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MEMO

Date       May 23, 2024
To         Dr. Carla Hayden
            Librarian of Congress
From       Debbie Lehrich
            Acting Inspector General
Subject    Final Audit Report – *Audit of an Overseas Field Office – Jakarta, Indonesia, Report No. 2023-PA-101*


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

We appreciate the cooperation and courtesies extended by the Library Collections and Services Group, the Office of the Chief Information Officer, and the Security and Emergency Preparedness Directorate.

cc    Principal Deputy Librarian of Congress
      Deputy Librarian for Library Collections and Services
      Associate Librarian, Discovery and Preservation Services
      Director, Acquisitions and Bibliographic Access
      Chief Information Officer
      Chief Operating Officer
      Chief Financial Officer
      Director, Security and Emergency Preparedness
      General Counsel
Summary

The Library of Congress (Library) has six overseas field offices located in Brazil, Egypt, India, Indonesia, Kenya, and Pakistan that acquire, catalog, and preserve collections from countries where such materials are essentially unavailable through conventional acquisition methods.

The Office of the Inspector General (OIG) initiated the audit of the Library’s Jakarta overseas field office to evaluate controls in select areas, including financial management and reporting, collection acquisition and processing, asset management, information technology (IT) security, payroll, and physical and preservation controls.

What the Audit Found

Financial Management and Reporting

We found the Jakarta overseas field office had internal controls in place to ensure safeguards over petty cash. However, we identified funds put to better use related to untimely deobligation of funds and demurrage charges totaling $84,742.39 and $4,041, respectively.

Collection Acquisition and Processing

We found the Jakarta overseas field office’s shipment process resulted in delayed shipments of collection items beyond the established six-month shipping interval.

Asset Management

We found all sampled IT equipment located onsite. However, we identified discrepancies in the inventory list.

Recommendations

We made 15 recommendations to help the Library and the Jakarta overseas field office improve the effectiveness of their management related to financial management and reporting, collection acquisition and processing, asset management, IT security, and physical preservation controls. Prior to release of this report, the Library took corrective action to address one of our IT security recommendations, which we describe in the report.

Management Comments

The Library concurred with the report’s recommendations and stated its commitment to enhancing services in the Jakarta overseas field office. This included undertaking the
recommended analyses and drafting standard operating processes to verify and continue executing the Jakarta overseas field offices’ acquisition and shipping operations in a cost effective and efficient manner. Appendix B contains Library’s management response in its entirety.
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Background

The Library of Congress (Library) has six overseas field offices located in Brazil (Rio de Janeiro), Egypt (Cairo), India (New Delhi), Indonesia (Jakarta), Kenya (Nairobi), and Pakistan (Islamabad) that acquire, catalog, and preserve collections from countries where materials are, for the most part, unavailable through conventional methods. The Acquisitions and Bibliographic Access Directorate (ABA), within the Library Collections and Services Group’s (LCSG) Discovery & Preservation Services (DPS), administers the Overseas Field Office program for the Library. ¹

The overseas field office in Jakarta, Indonesia, acquires a variety of materials from Brunei, Cambodia, Indonesia, Laos, Malaysia, Philippines, Singapore, Thailand, Burma (Myanmar), Timor Leste, and Vietnam. The office’s mission is to enrich the research collections of the Library of Congress and other research libraries with the wealth of bibliographic production from these countries. The Jakarta office exists to overcome the challenges of acquiring research materials from Southeast Asia. The Jakarta office also manages the Cooperative Acquisitions Program for Southeast Asia that acquires material on a cost-recovery basis for participating institutions.

![Figure 1. Southeast Asia map identifying countries served by the Jakarta overseas field office. Source: mapchart.net](mapchart.net)

The focus of our audit was the Jakarta, Indonesia overseas field office, which was established in 1963 to acquire materials from Southeast Asia. The Jakarta overseas field office operates branch offices in Bangkok, Kuala Lumpur, Manila,

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¹ The Library utilizes administrative services from the Department of State’s International Cooperative Administrative Support Services for the Library’s six overseas field offices.
and Rangoon (Yangon). The Jakarta overseas field office has 54 local staff authorized positions and one American Director based in Jakarta. All materials acquired in Southeast Asia are cataloged prior to shipping to Washington. The Jakarta overseas field office’s annual budget for fiscal year (FY) 2023 was approximately $2.3 million.
Findings

In conducting the audit, we performed tests to determine whether the Jakarta overseas field office complied with Library policies and procedures in select areas: financial management and reporting, collection acquisition and processing, asset management, information technology (IT) security, payroll, and physical and preservation controls.

A. Financial Management and Reporting

I. The Library Did Not Timely Deobligate Funds

**Background:** The Library records an obligation for salaries and expenses into its financial management system known as the Legislative Branch Financial Management System (LBFMS) when it enters into an agreement, such as a purchase order, contract, or interagency agreement to purchase goods or services. Once recorded, obligations remain open until they are fully reduced by disbursements, deobligated, or the appropriation funding the obligation is closed. Unliquidated obligations represent binding agreements for goods and services that have not yet been delivered or received and will require future outlays. When anticipated future outlays are no longer anticipated, unliquidated obligations are deobligated, which allows funds to be used for other purposes.2

**Condition:** The Library did not timely deobligate $84,742.39 in obligations related to salaries and expenses for FYs 2019, 2021, and 2022. We identify this amount as funds put to better use since deobligating them in a timely manner could enable the Library to use the funds for other allowable activities.3, 4 After our inquiry in July 2023, the Jakarta overseas field office deobligated $55,521.66 in FY 2022 funds. According to the Library, the remaining balance could not readily be deobligated due to various reasons as summarized in Table 1 below.

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2 On September 30, five FYs after the period of availability for an appropriation account ends, the account is closed and any remaining balance, whether obligated or unobligated, is cancelled. The remaining balance is no longer available for obligation or expenditure for any purpose.

3 Funds put to better use are funds that could be used more efficiently if management took actions to implement and complete a recommendation, including: (1) reductions in outlays; (2) deobligations of funds from programs or operations; (3) withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds; (4) costs not incurred by implementing recommended improvements related to the operations of the establishment, a contractor, or grantee; and (5) any other savings that are specifically identified.

4 Beginning in FY 2017, 2 U.S. Code § 182e: *Library of Congress National Collection Stewardship Fund (NCSF)* allowed the Librarian of Congress to transfer available amounts appropriated for any fiscal year under the heading “salaries and expenses” to support collection stewardship activities. Beginning in FY 2012, 2 USC 143d: *Funds available for workers compensation payments*, allowed available balances of expired Library appropriations to be available to the Library for deposit to the credit of the Employees' Compensation Fund required by subsection 8147(b) of title 5.
Table 1. Summary of Open Obligations

<table>
<thead>
<tr>
<th>FY</th>
<th>Unliquidated Obligation</th>
<th>Transaction(s)</th>
<th>Cause</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>599.00</td>
<td>1</td>
<td>Untimely deobligation</td>
</tr>
<tr>
<td>2021</td>
<td>473.67</td>
<td>1</td>
<td>Untimely deobligation</td>
</tr>
<tr>
<td>2022</td>
<td>28,148.06</td>
<td>3</td>
<td>Delayed invoicing</td>
</tr>
<tr>
<td>2022</td>
<td>55,521.66</td>
<td>15</td>
<td>Untimely deobligation</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$84,742.39</td>
<td>20</td>
<td></td>
</tr>
</tbody>
</table>

Source: OIG analysis of open obligations of the Jakarta overseas field office.

LCSG is working with the Jakarta overseas field office to coordinate with the Department of State on resolving the delayed invoicing issues.²

Criteria:

Government Accountability Office’s (GAO) Standards for Internal Control in the Federal Government (Standards),⁷

**Principle 10** – Management should design control activities to achieve objectives and respond to risks, such as recording transactions in an accurate and timely manner. According to GAO’s Standards, transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction from its initiation and authorization through its final classification in summary records.

**Principle 12** – Management should implement control activities through policies. According to GAO’s Standards, management documents in policies for each unit its responsibility for an operational process’s objectives and related risks, and control activity design, implementation, and operating effectiveness.

**Principle 16** – Management should establish and operate monitoring activities to monitor the internal control system and evaluate results. According to GAO’s Standards, management performs ongoing monitoring of the design and operating effectiveness of the internal control system as part of the normal course of operations.

Library of Congress Directive 6-240.3 - National Collection Stewardship Fund –

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² After our inquiry, the Library deobligated this amount in July 2023.
³ The Library utilizes administrative services from the Department of States’ International Cooperative Administrative Support Services for the Library's six overseas field offices.
⁷ GAO’s Standards, September 2014, GAO-14-704G.
4.1. Funds Eligible for Transfer. Per 2 U.S.C. 182e(b), transfers into the NCSF are limited to current and prior year balances of funds appropriated under the heading “Library of Congress Salaries and Expenses” (LC S&E).

**2 U.S. Code § 182e - Library of Congress National Collection Stewardship Fund –**

(b)(1) - Such amounts as may be transferred by the Librarian from available amounts appropriated for any fiscal year for the Library of Congress under the heading “Salaries and Expenses”.

(c) Use of amounts

Amounts in the Fund may be used by the Librarian as follows:

(1) The Librarian may use amounts directly for the purpose of preparing collection materials of the Library of Congress for long-term storage.

(2) The Librarian may transfer amounts to the Architect of the Capitol for the purpose of designing, constructing, altering, upgrading, and equipping collections preservation and storage facilities for the Library of Congress, or for the purpose of acquiring real property by lease for the preservation and storage of Library of Congress collections in accordance with section 1823a of this title.

(d) Continuing availability of funds

Any amounts in the Fund shall remain available until expended.

(h) Effective date

This section shall apply with respect to fiscal year 2017 and each succeeding fiscal year.

**2 U.S. Code §143d: Funds available for workers compensation payments –**

(a) In general

Available balances of expired Library of Congress appropriations shall be available to the Library of Congress to make the deposit to the credit of the Employees' Compensation Fund required by subsection 8147(b) of title 5.

(b) Effective date

This section shall apply with respect to appropriations for fiscal year 2012 and each fiscal year thereafter.

**Cause:** Library management had not designed control activities to ensure that the Jakarta office’s obligations were deobligated in a timely manner, such as
by strengthening coordination with the Jakarta office. According to the field
director in Jakarta, obligations initiated by LCSG in Washington D.C. cannot
be deobligated by Jakarta. Further, as a result of our inquiry, the Jakarta field
director informed us they had implemented a monthly review of open
obligations to initiate the deobligation process sooner when appropriate.
LCSG also informed us that the deobligation process can be formalized and
defined further to help complete the deobligation process in a more timely
manner for the Jakarta office.  

Effect: Failure to maintain effective controls over obligations may result in
difficulties managing funds and the inability to repurpose funds for other
allowable activities.

Recommendation

We recommend the Library:

1) Develop and implement deobligation standard operating procedures
   steps and procedures to facilitate the execution of the Jakarta overseas
   field office's deobligations, and those of other overseas field offices as
   applicable, on a more timely basis.

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8 We recognize that, according to LCSG, the deobligation of open obligations for overseas field offices may take longer
depending on whether the Department of State bills and invoices on behalf of the offices in a timely manner. LCSG
also noted that untimely deobligations may also be attributable to issues associated with LBFMS and to vendors’
delayed invoicing.
II. The Library Did Not Design Controls to Minimize Demurrage Charges

**Background:** The Jakarta overseas field office receives collection items by air from Singapore for further processing. The Indonesian government requires extensive documentation prior to allowing the importation of goods. The Library collaborates with the Department of State to obtain the proper import permit from the Indonesian government.

**Condition:** Collection items shipped from Singapore were detained between 11 and 22 days in the Jakarta airport resulting in $4,041 in accrued demurrage charges. We identify this amount as funds put to better use. After our inquiry, the Jakarta overseas field office informed us they arranged with the Singapore shipper to hold the Library’s shipment 10 business days to give the Library enough time to complete the proper shipping documentation to minimize future demurrage charges.

**Criteria:**

**GAO Standards,**

**Principle 10** – Management should design control activities to achieve objectives and respond to risks. The *Standards* further states control activities can be either preventive or detective. The main difference between preventive and detective control activities is the timing of a control activity within an entity’s operations. A preventive control activity prevents an entity from failing to achieve an objective or address a risk. A detective control activity discovers when an entity is not achieving an objective or addressing a risk before the entity’s operation has concluded and corrects the actions so that the entity achieves the objective or addresses the risk.

**Principle 12** – Management should implement control activities through policies. According to GAO’s *Standards*, management documents in policies for each unit its responsibility for an operational process’s objectives and related risks, and control activity design, implementation, and operating effectiveness.

**LCR 1-630 Integrated Risk Management and Internal Control, Section 2:**

**Policy** – The Library will implement and maintain an integrated risk management and internal control framework. The framework will support management’s commitment to implementing sound management practices to identify, assess, monitor, and report on risks and internal control activities. The objectives of implementing the integrated risk management and internal control framework include:

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9 GAO’s *Standards*, September 2014, GAO-14-704G.
A. Effective management of risks that may impact achievement of Library goals,
B. Effective and efficient operations,
C. Reliable financial and non-financial (including performance) reporting, and
D. Compliance with applicable laws and standards.

**Cause:** The Library did not have preventive and detective controls to mitigate potential demurrage charges. The Library’s vendor in Singapore was sending collection items once they were acquired by the shipping company, which held them free of charge until the shipment weighed at least 100 kilograms. However, once this shipping weight was reached, the shipping company initiated shipping the items to Jakarta before the Library had enough time to obtain the proper import permits.

**Effect:** During FY 2023, the Library accrued and paid $4,041 in demurrage costs for airport storage in Jakarta.

**Recommendation**

We recommend the Library:

2) Develop and implement preventive and detective controls to mitigate and monitor the Jakarta overseas field office’s future demurrage charges.
B. Collection Acquisition and Processing

I. The Library Should Reassess the Timeliness of its Shipments

**Background:** As shown in Table 2 below, the Jakarta overseas field office employs various methods and shipping frequencies for shipping collection materials to the Library and participants of Cooperative Acquisition Program (CAP) for Southeast Asia.\(^{10}\) Shipments from Jakarta occur twice per year via sea freight.

<table>
<thead>
<tr>
<th>Office</th>
<th>Method</th>
<th>Countries</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangkok</td>
<td>Sea Freight</td>
<td>Thailand, Burma, Cambodia, Laos</td>
<td>Approximately every two months</td>
</tr>
<tr>
<td>Jakarta</td>
<td>Sea Freight</td>
<td>Indonesia, Singapore, Timor Leste, Vietnam</td>
<td>Twice a year</td>
</tr>
<tr>
<td>Kuala Lumpur</td>
<td>FedEx</td>
<td>Malaysia, Brunei</td>
<td>Approximately every week</td>
</tr>
<tr>
<td>Manila</td>
<td>US Postage</td>
<td>Philippines</td>
<td>Approximately every week</td>
</tr>
<tr>
<td>Yangon</td>
<td>Pouch</td>
<td>Burma</td>
<td>Ships to LOC-Bangkok for inclusion in their sea freight</td>
</tr>
</tbody>
</table>

Source: 2021 Annual Report Jakarta Overseas Field Office

Collection materials are sealed in cardboard boxes (Figure 2) and placed in wooden crates (Figure 3).

![Figure 2. Cardboard shipping boxes](image1)

![Figure 3. Wooden crate](image2)


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\(^{10}\) CAP is open to library and research institutions wishing to acquire publications from the countries covered by the applicable office. The Jakarta overseas field office covers Southeast Asia. Participating libraries deposit funds with the Library annually to cover the next fiscal year’s projected cost of materials, shipping, and other administrative costs.
**Condition:** We examined shipping records of the Jakarta overseas field office’s May 2023 shipment of collection materials and identified that 16 percent of the boxes in the shipment had been packed and were waiting to be shipped since prior to the November 2022 shipment. Additionally, 81 boxes prepared for the May 2023 shipment were not shipped because the shipping volume for the May 2023 shipment had been reached.

**Criteria:**

**GAO Standards,**\(^1\)

**Principle 7** – Management should identify, analyze, and respond to risks related to achieving the defined objectives. According to GAO’s *Standards*, management analyzes the identified risks to estimate their significance, which provides a basis for responding to the risks. Significance refers to the effect on achieving a defined objective.

**Cause:** The Library needs to analyze the frequency with which it ships collection materials to reduce the risk of shipping volumes restricting the quantity of collection materials that can be shipped in a timely manner.

Library officials also attributed delays to insufficient funds. CAP participants may place supplemental orders that can deplete their funding to the extent that prepaid orders cannot be shipped. The Library needs to respond to this risk.

**Effect:** Delayed shipping of collection materials delays the availability of collection materials to Library researchers and CAP participants. In summary, 469 of the 542 boxes (87 percent\(^1\)) in the May 2023 shipment were prepared since the November 2022 shipment. The remaining 73 boxes (13 percent) had been waiting to be shipped since prior to the November 2022 shipment.\(^2\) Additionally, 81 boxes prepared for the May 2023 shipment were not shipped because the shipping volume for the May 2023 shipment had been reached.

**Recommendations**

We recommend the Library:

3) Analyze its shipping methods and determine the optimal frequency to ensure more timely shipments.

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\(^1\) GAO’s *Standards*, September 2014, GAO-14-704G.

\(^2\) Percentages have been rounded up as appropriate.

\(^3\) Fifty-eight of the 73 boxes (or 11 percent of all 542 boxes) had been waiting since prior to the November 2022 shipment and after the April 2022 shipment. Fifteen of the 73 boxes (or 3 percent of all 542 boxes) had been waiting since prior to the April 2022 shipment.

\(^4\) We identified a box in the Bangkok sub-office in July 2023 that had been packed in March 2023 and had not yet been shipped despite the office’s shipping schedule every two months.
4) Analyze and respond to the risk of CAP participants not having adequate shipping funds for prepaid orders.

II. The Library Has Not Implemented the Overseas Field Office Replacement System (OFORS) Shipment Module in Jakarta

Background: In April 2020, OIG issued a memorandum on OFORS and recommended a gap analysis to assess whether OFORS business requirements were being met.\(^\text{15}\) As reported in our memorandum, the Library awarded a $1.7 million contract in September 2010 to develop OFORS, a custom-built, client-server application meant to improve activities associated with acquiring collection materials at the Library’s six overseas field offices. OFORS was originally scheduled for completion by September 2012. However, it was partially installed in fiscal year 2015, and the Library did not make final payment to cover the costs of certain outstanding OFORS components until July 2019.

For our September 2021 Semiannual Report to Congress, the Library reported to us that OFORS was fully implemented in all six overseas field offices and that a gap analysis was not needed. We closed our recommendation based on management’s assertions.

Condition: The Jakarta overseas field office and its sub-offices do not have a fully functional OFORS shipping module.

According to the Director of ABA, the Library does not plan to conduct a gap analysis. Alternatively, it is exploring the potential of replacing the functionality of OFORS as part of implementing a new system called the Library Collections Access Platform (L-CAP).

Criteria:

**GAO Standards,\(^\text{16}\)**

**Principle 11** – Management should design the entity’s information system and related controls to achieve objectives and respond to risks.

**Report No. 2018-PA-101b, Overseas Field Office Replacement System (OFORS), April 22, 2020.** Recommendation 2 – Library Services should perform a gap analysis to assess whether OFORS business requirements and baselined cost estimates are being met and, if not, what corrective action steps should be taken based on a cost-benefit analysis. If corrective action steps are needed, a comprehensive project plan should be developed to manage and eliminate identified gaps.

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\(^{16}\) GAO’s Standards, September 2014, GAO-14-704G.
**Cause:** Due to the decentralization of shipping methods between the three suboffices and Jakarta, OFORS cannot produce shipping lists that separate shipments sent by Jakarta, Bangkok, Kuala Lumpur, and Manila.

**Effect:** Without a fully functional OFORS shipping module, the Jakarta overseas field office developed an intranet hosted shipping application to prepare shipment lists, enter the weight of each shipping box, and calculate the shipping cost for the Library and CAP participants. An Excel spreadsheet is used to track budgeted to actual shipping costs to the Library and to CAP participants.

Until OFORS is replaced with a suitable solution, Jakarta and its suboffices will continue relying on its internally developed shipping application to process shipments. This may increase the risk of errors when processing shipments.

**Conclusion:** Based on the information provided by the Director of ABA, the Library is exploring the potential of using L-CAP to address the shortcomings of the OFORS shipping module. As such, we are not making recommendations in this area. Nonetheless, we plan to examine OFORS as part of future audits of overseas field offices to continue to assess whether it meets business requirements. We will also continue to inquire about whether the Library is aware of OFORS’ performance gaps and is addressing them appropriately.
C. Asset Management

I. The Jakarta Overseas Field Office’s IT Inventory List is Inaccurate

**Background:** The Jakarta overseas field office coordinates with the Library’s Office of the Chief Information Officer (OCIO) to perform an annual review of the Jakarta office’s IT inventory. In July 2023, we requested the Jakarta office’s current active IT inventory list and judgmentally selected 20 high-value items to perform our own review. During our site visit, we inspected the items and compared them to the IT inventory list description.

**Condition:** We located all of the onsite IT equipment, however we identified discrepancies with some item descriptions. As shown in Table 3, we identified equipment with an inaccurate location description (items 12 and 20)\(^{17}\) and equipment with inaccurate item descriptions (items 17, 18, and 19).\(^{18}\) We also identified equipment without an inventory barcode (item number 1) and equipment that was inactive and no longer in use (item 15).\(^{19}\)

<table>
<thead>
<tr>
<th>No.</th>
<th>Part #</th>
<th>Item</th>
<th>Verified</th>
<th>Discrepancy</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>190859</td>
<td>HP All in One</td>
<td>Yes</td>
<td>Barcode was not affixed to item.</td>
</tr>
<tr>
<td>2</td>
<td>190495</td>
<td>Lenovo Think Center</td>
<td>Yes</td>
<td>None</td>
</tr>
<tr>
<td>3</td>
<td>191033</td>
<td>HP Notebook</td>
<td>No</td>
<td>At employee’s home (for telework)</td>
</tr>
<tr>
<td>4</td>
<td>190959</td>
<td>APC Back UPS</td>
<td>Yes</td>
<td>None</td>
</tr>
<tr>
<td>5</td>
<td>191105</td>
<td>CPU Dell Optiplex</td>
<td>Yes</td>
<td>None</td>
</tr>
<tr>
<td>6</td>
<td>190454</td>
<td>Lenovo Think Center</td>
<td>Yes</td>
<td>None</td>
</tr>
<tr>
<td>7</td>
<td>191036</td>
<td>HP Probook</td>
<td>No</td>
<td>At employee’s home (for telework)</td>
</tr>
<tr>
<td>8</td>
<td>190501</td>
<td>Lenovo Think Center</td>
<td>Yes</td>
<td>None</td>
</tr>
<tr>
<td>9</td>
<td>190555</td>
<td>Laptop HP</td>
<td>No</td>
<td>At employee’s home (for telework)</td>
</tr>
<tr>
<td>10</td>
<td>190966</td>
<td>APC Black UPS</td>
<td>Yes</td>
<td>None</td>
</tr>
<tr>
<td>11</td>
<td>099272</td>
<td>Lenovo TS</td>
<td>Yes</td>
<td>None</td>
</tr>
<tr>
<td>12</td>
<td>094105</td>
<td>Training HP Desktop</td>
<td>Yes</td>
<td>Item was not stored in the location listed.</td>
</tr>
<tr>
<td>13</td>
<td>190880</td>
<td>Canon IR Image Runner</td>
<td>Yes</td>
<td>None</td>
</tr>
<tr>
<td>14</td>
<td>099199</td>
<td>HP-DL380 Server</td>
<td>Yes</td>
<td>None</td>
</tr>
<tr>
<td>15</td>
<td>099224</td>
<td>VPN-1 Checkpoint</td>
<td>Yes</td>
<td>Item was no longer in use.</td>
</tr>
<tr>
<td>16</td>
<td>099266</td>
<td>Canon Highspeed DR</td>
<td>Yes</td>
<td>None</td>
</tr>
<tr>
<td>17</td>
<td>190629</td>
<td>HP Proliant DL 360</td>
<td>Yes</td>
<td>Item description was inaccurate.</td>
</tr>
<tr>
<td>18</td>
<td>190630</td>
<td>HP Proliant DL 360</td>
<td>Yes</td>
<td>Item description was inaccurate.</td>
</tr>
<tr>
<td>19</td>
<td>190631</td>
<td>HP Proliant DL 360</td>
<td>Yes</td>
<td>Item description was inaccurate.</td>
</tr>
<tr>
<td>20</td>
<td>190632</td>
<td>HP Proliant DL 360</td>
<td>Yes</td>
<td>Item was not stored in the location listed.</td>
</tr>
</tbody>
</table>

Source: OIG sample verification of the Jakarta office’s IT inventory list.

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\(^{17}\) The office notified us that it had updated the location descriptions.

\(^{18}\) The office notified us that it had updated the item’s description.

\(^{19}\) The office notified us that it had affixed a barcode to item 1 and updated the inventory list to reflect that item 15 was no longer in use.
Criteria:

**LCR 8-320, Asset Control of Property and Equipment** – provides that the Executive Committee will determine which accountable property that is not capitalized property, such as weapons, IT equipment, and electronic communications equipment, should be subject to asset control and included in the Asset Management Tracking System (AMTS).

**IT Security Directive 5-410.1, ITSEC Part 3 – Management Policies** – requires inventory controls that identify IT system components at the granularity deemed necessary for tracking and reporting (Policy ID 3.1.a). It further requires the Library’s IT Security Program to conduct an annual review of the Library’s IT system inventory in line with the Library’s Inventory Management Program (Policy ID 3.1.x). It is the Chief Information Security Officer’s responsibility for implementing and managing the IT Security Program, ensuring compliance with applicable Federal laws, directives, policies, and regulations.  

**GAO Standards, 21**

**Principle 6** – Management should define objectives clearly to enable the identification of risks and define risk tolerances. According to attribute 6.08, management defines risk tolerance for the defined objectives. Risk tolerance is the acceptance level of variation in performance relative to the achievement of objectives.

**Principle 7** – Management should identify, analyze, and respond to risks related to achieving defined objectives. According to attribute 7.05, management analyzes identified risks to estimate their significance, which provides a basis for responding to the risks. Further, according to attribute 7.08, management designs responses to analyzed risks so that risks are within the defined risk tolerance for the defined objective.

Cause: The objective of the Library’s IT inventory controls is to identify IT assets at the granularity deemed necessary for tracking and reporting purposes. Given the discrepancies we identified in our review, there are risks associated with the Jakarta office’s IT inventory process that the Library needs to analyze and address. Depending on the results of the Library’s analysis, the Library may determine that inventory reviews should occur on more than an annual basis until the kinds of discrepancies we identified become less frequent or stop altogether.

Effect: Discrepancies on the IT inventory list could potentially undermine reasonable assurance of the Jakarta office’s prevention or prompt detection and correction of

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20 According to the GAO’s Standards, September 2014, GAO-14-704G, Principle 10, management should design control activities to achieve objectives and respond to risks. According to attribute 10.03, management designs appropriate types of control activities for the entity’s internal control system. Control activities help management fulfill responsibilities and address identified risk responses in the internal control system.

21 Ibid.
unauthorized acquisition, use, or disposition of IT equipment.

**Recommendation**

We recommend the Library:

5) Analyze the Jakarta office’s IT inventory process and respond as needed to reduce the kind of discrepancies we identified.
Appendix A: Objectives, Scope, and Methodology

The audit’s objectives were to evaluate the Library’s overseas field office operations in Jakarta, Indonesia, and determine whether the Library has suitably designed and effectively implemented controls in select areas, including financial management reporting, collection acquisition and processing, asset management, IT security, payroll, and physical and preservation controls.

In order to gain an understanding of the Library’s overseas field office operations, we conducted a review of applicable laws and regulations, reviewed prior OIG audit reports, 35 FYs 2019-2023 Library Collections & Services Groups Directional Plan, FYs 2019-2023 Discovery & Preservation Service’s Directional Plan, and Jakarta overseas field office Annual Reports. 36 We interviewed key personnel from OCIO, LCSG (DPS, ABA, Acquisitions Fiscal Overseas and Support Division, and Financial Management Directorate), SEP, the Financial Services Directorate, and staff in Jakarta and its suboffice in Bangkok, Thailand.

We utilized GAO Standards 37 and determined that several GAO components and principles of internal control were significant to the audit, as shown in Table 5. We assessed the design, implementation, and/or operating effectiveness of internal controls as appropriate. The internal control issues we identified are discussed in the report’s findings section.

<table>
<thead>
<tr>
<th>Table 5. The Components and Principles Significant to the Audit Objectives</th>
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<tr>
<td><strong>Risk Assessment</strong></td>
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<td>6. Define objectives and risk tolerances.</td>
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<td>7. Identify, analyze, and respond to risks.</td>
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<td><strong>Control Activities</strong></td>
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<tr>
<td>10. Design control activities.</td>
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<tr>
<td>11. Design activities for the information system.</td>
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<tr>
<td>12. Implement control activities.</td>
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<tr>
<td><strong>Monitoring</strong></td>
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<tr>
<td>16. Perform monitoring activities.</td>
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<tr>
<td>17. Evaluate issues and remediate deficiencies.</td>
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To assess the Jakarta overseas field office’s financial management and reporting, we interviewed officials from the Jakarta overseas field office and Department of

State officials to gain an understanding of the demurrage charges. We obtained relevant documents to gain an understanding of the financial reporting process, reviewed services provided by the International Cooperative Administrative Support Services, and assessed the fees paid for reasonableness. We determined that the (1) control activities and (2) monitoring components of internal control were significant to this objective, along with the underlying principles that management should design control activities to achieve its objective and respond to risks; implement control activities through policies; and establish and operate monitoring activities to monitor the internal control system and evaluate the results. We gained an understanding of how the Library and the Jakarta overseas field office collaborate to ensure obligations, commitments, and expenditures are accurately recorded. We conducted an audit of the petty cash in both Jakarta and Bangkok to verify the accuracy and assessed the effectiveness of existing controls and procedures over the fund. We also reviewed financial reports to determine compliance with Library regulations and policies.

To assess Jakarta overseas field office’s collection acquisition and processing, we interviewed officials from the Jakarta overseas field office, obtained relevant policies and documents to gain an understanding of the collection, acquisition, and cataloging workflow process. We also assessed the management of cataloging collection items, including their prioritization and the measurement, tracking, and reporting of performance. We determined that the risk assessment and control activities components of internal control was significant to this objective, along with the underlying principles that management should identify, analyze, and respond to risks related to achieving the defined objectives.

To determine whether the arrearage data was accurate, we selected the entire FY 2020 arrearage of items in Jakarta and verified the accuracy by conducting a physical count. We also reviewed Jakarta’s shipment process to determine the timeliness and efficiency of shipments to the Library and CAP participants.

To assess asset management, we interviewed the Jakarta overseas field office’s IT Section Head to gain an understanding of how IT inventory is recorded and managed. We determined that the risk assessment and control activities components of internal control were significant to this objective, along with the underlying principles that management should define objectives clearly to enable the identification of risks, define risk tolerance to ensure it is at the acceptable level, and implement control activities. We reviewed and assessed the IT inventory list for accuracy, obtained the fixed asset list in Jakarta, and verified each item’s existence. We then judgmentally selected 20 high-value IT items while on-site to verify existence.38

38 We were not able to verify 3 of the 20 items that were not on-site (see Table 3), however, we determined that our sample selection was sufficient for the purpose of this report.
To assess IT security management and compliance with applicable Library Regulations and Directives in the Jakarta office, we interviewed key personnel from the IT Section Head in Jakarta, OCIO, ABA, and Acquisitions Fiscal Overseas and Support Division. We determined that the monitoring and control activities component of internal control was significant to this objective, along with the underlying principles that management should establish and operate monitoring activities to monitor the internal control system and evaluate the results, implement control activities in addition to remediating identified internal control deficiencies on a timely basis. We reviewed whether hard drives that were no longer in use were disposed of timely and sanitized. We also reviewed whether the Jakarta overseas field office had the latest IT security patches installed on computers and servers and reviewed records for whether the Jakarta overseas field office staff with elevated IT access privileges had a signed Privileged Rules of Behavior form.

To assess whether the controls for payroll were adequately designed and implemented, we performed an analysis of WebTA and National Finance Center payroll records to ensure compliance with applicable policies and regulations.

To assess the Jakarta overseas field office’s physical and preservation controls, we interviewed key SEPD personnel and Department of State officials, reviewed existing physical access and security controls in the Jakarta and Bangkok overseas field offices, and reviewed Library policy in conducting background investigations of locally recruited staff. We determined that the control activities component of internal control was significant to this objective, along with the underlying principles that management should implement control activities through policies and periodically review policies, procedures, and related control activities for continued relevance and effectiveness.

We initiated our audit in May 2023 and completed our fieldwork on February 29, 2024. Our activities took place in the Library’s Madison Building in Washington D.C., and in the U.S. Embassy buildings in Bangkok, Thailand, and Jakarta, Indonesia. We conducted site visits at the Bangkok suboffice from July 17-19, 2023, and at the Jakarta overseas field office from July 20-28, 2023.

We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards* as prescribed by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.
Appendix B: Management Response

MEMORANDUM

DATE May 14, 2024
TO Deborah Lehrich, Acting Inspector General
FROM J. Mark Sweeney, Principal Deputy Librarian of Congress
SUBJECT Management Response to OIG report 2023-PA-101, Audit of Overseas Field Offices – Jakarta, Indonesia


The Library’s overseas offices fulfill a mission-critical role by acquiring library and research materials from countries where such materials are essentially unavailable through conventional acquisitions methods. In addition, through the valuable relationships established with participating libraries in the Cooperative Acquisitions Program (CAP), the overseas offices play a key role in achieving the Library’s strategic goals to expand access and enhance collections. Accordingly, we appreciate the OIG’s recommendations to enhance the Library’s services in the Jakarta office, which manages the entire Southeast Asia region.

The Library has already undertaken the recommended analyses and drafted standard operating processes in response to several of the findings to verify and continue executing the Jakarta offices’ acquisition and shipping operations in the most cost effective and efficient manner. The attached chart provides additional details on the Library’s completion of those financial management and collection acquisition and processing recommendations and its corrective action plans to address asset management and other findings.

cc: Judith Conklin, Chief Information Officer
Robin L. Dale, Deputy Librarian, Library Collections & Services Group
Edward R. Jablonski, Chief Operating Officer
Meg Williams, General Counsel
Katherine R. Zwaard, Associate Librarian, Discovery and Preservation Services
<table>
<thead>
<tr>
<th>No.</th>
<th>Task Description</th>
<th>Resp. Office</th>
<th>Comment</th>
<th>Target Completion</th>
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<tr>
<td>1</td>
<td>Develop and implement via deobligation standard operating procedures steps and procedures to facilitate the execution of the Jakarta overseas office’s deobligations, and those of other overseas offices as applicable, on a more timely basis.</td>
<td>LCSG, FSD</td>
<td>LCSG Financial Management Directorate drafted a standard operating procedure to facilitate review of unliquidated obligations and increase efficiency of deobligation. The draft SOP is awaiting OGC’s final approval.</td>
<td>Completed</td>
</tr>
<tr>
<td>2</td>
<td>Develop and implement preventive and detective controls to mitigate and monitor the Jakarta overseas office’s future deobligation charges.</td>
<td>DPS</td>
<td>The Jakarta Office developed controls to mitigate and monitor deobligation charges, with the cooperation of the Library’s vendor and freight forwarder in Singapore. The Library implemented the new workflow (including Singapore vendors, vendors &amp; freight forwarders, LOC-JKT, and the Embassy’s General Services Office (GSO)) on December 11 in preparation for the next Singapore shipment on December 27. Controls were based on the GSO’s instructions that Singapore vendors must provide the following 10 working days in advance: (1) flight instructions with all worldwide flight and (2) a packing list. The third recommendation that shipments should be held at origin until good and the permit in hand was not feasible or acceptable to the Singapore vendors, because space was not available to hold it longer than ten working days. Other preventive measures taken by the Library include planning future shipments taking into account: (a) availability of funds due to (i) Controlling Resolutions and (ii) early closing of the fiscal year in the overseas office (as shipments after July 31); and (b) national holidays in Singapore and Indonesia when government and private businesses are closed. Similar controls are in place for shipments from Vietnam and Timor Leste.</td>
<td>Completed</td>
</tr>
<tr>
<td>3</td>
<td>Analyze air shipping methods and determine the optimal frequency to ensure more timely shipments.</td>
<td>DPS</td>
<td>The Library’s completed analysis of Jakarta’s shipping methods revealed that sea freight is the most cost-effective means of transporting library materials from Jakarta to the US, therefore, no further action will be taken by the Library. Explanation: Jakarta ships 16 lift vans in a 20-foot container twice a week. Not all boxes ready to be shipped can be accommodated into the 16 lift vans and three boxes are held for the next shipment in a 20-foot container. Jakarta does not have sufficient number of publications for a 40-foot container. The alternative is to ship individual lift vans. Based on the number of boxes packed by LOC-JKT’s Shipping Unit in a year, the current frequency would be two to three lift vans every two months from October through July, when we stop shipments. Shipping individual lift vans is significantly more expensive. The actual cost per lift van in the December 2023 shipment was $560 per lift van. GSO estimated the current cost of sending individual lift vans was $2,350 each. In order to ensure more timely shipments, Jakarta would have to resort to using individual lift vans instead of 20 foot containers. This involves a trade off between higher costs and more timely delivery of publications to LC and CAPSEA participants.</td>
<td>Completed</td>
</tr>
<tr>
<td>4</td>
<td>Analyze and respond to the risk of CAP participants not having adequate shipping funds for pre-paid orders.</td>
<td>DPS</td>
<td>The Jakarta Office’s completed analysis of insufficient shipping funds for CAPSEA participants in FY 2023 revealed that shipping charges for FY 2023 were inadequately estimated at $2.50 per kilo, based on participant sequencing and obligations in FY 2022. For FY 2024, estimated charges: (a) were corrected and are between $5 to $6 per kilo, depending on the participant’s geographical location, and (b) include estimated charges from Jakarta to Baltimore, Baltimore to LC, and LC to the CAPSEA participant. This corrective action also had positive results – shipping was expedited for only two participants, one because the FY 2024 invoice was partially paid, the other because of a large number of concurrent acquisitions (as many publications were acquired in a CAPSEA participant’s subject profile in the first 6 months of FY 2024 so were acquired in all of FY 2023). Additional measures: the Budget Analyst conducts weekly reviews of each participant’s available balances in Materials and Shipping. When that balance is 20% of the participant’s initial budget, a request for additional funds is sent and shipping is expedited as needed.</td>
<td>Completed</td>
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<tr>
<td>5</td>
<td>Analyze the Jakarta office’s IT inventory process and respond as needed to reduce the kind of discrepancies we identified, such as conducting IT inventories on more than an annual basis.</td>
<td>DPS, OCIO</td>
<td>The Library will analyze the Jakarta Office’s IT inventory process and respond as needed to reduce the kind of discrepancies we identified, such as conducting IT inventories on more than an annual basis.</td>
<td>Q4 FY2024</td>
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