Library-wide

Inventory Management Problems Continue, Senior Management Attention is Crucial

Audit Report No. 2009-PA-102
March 2009

PUBLIC RELEASE
TO:       James H. Billington       Librarian of Congress
          March 30, 2009
FROM:    Karl W. Schornagel       Inspector General
SUBJECT: Inventory Management Problems Continue, 
          Senior Management Attention is Crucial
          Audit Report No. 2009-PA-102

This transmits our final audit report on the Landover Center Annex Warehouse inventory controls. The Executive Summary begins on page i, and complete findings and recommendations appear on pages 5 to 22.

Management’s response to our draft report is briefly summarized in the Executive Summary and in more detail after individual recommendations. The complete response is included as an appendix to the report.

Based on the written comments to the draft report, we consider all of the recommendations resolved. Please provide within 30 calendar days, an action plan addressing implementation of the recommendations, including implementation dates, in accordance with LCR 211-6, Section 11.A.

We appreciate the cooperation and courtesies extended by Logistics Services during this audit.

cc: Chief Operating Officer
     Director, Integrated Support Services
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EXECUTIVE SUMMARY

Over the past five years, the Office of the Inspector General has been evaluating the efficiency of space usage and the effectiveness of inventory and security controls at the Library’s 313,802 square foot rented warehouse in Landover, Maryland. In March 2005 and June 2006, we reported on inventory and warehouse inefficiencies attributable to Integrated Support Services and the Library’s service units that have caused the Library to lease more warehouse space than it needed. We initiated this audit to update our previous work and identify the progress ISS and the service units have made in improving the Library’s warehousing operations. The findings below provide details on significant issues we identified through this audit.

Despite ISS’ Efforts, Excess Inventory is Still Held—Service units continue to maintain many items in their inventories that were acquired over five years ago and likely have little current demand. ISS has attempted to make service units manage their warehouse space more efficiently by establishing a fixed amount of storage space for each service unit to manage. However, the Logistics policy has not fully motivated service units to manage their warehouse spaces efficiently. We estimate that improved warehouse efficiency could save the Library as much as $1 million over five years.

ISS has not Provided the Guidance and Oversight Needed to Ensure Efficient Inventory Management— ISS and the service units have not developed and implemented strong inventory control policies and ISS has not provided service units with useful data on storage costs or inventory turnover. Consequently, service units are not considering storage costs in their purchasing and retention decisions and continue to hold excessive amounts of materials. To ensure that service units retain the appropriate amount and types of items, we recommend the Library develop a Library regulation that provides retention guidance and allocates the applicable warehouse lease cost to each service unit.

FD&C Has Not Developed a Plan for Using Its Materials Held at Landover—ISS’ Facility Design and Construction division occupies 40 percent of the warehouse’s space and holds the greatest amount of new materials stored in the
warehouse longer than five years. FD&C realizes that some of its inventory is obsolete, but it cannot determine how much of it should be removed until it completes an inventory of its materials (FD&C plans to have the inventory completed in June 2009). While ISS may not have sufficient authority to require service units to control their inventory levels, it does have this authority over FD&C.

ISS is Still not Processing Excess Computer Equipment Efficiently—ISS weaknesses in processing excess computers\(^1\) which we identified more than two and a half years ago have still not been satisfactorily addressed. We observed hundreds of computers already prepared for donation to the Computers for Learning Program that had been sitting at the warehouse for 18 to 21 months. In comparison, other agencies generally process excess computer equipment within four months. We recommend that ISS 1) develop performance measures for the processing of excess property and 2) determine the cost/benefit of using an interagency program to dispose of excess computers.

Publishing Office Asked to Make Retention Decisions for Materials Used by Other Offices—The Library is spending almost $100,000 per year to store its publications and many of them have been held for over ten years with little or no current demand. This has occurred primarily because disposition decisions on publications’ excess copies have been improperly assigned to the Publishing Office. While the Publishing Office produced many of the publications, they were produced for other Library offices and officials from those offices, not the Publishing Office, have the required knowledge about the demand for their publications. We recommend that ISS expand its IntelliTrack inventory system to include the divisions that have publications that are held at the warehouse.

ISS management generally concurred with the conditions we reported and our recommendations. However, management did not agree with us on the causes and effects for some of the conditions, and with some of our conclusions. ISS’ full response is attached as Appendix II.

INTRODUCTION

Since 1978, the Library has occupied 313,802 square feet of storage space at a rented warehouse in Landover, Maryland. While most is occupied by collections, Logistics controls approximately 93,000 square feet of the space. Over the past five years, the Office of the Inspector General has been evaluating the efficiency of space usage and the effectiveness of inventory and security controls at the warehouse. The way that agencies manage their facilities has significant cost implications. Government agencies are responsible for ensuring that the amount of workspace, including warehouse space, they occupy does not exceed the essential level required to accommodate their missions.

In March 2005, we reported that “[t]he lack of an inventory management system, and adequate policies and procedures has resulted in at least $1.5 million in excess and obsolete inventory.” Subsequently, in June 2006, we reported that the Logistics Section of the Library’s Integrated Support Services (ISS) organization had not maintained physical accountability of its inventory. Then, in March 2008, we reported that the Library needed to critically review what types of material it is storing.

ISS and the Library’s service units were responsible for the inefficiencies identified in our previous reports, and their inadequate inventory management was causing the Library to lease more warehouse space than it needed. In response to our June 2006 report, ISS noted that many of the problems identified in our March 2005 and June 2006 reports were attributable to prior management. The ISS response also indicated that the new ISS management team pledged in mid-2003 that it would be devoting “significant attention, concern, effort, and resources to support and improve Logistics warehousing and other operations, providing a great deal of management oversight to the whole operation including security.”

The “new” ISS management team had been in place for more than five years by November 2008, when we began our work for this report. We initiated this audit to update our previous work and identify the progress the ISS team and the service units have made in improving the Library’s warehousing operations.

ISS management provided a highly detailed response to our draft report. We have highlighted and responded only to the more pertinent issues ISS raised in its response.

ISS questioned the accuracy of some of our estimates. We stand by their accuracy; more importantly, however, we wish to emphasize that they are intended as illustrations of the impact of improved warehouse efficiency. As ISS correctly notes in its written response, “a reduction in Service Unit storage or improved inventory management would not reduce the monthly amount ISS pays for rent under the current lease. …Over the long term, such improvements may allow Facility Services to rent, build, or occupy less space, and that could result in future cost adjustments.” Considering the Library is currently exploring other warehouse options, we believe our cost estimates clearly quantify the savings that are possible by improving inventory management and minimizing storage space to the extent practical.
OBJECTIVES, SCOPE, AND METHODOLOGY

Our audit objectives were to determine: (1) the progress made by ISS and the service units since our March 2005 report to reduce the level of excess and obsolete materials that the Library was maintaining in the warehouse and (2) the extent to which ISS and the service units are providing effective inventory control oversight. Oversight responsibilities include: (1) ensuring that materials are securely stored; (2) monitoring inventories for slow-moving and obsolete materials and removing those materials if needed; and (3) efficiently processing excess property for donation or disposal.

To evaluate progress in reducing inventory levels, we conducted an inspection of the warehouse, reviewed the Logistics Services’ inventory documentation, and interviewed officials of that organization and the service units responsible for taking actions in response to our 2005 and 2006 report recommendations on property management.

To determine the extent to which ISS provides effective oversight, we interviewed officials of Logistics Services and reviewed applicable Library of Congress Regulations (LCRs) and current ISS policies and procedures pertaining to Logistics Services’ responsibilities and asset management.

Additionally, we interviewed officials from other Library organizations including Facility Design and Construction (FD&C), the Preservation Directorate, Information Technology Services (ITS), the Publishing Office, the Copyright Office, and the Prints and Photographs Division to discuss their roles and responsibilities in addition to the criteria and guidance they use for ordering, managing, and reviewing their materials and validating items to retain in inventory.

We assessed the effectiveness of security controls by testing a sample of inventory items, performing three physical security inspections, and interviewing Library personnel and contract guards who work at the warehouse.

Furthermore, we collected information from the Smithsonian Institution, Patent and Trademark Office, Agency for International Development, Federal Trade Commission, National Science Foundation, and the Government...
Accountability Office (GAO) to compare the Library’s inventory management practices with other agencies.

Criteria we used for our audit included laws and Library/ISS policy applicable to our objectives, and the *Standards for Internal Control in the Federal Government* issued by the GAO.

We conducted this performance audit from the beginning of November 2008 through February 2009 in accordance with generally accepted government auditing standards and LCR 211-6, *Functions, Authority, and Responsibility of the Inspector General*. Government auditing standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions, based on our audit objectives. We believe that the evidence we obtained provides a reasonable basis for our findings and conclusions, based on our audit objectives.
FINDINGS AND RECOMMENDATIONS

Despite ISS’ efforts to ensure efficient inventory control (as detailed in Appendix I), the Library continues to maintain excessive inventory in the Landover warehouse at a significant cost to the government. This inefficiency is mainly due to service units not taking into account storage costs when deciding to purchase and retain materials. This was further compounded by ISS not providing strategic data on inventory management to the service units. ISS believes that each service unit is responsible for managing its own inventory.

As the Library’s logistics experts, ISS needs to provide proactive guidance and oversight on warehouse management matters. More importantly, as the Library’s facility manager, ISS must ensure that service units use Library space efficiently, including warehouse space. However, ISS’ ability to effectively address these responsibilities is constrained because it does not have necessary authority to control the inventory management of other Library organizations.

The findings below provide details on significant issues we identified through this audit.

I. Despite ISS’ Efforts, Excess Inventory is Still Held

Despite Logistics Services’ efforts to ensure efficient inventory control, service units continue to maintain materials in their inventories beyond the minimum levels necessary to meet the units’ immediate requirements. Many items in their inventories were acquired over five years ago and likely have little current demand. Examples include:

• Metal Edge preservation rehousing materials ordered for Prints and Photographs in 1999 (held in the upper level and not under Logistics’ control)
• Large ring binders ordered October 1995
• Security Filing Cabinet for Maps and Plans purchased June 2001
• Numerous publications including:
  o 42 boxes (30 copies per box) of “The Hispanic World 1492-1898, A Guide” held since May 1996;
  o 3 boxes of “First Lady: A Bibliography of Eleanor Roosevelt” held since 1984; and
  o 10 boxes of “In Search of a Voice,” a 1981 publication.

In addition to revealing a slow-moving item occupying valuable warehouse space, another example also reveals an egregious illustration of excessive material ordering. Sixteen unopened boxes that contained 22-inch Multi Sync Monitors were shipped to the Library on March 2, 2005 and were being maintained in inventory. Although these items have been held for less than four years, similar monitors were being held in the excess property area of the warehouse, awaiting disposal.

The excess inventory we identified remains despite a campaign by ISS to identify excess materials, and the responsible “owning” unit, and encourage each unit to remove its excess from the warehouse. During the summer of 2008, ISS contracted with a logistics expert consultant to conduct a comprehensive inventory review. The consultant concluded, “Based on the age, and lack of usage, about one-fifth of the items stored within the warehouse by its end users could be removed without any adverse effect on the Library’s performance.
There has been little, if any, attempt by SU/SU’s in working with their vendors to implement just-in-time receiving on goods specifically required by the Library.” Using the results of this review, Logistics Services officials met with each “owning” unit and encouraged them to review their inventory and remove any excess. This effort resulted in freeing some space that ISS has used cost effectively to transfer records from more costly off-site storage (see Appendix I). Logistics Services cited the Cataloging Distribution Service and the Copyright Office as two units that effectively removed excess materials. However, excess inventory is still held at the warehouse despite ISS’ efforts. The current controls are not sufficient to ensure service units use warehouse space efficiently and to enable the Library to minimize its warehouse requirements.

The portion of the warehouse occupied by Logistics Services is about four times the space that other agencies we contacted use for comparable activities. Moreover, Logistics Services’ massive space is expensive. On an annual basis, it costs about

![Cost of Storage](image)

Source: Logistics Services’ estimate of the percentage of total warehouse storage space assigned to each unit and Facility Services’ calculation of the cost per square foot for storage in the Logistics Services area of the Landover Warehouse.
$320,000 to store FD&C’s inventory and almost $100,000 to store various divisions’ preservation materials.

Occupying storage space with maximum efficiency is especially important because the Library incurs costs for other offsite storage space that is more expensive. As of November 2008, the Preservation Directorate had 167 pallets of collection re-housing supplies stored at an offsite facility in California at an annual cost of $35,070, or $17.50 a pallet per month. The estimated annual cost of storing this material at Landover is $10,000, more than a third less.

Through a Logistics policy, ISS has attempted to make service units manage their warehouse spaces efficiently. The policy involved ISS establishing a fixed amount of storage space for each service unit to manage. Then, if a service unit filled up its allotted space, Logistics Services would not accept additional deliveries for the service unit. However, the Logistics policy has not motivated service units to manage their warehouse spaces efficiently. Excess materials continue to accumulate in the service units’ areas. Furthermore, the policy does not provide an effective means to strategically address the Library’s needs or the flexibility to manage total warehouse space in an integrated manner.” In the next section, we discuss the actions senior management needs to take to ensure efficient inventory control.

Management Response and OIG Comments

Management concurred with the overall focus of this section. However, ISS noted that their consultant’s statement that one-fifth of the items stored could be removed was a preliminary unsubstantiated observation rather than an accurate conclusion supported by research with the Service/Support Units that is still ongoing. We do not agree that it is an unsubstantiated observation. According to Logistics Services staff, the consultant conducted a very comprehensive assessment of the items on hand and the inventory records including turnover. Given the consultant’s expertise in inventory control, we believe he can make accurate conclusions based on this assessment.

ISS also questioned our statement that “[t]he portion of the warehouse occupied by Logistics Services is about four times
the space that other agencies we contacted use for comparable activities.” ISS stated that this seemed unrealistic based on ISS’ knowledge of other federal agencies’ needs and practices. Management requested that we provide specific data. We attempted to be fair by comparing the Library with similar size agencies:

<table>
<thead>
<tr>
<th>Agency</th>
<th>Warehouse (sq. feet)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Library of Congress</td>
<td>About 85,000</td>
</tr>
<tr>
<td>U.S. Patent and Trademark Office</td>
<td>27,000</td>
</tr>
<tr>
<td>Federal Trade Commission</td>
<td>22,000</td>
</tr>
<tr>
<td>National Science Foundation</td>
<td>20,000</td>
</tr>
<tr>
<td>Agency for International Development</td>
<td>5,000</td>
</tr>
<tr>
<td>Government Accountability Office</td>
<td>Minimal</td>
</tr>
<tr>
<td>Pension Benefit Guaranty Corporation</td>
<td>No warehouse</td>
</tr>
<tr>
<td>Smithsonian Institution</td>
<td>11,000</td>
</tr>
</tbody>
</table>

II. ISS Needs to Provide More Inventory Guidance and Oversight

The Library has not developed an effective policy addressing purchasing materials and retaining them in inventory. Moreover, the authority to direct and enforce efficient and effective Library-wide inventory management has not been designated. Therefore, service units lack criteria for making decisions on retaining materials in inventory and do not face a consequence if they do not donate or dispose of excess materials. As a result, the cost that the Library incurs for warehouse storage is considerably more than the warehousing costs that other agencies incur. A significant element of this Library problem is ISS taking a hands-off approach regarding inventory levels believing that each service unit is responsible for managing its own inventory. Because expertise in inventory management resides in Logistics Services, we believe that organization should provide the decision guidance that is needed to service unit officials who are responsible for those decisions.

In our March 2005 audit report, we recommended that ISS’ Logistics Section, in conjunction with Service Units, develop policies and procedures for communicating and coordinating the acquisition, storage, and disposition of inventory. The policies ISS subsequently developed remain in draft format as of February 2009. They deal primarily with the mechanics of
receiving/shipping inventory, except for Landover Center Annex Operations Policy 3.1.7.2, Service Storage. This policy states in pertinent part:

“Service storage materials will be retained for up to one year. After six months of storage, Warehouse staff will provide a listing of the “owning” Service Unit’s holdings, giving the Service Unit another six months to determine an alternate location for its property. Extensions may be granted when a clear business justification exists to retain the materials for a longer period. If there is no justification, and the owning Service Unit does not request delivery of its materials, Warehouse staff will inform the Service Unit that the materials will be reutilized as surplus or donation, at the discretion of Property Control, within 14 business days.”

We commend ISS for developing a strong policy to ensure effective inventory control. However, 18 months after first drafting this policy, ISS has not finalized or implemented it. In our opinion, implementing this policy may save the Library as much as $600,000 per year in future warehouse lease payments.

Furthermore, ISS has not provided service units the data that they need to make meaningful inventory decisions. Federal regulations (i.e., 41 CFR Ch. 101 Subpart 101–27.101) state that in establishing inventory levels, consideration shall be given to inventory average demand of individual items, space availability, and carrying costs, among other factors. However, because ISS has not provided them with useful data on storage costs or inventory turnover, service units are not considering related storage costs in their purchasing and retention decisions and they continue to hold an excessive level of materials. For example, officials of the Prints and Photographs Division told us that they decided to purchase five years worth of re-housing supplies to obtain the quantity discount. Clearly, storage costs were given little, if any, consideration in this purchasing decision and five years worth of re-housing supplies is a quantity that goes well beyond that division’s immediate needs.
In addition to the unnecessary storage costs that it yields, purchasing and storing materials beyond immediate needs increases risk that the items will be damaged (e.g., water damage with a leak in the roof or insect infestation) or stolen. It also violates the “bona fide needs” rule. According to this rule, in general, an appropriation for a given fiscal year is not available for the needs of a future fiscal year. This does not prevent maintaining a legitimate inventory at reasonable and historical levels to avoid disruption of operations. Problems arise, however, when inventory levels cross the line from reasonable to excessive. In our view, five years worth of inventory is excessive.

While ISS not providing service units data on inventory turnover and warehouse storage costs contributed to the over ordering and retaining excess inventory, we also attribute these shortcomings to service units assigning inventory decision-making to members of their staffs who did not have adequate knowledge of applicable inventory management laws and regulations or had not had sufficient logistics training. For example, it appears that officials of those service units are not aware of the 41 CFR Ch. 101 Subpart 101–27.101 requirement of considering carrying costs when establishing inventory levels.

The reluctance of ISS to provide service units the guidance and information they need for their inventory decisions is largely attributable to a very limited role regarding inventory control adopted by ISS. According to ISS management, service units should be responsible for maintaining their own inventories and corresponding data on inventory activity to ensure minimum inventory levels are maintained for the units’ requirements.

We understand ISS’ position on this issue and recognize that the authority to direct and enforce efficient and effective Library-wide inventory management has not been designated. At the same time, though, we believe that ISS is responsible for ensuring the Library efficiently uses its space (including warehouse) and that an assertive involvement in inventory management is needed to do that.

To ensure that service units retain the appropriate amount and types of items, the Library needs to develop specific policy
similar to ISS’ draft policy 3.1.7.2 regarding service storage. Such policy should require annual reviews of inventory that include written justifications for retaining items based on analyses that balance the costs of retention and disposal. In performing the analyses, the service units should consider factors for keeping excess stock such as storage costs, potential long-term demands, the expected lives of items, and increased risks for theft, decay, and deterioration by keeping excess stock. The policy should also designate responsibility for ensuring that the service units conduct the annual reviews and comply with the overall policy. *GAO’s Standards for Internal Control in the Federal Government* recommends that ongoing monitoring occur in the course of normal operations to ensure policies and procedures are enforced.

Moreover, the Library’s cost for warehouse space is a cost that should be factored into all service unit inventory decisions, even though the service units are not directly charged for it. To fully ensure that service units are considering that cost in their inventory decisions, we believe that the Library should allocate the applicable warehouse lease cost to each service unit. In our report titled *Opportunities Exist to Improve Space Management*, Final Audit Report No. 2004-PA-104, issued July 2005, we recommended that the Library consider charging service units for their space usage as an incentive for them to manage their spaces more efficiently. The recommendation dealt primarily with office space and ISS disagreed with it. Nevertheless, we continue to believe that directly charging service units for space is the best strategy to ensure storage space is efficiently used. We discussed the feasibility of doing this with the Office of the Chief Financial Officer and learned that it is doable. The charge would be similar to the administrative overhead charged to various Library funds.

We believe that charging service units for their spaces will encourage more use of best practices in inventory management. Other agencies we contacted for benchmarking during this audit were using about one-fourth the amount of warehouse space that the Library occupies. In addition to storing only the minimum amount of materials they required, the other agencies were implementing inventory management best practices including “just-in-time” ordering and direct deliveries when it was practical to do so. We note that the Preservation Directorate has begun to use “just-in-time”
ordering to reduce its storage needs. Other service units need to follow this example.

In addition to allocating the warehouse lease cost to the service units, the Library needs a directive that calls for new materials in storage for a period longer than a set time (3 years, for example) to be reviewed, and inventory levels greater than expected to be used in a set period (60 days, for example), to be disposed (unless a compelling written argument is provided). The Library’s policy regarding publications provides a precedent for doing this. LCR 1314, Section 9 A. 1. b., *Distribution of Library Publications, Inventory Management and Reissuance*, states, “After a publication has been in stock for three years, the quantity on hand shall be reviewed by the Chief, Office Systems Services Division, and recommended for disposition of excess stock made to the Director of Publishing or the Public Affairs Office, as appropriate.” LCR 1314 is a strong policy. Similar policy is needed covering all inventory materials. As noted above, ISS is drafting a policy concerning inventory retention. We believe this policy should be a Library regulation.

**Recommendation**

We recommend that the Library develop an inventory retention policy. Such policy should include:

1. establishing criteria/guidelines for deciding whether to retain or dispose of an item,
2. requiring service units to perform annual inventory reviews, identify the rationale for holding each item, and purging items which needlessly consume warehouse space,
3. specifying in performance plans who bears responsibility for ensuring the service units conduct these annual reviews,
4. assessing the service units the proportionate cost of the storage space used, and
5. requiring training for service unit staff collaterally assigned inventory management duties (training on forecasting demand for inventory, monitoring turnover, and identifying excess).
Management Response and OIG Comments

ISS substantially agreed with our recommendations. However, ISS noted that the issues in this finding are the responsibility of Library senior management rather than specifically ISS. Nevertheless, ISS stated that it will “certainly assist LOC management in providing more official direction and guidance.” We agree that senior management attention is required.

ISS also thought that our report misleadingly inferred that if ISS provided more inventory guidance to the service units, then it would result in better compliance by the service units regarding using their space efficiently. Management contends that, “ISS cannot provide useful data concerning commodity stock turn and commodity storage cost to the service units, as suggested in the draft IG audit report, nor is ISS staffed to provide such extensive data at this detailed level.”

We disagree. In our opinion, the service units would be encouraged to better manage their allotted space if they are made aware of the cost the Library incurs to store their materials and the turnover rate or list of items with no activity for a significant period (three years for example).

Additionally, we believe that establishing a policy for inventory retention (like ISS’ draft Landover Center Annex Operations Policy 3.1.7.2, Service Storage) will also encourage efficiency. We also disagree with ISS’ contention that it cannot provide commodity storage cost. Granted, ISS cannot provide the cost at an item or box level. However, it can provide the service units with a cost estimate based on a standard pallet size (the standard storage unit used by Logistics Services). Regarding turnover, the Intellitrack system should be able to provide inventory turnover by box level without creating a significant workload for Logistics Services staff.

III. FD&C Has Not Developed a Plan for Using Materials Held at Landover

ISS needs to provide more oversight of inventory retention management in its own divisions in addition to the increased oversight it should be providing to the Library’s service units. A significant example involves FD&C, a division of ISS.
FD&C occupies 40 percent of the warehouse space allocated to Logistics and holds the greatest amount of new materials stored in the warehouse longer than five years. FD&C realizes that some of its inventory is obsolete, but it cannot determine how much of it should be removed until it completes an inventory of its materials (FD&C plans to have the inventory completed in June 2009).

Logistics Services policies indicate that FD&C maintains a contract with U.S. Business Interiors (USBI), an outside vendor, to monitor the storage of steel case furniture that the Library purchases from that vendor. A USBI representative is stationed at the warehouse on a full-time basis to oversee this inventory and take furniture items out of storage when they are requested. FD&C informed us that a complete inventory was underway (as of February 13, 2009, the inventory was 85 percent complete) and that USBI should complete taking it by June 2009. FD&C believes it will be able to make better decisions about retaining inventory items when the inventory has been completed.

We note that in response to the same issue identified in our June 2006 report, ISS stated, “...the new ISS management has demonstrated strong support for physical inventories....” 5 Despite this “strong support,” FD&C does not anticipate completing its inventory until June 2009 — more than three years after ISS responded to our report.

Information we obtained during our audit led us to question why FD&C continues to store new, unopened materials that were purchased more than five years ago in its inventory. According to FD&C management, the division has used recycled systems furniture components during the past two years. FD&C claims that this positive initiative has yielded the Library over $1 million in annual savings. It also means that FD&C’s inventory of excess systems furniture components has been on the rise over the past two years. FD&C is not taking into account the significant costs of storing these materials.

We obtained equally troubling information from a USBI representative stationed at the warehouse during our impromptu inspections. The representative told us that he thought FD&C’s inventory included outdated materials that the Library would not use. Additionally, an expert consultant hired by ISS observed that FD&C has purchased new items when identical items were existing in inventory. The consultant’s report stated, “… on numerous occasions, the warehouse staff received brand new items such as file cabinets, modular walls, and desktops that were already in existing Steelcase inventory.” FD&C believes that it needs considerable more experience and time to determine adequate inventory levels. However, once it collects this data, FD&C plans to remove surplus items from inventory over a several-year period.

Although it is three years late in doing so, FD&C is currently moving in the right direction. As discussed in the previous section, the work FD&C is now doing – assessing annual use of materials, determining adequate inventory levels, and removing surplus items from inventory – is needed Library-wide to change the Library’s inventory culture regarding inventory management and ensure space is used efficiently.

Management Response and OIG Comments

ISS disagreed with most of our statements regarding FD&C’s furniture storage and it provided, “responses to clarify and correct some of the inaccurate findings in the draft report.”

ISS clarified that its inventory of all furniture components stored at Landover includes (1) used, (2) historic, and (3) new. Inventories of the first two groups were completed in 2008. According to ISS, “There were many sound business reasons why the Phase 3 inventory (new, boxed Steelcase furniture to be added to the full inventory of furniture generally available for any Library needs) could not commence until January 2008. We disagree. As shown in the first finding, some of this new Steelcase furniture has been at the warehouse since May 2002. It is an egregious control weakness, regardless of the “sound business reason,” to have materials not inventoried for nearly nine years. GAO’s Standards for Internal Control in the Federal Government require agencies to establish physical control to secure and safeguard vulnerable assets, such as
equipment that might be vulnerable to risk of loss or unauthorized use, including periodically counting the assets and comparing the results to control records.

Regarding the inventory of “used” furniture components, ISS noted that this inventory has allowed FD&C to efficiently reuse components at substantial savings to the Library. According to ISS, “Since 2006, the Library has realized substantial savings of at least $1 million or more per year derived from systems furniture reuse, for a total cost savings/cost avoidance of almost $4 million during the past 3 years.” ISS further noted that these savings far outweigh the annual cost for the inventory contract and the associated storage cost. We did not verify these claimed savings as FD&C’s reuse of its inventory stock was outside the scope of this audit. We agree with ISS that reusing furniture components results in cost avoidance. However, the significant amount of used furniture components recycled each year brings into question whether the Library is performing too many office reconfigurations. We plan to address this issue in a future audit.

ISS also responded that the FD&C officials “may not have conveyed to us a fully complete description of FD&C’s work ongoing over the past three years to systematically weed out unneeded and excess furniture stock for disposal, rather than store it.” We credit FD&C for this effort. Nonetheless, new Steelcase furniture has been stored for almost nine years at a significant cost to the Library. Obviously, FD&C may need to do more weeding.

Similarly, ISS clarified that “[w]hile the FD&C Section supervisor may not be fully aware of the specific storage costs, Facility Services division managers (who supervise the FD&C Section) definitely do track leased costs closely and do take leased space and storage costs into account in assessing the cost/benefit analysis of furniture inventory storage and reuse.” We acknowledge that Facility Services does track lease costs. However, we believe that it is not effectively linking these costs with inventory storage. During the audit, Facility Services could not readily provide us with the cost per square foot to store materials in the Logistics Services area of the warehouse. Likewise, Facility Services had not provided its
customers (Service and Support Units) with this cost or the cost to store a pallet at Landover.

IV. ISS is Still Not Processing Excess Computer Equipment Efficiently

ISS weaknesses in processing excess computers— which we identified more than two and a half years ago— have still not been satisfactorily addressed. ISS still does not process computer equipment efficiently, which would include making it available for donation to the extent possible. We observed hundreds of computers already prepared for donation (i.e., hard drives had been cleaned and verified) that had been sitting at the warehouse for 18 to 21 months. In comparison, other agencies generally process excess computer equipment within four months. ISS’ inefficient processing of computer equipment has unnecessarily resulted in almost $50,000 per year in storage costs. Moreover, ISS’ inefficiency has made it less likely that these computers will be useful to schools because they are severely obsolete by the time they arrive at their intended destinations.

ISS has not established performance measures such as processing time metrics, which would have improved its effectiveness in managing this program. Additionally, ISS has not assessed the utilization/disposal ratio to assess the program’s effectiveness. Although ISS has a record of the number of computers it has donated, it does not have numbers on the computers reported as excess, utilized by another Library office, transferred to another agency, or declared as waste. Furthermore, our testing of control records revealed that ISS is not keeping track of all the excess computers. For example, in response to an item we selected for testing, ISS could not trace one of four excess Dell CPUs on-hand at Landover back to ISS’ property control records.

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ISS property officials attributed its slow processing of excess inventory to its decision to hold excess Pentium 1 and 2 computers for donation to schools. However, ISS discovered that the schools in the program did not want those old machines because they were obsolete. Notwithstanding ISS’ explanation, other agencies are not holding similar excess equipment as long as ISS is holding the Pentium computers. Other agencies we contacted are holding their excess computers no longer than four months. GAO told us that they dispose of their equipment within 10 days, and the U.S. Agency for International Development (USAID) is disposing of its equipment within 72 hours.

Given the length of time it is taking to process excess computer equipment, ISS should consider using an interagency program operated by the U.S. Department of Agriculture (USDA) that is being used by the USAID to handle disposal of its computer equipment. Through that program, USDA picks up USAID’s excess equipment within 72 hours. USAID believes that the interagency program has resulted in considerable savings for the agency in terms of storage and handling costs.

We also observed that Logistics Services was storing in an unsecure area excess computers with hard drives that had not been cleaned or verified. This was occurring because ISS had limited space and workforce to handle the hard drive cleaning at the Madison Building. Under current procedures, excess computers are transferred to Landover and held there until ISS is ready to clean the hard drives at the Madison Building. ISS’ process is inefficient and presents a security risk. Unsanitized hard drives of computers can store sensitive information used in Library of Congress programs and activities. That information could be compromised and used for unauthorized purposes. The risk of data breach exists if the hard drives are not adequately protected. Storing excess computers with hard drives in unsecure areas and delays in completing the data sanitization process heighten that risk. In addition to the risk, the current process is very inefficient given the unnecessary handling and transportation costs associated with moving the excess equipment back and forth twice from Capitol Hill to Landover.
Our 2006 report on the Landover Warehouse recommended that ISS investigate a surplus program operated by Dell Computer’s “Asset Recovery Services.” The program makes a suite of services available through Dell that provide program users the opportunity to recycle or resell old or outdated computer equipment. The program also eliminates the cost of storing excess computer equipment. ISS management disagreed with our recommendation, stating that it preferred to donate the computers to schools instead of selling them. We noted that until recently, the number of computers the Library has donated has been low. The Library donated 100, 160, and 1,498 computers respectively in fiscal years 2006, 2007, and 2008.

Recommendations

We recommend that ISS:

1. develop performance measures for the processing of excess property.
2. determine the cost to process and store excess computers, and compare this cost with the cost of using the interagency program led by USDA to dispose of excess computers.
3. Investigate transferring responsibility for “sanitizing” excess computers to the owning service unit.

Management Response and OIG Comments

ISS concurred with the three recommendations and stated that it has already taken action to address recommendations 2 and 3. ISS also responded that it “has made significant progress in processing computers effectively and efficiently, and greatly reducing the number on hand.” As we noted in our last paragraph, to ISS’ credit the number of computers donated in 2008 was significantly higher than the previous two years. However, without performance metrics and standards, ISS cannot objectively assess the efficiency of its processing.

ISS did not agree that there would be cost savings or cost avoidance of $50,000 per year in storage costs because removing all computer equipment would result in that space being occupied by other materials.
We wish to emphasize that the $50,000 cost avoidance represents an opportunity cost. Every opportunity to make use of storage space has a cost associated with it, whether or not it has an impact on the outflow of dollars.

V. Publishing Office Asked to Make Retention Decisions for Materials Used by Other Offices

The Library is spending almost $100,000 per year to store its publications and many of them have been held for over ten years with little or no current demand. The Library is not meeting the requirements of LCR 1314 that calls for a recommendation on the disposition of a Library publication’s excess stock primarily because the Logistics Services’ inventory system has not properly assigned responsibility for reviewing the publications to the responsible “owning” office.

LCR 1314, §9A.1.b, *Distribution of Library Publications, Inventory Management and Reissuance,* states that “[a]fter a publication has been in stock for three years, the quantity on hand shall be reviewed by the Chief, Office Systems Services Division, and recommended for disposition of excess stock made to the Director of Publishing or the Public Affairs Office, as appropriate.” The LCR is unclear about how many copies to hold.

We determined that the Chief, Office Systems Services is appropriately meeting his LCR responsibilities by reviewing the publications being held and ensuring that archive copies are being retained. However, disposition decisions on publications’ excess copies are not being made largely because the LCR improperly assigns the Publishing Office responsibility for all Library publications.

The Publishing Office produces many publications for other Library offices such as the American Folklife Center, Public Affairs Office, Interpretive Programs Office, and various custodial divisions. Officials from those offices, not the Publishing Office, have the required knowledge about the demand for their publications. Accordingly, those officials should be making decisions regarding the excess stocks of their publications. Despite this, Logistics Services’ inventory system assigns all publications to the Publishing Office.
Examples of publications that are mis-assigned to the Publishing Office in the IntelliTrack system include:

- 13 boxes of the 1990 Folklife Annual
- 4 boxes of the Library of Congress Information Bulletin for February/March 2004
- 10 boxes of in Search of a Voice, a 1991 publication

The Publishing Office informed us that it is holding these materials until the program managers who understand the requirements of the items can be identified and notified to make retention determinations. Once the responsible officials make their determinations, more warehouse space is expected to become available.

Logistics Services needs to expand its inventory system to include more “owning” units to ensure that responsible officials are notified more effectively regarding materials that are held for three years or longer. Presently, the Logistics Services inventory system maintains 12 separate sections of merchandise, and each section is unique to the operation of its “owning” service unit. Custodial divisions and the Folklife Center are not included in the inventory system. Likewise, even though LCR 1314 specifically mentions the Public Affairs Office as an office responsible for decisions regarding the disposition of excess publication stock, that office is not included in the Logistics inventory system as an “owning” office.

**Recommendation**

We recommend that ISS expand its IntelliTrack inventory system to include the divisions that have publications that are held at the warehouse.

**Management Response**

ISS concurred.

7 Motion Picture, Broadcasting, and Recorded Sound; Preservation; Cataloging Distribution Service; Copyright; Photoduplication; Veterans History; Congressional Research Service; Publications; Copier Paper; Older Furniture; Cage; and Carpet.
CONCLUSION

Because the Library is challenged to compete for available resources in an environment that is increasingly fiscally constrained, it is imperative that it has good stewardship over the millions of dollars invested in its inventory and storage facilities. We recognize that to accomplish its mission, the Library needs warehouse space to support staff functions. Such space must provide for the retention of office supplies, modular workstations, computer equipment, copy materials, and various forms and publications. At the same time, the Library must ensure that it is storing only materials that are required.

ISS has not addressed factors inhibiting effective asset management, such as inadequate management information (i.e., inventory turnover and storage cost data) and consequences for not disposing of unneeded or seldom used property. The large number of items held in the warehouse for more than five years indicates that further attention to inventory retention policies is merited.

Correcting these problems will require sustained commitment and cooperation between ISS and its customers. Effective management of the Landover warehouse depends upon service units’ commitments to cooperate with ISS in implementing warehouse initiatives. Obtaining these commitments might require the Chief Operating Officer’s involvement and delegating more responsibility to ISS for providing inventory guidance/policy, oversight, and enforcement.

Although this report is critical concerning inventory retention, the overall service provided by Logistics Services is excellent. Representatives of each service unit we interviewed praised the Logistics Services staff and their dedication.

Major Contributors to This Report:

Nicholas Christopher, Assistant Inspector General for Audits
Patrick Cunningham, Senior Auditor
APPENDIX I: BACKGROUND

In 1976, the Library signed an occupancy agreement with the General Services Administration (GSA) to occupy a GSA-leased, 243,738 square foot warehouse and light industrial facility in Landover, Maryland through January 31, 2006. After GSA renegotiated the lease, the Library signed a new agreement with GSA to occupy the facility for five years beginning February 1, 2006. The Logistics Services section of ISS manages 75,059 square feet of the warehouse for receiving, storing, and disposing of inventory for the Library’s service units. The remaining space (about 168,679 square feet) is used to store Library collection materials (e.g., motion pictures, music, serials, and manuscripts) and copyright deposits, and includes an area designated as an emergency operations headquarters for Library senior management.

According to the ISS web site, the Logistics section manages “…Library assets of serialized personal property that approximate over 100,000 line items, valued at over $200 million. In addition, the logistics staff receives, delivers, picks up, and disposes of approximately 15,000 items annually.”

Instead of storing it, Logistics Services distributes about 75 percent of materials received at the Landover Center Annex directly to customers in the Library’s three Capitol Hill
Breakdown of Warehouse Usage by Office

- FD&C: 40%
- Preservation: 12%
- Publications: 12%
- Asset Control Unit: 10%
- CRS: 5%
- New Electronics (ITS, CRS): 5%
- CDS: 5%
- Misc./Temp. Storage: 5%
- Copyright: 2%
- MBRS: 2%
- VHP: 2%

Source: Estimates by Logistics Services officials of the percentage of warehouse space assigned to each unit as of January 2009.

buildings. Approximately 75,000 square feet of space is required for storing the rest. Normally, this inventory is stored for a relatively short period. About 74 percent of this stored inventory is associated with four organizations:

- Executive Order 12411, Government workspace management reforms, Section 1. states that, “In order to make the Federal use of work space (including office space, warehouses and special purpose space, whether federally owned, leased, or controlled) and related furnishings more effective in support of agency missions, minimize the acquisition of government resources, and reduce the administrative costs of the Federal government, the heads of all Federal Executive agencies shall: (a) Establish programs to reduce the amount of work space, used or held, to that amount which is essential for known agency missions....”

Although the Library, as a legislative agency, is not required to follow this executive guidance, we believe it represents a best practice. Accordingly, both Logistics Services and the Library’s service units have a shared responsibility to ensure that warehouse space is used efficiently.

In addition to the active inventory items, the Logistics section holds the Library’s excess equipment and furniture. The excess equipment includes computers for the most part that generally, are donated or disposed of as waste materials.”

Many excess Library computers are donated to educational organizations through the Computers for Learning (CFL)
program, in which the Library has elected to participate. The
CFL program evolved as a guide for implementing Executive
Order 12999, Educational Technology: Ensuring Opportunity
for all Children in the Next Century. The executive order
encourages agencies to transfer computers and related
peripheral equipment excess to their needs directly to schools
and some educational nonprofit organizations. The CFL
program specifically matches the computer needs of schools
and educational nonprofit organizations with excess
equipment in Federal agencies. Direct transfers are authorized
by the Stevenson-Wydler Act (amended in 1992 by Public Law
102-245). An organization seeking a donation of a Library
computer submits its request to ISS’ Property Control Section
on the organization’s letterhead, or it completes the form in
the Library’s “Computers for Learning” brochure.

Over the past five years, we have conducted three reviews of
the Landover Warehouse. In 2005, we evaluated the Library-
wide policies, procedures, and controls related to inventory
management processes.8 In 2006, we compared the Library’s
inventory controls, management oversight, and physical
security for the warehouse to best industry practices.9 Most
recently, in 2008 we evaluated the methodology used by
Facility Services to estimate future warehouse space
requirements for Library materials. Through that evaluation,
we sought to determine whether the methodology was sound
and whether Facility Services made reasonable judgments and
assumptions in developing the requirements estimate for the
Library’s future warehousing needs.10

ISS has taken several positive actions during the past five
years to improve inventory control:

- In FY 2004, ISS purchased a new, off-the-shelf
  automated inventory management system (i.e.,
  “IntelliTrack”) to address one of our audit
  recommendations. Then, Logistics Services entered
data on all inventory items into the system which

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8 Lack of an Inventory System and Ineffective Processes Contribute to Inefficient
9 Landover Warehouse Internal Controls: Progress Made, But Additional
10 Review of the Requirements Analysis for the Proposed Fort Meade Logistics Center,
assigned bar-code/purchase order numbers to the items and specifically identified their locations and responsible service units. Beginning in December 2008, the Logistics section began providing its customers with hardcopy lists of their inventories.

- During 2004, ISS/Logistics Services worked with the Office of the Chief Financial Officer (OCFO) and the Office of Contracts to ensure that service units provide advance notice to Logistics Services regarding items that will require more than temporary warehouse storage. Logistics Services can more effectively plan warehousing requirements when it is kept informed about existing and future storage demands.

- ISS developed liaison contacts with all of its customer organizations to improve storage efficiency and asked the contacts to visit the warehouse to review their organizations’ inventories. Through this initiative, excess materials were identified and, when those items were removed from the warehouse, unoccupied storage space became available. These actions made it possible for ISS to transfer records held by Iron Mountain\(^{11}\) to Landover, resulting in significant storage savings for the Library.

- ISS assigned a fixed amount of warehouse space in square feet to each customer organization to help ensure that the organizations continue to use space efficiently. The assignments were based on existing and expected storage requirements.

- In compliance with one of our March 2005 recommendations, a business consultant drafted policies and procedures for all of the Logistics section’s services. Many of these policies, though, had not been finalized as of January 2009.

- ISS recently contracted with a subject matter expert to provide an overall assessment of the warehouse. The assessment included taking a complete inventory of all

\(^{11}\) Iron Mountain is a private company that the Library has outsourced with to provide records storage and management services.
stored items and determining the age and use of the items. It also included a “Warehouse Needs Assessment Survey,” which consisted of 14 questions related to forecasting, just-in-time receiving, item retention, and space utilization. The survey was sent to 11 service and support units, but only four of the 11 units completed the survey.
APPENDIX II: MANAGEMENT RESPONSE

Memorandum

TO: Karl Schomagel
    Inspector General

FROM: Mary Levering
    Director, Integrated Support Services

DATE: March 31, 2009

SUBJECT: ISS comments on Draft Report No. 2009-PA-102 on “Landover Center Annex warehouse inventory controls”

This is in response to your memo of March 16, 2009, requesting comments from Integrated Support Services on the draft Audit Report No. 2009-PA-102, on “Landover Center Annex warehouse inventory controls.”

Attached are comments and responses from the ISS Director, the Acting Head of Logistics and the Chief of Facility Services. Also included is information provided by Library Services/PRES/Conservation Division and ITS.

Thank you for giving ISS the opportunity to review and comment on this draft report before it is issued in final.

Attachments:
1. ISS Response to draft audit report (3/31/09)
2. ISS/Facility Services, “Landover Center Annex/Logistics Warehouse Storage” (3/31/09)

cc w/copy of attachments:
Nick Christopher, OIG
Patrick Cunningham, OIG
Jo Ann Jenkins, COO
Lucy Studdeth, LIBN
Dianne van der Reyden, LS/PRES
Al Banks, ITS
Robert Williams, ISS/LOG
Neal Graham, ISS/FACS
Charon Ware, ISS/FACS/FS&D C

File: ISS Audits - LCA Warehouse #2009-PA-102
Net: 1director/admin/audits/2009-PA-102 LCA Warehouse.wpd
Integrated Support Services/Logistics

Response to Audit Report No. 2009-PA-102
Landover Center Annex/Logistics Warehouse Storage
March 31, 2009

ISS Background Comments:

ISS appreciates the OIG’s acknowledgment on pp. 24-26 of the many positive actions taken by ISS management and staff during the past five years to improve warehouse management and storage (inventory) control. As noted by the draft audit report, during the past five years ISS management has been strongly committed to improving the efficiency of space usage and effectiveness of storage (inventory) control at the Landover Center Annex (LCA) warehouse, managed by ISS/Logistics, and has implemented many improvements. ISS believes it would help to note for the record the warehouse conditions five years ago, and just how much has been accomplished.

Five years ago the warehouse was “bulging at the seams.” Not only were all the warehouse pallet racks filled to the ceiling, but many additional pallets of materials were stacked high in all the aisles, including the aisles designated for emergency exits, blocking those exits and creating a serious safety hazard. The Library received citations for these fire code violations from the Office of Compliance in 2003. A great deal of the material stored was many years old, and had been infrequently (if at all) reviewed by the “owning” Service/Support Units for re-use or disposal. Location records of pallets and stacked containers were being maintained manually by purchase order number. Service/Support Units (SU/SU) materials were scattered throughout the warehouse, not clustered in one location by SU/SU. There were no reliable records of all the systems furniture components returned for reuse. Tractor-trailer loads of newly ordered collections storage boxes (“metal-edge boxes”) were arriving unannounced and unplanned for. Cleaning of surplus computers was sporadic and often inadequate. There was no environmentally adequate method for disposal of electronic waste; i.e., surplus CPUs, monitors, printers, etc.

 Significant improvements have been made since FY04 (Fall 2003). During FY04, ISS Logistics worked extensively to establish regular communications with the major SU/SUs that stored materials in the warehouse, including CRS, Copyright Office, Library Services (Catalog Distribution Service, Publications Office, Motion Picture/Broadcasting/Recorded Sound Division, Music Division, Prints and Photographs Division, Manuscript Division and others), and ISS/Facility Services/Facility Design and Construction Section. The purpose was for SU/SUs to review and eliminate excess and obsolete materials stored in the warehouse. With the help of those SU/SUs, Logistics donated or disposed of more than 75% of the excess inventory in the warehouse during 2004, including used or obsolete furniture, carpeting, books, circulars, flyers, papers, computers and much more (as reported to the IG in March 2005 in the "ISS Comments on Draft Audit Report No. 2004-PA-103"). This significant reduction in material stored corrected the 2003 fire code violations cited by the Office of Compliance. Since that time ISS/Logistics has strongly urged SU/SUs to maintain their own inventories and usage statistics, and – except in specially justified circumstances – to ensure that no more than a one-year stock of materials/supplies are kept in storage. An automated warehouse management system, IntelliTrack, has been implemented, tracking the warehouse locations of all stored materials. A full inventory of all used furniture components was completed in 2006, so that reuse by the F&C designers is now practical for reusable system furniture components. A new no-cost MOU has been established for proper disposal of all e-waste (surplus electronic equipment). The entire warehouse has been completely reorganized and material is clustered by SU/SU making it much easier for Library customer SU/SUs to review their stored items, and semi-annual lists (now monthly) of their stored items are provided to each SU/SU for review and discard of obsolete or outdated materials.

IG FINDINGS, RECOMMENDATIONS AND ISS RESPONSES:
I. IG Executive Summary and Finding: Despite ISS' Efforts, Excess Inventory is Still Held.

Despite Logistics Services' efforts to ensure efficient inventory control, service units continue to maintain materials in their inventories beyond the minimum levels necessary to meet the units' immediate requirements. Many items in their inventories were acquired over five years ago and likely have little current demand. (p. 1)

ISS Logistics Response: ISS concurs in part with the overall focus of this Finding. However ISS takes exception to several issues raised in the supporting narrative used as the foundation of the finding, as noted below.

(1) The OIG draft report on p. 8 quotes an unsubstantiated statement from a preliminary draft of an ISS Logistics contract consultant that was noted in an early draft, written before much of the research with the Service/Support Units was conducted and completed. Until all the research has been completed and results analyzed by the consultant, it is not accurate to state "The consultant concluded, "Based on the age, and lack of usage, about one-fifth of the items stored within the warehouse could be removed without any adverse effect on the Library's performance." This is a preliminary unsubstantiated observation, not an accurate conclusion supported by research and analysis which is still ongoing.

(2) On page 8, in the middle of the first paragraph, the draft report states: "Using the results of this review [the 2008 Logistics Consultant review], Logistics Services officials met with each "owning" unit and encouraged them to review their inventory and remove any excess." As a point of factual clarification, ISS implemented in 2005 (3 years before this consultant began his review in 2008), the practice of providing each Service and Support Unit (SU/SU) every 6 months a complete inventory of what is stored in their allocated spaces. At the same time, each SU/SU representative is encouraged and urged to meet with the ISS warehouse foreman to review the SU inventory listing and remove any outdated or excess material. This practice did not begin as a result of the 2008 review; it was implemented in 2005, following the OIG Audit Report No. 2004-PA-103, dated March 2005, Recommendation 1.3. The following are ISS 2005 comments to this recommendation in the ISS response dated March 23, 2005 to the 2005 OIG report:

"The acting supervisor has identified SU/SU, division, and office liaisons for inventory management and communicates with them frequently. He invited each liaison to LCA and met with them personally to assist with review of their inventory on hand, identifying what was obsolete and what was still needed. He took steps to dispose of all surplus or excess materials. Use of the IntelliTrack system will also help improve the accuracy of tracking receipt, warehousing, and retrieval of items for subsequent delivery to the service units, divisions, and offices. It can be used to generate a variety of analytical reports and allow Logistics to give each customer office an on-demand inventory of products on hand. Twice a year, all items in the warehouse will be physically inventoried. The physical inventory will be reconciled to the IntelliTrack system and any discrepancies investigated immediately, which will assist in ensuring that reports given to the service units, divisions, and offices are accurate."

As reported above, this practice began in 2005, and has continued since ISS implemented the IntelliTrack warehouse management tracking system. Furthermore, beginning in November 2008, the frequency of producing inventory reports for each Service/Support Unit increased from every 6 months to every month. With the distribution of each report, the Service/Support Unit is always asked and urged to come to the LCA warehouse to review its inventory list with the warehouse foreman and identify items in storage that are excess to the Service/Support Unit's need. This monthly physical inventory and distribution of the results to each SU/SU, plus the invitation for the SU/SU representative to visit the LCA Logistics warehouse to review their inventory, continues to date.

(3) The draft OIG report states on p. 1 "...we estimate that improved warehouse efficiency could save the Library as much as $1 million over five years." ISS questions how this potential savings figure was computed by the auditor since (1) the Landover warehouse lease has fixed costs at least through 2011, and
(2) the special metal-edged Library collections boxes (held off site in separate, storage by the vendor paid for by Library Services), cannot be stored in the LCA Logistics warehouse except for short periods of time because the warehouse is not conditioned space and the excessive heat and humidity adversely affects these temperature preservation quality materials. Thus ISS asks how “improved warehouse efficiency could save the Library as much as $1 million over five years”?

(4) ISS questions the accuracy of the comparative data in the report. On page 3 the draft audit report states “...we collected information from the Smithsonian Institution, Patent and Trademark Office, Agency for International Development, Federal Trade Commission, National Science Foundation, and the Government Accountability Office (GAO) to compare the Library’s inventory management practices with other agencies.” Then on page 8, “The portion of the warehouse occupied by Logistics Services is about four times the space that other agencies we contacted use for comparable activities.” ISS questions this assertion, particularly for an agency such as the Smithsonian Institution, which has a major public education and outreach role with huge storage facilities in the Washington metropolitan area and elsewhere. Of the agencies listed, only the Smithsonian Institution has a mission similar to the Library’s with widely diverse exhibits, public outreach, storage, custodial and support functions, as does LOC. The other agencies listed are primarily office-type functions, with limited public outreach responsibilities, and probably it is likely that they have been able to convert much, if not all of their records storage to electronic formats. Of the net assignable space at LCA (243,738 square feet), the space assigned for warehouse storage to Logistics is 70,160 square feet or approximately 24% of the assignable space at LCA. If the LOG warehouse storage space is actually 4 times larger than the storage space used by the other agencies listed in the draft report, then they are each using less than 17,500 square feet to store the entire agency’s inventory of material for reuse or in support of its mission needs. This seems unrealistic based on ISS/LOG knowledge of other federal agencies’ needs and practices. ISS requests that the IG provide Logistics with the specific data, by agency, that they relied on in order to help ISS better understand the IG’s comparisons.

(5) An inquiry with ITS’s Head of End User Computing, by the ISS Acting Head of Logistics concerning the 16 unopened boxes that contained 22-inch Multi-Sync Monitors identified on Page 7 of the draft report, revealed that these monitors are not excess and that ITS does need them. There are Library of Congress staff members that are accustomed to using CRT monitors and do not want flat panel monitors and thus ITS draws on this small stock of new monitors to replace an old one when necessary. More importantly, these monitors are necessary for several of the visually impaired LOC staff to carry out their assignments. ITS indicated that it is more cost effective to reduce these monitors through attrition, and ITS agreed to revisit the anticipated demand for these CRT monitors and reduce the quantity if feasible.

II. IG Executive Summary: ISS Needs to Provide More Inventory Guidance and Oversight.

The Library has not developed an effective policy addressing purchasing materials and retaining them in inventory. Moreover, the authority to direct and enforce efficient and effective Library-wide inventory management has not been designated. Therefore, service units lack criteria for making decisions on retaining materials in inventory and do not face a consequence if they do not donate or dispose of excess materials. As a result, the cost that the Library incurs for warehouse storage is considerably more than the warehousing costs that other agencies incur. A significant element of this Library problem is ISS taking a hands-off approach regarding inventory levels believing that each service unit is responsible for managing its own inventory. Because expertise in inventory management resides in Logistics Services, we believe that organization should provide the decision guidance that is needed to service unit officials who are responsible for those decisions. (p. 1)

ISS Comments:

(1) The supporting information to this statement focuses on the fact that Library lacks an overall materials retention policy to serve as guidance for the Service/Support Units’ inventory management decision-making process. Additionally, the draft report’s supporting information indicates that the Library
has not designated an authority to direct and enforce efficient and effective Library-wide inventory management. These organization-wide issues of policy promulgation and the delegation of authority are Library issues, not ISS issues. ISS will certainly assist LOC management in providing more “official direction and guidance,” ISS believes that this is a Library management responsibility.

(2) ISS also disagrees with the following sentences in the supporting information and disagrees with the conclusion inferred. “A significant element of this Library problem is ISS’ taking a hands-off approach regarding inventory levels believing that each service unit is responsible for managing its own inventory. Because expertise in inventory management resides in Logistics Services, we believe that organization should provide decision guidance that is needed to service unit officials who are responsible for those decisions.” ISS has definitely not “taken a hands-off approach.” Since 2005, ISS has physically inventoried each container stored at LCA by location and quantity. The results are stratified and sent to the appropriate Service Unit owning the material for review. Each Service/Support Unit is asked to come to LCA and personally spend time with the warehouse foreman to review its listings and identify candidates for distribution or excess and disposal. There is a very wide variety of very different kinds of materials stored by SU/SUs at the warehouse. Decisions about usage and disposal must be made by the Library SU/SUs, not ISS, because only the SU/SUs know what is needed to meet their mission-related responsibilities. In addition to distributing the semi-annual SU/SU listing of material stored, the LOG supervisor have contacted SU/SU representatives frequently by phone and email as well. In many cases with ISS encouragement some SUs have actually taken a much more active role in managing their inventory and storage. In other cases, they have not.

This process has occurred every 6 months since 2005 and has been increased to every month since November 2005. ISS can only request that the Service/Support Units visit LCA and meet with the warehouse foreman to review their stored materials. In spite of all ISS efforts to provide current information to customers concerning their inventory stored at LCA, few Service/Support Units respond to the request to visit LCA and meet with the warehouse foreman. These efforts, and other efforts initiated by ISS to provide better visibility and accountability of the material stored at LCA, have in fact facilitated the removal of quite a bit of aged material from the LCA warehouse, making room for other material that was stored in more costly storage sites to be moved to less costly storage at the LCA warehouse. SU/SU inventory management at the warehouse is a generally low priority for most offices that store materials there, despite frequent contacts by ISS Logistics. The draft report infers that if ISS provided more inventory management guidance to the service units, they would enthusiastically embrace additional guidance more so than they now respond to their frequently issued inventory lists and ISS/LOG’s urging to review with the warehouse foreman what they are currently storing in order use their storage space more efficiently. Based on several years experience, ISS believes that it is a misleading inferred conclusion to assert that more “ISS guidance” will result in “better compliance.”

ISS Logistics will certainly cooperate with Library management, and will provide meaningful guidance and input to support development of a Library wide policy concerning the retention of materials in storage. However, ISS maintains that the determination of SU/SU requirements and the efficient utilization of resources to meet their missions is solely the responsibility of the service/support unit. While ISS Logistics can assist in a support role in this process, (and to date ISS Logistics has been very proactive in this role), only the service/support units can determine what, and how much they need to store to meet their very varied missions.

(3) The following is an example of the considerable amount of discussions and guidance ISS has provided to SU/SUs over the past several years on managing their inventory. As a direct result of ISS/Logistics and Facility Services communications and collaborations with the Preservation Directorate over the past several years, this Directorate has significantly improved managing its procurement and inventory of special ordered collections storage materials (“metal edge boxes”) in the past five years, as evidenced in the following statement from the Conservation Division/Preservation Directorate (prepared by Nancy Lev-Alexander with Ashley Greek who manages the program with Andrew Robb), in Library
Services:

**Information on storage space for collection housing supplies (3/27/09)**

Conservation Division staff maintain a current supply inventory database which is regularly verified and updated. Since FY05 no supplies for collection housing have been ordered without first checking the current inventory of available supplies. Moreover, supply managers continually work with Preservation staff and collection managers to determine if available supplies can meet the housing needs of the collections. The current inventory of supplies stored at both at Metal Edge and Landover have been evaluated and are considered to have continued value to the preservation needs of the Library's collections.

The supplies currently stored include 94 different types of boxes, folders and custom-manufactured housings of varying size which are needed to accommodate the broad array of formats found within the Library’s Special and General Collections holdings.

A 22% reduction in storage space required at Metal Edge was realized in FY06. In FY09 we conservatively estimate reducing the number of pallets by another 25% based on shipments planned or completed. The number of pallets has been reduced from a high of 356 to the current count of 157. This concerted effort to reduce the amount of supplies stored at Metal Edge will continue as later stage preparations are completed on collections slated for relocation to Ft. Meade Modules 3 and 4.

Based on the continued need to stage supplies to prepare large collections for relocation, provide housing which ensures the long term preservation of Library collections, and maintain an adequate stock of supplies for emergency response and recovery we estimate that 350 pallet spaces for supplies will be required on a continued basis. This overall total includes approximately 150 pallets which will see regular turnover as supplies are requested and used in housing projects.*

(4) The draft IG report also made several references to ISS not providing service units with “useful data on storage costs or inventory turnover”. ISS/LOG maintains data only on boxes and pallets stored but not detailed contents. ISS cannot provide any meaningful data of service/support unit materials stored at LCA at this level of granularity. The warehouse management system used by ISS/LOG tracks containers sent for storage by the “owning” Service/Support Unit or new material requested to be stored at LCA temporarily until the “owning” SU/SU can receive it on Capitol Hill. This warehouse management system is designed to track only the containers by a unique number assigned by the warehouse staff or the original LOC Purchase Order number that arrives with the receipt paperwork. This application is not designed to account for what is inside of the container, nor is ISS/LOG tasked with or staffed to track and manage the contents.

In order for inventory management data such as storage costs and turnover to have any relevance, this data must be specific to each individual commodity and unit of issue, not merely the container or unit pack that it arrives in. For example, to determine the storage cost associated with copier paper, it would be necessary to determine the amount of space that the unit of issue of copier paper (in this example, a case) occupies. Based on the total cost of the entire storage facility, you then calculate what small portion of the total cost should be apportioned to that single space occupied by a single case of copier paper. From this information, the cost can be factored into the overall lifecycle cost of copier paper per case.

Regarding stock turn, the same process applies. Stock turn is determining how many times that a commodity, using its normal unit of issue, is issued or sold to a customer. “Stock turn” is measured for a specific period of time, i.e. quarter, year, 3-year, etc. The primary function of stock turn is to establish inventory performance goals and to control the amount of financial resources that are tied up in inventory. ISS/Logistics has no knowledge of individual service/support unit uses of their items, only their containers. The IntelliTrack system is a warehouse management tool, that tracks containers and pallet locations – it is
not an inventory control system that records to the item level. As with the example above on storage costs, IntelliTrack does not provide visibility to the commodity unit of issue level, only to the container level. Therefore, ISS cannot provide useful data concerning commodity stock turn and commodity storage cost to service units, as suggested by the draft IG audit report, nor is ISS staffed to provide such extensive data at this detailed level.

**IG Recommendations:** ISS Needs to Provide More Inventory Guidance and Oversight

We recommend that the Library develop an inventory retention policy. Such policy should include:

1. establishing criteria/guidelines for deciding whether to retain or dispose of an item,
2. requiring service units to perform annual inventory reviews, identify the rationale for holding each item, and purging items which needlessly consume warehouse space,
3. specifying in performance plans who bears responsibility for ensuring the service units conduct these annual reviews,
4. assessing the service units the proportionate cost of the storage space used, and
5. requiring training for service unit staff collateral assigned inventory management duties (training on forecasting demand for inventory, monitoring turnover, and identifying excess).

**ISS/Logistics Response:**

ISS disagrees with the statement “ISS Needs to Provide More Inventory Guidance and Oversight” as it is used in the context of this section of the draft report. Clearly these recommendations are directed to the Library’s senior management, not to ISS. ISS recommends that this be amended to “The Library needs to provide more inventory guidance and oversight.” ISS has provided a great deal of guidance to SU/SUs which some have followed others have not. ISS cannot mandate how SU/SUs manage their stored items – only senior Library management can mandate this. Each of the recommendations can only be initiated and implemented at Library’s senior management level. ISS recommends that the establishment of such criteria and guidelines be achieved under an overarching framework that consists of broad commodity-based, mission-oriented, SU/SU established retention policies. Because each SU’s storage needs are so different, reflecting their diverse missions, this approach, rather than a generic Library-wide storage retention policy, will help to engender support and ownership from the SU/SUs, and engage their active involvement and attention to their materials stored at LCA. The formulation of the actual policy should be done at each SU/SU level by a senior manager who is familiar with the specific mission of the SU/SU, their acquisition and budgeting process, commodity consumption, and costs associated with storage and disposal. ISS is willing to play a support role in providing guidance in those areas that ISS has the expertise. However, regardless of the ISS role, the final criteria/guidelines must support each SU/SU’s different mission and balance the resource constraints.

**III. IG Executive Summary and Finding:** FD&C Has Not Developed a Plan for Using Its Materials Held at Landover. ISS needs to provide more oversight of inventory retention management in its own divisions in addition to the increased oversight it should be providing to the Library’s service units. A significant example involves FD&C, a division of ISS. FD&C occupies 40 percent of the warehouse space allocated to Logistics and holds the greatest amount of new materials stored in the warehouse longer than five years. FD&C realizes that some of its inventory is obsolete, but it cannot determine how much of it should be removed until it completes an inventory of its materials (FD&C plans to have the inventory completed in June 2009). (p.1)

**ISS/Facility Services Comments:**

ISS disagrees with most of the draft statements regarding the FD&C furniture storage. ISS, the Facility Services division and its Facility Design & Construction Section managers and staff reviewed the OIG draft audit report and have provided the following responses to clarify and correct some of the inaccurate findings in the draft report.

**FD&C Inventory Project:**
FD&C maintains a contract with U.S. Business Interiors (USBi), a commercial vendor, to manage a detailed inventory of all furniture components stored at LCA, including (1) used, (2) historic, and (3) new furniture components. The inventories of the first two groups have been complete for some time (the first and most important category was completed in 2006, the second in 2007/early 2008) and the third group is now virtually complete.

**Inventory Phase 1.** Supporting the ISS’s response to OIG’s Attestation Report No. 2005-AT-904, FD&C contracted with USBi during FY 2005 to inventory all used stock furniture component pieces. Used stock furniture constitutes nineteen (19) categories of furniture products ranging from credenzas (5 different styles stocked) to systems furniture wall panels (five [5] different heights in seven [7] different widths). While this detailed accounting was largely completed in 2006, it continues to be updated on a daily basis as items are added to, and removed from, existing inventory, and as the inventory is accessed by FD&C staff in order to designate for reuse available furniture components whenever possible before procuring expensive new furniture components.

**Inventory Phase 2.** FD&C staff subsequently created the inventory of historic furniture pieces as part of the work on the Library’s New Visitor Experience during the fall of 2007 and spring of 2008.

**Inventory Phase 3.** The third phase of the inventory commenced in January 2008 when FD&C entered into another contract with USBi to manually inventory the remaining new, boxed Steelcase furniture components that were purchased earlier at the behest of Service Units for particular projects whose scope was later significantly altered after the furniture had already been ordered and delivered. There were many sound business reasons why the Phase 3 inventory (new, boxed Steelcase furniture to be added to the full inventory of furniture generally available for any Library needs) could not commence until January 2008. Only after all SU/SU issues related to planned installation of furniture purchased earlier with SU/SU funds in prior years for specific defined projects (including some Madison Building ergonomic furniture replacement projects) had been resolved and it was determined which projects would in fact be completed as planned and which would not could the previously reserved furniture be released to the FD&C inventory for general usage. These analyses and negotiations were completed during 2007 and FD&C then initiated the contract for Phase 3 which began in January 2008 and is now virtually complete.

Until the assigned Service Unit resolved its various issues relating to the specific furniture project, their new furniture components had to be reserved for that project and were not available for other Library uses by FD&C. Examples include Library Services’ Steelcase furniture ordered for one of its many ergo furniture replacement projects that was later postponed and finally cancelled (superceded by other events and changes). Another example was furniture ordered earlier for ergo furniture upgrades in one of the Copyright Office divisions that was subsequently not installed because of the intervening approval for the Copyright Office’s large-scale total renovation and reconfiguration, using a different style of systems furniture. In each of these instances, the Service Units have confirmed that the previously agreed-upon projects will not go forward as planned and the unused systems furniture has now been released by the Service Units for general FD&C stock use.

For these sound business reasons, ISS believes that the statement on p. 15 does not give adequate recognition to ISS regular, forward progress to fulfill its strong commitment to create and maintain the furniture inventory. The draft IG report states “…in our June 2006 report, ISS stated ‘new ISS management has demonstrated strong support for physical inventories…’ Despite this strong support, FD&C does not anticipate completing its inventory until June 2009 — more than 3 years after ISS responded to our report.” The inventory of new, boxed furniture is only Phase 3 of this multi-phase project – Phase 1, the most important inventory, was completed 3 years ago in 2006 and since then, the inventory has been heavily utilized by FD&C for Library projects. Phase 3 (new furniture only) is now virtually complete, well ahead of the June 2009 Phase 3 target date.
The final work relating to the furniture inventory involves reformatting and making corrections to the web-based furniture request interface to ensure accuracy of LCA’s furniture stock and enable FD&C staff to select in-stock furniture components more efficiently. The new, boxed Steelcase furniture now being added to the general inventory is being used for various Library projects before purchase of any new items, with the Library Services ABA’s (Acquisitions and Bibliographic Access Directorate) major reorganization receiving the “lion’s share,” and providing very substantial cost avoidance for Library Services (which is particularly appropriate since Library Services paid in the past for much of the remaining new furniture components that are going into inventory.) The LC/ABA project is scheduled to start in FY2010 and continue in phases through FY2013. Thus the FD&C furniture inventory at the LCA warehouse is expected to yield substantial savings for Library Services during this major reorganization project over the next 4 years.

The results of the final phase of the inventory are enabling FD&C to clearly identify all of new and used furniture in stock at LCA and determine its use in all upcoming Library projects, in addition to the Library Services upcoming major ABA project. Ultimately, this project expands FD&C designers’ awareness of all the furniture products available at LCA and enhances FD&C’s planning and implementation ability to take full advantage of all the stock on hand before ordering new pieces.

FD&C Efforts to Remove Unneeded Stock

The information attributed to an unknown USBI representative at LCA (on p. 15 of the draft report) who characterized FD&C furniture stock as “outdated” and material “…the Library would not use” is inaccurate and misleading and represents the opinion of a commercial vendor with an interest in selling newer furniture designs. A more accurate description is that the FD&C stock includes a robust systems furniture style purchased years ago that is still fashionable in design and continues to retain its functionality. Many components available for reuse were purchased when the Madison building was initially occupied in 1980 and are still perfectly usable and appropriate for current Library projects.

ISS and Facility Services division management disagree with the statement on p. 15 (bottom) and p. 16 (top): “FD&C believes that it needs considerable more experience and time to determine adequate inventory levels. However, once it collects this data, FD&C plans to remove surplus items from inventory over a several year period. Although it is three years late in doing so FD&C is currently moving in the right direction.” The ISS Directorate and Facility Services division managers believe that the FD&C section staff may not have conveyed to the IG auditors a fully complete description of FD&C’s work ongoing over the past three years to systematically weed out unneeded and excess furniture stock for disposal, rather than store it.

The Facility Services division and its FD&C section is committed to recycling and reusing systems furniture whenever possible to support repairs, reconfigurations, and workstation additions, thereby substantially reducing Library costs. However, when furniture components are found to be incompatible, unable to be used independently, or in conjunction with other materials, heavily soiled or damaged, FD&C designates these as “obsolete” and reports them to Logistics/Asset Control Unit as excess for final disposal. This process has been systematically followed since completion of the used furniture inventory in 2006.

The following are some examples of FD&C’s ongoing and systematic efforts to reduce unneeded furniture components and submit these for disposal, rather than storage. For greater flexibility and better utilization of staff workspace, the Library is migrating to work surface-supported pedestals instead of using fixed floor-supported pedestals. In response to this re-assessment of Library needs, the fixed pedestals are being identified, flagged, and reported by FD&C to Logistics/Asset Control Unit as excess during office reconfigurations and renovations.

Another example is evident in the reconfiguration of Law Library spaces. LAW is currently reconfiguring space to provide private offices for their attorneys. The project will result in the return to stock of approximately two hundred fifty (250) 80”H panels. These types of panels are not often needed
and FD&C directed USBI to sort through the returned panels, as well as all 80"H panels currently in stock, and determine which are undamaged and relatively clean; these will be kept in stock while the others those (that are damaged or soiled) will be transferred to Logistics/Asset Control Unit for surplus disposal.

<table>
<thead>
<tr>
<th>FY</th>
<th>Furniture Pieces Identified as Excess by FD&amp;C for LOG Disposal</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY'06</td>
<td>3,305</td>
</tr>
<tr>
<td>FY'07</td>
<td>4,113</td>
</tr>
<tr>
<td>FY'08</td>
<td>4,540</td>
</tr>
<tr>
<td>FY'09</td>
<td>468</td>
</tr>
<tr>
<td>(to 3/09)</td>
<td></td>
</tr>
<tr>
<td>TOTALS</td>
<td>12,426</td>
</tr>
</tbody>
</table>

**FD&C Use of Stock Inventory Since 2006.**

A preliminary draft report prepared by an ISS/LOG consultant referenced on p. 15 of the draft audit report states, "...on numerous occasions, the warehouse staff received brand new items such as file cabinets, modular walls, and desktops that were already in existing Steelcase inventory." While the new items referenced in the consultant’s report were present in storage at LCA at the time the consultant made those notes, that consultant had not completed his research and he was unaware that those components were not available for other Library projects – they were already committed to other SU/SU projects awaiting installation. Furthermore those components were not similar to used Steelcase furniture existing in the inventory for recycling re-use. This is a mischaracterization of "new" and "existing" furniture. New systems furniture received at LCA for specific Service Unit projects often had different paint finishes, different laminate finishes, and different panel fabrics than existing, in-stock furniture for reuse. FD&C staff has been fully aware of the furniture items existing in FD&C inventory at the warehouse since 2006 and the designers routinely specify this furniture for reuse first when preparing design solutions for Library customers.

The detailed furniture inventory has made the efficient reuse of used furniture components both cost effective and efficient. Since 2006, the Library has realized substantial savings of at least $1 million or more per year derived from systems furniture reuse, for a total cost savings/cost avoidance of almost $4 million during the past 3 years. During the FY'06-08 period, FD&C reused 13,163 pieces of furniture that accounted for approximately $3.98 million in savings. These very substantial savings achieved by the furniture reuse program far outweighs the $120,000 annual cost for this inventory contract even with the added costs of storage (about $238,000 under the current lease agreement with GSA).

<table>
<thead>
<tr>
<th>FY</th>
<th>Furniture Pieces Reused by FD&amp;C</th>
<th>Cost Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY'06</td>
<td>3,618</td>
<td>$1.1 million</td>
</tr>
<tr>
<td>FY'07</td>
<td>4,934</td>
<td>$1.48 million</td>
</tr>
<tr>
<td>FY'08</td>
<td>4,644</td>
<td>$1.4 million</td>
</tr>
<tr>
<td>TOTALS</td>
<td>13,163</td>
<td>$3.98 million</td>
</tr>
</tbody>
</table>

Some points of clarification: (1) The draft report states on p. 15 (3rd paragraph) “FD&C is not taking
into account the significant costs of storing these materials." While the FD&C Section supervisor may not be fully aware of the specific storage costs, Facility Services division managers (who supervise the FD&C Section) definitely do track leased space costs closely and do take leased space and storage costs into account in assessing the cost/benefit analysis of furniture inventory storage and reuse. (2) The draft audit report states on page 8 "On an annual basis, it costs about $320,000 to store FD&C's inventory...". ISS disagrees with this estimate. At the present time, the FD&C furniture inventory at the LCA warehouse occupies 27,597 square feet; at the current FY09 leased cost per square foot ($8.625/98755), the total cost of storing the FD&C furniture inventory is approximately $238,032.27 in FY09 storage costs. When comparing the annual cost of maintaining the current furniture inventory ($120,000 for inventory database maintenance and $238,032 for storage costs) with all the direct and indirect costs involved in procuring new furniture components, ISS maintains that it far more cost effective to store and reuse furniture components whenever this is feasible. Eliminating the need to purchase new furniture components not only saves the purchase price of the new furniture (over $1 million annually) but it also yields substantial ancillary cost savings and cost avoidance for LOC staff costs professional and technical staff in several Library offices and service/support units. These ancillary staff time savings include all the staff time in ISS/FD&C to prepare and process all the procurement documentation after spending time communicating extensively with the service/support units to ensure the availability of sufficient SU/SC funding, the staff time of the ISS FACS chief's office to track the procurement contracts and funds and ensure proper administration of contracts and timely payment of invoices, the staff time of hard-pressed contracts staff in the OCGM office to issue all the required procurements for new furniture, the staff time in OCGM both Accounting and Budget Offices - relating to payment of invoices, tracking of obligations and funds, and much more. There is thus a substantial amount of staff time saved through re-use of the available furniture.

Finally, maintaining an economical furniture inventory system is also more environmentally friendly, eliminating the unnecessary use of additional natural and manufactured materials, and reducing emissions during long distance transport from manufacturer sources. These environmental benefits, coupled with the significant level of direct savings/cost avoidance and substantial internal Library labor savings, makes a good, solid business investment. FD&C will continue to be highly proactive in managing this offsite furniture inventory to ensure that it is cost effective and makes good business sense.

IV. IG Executive Summary and Finding: ISS is still not processing excess computer equipment efficiently.

ISS weaknesses in processing excess computers – which we identified more than two and a half years ago – have still not been satisfactorily addressed. ISS still does not process computer equipment efficiently, which would include making it available for donation to the extent possible. We observed hundreds of computers already prepared for donation (i.e., hard drives had been cleaned and verified) that had been sitting in the warehouse for 18 to 21 months. In comparison, other agencies generally process excess computer equipment within four months. ISS' inefficient processing of computer equipment has unnecessarily resulted in almost $50,000 per year in storage costs. Moreover, ISS' inefficiency has made it less likely that these computers will be useful to schools because they are severely obsolete by the time they arrive at their intended destinations. (p. ii)

ISS/Logistics Comments: ISS disagrees with these findings because it does not take into account 3 major factors that occurred in the Library at roughly the same time 2-3 years ago that greatly increased the number of surplus computers on hand for donations for approximately a 1½-2 year period of time and delayed disposal and donation until ISS adequately solved each of these important challenges.

As described previously to OIG staff, three significant events occurred in rapid succession that adversely affected the processes for a period of time, and significantly hampered the timely disposal of surplus computers at LOC:

(1) Due to the rapid changes in federal, state and local environmental laws, the Library had no method to dispose of computers which assured ISS Logistics that such disposal method met all laws at all levels.
Thus no unusable computers were released for disposal for over a year until an assured source of disposal was identified. After months of research and negotiations, ISS forged a no-cost Memorandum of Understanding with UNICOR for the proper and safe disposal of all Library of Congress electronic waste to resolve this problem.

(2) The Library of Congress migrated all computers to the Windows XP platform. This was not only a software application migration, but also required a wholesale surplusing of the vast majority of the older inadequate CPU’s and many monitors in the Library of Congress (well over 3,000). This massive change-out in a matter of months came at the same time that LOC/ISS still had to establish a safe, environmentally compliant way to dispose of electronic waste.

(3) During this same period, ISS was also advised that the software previously used by ISS to clean the hard drives of computers turned in for surplus before disposal or donation did not meet the minimum security requirements. As such, the cleaning of computers was halted for several months until a new hard drive cleaning application was thoroughly researched and approved by the LOC ITS Security Manager, then obtained and implemented.

These three events had a combined effect of increasing the population of surplus computers stored at LCA beginning late 2007 through early 2008. Since that time ISS has made tremendous strides in drastically reducing the amount of surplus electronic waste or computers stored for donation. Other productive efforts that ISS implemented prior to this audit that also had a significant impact on reducing the number of surplus computers stored at LCA in the past year include: (1) partnering with the Congressional Relations Office to offer usable computer equipment to Members of Congress for their qualifying constituents under the Computers for Learning Program, and (2) automatically sending all older equipment including Pentium I’s and II’s to UNICOR for disposal with no consideration for using them in the Computers for Learning program.

ISS disagrees with the draft report statement on page 17: “ISS property officials attributed its slow processing of excess inventory to its decision to hold excess Pentium I and II computers for donation to schools.” This statement can not be attributed to any ISS LOG Asset Control Unit staff members, and is directly contrary to the policy promulgated by the Acting Head of Logistics to both the ISS LOG Asset Control staff and to the ISS/LOG warehouse foreman of the LCA LOG warehouse. Further inquiry with the senior Property Management Specialist in the Logistics Asset Control Unit revealed that this statement does not accurately represent the information provided to the auditor. He clearly remembers telling the auditor that in the past Pentium I’s and II’s were held for donation; however, they are no longer retained since most schools do not want them. Additionally, the specialist made no cause and effect relationship “between the Pentium I’s and II’s, and the rate of processing excess computers”.

In relation to the large number of surplus computers on hand 18 months ago, ISS has made significant progress in processing computers effectively and efficiently, and greatly reducing the number on hand.

<table>
<thead>
<tr>
<th>FY</th>
<th>Computed Donated</th>
<th>E-Waste Items Disposed of Via UNICOR</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY’07</td>
<td>180</td>
<td>973</td>
</tr>
<tr>
<td>FY’08</td>
<td>1,468</td>
<td>1,075</td>
</tr>
<tr>
<td>FY’09 (to 3/09)</td>
<td>484</td>
<td>2,709</td>
</tr>
<tr>
<td>TOTALS</td>
<td>2,112</td>
<td>4,847</td>
</tr>
</tbody>
</table>

ISS also does not agree with the statement: “ISS inefficient processing of computer equipment has
unnecessarily resulted in almost $30,000 per year in storage costs. * While ISS concurs with the practice to remove dated and unusable material from storage shelves, the fact remains that removal such material does not result in eliminating the need for the storage space that it occupied. Over 200,000 cubic feet of material has been identified by Library Service/Support Units and Facility Services that needs to migrate from various other inappropriate Library storage locations, including valuable Capitol Hill space, to the LCA/LOG warehouse. This finding is described in the ISS/FACTS Library of Congress Storage Requirement report, dated April 7, 2006. The amount of space required to store this identified requirement is approximately equal to the storage space currently used at LCA. Therefore, when this additional material that should migrate to LCA/LOG warehouse storage from other sites is actually moved, there are no cost savings or cost avoidance of $50,000 per year in storage costs that could be attributed to the space occupied by computer equipment awaiting donation. Removing all computer equipment would result in that space being used for Library material that is stored elsewhere that needs to migrate to LCA/LOG storage.

Furthermore the annual cost to temporarily store the fluctuating volume of all electronic equipment at the warehouse in process for disposal or donation is about $30,000, at most – 3,500 square feet x $8.62529877 FY’09 lease cost per square foot.

**IG Recommendation:** ISS is still not processing excess computer equipment efficiently

We recommend that ISS:

1. ... develop performance measures for the processing of excess property.
   **ISS/Logistics response:** ISS agrees with this recommendation and will develop performance measures for the processing of excess and surplus property.

2. ... determine the cost to process and store excess computers, and compare this cost with the cost of using the interagency program led by USDA to dispose of excess computers.
   **ISS/Logistics response:** ISS has explored the costs of the USDA interagency program to dispose of excess computers. ISS has researched the USDA service as requested by the IG and has learned that it is much more expensive to use USDA than temporarily storing electronic equipment at the LOG warehouse, pending donation or disposal. The ISS Acting Chief of Logistics has conferred with Mr. Joe Gannan who manages the USDA centralized excess property office. This office picks up “excess” property from all USDA locations and other federal agencies with which they have annual MOUs in place (with funds transferred to support the MOU). Once returned to their site, USDA advertises the excess property internally, then through GSA for the entire federal government. If there is no need within the federal government, the property is declared surplus and USDA then attempts to sell it or ultimately to destroy it. This process ranges from 30 days to 120 days when all goes well (or can go longer). The annual MOUs with other agencies are charged at a rate of $48 per FTE count for the agency. When office moves are involved, there are additional costs.

To participate in this USDA program would cost the Library a minimum of $185,856 annually (3,892 LOC FY09 FTEs for x $48 = $185,856). ISS does not have funds to support this expensive USDA service. At the LCA Logistics warehouse, approximately 3,500 square feet is used to temporarily store the fluctuating amount of electronic equipment in process for donation or disposal; at the current FY09 lease cost per square foot ($8.6252987755), the cost of temporarily storing such equipment pending disposal is approximately $30,188 at most in FY09 storage costs.

3. ... investigate transferring responsibility for “sanitizing” excess computers to the owning service unit.
   **ISS/Logistics response:** ISS has already investigated this possibility in the past and has determined that there was little or no benefit to the Library for ISS to decentralize this activity, in fact there are substantial risks to the Library. Even though service and support units were asked in the past to clean their computer hard drives before notifying ISS/Logistics for pick up, ISS discovered on numerous occasions that the hard drives had not been cleaned properly and data, including confidential data, was still accessible on many supposedly cleaned computers. Even if this responsibility were formally returned to the
service/support units, ISS would still need to double check every hard drive to ensure that the cleaning had
been completed properly, because of the government's heightened responsibility for ensuring deletion of
all sensitive data and particularly protection of personal identification information and other computer
security issues. This process would entail duplicate efforts, and is not a cost effective use of expensive
SU/SU staff time.

The current ISS computer cleaning processes were initiated in 2007 by the former ISS Chief of
Automation Officer (who had previously served as CRS IT Security Officer). She had halted the previous
ISS computer cleaning process until she completed detailed research and instigated a completely
revamped, more rigorous IT security cleaning process, following a U.S. Department of Defense (DoD)
protocol. At the present time, ISS is employing these revised procedures in a very simple, cost effective
method for cleaning all hard drives before disposal, using trained work study students (at the GS-1 level)
and summer student help (at the GS-1 and GS-2 levels) with effective oversight and quality control
checking provided by the GS-9 ISS Information Technology Specialist on the ISS Automation Team. The
process is efficient and cost-effective and the Library of Congress has full assurance that every hard drive
on every excess computer is completely cleaned before donation or disposal.

V. IG Executive Summary: Publishing Office Asked to Make Retention Decisions for Materials
Used by Other Offices.

The Library is spending almost $100,000 per year to store its publications and many of them have
been held for over ten years with little or no current demand. This has occurred primarily because
disposition decisions on publications' excess copies have been improperly assigned to the Publishing
Office. While the Publishing Office produced many of the publications, they were produced for other
Library offices and officials from outside of the Publishing Office, not the Publishing Office, have the required knowledge
about the demand for their publications. We recommend that ISS expand its IntelliTrack inventory
system to include the divisions that have publications that are held at the warehouse. (p. ii)

IG Recommendation: We recommend that ISS expand its IntelliTrack inventory system to
include the divisions that have publications that are held at the warehouse.

ISS Response: ISS agrees with this recommendation. Publications entered into the IntelliTrack
system will include the "owning" division in the future, noting the name of the LOC division that sent
the publications to the LCA/LOG warehouse for storage, not a generic identifier such as "Publishing Office".
All publications currently stored at the Logistics warehouse will be reviewed by warehouse staff and the
appropriate division owning the publication will be identified and annotated in the IntelliTrack system.
This process will begin the week of April 13, 2009 with a target date for completion of April 30, 2009.
In the future separate lists of publications stored for each LOG division or office will be provided to each
owning division by the ISS-Logistics warehouse staff on a regularly scheduled basis as noted above.
Integrated Support Services/Facility Services
Landover Center Annex/Logistics Warehouse Storage
March 31, 2009

General
With regard to potential savings in rent paid to GSA for the Landover Annex, Facility Services notes that a reduction in SU storage or improved inventory management by service unit would NOT reduce the monthly amount ISS pays for rent under the current lease. These improvements would have other benefits, of course, but immediate cost savings through rent reduction would not occur. Over the long term, such improvements may allow Facility Services to rent, build or occupy less space, and that could result in future cost adjustments.

Space Measurement Methodology and Results
Page i
The SF calculations listed below were included in the operations and support of the Logistics Warehouse but are not considered storage. To obtain pure storage areas, 4,899 SF should be deducted from the listed 75,059 SF of dedicated warehouse space. FD&C uses approximately 27,597 SF of actual storage to store systems furniture components and other related furnishings on behalf of the whole Library. The remainder is used by other service units.

Warehouse storage space: 70,160 SF
Administrative and general support space: 4,899 SF
Warehouse storage AND support space = 75,059 SF

<table>
<thead>
<tr>
<th>Room Number</th>
<th>Type</th>
<th>SF</th>
</tr>
</thead>
<tbody>
<tr>
<td>LA101-008</td>
<td>Restroom-M</td>
<td>198</td>
</tr>
<tr>
<td>LA101-006</td>
<td>Restroom-W</td>
<td>91</td>
</tr>
<tr>
<td>LA101-007</td>
<td>Waiting</td>
<td>100</td>
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<td>LA101-005</td>
<td>Receiving Loading Dock</td>
<td>1590</td>
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<tr>
<td>LA101-012</td>
<td>Elect Room</td>
<td>232</td>
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<tr>
<td>LA101-013</td>
<td>Tel Room</td>
<td>222</td>
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<tr>
<td>LA101-014</td>
<td>Computer</td>
<td>239</td>
</tr>
<tr>
<td>LA101-002</td>
<td>Break Room</td>
<td>535</td>
</tr>
<tr>
<td>LA101-001</td>
<td>Machine Room</td>
<td>505</td>
</tr>
<tr>
<td>LA101-006</td>
<td>Office Private</td>
<td>239</td>
</tr>
<tr>
<td>LA101-009</td>
<td>Office Private</td>
<td>689</td>
</tr>
<tr>
<td>LA101-010</td>
<td>Office Private</td>
<td>220</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>4890</td>
</tr>
</tbody>
</table>
Below is a listing of the Lower Level assignments not associated with the Logistics Warehouse. The total Lower Level is approximately 93,000 SF (including Logistics Warehouse).

<table>
<thead>
<tr>
<th>Room Number</th>
<th>Type</th>
<th>SF</th>
</tr>
</thead>
<tbody>
<tr>
<td>LA100-002</td>
<td>PhotoDw</td>
<td>3612</td>
</tr>
<tr>
<td>LA100-003</td>
<td>PhotoDw</td>
<td>4294</td>
</tr>
<tr>
<td>LA100-004</td>
<td>PhotoDw</td>
<td>209</td>
</tr>
<tr>
<td>LA100-005</td>
<td>R&amp;P</td>
<td>304</td>
</tr>
<tr>
<td>LA100-006</td>
<td>R&amp;P</td>
<td>361</td>
</tr>
<tr>
<td>LA100-007</td>
<td>IPO</td>
<td>7988</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>16368</td>
</tr>
</tbody>
</table>

Comparisons to Other Agency Benchmarks
Pg. 13
Comparisons of other agency benchmarks may not have considered the specialized collection storage needs that are unique to the Library of Congress. The LCA facility is used for both specialized collections storage and general warehouse storage.

Gross SF Calculations for Overall Facility at Landover Center Annex
Pg. 1
The 313,802 is a Gross SF Total which includes void space. "Void Space" is a valid space class type and has a purpose depending on the type of space report required. This space type classification is a part of Gross SF as defined by both IFMA and BOMA industry standards. Facility Services uses this space classification for all buildings in the CAFM System. To ensure accurate space assessments FACS needs to capture all space enclosed within a building envelope and deduct it from usable SF. Examples are elevator shafts, chases and space such as "open to below" or atrium. This "space classification" is a part of, and used as, a component in determining operating costs per sq. ft. It also serves a purpose to define utility costs within the building envelope such as heating or cooling interior space. VOID space is not usable SF and should not be counted as such. In the report it is a portion of 70,000 SF listed as Common Space.

Calculations of VOID space in space management is primarily used for ratio formulas relating to building operations and costs associated with managing them. It provides a method of calculating how much of a building's total square-footage can be attributed to any one particular floor as well as a uniform way of comparing the space within a building's footprint to another building. While many agencies assess chargebacks to its internal organizations to ascertain how much of the operating costs can be attributed to a particular organization, LOC has not begun this practice as yet.

There are many methods of space calculations depending on the purpose of the assessment. BOMA includes wall thickness in determining Usable SF. Due to the unique features of buildings on Capitol Hill, the AOC uses a net SF calculation that does not include wall thickness. LOC also follows that standard. Many of the older buildings on Capitol Hill have extreme wall thicknesses which would affect the perception of usable space.