributions to the growing Library, signing a law in 1802 defining the institution's roles and functions, creating the first joint congressional committee (the Joint Committee on the Library) and establishing the position of Librarian of Congress.

After the British burned the Capitol during the War of 1812, destroying the Library's collection of some 3,000 volumes, it was Jefferson who again helped ensure that the Library of Congress would endure as a central contributor to American democracy, culture and intellect. Accepting the now-retired president's offer to "recommence" the Library, in 1815 the Congress purchased Jefferson's 6,487-volume personal collection (then the finest in America) at a price of \$23,950. It contained books in many languages and on a wide variety of topics, reflecting Jefferson's belief that there was "no subject to which a Member of Congress might not have occasion to refer."

While its origins were humble, six key milestones in the Library's early decades significantly expanded its scope and reach:

- The establishment of the Law Library in 1832 as the first department of the Library of Congress recalled the Library's origins as a collection of law books to support the legislative work of the Congress. The Law Library remains the primary source for the Congress for research and reference services in foreign, comparative, and international law.
- The Copyright Act of 1870 centralized the nation's copyright registration and deposit system in the Library and stipulated that two copies of every book, pamphlet, map, print, photograph, and piece of music registered for copyright in the United States be deposited in the Library. The law reflected Jefferson's aspirations for the Library as a universal repository of knowledge.
- In 1886, the Congress authorized the first separate Library of Congress building to contain openly accessible reading rooms and exhibition space for the general public. In 1897, the Thomas Jefferson Building opened to the public.
- In 1902, the Congress authorized the Library to sell copies of its cataloging records inexpensively to the nation's libraries, thus substantially strengthening the entire American library system.
- In 1914, the Congress created the Legislative Reference Service (LRS) as a separate entity within the Library to provide specialized services to "Congress and committees and Members thereof."

Additional laws enhanced its mission in 1946 and 1970, when it was renamed the Congressional Research Service.

- In 1931, the Congress established a program in the Library to create and distribute free library materials to blind and physically handicapped readers throughout the country.

Since the mid-1970s, the Congress has statutorily created 10 programs that have further enhanced the Library's national role.

- American Folklife Center (1976)
- American Television and Radio Archives (1976)
- National Center for the Book (1977)
- National Film Preservation Board (1988)
- National Film Preservation Foundation (1996)
- Cooperative Acquisitions Program Revolving Fund (1997)
- Sound Recording Preservation Board and Foundation (2000)
- Three additional revolving funds for fee services (2000)
- National Digital Information Infrastructure and Preservation Program (NDIIPP) (2000)
- Digital Collections and Educational Curricula Program (2005)

The Library of Congress Today

Today, as the Library of Congress advances further into its third century, there is still no more fitting a symbol of its vision and aspirations than the Library's 1897 building that bears Jefferson's name. Constructed as a projection of American optimism near the turn of the 20th century, the Thomas Jefferson Building is resplendent with iconography and written inspirations that describe the Nation's past and inspire those using the Library's collections.

The gilded Torch of Knowledge surmounts the building, while on the underside of the dome, the mural *Human Understanding* is embodied by a woman removing the veil of ignorance from her eyes. Below the dome is the magnificent Main Reading Room, which was the Library's original means of providing the information that is critical to an informed citizenry.

As the Library of Congress extends its reach in the modern era, an information revolution is empowering not just countries and commerce, but also individuals in the farthest reaches of the globe. Our mission remains the same, but it is more important than ever when set against a landscape of dynamism and intense international competition.

In his June 2005 testimony to the Congress, Librarian of Congress James H. Billington said: "Libraries are inherently islands of freedom and antidotes to fanaticism. They are temples of pluralism where books that contradict one another stand peacefully side by side on the shelves, just as intellectual antagonists work peacefully next to each other in reading rooms."

Those words hearken back to the Library's early days and Thomas Jefferson's vision of a society wherein the widest variety of information was readily available to the greatest possible number of people. "I

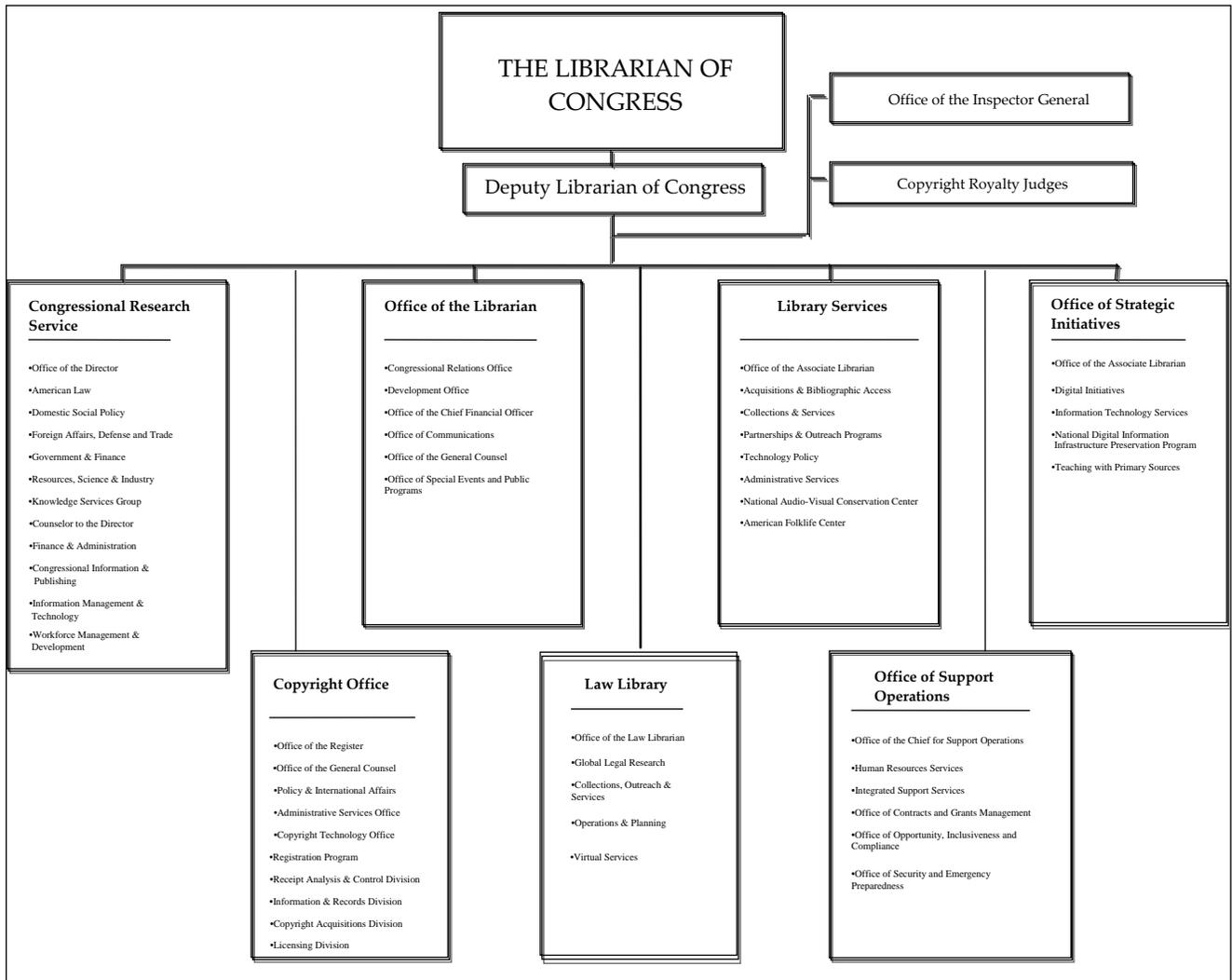
feel ... an ardent desire," Jefferson said, "to see knowledge so disseminated through the mass of mankind that it may, at length, reach even the extremes of society; beggars and kings."

Through its Strategic Plan, the Library of Congress is accountable to the American public and their elected representatives, and measured by the results that are achieved. We seek to be ardent champions furthering the cause of human understanding and wisdom.

Past, present and future, the Library of Congress endeavors to remain the preeminent repository of information on a global scale, an inspiration to future generations, and a celebrant of achievement.

The Librarian of Congress, appointed by the President with the advice and consent of the Senate, directs the Library. Seven service units execute the Library's mission (see organizational chart).

The Library's programs and services are primarily funded by four salaries and expenses (S&E) appropriations (the National and Law Library Services, Copyright administration, Congressional Research Service, and Books for the Blind and Physically Handicapped), receipts from offsetting collections (copyright registrations, Cataloging Distribution Service fees and Law Library Global Legal Information Network (GLIN) receipts), revolving fund (business-like) income, donations and investment income.



Library Services includes the National Library Service for the Blind and Physically Handicapped (within Partnerships and Outreach Programs); program costs are reported under the National Library Program.

The Office of Strategic Initiatives includes Information Technology Services; program costs are reported under the National Library Program and infrastructure costs are allocated.

Overview of Financial Statements

For fiscal years 2012 and 2011, the Library has prepared Consolidated Balance Sheets, Consolidated Statements of Net Costs, Consolidated Statements of Changes in Net Position, and Combined Statements of Budgetary Resources.

Consolidated Balance Sheets

The purpose of the Consolidated Balance Sheet is to provide financial statement users with information about the Library's assets, liabilities, and net position as of September 30, 2012 and 2011. In accordance with generally accepted accounting principles for federal government entities, the value of the Library's collections (our largest asset) is not calculated and reported with a monetary value. Instead, the Library reports unit measurement, mission, and acquisition information in the financial statement notes (see Section 2), and provides other relevant information about their use, preservation, security, etc. in supplemental information (see Section 3). The Library's Net Position consists of: (1) the portion of the Library's appropriations that are unexpended; and (2) the cumulative balances of gift, trust, revolving and reimbursable funds.

(in millions)		
Assets	FY 2012	FY 2011
Entity Assets	\$ 527.6	\$ 554.7
Total Assets	\$ 527.6	\$ 554.7
Liabilities and Net Position		
	FY 2012	FY 2011
Liabilities Covered by Budgetary Resources	\$ 130.7	\$ 128.3
Liabilities Not Covered by Budgetary Resources	\$ 35.1	35.8
Total Liabilities	\$ 165.8	\$ 164.1
Net Position	361.8	390.6
Total Liabilities and Net Position	\$ 527.6	\$ 554.7

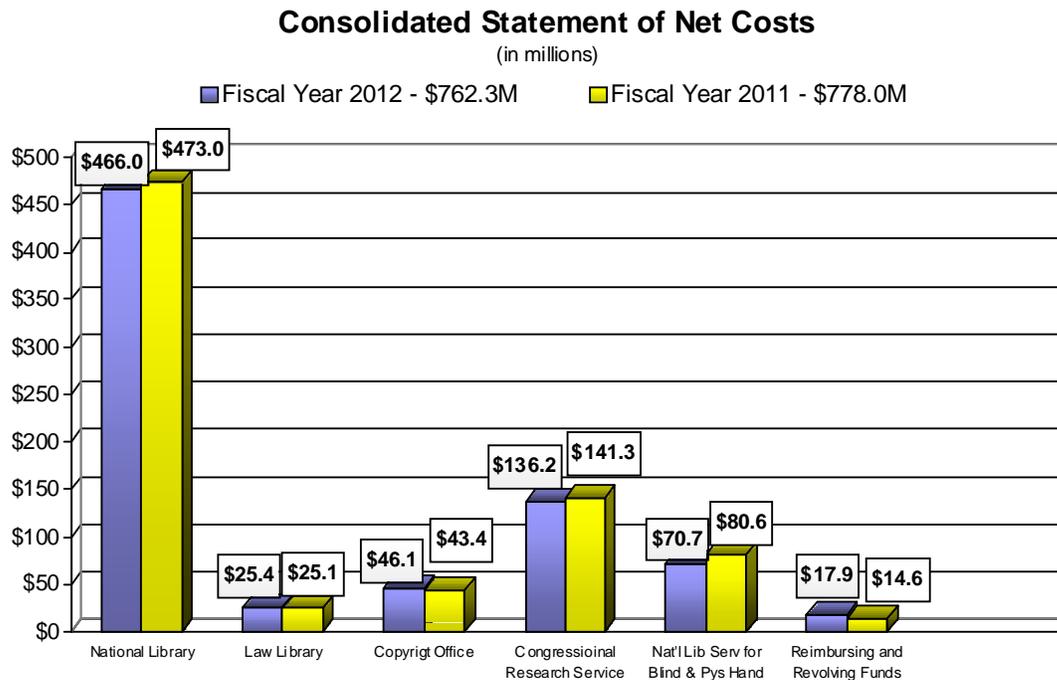
The Library's assets total \$527.6 million for fiscal 2012 and \$554.7 million for fiscal 2011. Entity assets decreased by \$27.1 million during fiscal 2012 primarily due to a decrease in the fund balance with Treasury. The Library's liabilities total \$165.8 million and \$164.1 million for fiscal years 2012 and 2011, respectively. Significant liabilities include funds advanced from other governmental agencies for the Federal Library and Information Network (FEDLINK) and other intra-governmental revolving fund programs and accounts payable for various operating expenses.

In general, the accompanying Balance Sheets do not include the acquisition and improvement costs of the Library's buildings and grounds. By law, these buildings and grounds are under the structural and mechanical care of the Architect of the Capitol.

Consolidated Statements of Net Costs

The purpose of the Consolidated Statement of Net Costs is to provide financial statement users with information about the costs and earned revenues for the Library's six programs for the fiscal years ended September 30, 2012 and 2011. In other words, the statements present the net costs of our programs: \$762.3 million and \$778.0 million for the fiscal years 2012 and 2011, respectively. Net costs include allocated management support costs (e.g., human resources, financial services, facility services).

The net costs for each of the Library's six programs are:



National Library - With net program costs of \$466.0 million and \$473.0 million for fiscal years 2012 and 2011, respectively, National Library is the Library's largest program and is responsible for the traditional library activities of acquisitions, cataloging, research and reference, and preservation.

National Library manages the following programs and services:

Acquisitions – Each year the Library acquires more than two million new items in all formats for addition to its priceless collections, which are the largest and most wide-ranging of any library in the world. The collections, and the information they contain, are the foundation for the many services the Library provides to the Congress and the nation.

Cataloging – The Library produces bibliographic records, standards, and related products for the Library as well as for libraries and bibliographic utilities in all fifty states and territories and many other countries.

Research and Reference – The Library makes available to scholars and other researchers vast information resources, many of which are unique, covering almost all formats, subjects, and languages. The Library provides reference assistance to researchers and the general public, conducts field research, and promotes the preservation of American culture throughout the United States. The Library responds to nearly 483,000 information requests a year from across the nation, including nearly 162,000 in person in the reading rooms open to the public in Washington. In addition, the Library responds to approximately 58,400 free interlibrary loan requests from across the nation and 35,700 requests for book loans from the Congress each year.

Online Access Services – The Library provides free online access via the Internet to some of its collections and to its automated information files to congressional offices, federal agencies, libraries,

schools, and the public. Internet-based systems include THOMAS, www.loc.gov, www.copyright.gov, the Library of Congress Online Public Access Catalog (<http://catalog.loc.gov>), and various file transfer options.

American Creativity – The Library manages the nation's largest, most varied, and most important archival collection of American creativity including motion pictures, sound recordings, maps, prints, photographs, manuscripts, music, and folklore covering a wide range of ethnic and geographic communities.

Preservation – The Library manages a continuing program to preserve and extend the life of the diverse materials and formats in the Library's collections. The program provides a full range of prospective and retrospective preservation treatment for hundreds of thousands of items a year; conducts research into new technologies; emphasizes preservation techniques including proper environmental storage and training for emergency situations; conserves and preserves materials; and reformats materials to more stable media. The Library plays a key role in developing national and international standards that support the work of federal, state, and local agencies in preserving the nation's cultural heritage.

Reading Promotion and Outreach – The Library promotes books, reading, and literacy through the Library's Center for the Book, its affiliated centers in 50 states and the District of Columbia, and more than 80 national organizational partners. The Library encourages knowledge and use of its collections through other outreach programs (cable TV, lectures, publications, conferences and symposia, exhibitions, poetry readings – all primarily supported by private funding) and through use of the Library's website. The Library also gives surplus books annually to qualified libraries and nonprofit educational institutions through its nationwide donation program. Finally, the twelfth National Book Festival was held on the National Mall on September 22-23, 2012, and set a new attendance record with an estimated 220,000 attendees, many of whom traveled great distances to participate.

Digital Initiatives – The Library oversees and coordinates cross-institutional digital initiatives, including the NDIIPP, thereby ensuring access over time to a rich body of digital content through the establishment of a national network of committed partners, collaborating in a digital preservation architecture with defined roles and responsibilities.

Law Library – The Law Library of Congress, with net program costs of \$25.4 and \$25.1 million for fiscal years 2012 and 2011, respectively, provides direct research service to the Congress in foreign, international, and comparative law. In addition to Members, Committees of the Congress and the Congressional Research Service, the Law Library provides officers of the legislative branch, Justices of the Supreme Court and other judges, members of the Departments of Homeland Security, State and Justice, and myriad other federal agencies with bibliographic and informational services, background papers, comparative legal studies, legal interpretations, expert testimony, and translations of laws and legal documents. The Law Library makes its collections and services available to a diverse community of users, including members of the bench and bar, educational institutions, nongovernmental libraries, legal service organizations, the diplomatic corps, international organizations, the business community, and the general public.

Copyright Office (including the Copyright Royalty Board) – The Copyright Office (COP), with net program costs of \$46.1 million and \$43.4 million for fiscal years 2012 and 2011, respectively, administers

the U.S. copyright registration system and related programs, assists with the administration of statutory licenses, provides copyright policy analysis to the Congress and federal departments and agencies, actively promotes international protection for intellectual property created by U.S. citizens, and provides public information and education on copyright. In fiscal 2012, the COP registered 511,539 claims to copyright; transferred 636,430 works to the Library; recorded 8,687 documents containing more than 172,000 titles; logged nearly 21 million page views on its website; and responded to 237,777 in-person, telephone and e-mail requests for information. Copies of works received through the copyright system form the core of the Library's immense Americana collections, which provide the primary record of American creativity. The registration program is substantially funded by fees paid by authors and other copyright owners. Similarly, costs of administering the Licensing program are substantially funded through deductions from royalty receipts.

The Copyright Royalty Board (CRB), composed of three Copyright Royalty Judges appointed by the Librarian of Congress, directed distribution of hundreds of millions of dollars in royalties that are collected under various compulsory license provisions of the copyright law, and adjusted the royalty rates of these license provisions. Costs of administering the CRB are substantially funded through deductions from royalty receipts.

Congressional Research Service – The Congressional Research Service (CRS), with net program costs of \$136.2 and \$141.3 million for fiscal years 2012 and 2011, respectively, provides non-partisan analytical research and information services to all Members and committees of the Congress. CRS assists the Congress with its deliberations and legislative decisions by providing objective, authoritative, non-partisan, and confidential research and analysis. Serving the Congress exclusively, CRS experts work alongside the Congress at all stages of the legislative process and provide integrated and interdisciplinary analysis and insights in all areas of policy interest. CRS support takes the form of reports, tailored confidential memoranda, individual consultations and briefings, and formal seminars.

National Library Service for the Blind and Physically Handicapped (NLS/BPH) – The NLS/BPH, which is part of Library Services, manages a free national reading program for blind and physically handicapped people – circulating approximately 25.3 million items a year at no cost to users. This program consists of three elements:

1. The Library of Congress selects, produces, and contracts for the production of full-length books and magazines in Braille, on recorded disc, and on talking book machines. The NLS/BPH's fiscal years 2012 and 2011 net program costs for this segment were \$70.7 and \$80.6 million, respectively.
2. A cooperating network of 56 regional and 45 subregional (local) libraries distribute the machines and library materials provided by the Library of Congress.
3. The U.S. Postal Service receives an appropriation to support postage-free mail for magazines, books, and machines, which are sent directly to readers. Reading materials (books and magazines) and playback machines are sent to a total readership of 736,543 audio and Braille readers registered individually, in addition to 214,676 eligible individuals located in institutions.

Revolving and Reimbursable Funds – Under the authority of 2 U.S.C. §182, the Library operates the Cooperative Acquisitions Program revolving fund, the revolving fund for duplication services associated with the Packard Campus for Audio-Visual Conservation, the revolving fund for gift shop, decimal classification, photo duplication, special events and public programs and related services, and the

revolving fund for the Federal Library and Information Network (FEDLINK) program and Federal Research program. 2 U.S.C. §182 was amended in fiscal 2003 to authorize the Library's special events and programs activities under the revolving fund statute. Through these activities, the Library is able to further its programs dealing with the acquisition of library materials, reader and reference services, and support for public programs. The Library also provides reimbursable accounting services for five legislative agencies under cross-servicing agreements (i.e., the Congressional Budget Office, the Office of Compliance, the Abraham Lincoln Bicentennial Commission, the Open World Leadership Center, and the United States Capitol Police).

After reflecting earned revenues of \$87.5 and \$92.6 million in fiscal years 2012 and 2011, respectively, reimbursable and revolving fund net program costs totaled \$17.9 and \$14.5 million, respectively. The net program costs were the result of the elimination of \$6.2 and \$6.3 million of intra-Library net revenues, \$11.9 and \$9.5 million in allocated administrative overhead, \$1.6 and \$1.7 million in imputed inter-governmental costs (e.g., employee benefits) not recovered by fees charged by the revolving funds for fiscal years 2012 and 2011, respectively.

General descriptions of major revolving fund activities are:

Cooperative Acquisitions Program – The Cooperative Acquisitions Program, which is operated by the Library's six overseas field offices, acquires foreign publications and research materials on behalf of participating academic and research institutions on a cost-recovery basis. Earned revenues were \$2.8 million for fiscal 2012 and \$3.3 million for fiscal 2011.

Duplication Services – Duplication Services provides preservation services for the Library's audio and visual collections, and products are also produced for sale to the general public. Earned revenues for fiscal years 2012 and 2011 were \$0.1 million and \$0.1 million, respectively.

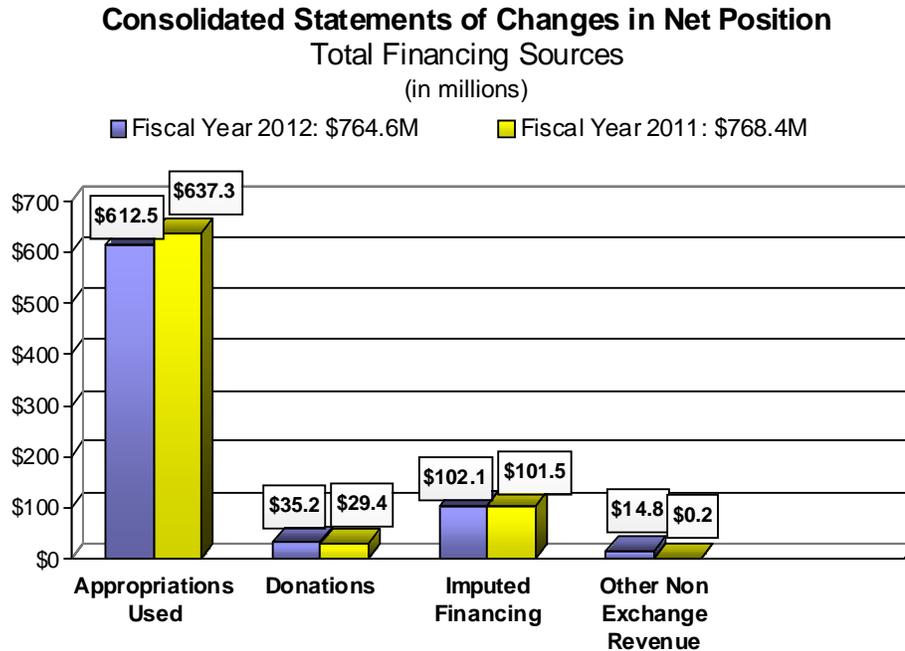
Gift Shop, Decimal Classification, Document Reproduction and Microfilm Services, Special Events and Programs and related services – This revolving fund provides for the operation of a gift shop or other sales of items associated with collections, exhibits, performances, and special events of the Library of Congress; decimal classification development services; the preservation and microfilming services for the Library's collections and reproduction services to other libraries, research institutions, government agencies, and individuals in the United States and abroad; and the hosting of special events and programs by corporate and non-profit entities that support the Library's mission. Earned revenues were \$6.2 million and \$6.4 million in fiscal years 2012 and 2011, respectively, and intra-Library transactions of \$1.8 million and \$1.7 million were eliminated as part of financial statement consolidation.

The FEDLINK program and Federal Research Program (FRP) – FEDLINK serves federal libraries and information centers as their purchasing, training and resource-sharing consortium. The program provides cost effective access to an array of automated information and retrieval, print serials, books, electronic publications and preservation services. FEDLINK contracts with more than 150 major vendors to provide services to federal offices participating in the program, saving the offices in cost avoidance benefits and in vendor volume discounts. FRP provides customized research services that the Library is uniquely able to perform as a result of its collections and the subject and language expertise of its staff. A popular FRP product, available online via the Library's website, is the country study series of books. In fiscal years 2012 and 2011, earned revenues were \$80.3 and \$83.9 million,

respectively, and intra-Library transactions of \$1.7 million and \$2.0 million were eliminated as part of financial statement consolidation.

Consolidated Statements of Changes in Net Position

The purpose of the Consolidated Statements of Changes in Net Position is to provide financial statement users with information about the Library's financing sources and the components of the changes in net position. The Library's financing sources totaled \$764.6 million and \$768.4 million for the fiscal years ended September 30, 2012 and 2011, respectively.



The major source of the Library's funding is from congressional appropriations for five programs: National Library, Law Library, Copyright Office, Congressional Research Service, and National Library Service for the Blind and Physically Handicapped. Appropriations used during the fiscal years ended September 30, 2012 and 2011 totaled \$612.5 and \$637.3 million or 80 and 83 percent for fiscal years 2012 and 2011, respectively, of all financing. Along with appropriations made directly to the Library, other government agencies (i.e., the Architect of the Capitol, the Office of Personnel Management, Government Printing Office, U.S. Treasury, and U.S. Capitol Police) used congressional appropriations and other financing sources to provide support for the Library's programs totaling an estimated \$102.1 and \$101.5 million (imputed financing) for fiscal years 2012 and 2011, respectively. The support provided included structural care and maintenance of the Library's buildings and grounds (\$69.3 million and \$62.6 million), employee benefits (\$30.1 million and \$36.0 million), acquisitions exchange services (\$1.4 million and \$1.3 million), legal claims (\$0.0 million and \$0.2 million) and collections security services (\$1.4 million and \$1.4 million). Other non-exchange revenues are positive and negative for fiscal years 2012 and 2011, primarily due to the unrealized loss or gains on non-treasury investments.

Combined Statements of Budgetary Resources

The Combined Statements of Budgetary Resources and the related disclosures provide information about how budgetary resources were made available, as well as their status at the end of the period. The Budgetary Resources section of the statement presents the total budgetary resources available to the Library. The Status of Budgetary Resources section of the statement presents information about the status of budgetary resources at the end of the period. Finally, the Outlays section presents the total outlays of the Library and relates obligations incurred to total outlays.

The Library's budgetary resources were \$859.5 million and \$900.1 million for the fiscal years ended September 30, 2012 and 2011, respectively, of which \$606.1 million and \$652.5 million were from appropriated funds and \$143.5 million and \$144.1 million were from non-appropriated funds for fiscal years ended September 30, 2012 and 2011, respectively. Total outlays of \$635.5 million and \$656.7 million were incurred with the outlays of appropriated funds (\$613.4 million and \$635.7 million) combined with outlays of the non-appropriated funds (\$22.1million and \$21.0 million) in fiscal years 2012 and 2011.

Performance Targets and Accomplishments

At the beginning of fiscal 2011, the Library published the *Library of Congress Strategic Plan Fiscal Years 2011 – 2016*. As a major enhancement to previous editions, this six-year strategic plan describes specific, measurable results the Library plans to achieve by the end of fiscal 2014. From the result statements, the Library developed logical, incremental annual objectives for fiscal years 2011, 2012, and 2013 that ensure a Library-wide focus on and careful tracking of the steps required to accomplish those desired results by 2014.

This section of the Library's *2012 Financial Statements* presents those annual objectives and related performance targets grouped by their respective connections to the Strategic Plan's five goals: (1) Provide authoritative research, analysis, and information to the Congress; (2) Acquire, preserve, and provide access to a universal collection of knowledge and the copyrighted record of America's creativity; (3) Sustain an effective national copyright system; (4) Lead and work collaboratively with external communities to advance knowledge and creativity; and (5) Manage proactively for demonstrable results. As a general rule where there are multiple performance targets for a single annual objective, the accomplishment statements summarize the individual target results.

Strategic Plan Goal: Provide authoritative research, analysis, and information to the Congress.

Annual Objective: The Library has tested or implemented processes for collecting and analyzing data related to client needs/behavior, using tools such as web analytics (to understand website usage) Client Relationship Management Systems (CRMS) (to understand requests for expertise, information, and services), and client feedback mechanisms.

Performance Target: Analyze the use of the personalization feature on crs.gov to gain a more robust understanding of client needs, develop client feedback mechanisms related to website personalization, and enhance personalization features as appropriate by the end of fiscal 2012.

Accomplishment: The purpose of this annual objective and its performance target was to enhance insight into the needs and behaviors of congressional users of CRS.gov. CRS launched various personalization features in response to earlier client surveys that indicated a desire for more targeted, focused content. The Legal Sidebar was also a response to expressed client needs for more timely and accessible material, in this case focusing on legal issues. In both cases, we utilized web metrics to gauge client interest and behavior. We also developed more effective links between these personalization features and our client relationship management application which, among other things, facilitated the placement of requests by clients via the web. As a result, CRS is well positioned to continue this work in fiscal 2013.

Annual Objective: The Library has identified data needs in support of acquiring and organizing information relevant to a broader range of areas aligned with the congressional agenda.

Performance Target: The Library has prioritized its data requirements and developed a strategy for acquiring, organizing, archiving, and retrieving data relevant to a broader range of areas aligned with the congressional agenda, by the end of fiscal 2012.

Accomplishment: A multidepartment team started with an inventory of datasets acquired and/or used by Library service units, and quickly realized that it would be impossible to fully identify all datasets. The result was a partial inventory, but the effort was sufficient for the team to outline the Library's requirements for datasets, and to expose the issues related to the acquisition, organization, archiving and retrieving of data. From this, the team developed a strategy to bring focus and collaboration across the Library to systematically acquire and manage data supporting public policy research. The strategy will guide a pilot project planned for fiscal 2013.

Annual Objective: The Library has completed the design and initiated development for the next generation legislative information system platform and services.

Performance Target 1: Provide Congressional Record search and functionality enhancements.

Performance Target 2: Prepare legislative data and documents for the next generation legislative information system platform and services.

Performance Target 3: The Library has released a beta modern web platform for legislative information. The platform's architecture and search strategy will be aligned with the Library of Congress Information Architecture and Search Strategy.

Performance Target 4: Initiate expert system design and development efforts in preparation for fiscal 2013 objectives.

Accomplishment: The Library's multidepartment team, with strong project management leadership, successfully accomplished the initial release of beta.congress.gov. Releasing the beta legislative system is a significant step toward the Library's fiscal 2014 goal to replace two legacy systems – THOMAS and LIS – with a single, modern system. There will be many efficiencies realized when the Library can maintain one system rather than two.

Annual Objective: The Library has refined processes that support improved timeliness, breadth and depth of coverage, and interdisciplinary collaboration.

Performance Target: CRS will build on the case study approach and indicators developed in fiscal 2011 to identify and test ways to improve data quality related to timeliness, breadth and depth of coverage, and interdisciplinary collaboration.

Accomplishment: CRS implemented process and technology enhancements that supported improved timeliness, breadth and depth, and interdisciplinary collaboration in service to the Congress. This included improvements making it easier for congressional clients to access legal analysis on current issues of the day, to assess the contents of CRS reports, to place and monitor requests for CRS service, and to register for events and view CRS reports via congressionally distributed mobile devices. Internally, the improvements included establishing a shared work area where staff can collaborate on information and work products, notifying staff members via mobile devices of time-sensitive congressional requests, and continuing to enhance the quality of data used to assess the value and effort of CRS' work for the Congress.

Annual Objective: The Library has prepared a draft requirements document (including baseline indicators) for mobile device access to products and services via crs.gov.

Performance Target: By the end of fiscal 2012, a core requirements team will: Identify key indicators of improved mobile device access to crs.gov, identify key stakeholders, interview key stakeholders, draft a requirements document, and review the draft requirements document with CRS management.

Accomplishment: The mobile requirements serve as the foundation for the solution to business needs. Preparing a requirements document was instrumental in evaluating the needs of the Congress for mobile device access to CRS products and services via www.crs.gov. The stakeholder interviews and surveys identified how to better present CRS research to Members and staff who are frequently out of the office using mobile devices.

Annual Objective: Training for congressional Members and staff has been developed and implemented to meet requirements.

Performance Target: By the end of fiscal 2012, the Library is offering coordinated training to selected testers who are Members of Congress and congressional staff. This will include marketing the training to the Congress.

Accomplishment: The Library compiled a complete list of training opportunities offered to the Congress. The list is being made available through the Congressional Relations Office website for the Congress. Appropriate House of Representatives offices are assisting with dissemination and marketing of this information.

Strategic Plan Goal: Acquire, preserve, and provide access to a universal collection of knowledge and the copyrighted record of America's creativity.

Annual Objective: The Library has established the Collections Development Office with oversight of Library collection policies, priorities and standards for obtaining materials for disciplines and jurisdictions of importance to the Congress and the Library's constituencies.

Performance Target: Collections Development Office is established with an approved operating plan by the end of fiscal 2012.

Accomplishment: The Collection Development Officer and the Associate Librarian planned the work and direction of the Office. As part of the planning process, the Officer visited divisions to gather feedback on issues and concerns related to building the Library's collections. The Officer drafted the reorganization package for the Office, including position descriptions for the Office's positions.

Annual Objective: The Library is receiving electronic-only serials through mandatory deposit (i.e., content available only in electronic form).

Performance Target 1: Enter into relationships with large publishers that will allow the Library to automate the processing of large numbers of files, transferred on a regular basis, without the need for significant staff intervention, in a consistent, useable format.

Performance Target 2: Prepare preliminary analysis of lessons learned from experience with e-serials deposits, to assist in formulating a possible proposal for changes in copyright statute relating to deposit of electronic works, by September 30, 2012.

Performance Target 3: Increase the number of e-serials titles deposited by existing participants to 130 from the fiscal 2011 baseline of 85, by September 30, 2012.

Performance Target 4: Increase the amount of normalized electronic serial content entering the Library's workflow from publishers by deciding on a small number of standardized file formats to maximize the Library's ability to preserve the digital content to meet the needs of current and future researchers.

Accomplishment: The Library is laying the foundations for future acquisition of electronic-only resources which will enhance the national collections. The work completed this year has increased the number of electronic serial titles received. We also obtained valuable experience that will guide both acquiring digital deposits for the Library's collections as well as building the infrastructure necessary to achieve that desired result.

Annual Objective: The Library is receiving television shows and films in electronic format for its collections through copyright registration and/or mandatory deposit.

Performance Target: Create infrastructure to receive and ingest TV shows and films that are in electronic format into the Library of Congress' collections for management by Library staff, by September 30, 2012.

Accomplishment: Funding and meetings with stakeholders prepared the way for a pilot that will serve the Library by acquiring master quality digital editions of TV programming and will serve the public by enhancing both the quality of the copyright registration for these TV programs and the ease with which copyright registrations can be made.

Annual Objective: The Library has tested a system for the ingestion, authentication, and storage of both new and existing forms of digital content.

Performance Target: The Library has initiated the development and testing of a system for the ingestion, authentication, and storage of both new and existing forms of digital content.

Accomplishment: In fiscal 2012 the Library initiated development and testing of a system for the ingestion, authentication, and storage of new and existing forms of digital content. Following an extensive requirements gathering effort initiated during the latter half of fiscal 2011 and completed in June 2012, the Repositories Development Center (RDC) began development and testing of a digital repositories system. File characterization services and the overall development of repository infrastructure and services has, to date, been the primary focus of testing and development.

Annual Objective: The Library has transferred all designated special format materials to Ft. Meade Modules 3 and 4.

Performance Target: The Library has transferred 239,000 trackable containers of special format collections designated for Ft. Meade

Accomplishment: The Library transferred 223,509 trackable containers to Ft. Meade Modules 3 and 4 through September 30, 2012. This means 93.5% of the original 3-year target of 239,000 containers holding designated special format collections have now been transferred to the Library's state-of-the-art offsite storage facility.

Annual Objective: The Library has assessed, housed, stabilized, mass deacidified, bound, reformatted, or otherwise prepared over 10 million high value, high use, and/or at-risk items in all formats since fiscal 2011.

Performance Target: The Library has assessed, housed, stabilized, mass deacidified, bound, reformatted, or otherwise prepared over 5 million high value, high use, and/or at-risk items in all formats. This annual target is added to fiscal 2011 productivity results to achieve the annual objective of 10 million items treated by the end of fiscal 2012.

Accomplishment: By completing more than 8 million preservation activities in fiscal 2012, the Preservation Directorate has ensured the long-term access to a large collection of high value, high use, and/or at-risk items.

Annual Objective: The Library has identified and proposed criteria for the preservation of the Library's digital materials.

Performance Target: The proposed plan for guidelines, best practices and workflows for the preservation of digital materials is tested and evaluated with at least four custodial divisions.

Accomplishment: In fiscal 2012, the Digital Preservation Working Group (DPWG) completed a final [draft] proposal, "Guidelines and Workflow Document for Preservation of Digital Materials at the Library of Congress," specifying the path forward for the evaluation and adoption of workflows, practices, tools, and policies for the preservation of digital materials. The guidelines reflect the latest research findings and industry trends and practices and will help organizational units make decisions that will mitigate risk to digital materials. Ten custodial divisions and program units tested and evaluated the digital

preservation guidelines. The DPWG reviewed the input and incorporated it as appropriate in the guidelines document.

Annual Objective: Law Library is assessing storage and space requirements for relocation of materials that need special environmental and collection security consideration and follow standard practices (per the Library of Congress Inspector General report).

Performance Target: By the end of fiscal 2012, the Law Library will have an assessment and plan for addressing the space requirements for special materials.

Accomplishment: The Law Library completed the relocation plan for the storage of rare legal materials that need special environmental and collections security consideration.

Annual Objective: The Library's web presence, based on the new information architecture, has been built and tested.

Performance Target: Develop the Library's web presence for the three core areas in accordance with the information architecture strategy and Web Governance Board approved technology plans by the end of fiscal 2012.

Accomplishment: Work on the congressional area of the web presence culminated in the release of beta.congress.gov, the new legislative information system. Work on the National Library area yielded improvements in searching for, viewing and navigating among collection materials. In the National Library area, the main search was augmented to index more Library content, new page designs to display items were introduced, and a new framework for linking items was developed. Work in the Copyright area did not progress as far as originally planned. Although high-level designs were completed, the detailed work on the Copyright area remains and is planned for the upcoming year in coordination with other Copyright Office projects.

Annual Objective: The Library has developed and implemented plans for improving user online experience and access.

Performance Target: Develop and implement a set of evaluation metrics for continuous improvement of the user online experience and access by the end of fiscal 2012

Accomplishment: Web metrics policies and Key Performance Indicators for the Library's web presence were developed. Web metrics code was implemented in the releases of the National Library site and beta.congress.gov. These accomplishments position the Library to improve user access and online experience during fiscal 2013.

Annual Objective: The Library has reviewed the overall public experience offerings onsite and online, determined what should be adjusted, and aligned behind a new set of goals and objectives. Metrics have been established to regularly review status of public experience.

Performance Target 1: Web content is maintained and usage statistics are collected according to approved plans and online and print information, including marketing plans, is updated for exhibit and interactive content.

Performance Target 2: The Library has reviewed the major exhibition offerings onsite and online and has identified changes that will be implemented in the upcoming fiscal year.

Accomplishment: All web content and usage statistics remain available, and all online and print information is up to date. Through the collaborative efforts of the Interpretive Programs Office, Visitor Services Office, the Office of Strategic Initiatives, Information Technology Services, and the Office of the Librarian, the costs for maintaining and transitioning these activities have been carefully managed and have not exceeded anticipated levels.

Annual Objective: Material shelved under "LAW" will have been reclassified to the Class K schedule by fiscal 2020.

Performance Target: Reduce the backlog by greater than 20,000 volumes.

Accomplishment: The classification of 32,589 volumes resulted in more efficient retrieval of these items, and quicker service to the Congress and the public. Part of the classification process is the inventory of these retrospective volumes, which corrects many of the access problems. The items are now shelved under a unique Class K number, resulting in an additional access point.

Annual Objective: Launch law.gov with guidelines for proofs of concept and best practices standards.

Performance Target: By the end fiscal 2012, launch a pilot of law.gov incorporating selected content from the Guide to Law Online.

Accomplishment: The Law Library web presence was updated to reflect new Library guidelines, metadata standards, and templates implemented as part of Project ONE in anticipation of the Law.gov launch. Congress.gov Beta, a Project ONE, Year One initiative to build a modern, mobile-friendly system for legislative materials, was successfully launched on September 19. The Law Library assisted with successful launches of a Congressional Record iPad App and the addition of House Committee videos on THOMAS. The launch of law.gov was delayed until the design for the new home page for the Law Library can be completed and implemented.

Strategic Plan Goal: Sustain an effective national copyright system.

Annual Objective: The Copyright Office organizes annual training of nationals from developing countries in intellectual property law and policy.

Performance Target: Educate and train nationals from developing countries in intellectual property law and policy during fiscal 2012.

Accomplishment: The Copyright Office fulfilled its statutory mandate to provide education programs for foreign intellectual property offices (17 U.S.C. §701(b)) through its training of foreign copyright officials. The information provided in these programs was widely praised

by the foreign officials, with whom the Copyright Office has now established professional contacts for potential future collaboration.

Annual Objective: The Library has initiated the 1201 rulemaking #5.

Performance Target: Initiate the Section 1201 rulemaking #5, to be completed in fiscal 2013.

Accomplishment: The Register has nearly completed the fifth triennial rulemaking pertaining to exemptions to the prohibition on circumvention of technological measures that effectively control access to copyrighted works, pursuant to her statutory obligation under 17 U.S.C. §1201(a)(1)(C). The public benefit is new regulations concerning the circumstances under which certain users may circumvent technological measures for non-infringing uses under 17 USC 1201.

Annual Objective: The Copyright Office has completed the pre-1972 sound recording report required by the fiscal 2009 Legislative Branch Appropriations Bill.

Performance Target: Complete the pre-1972 sound recording report, required by the fiscal 2009 Legislative Branch Appropriations Bill, by December 31, 2011

Accomplishment: The report recommending the extension of federal protection to sound recordings fixed before February 15, 1972, and offering carefully considered legislative recommendations to achieve this goal, including special provisions to address ownership issues, term of protection, and registration is complete. The report also contains in-depth analysis of key policy questions central to evaluating the benefits of taking such action, *i.e.*, the effect federal protection would have on preservation, the ability to provide public access to these works, and the impact federal protection would have on the economic interests of the rights holders.

Annual Objective: The Copyright Office has initiated or completed additional priority studies for the Congress.

Performance Target 1: Initiate a study on small claims solutions for copyright owners by September 30, 2012. The Office is conducting a study on alternative means of resolving copyright infringement claims when such claims are likely to involve limited amounts of monetary relief.

Performance Target 2: Complete a study on mass book digitization by October 31, 2011.

Accomplishment: The Copyright Office successfully engaged stakeholders on substantive questions related to small copyright claims and will have a solid foundation on which to base its report to the Congress. The Office's report on mass digitization, published October 2011, provided the Congress with advice about significant copyright issues. The report was cited in a subsequent Supreme Court opinion.

Annual Objective: The Copyright Office has assisted the Congress with priority copyright-related legislation.

Performance Target 1: Advise and assist the Congress in developing anti-piracy legislation, by

September 30, 2012.

Performance Target 2: Advise and assist the Congress in developing orphan works legislation, by September 30, 2012.

Performance Target 3: Advise and assist the Congress in developing amendments to copyright exceptions for libraries, preparing a first draft discussion document and recommendations regarding amendments to section 108 by September 30, 2012.

Accomplishment: A key duty of the Copyright Office is to advise the Congress on national copyright issues (17 U.S.C. §701(b)). The Office maintains regular contacts with congressional staff, particularly of the Judiciary Committee in the House of Representatives and the Senate. For example, the issues of orphan works and felony streaming are priority legislative issues identified in the Register's October 2011 Priorities and Special Projects 2011-2013. It is important for the Office to work with the Congress on these matters in order to formulate effective policy. The Congress also indicated its interest in foreign infringing websites, and the Office was involved in providing analyses to the Congress. The Register testified on then-pending legislation – the only government entity to do so during that very public debate.

Annual Objective: The Copyright Office is participating in international intellectual property organizations and trade negotiations.

Performance Target 1: Participate effectively in meetings and negotiations of the World Intellectual Property Organization (WIPO), by September 30, 2012.

Performance Target 2: Support the Office of the U.S. Trade Representative (USTR) and other executive branch agencies in trade and treaty deliberations for the Trans-Pacific Partnership and other trade priorities.

Accomplishment: By participating in meetings and negotiations both with foreign government officials and international intergovernmental organizations (such as WIPO), the Copyright Office fulfilled its statutory mandate to participate in such meetings, including on delegations led by the Executive Branch (17 U.S.C. §701(b)). Because there are a large number of copyright issues under consideration at WIPO, the Office fills a critical role in developing interagency consensus on these legal matters and fosters dialogue with various stakeholders. Furthermore, the Register made the Office's ongoing work at WIPO and in trade negotiations (such as the Trans-Pacific Partnership) a priority in her October 2011 Priorities and Special Projects 2011-2013.

Annual Objective: The Copyright Office carries out an administrative law practice consistent with the authority the Congress has granted it under the Copyright Act and other provisions of Title 17.

Performance Target: Initiate proposed amendments to regulations and practices governing the designation of online service provider agents, in advance of implementing an electronic system for the designation of agents, by September 30, 2012.

Accomplishment: The Rulemaking proposal was widely supported by both service providers and the public, and the comments in the rulemaking provided useful input and

changes to the proposed design of the system. When the resulting system is implemented, it will increase efficiency while lowering costs and improving the public record.

Annual Objective: The Library has completed the digitization of 50 percent of the copyright card catalog records from 1923-1977.

Performance Target: Increase the number of digitized pre-1978 historical records from the Copyright Card Catalog to 20 million, achieving 50% card digitization, by September 30, 2012.

Performance Target: Investigate how to make scanned historical records searchable and available online and make proposals to the Register of Copyrights by September 30, 2012.

Accomplishments: Scanning and preserving these one-of-a-kind copyright card catalog records is more than 50 percent complete. To make the records available online, the Office is preparing to extract and create metadata. The project thus enhances both preservation and paves the way for increased access by researchers and the public. The user feedback analysis conducted during fiscal 2012 gives clear direction for developing business/system requirements that will best meet the needs of a wide variety of users. Vendor demonstrations on leveraging advanced software and crowd-sourcing to achieve large scale metadata capture to create a searchable index proved the concept and provided a road map for building a fully searchable online catalog of pre-1978 copyright records.

Annual Objective: The Copyright Office has reduced turnaround time for claims submitted electronically and by mail.

Performance Target: Maintain average turnaround time for claims submitted electronically of no more than 3.5 months, by September 30, 2012.

Performance Target: Reduce average turnaround time for hard copy claims by 45 days by September 30, 2012.

Accomplishments: Turnaround times for both categories of claims (electronic and hard copy) were reduced by more than their targets. This ensures claimants receive their copyright certificates more rapidly, assisting them should they need to prosecute infringement in court. The improvements also mean records are more quickly available for potential users of copyrighted works to research ownership.

Annual Objective: The Copyright Office has conducted a study of costs incurred by the Office for its services and has presented a fee schedule to the Congress if warranted.

Performance Target: Complete a study of the costs incurred by the Copyright Office for the registration of claims, recordation of documents, and the provision of its services, by June 30, 2012. Submit a proposed fee schedule and accompanying economic analysis to the Congress, if warranted by the study, by September 30, 2012.

Accomplishment: The studies provide a sound basis for proposing new fees that cover reasonable costs incurred by the Copyright Office while being fair and equitable and giving due consideration to the objectives of the copyright system. A proposed schedule of fees will be submitted to the Congress in 2013.

Annual Objective: The Copyright Office has revised and published the Compendium of Copyright Office Practices.

Performance Target: Initiate public comment and revisions to the Compendium of Copyright Office Practices, by September 30, 2012.

Accomplishment: The Compendium's draft chapters are a valuable reference tool for the Office, the public, and the courts. Updating the Compendium benefits the public by providing current information on the Office's examination and recordation practices and policies and its interpretation of certain areas of the law. This aids filing applications and recording documents, as well as reviewing registrations and recorded documents for information about particular works. The updated Compendium will also assist courts in reviewing and understanding registration information and the policies of the Copyright Office with respect to unclear areas of the copyright law.

Annual Objective: The Copyright Office has created a reengineering plan for document recordation and award a contract for system development.

Performance Target: Engage in eight meetings and discussions with copyright owners for all types of works, users of public records, technologists, consumer groups, copyright industry groups, etc. to begin to draft a documents recordation reengineering strategy by September 30, 2012.

Accomplishment: Feedback will help ensure that efforts to modernize document recordation processing and output will be successful, leading to better service to copyright owners and users.

Annual Objective: The Copyright Office has effectively addressed proposed market alternatives for statutory licenses as required by the Satellite Television Extension and Localism Act of 2010.

Performance Target: The Copyright Office has responded to congressional questions or congressional inquiries about legislation proposed by the Congress resulting from the Office's report on market alternatives to statutory licensing, which was required by the Satellite Television Extension and Localism Act of 2010.

Accomplishment: Every five years, the satellite compulsory license for the retransmission of broadcast television stations, embodied in U.S.C 17 §119, comes up for reauthorization. Often the Congress considers amendments both to the cable and satellite statutory licenses at this time and has in recent years explored the idea of eliminating the licenses totally. The Statutory Licensing Report provides a starting point for such deliberations as it offers legislative options for phasing out the statutory licenses with the least amount of pain to the stakeholders. The report also explores the costs and benefits of replacing the statutory licenses with marketplace alternatives. The Report will aid the Congress in identifying and working through the thorny policy and legal questions that are central to any move toward the elimination of the statutory licenses.

Annual Objective: The Library has tested systems and processes for online cable licensing.

Performance Target: Pilot systems and processes for online cable licensing, by September 30, 2012.

Accomplishment: By successfully undertaking the pilot of the cable statement of account submission system the Copyright Office took a significant step in providing online services to the statutory licensing community. Stakeholder response to this pilot has been overwhelmingly positive.

Strategic Plan Goal: Lead and work collaboratively with external communities to advance knowledge and creativity.

Annual Objective: Working with OSI's Repository Development Center, the Library has initiated the design and development of information description and data exchange systems and tools that meet documented requirements.

Performance Target: The Library has initiated the development of a system for needed information description and data exchange tools.

Accomplishment: The Repository Development Center enhanced the Library's Content Transfer Services (CTS) with the addition of several generic workflows making it easier for users to receive content in large batches. CTS now supports multiple mechanisms for prioritizing service requests, including setting priority levels and configurable queue ordering. Documentation on bag versioning and the prepare/assemble workflow step has been updated. The Delivery Management System and CTS continue to support the reporting needs of the e-Deposit project. CTS also talks with users on additional ways to enhance reporting capabilities.

Annual Objective: The Library has developed and tested processes for evaluating collaboration and alignment with Library strategic goals.

Performance Target 1: The Library will develop a database with an easy to use interface to allow for ongoing maintenance of the inventory.

Performance Target 2: The Library will develop a survey tool or other collection technique to assess the effectiveness of all collaborative efforts.

Accomplishment: Analysis of the Inventory of Collaborations and survey data show positive results from collaborations with hundreds of organizations and entities including many highly prestigious institutions. The partnerships are geographically dispersed, extending to every state in the United States and continent of the globe. The collaborations are diverse in content, favorably received and often of long duration – a testament to the Library's success in forging and sustaining robust networks within the larger cultural community.

Annual Objective: The Library has begun to share the proposed organizational framework for coordinating its conservation research with partners and other research facilities.

Performance Target: The Library has drafted and shared with research institutions a draft model for conducting meta-analysis as it can be applied to preservation research.

Accomplishment: The meta-analysis report and required workflow plan was completed. The Library identified and contacted a group of specific research partners to create the conservation research collaborative framework. The additional network partners created a strong organizational framework to apply the meta-analytical approach for review of new areas of conservation research.

Annual Objective: The Library has established meaningful measures for leadership and expertise baselines for:

- Adoption of Library standards, best practices and guidelines,
- Third party attestation (e.g. press, publication, citations).

Performance Target: The Library has overseen completion of at least four activities identified as conditional for implementation of a new descriptive cataloging code (RDA--Resources Description & Access) for the Library and United States libraries.

Accomplishment: The Library exceeded its target and completed six tasks which move it closer to the objective of adopting standards, best practices, and guidelines. These successes strengthen the Library's position as a leader, guiding both its internal processes and providing valuable tools for other Libraries.

Annual Objective: The Library has adjusted production quantities for the new digital talking book system (digital players, books, and magazines) to align with user demand.

Performance Target 1: Contracts awarded for the production of up to an average of 850 copies each of 2,000 new digital book titles.

Performance Target 2: Contract awarded for the development of a production capability to duplicate and distribute magazines on digital flash cartridge.

Accomplishment: Awarding contracts for book titles and copies as well as for developing the capability to duplicate and distribute magazines on flash cartridges ensured moving forward with the effort to modernize and improve the services provided by the National Library Service for the Blind and Physically Handicapped.

Strategic Plan Goal: Manage proactively for demonstrable results.

Annual Objective: The Library's Enterprise Architecture (EA) contains artifacts – systematic structural descriptions in useful models, diagrams, tables, and narrative – generated and shared among identified stakeholder audiences to support Information Technology (IT) infrastructure management and IT investment decisions.

Performance Target: By September 30, 2012, a High-Level Enterprise Architecture (EA) Overview Diagram, graphically representing selected aspects from within working repositories, is available for management use. There are five tasks:

1. The Library's EA framework facilitates EA development, collaboration, presentation, and implementation, (based upon the Federal Enterprise Architecture Framework (FEAF) layers).
2. A set of spreadsheet-based Working Repositories are in tabular format, providing visualization of relevant EA data points.
3. EA data points are queried via extracts to answer identified Business Questions.
4. A supplemental EA Program development and implementation evaluation dashboard is applied, based upon Enterprise Architecture Management Maturity Framework (EAMMF).
5. Selected EA artifacts are identified to target service unit audiences.

Accomplishment: The primary deliverable, a High-Level Enterprise Architecture (EA) Overview Diagram (HLOD) depicting "As-Is" aspects of the Library's EA, was completed on schedule. The HLOD is the primary vehicle to convey the Library's EA to stakeholders. Keeping the diagram current will serve management's Architectural data needs in conjunction with documents developed in fiscal 2012 by the Architecture Review Board.

Annual Objective: The Library has tested programs for flexible workplace and off-site continuity of operations (COOP) activities.

Performance Target: By the end of fiscal 2012, off-site testing has been conducted to ensure Library core processes can continue in a Continuity of Operations (COOP) environment.

Accomplishment: The Library completed COOP off-site testing on August 9, 2012. Debriefings and lessons learned were provided to service unit management. Completion of the off-site testing ensures the Library core functions will be able to continue in the event of a catastrophe on the Capitol Hill campus.

Annual Objective: The Library's strategic goals drive Office of Support Operations infrastructure annual performance plans.

NOTE: The Office of Support Operations (OSO) originally used 31 separate targets to measure progress toward achieving this annual objective. Near the end of the fiscal year, responsibility for the two contracting targets transferred to the Office of the Librarian. The remaining 29 targets comprise the six subject areas listed below. The transferred contracting targets and their accomplishments appear immediately as the second iteration of this annual objective.

Performance Targets (five) related to the work of the Architect of the Capitol and the Library's Facilities Office to improve the health and life-safety aspects of the Library's spaces for people and collection storage.

Accomplishments: Completion and/or progress toward completing the following projects have made the Library's buildings safer for staff, researchers, and visitors: smoke detection improvements, elevator recall for emergency responders, improved strobe warning lighting, sprinkler system improvements, hazardous material abatement at an entrance, and fire door

improvements. Additional projects to add to, upgrade, or improve the environment for collections storage areas on Capitol Hill and at Fort Meade moved forward through planning stages toward being ready for construction to begin.

Performance Targets (three) related to the Library's Facilities Office.

Accomplishments: Efforts to improve both timeliness and customer satisfaction with the completion of facility projects within the Library were successful. A project to increase existing collection storage capacity through the use of more efficient shelving material was successful.

Performance Targets (seventeen) related to improving the management of human capital processes and resources.

Accomplishments: The most significant accomplishment among this series of targets was implementing the Human Capital Management Plan and the establishing the Human Capital Planning Board. These efforts led to more effective succession planning to ensure the Library's future workforce will have the talents and skills they need. Other accomplishments included streamlining and standardizing processes in developing well-trained management and supervisory-level cadre to ensure fairness and equity for employees throughout Library.

Performance Targets (two) related to improving records management.

Accomplishments: The Library trained its workforce in the intricacies of federal records management which led to improved safeguarding of records as well as efficiencies in determining what materials need to be retained.

Performance Target (one) related to improving safety conditions -- other than those included in the AOC and Facilities Office.

Accomplishment: In comparison to fiscal 2011, the Library successfully reduced the number of safety hazards unabated for more than 30 days by more than the targeted two percent. This improved the overall safety environment at the Library.

Performance Target (one) related to security of the collections.

Accomplishment: The Library completed its review of the physical security and preservation components of the overall collections security effort. Completing the remaining component, Inventory Management, during fiscal 2013 and implementing any needed changes will ensure the program is effective in protecting the collections.

Annual Objective: The Library's strategic goals drive the Office of the Librarian's infrastructure annual performance plans.

NOTE: These are the contracting targets transferred from the Office of Support Operations.

Performance Target 1: Service Unit Acquisition Plans are developed and provided to the Office of Contracts Management (OCM) on a 15-month planning process.

Performance Target 2: Building Capability: The success of OCM is vitally dependent upon the

competency of all who play a substantial role in the acquisition process. Develop and implement a formalized Contract Officer's Representative (COR) training program.

Accomplishment: OCM completed all identified acquisitions in FY2012. The Library's management is addressing outstanding procurement issues through a Library-wide effort. The effort includes the training of OCM personnel as well as service unit personnel. The training of CORs, which was identified as a performance target, was completed in order to decrease the likelihood of problems during contract administration. The development of acquisition plans (technically, "procurement plans") that project beyond 12 months will be provided through the new Library of Congress Budget System that is currently being implemented.

Annual Objective: Using its Information Technology governance processes, the Library has established agency-wide priorities for developing and maintaining its automated systems.

Performance Target 1: By September 30, 2012, the Information Technology Steering Committee (ITSC) has established agency-wide priorities for IT Investments meeting the threshold criteria.

Performance Target 2: To ensure the ITSC has the necessary business and technical competencies for decision making, 100 percent of all positions on the ITSC will be filled.

Performance Target 3: Quarterly reports will identify allocation and spending of ongoing investments that span multiple years and asset investments requiring capitalization.

Performance Target 4: The Steering Committee will affirm that investment criteria defined within the IT Investment Management scoring framework are applied on 100 percent of Executive Committee sponsored projects.

Performance Target 5: ITSC members will address outstanding issues with IT investments (i.e., need for adjustments to program scope and approach) on a monthly basis.

Performance Target 6: The ITSC will coordinate IT investment review with annual budget and planning guidelines.

Accomplishments: The ITSC set agency-wide priorities for funding IT Investments that met one or more threshold criteria for cost, complexity, risk, visibility, and wide applicability. Following established ITIM processes, the ITSC ensured that the seven IT investments recommended for funding in fiscal 2012 were those most closely aligned with the Library's strategic objectives and those deemed to enhance IT capabilities across the Library. These actions ensured IT resources were used wisely for the on-going benefit of the Library as a whole.

Annual Objective: The Library has implemented the new Planning and Budgeting Framework and uses budget and planning systems for analysis and decision making.

Performance Target 1: The Office of the Chief Financial Officer (OCFO) has published the final version of the Planning and Budgeting Framework Manual by May 31, 2012.

Performance Target 2: By September 30, 2012, the replacement for the existing eLCplans system, which provides planning and performance information for decision making regarding program execution, strategic planning and implementation, has been approved, funded, and is ready for release in fiscal 2014.

Performance Target 3: By September 30, 2012, users of the Library of Congress Budget System (LCBS) are prepared for full system implementation beginning October 1, 2012.

Performance Target 4: OCFO has developed a draft performance and accountability report (PAR) for fiscal 2012 by September 30, 2012.

Accomplishments: Publishing the Planning and Budgeting Framework Manual helped service units complete their annual planning and performance tracking/reporting more efficiently. OCFO completed the functional requirements for enhancing the eLCplans system with additional capabilities which, when implemented, will improve planning and performance tracking and reporting at all levels. Implementing LCBS will enable service units, for the first time, to track their budget plans and the execution of those plans through a highly automated, as opposed to a manual, process. Completing the PAR template before the end of the year will enable the piloting of a new report format for future fiscal years.

Annual Objective: Manager and Supervisor performance plans are aligned to Library's Strategic Plan and organizational annual plans.

NOTE: There were eight performance targets for this annual objective, one Library-wide summary target and seven for the individual service units and the Office of the Librarian. The target shown below and the accomplishment statement that follows are for the Library-wide target.

Performance Target: Library-wide manager and supervisor performance plans are aligned to Library's Strategic Plan and organizational plans.

Accomplishment: While the Library was only able to align 65 percent of manager and supervisor performance plans with the strategic plan, the degree of alignment achieved meant more individuals and their organizations were accountable for focusing their efforts on the Library's planned objectives for the year. Progress in achieving 100 percent alignment of performance plans with the Strategic Plan will continue in fiscal 2013.

Annual Objective: The Library has implemented a program that establishes formal avenues to:

- Solicit ideas for improving business processes and information tools for clients,
- Review and prioritize the ideas,
- Implement the ideas where appropriate, and
- Acknowledge and celebrate benefits to the Library.

Performance Target: By September 30, 2012, the Innovation Group has completed Phase II of an innovation program soliciting, reviewing and prioritizing ideas for improving business processes and information tools from employees across the Library.

Accomplishment: The Library's Innovation Group sponsored seventeen focus group sessions to solicit ideas for innovations at the Library. The sessions focused on staff ideas for developing mobile applications, identifying areas of potential cost savings, and implementing process improvements. Library staff attending the sessions volunteered in excess of 500 suggestions for initiating improvements. The Group categorized and prioritized the ideas based on area of focus, cost, and feasibility of implementation. In September 2012, the Innovation Group identified the top two innovation ideas and planned to present their recommendations for funding sources and implementation to the Deputy Librarian in October 2012.

Annual Objective: Fifty percent of Library-wide staff development programs incorporate competencies in collaboration and innovation.

Performance Target: By the end of fiscal 2012, the Library will have included the competencies

of collaboration and innovation in 50% of Library-wide staff development programs.

Accomplishment: Training supported the development of a culture of innovation and collaboration and enhanced the staff's ability to effectively accomplish the Library-wide and service unit priorities.

Internal Control Program, Systems, Controls and Legal Compliance

The Library has an Internal Control Program (ICP) that requires annual risk (vulnerability) self assessments and periodic reviews of control techniques based on the results of the Vulnerability Assessments (VAs). The Library's Internal Control Program policy, as provided in LCR 1510-1 states that:

"Library of Congress will establish and maintain an Internal Control Program to ensure that adequate internal controls are in place to provide reasonable assurance that program activities are operating efficiently and effectively; reliable/timely information is obtained, maintained, recorded, reported, and used for decision making; assets are safeguarded, and that programs are managed with integrity and in compliance with applicable laws and regulations."

During fiscal 2012, all 138 Library modules performed Vulnerability Assessments (VAs) on the identified financial and non-financial programs. Based on the results of the level of risk provided by the VAs, the number of modules that performed Detailed Control Reviews (DCRs) was 45. DCRs examine if control techniques are in place and working as intended. These 45 DCRs yielded 41 new Corrective Action Plans (CAPs). These CAPs will be monitored and tracked by program officials and verification reviewers until the deficiencies are resolved. One finding was rated as a Significant Deficiency. The remaining 40 findings were Letter Findings.

The implementation and regular testing of controls allows for Library management to assert that these controls provide reasonable assurance that the foregoing objectives are met. This testing is performed on the central financial and reporting systems, along with the subsidiary and program systems and the external financial interfaces used by the Library. The Library has continued to enhance the central financial system that was implemented in 2004 to improve controls, reduce paper-based transactions, and decrease the number of program and subsidiary systems.

Limitations of the Financial Statements

The Library's financial statements are the culmination of a systematic accounting process. The statements have been prepared to report the financial position and results of operations of the Library of Congress, pursuant to the hierarchy of accounting principles and standards set forth in Note 1 to the Financial Statements. While these statements have been prepared from the books and records of the Library, they are in addition to the financial reports used to monitor and control budgetary resources that are prepared from the same books and records. The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity. One implication of this is that liabilities cannot be liquidated without legislation that provides resources to do so.

THE LIBRARY OF CONGRESS**Consolidated Balance Sheets**

As of September 30, 2012 and 2011

(in thousands)

	FY 2012	FY 2011
ASSETS		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	\$ 296,418	\$ 334,678
Investments (Note 3)	48,686	45,506
Accounts Receivable, Net (Note 4.A)	20,219	14,388
Other Intragovernmental Assets	233	69
Total Intragovernmental	365,556	394,641
Cash and Other Monetary Assets (Note 1.G)	258	223
Pledges Receivable – Donations (Note 4.B)	5,614	10,162
Investments (Note 3)	90,441	80,583
Inventory and Operating Materials (Note 1.K)	616	896
Property and Equipment, Net (Note 5)	62,485	67,924
Beneficial Interest in Perpetual Trust (Note 1.Q.3)	2,273	0
Other Assets	383	257
Library Collections (Note 1.M)		
TOTAL ASSETS	\$ 527,626	\$ 554,686
LIABILITIES		
Intragovernmental:		
Accounts Payable and Accrued Funded Payroll, Benefits	\$ 4,822	\$ 5,070
Advances from Others	36,228	32,971
Accrued Unfunded Workers' Compensation (Note 8)	1,928	1,922
Other Intragovernmental Liabilities (Note 10)	169	341
Total Intragovernmental	43,147	40,304
Accounts Payable and Accrued Funded Payroll, Benefits	77,964	79,138
Deposit Account Liability	6,783	6,473
Accrued Unfunded Annual and Compensatory Leave	24,860	25,977
Actuarial Unfunded Workers' Compensation (Note 8)	8,319	7,896
Other Liabilities (Note 10)	4,719	4,309
TOTAL LIABILITIES	\$ 165,792	\$ 164,097
Commitments and Contingencies (Note 9)		
NET POSITION		
Unexpended Appropriations – All Other Funds	\$ 151,519	\$ 182,590
Cumulative Results of Operations – Earmarked Funds (Note 17)	171,655	171,288
Cumulative Results of Operations – All Other Funds	38,660	36,711
TOTAL NET POSITION	\$ 361,834	\$ 390,589
TOTAL LIABILITIES AND NET POSITION	\$ 527,626	\$ 554,686

The accompanying notes are an integral part of these financial statements.

THE LIBRARY OF CONGRESS
Consolidated Statements of Net Costs
For the Years Ended September 30, 2012 and 2011

	(in thousands)	
	FY 2012	FY 2011
NET COSTS BY PROGRAM AREA		
National Library:		
Program Costs	\$ 469,201	\$ 477,394
Less: Earned Revenue	(3,208)	(4,430)
Net Program Costs	465,993	472,964
Law Library:		
Program Costs	25,383	25,145
Less: Earned Revenue	(6)	(15)
Net Program Costs	25,377	25,130
Copyright Office:		
Program Costs	77,912	76,163
Less: Earned Revenue	(31,787)	(32,694)
Net Program Costs	46,125	43,469
Congressional Research Service:		
Program Costs	136,188	141,333
Less: Earned Revenue	(3)	(3)
Net Program Costs	136,185	141,330
National Library Service for the Blind and Physically Handicapped:		
Program Costs	70,721	80,563
Less: Earned Revenue	(3)	(3)
Net Program Costs	70,718	80,560
Revolving and Reimbursable Funds:		
Program Costs	105,446	107,149
Less: Earned Revenue	(87,530)	(92,601)
Net Program Costs	17,916	14,548
NET COSTS OF OPERATIONS	\$ 762,314	\$ 778,001

The accompanying notes are an integral part of these financial statements.

THE LIBRARY OF CONGRESS
Consolidated Statements of Changes in Net Position

For the Years Ended September 30, 2012 and 2011

(in thousands)

	FY 2012			FY 2011		
	Earmarked Funds	All Other Funds	Consolidated Total	Earmarked Funds	All Other Funds	Consolidated Total
CUMULATIVE RESULTS OF OPERATIONS						
Beginning Balances	\$171,288	\$36,711	\$207,999	\$185,214	\$32,398	\$217,612
Budgetary Financing Sources:						
Appropriations Used	0	612,482	612,482		637,325	637,325
Non-exchange Revenue	420	0	420	433	0	433
Donations of Cash or Securities	8,014	0	8,014	4,235	0	4,235
Transfers In/(Out) Without Reimbursement	27	(251)	(224)	206	(438)	(232)
Other	2,484	0	2,484	2,954	0	2,954
Other Financing Sources (Non-exchange):						
Donations of Property and Services	422	26,764	27,186	429	24,760	25,189
Transfers – in/out without Reimbursement	0	0	0	(126)	126	0
Imputed Financing	2,895	99,226	102,121	4,304	97,205	101,509
Other	12,147	0	12,147	(3,025)	0	(3,025)
Total Financing Sources	26,409	738,221	764,630	9,410	758,978	768,388
Net Cost of Operations	(26,042)	(736,272)	(762,314)	(23,336)	(754,665)	(778,001)
Net Change	367	1,949	2,316	(13,926)	4,313	(9,613)
CUMULATIVE RESULTS OF OPERATIONS	\$171,655	\$38,660	\$210,315	\$171,288	\$36,711	\$207,999
UNEXPENDED APPROPRIATIONS						
Beginning Balances	\$0	\$182,590	\$182,590	\$0	\$199,250	\$199,250
Budgetary Financing Sources:						
Appropriations Received	0	587,344	587,344	0	629,936	629,936
Appropriations Transferred In/(Out)	0	0	0	0	(76)	(76)
Other Adjustments	0	(5,933)	(5,933)	0	(9,195)	(9,195)
Appropriations Used	0	(612,482)	(612,482)	0	(637,325)	(637,325)
Total Budgetary Financing Sources	0	(31,071)	(31,071)	0	(16,660)	(16,660)
TOTAL UNEXPENDED APPROPRIATIONS	0	151,519	151,519	0	182,590	182,590
NET POSITION	\$171,655	\$190,179	\$361,834	\$171,288	\$219,301	\$390,589

The accompanying notes are an integral part of these financial statements.

THE LIBRARY OF CONGRESS
Combined Statements of Budgetary Resources
For the Years Ended September 30, 2012 and 2011

(in thousands)

	FY 2012	FY 2011
BUDGETARY RESOURCES		
Unobligated balance brought forward, October 1	\$ 99,707	\$ 90,070
Recoveries of prior year unpaid obligations	16,338	21,667
Other changes in unobligated balance (+ or -)	(6,158)	(8,243)
Unobligated balance from prior year budget authority, net	109,887	103,494
Appropriations (discretionary and mandatory)	606,063	652,515
Spending authority from offsetting collections (discretionary and mandatory)	143,520	144,057
TOTAL BUDGETARY RESOURCES	\$ 859,470	\$ 900,066
STATUS OF BUDGETARY RESOURCES		
Obligations incurred (Note 18)	\$ 769,405	\$ 800,359
Unobligated balance, end of year:		
Exempt from apportionment	72,593	82,598
Unapportioned	17,472	17,109
Total unobligated balance, end of year	90,065	99,707
TOTAL BUDGETARY RESOURCES	\$ 859,470	\$ 900,066
CHANGE IN OBLIGATED BALANCE		
Unpaid obligations, brought forward, October 1 (gross)	\$ 278,184	\$ 298,477
Uncollected customer payments from Federal sources, brought forward, October 1 (-)	(14,486)	(12,521)
Obligated balance, start of year (net)	263,698	285,956
Obligations incurred	769,405	800,359
Outlays (gross) (-)	(773,627)	(798,985)
Change in uncollected customer payments from Federal sources (+ or -)	(5,754)	(1,965)
Recoveries of prior year unpaid obligations (-)	(16,338)	(21,667)
Unpaid obligations, end of year (gross)	257,624	278,184
Uncollected customer payments from Federal sources, end of year	(20,240)	(14,486)
OBLIGATED BALANCE, END OF YEAR (NET)	\$ 237,384	\$ 263,698
BUDGET AUTHORITY AND OUTLAYS, NET		
Budget authority, gross (discretionary and mandatory)	\$ 749,583	\$ 796,572
Actual offsetting collections (discretionary and mandatory) (-)	(137,766)	(142,092)
Change in uncollected customer payments from Federal sources (discretionary and mandatory) (+ or -)	(5,754)	(1,965)
BUDGET AUTHORITY, NET (DISCRETIONARY AND MANDATORY)	\$ 606,063	\$ 652,515
Outlays, gross (discretionary and mandatory)	\$ 773,627	\$ 798,985
Actual offsetting collections (discretionary and mandatory) (-)	(137,766)	(142,092)
Outlays, net (discretionary and mandatory)	635,861	656,893
Distributed offsetting receipts (-)	(326)	(216)
AGENCY OUTLAYS, NET (DISCRETIONARY AND MANDATORY)	\$ 635,535	\$ 656,677

(The Library has no Non-Budgetary Credit Program Financing Accounts; all amounts above are Budgetary.)

The accompanying notes are an integral part of these financial statements.

NOTE 1	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
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A. Reporting Entity

The Library of Congress (the Library), a legislative branch agency of the U.S. government, was established in 1800 primarily to provide information and policy analyses to the members and committees of the U.S. Congress. Since then, the Library has been assigned other major missions such as serving as the de facto national library, administering the U.S. copyright laws, providing cataloging records to the nation's libraries, and coordinating a national program to provide reading material for blind and physically handicapped residents of the U.S. and its territories and U.S. citizens residing abroad. The Library also provides services to other federal agencies and administers various gift funds and funds accepted and controlled by the Library of Congress Trust Fund Board (TFB).

The Library's programs and operations are subject to oversight by the Joint Committee on the Library, the oldest joint committee of the Congress, which is comprised of members of the U.S. House of Representatives and Senate. The U.S. Copyright Office works closely with the Judiciary Committees of the House and Senate, which have oversight of copyright laws. The Library relies primarily on appropriated funds to support its programs and operations. Budget requests are subject to review by the House and Senate Appropriations Subcommittees on Legislative Branch Appropriations. The Library also receives funds from other agencies for services provided under the Economy Act and other statutes. In addition, the Library administers several fee-for-service revolving funds and receives donations from the public, which are classified as gifts or funds accepted and controlled by the TFB, which consists of the Librarian of Congress (who is Chairman and Secretary of the TFB), the Chairman and Vice-Chairman of the Joint Committee on the Library, the Secretary of the Treasury (or an assistant secretary designated in writing by the Secretary of the Treasury), and ten members appointed by the President (two), the U.S. House of Representatives (four), and the U.S. Senate (four).

Entity activities are those for which the Library has the authority to use the assets. Non-entity activities consist primarily of deposit accounts that are not available for use by the Library.

B. Basis of Presentation

The accompanying financial statements report the financial position, net costs, changes in net position, and budgetary resources of the Library for fiscal years 2012 and 2011. These consolidated and combined financial statements include the accounts of all funds under the Library's control, which have been established and maintained to account for the resources of the Library. They were prepared from the Library's financial management system in accordance with Generally Accepted Accounting Principles (GAAP).

Fiduciary assets are not assets of the Library of Congress and are not recognized on the Balance Sheet, Statement of Net Cost, or Statement of Net Position.

Material intra-Library transactions and balances have been eliminated from the Consolidated Balance Sheets, the Consolidated Statements of Net Cost, and the Consolidated Statements of Changes in Net Position. The Statement of Budgetary Resources is presented on a combined basis; therefore, intra-Library transactions and balances have not been eliminated from this statement.

As a legislative branch agency, the Library is not required to follow the executive agency accounting principles established by the Comptroller General under 31 U.S.C. 3511 or the standards developed by the Federal Accounting Standards Advisory Board (FASAB). As a legislative branch entity, the Library is not currently required to prepare general purpose financial reports and is not subject to any requirements by the FASAB's sponsors to follow FASAB GAAP. However, for purposes of financial management and reporting, the Library has issued a regulation (LCR 1510), which adopts FASAB standards for financial reporting and internal controls in a manner consistent with a legislative agency, and insofar as practical, conforms to GAAP for federal agencies. The Library maintains its fund balances with the Department of the Treasury and submits information required to incorporate its financial and budgetary data into the overall federal government structure. The Library has not adopted the Federal Financial Management Improvement Act of 1996, the Federal Managers Financial Integrity Act, the Government Performance and Results Act, and the GPRA Modernization Act, as these standards are not applicable to the Library. However, the Library uses these sources as guidance and reference in its operations.

For fiscal 2012 (and 2011) the statements include 4 (4) appropriated fund accounts; 26 (26) revolving and gift revolving funds; 32 (24) reimbursable funds; 105 (105) TFB funds; and 145 (138) gift funds, respectively.

C. Basis of Accounting

In accordance with LCR 1510, the Library's financial statements conform to accounting principles generally accepted in the United States of America as promulgated by FASAB. Although the FASAB sponsors do not prescribe accounting standards for the legislative branch, the American Institute of Certified Public Accountants has designated FASAB Standards as GAAP for federal reporting entities and these are appropriate accounting standards for legislative agencies to adopt when preparing GAAP-based general purpose financial statements.

The statements were also prepared based on guidance published in the Office of Management and Budget (OMB) Circular No. A-136, Financial Reporting Requirements. The Library is not required to adopt this circular, and accordingly has elected to use the disclosures management deems necessary for the fair presentation of financial statement information.

The accounting structure of the Library is designed to reflect both accrual and budgetary accounting. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. The budgetary accounting, on the other hand, is designed to recognize the obligation of funds according to legal requirements, which in many cases is prior to the occurrence of an accrual-based transaction. The budgetary accounting facilitates compliance with legal constraints on and controls over the use of federal funds.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

D. Revenues and Other Financing Sources

Appropriations

The Library receives the majority of its funding to support its programs through four appropriations that include both annual and no-year funding. The appropriated funds may be used, within statutory limits, for operating and capital expenditures including equipment, furniture and furnishings. Appropriations are recognized as revenues at the time they are expended. The four appropriations for fiscal 2012 are:

- Library of Congress, Salaries and Expenses (annual and no-year)
- Copyright Office, Salaries and Expenses (annual and no-year)
- Congressional Research Service, Salaries and Expenses (annual)
- National Library Service for the Blind and Physically Handicapped, Salaries and Expenses (annual and no-year)

Earned Revenues

Additional amounts are obtained through reimbursements from services performed for other federal agencies as authorized by the Economy Act and the Library's annual appropriations legislation. In addition, the Library operates several self-sustaining revolving funds that generate revenues from the sale of various products and services to the public and federal customers. Revolving and reimbursable fund revenue is recognized when goods have been delivered or services rendered.

Under the authority of 2 U.S.C. 182, the Cooperative Acquisitions Revolving Fund was established on October 1, 1997, and is the program under which the Library acquires foreign publications and research materials on behalf of participating institutions on a cost-recovery basis (over time). 2 U.S.C. 182 was amended for the establishment of revolving funds for Audio-Visual Duplication Services, Gift Shop Operations, Decimal Classification, Document Reproduction and Microfilm Services, Special Events, FEDLINK and Federal Research Program.

- The Audio-Visual Duplication Services fund provides audio and video duplication and delivery services which are associated with the Packard Campus for Audio-Visual Conservation in Culpeper, Virginia.
- The Decimal Classification fund performs decimal classification development.
- The Gift Shop fund operates a gift shop and other sales of items associated with collections, exhibits, performances, and special events at the Library.
- The Document Reproduction and Microfilm Services fund provides document reproduction and microfilming services.
- The Special Events fund performs services related to the hosting of special events and programs by the Librarian in Library facilities.
- The FEDLINK program is the program of the Library under which procurement of publications and library support services, along with related accounting, education and support services are provided to Federal Government or District of Columbia entities.
- The Federal Research Program provides research reports, translations and analytical studies for Federal Government or District of Columbia entities.

The revolving funds report, but are not required to recover, unreimbursed inter-entity costs (imputed costs).

Imputed Financing Sources

In accordance with FASAB's Statement of Federal Financial Accounting Standards (SFFAS) No. 30, "Inter-Entity Cost Implementation Amending SFFAS 4, Managerial Cost Accounting Standards and Concepts," the Library has recorded expenses for the material unreimbursed full costs of goods and services that it receives from other legislative branch agencies (i.e., the Architect of the Capitol and the Government Printing Office) and executive branch agencies (i.e., the Office of Personnel Management (OPM) and the Department of the Treasury). Since these costs are not actually paid to the other agencies, an imputed financing source is recorded to offset these costs that are financed by the other Federal agencies.

Donation and Interest Revenue

The Library receives monetary gifts from donors and receives interest on invested funds. The Library also receives gifts of donated property or services. The Library records these in-kind donations as donated revenue in the year earned and an offsetting expense in the same year.

During fiscal years 2012 and 2011, the Ad Council provided nearly all of the in-kind donations in the form of free advertising for America's Library website. Several vendors provided in-kind donations for the Library's annual book festival and several other meetings. Finally, at times, the Ira and Leonore Gershwin Trust Fund and Related Charitable Trust has provided in-kind materials and services to the Library.

Deferred Credits

The Library received gifts subject to certain conditions being met. These are not considered earned until the conditions are met, and are recorded as deferred credits until earned.

E. Gift and TFB Funds

The Library administered gift and TFB funds with combined asset value of approximately \$134.0 million and \$148.1 million during fiscal years 2012 and 2011, respectively. Funds are restricted as to their use, which must be in accordance with the terms of the gift agreement. In general, TFB funds are either temporarily restricted (principal may be spent) or permanently restricted (principal may not be spent). Additional restrictions may be imposed on TFB funds by the terms of an agreement or donor's will. Library fund managers administer and oversee the gift and TFB funds to ensure they are used as directed by the donors and in accordance with Library policy.

F. Fund Balance with Treasury

The amount shown as Fund Balance with Treasury represents the balances of the appropriated, reimbursable, gift and TFB funds, revolving, and deposit funds that are on deposit with the U.S. Treasury.

G. Cash and Other Monetary Assets

Cash and other monetary assets are defined as all cash not held by the U.S. Treasury. This category includes deposits in transit, cash on hand and imprest funds. The Library receives and utilizes foreign currencies in carrying out operations abroad as it conducts business through six overseas offices. Foreign currency balances at year-end are immaterial to the financial statements.

H. Investments (Net)

Gift and TFB Funds - The TFB determines the investment policy for the Library's gift and TFB funds. The policy provides three options for investment of TFB funds:

- A permanent loan with the U.S. Treasury
- A pool of U.S. Treasury market-based securities
- A private investment pool consisting of the following stock, index and money market funds utilized during fiscal 2012:
 - PIMCO Total Return Fund
 - Diamond Hill Investments
 - Dodge & Cox Income Fund
 - Harbor Capital Appreciation Fund
 - Institutional Capital LLC (ICAP) Investments
 - Artio International Equity Fund
 - Thornburg International Value Fund
 - Lazard Emerging Markets Fund
 - Brandywine Global Opportunistic Fund
 - Neuberger Berman Large Cap Disciplined Growth Fund
 - Frontier Capital Management
 - Vaughan Nelson Investment Management

and utilized during fiscal 2011:

- Frontier Capital Management
- Legg Mason Global Opportunities Bond Fund
- Diamond Hill Investments
- Dodge & Cox Income Fund
- Dodge & Cox Stock Fund
- Managers Cadence Capital Appreciation Fund
- Harbor Capital Appreciation Fund
- Artio International Equity Fund
- Lazard Emerging Markets Fund
- Neuberger Berman Large Cap Disciplined Growth Fund
- PIMCO Total Return Fund
- Vaughan Nelson Investment Management

The policy for gift funds allows only for investment in U.S. Treasury market-based securities.

Under 2 U.S.C. 158, up to \$10 million of the Library's gift and TFB funds may be invested with the U.S. Treasury as a permanent loan at a floating rate of interest, adjusted monthly, but no less than four percent per annum. The permanent loan is an interest bearing investment recorded at cost, which is market value.

Treasury securities are intended to be held to maturity, are valued at cost, and are adjusted for the amortization of discounts and premiums. Interest is computed using the straight-line method, which approximates the effective interest method.

Stock and money market funds are stated at current market value and are considered available for sale. Unrealized gains and losses are recognized and recorded as a component of non-exchange revenue in the statement of changes in net position.

All gift and TFB fund investments are obtained and held by the gift and TFB funds under conditions set forth in the respective gift and TFB instruments.

Deposit Funds - Pursuant to Public Law 105-80, funds deposited by copyright applicants are invested, based on the unearned balance available, by the Copyright Office in U.S. Treasury securities. Treasury securities are intended to be held to maturity, are valued at cost and are adjusted for the amortization of discounts and premiums. Interest is computed using the straight-line method, which approximates the effective interest method. These investments will be held until the deposit fees are earned and income accrues to the benefit of the Copyright Office.

I. Accounts Receivable

Accounts receivable primarily resulted from billings to other federal agencies under reimbursable interagency agreements for database retrieval and other library services. The Library has established an allowance for doubtful accounts against accounts receivable due from non-federal customers, based on past collection experience. The Library does not record allowance for doubtful accounts for intragovernmental accounts receivable in accordance with SFFAS No. 1, "Accounting for Selected Assets and Liabilities," which cites that "losses on receivables should be recognized when it is more likely than not that the receivable will not be totally collected." Intragovernmental receivables are likely to be totally collected.

J. Pledges Receivable

Contributions of unconditional promises to give (pledges) to the Library and the Library of Congress TFB are recognized as donated revenue in the period the pledge is received. They are recorded at their estimated present value using a market-based discount rate. Accretion of the discount in subsequent years is also recorded as donated revenue. Substantially all of the Library's pledges are from major corporations or donors. The Library regularly monitors the status of all pledges and adjusts accordingly; therefore no allowance for uncollectible pledges has been established.

K. Inventory and Related Property

The Library's inventories are primarily comprised of bibliographic products that will be consumed in future operations; materials used to reproduce printed materials; sound recordings for both internal and external sales; and sales shop merchandise for resale. Sales shop merchandise is valued at cost or market, whichever is lower. The recorded values of inventory and operating materials are adjusted for the results of periodic physical counts.

L. Property and Equipment

The Library capitalizes furniture and equipment at cost if the initial acquisition cost is \$25,000 or more. Depreciation is computed on a straight-line basis using estimated useful lives.

Property and equipment accounts are maintained in three categories of funds: Appropriated, Reimbursable and Revolving. The appropriated fund category includes all property and equipment used by the Library for general operations. Property and equipment purchased by the Integrated Support Services Administrative Working Fund are recorded in the reimbursable funds. Property and equipment purchased by FEDLINK, the Federal Research Program, Document Reproduction and Microfilm Service, Audio-Visual Duplication Services, and the Cooperative Acquisitions Program are recorded in the revolving funds.

The Library occasionally acquires property and equipment by direct gift or by purchase from funds donated for a specific purpose or project. Because property is generally not restricted for use to gift and trust activities, property accounts are not maintained in the gift and TFB funds. Capitalized property and equipment acquired through gifts are recognized as donated revenue in the gift and TFB funds and transferred to the Library's appropriated fund, once the costs are complete and the property is placed in service. The Library records the donated property and equipment at its fair market value at the time of the gift.

Operating equipment is amortized over a 3 to 20-year period. Software includes ADP software purchased from outside vendors and software defined as "internal use software" in accordance with SFFAS No. 10, "Accounting for Internal Use Software." Software is recorded with an estimated useful life of three years or more and a value of at least \$100,000 per item acquired in fiscal years 1998 to 2010, or at least \$250,000 per item acquired in fiscal 2011 and after.

Leased equipment meeting the criteria for capitalization in accordance with Statements of Federal Financial Accounting Standards is included in property and equipment.

Land and buildings are excluded from the Library's property and equipment accounts because they are under the custody and control of the Architect of the Capitol. This arrangement encompasses four Capitol Hill buildings (the Thomas Jefferson, James Madison, John Adams Buildings, and the Special Facilities Center), a secondary storage facility at Fort Meade, Maryland, and the Packard Campus for Audio-Visual Conservation in Culpeper, Virginia. The Architect receives an appropriation from Congress to fund maintenance, care and operations of the Library's buildings and grounds. Costs associated with the acquisition and maintenance of these buildings is accounted for by the Architect. However, the Library has recorded the inter-entity cost and related imputed financing source in its books. The Library does capitalize and depreciate leasehold improvements to its facilities as long as the

improvements were made using the Library's funding sources and the acquisition cost is at least \$100,000.

M. Library Collections

The Library classifies its collections as Heritage Assets, that is, assets with historical, cultural, educational, artistic or natural significance. The Library's mission is to make its resources available and useful to the Congress and the American people and to sustain and preserve a universal collection of knowledge and creativity for future generations.

The Library's collection development policies are designed to fulfill its responsibilities to serve (1) the Congress and United States government as a whole, (2) the scholarly and library communities, and (3) the general public. Written collection policy statements ensure that the Library makes every effort to possess all books and library materials necessary to the Congress and various offices of the United States government to perform their duties; a comprehensive record, in all formats, documenting the life and achievement of the American people; and a universal collection of human knowledge embodying, primarily in print form, the records of other societies, past and present.

Copyright deposits are a major source of the Library's collections of Americana. The Library also acquires materials by purchase, transfer from other federal agencies, gift, domestic and international exchange, or by provisions of state and federal law. Many of these materials are foreign publications. Various preservation methods are used to maintain the collections, and disposals occur only for the exchange and gift of unwanted or duplicate copies. As of September 30, 2012 and 2011 the Library had 92 and 92 collections managed by its custodial units.

The cost of acquiring additions to the collections is expensed, when incurred, in the statement of net cost. (See Note 12.) Supplemental information regarding the condition and preservation of the collections is included with the Assessment of Condition of Heritage Assets.

N. Liabilities

Liabilities represent the amounts that are likely to be paid by the Library as a result of transactions that have already occurred. Liabilities for which an appropriation has not been enacted, or which are the results of deposit account activities, are classified as liabilities not covered by budgetary resources. For accrued unfunded annual leave, compensatory time earned, workers' compensation and capital lease liabilities, it is not certain that appropriations will be enacted to fund these amounts.

Advances from Others are funds received for the revolving programs that have not yet been earned.

Deposit Liabilities are customer funds on deposit for Copyright, Document Reproduction and Microfilm Services, and Cataloging Distribution Service products and services.

Accrued Annual and Compensatory Leave - The Library's basic leave policy is contained in Title 5, U.S.C. the Uniform Annual and Sick Leave Regulations of the Office of Personnel Management, and the decisions of the Comptroller General. Generally, each employee may carry forward a maximum of 240 hours of annual leave per calendar year. Annual leave is accrued as it is earned and the liability is adjusted at the end of each fiscal year based on annual leave earned and taken. Annual

leave earned in excess of the maximum permitted carryover is forfeited. Each year, the balance in the accrued annual leave account is also adjusted to reflect current pay rates.

Employees' compensatory time earned but not taken is also accrued at year-end. An employee may accumulate a maximum of 40 hours of compensatory time during the fiscal year. Compensatory leave earned will remain on the employee's leave record for use up to a maximum of 26 pay periods from the pay period in which it was earned. Any compensatory leave not used beyond the 26 pay periods will be forfeited.

Sick leave and other types of non-vested leave are expensed as taken.

O. Federal Employee Retirement Benefits

The Library contribution costs (both funded and unfunded) to the various employee retirement programs are described below. The accrued funded contributions due at the end of the fiscal year are reported as liabilities covered by budgetary resources.

Approximately 18 percent and 22 percent of the Library's employees participated in the Civil Service Retirement System (CSRS) during fiscal years 2012 and 2011, respectively, to which the Library makes contributions equal to 7.0 percent of pay. Of those participating in CSRS, approximately 2 percent during fiscal years 2012 and 2011 are also covered by Social Security (FICA), for which the Library's contribution is slightly less.

Approximately 79 percent and 75 percent of the Library's employees were covered by the Federal Employees Retirement System (FERS) during fiscal years 2012 and 2011, respectively, to which the Library's normal contribution was 11.9 percent and 11.7 percent of pay during fiscal years 2012 and 2011. Additionally, for employees under FERS, the Library contributes an automatic 1% of employee's pay, plus matches employee Thrift Savings Plan (TSP) contributions up to four percent of pay (matched dollar-for-dollar on the first 3 percent of pay and 50 cents on the dollar for the next 2 percent of pay). Under FERS, the employee is also covered by FICA to which the Library contributes the employer's matching share.

Approximately 3 percent of the Library's employees were covered only by FICA during fiscal years 2012 and 2011, to which the Library contributes the employer's matching share.

The actuarial present value of accumulated benefits, assets available for benefits, and unfunded pension liability of Social Security, FERS and CSRS is not allocated to individual Federal departments and agencies. However, in accordance with SFFAS No. 5, "Accounting for Liabilities of the Federal Government," current year expenses were recorded for the service cost of the Library's employee retirement benefits. For CSRS and FERS, the service cost factor was 29.8 and 13.7 percent and 30.1 and 13.8 percent during fiscal years 2012 and 2011, respectively. The service cost factor is applied to the annualized employee pay, less the Library's funded contributions, to derive the imputed retirement pension cost being financed directly by OPM. This unfunded cost was offset by an imputed financing source.

P. Federal Government Transactions

The financial activities of the Library interact with and depend on other federal government agencies. Thus, the Library's financial statements do not reflect all financial decisions and activities applicable to it as if it were a stand-alone entity. The financial statements do not contain the cost of activities performed for the benefit of the entire government, nor do they include the agency's share of the federal deficit or of public borrowings, including interest thereon. However, expenses have been recognized for expenses incurred by certain other agencies on behalf of the Library, including settlement of claims and litigation paid by the Treasury's Judgment Fund and the partial funding of employee benefits by OPM.

The Library's program for the blind and physically handicapped participates in the U.S. Postal Service's (USPS) "Matter for Blind and Other Handicapped Persons" program (39 U.S.C. 3403 - 3406). This Postal Service program receives an appropriation from Congress to provide free postage for qualifying organizations, programs, and individuals such as mail from war zones, letters from blind people to anyone, and organizations that work for the blind. The Library's National Library Service for the Blind and Physically Handicapped uses this free matter program for mailing all books and equipment to its participating lending libraries and patrons. No cost for this has been determined, nor included in the Library's financial statements as the Library views the relationship with the USPS and state and local libraries as a partnership and not inter-entity costs.

Services Provided to other Federal Agencies:

- The Library is authorized to provide to other federal libraries and agencies services such as automated library information and other database retrieval services through database vendors and in-house research studies. These services are provided on a cost reimbursement basis and are billed in advance of providing the services. At year-end the Library estimates the amount received in advance (Advances From Others - Intragovernmental) and the amount to be received for services provided (Accounts Receivable - Intragovernmental).
- The Library is authorized to provide to other legislative branch agencies accounting services and/or financial system hosting services. These services are provided on a cost reimbursement basis in accordance with the Economy Act.

Services Provided by other Federal Agencies:

Three governmental agencies provide administrative services to the Library on a reimbursable basis.

- The Department of Agriculture's National Finance Center (NFC) processes the Library's personnel, payroll, and employee benefits accounting transactions.
- The Library utilizes the services of the Department of State as documented by the International Cooperative Administrative Support Services (ICASS) system to support the Library's six overseas field offices.
- General Services Administration (GSA) provides building and vehicle leasing services for the Library.

Q. Related Party Organizations

The Library lends support to several related organizations, projects, and programs from which it receives benefits in various forms. The following is a list of these organizations or programs:

1. **Telephone Pioneers of America** - The Telephone Pioneers is a large industry-related organization that voluntarily repairs sound reproduction machines for the blind and physically handicapped program. Approximately 1,500 Telephone Pioneers (AT&T retirees) and Elfuns (General Electric retirees) donate their time to repair the machines.
2. **Library of Congress Child Care Association (LCCCA)** - The LCCCA is a nonprofit corporation under the District of Columbia's Nonprofit Corporation Act. It was granted 501(c)(3) status by the Internal Revenue Service on August 31, 1992, and currently operates as the "Little Scholars Child Development Center." The center is located on the ground floor of the Library's Special Facilities Center, 601 East Capitol Street, District of Columbia. The center provides childcare for Library employees and other federal and non-federal employees. Its operations, management, and employees are the responsibility of the LCCCA and not the Library. However, the Library and the Architect of the Capitol support the center with equipment, free space, cleaning and maintenance of grounds and building, utilities, local telephone service, and security. The value of the services provided by the Library cannot be readily determined. In addition, the Library, in accordance with Public Law 106-554, pays the government contributions for individuals receiving health, life and retirement benefits provided by the Office of Personnel Management. The Library provides an official who is a non-voting representative on the center's Board of Directors and who acts as a liaison with the Library.
3. **The Archer M. Huntington Charitable Trust – Beneficial Interest in Perpetual Trust** - This charitable trust was established in 1936 and is controlled and invested by the Bank of New York. The assets of the endowment are not a part of the TFB and the board's only control over its investment activities is through the Librarian of Congress' role as trustee. The trust is defined as a split-interest agreement with a fair value of assets of \$4.5 million and \$3.9 million at September 30, 2012 and 2011, respectively. The Library is entitled to one-half of the income from the trust for perpetuity, which is used to support a rotating consultantship to bring "distinguished men of letters . . ." to the Library. Currently, the income assists in the funding of a "Poet Laureate" position, the acquisition of materials for the Library's Hispanic collections, and the promotion of activities of the Hispanic Division, particularly those that relate to Spain, Portugal and Latin America.

In accordance with FASB ASC 958-605-30-14, in fiscal 2012, the Library recorded the fair value of the beneficial interest in this perpetual trust. The fair value of a perpetual trust held by a third party can generally be measured using the fair value of the assets contributed to the trust, unless other facts and circumstances indicate the amount of the beneficial interest is substantially different. The Library has the irrevocable right to receive one-half of the income earned on these trust assets in perpetuity, but the Library will never receive the assets held in Trust. One half of the value of the assets is \$2.3 million, as of September 30, 2012.
4. **Ira and Leonore Gershwin Trust Fund and Related Charitable Trust** - Under the will of Mrs. Leonore Gershwin, the TFB is the beneficiary of 37.5 percent of Mrs. Gershwin's "1987 Trust." The will established the "Library Charitable Trust" which was accepted by the TFB in January

1992. The primary purpose of the trust is to perpetuate the names and works of George and Ira Gershwin through all resources of the Library. The charitable trust does not belong to the Library but is a separate entity administered by trustees. The net income of the charitable trust is distributed to the Library's Ira and Leonore Gershwin Trust Fund yearly or upon request by the Library. The balance of the principal of the charitable trust will be distributed to the Library in 2033, fifty years after the date of death of Ira Gershwin.

In accordance with ASC 820-10-55, the Library has used the expected present value (EPV) method 2, to record the fair value of this pledge receivable. The fair value is based on the present value (discounted) anticipated annual cash flows, discounted through 2033, when the trust will be liquidated.

R. Statement of Budgetary Resources

The Library has prepared the Statement of Budgetary Resources (SBR) using guidance published in the Office of Management and Budget (OMB) Circular No. A-136, Financial Reporting Requirements. The new guidance was issued to more closely align the SBR with other budgetary reporting outside of this financial report. The Library is not required to adopt this circular, and accordingly has elected to use the disclosures management deems necessary for the fair presentation of financial statement information. Both the fiscal 2012 and the fiscal 2011 SBR, as well as the table in related Note 18 have been re-formatted. While amounts may be combined in a new way, no audited amounts from 2011 were changed.

NOTE 2	FUND BALANCE WITH TREASURY
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A. Fund balance with Treasury at September 30, 2012 and 2011, is summarized as follows:

	(in thousands)	
	FY 2012	FY 2011
Appropriated Funds	\$ 201,345	\$ 233,381
Revolving and Reimbursable Funds	78,210	83,326
Gift and TFB Funds ¹	15,778	16,549
Deposit and Other Funds	1,085	1,422
TOTAL	\$ 296,418	\$ 334,678

¹ At September 30, 2012 and 2011, the gift and TFB fund balance with Treasury included \$10 million invested in the permanent loan, which is included in fund balance with Treasury, at interest rates of 4.00 percent and 4.00 percent, respectively.

B. Status of Fund Balance with Treasury

	(in thousands)	
	FY 2012	FY 2011
Unobligated Balances – Available	\$ 29,406	\$ 42,425
Unobligated Balances – Unavailable	28,142	27,102
Obligated Balances Not Yet Disbursed	237,785	263,729
Non-budgetary	1,085	1,422
TOTAL	\$ 296,418	\$ 334,678

NOTE 3	INVESTMENTS, NET
---------------	-------------------------

Investments at September 30, 2012 and 2011 are as follows:

	(in thousands)		
FY 2012	Intragovernmental Investments (Non-Marketable, Market-Based)	Other Investments (Private Sector)	Total
Face Value	\$ 48,694	\$	\$ 48,694
Cost		81,101	81,101
Unamortized Premium	0		0
Unrealized Discount	(8)		(8)
Interest Receivable	0		0
Investments, Net	\$ 48,686	\$ 81,101	\$ 129,787
Market Value	\$ 48,775	\$ 90,441	\$ 139,216

	(in thousands)		
FY 2011	Intragovernmental Investments (Non-Marketable, Market-Based)	Other Investments (Private Sector)	Total
Face Value	\$ 45,507	\$	\$ 45,507
Cost		83,389	83,389
Unamortized Premium	(0)		(0)
Unrealized Discount	(1)		(1)
Interest Receivable	0		0
Investments, Net	\$ 45,506	\$ 83,389	\$ 128,895
Market Value	\$ 41,060	\$ 80,583	\$ 121,643

A. Intragovernmental Investments

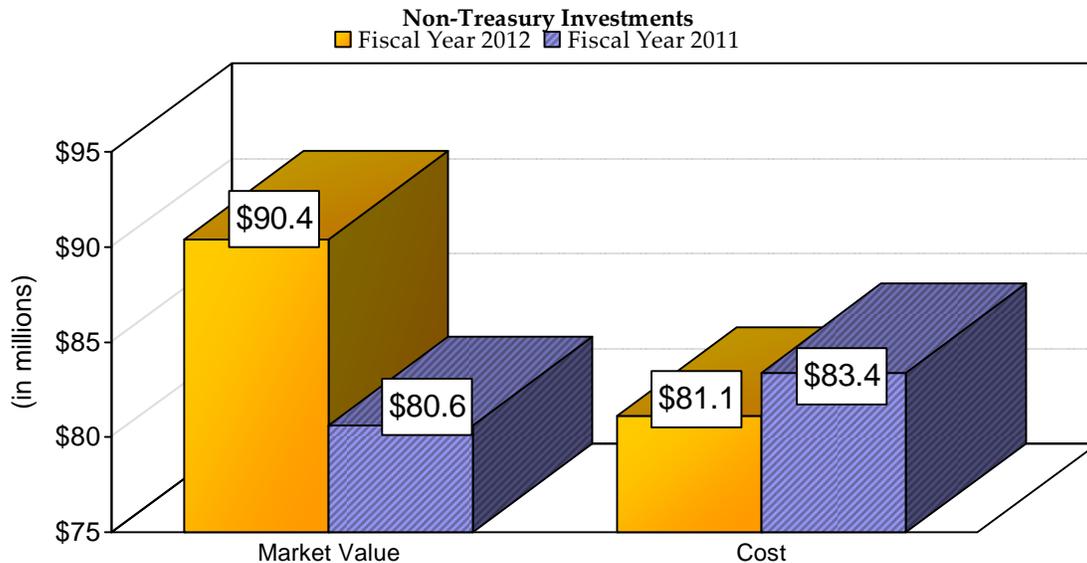
Non-marketable, market-based securities are Treasury notes and bills issued to governmental accounts that are not traded on any securities exchange, but mirror the prices of marketable securities with similar terms. TFB fund investment maturity dates for fiscal years 2012 and 2011 range from January 5, 2012 to

January 3, 2013 and October 6, 2011 to March 1, 2012, respectively, and interest rates for the same fiscal years range from 0.005 percent to 0.105 percent and 0.005 percent to 0.045 percent, respectively.

B. Other Investments

Other investments are the Library's non-Treasury investments in the private sector (See Note 1.H). Cost was derived from the investments made plus reinvested gains, dividends, and interest.

Balances at September 30, 2012 and 2011 are as follows:



NOTE 4

RECEIVABLES

The breakdown of consolidated gross and net accounts receivable at September 30, 2012 and 2011 are as follows:

A. Accounts Receivable

	(in thousands)	
	FY 2012	FY 2011
Intragovernmental Accounts Receivable, Gross and Net	\$ 20,219	14,388
With the Public:		
Accounts Receivable, Gross	458	330
Less: Allowance for Doubtful Accounts	(75)	(73)
Accounts Receivable, Net	\$ 383	\$ 257

B. Pledges Receivable

At September 30, 2012 and 2011, the Library had unconditional pledges of contributions totaling \$20.7 million and \$26.0 million, which were discounted through fiscal 2033 at market discount rates and included in the statement of financial position at their discounted value of \$5.6 million and \$10.2 million, respectively.

The amounts due in future years, at September 30, at their current discounted value are:

(in thousands)		
	FY 2012	FY 2011
2012	\$ 0	\$ 4,821
2013	1,801	1,300
2014	1,266	1,248
2015	234	224
2016	155	148
2017 and thereafter	2,158	2,421
TOTAL	\$ 5,614	\$ 10,162

NOTE 5	PROPERTY AND EQUIPMENT
---------------	-------------------------------

Property and equipment that were capitalized at September 30, 2012 and 2011 are as follows:

(in thousands)						
Classes of Property and Equipment	FY 2012			FY 2011		
	Acquisition Value	Accumulated Depreciation / Amortization	Net Book Value	Acquisition Value	Accumulated Depreciation / Amortization	Net Book Value
Operating Equipment	\$ 81,659	\$ 61,349	\$ 20,310	\$ 76,793	\$ 57,099	\$ 19,694
Software	68,639	46,762	21,877	63,542	38,219	25,323
Furniture & Furnishings	1,919	931	988	1,919	824	1,095
Leasehold Improvements	39,294	20,729	18,565	37,689	18,241	19,448
Leasehold Improvements-in Progress	745	0	745	2,364	0	2,364
TOTAL	\$ 192,256	\$ 129,771	\$ 62,485	\$ 182,307	\$ 114,383	\$ 67,924

NOTE 6	NON-ENTITY ASSETS
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Entity assets are those assets that the Library has authority to use for its operations. Non-entity assets are those held by the Library but are not available for use in its operations.

(in thousands)

	FY 2012	FY 2011
Intragovernmental Non-Entity Assets	\$ 0	\$ 0
Accounts Receivable-with the Public	17	17
Total Non-Entity Assets	\$ 17	\$ 17
Total Entity Assets	\$ 527,609	\$ 554,669
Total Assets	\$ 527,626	\$ 554,686

NOTE 7	LEASES
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A. Capital Leases

The Library did not have assets under capitalized leases as of September 30, 2012 and 2011.

B. Operating Leases

The Library leases office space and vehicles from the General Services Administration and has entered into other operating leases for various types of equipment. Additionally, the Library's overseas field offices lease operating space from the Department of State. Lease costs for office space, vehicles and equipment for fiscal years 2012 and 2011 amounted to \$5.7 million and \$5.0 million, respectively.

Under existing commitments as of September 30, estimated future minimum lease payments are as follows:

(in thousands)

	FY 2012	FY 2011
2012	\$ 0	\$ 5,051
2013	5,871	2,044
2014	5,843	2,017
2015	5,741	1,933
2016	4,396	676
2017 and thereafter	20,403	0
TOTAL ESTIMATED FUTURE LEASE PAYMENTS	\$ 42,254	\$ 11,721

NOTE 8	WORKERS' COMPENSATION
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The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to covered federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. Claims incurred for benefits for Library employees under FECA are administered by the Department of Labor (DOL) and later billed to the Library.

The Library is using estimates provided by DOL to report the FECA liability. The Library accrued \$1.9 million and \$1.9 million of unbilled or unpaid workers' compensation costs as of September 30, 2012 and 2011, respectively. The amount owed to DOL is reported on the Library's Balance Sheet as an intragovernmental liability. The Library also established an estimated unfunded liability payable to employees, for future costs based on historical claims rates. The estimated future unfunded liability is \$8.3 million, and \$7.9 million as of September 30, 2012 and 2011 respectively, and is based on a ten-year projection. This liability is recorded on the Balance Sheet as a liability with the public.

NOTE 9	CONTINGENT LIABILITIES
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Several claims against the Library relating to employment matters are pending at the administrative level or in court. The combined estimated loss for these claims may range up to \$4 million. While the resolution of claims cannot be predicted with certainty, management has evaluated these claims and believes that the chance of a materially adverse outcome for them is less than probable. Therefore, an accounting entry for the estimate was not posted and there is no impact on the financial statements. Management believes all other claims are immaterial with respect to the Library's financial statements. Under law, any claims finally adjudicated or settled at the administrative level would be paid from the Library's funds and any claims litigated in court would be settled by the Treasury's Claims, Judgments and Relief Act Fund.

NOTE 10	OTHER LIABILITIES
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Other Liabilities as of September 30, 2012 and 2011 are comprised of the following:

	(in thousands)	
	FY 2012	FY 2011
Other Liabilities-Intragovernmental:		
Deferred Credits	\$ (22)	\$ (22)
Liability for Clearing Accounts	191	363
Total Intragovernmental	169	341
Other Liabilities-With the Public		
Deferred Credits and Pledges	603	47
Advances from the Public	4,116	4,262
Total with the Public	4,719	4,309
TOTAL	\$ 4,888	\$ 4,650

NOTE 11	LIABILITIES COVERED AND NOT COVERED BY BUDGETARY RESOURCES
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(in thousands)

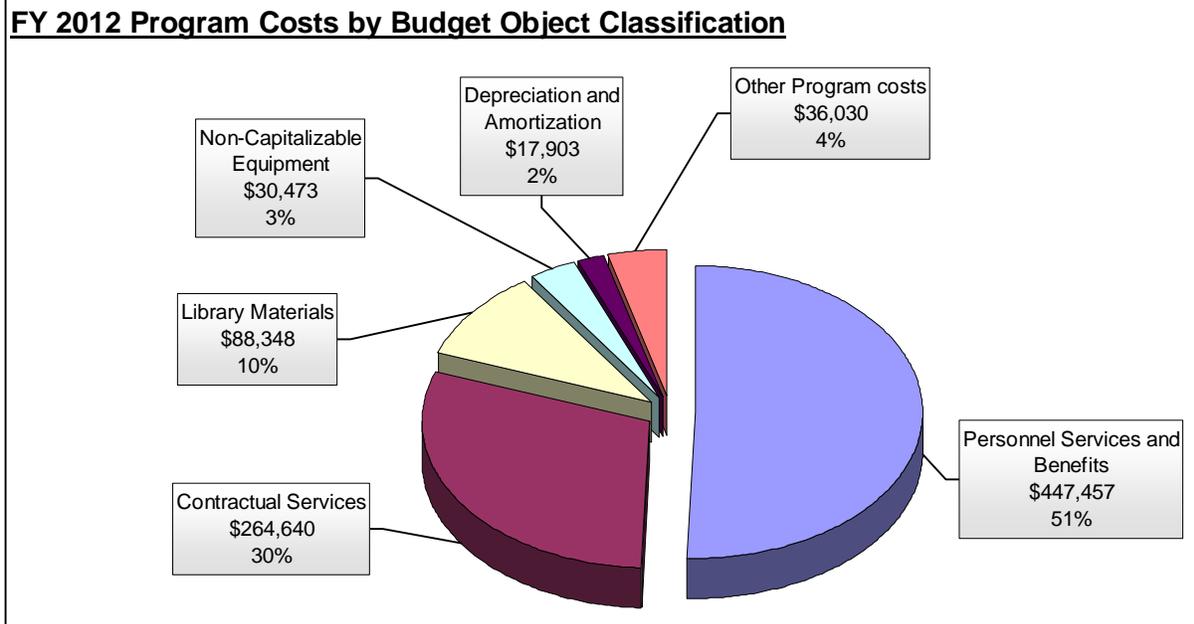
	FY 2012	FY 2011
Liabilities Covered by Budgetary Resources	\$ 130,684	\$ 128,302
Liabilities Not Covered by Budgetary Resources:		
Intragovernmental	1,928	1,922
With the Public	33,180	33,873
TOTAL	\$ 165,792	\$ 164,097

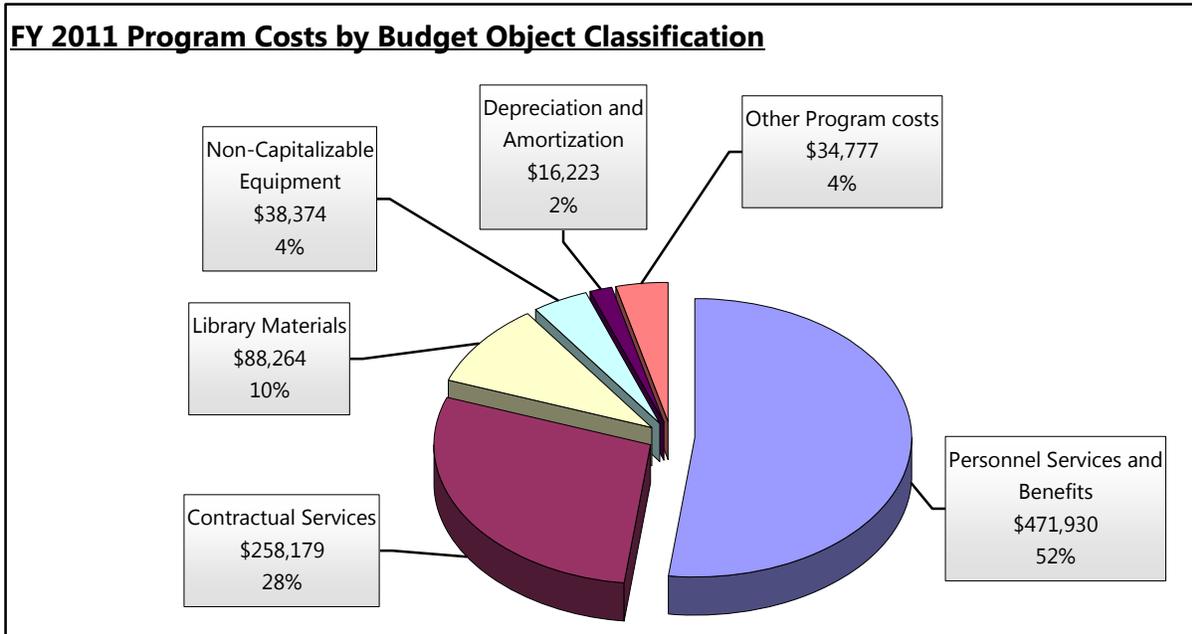
Liabilities covered by budgetary resources include accounts payable, advances from others, accrued funded payroll and benefits, custodial liabilities, deposit account liabilities, advances from the public, and deferred credits.

Liabilities not covered by budgetary resources include accrued unfunded annual and compensatory leave, accrued unfunded workers compensation, and other unfunded liabilities.

NOTE 12	PROGRAM COSTS BY BUDGET OBJECT CLASSIFICATION
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(Dollars in Thousands)





The Library’s collections are classified as “heritage assets.” \$27.9 million and \$33.1 million of the amount designated as “Library Materials” above represents the fiscal years 2012 and 2011 cost incurred by the Library for “heritage assets.”

NOTE 13 PROGRAM COSTS AND EARNED REVENUE BY FUNCTIONAL CLASSIFICATION

A. Program Costs by Functional Classification

(in thousands)

	FY 2012	FY 2011
Commerce and Housing Credit	\$ 60,373	\$ 61,949
Education, Training, Employment, and Social Services	708,240	725,288
General Government	116,238	120,510
TOTAL	\$ 884,851	\$ 907,747

B. Earned Revenue by Functional Classification

(in thousands)

	FY 2012	FY 2011
Commerce and Housing Credit	\$ 31,786	\$ 32,692
Education, Training, Employment, and Social Services	90,743	97,060
General Government	8	(6)
TOTAL	\$ 122,537	\$ 129,746

NOTE 14

EXCHANGE REVENUES

In accordance with Library of Congress Regulation (LCR) 1510, "Financial Services," the Library must comply with any OMB circular or bulletin if it is specifically prescribed in (1) an LCR, (2) an OCFO Directive, or (3) if required by law. OMB Circular No. A-25, "User Charges," does not fall into any of these three categories, but may be used by the Library as a useful point of reference. Circular No. A-25 requires that user charges be sufficient to recover the full costs to the federal government. Full costs include all direct and indirect costs to any part of the federal government of providing the good or service, including unreimbursed inter-entity costs.

Were the Library to increase fees and prices to recover full costs to the government for providing goods and services in its business-like activities, this would in some cases reduce the quantity of goods and services demanded. It is not practicable to provide reasonable estimates regarding (1) revenue foregone from charging fees that do not recover full costs to the government and (2) to what extent the quantity of goods and services demanded would change as a result of changes in prices and fees.

Under the Copyright Act, the Copyright Office is required to collect fees. The Act does not require the recovery of the full costs of operations, but rather the Copyright Register is authorized to fix fees at a level not more than necessary to recover reasonable costs incurred for services plus a reasonable adjustment for inflation. Fees should also be fair and equitable and give due consideration to the objectives of the copyright system.

NOTE 15	PROGRAM COSTS AND EARNED REVENUE FOR REVOLVING FUNDS
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		(in thousands)	
		FY 2012	FY 2011
Audio-Visual Duplication Services:	Program Cost	\$ 208	\$ 193
	Less: Earned Revenue	(112)	(114)
	Net Program Cost	96	79
Cooperative Acquisitions Program:	Program Cost	2,867	2,793
	Less: Earned Revenue	(2,797)	(3,316)
	Net Program Cost	70	(523)
Decimal Classification:	Program Cost	201	182
	Less: Earned Revenue	(233)	(205)
	Net Program Cost	(32)	(23)
Document Reproduction and Microfilm Services:	Program Cost	1,253	1,253
	Less: Earned Revenue	(827)	(1,055)
	Net Program Cost	426	198
Gift Shop Operations:	Program Cost	1,662	1,784
	Less: Earned Revenue	(1,851)	(1,684)
	Net Program Cost	(189)	100
Federal Research Program:	Program Cost	3,667	2,980
	Less: Earned Revenue	(3,760)	(3,205)
	Net Program Cost	(93)	(225)
FEDLINK:	Program Cost	75,131	78,276
	Less: Earned Revenue	(74,863)	(78,679)
	Net Program Cost	268	(403)
Special Events:	Program Cost	2,763	2,526
	Less: Earned Revenue	(1,507)	(1,802)
	Net Program Cost	1,256	724
Total Program Cost		87,752	89,987
Less: Total Earned Revenue		(85,950)	(90,060)
TOTAL PROGRAM COSTS		\$ 1,802	\$ (73)

These programs are discussed further in Note 1.D.

NOTE 16	CLASSIFICATION OF PROGRAM COSTS
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(in thousands)

FY 2012	Intragovernmental		Public		Total
	Production	Non-Production	Production	Non-Production	
National Library	\$ 132,635	\$ 46	\$ 336,498	\$ 22	\$ 469,201
Law Library	7,886	3	17,494	0	25,383
Copyright Office	19,277	25	58,610	0	77,912
Congressional Research Service	30,890	37	105,261	0	136,188
National Library Service for the Blind and Physically Handicapped	7,058	13	63,650	0	70,721
Revolving and Reimbursable Funds	6,504	33	98,909	0	105,446
TOTAL	\$ 204,250	\$ 157	\$ 680,422	\$ 22	\$ 884,851

(in thousands)

FY 2011	Intragovernmental		Public		Total
	Production	Non-Production	Production	Non-Production	
National Library	\$ 130,478	\$ 26	346,827	\$ 63	477,394
Law Library	7,450	1	17,694	0	25,145
Copyright Office	20,247	14	55,902	0	76,163
Congressional Research Service	32,252	21	109,060	0	141,333
National Library Service for the Blind and Physically Handicapped	7,345	5	73,213	0	80,563
Revolving and Reimbursable Funds	6,686	17	100,446	0	107,149
TOTAL	\$ 204,458	\$ 84	\$ 703,142	\$ 63	\$ 907,747

NOTE 17	EARMARKED FUNDS
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SFFAS No. 27, "Identifying and Reporting Earmarked Funds," defines "earmarked funds" as those being financed by specifically identified revenues, often supplemented by other financing sources, which remain available over time. These specifically identified revenues and financing sources are required by statute to be used for designated activities, benefits or purposes, and must be accounted for separately from the Government's general revenues. The Library's consolidated financial statements include the results of operations and financial position of its funds identified as "earmarked funds." The Library's earmarked funds are presented among the following classifications:

- Collections of fees authorized annually for use by appropriations act for:
 - The Cataloging Distribution Service (CDS), the distribution arm for the Library of Congress bibliographic data and related technical publications. Pursuant to 2 U.S.C. 150, CDS sells its products to libraries throughout the United States and around the world and charges "...a price which will cover their costs plus ten per centum added." CDS earned revenues were \$3.3 million and \$3.6 million for fiscal years 2012 and 2011, respectively.
 - The Law Library, pursuant to Public Law 105-275, Section 208, is authorized to receive funds from participants in and sponsors of an international legal information database (known as the Global Legal Information Network (GLIN)) centrally managed by the Law Library of Congress. Fees collected for the development and maintenance of GLIN were \$6 thousand and \$15 thousand for fiscal years 2012 and 2011, respectively; and
 - The Copyright Office, pursuant to 17 U.S.C. 708(d), is authorized to collect fees for the registration of a copyright claim and other copyright recordation and filing activities. Fees collected for these services were \$26.8 million and \$27.4 million for fiscal years 2012 and 2011, respectively.
 - Other offsetting collections funds include the Recycling Program, pursuant to Public Law 108-199, Section 607, is authorized to collect funds resulting from the sale of materials recovered through the recycling program, Property Surplus Program, pursuant to 2USC 149a , is authorized to retain collections from sales of surplus or obsolete property, to acquire the same or similar property. The National Book Festival multi-year fees were collected pursuant to 20 USC 951, 954(o). Fees collected for these other offsetting collection programs were \$83 thousand and \$21 thousand for fiscal years 2012 and 2011, respectively.
- Public Revolving Funds authorized by 2 U.S.C. 182 for the Cooperative Acquisitions, Audio-Visual Duplication Services, Gift Shop Operations, Decimal Classification, Document Reproduction and Microfilm Services, and Special Events (these programs are discussed further in Note 1.D. and 15);
- Gift and TFB Funds authorized by 2 U.S.C. 154-163 (and discussed further in Note 1.E.). Gift and TFB Fund cash donations and other realized revenues were \$11.1 million and \$8.7 million for fiscal years 2012 and 2011, respectively;
- Copyright Licensing Division revenues of \$5.0 million and \$5.3 million for the fiscal years 2012 and 2011, respectively, which is authorized under the Copyright Act (17 U.S.C.) to collect fees to cover and pay administrative costs and
- Other earmarked funds not outlined above (combined revenues of \$2 thousand and \$1 thousand for fiscal years 2012 and 2011, respectively), including: The Oliver Wendell Holmes Devise Fund, which is authorized to fund lectures known as the "Oliver Wendell Holmes Lectures" and other projects pertaining to Justice Holmes or the Supreme Court (Pursuant to Public Law 84-247); The Gertrude M. Hubbard Bequest, which benefits the Gardiner Greene Hubbard Collection (Pursuant to 37 Stat. 319-20); and the Foreign Service National Separation Liability Trust Fund, which is authorized to provide the separation pay for foreign national employees (Pursuant to Section 151 of Public Law 102-138).

The Federal Government does not set aside assets to pay future benefits or other expenditures associated with earmarked funds. The cash receipts collected from the public for an earmarked fund are deposited into the U.S. Treasury, which uses the cash for general Government purposes. Treasury securities are issued to the Library as evidence of its receipts. Treasury securities are an asset to the Library and a liability to the U.S. Treasury. Because the Library and the U.S. Treasury are both parts of the

Government, these assets and liabilities offset each other from the standpoint of the Government as a whole. For this reason, they do not represent an asset or a liability in the U.S. Government-wide financial statements. Treasury Securities provide the Library with authority to draw upon the U.S. Treasury to make future expenditures. When the Library requires redemption of these securities to make expenditures, the Government finances those expenditures out of accumulated cash balances, by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures. This is the same way the Government finances all other expenditures.

Fiscal data as of, and for the year ended September 30, 2012 is summarized below. Intra-agency transactions have not been eliminated in the amounts presented below.

FY 2012	(in thousands)				
	Offsetting Collections Funds	Public Revolving Funds	Gift and TFB Funds	Other Earmarked Funds	Total Earmarked Funds
Balance Sheet:					
Fund Balance with Treasury	\$ 13,805	\$ 9,331	\$ 14,375	\$ 1,403	\$ 38,914
Investments in U.S. Treasury Securities	0	0	42,850	36	42,886
Other Assets	1,798	711	99,197	0	101,706
Total Assets	\$ 15,603	\$ 10,042	\$ 156,422	\$ 1,439	\$ 183,506
Liabilities					
Cumulative Results of Operations	9,789	5,306	155,121	1,439	171,655
Total Liabilities and Net Position	\$ 15,603	\$ 10,042	\$ 156,422	\$ 1,439	\$ 183,506
Statement of Net Cost:					
Program Costs	\$ 40,420	\$ 9,453	\$ 15,623	\$ 5,014	\$ 70,510
Less: Earned Revenue	(30,219)	(9,110)	(151)	(4,987)	(44,467)
Net Cost of Operations	\$ 10,201	\$ 343	\$ 15,472	\$ 27	\$ 26,043
Statement of Changes in Net Position:					
Net Position, Beginning	\$ 17,992	\$ 4,868	\$ 146,992	\$ 1,436	\$ 171,288
Net Cost	(10,201)	(343)	(15,472)	(27)	(26,043)
Non-Exchange Revenues and Donation Receipts	0	0	8,433	2	8,435
Other Financing Sources	1,998	781	15,168	28	17,975
Change in Net Position	(8,203)	438	8,129	3	367
Net Position, Ending	\$ 9,789	\$ 5,306	\$ 155,121	\$ 1,439	\$ 171,655

Fiscal data as of, and for the year ended September 30, 2011 is summarized below.

FY 2011	(in thousands)				
	Offsetting Collections Funds	Public Revolving Funds	Gift and TFB Funds	Other Earmarked Funds	Total Earmarked Funds
Balance Sheet:					
Fund Balance with Treasury	\$ 15,384	\$ 8,671	\$ 15,163	\$ 1,386	\$ 40,604
Investments in U.S. Treasury Securities	0	0	40,055	50	40,105
Other Assets	7,620	614	92,732	0	100,966
Total Assets	\$ 23,004	\$ 9,285	\$ 147,950	\$ 1,436	\$ 181,675
Liabilities					
Liabilities	\$ 5,012	\$ 4,417	\$ 958	\$ 0	\$ 10,387
Cumulative Results of Operations	17,992	4,868	146,992	1,436	171,288
Total Liabilities and Net Position	\$ 23,004	\$ 9,285	\$ 147,950	\$ 1,436	\$ 181,675
Statement of Net Cost:					
Program Costs	\$ 40,399	\$ 9,557	\$ 15,281	\$ 5,397	\$ 70,634
Less: Earned Revenue	(30,999)	(9,886)	(1,087)	(5,326)	(47,298)
Net Cost of Operations	\$ 9,400	\$ (329)	\$ 14,194	\$ 71	\$ 23,336
Statement of Changes in Net Position:					
Net Position, Beginning	\$ 24,008	\$ 3,769	\$ 156,137	\$ 1,300	\$ 185,214
Net Cost	(9,400)	329	(14,194)	(71)	(23,336)
Non-Exchange Revenues and Donation Receipts	0	0	4,668	1	4,669
Other Financing Sources	3,384	770	381	206	4,741
Change in Net Position	(6,016)	1,099	(9,145)	136	(13,926)
Net Position, Ending	\$ 17,992	\$ 4,868	\$ 146,992	\$ 1,436	\$ 171,288

NOTE 18	BUDGETARY RESOURCES
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Budgetary resources are classified as follows:

(in thousands)

	FY 2012			FY 2011		
	Appropriated Capital	Non- Appropriated Capital	Combined	Appropriated Capital	Non- Appropriated Capital	Combined
<i>Budgetary Resources:</i>						
Unobligated balance brought forward, October 1	\$ 29,357	\$ 70,350	\$ 99,707	\$ 25,895	\$ 64,175	\$ 90,070
Recoveries of prior year unpaid obligations	4,829	11,509	16,338	9,643	12,024	21,667
Other changes in unobligated balance (+ or -)	(5,934)	(224)	(6,158)	(8,011)	(232)	(8,243)
Unobligated balance from prior year budget authority, net	28,252	81,635	109,887	27,527	75,967	103,494
Appropriations (discretionary and mandatory)	587,344	18,719	606,063	628,676	23,839	652,515
Spending authority from offsetting collections (discretionary and mandatory)	1,648	141,872	143,520	137	143,920	144,057
Total Budgetary Resources	\$ 617,244	\$ 242,226	\$ 859,470	\$ 656,340	\$ 243,726	\$ 900,066

<i>Status of Budgetary Resources:</i>						
Obligations incurred	\$ 596,802	\$ 172,603	\$ 769,405	\$ 626,983	\$ 173,376	\$ 800,359
Unobligated balance, end of year:						
Exempt from apportionment	3,675	68,918	72,593	12,897	69,701	82,598
Unapportioned	16,767	705	17,472	16,460	649	17,109
Total unobligated balance, end of year	20,442	69,623	90,065	29,357	70,350	99,707
Total Budgetary Resources	\$ 617,244	\$ 242,226	\$ 859,470	\$ 656,340	\$ 243,726	\$ 900,066

(in thousands)

	FY 2012			FY 2011		
	Appropriated Capital	Non-Appropriated Capital	Combined	Appropriated Capital	Non-Appropriated Capital	Combined
<i>Change in Obligated Balance:</i>						
Unpaid obligations, brought forward, October 1 (gross)	\$ 204,086	\$ 74,098	\$ 278,184	\$ 222,756	\$ 75,721	\$ 298,477
Uncollected customer payments from Federal Sources, brought forward, October 1 (-)	(26)	(14,460)	(14,486)	(248)	(12,273)	(12,521)
Obligated balance, start of year (net)	204,060	59,638	263,698	222,508	63,448	285,956
Obligations incurred	596,802	172,603	769,405	626,983	173,376	800,359
Outlays (gross) (-)	(614,706)	(158,921)	(773,627)	(636,010)	(162,975)	(798,985)
Change in uncollected customer payments from Federal sources (+ or -)	(371)	(5,383)	(5,754)	222	(2,187)	(1,965)
Recoveries of prior year unpaid obligations (-)	(4,829)	(11,509)	(16,338)	(9,643)	(12,024)	(21,667)
Unpaid obligations, end of year (gross)	181,353	76,271	257,624	204,086	74,098	278,184
Uncollected customer payments from Federal sources, end of year	(397)	(19,843)	(20,240)	(26)	(14,460)	(14,486)
Obligated Balance, End of Year (Net)	\$ 180,956	\$ 56,428	\$ 237,384	\$ 204,060	\$ 59,638	\$ 263,698
<i>Budget Authority and Outlays, Net</i>						
Budget authority, gross (discretionary and mandatory)	\$ 588,992	\$ 160,591	\$ 749,583	\$ 628,813	\$ 167,759	\$ 796,572
Actual offsetting collections (discretionary and mandatory) (-)	(1,277)	(136,489)	(137,766)	(359)	(141,733)	(142,092)
Change in uncollected customer payments from Federal sources (discretionary and mandatory) (+ or -)	(371)	(5,383)	(5,754)	222	(2,187)	(1,965)
Budget authority, net (discretionary and mandatory)	\$ 587,344	\$ 18,719	\$ 606,063	\$ 628,676	\$ 23,839	\$ 652,515

(in thousands)

	FY 2012			FY 2011		
	Appropriated Capital	Non-Appropriated Capital	Combined	Appropriated Capital	Non-Appropriated Capital	Combined
Outlays, gross (discretionary and mandatory)	\$ 614,706	\$ 158,921	\$ 773,627	\$ 636,010	\$ 162,975	\$ 798,985
Actual offsetting collections (discretionary and mandatory) (-)	(1,277)	(136,489)	(137,766)	(359)	(141,733)	(142,092)
Outlays, net (discretionary and mandatory)	613,429	22,432	635,861	635,651	21,242	656,893
Distributed offsetting receipts (-)	0	(326)	(326)	0	(216)	(216)
Agency Outlays, Net (Discretionary and Mandatory)	\$ 613,429	\$ 22,106	\$ 635,535	\$ 635,651	\$ 21,026	\$ 656,677

A. For TFB funds, approximately \$10.9 and \$10.2 million of unobligated authority for fiscal years 2012 and 2011, respectively, at the donor's request, is restricted from being spent on program costs (income from investing restricted donations under the Library's Total Return Policy can be spent on program costs). These amounts are invested either in the permanent loan or in Treasury securities. An additional \$53.1 and \$53.2 million of restricted authority has been obligated and expended to invest in non-Treasury securities for the fiscal years 2012 and 2011, respectively.

B. Obligated undelivered orders, end of period:

(in thousands)

	FY 2012	FY 2011
Paid	\$ 253	\$ 88
Unpaid	174,840	193,894
TOTAL Undelivered Orders, end of period	\$ 175,093	\$ 193,982

C. Obligations incurred – Amounts Exempt from Apportionment:

(in thousands)

	FY 2012	FY 2011
Direct – Appropriated	\$ 596,802	\$ 626,983
Direct – Non Appropriated	21,419	23,664
subtotal Direct obligations incurred	618,221	650,647
Reimbursable – Non Appropriated	151,184	149,712
TOTAL Obligations incurred	\$ 769,405	\$ 800,359

NOTE 19	RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET	
	(in thousands)	
	FY 2012	FY 2011
RESOURCES USED TO FINANCE ACTIVITIES		
Budgetary Resources Obligated:		
Obligations Incurred	\$ 769,405	\$ 800,359
Less: Spending Authority from Offsetting Collections and Recoveries	(159,858)	(165,724)
Obligations Net of Offsetting Collections and Recoveries	609,547	634,635
Less: Distributed Offsetting Receipts	(326)	(216)
Net Obligations	609,221	634,419
Other Resources:		
Donations of Property and Services	27,186	25,189
Imputed Financing from Costs Absorbed by Others	102,121	101,509
Exchange Revenue not in the Budget	(147)	(57)
Trust/Special Fund Exchange Revenue Receipts	(5,634)	(6,929)
Other Resources (+/-)	12,147	(3,025)
TOTAL RESOURCES USED TO FINANCE ACTIVITIES	744,894	751,106
RESOURCES USED TO FINANCE ITEMS NOT PART OF NET COST OF OPERATIONS		
Change in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but Not Yet Provided (+/-)	24,225	25,563
Resources that Fund Expenses Recognized in Prior Period	(1,130)	(318)
Resources that Finance the Acquisition of Assets	(12,188)	(16,499)
Budgetary Offsetting Receipts that do not Affect Net Cost of Operations	326	216
Other Resources or Adjustments to Net Obligated Resources that do not Affect Net Cost of Operations (+/-)	(2,315)	(2,763)
TOTAL RESOURCES USED TO FINANCE ITEMS NOT PART OF THE NET COST OF OPERATIONS	8,918	6,199
TOTAL RESOURCES USED TO FINANCE THE NET COST OF OPERATIONS	753,812	757,305
COMPONENTS OF THE NET COST OF OPERATIONS THAT WILL NOT REQUIRE OR GENERATE RESOURCES IN THE CURRENT PERIOD		
Components Requiring or Generating Resources in Future Periods:		
Increase in Annual Leave Liability and Actuarial Liability	442	601
Total Components Requiring or Generating Resources in Future Periods	442	601
Components not Requiring or Generating Resources:		
Depreciation and Amortization	17,903	16,223
Revaluation of Assets or Liabilities	(9,855)	3,905
Other Costs not Requiring or Generating Budgetary Resources (+/-)	12	(33)
Total Components not Requiring or Generating Resources	8,060	20,095
TOTAL COMPONENTS OF THE NET COST OF OPERATIONS THAT WILL NOT REQUIRE OR GENERATE RESOURCES IN THE CURRENT PERIOD	8,502	20,696
NET COST OF OPERATIONS	\$ 762,314	\$ 778,001

NOTE 20	Fiduciary Activity and Net Assets
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SFFAS No. 31, "Accounting for Fiduciary Activities," defines "fiduciary activity" as those Federal Government activities that relate to the collection or receipt, and the subsequent management, protection, accounting, investment and disposition of cash or other assets in which non-Federal parties have an ownership interest that the Federal Government must uphold.

Fiduciary assets are not assets of the Library of Congress. The Library's Balance Sheet, Statement of Net Cost and Statement of Net Position do not include the results of operations and financial position of its funds identified as "fiduciary activities." Beginning in fiscal 2011, there is no fiduciary activity or unobligated balance reflected in the Statement of Budgetary Resources for the Copyright Licensing Fiduciary Deposit Fund.

The Library of Congress Copyright Office Licensing Division administers the compulsory and statutory licenses covered by the Copyright Act (17 U.S.C.). The Licensing Division receives royalty fees from cable television operators for retransmitting television and radio broadcasts, from satellite carriers for retransmitting "super station" and network signals, and from importers and manufacturers for distributing digital audio recording technologies (DART). Refunds may arise when a cable, satellite, or DART remitter inadvertently overpays or is otherwise entitled to a refund. Additional royalty fees may also be requested from the remitter when necessary. The Licensing Division invests the licensing royalty fees in market-based U.S. Treasury notes and bills. Because these investments are held in a fiduciary capacity for the copyright owners, income does not accrue to the Library's benefit.

Controversies regarding the distribution of the royalties are resolved by the Copyright Royalty Board (CRB), which is composed of three Copyright Royalty Judges and their staff. The CRB has full jurisdiction over setting royalty rates and terms and determining distributions. Decisions may be appealed to the United States Court of Appeals for the District of Columbia Circuit.

Investments - Copyright royalties collected by the Copyright Office on behalf of copyright owners are invested, net of service fees, in U.S. Treasury securities. Treasury securities are intended to be held to maturity, are valued at cost and are adjusted for the amortization of discounts and premiums. Interest is computed using the straight-line method, which approximates the effective interest method. These investments will be held until distributions are made to copyright owners. Income accrues to the benefit of the copyright owners.

Intragovernmental Investments - Non-marketable, market-based securities are Treasury notes and bills issued to governmental accounts that are not traded on any securities exchange, but mirror the prices of marketable securities with similar terms. Fiduciary funds investment maturity dates for fiscal years 2012 and 2011 range from October 25, 2012 to August 31, 2013 and October 27, 2011 to August 31, 2012, respectively and interest rates for fiscal years 2012 and 2011 range from 0.125 percent to 0.750 percent and from 0.000 percent to 4.500 percent respectively.

Fiduciary Activity consists of the following:

	(in thousands)	
	FY 2012	FY 2011
Beginning Fiduciary Net Assets	\$ 1,378,462	\$ 1,203,390
Licensing Fees	311,371	323,501
Investment Earnings	(458)	4,586
Total Net Inflows to Fiduciary Net Assets	310,913	328,087
Payments to Copyright Owners	(835,394)	(144,160)
Refunds of Licensing Fees	(754)	(3,528)
Retained by Copyright Licensing for Administrative Costs	(4,987)	(5,327)
Total Outflows from Fiduciary Net Assets	(841,135)	(153,015)
Subtotal Net Fiduciary Activity	(530,222)	175,072
ENDING FIDUCIARY NET ASSETS	\$ 848,240	\$ 1,378,462

Net Fiduciary Assets consist of the following:

	(in thousands)	
	FY 2012	FY 2011
Fiduciary Assets		
Fiduciary Fund Balance with Treasury	\$ 40	\$ 2,014
Investments in U.S. Treasury Securities	848,159	1,374,967
Accrued interest from U.S. Treasury Securities	41	1,481
TOTAL FIDUCIARY NET ASSETS	\$ 848,240	\$ 1,378,462

THE LIBRARY OF CONGRESS

Management Report

Fiscal Year Ended September 30, 2012

Assessment of Condition of Heritage Assets

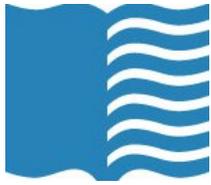
The Library has the largest collection in the world, including materials in over 470 languages and various media. Providing access to this collection inevitably puts it at risk and could impair the Library's ability to serve the Congress and other users in the future. However, the collection exists to be used, and management accepts the responsibility of mitigating risk to the collection at the same time it fulfills its goal of providing access to it.

As of September 30, 2012, the collection was determined to be in a useable condition for fulfilling the Library's service mission. During fiscal 2012, only a very small percentage of materials were removed from the collection because of damage caused by use and/or deterioration of the medium. The ultimate useful life of a library item varies by its medium (e.g., book, film, tape, manuscript, disk), and the manner in which it is used and stored.

The Library employs a variety of methods to prolong the useful life of its deteriorating materials, including:

- Establishment of adequate environmental storage conditions
- Use of binding or other methods to house items
- Mass deacidification of print materials
- Use of surrogates in serving the collection to the public
- Reformatting of collection items to other media

The Library has inadequate temperature and humidity control in some collection storage areas; inadequate space for appropriate storage of some collection materials; and insufficient resources for meeting all reformatting needs. This condition cannot be fully addressed with current funds and physical plant. The move of collection materials into the storage facility at Ft. Meade, Maryland, is serving to remedy many of these difficulties for books and paper-based materials, and the acquisition of the Packard Campus for Audio-Visual Conservation in Culpeper, Virginia, was a major step in the preservation of film and other media.

**Memorandum***Office of the Inspector General*

TO: James H. Billington
Librarian of Congress

March 30, 2013

FROM: Karl W. Schornagel
Inspector General

A handwritten signature in black ink, appearing to read "Karl Schornagel".

SUBJECT: Results of the Library of Congress FY 2012 Financial Statements Audit

The attached report presents the results of the annual audit of the Library of Congress financial statements for fiscal years (FY) 2012 and 2011.

We contracted with the independent certified public accounting firm of CliftonLarsonAllen LLP (CLA) for the audit. The contract required that the audit be performed in accordance with U.S. generally accepted government auditing standards; the Office of Management and Budget Bulletin 07-04, *Audit Requirements for Federal Financial Statements*; and the GAO/PCIE *Financial Audit Manual*.

Results of Independent Audit*Financial Statements*

For the seventeenth consecutive year, we are pleased to report that the auditors issued an unqualified (clean) opinion on the Library's financial statements. In its audit, CLA found that the financial statements were fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles.

Report on Internal Controls

CLA's consideration of internal controls over financial reporting (including the safeguarding of assets) resulted in no material weaknesses and the identification of one significant deficiency.¹

¹ A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Library's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

CLA noted multiple exceptions over the internal controls within the procurement and contracting area of the Library that when aggregated, it considered them to be a significant deficiency.

Compliance with Laws and Regulations

CLA found no instances of noncompliance with laws and regulations tested.

Office of the Inspector General Oversight of CLA

In connection with the audit contract, the Office of the Inspector General reviewed CLA's report and related documentation and inquired of its representatives. Our review as differentiated from an audit in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, opinions on the Library's financial statements, conclusions about the effectiveness of internal controls, and compliance with laws and regulations. CLA is responsible for the attached auditor's report dated March 8, 2013 and the conclusions expressed in the report.² However, our review disclosed no instances where CLA did not comply in all material respects with generally accepted government auditing standards.

cc: Deputy Librarian
Chief Financial Officer

² In accordance with generally accepted government auditing standards, CLA's report is dated as of the last day of their audit fieldwork. CLA's final report was delivered to the Office of the Inspector General on March 29, 2013.

Independent Auditors' Report

To the Inspector General and
the Librarian of Congress
Library of Congress

We have audited the accompanying balance sheets of the Library of Congress (the Library) as of September 30, 2012 and 2011, and the related statements of net cost and changes in net position, and the combined statements of budgetary resources ("financial statements") for the years then ended. The objective of our audit was to express an opinion on the fairness of these financial statements. In connection with our audit, we also considered the internal control over financial reporting and considered the Library's compliance with laws and regulations. In our audit, we found:

- The financial statements are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America (U.S.).
- No material weaknesses and one significant deficiency in internal control over financial reporting (including safeguarding of assets).
- No instances of reportable noncompliance with selected provisions of laws and regulations tested.

The following sections and Exhibits discuss in more detail: (1) these conclusions; (2) our conclusions on Management's Discussion and Analysis (MD&A), and other required supplementary information; (3) our responsibility for the audit; (4) management's responsibility for the financial statements; (5) the Library's response and our evaluation of their response; and (6) the current status of prior year findings and recommendations.

Opinion on the Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Library as of September 30, 2012 and 2011, and its net costs; changes in net position; and budgetary resources for the years then ended in conformity with accounting principles generally accepted in the U.S.

Report on Internal Control

In planning and performing our audit, we considered the Library's internal control over financial reporting and compliance (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control or on management's assertion on internal control included in the MD&A. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control or on management's assertion on internal control included in the MD&A.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Library's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a control deficiency, or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we identified one deficiency in internal control described below and in Exhibit A that we consider to be a significant deficiency.

Improvement over Internal Controls needed in Procurement and Contracting Function within the Library

Multiple exceptions were noted over the internal controls within the procurement and contracting area of the Library. Exhibit A presents and details each of these findings herein.

Report on Compliance

In connection with our audit, we performed tests of the Library's compliance with certain provisions of laws and regulations. The results of our tests disclosed no instances of noncompliance that are required to be reported in accordance with *Government Auditing Standards*, issued by the Comptroller General of the U.S. or OMB Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended (OMB Bulletin 07-04). However, the objective of our audit was not to provide an opinion on compliance with laws and regulations. Accordingly, we do not express such an opinion.

We noted certain matters that we reported to the Library's management in a separate letter dated March 8, 2013.

Other Information

Accounting principles generally accepted in the U.S. require that the Library's MD&A on pages 1 through 29, and other required supplementary information (including heritage asset information in the Management Report) on page 65, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Federal Accounting Standards Advisory Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the MD&A and the Management Report in accordance with auditing standards generally accepted in the U.S., which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to do so.

Management's Responsibility for the Financial Statements

The Library's management is responsible for: (1) preparing the financial statements in conformity with accounting principles generally accepted in the U.S.; (2) designing, implementing, and maintaining internal control over financial reporting and compliance, and evaluating its effectiveness; and (3) complying with applicable laws and regulations.

Auditor's Responsibility

We are responsible for conducting our audit in accordance with auditing standards generally accepted in the U.S.; the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Bulletin 07-04, as amended. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the U.S. We are also responsible for: (1) obtaining a sufficient understanding of internal control over financial reporting and compliance to plan the audit; (2) testing compliance with selected provisions of laws and regulations that have a direct and material effect on the financial statements and laws for which OMB Bulletin 07-04 requires testing; and (3) performing limited procedures with respect to certain other information appearing in the Annual Report.

In order to fulfill these responsibilities, we: (1) examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements; (2) assessed the appropriateness of the accounting policies used and the reasonableness of significant estimates made by management; (3) evaluated the overall presentation of the financial statements; (4) obtained an understanding of the Library and its operations, including its internal control related to financial reporting (including safeguarding of assets) and compliance with laws and regulations; (5) evaluated the effectiveness of the design of internal control; (6) tested the operating effectiveness of relevant internal controls over financial reporting and compliance; (7) considered the design of the process for evaluating and reporting on internal control and financial management systems; and (8) tested compliance with selected provisions of certain laws and regulations. The procedures selected depend on the auditors' judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. We believe we obtained sufficient and appropriate audit evidence on which to base our conclusions.

We limited our internal control testing to controls over financial reporting and compliance. Because of inherent limitations in internal control, misstatements due to error or fraud, losses, or noncompliance may nevertheless occur and not be detected. We also caution that projecting our audit results to future periods is subject to risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate. In addition, we caution that our internal control testing may not be sufficient for other purposes.

We did not test compliance with all laws and regulations applicable to the Library. We limited our tests of compliance to selected provisions of laws and regulations that have a direct and material effect on the financial statements and those required by OMB Bulletin 07-04 that we deemed applicable to the Library's financial statements for the fiscal year ended September 30, 2012. We caution that noncompliance with laws and regulations may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

The Library's Response and Our Evaluation

Management has chosen not to provide a response to our report.

Status of Prior Year's Control Deficiencies

We have reviewed the status of the Library's corrective actions with respect to the findings and recommendations included in the prior year's Independent Auditors' Report, dated March 16, 2012. The status of prior year findings and recommendations is presented in Exhibit B.

This report is intended solely for the information and use of the Library's management, the Library Office of Inspector General, OMB, the U.S. Government Accountability Office, and the U.S. Congress, and is not intended to be, and should not be, used by anyone other than these specified parties.

CLIFTONLARSONALLEN LLP

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

Calverton, Maryland

March 8, 2013

INDEPENDENT AUDITOR'S REPORT
EXHIBIT A – Significant Deficiency

Improvement over Internal Controls needed in Procurement and Contracting Function within the Library

The Library's procurement function is considered a significant cycle within the Library as a whole as contractual services and library materials make up 40% of the Library's program costs. We noted several exceptions as a result of our internal control testing, indicating significant improvement is needed within this area. Accordingly, we categorized similar exceptions into seven issues relating to the procurement and contracting function as summarized below.

1. Inadequate Contracting Officer's Representative (COR) Designation:

The Office of Contracts and Grant Management's (OCGM) current process did not ensure:

- The appropriate COR designation letters were included in the contract file.

The Office of the Chief Financial Officer's (OCFO) current process did not ensure:

- Appropriate documentation was readily available substantiating that the official COR, per the contract file, approved invoices.

Without proper designation of CORs there may be confusion for both government and non-government vendors of the Library about the person whom they believe to be responsible for administering their contract award. Not having the COR's approval documented in Momentum makes it more difficult to determine if a payment has been properly approved.

The following exceptions were noted with respect to the COR designation documentation:

- COR designation letter(s) were missing from contract file (12 of 32).
- The individual approving the vendor invoices within Momentum was not the COR of record per official contract files, and the documentation of the approval by the COR of record was not attached to the payment document within Momentum (2 instances).

Recommendations:

1. OCGM policies and procedures should contain quality control measures to ensure contract files include completed COR designation documentation and are continuously updated to reflect current COR designation.
2. OCFO should ensure that the payment documents within Momentum include sufficient appropriate documentation of COR's approvals for invoices approved by individuals other than the official COR of record, as required by OCFO directive 09-03 standard #5.

2. Inadequate Independent Government Cost Estimates (IGCE)

The OCGM relies on the Library's service units to conduct IGCE. However, the Library's service units typically do not provide OCGM with an adequately documented IGCE that can be used when negotiating contract awards, if providing an IGCE at all.

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EXHIBIT A – Significant Deficiency

Not performing a thorough market analysis or documenting the resources used to conduct an IGCE during the pre-award process puts the Government at risk of not receiving the most cost-advantageous pricing for its contract goods and services.

In the area of contracts management, we noted the following exceptions with respect to the completion of IGCE during the pre-award process:

- The IGCE did not include adequate documentation to support the information source on which the market analysis was based (3 of 32).
- The IGCE did not contain any market research analysis (1 of 32).

Recommendations:

3. The Library should provide training to the appropriate OCGM and service unit staff on acquisition planning and the importance of allowing the Government sufficient time to conduct its IGCE and market analysis prior to contract award.
4. The OCGM should stress the importance of documenting all of the research performed in the Government's development of its IGCE or market analysis so this information is readily available for review upon request.

3. Incomplete or Missing Contract Files

Currently, the Library's active contract files are not stored in a secured location. As noted in prior year audits, over time, some parts of the contract files have become misplaced due to the Library's continued challenges in regulating access to its contract files. In some cases, contract files have to be recreated through the Library's accounting system, Momentum. Since not all parts of a contract file are typically stored in Momentum, there is a risk that pertinent parts of the Library's contract files cannot be replaced. The OCGM has begun to identify locations for potential file storage; however, the OCGM has yet to implement a plan which includes the movement of its files to controlled, limited access location.

Missing and/or incomplete contract files places the Library at risk, increasing the possibility of losing some of its protections against contract award protests, potentially resulting in additional costs to the Government. Insufficient documentation may make it difficult for the Library to justify contract related decisions. Also, by OCGM not maintaining its contract files in a secure location or, at a minimum, limiting access to those files, the Library is susceptible to greater risks of unauthorized individuals gaining improper access to both proprietary and personally identifiable information (PII).

In the area of contracts management, we noted the following exceptions with respect to the Library's official contract file maintenance:

- Certified contract award letter to the contractor missing from official contract file (7 of 32).
- Contract closeout documentation is missing from the office contract file (1 of 32).
- Contract modification(s) are missing from the official contract file (3 of 32).
- The OCGM currently does not have a secure location for maintaining or limiting access to its active contract files.

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EXHIBIT A – Significant Deficiency

Recommendations:

5. Develop a plan of action to identify and locate missing contract file documents.
6. Develop written policies and procedures which address the importance of maintaining sufficient award documentation throughout the life of a contract.
7. Establish a quality control process to review contract files on a regular basis for accuracy, completeness, and consistency with Momentum.
8. Consider scanning contract files to a secure directory in addition to Momentum.
9. Continue its efforts to obtain adequate and secure storage for all active contract files within the OCGM office.

4. Improper Micro-Purchase

We noted one exception in which the work agreed to under a micro-purchase obligation exceeded the micro-purchase threshold for services. After the Library received an additional \$5,000 for the vendor to complete its project, the vendor was informed that the full amount would be paid in two payments.

Recommendation:

10. We recommend the OCGM ensure compliance with the Government Purchase Card User Manual, and prevent violations of the micro-purchase policies as noted with the processed payments for a total of \$5,000.

5. Unauthorized Receipt and Purchase for Literary Materials

At the beginning of fiscal year (FY) 2012, the Library was operating under a Continuing Resolution (CR), which allowed service units to continue their operations, under limited availability of funds. In an effort to avoid disruption of service during the CR, Library Services Acquisitions and Bibliographic Access Directorate (LS/ABA) paid FY 2012 vendor invoices, which allowed the Library continuous access to literary materials worldwide. Also, LS/ABA made a business decision not to finalize its FY 2012 subscription renewal letters and general approval plans with its vendors until February 2012, after the Library's FY 2012 full-year budget was approved by Congress.

Without the proper agreements in place, the Library received and paid for unauthorized materials throughout the first half of FY 2012. The payment of unauthorized vendor invoices without a current year vendor agreement, and during a CR, unnecessarily increased the Library's risk of non-compliance with the Antideficiency Act.

We noted the following exceptions involving transactions under the purview of the LS/ABA Directorate:

- A subscription renewal authorization letter for FY 2012 subscriptions services was not signed by either the region (e.g. US/Anglo Division, etc.) or field division chief and vendor until January 2013 (1 of 18).
- A subscription renewal authorization letter/general approval plan for FY 2012 services was not signed by either the region or field division chief and vendor until February 2012/March 2012, several months after FY 2012 invoices were paid (5 of 18).

INDEPENDENT AUDITOR'S REPORT
EXHIBIT A – Significant Deficiency

Recommendations:

11. Develop a plan that requires its annual subscription plans and approval plans to be fully executed by both the Library and its vendors prior to October 1st of each calendar year.
12. Develop a contingency plan for vendor agreements and subsequent invoice payments during government imposed budget restrictions to current year appropriations (e.g. CR's).
13. Ensure compliance with LCR 1514-2.1 in that purchases are specified in writing, properly authorizing obligation of Library funds and prevent payments from being made when vendor agreements have not been signed.

6. Lack of Segregation of Duties over Electronic Data Interchange (EDI) Invoice Approval and Payments

LS/ABA has workflow procedures whereby the acquisitions personnel who downloaded the EDI invoice into the file record is required to assign the invoice to the appropriate section for further processing. However, due to system limitations, Integrated Library System (ILS) Voyager is incapable of producing a data history to capture each time an invoice record has been modified. Because of this, the "Update Information" box, the field in ILS Voyager that identifies the most recent modification to an invoice record, can be overwritten several times before an invoice is approved for payment.

The LS/ABA does not have an adequate method in place for processing EDI invoice to ensure proper segregation of duties which, given the system limitations within ILS Voyager and the inherent risk of conducting business with overseas vendors, increases the Library's exposure to payment of improper or fraudulent invoices.

We noted the following exception involving transactions under the purview of the Library's LS/ABA:

- Two instances in which the same individual who entered an invoice into ILS Voyager also approved the invoice for payment.

Recommendation:

14. We recommend LS/ABA initiate a process whereby the entering, reviewing, and approving of EDI invoices in ILS Voyager is segregated and fully documented (via email, screen prints, etc.).

7. Failure to Timely Ratify Improper Contract Awards

During the prior year audit, we noted a condition with respect to the OCGM authorization and issuance of contract awards/delivery orders whereby one delivery order with an open obligation amount totaling \$8,150,244, was awarded by a Contracting Officer (CO) without sufficient warrant authority to issue the order. The delivery order awarded totaled \$9,185,790, while the CO only had warrant authority in the amount of \$5,000,000. At the end of the audit, we recommended OCGM identify any contracts in which it appeared previous or current personnel may have mistakenly made commitments on behalf of the Library to the vendor (or awardee) and follow the procedures outlined in the Office of the Chief Financial Officer directive 11-04 to ratify those unauthorized commitments.

INDEPENDENT AUDITOR'S REPORT
EXHIBIT A – Significant Deficiency

In FY 2012, as a follow-up on the resolution of prior year audit findings, we noted the ratification of the unauthorized commitment noted above was not initiated until January 31, 2013, the date we requested the ratification documents from OCGM.

Recommendations:

15. Take steps to ratify contracts in a timely manner when needed.
16. Consider instituting a system control which would prevent payments on contracts identified as requiring ratification.

INDEPENDENT AUDITOR'S REPORT
EXHIBIT B – Status of Prior Year's Control Deficiencies

Our assessment of the current status of the recommendations related to the significant deficiency identified in the prior year audit is presented below:

Prior Year Finding	Prior Year Recommendations	Current Year Status
1. Need to Strengthen Internal Controls Over Recording of Pledge Receivable – Donations	<p>We recommended the Library incorporate control activities to effectively prevent and/or detect errors in providing reasonable assurance over the reliability of financial reporting within the pledge receivable balance. Listed below are considerations for the Library to develop their internal controls within this area:</p> <ol style="list-style-type: none"> 1. Prior to recognizing a pledge receivable and the related revenue in the financial statements, ensure sufficient evidence in the form of verifiable documentation that an unconditional promise to give was made in accordance with generally accepted accounting principles. 2. Pledges based on trusts should be supported by a copy of the trust documentation. 	1. Resolved