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#### THE LIBRARY OF CONGRESS

WASHINGTON, D.C. 20540

OFFICE OF THE INSPECTOR GENERAL

December 3, 2010

In accordance with your request received on November 16, 2010, for audit reports released by the Office of the Inspector General, we are able to provide you the reports listed below. However, please note that there are some reports that are 'not for public release' and are therefore, not included. The 2009 report is available online and we have provided the web address for you.

#### 2001:

- \* Special Materials Cataloging Division, Rare Book Cataloging Team, September 2001
- \* Preservation Directorate, September 2001
- \* AVUE Contract Issues, September 2001 NOT FOR PUBLIC RELEASE

\* Proposed Authority and Responsibility for AVUE Project Manager, August 2001

- \* Office of Investigations, July 2001
- \* Retail Marketing Office, February 2001 NOT FOR PUBLIC RELEASE
- \* Talking Book Playback Machine Inventory (KPMG), February 2001

#### 2002:

\* Anglo-American Division, Statistical Measure of the Effectiveness of Collection Controls (KPMG), August 2002

\* Manuscripts Division, Statistical Measure of the Effectiveness of Collection Controls (KPMG), August 2002

\* Prints & Photographs Division, Statistical Measure of the Effectiveness of Collection Controls (KPMG), August 2002

\* Appointing a Chief Operating Officer at the Library of Congress, August 2002

\* Copyright Licensing Division: Internal Controls Are Generally Adequate, But IT Security Control Improvements Are Needed, May 2002

\* AFSCME Contracting Concerns, January 2002 - NOT FOR PUBLIC RELEASE

#### 2003:

\* Audit of the Library's Digital Migration, February 2003

\* Comprehensive Survey of Infrastructure Services, October 2002

#### 2005:

\* Improvement Needed in the Management and Oversight of the LC Police Force, June 2005 (Follow-up to August 2004 Audit) – NOT FOR PUBLIC RELEASE

\* Capitol Visitor Center Tunnel Preparations, June 2005

\* Fiscal Year 2005 Auditability Assessment, April 2005 – NOT FOR PUBLIC RELEASE

\* Assessment of the Accountability and the Condition of the Manuscript Division Collections, March 2005

\* Assessment of the Accountability and the Condition of the Prints and Photographs Division Collections, March 2005

\* Mass Deacidification Quality Assurance Oversight, March 2005 – NOT FOR PUBLIC RELEASE

#### 2006:

\* Conversion to Digital Talking Books, August 2006

#### 2007:

\* Lead Institutions Need to Improve Cost Monitoring on the National Digital Information Infrastructure and Preservation Program, September 2007 \* Enhanced Policies and Procedures are Needed to Ensure Effective Financial Management of the National Digital Information Infrastructure and Preservation Program, March 2007

#### 2009:

\* James Madison Council Fund Fiscal Year 2008 Financial Statements, March 2009 – Available online at the following web address: http://www.loc.gov/about/reports/financials/madison/08 MC AR.pdf

If you have any questions please feel free to contact us at (202) 707 6314.

Regards,

Karl W. Schornagel Inspector General

# UNITED STATES GOVERNMENT Memorandum

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#### LIBRARY OF CONGRESS

Office of the Inspector General

September 26, 2001

TO:	James H. Billington Librarian of Congress	
FROM:	Karl W. Schornagel Inspector General	PUBLIC RELEASE
SUBJECT:	Audit of the Special Materials Cataloging Division's Rare Book Cataloging Team Audit Report No. 2001-PA-106	

We completed our audit of the Library of Congress' Special Materials Cataloging Division (SMCD) Rare Book Cataloging Team (RBCT).

#### SUMMARY OF RESULTS

We determined that management has taken the appropriate steps to utilize employees in the most efficient manner. However, we also found the internal controls of the RBCT's cataloging process and security of the collections while in the cataloging process could be improved by monitoring the custodial staff entering the caged area and documenting staff access to the vault area. This report discusses the results of our audit and provides recommendations in areas where opportunities for improvement exist. On September 17, 2001 the Chief, Special Materials Cataloging Division responded to our draft report and generally concurred with the findings and recommendations. The response is included as the Attachment.

#### BACKGROUND

The RBCT is one of the six teams of the Special Materials Cataloging Division. The RBCT is located in the Jefferson building and has a satellite office in the Madison building. The RBCT provides: cataloging, including descriptive and subject cataloging, authority control, and classification.

The RBCT's catalogers and technicians are members of the Library's two unions, American Federation of State, County, and Municipal Employees (AFSCME) 2910 and AFSCME 2477. In March 1999, the Library and the unions agreed to provisions related to the implementation of the Integrated Library System (ILS) in August 1999. The performance evaluation provision stipulated that the RBCT staff be given time to learn the new system. Specifically, no written warning for unsatisfactory performance related to ILS was to be given from August 1999 through February 2000. Furthermore, before initiating an adverse action, an employee was given an additional 90 days to demonstrate satisfactory performance.

#### **OBJECTIVES, SCOPE, AND METHODOLOGY**

Our objectives were to review and assess the internal controls of the RBCT's cataloging process, determine the adequacy of security of the collections while in the cataloging process, and evaluate whether current personnel are utilized in the most efficient manner.

We reviewed activities during the period of December 2000 through March 2001. We interviewed key personnel; toured offices in the Madison and the Jefferson buildings; and reviewed union agreements, Library of Congress Regulations, RBCT's monthly reports, cataloging records, and employee evaluations. We utilized the 1998 KPMG risk assessment to base our evaluation of security of the collections and internal controls of the RBCT's cataloging process. We focused on those security areas identified by the KPMG risk assessment that were within the control of RBCT management. We conducted our audit in accordance with generally accepted government auditing standards.

#### FINDINGS AND RECOMMENDATIONS

#### I. Rare Books are Vulnerable to Theft by the Custodial Staff

The RBCT permits the custodial staff to enter the cage area where the rare books are located without supervision. The custodial staff could potentially remove rare books from the cage area without detection by the RBCT personnel in the ordinary course of business. The custodial staff does not have card reader access to the RBCT deck area, however, once inside, the housekeeper has unrestricted access to the entire RBCT deck area. We are unable to determine the cause of this practice.

The Director of the Cataloging Directorate responded to an OIG security survey, "...division management teams ensure that at least one first-line supervisor is available in the physical areas whenever the contract housekeepers are present...." Unlike general collection cataloging teams, the RBCT has rare books in their possession that have unusual monetary value, historical or aesthetic significance and/or potential rarity, and therefore, should have greater internal controls than the general cataloging teams.

#### Recommendation

We recommend that the RBCT follow the Cataloging Directorate's policy on having a first-line supervisor available to monitor the custodial staff when they enter the cage area.

#### II. Rare Books are Vulnerable to Theft from the Madison Building Vault

Access to the rare books is not properly monitored. The SMCD policy addressing the entry/exit log was established in September 1999 to ensure that access to rare books is documented and monitored. We found that the entry/exit log for the Madison building vault was missing. Without the log, access to the vault cannot be documented and thefts could go undetected.

Books and CDs are maintained in the Madison vault when other Library teams are assisting RBCT in cataloging functions. The Madison building location makes it more convenient for other Library teams to assist RBCT. During an OIG visit, the vault contained two rare book collections and many CD-ROMs. The Standards for Internal Control in the Federal Government (GAO/AIMD-00-21.3.1) states, "An agency must establish physical control to secure and safeguard vulnerable assets.... Access to resources and records should be limited to authorized individuals, and accountability for their custody and use should be assigned and maintained." The Chief of SMCD explained that the new secretary might have inadvertently thrown the log away.

#### Recommendation

We recommend the SMCD comply with the September 1999 policy requiring the use of the entry/exit log and include identification of an individual and an alternate who have responsibility for maintaining the entry/exit log and monitoring access to the vault.

Attachment

cc: Deputy Librarian of Congress Associate Librarian for Library Services Director for Cataloging Chief, Special Materials Cataloging Division

#### UNITED STATES GOVERNMENT Memorandum

#### LIBRARY OF CONGRESS

#### September 17, 2001

#### TO: Karl W. Schornagel Inspector General

FROM: Susan H. Vita Chief, Special Materials Cataloging Division

#### SUBJECT: Audit of the Special Materials Cataloging Division's Rare Book Cataloging Team Draft Audit Report No. 2001-PA-106

We have read the audit report of the Rare Book Team and noted its issues and recommendations. We are committed to the principle of safeguarding the collection, and we agree that increased security of the collections would be desirable. We would like to clarify or amend select information in the report.

**Under section I:** 

The situation with the custodial staff has worried us for years. We have tried, unsuccessfully, to get them to adhere to a specific time schedule for cleaning. But more importantly, in the past we have suggested viconic access to the cage, so it would not be necessary to be on the alert the entire time the custodial staff is on the deck. This would protect the collection and be less disruptive to the work of the team. We are encouraged to have the auditor's support of this suggestion, and Mr. Axenfeld has already initiated a meeting with King Lee to investigate the installment of such a device on the cage. This will solve the problem, and we are grateful for Mr. Axenfeld's assistance.

**Under section II:** 

The vault log was immediately replaced after the original log was determined missing. The OIG auditor examined this replacement log on August 7, 2001, to confirm its existence and use. We are complying with the 1999 policy.

#### UNITED STATES GOVERNMENT

#### LIBRARY OF CONGRESS

# Memorandum

Office of the Inspector General

TO:	James H. Billington		September 7, 2001	
	Librarian of Congress	1 10	Ω	
FROM:	Karl W. Schornagel Inspector General	Sur	-fl	PUBLIC
SUBJECT:	Audit of the Preservati	on Directorate		RELEASE
	Report No. 2000-POR	-LSPR-006		

We completed our audit of the Library of Congress' Preservation Directorate. Our objectives were to assess the economy and efficiency of the operations and the extent to which desired program results were being achieved.

#### SUMMARY OF RESULTS

The Preservation Directorate effectively treats materials and adequately tracks and secures materials. However, we identified controls within the budgeting and preservation processes that could be enhanced to improve program results. Preservation management needs to refine the process for estimating budgeted time required for conservation projects. Photoduplication Service needs to work with custodial divisions to improve the accuracy of cost estimates. Planned use of the Integrated Library Service (ILS) should permit the Directorate to (1) better access treatment reports, (2) implement a follow-up system to evaluate the effectiveness of the treatment over time, and (3) more effectively track and control materials transferred from custodial divisions to Preservation divisions and share this information with other divisions.

The Associate Librarian for Library Services agreed with our findings and detailed actions to address each of our findings. To increase the precision of estimates made for conservation projects/treatments, the Director of Preservation has appointed a task force to write *A Guide to Estimating Conservation Points*. To improve Photoduplication Service cost estimates, the Photoduplication Service will provide training to staff in divisions that have high volumes of work and Photoduplication Service staff will provide the estimate for those divisions with low-volume. A more detailed description of the Associate Librarian's response and Office of Inspector General (OIG) comments appear after individual recommendations beginning on page 5. The Associate Librarian's complete response is included as the Appendix.

#### BACKGROUND

The Library of Congress' Preservation Directorate provides prospective and retrospective preservation treatments for approximately 400,000 items a year. The Preservation Directorate establishes appropriate environments for materials and plays a key role in emergency preparedness at the Library. The Preservation Directorate also provides preservation-related

training to Library staff that handle and service the collections, offers preservation reference services, and provides technical and fiscal preservation support to custodial divisions. The Preservation Directorate is composed of the Conservation Division, Photoduplication Service, Preservation Reformatting Division, Binding and Collections Care Division, and Preservation Research and Testing Division.

The Conservation Division is responsible for the preservation and physical conservation of the Library's collections including the preservation, care, and maintenance of the Top Treasures. The Division plans, coordinates, and implements special preservation activities based upon anticipated needs, program growth and/or changing priorities, or as a result of analysis of existing and proposed programs. The Division uses a "Point Allocation System" to allocate treatment hours to the various custodial divisions. The System determines the number of treatment hours available during the fiscal year (subtracting hours for lunch/breaks, anticipated leave, attendance at meetings, training, etc.) and allocates the hours to the custodial divisions, the Preservation Directorate for special projects, and the Interpretive Programs Office for exhibits. Conservators and custodial division experts collaboratively decide which items should receive treatment and the extent of the treatment.

The Photoduplication Service is a cost-recovery operation primarily responsible for microfilming the Library's collections for the Library and its patrons. Services offered by the Photoduplication Service include the recently established "Film to Paper" service, which makes paper copies from lengthy microfilm reels. In fiscal year 1998, the Photoduplication Service assembled its first Materials Preparation Team to assist custodial divisions in preparing materials for preservation filming. Photoduplication Service works closely with the Preservation Reformatting Division to prepare paper-based and audiovisual collections for microfilming and other appropriate reformatting, such as digitizing, to preserve their content by reformatting them in more stable media.

The Binding and Collections Care Division is responsible for contract binding, rebinding, and repair of materials in the collections. The Division also includes the Collections Care Section that repairs collection items. The Preservation Research and Testing Division conducts research in new techniques and technologies, and testing of varied library media and phenomena of degradation in order to ensure the long-term preservation of the Library's collections. The Division also contributes to the development of national and international preservation standards, and offers advice and support to federal, state, and local preservation agencies.

#### **OBJECTIVES, SCOPE, AND METHODOLOGY**

We conducted a performance audit of the Preservation Directorate to assess the economy and efficiency of the operation and the extent to which desired program results are being achieved. Our specific objectives included determining if the Preservation Directorate:

- Effectively identifies and treats items requiring preservation.
- Controls and safeguards the flow of materials to/from custodial divisions, the Interpretive Programs Office, traveling exhibits, and contractors.

- Controls the handling of the materials while in use by other offices.
- Effectively uses resources (i.e. staff, material, cost, etc.).
- Employs a management control system to effectively measure, report, and monitor its programs.
- Complies with applicable laws, regulations, and industry standards.

The scope of our review included all activities associated with preservation functions except for the preservation of films and recordings. The Motion Picture, Broadcasting and Recorded Sound Division is responsible for the preservation of films and recordings. We focused on activities during FY 1999 and FY 2000. We conducted our fieldwork from July 2000 to October 2000. We were delayed issuing this report due to our unplanned involvement with the Library's response to the Office of Compliance Fire and Safety Inspection. Specific audit steps included:

- Assessing the Conservation Division's "Point Allocation System" to determine if it effectively identifies and prioritizes materials requiring preservation treatment.
- Interviewing management and staff of the Preservation Directorate divisions, conducting walk-thru tours, and examining pertinent records to identify key workflows and internal controls, and performing tests to ensure that the controls were working as intended. For example, downloading data from the Preservation Reformatting Division database and evaluating processing times and costs.
- Reviewing a sample of conservation projects to evaluate the security controls over materials sent to the Conservation Division, and verifying that the information in the Registrar's control records was accurate and provided an effective audit trail.
- Interviewing management from the various custodial divisions to assess customer satisfaction with the Preservation Directorate.
- Reviewing samples of pertinent documents such as budgets and cost estimate sheets.

We conducted our audit in accordance with generally accepted government auditing standards. The criteria used to evaluate our audit evidence included the *Standards for Internal Control in the Federal Government* (GAO/AIMD-00-21.3.1, November 1999), ethics and guidelines promulgated by the American Institute for Conservation of Historic and Artistic Works, and applicable Library of Congress Regulations.

#### FINDINGS AND RECOMMENDATONS

A common theme we observed for the preservation process was significant differences between budget and actual operations and the lack of a systematic review process by management to analyze these differences and take action to improve operational effectiveness. The budgetary process should provide an opportunity for managers to analyze the effectiveness of the operations and then develop plans for improving the operational results. We believe that closer scrutiny of significant budget differences will permit the preservation process to become more effective and less costly.

Our assessment of bibliographic, inventory, and security controls within the Preservation Directorate determined that the controls were generally effective. Custodial divisions indicated that using a shared database such as the Integrated Library System (ILS) would provide great benefits in improving the control over material flow. The Preservation Directorate is currently evaluating the use of the preservation module within ILS, as well as fields in the Machine Readable Catalog (MARC) record, to better track workflow as materials are transferred from custodial divisions to preservation divisions. Our review also disclosed that the Preservation Directorate effectively identifies and treats materials. However, we found that the Preservation Directorate needs to improve the management control of the preservation activities and implement a follow-up system to assess the effectiveness of the treatment over time.

#### I. Actual Conservation Hours Deviated Significantly from Budgeted Hours – Closer Scrutiny by Management is Necessary

The Conservation Division's FY 1999 budgeted hours varied significantly from the actual hours. During FY 1999, three of the twelve divisions' allocated points used less than 60 percent of their budgeted allotment. Conversely, three other divisions exceeded the budget by 38, 59 and 67 percent. We determined that the differences between budgeted and actual costs were related to specific jobs rather than to specific divisions. We reviewed a random sample of 15 jobs and found three jobs exceeded the budgeted hours by 200 hours or more (49 percent, 193 percent and 219 percent over the budgeted hours) and three jobs were under budget by 150 hours or more (representing differences of 60 percent, 74 percent, and 90 percent). On average, jobs were significantly under budgeted.

As a result, the Conservation Division's "Point Allocation System" is not precise enough to provide the custodial divisions with the information to effectively manage their conservation requirements. These significant differences caused inefficiencies because numerous reallocations were necessary. Point reallocations and under budgeting reduces time available for other planed conservation treatment since the custodial divisions choose materials for conservation treatment at the beginning of the year based on the estimates. The divisions expect particular materials to receive conservation treatment during a year, and if not treated as planned, the deterioration is not stabilized and the risk of losing the original material is increased.

The United States General Accounting Office's *Standards for Internal Control in the Federal Government* requires managers to compare actual performance to planned or expected results throughout the organization and analyze significant differences. Additionally, the Congress has emphasized the importance of government programs becoming at the same time more effective and less costly. One method to accomplish this is to collect data (such as the actual hours) and identify performance gaps.

Budget differences occurred for two reasons: (1) imprecise estimating before the project, and (2) unforeseen work found during the conservation process. Conservation Division management does not require staff to submit a written justification for budget overruns. In our opinion, excessive budget differences indicate the need for closer management review of staff workload. The budget should not vary significantly from actual hours without justification. While budgets must be flexible, we believe that variances exceeding 30 percent indicate the need for closer management scrutiny of the actual hours used.

#### **Recommendations:**

We recommend that Conservation Division management:

- A. Reassess and refine the process for estimating budgeted times for conservation projects.
- B. Require staff to submit a written request for additional time whenever they anticipate exceeding the budgeted hours for the project. This request should include the reason for the added time.

#### **Response:**

The Associate Librarian for Library Services agreed with both recommendations. The Director of Preservation has appointed a task force to write *A Guide to Estimating Conservation Points*. Additionally, management's response stated "...effective October 1, 2001 (FY 02) all conservators will be reporting [in writing] to their supervisor those projects/treatments that do not, or appear unlikely to, fall within 10% of point estimates."

#### **OIG Comments:**

It appears that the Preservation Directorate has taken appropriate action to address this finding.

#### II. Photoduplication Service Needs to Work with Custodial Divisions to Improve Accuracy of Cost Estimates

The majority of Photoduplication Service cost estimates are fairly accurate and are processed in a timely manner. However, we found that 4.6 percent (47 of the 1,025 orders) had cost overruns of 50 percent or more. These cost overruns totaled \$39,991 or an average overrun of \$850. Furthermore, 20 of the cost overruns involved the actual cost being two or more times the estimated cost. Cost overruns could result in not having sufficient funds remaining at the end of the year to treat materials, and adversely impact the Photoduplication Service's business plan and staffing levels. Precision has become more critical in recent years with the tightening of the federal budget. *The Standards for Internal Control in the Federal Government* states that program managers need both operational and financial data to determine whether they are meeting their strategic and annual performance plans. Accurate financial information is needed on a day-to-day basis to make operating decisions, monitor performance, and allocate resources.

Cost overruns are attributable to the custodial divisions inaccurately calculating the estimate, not fully completing the order form, and Photoduplication Service discovering unforeseen additional work. Custodial divisions' staff believe that the order form does not clearly explain how to calculate cost and that it is time consuming to complete the estimate form. As a result, custodial divisions' staff do not always take the time necessary to accurately estimate the costs. We also found examples of the custodial divisions undercounting the number of pages sent for microfilming.

Two examples demonstrate the need for the Photoduplication Service to more clearly explain the estimating process to the custodial divisions. Preservation Order No. PRD 99/099 has an estimated cost of \$544.08 and an actual cost of \$923.01. The difference is mainly due to the custodial division not including a per reel minimum handling charge that totaled \$405. Order No. PRD 99/070 has a cost overrun of over \$600 representing more than a 100 percent increase. The difference is due to the Photoduplication Service including \$390 in miscellaneous charges that the custodial division did not include. In our opinion, significant miscellaneous charges indicates the need for the Photoduplication Service to more clearly refine its pricing.

#### **Recommendations:**

We recommend that the Photoduplication Service:

- A. Explore the feasibility of conducting the cost estimates themselves rather than the custodial divisions and passing the added cost onto the customer.
- B. Improve the clarity of the instructions on the order form and emphasize to staff the need for accuracy when completing the form. The Photoduplication Service should provide training in estimating the cost and completing the form, as needed.

#### **Response:**

The Associate Librarian for Library Services concurred with the finding. The Associate Librarian stated, "It seems likely that we may end up with a hybrid approach – providing training to staff in divisions that have such high volumes of work that training their custodial staff to provide estimates will be more cost-effective, with PDS focusing on providing estimates in those divisions whose low-volume or episodic preparation of estimates does not make training cost-effective."

#### **OIG Comments:**

The Preservation Directorate has taken appropriate action to address this finding.

#### III. Exhibit Budgets Should Include Preservation Costs

The Conservation Division examines the materials selected for the National Digital Library prior to processing, and the National Digital Library compensates the Conservation Division for this time by providing staff to assist in the examination. We believe a similar arrangement is needed for the exhibition materials. The Conservation Division budgets approximately 15 percent of its divisional hours for work on exhibit materials. The Library does not include the costs associated with these Conservation Division services into exhibit budgets. More importantly, the Interpretive Programs Office does not compensate the Preservation Directorate for these costs even though the Library's exhibits are generally funded, at least in part, by private donations. Compensation is especially important considering that the Preservation Directorate's budget has been stagnant the past two fiscal years.

Although the time spent on exhibit materials benefits various custodial divisions, it limits the Conservation Division staff time devoted to materials prioritized by the custodial divisions. Exhibition material may or may not be included in the overall conservation plan for the upcoming year. With limited staff hours and an overwhelming amount of material to treat, we believe it is important that the Conservation Division dedicate, to the extent practicable, its appropriation funded resources to preserving collection materials prioritized by the custodial divisions' specialists and the Conservation Division specialists.

We believe that the exhibit program's budget estimates should follow established cost accounting principles and include all associated costs. Including all costs associated with an exhibit, including preservation costs, will provide management with more reliable and meaningful cost information for decision-making. Examples of cost accounting standards are found in Financial Services Directive 01-02, *Financial Guidelines for Revolving Funds*. The directive requires a system that captures, matches, and allocates costs associated with resources acquired and/or consumed by the Library for products or services provided.

Because exhibits are increasingly funded by private donations, the Interpretive Programs Office has had to prepare requests for funding. To increase the likelihood of receiving funding, the Interpretive Programs Office has tried to request the minimum amount necessary. The Interpretive Programs Office has not included the cost associated with the Conservation Division examining materials selected for exhibition, providing treatment, if necessary, and setting criteria for exhibition such as light exposure and temperature settings. We believe that the Preservation Directorate should be compensated.

#### **Recommendation:**

We recommend that the Conservation Division Chief meet with the Interpretive Programs Officer to discuss including conservation costs when preparing exhibition budgets and seeking private funding, and to reimburse the cost of these services to the Preservation Directorate.

#### **Response:**

The Associate Librarian replied, "In short, we agree in principle with this recommendation, which we implemented some time ago; but we do not believe that IPO will be able to, or in every case should, reimburse Preservation for all conservation costs related to every exhibition. We agree that we need to know what those costs are and attempt to secure them from private sources. But, in practice, the senior mangers responsible for Library Services, Preservation and IPO will have to use their judgment in deciding how to fund both of these Library programs on a case-by-case basis."

#### **OIG Comments:**

We believe that the Associate Librarian's response adequately addresses our finding.

#### IV. Conservation Division Effectively Tracks and Controls Materials – Use of ILS Should Improve Ability to Track Material Flow

The Conservation Division effectively tracks material transferred to and from the division and adequately secures the materials while in its possession. The Conservation Division's registrar system provides an effective audit trail to track the transfer and return of materials from the custodial divisions to the Conservation Division. Although information is not currently in a database accessible by the custodial divisions, Interpretive Programs Office, Loan Division, or other Preservation Directorate divisions, planned use of the ILS to track materials should make tracking information more widely available, and improve overall accountability and control. Additionally, our review disclosed that Conservation Division adequately secures and protects material in its possession. We observed that access to the Conservation Division is restricted to staff only. Non-Conservation Division staff have to be accompanied while in the office. We noted that materials were stored in drawers while not undergoing processing. Further, we found that the Top Treasures are secured in a vault with extremely limited access.

We tested a random sample of 33 items and verified that all items were either at the Conservation Division or had been returned to a custodial division as evidenced by a custodial division signature to acknowledge receipt. We determined that the Conservation Division complies with federal standards for internal control.

In addition to control records maintained by the Conservation Division's Registrar, some custodial divisions maintained their own checkout records for materials sent to the Conservation Division. For example, the Rare Book Division and the Prints and Photographs Division have a system of checkout cards for all of their material transferred out of the division. We believe this dual check system (both Conservation Division and the custodial divisions) is advisable, especially until the Preservation Directorate begins using the ILS. The Preservation Directorate is currently evaluating the use of the preservation module within the ILS, as well as fields in the MARC record, to track workflow as materials are transferred from custodial divisions to Preservation divisions. Our interviews with custodial divisions indicated that using a shared database such as the ILS would provide great benefits in improving the control over material flow.

#### No Recommendation

#### V. Preservation Reformatting Division Database Contains Erroneous Data

The Preservation Reformatting Division's management database contains errors and does not have sufficient controls in place to detect or correct errors. Our tests of the Preservation Reformatting Division management database discovered conflicting dates that made the reliability of the data questionable. We found discrepancies in the dates shown on the source documents and the recorded dates in the database. Our review of 45 orders from the Preservation Reformatting Division database disclosed three orders with delivery dates (date Photoduplication Service returned the material to the custodial divisions) that were before the date the custodial divisions sent the material to Photoduplication Service. Similarly, for six orders the date sent to Photoduplication Service was before the order date.

As a result, the information contained in this system is not reliable for management to evaluate the timeliness of the processing. This is especially important since the Preservation Reformatting Division has recently contracted out portions of the microfilming previously sent to the Photoduplication Service. Accurate turnaround times are crucial when deciding upon performing work in-house or outsourcing the work. Erroneous inputting of dates hinder the Preservation Reformatting Division's ability to effectively follow-up on delayed processing to ensure that materials are properly returned to the custodial divisions. The *Standards for Internal Control in the Federal Government* requires organizations to have general and application information systems controls. Application controls help ensure completeness, accuracy, authorization, and validity of all transactions during application processing. An example is computerized edit checks built into the system to review the format, existence, and reasonableness of data.

We believe the non-logical dates were due to inputting errors by staff. The database system contains no data edit checks of the data entered to detect the types of errors we found.

#### **Recommendation:**

We recommend that the Preservation Reformatting Division add edit checks to its database program to test data entries and better ensure accurate data.

#### **Response:**

The Associate Librarian agreed with the finding and is taking action to select and install error check software on the PDS management database.

#### **OIG Comments:**

The Associate Librarian has taken appropriate action to address this finding.

#### VI. Follow-up System Necessary to Assess the Effectiveness of the Treatment

The Conservation Division does an effective job documenting its work and controlling the flow of materials to and from the Division. However, it lacks a systematic program to evaluate the effectiveness of the treatment over time. The Conservation Division documentation is not readily available to the custodial divisions or easily retrievable by the Conservation Division. The documentation is in paper format and filed by year. The Conservation Division does not provide the custodial divisions with copies of the treatment records to maintain with the cultural property. The lack of a systematic process for evaluating treatment does not facilitate the Division determining the effectiveness of treatment. This is important since conservation is a dynamic field. Over time, chemical research and technological advancements may determine that today's treatment is less effective than thought or does more harm than good.

Library of Congress preservation specifications are based on current standards and best practices in the preservation community. The American Institute for Conservation of Historic and Artistic Works standards require that the conservation professional produce and maintain accurate, complete, and permanent records of examination and treatment. When appropriate, the records should be both written and pictorial. The purposes of such documentation are to establish the condition of cultural property and to aid in the care of cultural property by providing information helpful to future treatment.

We determined that the Conservation Division generally complied with the Institute's standards. Our review of 33 randomly selected Conservation Division projects indicated that the Conservation Division and its conservators:

- Make a thorough examination of the cultural property and create appropriate records including pictures before any intervention.
- Require the custodial divisions' staff to initial a logbook to designate the transfer of the material in/out of the Conservation Division.
- Maintain documentation that includes the date of examination, the name of the conservator, a description of structure, materials, condition, and pertinent history.
- Discuss with the custodial divisions the time needed to treat the item and offer alternative methods that may require less time but may not be as effective.

Although the Conservation Division observes high standards in its treatment, it lacks an integrated automated system to make this information easily retrievable and available to the custodial divisions, and to facilitate follow-up reviews. As mentioned earlier in this report, the Preservation Directorate is currently evaluating the use of the preservation module within the ILS, as well as fields in the MARC record, to track workflow as materials are transferred from custodial divisions to Preservation divisions. We believe this system or another shared database is necessary for following-up on conservation treatment and sharing the reports with the custodial divisions' curators.

#### **Recommendation:**

We recommend that the Conservation Division investigate use of the ILS to (1) facilitate the prompt retrieval of the treatment report, (2) share the treatment report with the custodial divisions, and (3) permit a systematic follow-up on the treatment to assess the effectiveness of the treatment over time. This may take the form of a summary report if space is limited in the ILS record.

#### **Response:**

"The Preservation Directorate is beginning to analyze whether it would be more useful and practical to include treatment documentation in bibliographic records in Voyager or to compile and maintain treatment documentation on a designated server in the Library with web accessible links form the ILS to these records on an as-needed and controllable basis."

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### **OIG Comments:**

The Preservation Directorate has adequately addressed this finding.

Appendix

# UNITED STATES GOVERNMENT

#### LIBRARY OF CONGRESS

July 24, 2001

- To: Karl W. Schornagel Inspector General
  Fr: Winston Tabb Associate Librarian for Library Services
- Re: Response to Audit of the Preservation Directorate Draft Report No. 2000-POR-LSPR-006

We thank you for your July, 2001 report and recommendations regarding the Preservation Directorate, and appreciate this opportunity to respond. It is encouraging that your findings are on the whole quite favorable. We include below specific actions that the Preservation Directorate will take in response to your recommendations for improved internal control measures.

#### Finding I: Actual Conservation Hours Deviated from Budgeted Hours

#### OIG Recommendation(s):

A. Reassess and refine the process for estimating budgeted times for conservation projects

#### **Response:**

Conservation jobs are assigned points, or hours, based on a conservator's experience, knowledge and best estimate of what is required to complete the work. It is not uncommon, as aspects of a treatment unfold, for additional or fewer hours actually to be required. In these instances, the conservator responsible for the job communicates the revised (actual) requirement back to the appropriate custodial division. At this point the custodial division and Preservation may choose to spend additional points to complete a treatment or shift surplus points to a new project. The nature of this work requires flexibility in budgeting, as your report indicates. But to standardize the approaches that conservators take to estimate conservation treatments, and to bring increased precision to the estimates made, the Director of Preservation has appointed a task force to write *A Guide to Estimating Conservation Points*. The guide, which will be completed by October 1, 2001, will be used within the Conservation Division and shared with the custodial divisions. B. Require staff to submit a written request for additional time whenever they anticipate exceeding the budgeted hours for the project. This request should include the reason for the added time.

#### **Response:**

To improve internal point management, effective October 1, 2001 (FY 02) all conservators will being reporting to their supervisor those projects/treatments that do not, or appear unlikely to, fall within 10% of point estimates. When a project will not be completed within the time allocated, the conservator must notify his/her supervisor in writing to request additional points. This request will include the reason for the added time. Conversely, when a project comes in, or appears likely to come in, 10% or more under the allocated time, the conservator will notify his/her supervisor so that surplus points can be reallocated to other projects. The supervisor or the appropriate conservation liaison will be responsible for communicating both types of information back to the appropriate custodial division. The mid-FY and end-of-FY meetings between conservation liaisons and custodial division representatives will continue to serve as progress review sessions for custodial division conservation plans.

Finding II: Photoduplication Service (PDS) Needs to Work with Custodial Divisions to Improve Accuracy of Cost Estimates

#### **OIG Recommendation(s):**

A. Explore feasibility of PDS conducting the costs estimates themselves rather than the custodial divisions and passing the added cost onto the customer.

B. Improve the clarity of the instructions on the order form and emphasize to staff the need for accuracy when completing the form. The Photoduplication Service should provide training in estimating the cost and completing the form, as needed.

#### **Response:**

Accurate cost estimates are essential to maintaining a balanced budget, particularly for a business such as the Photoduplication Service that must be operated on a cost-recovery basis.. During the past year Photoduplication staff have provided increased cost estimate assistance to several custodial divisions, and we have been pleased with the resulting accuracy and efficiency. In the future, resources permitting, we will continue to develop this approach. It seems likely that we may end up with a hybrid approach - providing training to staff in divisions that have such high volumes of work that training their custodial staff to provide estimates will be more cost-effective, with PDS focusing on providing estimates in those divisions whose low-volume or episodic preparation of estimates does not make training cost-effective.

#### Finding III: Exhibits Budgets Should Include Preservation Costs

#### **OIG Recommendation**:

A. We recommend that the Conservation Division Chief meet with the Interpretative Programs Officer to discuss including conservation costs when preparing exhibition budgets and seeking private funding, and to reimburse the cost of these services to the Preservation Directorate.

#### Response:

This recommendation has, in large part, already been implemented. Beginning with the Jefferson's Library exhibition in 2000, the Associate Librarian for Library Services working with the Interpretive Programs Officer and other members of the Exhibit Policy Committee, decided that conservation costs would be factored into <u>all</u> future exhibit budgets, regardless of whether funding comes from private or appropriated sources. (Attached is a copy of the IPO budget "template," which includes this exhibition component at II. D). To date we have been successful in obtaining private funds for the conservation work required for both the Jefferson's Library and forthcoming Ukiyo-e exhibitions.

I should point out, however, that including such costs in exhibition budgets, as we have been doing, is no guarantee that such funds will be received. In one recent instance, for example, a potential donor explicitly declined to fund the conservation component of the budget (as others have refused to fund other elements in the past) on the not unreasonable principle that it is the Library's core obligation to take care of its collections. Furthermore, the analogy to the National Digital Library is only partially applicable. The American Memory project was initially funded primarily by private funds as an "add-on" project, whereas the Library's exhibition program is an on-going Library activity for which we several years ago began voluntarily seek private support to supplement IPO's very modest budget.

In short, we agree in principle with this recommendation, which we implemented some time ago; but we do not believe that IPO will be able to, or in every case should, reimburse Preservation for all conservation costs related to every exhibition. We agree that we need to know what those costs are and attempt to secure them from private sources. But, in practice, the senior managers responsible for Library Services, Preservation and IPO will have to use their judgment in deciding how to fund both of these Library programs on a case-by-case basis.

#### Finding V: Preservation Reformatting Division Database Contains Erroneous Data

**OIG Recommendation**: We recommend that the Preservation Reformatting Division add edit checks to its database program to test data entries and better ensure accurate data.

**Response:** A written request has been made to the Preservation Directorate's Automation Liaison to select and install error check software on the PDS management database to prevent data entry errors.

#### Finding VI: Follow Up System Necessary To Assess the Effectiveness of the Treatment

**OIG Recommendation**: We recommend that the Conservation Division investigate use of the ILS to 1) facilitate the prompt retrieval of a treatment report. 2) share the treatment report with the custodial division, and 3) permit a systematic follow-up on the treatment to assess the effectiveness of the treatment over time. This may take the form of a summary report if space is limited in the ILS record.

#### **Response:**

During FY 01 the Conservation Division migrated the point system from an obsolete Macintosh spreadsheet to an Access relational database as a first step in upgrading its data management capability. Future database enhancements will provide for finer levels of description regarding conservation treatments. A final stage will include images of items before, during and after treatment.

The Preservation Directorate is beginning to analyze whether it would be more useful and practical to include treatment documentation in bibliographic records in Voyager <u>or</u> to compile and maintain treatment documentation on a designated server in the Library with web accessible links from the ILS to these records on an as- needed and controllable basis. Until a choice is made and implemented, the Conservation Division will continue as it always has to make available to the custodial divisions all documentation regarding treatments. It will also continue to require that custodial divisions 'sign-off' prior to and after completion of treatment as per usual procedure. Both the current record keeping system and a more robust computer-based one will enable conservators and custodial division staff to obtain treatment information as a basis for checking the health of items that have been treated in past years.

Attachment

cc: Mark Roosa

#### INTERPRETIVE PROGRAMS OFFICE PRELIMINARY BUDGET

#### Exhibition:

#### Date of Budget:

**Project Cost** 

\$

- I. Planning and Development
  - A. Guest scholars
  - B. Research assistance
  - C. Preliminary design concept
    - (Also see II A. below)
  - D. Travel for preparation of LC exhibit\*

(planning, object selection,

measurement, review of arrangements)

E. Other

#### SUBTOTAL

\$

- II. Exhibition
  - A. Designer
  - B. Fabrication and Installation
    - 1. Space preparation
    - 2. Cases and case furnishings
    - 3. Book cradles
    - 4. Special mounts
    - 5. Matting and framing
    - 6. Photography
    - 7. Special exhibit elements
    - 8. Lighting

* The costs of travel will be requested of (participating	airlines).
9. Other special fabrication requirements	
10. Graphics	
11. Installation/de-installation assistance	12. Film positives
13. Silkscreening	
C. Other Exhibition Costs	
1. Security	
a) Electronic	
b) Guard service	
c) Security station	
2. Banner	
D. Conservation	
E. Production Staff	
F. Other	
SUBTOTAL \$	
III. Shipping, Packing, Insurance	
A. Couriers	
1. # rnd trips for delivery \$	
2. # rnd trips for return	
B. Shipping and packing	
C. Insurance	
1. Cost of deductible	
2. Add'l costs if Federal indemnification	
is not granted**	
3. Contingency for objects not covered by	
Federal Indemnification	
D. Other	

#### SUBTOTAL

\$

\*\* This amount will be covered by Federal Indemnification if it is granted.

IV.	<b>Related Materials and Programs</b>

- A. Catalog
  - 1. Production
  - 2. Captions (? x \$125)
  - 3. Essays
- B. Interpretive brochure (handout)
  - C. ADA brochure
  - D. Comment books
  - E. Electronic outreach
- F. Education programs
  - G. Poster
- H. Public Relations
- I. Exhibit opening
- J. Education programs
  - K. Other

#### SUBTOTAL

V. Contingencies (10% of Total)

\$

\$

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#### **GRAND TOTAL**

\$

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- VI. Other Possible Programs and Outreach
  - A. Symposium, conference
  - B. Film
  - C. Traveling exhibit

D. Other			
SUBTOTAL	:	\$	
=======================================	:	1922922322564452252525	==============G

RAND TOTAL WITH OTHER POSSIBLE PROGRAMS \$

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## UNITED STATES GOVERNMENT Memorandum

#### LIBRARY OF CONGRESS

Office of the Inspector General

TO:	Donald L. Scott Chairman, Executive	Committee	August 29, 200	01
FROM:	Karl W. Schornagel Inspector General		d-	PUBLIC Release
SUBJECT:	Proposed Authority and	nd Responsibilit	y for AVUE Project M	anager

In our briefing to the Executive Committee on August 27, we recommended the addition of a dedicated project manager formally detailed to (or brought in from outside the Library to report to) your office, and that a charter be established stipulating full project management authority and responsibility. To supplement that recommendation, we offer the following specific authority and responsibility statements:

#### Authority

1. To act for you in all aspects of project management including coordinating with Human Resources Services, Service Units, Enabling Infrastructure, and the Office of General Counsel in matters relating to AVUE implementation.

#### Responsibility

- 2. Identify, categorize, prioritize, and document all impediments to implementing AVUE. Determine what needs to be done to resolve implementation issues and who needs to be involved in the solutions. Elevate issues to the Executive Committee if necessary.
- 3. Track both AVUE and Library performance and progress in resolving implementation issues. Provide written and oral reports to the Deputy Librarian weekly.
- 4. Issue standard operating procedures as soon as possible that explain concisely all steps necessary to fill vacancies including responsibilities of managers, HR staff in Service Units and HRS, and subject matter experts. Train participants as needed.
- 5. Communicate new/helpful information promptly and consistently to all Library users including revisions to operating procedures.
- 6. Form a team of Library experts to immediately address price and contract clause negotiations in the upcoming AVUE option year contract.

If you have any questions or comments, please let me know.

cc: James H. Billington

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#### UNITED STATES GOVERNMENT

#### LIBRARY OF CONGRESS

## Memorandum

FROM:

Office of the Inspector General

TO: James H. Billington Librarian of Congress July 2, 2001

Karl W. Schornagel

PUBLIC RELEASE

Audit of the Office of Investigations SUBJECT: Report No. 2000-POR-SEC-015

**Inspector General** 

We completed our audit of the Library of Congress' Office of Investigations. Our overall objective was to determine whether the program is operating efficiently and in accordance with accepted professional investigative standards. This report discusses the results of our audit and provides recommendations in areas where opportunities for improvement exist.

#### SUMMARY OF RESULTS

The Office of Investigations generally has sound controls in place to assure quality investigations; however, there are opportunities to improve internal controls over evidence. investigative case documentation, and availability pay certification. Specifically, the Office of Investigations should (a) strengthen accountability for and preservation of damaged collection items, (b) conduct quarterly audits to certify availability pay, (c) fully document all case files, (d) designate an Office of Security staff member(s) to assist the Office of Investigations during times when two investigators are needed but only one is available, (e) establish criteria for prioritizing investigations with emphasis on collection security, (f) complete its draft Special Agents Manual for conducting investigations and submit it to the Office of General Counsel for clearance, and (g) develop an information system to aid in the analysis and management of investigative caseload activity.

The Office of Security agreed with our recommendations to strengthen accountability for and preservation of damaged collection items; conduct quarterly audits to certify availability pay, fully document all case files, complete the Special Agents Manual and submit it to the Office of General Counsel for clearance, and develop an information system to aid in the analysis and management of investigative caseload activity. The Office of Security disagreed with our recommendation to provide the Office of Investigations with the name(s) of Office of Security staff members that can be called upon for assistance when only one investigator is available and two are needed, and our recommendation to revise criteria for classifying incoming allegations to reflect an emphasis on collection security. They agreed to revise the draft Special Agents Manual and submit it to the Office of General Counsel for review, but indicated insufficient staffing resources would prohibit implementation by our recommended completion date of September 30, 2001. A more detailed description of the Office of Security's response and Office of Inspector General (OIG) comments appear after individual recommendations beginning on page 6. The Office of Security's complete response is included as the Appendix.

#### BACKGROUND

The Office of Investigations was established within the Office of Security on October 1, 1998. At that time, the Librarian delegated to the Director of Security responsibility for conducting criminal and non-criminal investigations involving persons and property under charge of the Library of Congress, including collection thefts and vandalism. To carry out these responsibilities, the Librarian reassigned and relocated the Office of Inspector General's two criminal investigators to the Office of Security. Since that time, the Office of Investigations has acquired permanent quarters in the Adams Building and has added an investigative assistant to its staff.

The Director of Security is responsible for deciding whether the Office of Investigations should initiate investigations in response to allegations and complaints received. The Director of Security has delegated authority to the supervisory investigator to open and close routine investigations; however, it is their practice that the supervisory investigator brief the Director of Security on significant situations and allegations. The Office of Investigations' GS-15 supervisory investigator and his staff (a GS-13 senior criminal investigator and a GS-9 investigative assistant) are responsible for conducting investigations authorized by the Director of Security. Guidelines for this program may be found in a regulation issued by the Librarian on October 18, 1999 (LCR 211-3.1).

The Office of Investigations does not have statutory law enforcement authority. The result is its criminal investigators are not armed, do not have power of arrest, and cannot seek and execute search warrants in the course of their official duties. When law enforcement authority is needed, the Office of Investigations may request assistance from the Library Police (the Police) or from other law enforcement organizations. It is the Office of Security's policy that the Office of Investigations conduct all investigations in accordance with quality standards published by the President's Council on Integrity and Efficiency (PCIE) and the Executive Council on Integrity and Efficiency, and the Library's draft Special Agents Manual issued in June 2000.

In a memorandum to the Office of Investigations dated July 6, 2000 the Director of Security stated that he was revising the Special Agents Manual so that it more accurately reflects the duties and responsibilities of special agents in the Office of Investigations. LCR 211-3.1 sets out the Office of Investigations' mission as investigating (1) theft of Library property or funds, (2) mutilation of collection items, and (3) false claims from contractors, vendors, and employees.

Library personnel were the source of most allegations reported to the Office of Investigations. The Defense Contract Audit Agency, members of the public, and representatives of other federal agencies have also reported allegations to the Office of Investigations.

Upon receipt of an allegation, the Office of Investigations makes a preliminary determination as to whether that allegation, if substantiated, constitutes a violation of a criminal or civil law, or is an administrative matter. During the period of our review, the Office of Investigations received 71 allegations. Eighteen of these allegations were classified as high priority, significant cases.

The Office of Investigations advised us that six investigations had been presented to the U.S. Attorney's Office for prosecution, but that all had been declined. Following a declination, the Office of Investigations frequently pursues an administrative investigation. Completed administrative investigations typically involve employee misconduct issues and are used by Library managers and the Director of Human Resources as the basis for decision-making on adverse actions. The Office of Investigations advised us that the Library had taken administrative action on 10 of the 71 investigations.

#### **OBJECTIVES, SCOPE, AND METHODOLOGY**

Our objectives were to (1) determine the adequacy of the management control system used for measuring, reporting, and monitoring operations, (2) determine whether investigations are conducted in a timely and efficient manner, (3) evaluate compliance with the quality standards for investigations as outlined by the PCIE, and (4) determine whether reports thoroughly address all relevant aspects of investigations and are accurate, balanced, complete, and objective. Our audit covered investigations conducted from October 1, 1998 through June 25, 2000. We conducted our audit in accordance with generally accepted government auditing standards. The criteria used to evaluate the audit evidence gathered included:

- Quality standards for investigations as outlined by the PCIE.
- Library of Congress draft Special Agents Manual.
- D The Standards for Internal Control in the Federal Government (GAO/AIMD-00-21.3.1).
- The Law Enforcement Availability Pay Act of 1994; the Civil Service Reform Act, Public Law 95-454; and related regulations.
- Title 2, Chapter 5 of the U.S. Code and applicable Library of Congress Regulations.

Our audit included interviews with Office of Security key personnel; Assistant U.S. Attorneys for Baltimore and the District of Columbia; representatives from the Department of Treasury Office of Inspector General, Department of State Office of Inspector General, the General

Accounting Office's Office of Special Investigations, and the Government Printing Office Inspector General's Office; the Office of Personnel Management; and the Federal Law Enforcement Training Center.

We observed staff performing their duties, conducted detailed testing on the handling of three collection security allegations forwarded by Library Police, and reviewed the adequacy of the execution and reporting of nine closed criminal investigations and ten closed administrative investigations. We also evaluated the appropriateness of priority classifications for 18 allegations the Office of Investigations regarded as significant. We chose our sample so that it included different types of investigative activities. In addition, we tested all fiscal year 1999 investigator timesheets for annual compliance with the Law Enforcement Availability Pay Act (the Act). Our fieldwork took place from June to November, 2000.

#### FINDINGS AND RECOMMENDATIONS

Our audit disclosed some management control weaknesses over evidence, availability pay, case file documentation, prioritizing allegations, the draft Special Agents Manual, and information management. We discussed these issues with the Director of Security and, in most cases, he has initiated corrective action. We have summarized the six control weaknesses, and in addition, have listed six recommendations where further action is needed.

#### I. Accountability for Custody of Evidence Received from the Police Needs to be Strengthened

Evidence received by the Office of Investigations from the Police in some cases is not being properly documented or processed in a timely manner. In addition, the storage of the Library's collection items while in the custody of the Office of Investigations does not always meet the minimum standards for proper preservation of the collection.

On August 17, 1995 the Librarian formally communicated to Library staff in Special Announcement 95-11 his concerns about collection damage and directed the Police and the Office of Investigations to follow-up on every police report of collection theft and mutilation. As a result of the announcement, the Police began notifying the Office of Investigations when they received allegations of mutilation of collection items. The allegations were usually the result of observances of mutilated books by Library staff or the Police. The Police would normally take custody of a damaged book, secure it in the Police vault as evidence of a possible criminal act of mutilation, and document the allegation on an official police report.

During the period of our audit, the police documented 115 instances of possible criminal mutilation of the collection or attempted collection theft by persons exiting the Library. After review of the police report, the Office of Investigations receives the damaged collection item. We were advised that 99 percent of the time this process does not provide any leads for

investigation, and this is usually apparent from a simple review of the police report and some preliminary inquiries. Consequently, an investigation is not pursued and the Office of Investigations usually returns the collection item to the Library.

Execution guidelines published by the PCIE state that the chain of custody for evidence should be preserved. The Office of Investigations' draft Special Agents Manual requires that investigators receiving items that are evidentiary in nature complete chain of custody documentation. Additionally, Library Regulation 211-3.1 requires that the Director of Security maintain a record of all complaints and allegations including information received and action taken.

To test the adequacy of controls over the collection items that had been alleged to be criminally mutilated or where there was an attempted theft, we selected a judgmental sample of three books, which the Office of Investigations had assumed custody of for follow-up investigation. Our objective was to trace accountability from the Police to the Office of Investigations and determine what action had been taken relating to these allegations. Office of Investigations' personnel were unable to locate the records pertaining to our sample. There was no chain of custody or other record or report documenting what action, if any, had been taken by the Office of Investigations pertaining to these allegations, and there was no record of when or if the books had been returned to the collection. Furthermore, there was nothing in place to prevent the same damaged books from being discovered by Library staff a second time, and the entire process of allegations, police reports, and the Office of Investigations' inquiries being repeated multiple times without realizing that a determination on that damaged item had previously been made.

We were advised that some of the records had been misplaced due to a recent relocation of the Office. Although the Office of Investigations could not locate its records on the three books in our sample, it did maintain records on a number of other books returned to the Library. These records did not document what action had been taken relative to the allegations, but did document the return of the damaged items to the collection. Our review of these records disclosed that the turnaround time for returning books to the Library varied from two months to over 14 months. This holding time appeared excessive since the investigative process was limited, and in most instances an investigative determination was made before viewing the books. The Office of Investigations advised us that this program had not been a priority and several factors including staffing shortages had prevented the return of books in a timely manner.

The length of turnaround time for returning books increased our concerns about books stored in the Office of Investigations awaiting return to the Library. While in the Office of Investigations, we observed a shopping cart filled with books. The books were stacked in the cart with no apparent consideration given to placing the largest books on the bottom. The storage method used might further damage these collection items. According to guidance issued by the Preservation Directorate, similar sized books should be placed vertically next to each other on a shelf, as this practice prevents warping of a tall book next to a short book.

When we brought the control weaknesses over collection items to the attention of the Office of Investigations and the Director of Security, the Director of Security took prompt action to put in place a more effective process. On January 4, 2001 the Director of Security issued and implemented a procedure titled "Documenting Custody of Evidence and Other Property." This procedure addresses all control weaknesses described in this report except for preservation and storage issues. It also requires the immediate return of collection items to the appropriate Library division when the facts clearly indicate that no crime was committed.

#### Recommendation

We recommend that the January 4, 2001 procedure titled "Documenting Custody of Evidence and Other Property" be immediately amended and re-issued so that it requires storage of all books vertically.

#### **Response:**

The Office of Security agreed with this recommendation and has advised us that they have recently issued procedures requiring storage of all books vertically.

In his comments, the Director of Security sought to clarify what he viewed as an inaccurate statement in this report. The Director stated that the Library has procedures to prevent the same damaged items from being discovered by the Library staff a second time, and the entire process repeated multiple times.

#### **OIG Comments:**

It appears that the Office of Security has taken appropriate action to address preservation issues.

We were unable to confirm that the Library has in place procedures to prevent the same damaged items from being reported numerous times. Although the Integrated Library System database includes a non-public field where staff can make notations regarding damage to collection items, it is our understanding that this field has not yet been widely used. Collections management has advised us that Library staff will begin using this field in the near future.

#### II. Quarterly Audits Needed for Availability Pay

Investigators did not technically meet the minimum requirements for availability pay because they were not available the minimum number of hours required to qualify for the pay, and the Library did not complete the required annual certification.

The Law Enforcement Availability Pay Act of 1994 requires agencies to pay most criminal investigators availability pay, which is paid to investigators for being available for work after

their normal working hours. Availability pay is an amount equal to 25 percent of the criminal investigator's base salary. In order to qualify for availability pay, criminal investigators are required to meet the "substantial hours requirement" of Federal Regulation 5 CFR 550.183. To meet the substantial hours requirement, criminal investigators must be available for work after normal duty hours an average of two hours for each regular workday. During the time of our audit, Library policy required that criminal investigators work on official assignments, rather than just be available for work. Federal Regulation 5 CFR 550.184 requires criminal investigators to complete the substantial hours computation on an annual basis, and if an investigator meets the minimum required hours, he/she must so certify, in advance of the year, to the head of the agency *or* his authorized designee.

To test the Library's controls over availability pay, we requested annual certifications and recalculated availability pay for FY 99, using bi-weekly time reports that had been approved by the Director of Security. We discovered that the Library had not designated an official to be responsible for authorizing annual certifications of availability pay as required by Section 5545(e)(1) of the Act. Investigators did not have the required annual certifications from either the Librarian or from a designated official for FY 99 or subsequent years. Absent these annual certifications, the investigators were not technically entitled to the availability pay they received.

Additionally, our test showed the required annual certification for availability pay would not have been possible because the investigators were not available the minimum number of hours required to qualify for availability pay. We found that in calculating their available hours, investigators:

- 1) Treated their regular workday as ending after eight hours rather than eight-and-onehalf hours, in effect, claiming availability time for their lunch period.
- 2) Claimed hours available for work on several instances when they had gone home early on annual or sick leave.

The Office of Investigations advised us that it followed a policy in effect at the Treasury Department at the time the Act was implemented. We could not obtain information on Treasury's 1994 policies; however, we did speak with a Treasury management representative about its current policies. We also spoke with representatives from GAO and the Department of State about their policies. Each agency required investigators to work either eight-and-one-half or eight-and-three-quarter hours per day before claiming available hours. None of these agencies permitted investigators to claim that they were available for work during their lunch period or while on leave. Library Regulation 2014-2 requires employees to take a 30-minute lunch break.

Since the Library had not delegated authority to the Director of Security for administering availability pay, he may not have been aware of the requirements of the Act and of the responsibilities of the approving manager. When we brought to his attention the control

weaknesses over availability pay, the Director of Security took prompt action to correct them. He requested that the Office of General Counsel review a delegation of authority document he prepared to establish himself as the Library's designated official. Additionally, on January 12, 2001 he issued and implemented a procedure titled "Availability Pay for Criminal Investigators." This procedure (a) establishes accountability for administration of availability pay by naming the Director of Security as the designated official, (b) prohibits investigators from claiming availability pay during the 30-minute lunch period or while on leave, and (c) requires that personnel in the Office of Security perform a quarterly audit of each criminal investigator's availability hours balance.

#### Recommendations

Accordingly, we recommend that the Director of Security:

- A. Request delegated authority from the Librarian to serve as the Library's "designated official" for executing annual availability pay certifications.
- B. Use information obtained during the quarterly availability pay audits for making a determination as to whether he should re-certify investigators each year.

#### **Response:**

The Office of Security has issued procedures that address recommendations A and B. They are considering drafting an amendment to these procedures that would permit investigators to count certain off-duty hours they are reachable by telephone or pager as availability hours.

#### **OIG Comments:**

It appears that the Office of Security has taken appropriate action to address availability pay issues discussed in this report.

## III. Some Investigative Case Files Did Not Contain Complete Documentation

We looked at various aspects of a wide variety of cases to determine the adequacy of the investigative reports and the underlying support. We reviewed nine criminal cases and found that there were opportunities in three of the files to improve documentation. In two instances, the case file indicated that the Office of Investigations had contacted the FBI to discuss investigative matters within the Library, but the case file did not contain the name or telephone number of the FBI representative investigators contacted.

Of more concern, however, was the documentation maintained on one of the Office of Investigations' most important cases; a case that was opened based on an allegation that a

contract employee had stolen a Platinum<sup>1</sup> level book (Case #I-026-00). Documentation in this case file was incomplete, inconsistent, and did not adequately describe the timing of the events that occurred.

Shortly after receiving the allegation, the Office of Investigations interviewed the suspect. During that interview, the suspect declined to have an attorney present. According to the case file, that same day the suspect signed an authorization for the Office of Investigations to search his home without a search warrant. The case file indicated that one investigator conducted a 45minute search of the suspect's four-room apartment. There was no indication in the case file that anyone other than the suspect and the investigator was present. In the final report that had been approved by the Director of Security, the supervisory investigator stated that he had conducted a consent search of the suspect's residence and property with the suspect's attorney.

The investigative case file differed from the report of investigation and did not support the investigator's summary of what had happened. The investigative case file did not reflect the fact that the search had been conducted with an attorney present. The following documentation was missing:

- □ The name of the suspect's attorney.
- A record of the discussion the investigator had with the suspect where he asked to call an attorney.
- A record of discussion the investigator had with the attorney.
- An explanation as to why the investigator contacted the FBI for armed law enforcement assistance. (In a memo dated September 7, 2000 the Office of Investigations advised us that it had needed armed law enforcement assistance to conduct this search, but that the FBI was unable to assist).
- The name and telephone number of the FBI representative contacted.

Execution guidelines published by the PCIE state that the results of investigative activities should be documented in the case file in a timely, accurate, and complete manner. The Office of Investigations' draft Special Agents Manual requires that an investigator prepare a memorandum of interview that details all essential information verbatim and that the documentation be comprehensive, accurate, and legible. The PCIE guidelines also state that two investigators should be present when conducting interviews in situations that are potentially hazardous or compromising.

<sup>&</sup>lt;sup>1</sup> The Library of Congress' Security Plan defines Platinum collections as the Library's most priceless items, which include the *Treasures* (for example, Thomas Jefferson's handwritten draft of the Declaration of Independence).

When we discussed this investigation with the supervisory investigator, he advised us that (1) he could not recall the name of the attorney referred to in his final report, (2) the attorney was not the suspect's official legal representative, and (3) the suspect had signed a consent search authorization, therefore, the Office of Investigations did not believe that additional documentation was necessary. He also advised us that he does not have enough staff resources to require that two investigators be present for all investigative activities. We did not find any evidence to indicate that assistance had been requested from the Office of Security.

We disagree with the Office of Investigations' view on this issue and believe that in the event that this suspect or future suspects challenge the Library's handling of an investigation, the supervisory investigator may have to rely on his memory to substantiate investigative procedures employed. In the event the supervisory investigator is not available, important information about the sequence of events may not be available because he worked this investigation alone.

#### Recommendations

We recommend that the Director of Security:

- A. Establish and implement formal procedures that require investigators to fully document significant events so that if a suspect asserts in legal action that his Constitutional rights<sup>2</sup> have been violated, the Library will have complete documentation.
- B. Provide the Office of Investigations with the name(s) of the Office of Security staff member(s) that can be called upon, when only one investigator is available, to assist in consent searches.

#### **Response:**

The Office of Investigations agreed with recommendation A and has advised us that they will add a chapter in the Special Agents Manual to provide formal procedures for documenting information in case files.

The Office of Investigations did not agree with recommendation B, citing the fact that the FBI has provided timely support on numerous cases in the past. The response also added important information about why the investigation needed to be conducted sooner rather than later.

<sup>&</sup>lt;sup>2</sup> Amendment IV to the Constitution of the United States - "The right of the people to be secure in their persons, houses, papers, and effects, against unreasonable searches and seizures, shall not be violated, and no warrants shall issue, but upon probable cause, supported by oath or affirmation, and particularly describing the place to be searched, and the persons or things to be seized."

#### **OIG Comments:**

We reaffirm recommendation B. The response did not address the essence of the recommendation which is that the Director of Security provide the Office of Investigations with the name(s) of Office of Security staff member(s) that can be called upon, when only one investigator is available, to assist in consent searches or other important meetings. A second person is needed to comply with PCIE guidelines.

#### IV. The Criteria for Assigning Priorities to Incoming Allegations and Proactive Investigations Should be More Clearly Defined

The Office of Investigations' criteria for establishing the priority of investigations does not ensure that resources are directed toward collection security, and there are no criteria for proactive investigations directed at collection security. PCIE planning guidelines establish organizational and case-specific priorities and objectives to ensure that individual case tasks are performed efficiently and effectively. The guidelines state that organizations should allocate resources based on priorities for both reactive and proactive investigations, as well as new initiatives, in order to ensure the attainment of goals.

The Office of Investigations' draft Special Agents Manual outlines a series of criteria that the supervisory investigator must consider before making a determination as to the importance of an incoming allegation. There are five priority categories, Priority 1 (Urgent and Significant), Priority 2 (Significant), Priority 3 (Routine), Priority 4 (Non-Specific), and Priority 5 (Abeyance).

To be rated Priority 1 (Urgent and Significant) an allegation must involve:

- Large dollar loss or waste, serious damage to property, or significant criminal activity.
- A significant criminal case where a delay will result in evidence being lost or tainted, or a witness being harmed, threatened, or influenced.
- □ Actions that must be undertaken to stop or prevent further harm or loss to the integrity of the Library's programs or operations.

To be rated Priority 2 (Significant) an allegation must involve:

□ Criminal activity where there is no evidence to suggest that there is significant harm to the Library's programs, operations, or staff, or that witnesses will be harmed or negatively influenced, or evidence will be tampered with.

- Significant administrative misconduct by a senior level or grade 14 or 15 supervisor, or an employee in a position of trust and responsibility.
- Device the office of Investigations and law enforcement agencies.
- Potential for a criminal conviction, significant administrative action, or substantial dollar recovery.

These criteria do not emphasize collection security. Also, the criteria is so flexible that it permits almost any allegation to be regarded as "Urgent and Significant, Priority 1." To test this conclusion, we grouped all investigations and found that 18 of the 71 we reviewed were classified as "Urgent and Significant, Priority 1." While some of the investigations logically were classified as Priority 1, others represented allegations of routine employee misconduct. For example, the following two cases were classified as *Priority 1*:

#### Missing Rare Book - (Investigative Case # I-026-00)

A Library manager reported to the Office of Investigations that a Thomas Jefferson collection book (Platinum level security) was missing. Appropriately, a Priority 1 investigation was established.

#### Time and Attendance Abuse (Investigative Case #I-027-00)

A Library manager reported that a GS-13 employee had left the Library to go shopping, did not take leave, then tried to cover the absence by falsifying the office sign-out log. Questionably, the allegation was also classified as Priority 1.

The following two cases were classified as Priority 2:

#### Three Rare Books Turned in with Library Stamps (Investigative Case #1-005-99)

A book collector turned in three rare books, all with Library of Congress stamps, to determine if they had been taken illegally from the Library. The Office of Investigations justifiably opened an investigation and classified the allegation as Priority 2.

#### Falsified Physician's Excuse (Investigative Case # I-022-00)

A Library manager reported that a GS-5 employee falsified a physician's excuse in order to receive an additional day off for a work-related injury. Questionably, the investigation was classified as Priority 2.

The classification of these cases as equal in priority shows that the case priority system as it is currently implemented does not serve management's goals in directing the Office of Investigations to the Library's priorities. It is unreasonable to regard diverse allegations such as time and attendance abuse in the same category as the theft of a Platinum level collection item. Similarly, it would be unreasonable to regard a modification of a physician's excuse with the same urgency as information that a book collector had reported that he had found rare books for sale with Library of Congress stamps. A meaningful priority system is a useful management tool that lends focus to a program and provides feedback on where staff resources are being directed or should be directed. Management controls would be improved if the Office of Investigations developed and utilized such a priority system.

We also believe the priority system would be improved if it was expanded to include guidelines for classifying self-initiated (proactive) investigations. The current criteria are limited to responding to specific allegations from others (reactive investigations). Noticeably absent from the priority criteria are proactive collection security initiatives aimed at detecting thefts from the collections.

The Police provide an effective first line of defense against collection theft at the Library doors, but if a thief successfully eludes the Police, there is no second line of defense outside the library to detect these thefts unless individuals or dealers detect and voluntarily return the collection items. We believe the establishment of a second line of defense is a task that should be taken up by the Office of Investigations. The Office of Investigations should begin to work with elements outside the Library that are making efforts to stop the trafficking of stolen rare books. Proactive investigators might be alerted when a suspected collection item is offered for sale. Consideration might also be given to working with the Antiquarian Booksellers Association of America, an organization that is active in alerting the community to thefts of rare books.

#### Recommendation

We recommend that, following discussions with senior management on their vision for the Office of Investigations, the Director of Security revise priority criteria so that it will serve as a more useful tool for classifying incoming allegations, conducting proactive investigations, and allocating investigative resources.

#### **Response:**

The Office of Investigations disagreed with the recommendation, stating that the finding was not significant. The response stated that the current priority system is successful and that the report is not balanced because the OIG did not obtain comments from Office of Investigations' customers. The response also stated that the Office of Investigations is already performing the proactive work discussed in the report.

### **OIG Comments:**

We believe the finding is significant because the current priority system makes little distinction between leave abuse and an allegation of theft of a platinum level book. The Librarian has put a special emphasis on collection security, yet the Office of Investigations' priority criteria doesn't reflect this emphasis.

The Office of Security believes the report should have included comments from Library managers who had been involved with its investigations. However, the relevant objective of our audit was not to assess internal customer satisfaction, but rather, to determine compliance with PCIE standards. Specifically, our purpose in including proactive investigations in the recommendation is to maximize resources to deter thefts of the Library's collections and increase recovery of stolen items.

We were advised that the Office of Investigations regularly monitors Web sites such as those sponsored by antiquarian associations, international law enforcement associations, and on-line businesses like eBay. While this is a step in the right direction, we encourage more direct contact with potential informants in the rare book community. The response indicated that the Office of Investigations has cultivated contacts with Library employees who regularly read publications regarding rare book and manuscript sales. While this type of internal discussion may result in an investigative lead, we believe that once the office is fully staffed, it should also undertake the recommended external proactive initiatives.

#### V. The Office of Security Does Not Have a Comprehensive Special Agents Manual

The Office of Investigations relies on an incomplete draft Special Agents Manual as a source of guidance for its investigators. Library Regulation 211-3.1 authorizes the Office of Security to conduct investigations in response to allegations from various sources both inside and outside the Library. To implement this investigative program, the Director of Security issued the draft Special Agents Manual on July 6, 2000. The Manual represents a good start at establishing guidance customized for Library operations and incorporates quality standards published by the PCIE, however, it is incomplete. The manual does not contain guidance on basic investigative activities such as:

- **D** The complete text of warnings.
- Procedures that specify whether the investigator should obtain a signed acknowledgment from the persons interviewed that he/she has been advised of appropriate warnings.
- D Procedures for conducting consent searches.
- □ Procedures for coordinating with other agencies.

- A requirement that the investigator must obtain the complete name and address of attorneys, union representatives, or other persons present during an interview.
- Procedures for coordinating with the Office of Inspector General regarding hotline calls.
- Guidelines for conducting proactive investigative activity outside the Library (i.e. cultivating informants or presentations to antiquarian booksellers).
- □ A framework of applicable procedures and directives (i.e. a master listing of final and draft procedures that includes supplemental memorandums such as guidance on availability pay), and a master listing and copies of all forms to be used in the program.

In addition, the Office of General Counsel has not reviewed the draft Special Agents Manual for legal sufficiency. Requesting a legal sufficiency review of an investigative manual is a common practice in other law enforcement organizations and one that may mitigate the Library's exposure as investigators carry out their day-to-day activities.

GAO's *Standards for Internal Control in the Federal Government*, November 1999, charges management with developing the "detailed policies, procedures, and practices to fit their agency's operations." Well-defined guidance helps to ensure consistency as various staff members carry out tasks as well as providing a comprehensive reference for answering program questions.

The draft Special Agents Manual has been under development since October 1998. When a program operates with incomplete guidance, there is an increased risk that the program objectives may not be met. When we brought this to his attention, the Director of Security agreed to expand the draft Special Agents Manual so that it provides more comprehensive guidance, and request a legal sufficiency review from the Office of General Counsel.

#### Recommendations

We recommend that the Director of Security:

- A. Complete the draft Special Agents Manual.
- B. Request from the Office of General Counsel a legal sufficiency review of the draft Manual.
- C. Issue a comprehensive final Manual as soon as possible but no later than September 30, 2001.

#### **Response:**

The Office of Security agreed with recommendations A and B. It disagreed with recommendation C and advised us that it did not have the staff resources to complete the manual by September 30, 2001, stating that the draft manual would be issued as soon as possible.

### **OIG Comments:**

LCR 211-3.1 defines the Library's policy on investigations and provides the foundation for program operation. To date, the Library has not issued procedures necessary to implement this policy. The purpose of the procedures is to ensure that standards identified by the PCIE are properly communicated and then incorporated into day-to-day investigative activities. In law enforcement offices, procedures are especially important in that they standardize the way investigations are carried out, provide guidance to new investigators, and serve as a basis for quality assurance reviews. We do not view a September 30, 2001 completion date as an unreasonable one, as the Office of Investigations has been operating since October 1, 1998 with informal and incomplete procedures; almost three years. Additionally, new procedures will be needed as guidance when the vacant criminal investigator position is filled.

Management has indicated that it does not have the staff resources to finalize the Manual by September 30, 2001. To facilitate this task, we suggest that the Office of Investigations contact the other two law enforcement offices in the Legislative Branch (GAO's Office of Special Investigations and the Government Printing Office's Office of Inspector General) to request permission to customize certain chapters of their manuals for inclusion in the Library of Congress' Special Agents Manual. We also suggest that the Director of Security request guidance from the Office of General Counsel in making a determination as to which chapters in the Library of Congress' Special Agents Manual should be finalized first. The addition of the new criminal investigator should provide the additional staff resources needed to finalize the Manual by September 30, 2001.

#### VI. The Office of Investigations Could Improve Its Efficiency by Developing an Information Management System

The Office of Investigations does not have in place an information management system that would permit it to conduct trend and pattern analyses. The Office of Security needs a management information system as a tool for planning, allocating investigative resources, and analyzing the effectiveness of Office of Investigations' program activities. Currently, there is not a mechanism in place that can summarize the investigative caseload by type of allegation, results, priority, referrals to program managers, referrals to another investigative agency, disposition (i.e. the number of adverse actions, whether the case was accepted or declined by the U.S. Attorney), and the amount of staff resources expended per case.

According to the PCIE, "the degree to which an organization achieves its goals is affected by the way information is collected, stored, retrieved, and analyzed." GAO's *Standards for Internal Control in the Federal Government*, November 1999, states that effective information technology management is critical to achieving reliable and continuous recording and communication of information. Overview information for planning and analyses is currently obtained by extracting the information from investigative case files. However, case reports and the investigative case log content and structure do not permit easy analysis of trends and patterns. When we brought this matter to the attention of the Director of Security, he generally agreed that a management information system is needed. During discussions with the Director, we recommended that he contact other law enforcement offices in order to determine whether they may have developed a system in-house that they are willing to share. We also provided examples of automated timesheets that the Departments of Treasury and State use in their investigative programs.

#### Recommendation

We recommend that the Director of Security establish and implement an information management system that will permit retrieval, cross-referencing, and analysis of investigative activities. This system should include an interface between the investigator time sheets and investigative tracking information.

#### **Response:**

The Office of Security stated that they had addressed this recommendation by purchasing software for a new case management system.

#### **OIG Comments:**

The Office of Security has taken appropriate action to address this recommendation.

Appendix: The Director of Security's Response to the Draft Report.

cc: Deputy Librarian of Congress General Counsel Director, Office of Security

APPENDIX 5 PAGES

#### UNITED STATES GOVERNMENT

Memorandum

# '01 JUN 8 AM 6 51

RECEIVED

OFFICE OF THE • INSPECTOR GENERAL

LIBRARY OF CONGRESS

DATE: June 7, 2001

TO : Karl Schornagel Inspector General

Kenneth E. Lopez K. E. Lopez Director of Security

SUBJECT : Audit of the Office of Investigations Draft Audit Report No. 2000-POR-SEC-015

Attached is our response to the subject draft audit report.

We have stated our agreement or disagreement to each finding and recommendation with corresponding comments.

If you or your staff have any questions, please contact me or Ken Keeler at extension 7-3423.

Attachment

FROM

cc: LIBN/OGC OS/INV

#### Director of Security's Response to Draft Audit Report No. 2000-POR-SEC-015

#### I. Accountability for Custody of Evidence Received from the Police Needs to be Strengthened

#### Response: We agree with the recommendation.

#### Director of Security's Comments:

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We amended our January 4, 2001 procedure titled "Documenting Custody of Evidence and Other Property" and re-issued it on June 6, 2001 to include language requiring storage of all books vertically. We also strengthened procedures for tracking investigation related items brought into the Office of Investigations.

In addition, we think it is important to add clarifying information about the three-book sample and the reports. We did not return one of the books in the auditor's sample to the collections because it was destined to be pulped as surplus. Another of the three sampled books was located in the stacks, where a copy of our Collection Theft - Mutilation Disposition Report, which also served as a receipt, was found inside the book. And concerning the third book in the sample, a staff member recalled signing a receipt and receiving the book back from the Office of Investigations. Although a copy of these reports could not be located among other reports in the Office of Investigations, this information confirms that the Office of Investigations had routinely used the Collection Theft - Mutilation Disposition Report to record the disposition of mutilated collections items and their return to the collections, but some of those forms were missing perhaps because of a recent office move.

We would also like to clarify procedures in regard to the report's statement that there was nothing in place to prevent the same damaged books from being discovered by the Library staff a second time, and the entire process repeated multiple times without realizing that a determination on that damaged item had previously been made. The Library does have procedures in place to prevent this problem, as follows.

■ The majority of mutilated collections items we investigate are returned to the Collections Management Division, where staff place them in a locked cage on Deck 31 in the Thomas Jefferson Building. These collections items are not returned to the shelf until the titles are put into the ILS database and they are either repaired, discarded, or marked "mutilated." This process has been in place for several years.

■ We also return mutilated books to the Humanities and Social Sciences Division and the Science, Technology, and Business Division, where staff place cards inside the returned mutilated books and send them to the Collections Improvement Section, where staff

The Library of Congress Office of Security

#### Director of Security's Response to Draft Audit Report No. 2000-POR-SEC-015

determine if the books should be repaired or discarded.

#### II. Quarterly Audits Needed for Availability Pay

#### **<u>Response</u>**: We agree with the recommendations.

#### Director of Security's Comments:

We immediately implemented the recommendations when they were verbally communicated to us. We believe it is important, however, to point out that the investigators' practice to include the 30 minute lunch period as availability time had originated in the OIG, where availability pay was initially implemented at the Library. My understanding is that the reason for including the 30 minute lunch period as availability pay time was because the investigators are required to be available to respond, within reason, during off duty hours (i.e., nights and weekends, etc.). They carry their pagers and cell phones off duty for this purpose. My understanding is that although other Federal law enforcement agencies may not include the 30 minute lunch period in their availability hours, these agencies regularly assign "duty agents" for off duty hours, and they earn up to eight hours or more toward their availability requirement when they are required to remain available off duty in a duty officer capacity. We may need to work with the Office of the General Counsel and Human Resources Services to amend existing regulations to fit our needs within the requirements of the law.

#### III. Some Investigative Case Files Did Not Contain Complete Documentation

#### **Response:** We agree with the first recommendation. We disagree with the second recommendation.

#### Director of Security's Comments:

We will add a chapter to the Special Agents Manual to provide formal procedures for documenting information in case files.

We believe the second recommendation is unnecessary. The Federal Bureau of Investigation (FBI) has provided timely support to the Director of Investigations on numerous cases in the past. The case cited in the audit report was the exception, and the case was unique. The investigator made a decision in that case to go forward with the consent search rather than wait another day for FBI assistance after considering three factors:

1. Low personal risk factor,

#### Director of Security's Response to Draft Audit Report No. 2000-POR-SEC-015

- 2. A delay would have allowed time for the suspect to change the suspect's mind about consenting to the search, and
- 3. A delay would have given the suspect an opportunity to dispose of evidence.

#### IV. The Criteria for Assigning Priorities to Incoming Allegations and Proactive Investigations Should be More Clearly Defined

#### Response: We disagree with this recommendation.

#### Director of Security's Comments:

We do not see a significant finding here. We have refined our priority rating factors, which continue to evolve as management's priorities and needs change, and we believe our priority system is successful. We think the audit report would provide a more balanced picture of the investigative operation and measure of its success if comments from our customers were included in the report. We believe the report should have included comments from our primary customers, including the Office of the General Counsel, the Director for Human Resources, the Assistant U. S. Attorney who has worked closely with us on cases, and division chiefs who have been involved with our investigations.

The report advocates our need to conduct proactive work inside and outside the Library. During the course of the audit, we provided specific information about our in-house proactive accomplishments and our external proactive activities that mirror the report's discussion on this matter. We explained that our limited resources, reorganization related priorities, and significant reactive investigations during the audit period had limited our ability to engage in these proactive activities.

#### V. The Office of Investigations Does Not Have a Comprehensive Special Agents Manual

#### <u>Response</u>: We agree with the first two recommendations. We disagree with the last recommendation.

#### Director of Security's Comments:

We have worked intermittently on revising the draft Special Agents Manual since the OIG

#### Director of Security's Response to Draft Audit Report No. 2000-POR-SEC-015

reorganization, but other priorities have delayed our completion of this task. We do not believe that a September 2001 deadline is reasonable for completion of this task because we currently have only one criminal investigator and one investigative assistant. We are in the process of hiring a second criminal investigator. We will continue our work on the draft manual, and we will coordinate the project with the Office of the General Counsel. We will issue the draft manual as soon as possible.

#### VI. The Office of Investigations Could Improve Its Efficiency by Developing an Information Management System

#### **<u>Response</u>**: We agree with this recommendation.

#### Director of Security's Comments:

An information management system was a priority immediately after the OIG reorganization. Other priorities and staff shortage have caused delays over the past two years. We have purchased software for a new case management system that will fully meet investigative standards and our needs.



2001 M Street, N.W. Washington, D.C. 20036

PUBLIC RELEASE

#### **PERSONAL & CONFIDENTIAL**

February 7, 2001

Mr. Stuart Axenfeld Ms. Anita Scala Office of Inspector General Library of Congress 101 Independence Avenue, S.E., LM-630 Washington, D.C. 20540-1060

Dear Mr. Axenfeld and Ms. Scala:

KPMG LLP was pleased to assist the Library of Congress Office of Inspector General with the review of the Machine Lending Agencies' compliance with the *Machine Lending Agency Inventory Procedures Manual* (Manual), dated July 1995, related to the accuracy and the safeguarding of C-1 playback inventories. Enclosed are 15 copies of our agreed-upon procedures report thereon, which is our final deliverable.

We have enjoyed working with you, with management personnel at the National Library Service for the Blind and Physically Handicapped at the Library of Congress, and with the selected Machine Lending Agency representatives and hope that we have made a contribution toward improving the current inventory processes at all the Machine Lending Agencies.

Very truly yours,

KPMG LLP

we Trie

Laura A. Price *Partne*r

RECEIVED OFFICE OF THE INSPECTOR GENERAL





2001 M Street, N.W. Washington, D.C. 20036

#### Independent Accountants' Report on Applying Agreed-upon Procedures

The Library of Congress Office of Inspector General:

We have performed the procedures enumerated below, which were agreed to by Library of Congress Office of Inspector General (OIG), solely to assist them in evaluating National Library Service for the Blind and Physically Handicapped (NLS BPH) management's assertion as to the Machine-Lending Agencies' (MLAs) compliance with certain sections of the Machine-Lending Agency Inventory Procedures Manual (Manual), dated July 1995, related to the accuracy and the safeguarding of C-1 playback machine inventories for the period between August 29, 2000 and October 18, 2000. The applicable sections of the Manual are listed in Attachment I of this report. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representations regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. Furthermore, this agreed-upon procedures engagement did not include performing any of these procedures at the NLS Taylor Street Annex in Washington, DC nor the two NLS Multi-State distribution centers in Salt Lake City, UT and Cincinnati, OH and therefore, we make no representations as to the NLS Taylor Street Annex nor the two distribution centers.

We performed the following agreed-upon procedures:

- Executed a two-stage statistical sampling plan to select 25 MLAs and 790 individual playback machines from the population of MLAs and counts of playback machines residing at these agencies as of September 30, 1999, as reported to us by the NLS BPH.
- Confirmed the accuracy of the individual playback machine's location assignment by either

   confirming the location with an MLA patron or with an authorized machine repair entity
   (representatives of the Telephone Pioneers of America) or 2) by physically observing the
   presence of the playback machine at the MLA premises.
- Compared the MLA's records to the records maintained by NLS for that MLA to identify any discrepancies in record-keeping.



Observed whether the MLAs maintained the machines on-hand in secure facilities and whether there were limitations on internal access to the machines.

Based on the results of our agreed-upon procedures, our findings are as follows:

- Approximately 55% to 65%<sup>1</sup> of the machine population was accounted for in accordance with the applicable sections of the Manual. The point estimate is 60%. The statistical projection of the results of our procedures indicates that the dollar value<sup>2</sup> of machines properly accounted for in accordance with the applicable sections of the Manual ranges from approximately \$84.4 million to \$99.8 million, from a total playback machine inventory value of \$154.3 million.
- Approximately 8% to 18% of the entire machine population was not properly accounted for in accordance with the applicable sections of the Manual. The point estimate is 13%. The statistical projection of the results of our procedures indicates that the dollar value of machines that were not properly accounted for in accordance with the applicable sections of the Manual ranges from approximately \$12.5 million to \$27.9 million, from a total playback machine inventory value of \$154.3 million. An error was defined as any instance where the location of a sampled machine, as confirmed by an MLS patron or authorized machine repair entity, did not match the location recorded in the MLA's record-keeping system (e.g., the patron indicated that the machine had been returned or indicated possession of a different machine).
- Approximately 22% to 32% of the entire machine population could not be confirmed. The point estimate is 27%. The statistical projection of the results of our procedures indicates that the dollar value of machines that could not be accounted for (i.e., the MLA records could not be confirmed as either accurate or inaccurate) ranges from approximately \$34.3 million to \$49.7 million. This resulted from incorrect patron telephone numbers or addresses, non-responses from patrons, or other inconclusive results of our tests.

<sup>&</sup>lt;sup>1</sup> All percentages are with a confidence level of 95% and a margin of error of +/- 5%.

<sup>&</sup>lt;sup>2</sup> The dollar value is based on the Library of Congress Office of Inspector General's estimate of an average machine value of \$237.93, which includes an average spare parts value of \$16.93, and excludes depreciation.

- A total of 65 discrepancies were found between the playback machine inventory records maintained by the MLAs and the playback machine records reported by the NLS. Fourteen of these instances represented instances where the recorded machine locations did not agree (e.g., a sampled machine selected from the New York, NY MLA records was incorrectly assigned to the Denver, CO MLA per the NLS records). The remaining 51 discrepancies were all instances where machines were assigned to various MLAs but the machines could not be located in the NLS records.<sup>3</sup>
- No instances were found where playback machines were maintained in unsecured areas or where machines were accessible to unauthorized MLA staff.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertion. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Library of Congress Office of Inspector General and the management of the National Library Service for the Blind and Physically Handicapped, and is not intended to be and should not be used by anyone other than these parties.

KPMG LIP

November 10, 2000

<sup>&</sup>lt;sup>3</sup> Although our two-stage sample was not designed with the purpose of determining an error rate for the discrepancies between the MLA's records and NLS records, the individual MLA findings have been communicated to the Library of Congress OIG for their use in planning additional audit work related to the record-keeping function of the NLS subcontractor that maintains the NLS records.

#### Attachment I

The sections of the *Machine-Lending Agency Inventory Procedures Manual*, dated July 1995, that relate to the accuracy and safeguarding of the Machine Lending Agencies' (MLAs) inventory are as follows:

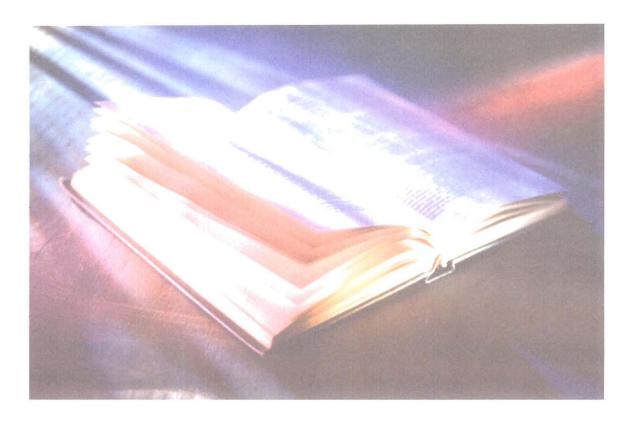
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- Section 1.2.1.1, which states that the MLAs must have a record-keeping system that provide(s) accurate information about the current location of a given machine at a given time.
- Section 1.2.1.2, which states that the MLAs record-keeping system must provide accurate reports to NLS.
- Section 1.2.1.3, which states that the MLAs record-keeping system must provide periodic physical inventories of machines assigned to patrons in the form of orderly, accurate records of those assignments.
- Section 1.2.1.4, which states that the MLAs record-keeping system must provide the MLA and NLS with sufficient data on the number of machines in specific status categories.
- Section 1.2.2.1, which states that the MLA must provide safeguards to prevent loss of, damage to, or theft of machines by maintaining inventories in secure facilities that eliminate external access and by limiting internal access to storage areas.





# Library of Congress Anglo-American Acquisitions Division



# STATISTICAL MEASURE OF THE EFFECTIVENESS OF INTERNAL CONTROLS

Fall, 2001

August, 2002



2001 M Street, NW Washington, DC 20036 Telephone 202 533 3000 Fax 202 533 8500

August 28, 2002

Ms. Anita Scala Office of Inspector General Library of Congress 101 Independence Avenue, S.E., LM-630 Washington, D.C. 20540

Dear Ms. Scala:

We have completed our review of the effectiveness of the internal controls over the collection items received in the Anglo-American Acquisitions Division using the statistical sampling plan outlined in our accepted proposal letter dated September 12, 2001. This report to you represents our final report for the Anglo-American Acquisitions Division and completes the services provided by KPMG LLP ("KPMG"), as described in the proposal letter.

The data included in this report was obtained from Anglo-American Acquisitions Division personnel, and from the work performed by your staff, on or before April 24, 2002. We have no obligation to update our report or to revise the information contained therein to reflect events and transactions occurring subsequent to April 24, 2002.

This report is solely for your information and is not to be referred to in communications with or distributed for any other purpose to anyone who is not a member of management of the Library of Congress or the Anglo-American Acquisitions Division.

Please contact Oscar J. Castro, Manager, on 202-533-4484 if you have any questions or comments. We look forward to continuing to provide service to you, the Library, and the Anglo-American Acquisitions Division in the future.

KPMG LIP



KPMG

# Library of Congress Anglo-American Acquisitions Division Internal Controls Assessment

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# Library of Congress Anglo-American Acquisitions Division Internal Controls Assessment

#### I. Overview of Study and Test Methodology

The Library of Congress (Library) has more than 121 million items in its permanent collections and it adds approximately 7,000 new items to its permanent collections each day. The Library has stewardship responsibility for all items in its collections, and is therefore expected to provide Congress and the public with assurances that these duties are being carried out effectively. To assist in providing these assurances, the Library contracted with KPMG LLP (KPMG) in 1998 to conduct an assessment of the collections' safeguarding risks resident in the workflow processes for acquiring, maintaining and preserving different types of collection items.

These studies identified conditions that, if not corrected, could expose the Library's collections to high risks for loss, theft or degradation. The Library has been instituting policy and procedural changes to address these conditions. To measure progress in improving its safeguarding controls, the Library again contracted with KPMG to develop a statistical methodology for quantitatively assessing the strength of safeguarding controls for several of its collections. This report is the result of the Library's application of that methodology to collections processed by the Anglo-American Acquisitions Division.

Under the this task order, KPMG was contracted to statistically establish a baseline for measuring the existence<sup>1</sup> of items processed within the Anglo-American Acquisitions Division. KPMG tracked the transfer of items from the Division's primary receiving areas (where collection items arrive from vendors or donors) to the Library's cataloging divisions, in order to establish baseline results for future analysis. This study focused on testing the accountability of items as they moved from Point A to Point B, with Point A being the primary receiving area in the Anglo-American Acquisitions Division mailroom<sup>2</sup> and Point B being the various cataloging divisions where the collection items are sent after undergoing initial bibliographic control.<sup>3</sup>

<sup>&</sup>lt;sup>1</sup> Under the proposed contract arrangement, KPMG was also tasked with determining and tracking condition of the items. Library management, however, determined that this investment of resources was not merited given that these items are generally new and are not yet part of the permanent collections, where access and use to these items would be more frequent.

<sup>&</sup>lt;sup>2</sup> Items intended for the Rare Books collections are not received in the Anglo-American Acquisitions Division mailroom, but instead are received by an authorized individual via a separate receiving area, and stored in a locked cage to prevent theft or loss until custodial responsibility is established and transferred. Therefore, for testing purposes, Point A was the Library's "cage", and Point B was the Division that took custody of the Rare Book collection item once it left the cage.

<sup>&</sup>lt;sup>3</sup>An exception to this procedure occurs with Special Material items. "Special Material" items do not undergo initial bibliographic control when they are first received in the Anglo-American Acquisitions Division mailroom. They undergo initial bibliographic control in the Special Materials Cataloging Division.



The Anglo-American Acquisitions Division receives different types of collection items, each with its own set of workflow processes. KPMG began establishing a baseline by ensuring that all items sampled for testing were limited to only those items the Library expected to retain for its permanent collections. Items the Library expects to exchange with other libraries, or eventually discard, were not selected. In addition, KPMG separated each unique group of items (as identified by distinct workflow processes) into their own population for sampling purposes. Consequently, KPMG's analysis will be separated into the following four categories<sup>4</sup> of collection items received in the Anglo-American Acquisitions Division's receiving area:

- 1. Caged items located in the Division's "valuable items" cage, awaiting claim and pick-up by other divisions within the Library;
- 2. Purchased, donated and exchanged items that travel to other sections within the Division and then to Library cataloging;
- 3. Government monographs selected for the Library's collections, received in the Government Documents section of the Division, and awaiting transfer to Library cataloging; and
- 4. Special Materials, or items in high risk formats, such as CD-ROMs, which are hand-carried from the receiving area to the Special Material Cataloging Division; evidence of transfer is represented by a memo from the Division.

Because the workflow processes for purchased, donated and exchanged, and government monograph collections items are very similar, these two categories of collection items were analyzed together in this report.

KPMG observed different levels of controls for each of the categories of items tested. Though KPMG was not tasked with determining the specific controls in place to safeguard collection items, the level of controls inherently affect the analysis of the results of the statistical methodology. Consequently, provided below is a brief discussion of the controls that the KPMG engagement team noticed as they performed their test work.

<sup>&</sup>lt;sup>4</sup> Under the proposed contract arrangement, KPMG was originally supposed to include a fifth type of Anglo-American collection category: Government Serials. However, the unique nature of Government Serials' workflow process prohibits effective tracking of the item in a timely manner, and, therefore, the Library decided to halt testing of this collection type.



#### A. Internal Controls Evidenced by the Engagement Team

#### Rare Books

- All Rare Book collection items enter the Library via a separate mailing location and are collected at that location by a designated individual who is responsible for those items until they are transferred to an acquisition specialist. This designated employee is independent of the Division represented by the acquisition specialist. This policy was specifically designed to prevent any possibility of theft, fraud or collusion in the acquisition process of Rare Book items.
- Once a new acquisition arrives, the responsible employee schedules the transfer of accountability in as expedient a manner as possible so as to provide more time to the acquisition specialist to contact the vendor should there be any discrepancies with the acquisition. While it did not come to KPMG's attention that there was a formalized policy mandating transfer of accountability in a set number of days, this informal process helps ensure that Rare Book collection items do not inadvertently remain in the "cage" without someone being aware of them. In addition, when the new acquisition package is actually opened by the acquisition specialist, the designated employee monitors this process, ensures that the description on the items' receiving report matches the vendor invoice, and maintains a central receiving log to verify all assets that have left the employee's care.
- Upon accepting responsibility for the new acquisitions, the acquisition specialist immediately takes all new acquisitions back to his/her division. At this point, the determination is made as to whether the new acquisitions can be placed in the permanent collections or if they need to be sent to the Preservation Directorate for special treatment. It is also important to note that, in addition to the controls in place in the receiving area, one of the acquisition specialists also maintains his own localized database to assist him with tracking and ensuring accountability of the collection items both in his possession and those that he has acquisitioned for but not yet received.



#### PD&E and Government Monographs

- As PD&E and Government Monograph items are received, specialists review these items to determine which items will be added to the Library's permanent collections, using selection criteria developed by Library management. After selection, items undergo initial bibliographic control.
- Personnel, who process new PD&E and Monograph items, fill out a form for each item chosen for the permanent collections, assigning a priority number (1-4) and a tentative cataloging division. The priority number expedites certain types of items, such as those requested by Congressional officials. This form and the bibliographic record are attached to the item.

#### **Special Materials**

- For each Special Material item received, a Special Material Request Memorandum is filled out. This Memorandum is a tracking memo used to evidence receipt of Special Material items. The memo is printed in triplicate, with one copy kept by the individual who received the item, and the other two copies forwarded with the item to the Special Materials Cataloging Division. The Cataloging division is requested to forward a signed copy of the memo back to the receiving area to confirm receipt of the item.
- Special Material items do not undergo initial bibliographic control until they arrive at the Special Materials Cataloging Division.

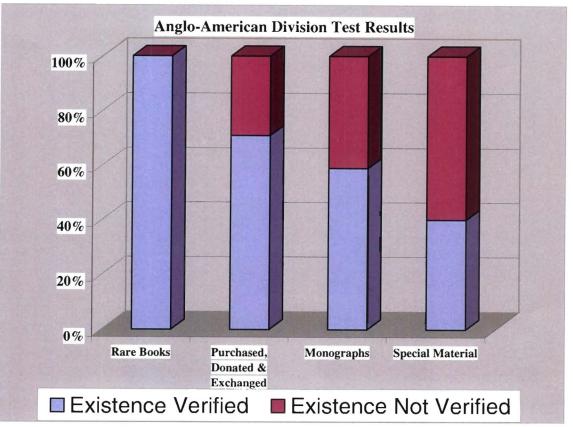
#### **B.** Summary of Results

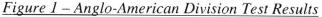
KPMG's sampling test work was performed during the period September 26<sup>th</sup>, 2001 to November 1<sup>st</sup>, 2001. During this period, KPMG randomly selected days on which to perform the testing, and then randomly selected items to test for existence. The KPMG engagement team recorded unique identifiers for every selected item so that these items could later be re-verified once they reached their respective cataloging division. To confirm existence of each item tested, a member of the KPMG engagement team observed the physical presence of the item once it had moved to Point B in Cataloging. All successful verifications were recorded in the test results as "Existence Verified." All items that were not located once they left the Anglo-American Acquisitions Division were recorded as "Existence Not Verified." *Table 1* provides a summary of the results of KPMG's test work over the safeguarding controls in the Anglo-American Acquisitions Division.

Table 1 – Summary of	Existence Test Results	- Anglo-American	Acquisitions Division

Type of	Population	Sample	Existence Verified		
Collection Item	Size	Size	Point Estimates	Margin of Error (+/-)	
Rare Books	33	33	100%	0%	
Purchased, Donated & Exchanged	2,884	120	71%	5%	
<b>Government Monographs</b>	555	120	59%	19%	
Special Materials	85	50	40%	9%	

Because the projected values are based on a sample population and not the entire population itself, the statistical results must allow for a margin of error. The above results were calculated at a 95% level of confidence. This means that we can be 95% certain that the projected point estimate values, plus or minus the margin of error shown in the table, accurately reflect the percentage of items, by type of collection item, for which the Division was able to verify existence. A graphical presentation of these results is provided in Figure 1 below.







As the *Table 1* and *Figure 1* highlight, the effectiveness of internal safeguarding controls varies among the types of collection items within the Anglo-American Acquisitions Division. Rare Books have the greatest level of control and, as expected, had the best results in our existence testing. As expected, PD&E and Monographs have the least variance between them, because the acquisition process for both types of materials is similar. Despite their high-risk nature, Special Materials were found to have the least amount of safeguarding controls. This finding was verified by our test results, where less than half the items tested could be located in the permanent collections or in the Cataloging Divisions.

In summary, the existence test results for the Anglo-American Acquisitions Division collection items suggest that the current controls for items in transit between the receiving area and the Cataloging Divisions could be more effective in safeguarding the Library's assets from loss or misplacement. The results indicate that the Library's procedures for items in transit are not designed to ensure item-level accountability or ensure that there is a check-and-balance to validate the proper transfer of assets between points in the workflow process. The inability to track acquisitions at their item-level increases the risk that items acquired by the Library may be lost, stolen or misplaced without detection.

The remainder of this report separately addresses the tests performed on each collection item type: Rare Books; Purchased, Donated and Exchanged items and Government Monographs; and Special Materials. The following sections describe our testing methodology and an analysis of our test results.

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#### **II. Rare Book Collection Items**

This section presents the methodology and results for testing Rare Book collection items, located in the Anglo-American Acquisitions Division's "valuable items" cage.

When Rare Book acquisitions arrive in the Library, they are routed to a unique mailbox within the Library's mailroom, where they are held until an authorized employee signs for the acquisitions and transports them to the "cage" for storage. As its name suggests, the cage is a secured area and access is limited only to authorized personnel. When a new Rare Book acquisition arrives in the Anglo-American Acquisitions Division, a transfer of accountability is scheduled in as expedient a manner as possible so as to provide adequate time for the receiving division's acquisition specialist to contact the vendor should there be a problem with or question about the items shipped. This informal process helps ensure that Rare Book collection items do not inadvertently remain in the "cage" without someone being aware of them.

Valuable item acquisitions are stored in the cage in their original packing. When the acquisition specialist opens a newly acquired package, an authorized employee from the Anglo-American Acquisitions Division monitors the process and ensures that each item's description matches the vendor invoice. If the package's contents match the vendor invoice, the acquisition specialist evidences receipt and acceptance of the items in the package by signing a central receipt log, at which time accountability for the existence and condition of the collection items transfers to him or her. Upon accepting responsibility for the new acquisition, the acquisition specialist immediately takes the items back to his or her Division. The receiving Division determines whether the new acquisitions can be placed in the permanent collections as is, or if the items need to be sent to the Preservation Directorate for treatment or repair.

#### A. Testing Methodology

Test work for this area concentrated on validating the controls in place to prevent loss or theft of Rare Book collection items as they progress from their initial receiving area, the "cage", to their next destination in the work flow process. The results of these tests measure the effectiveness of controls in place during the test period. Tests were also conducted to determine whether the condition assessment provided by the vendor on the invoice matched the condition assessment made by the acquisition specialist. Working with the acquisition specialist, KPMG documented any potential discrepancies between expected and actual condition assessments.



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Selection of Testing Days - Because the number of collection items housed in the "cage" at any one time varies, testing was conducted on four randomly selected days, one each week, over four consecutive weeks. Dates were selected using a random number generator. The dates selected for testing are highlighted in Figure 2 below.

September, 2001						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

Figure 2 – Testing Date Selection – Rare Book Collection Items
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Sun	Mon	Tue	Wed	Thu	Fri	Sat
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31	1	2	
20		50	51	1		

October. 2001

Determining the Population and Sample – The cage is used to store a variety of items that were not included in our test population. Inclusion in the test population was based upon whether or not there was a reasonable assumption that funds had been or would be obligated for procurement of a given collection item. The following is a list of items located in the cage that were not included in the population:

- Department "A" items Items are sent to the Department "A" address when there is a concern that the items may be misplaced upon delivery. The Department "A" address is also utilized to ensure that large collections of items, such as microfilm, remain complete.
- Donated items awaiting a decision by Library personnel about whether the item will be added to the Library's permanent collection.
- Items received from vendors or donors that are deemed unacceptable or undesirable and are waiting to be returned.
- Replacement volumes for lost books, which are housed in the cage until Library personnel retrieve them.

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- Walt Disney Videos These videos are currently involved in litigation with the Walt Disney, Co., and are not available to the collections.
- Madison Collection Throughout the year, vendors send items they believe may be of interest to the Library. The Library has no obligation to purchase any of these materials. Once a year, the materials are set out on display to various department representatives. If the representatives are interested in adding any of the material to their permanent collections, the Library will then expend the necessary funds to acquire them.

On the test date, KPMG recorded a description of all of the packages secured in the valuable items cage awaiting to be claimed that fit the population definition. The description included the vendor name, purchase order number, and tracking number (i.e. UPS, USPS, FedEx). KPMG made certain that only new additions to the cage were selected for sampling on each subsequent test date. However, because the total number of items in the cage on each test date was less than the required sample size of 30 unique items, all Rare Book collection items were selected for testing. Consequently, statistical projections were not required.

When the acquisition specialist claimed a package from the cage, KPMG recorded the following pieces of data from each of the Rare Books' collection items:

- Title
- Library of Congress Control Number (LCCN)
- Author
- Bibliographic Record Number
- Publisher
- Condition per Vendor Description

#### **B.** Analysis of Results

The existence of all 34 items selected for testing within the four test dates was successfully verified. Therefore, KPMG concluded that the controls in place during this time period properly ensured that all Rare Book collection items were properly safeguarded while in the Anglo-American Acquisitions Division and during delivery to Cataloging.

The Library's Office of the Inspector General also requested that KPMG document discrepancies between the condition listed on the vendor's invoice and the condition assessment made by the acquisition specialist. In all cases, there were no discrepancies.



#### III. Purchased, Donated & Exchanged Collection Items and Government Monographs

Section III of this report explains the methodology and results for testing two types of collection items – Purchased, Donated, and Exchanged (PD&E) collection items and Government Monographs (Monographs). Though these two types of items are acquired through different processes, they will be analyzed together because their workflow processes are very similar once they are received in the Anglo-American Acquisitions Division mailroom. Any differences between the two testing methodologies will be noted below.

#### Purchased, Donated and Exchanged Items

Purchased, Donated and Exchanged (PD&E) items are all literary publications published in one of the geographical locations under the purview of the Anglo-American Acquisitions Division (the United States, United Kingdom, Australia, Canada, Ireland, New Zealand, Oceania and Papua-New Guinea) that meet the Library's acquisition selection process. The Library may receive these items through multiple means:

- 1. By purchase, whereby the vendor periodically ships the selected items to the Library;
- 2. By donation, whereby the Library must then determine whether to add these items to the permanent collections; or
- 3. By receiving returned items that were previously exchanged for collection items obtained from a participating exchange partner.

Test populations were drawn on four randomly selected days from those items loaded on book trucks in the Anglo-American Acquisitions Division mailroom awaiting transfer to the respective cataloging divisions.

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#### Government Monographs

Government Monograph collection items are all non-serial items (i.e., an item either complete in one part, or intended to be completed, in a finite number of separate parts) <sup>5</sup> received by the Government Documents section of the Anglo-American Acquisitions Division, awaiting transfer to one of the cataloging divisions. Typically, government monographs are all publications issued by federal, state and local entities on any number of topics. Federal, state and local entities are required by law to send duplicate copies of all publications they produce to the Library for its collections. As with the PD&E collection items, test populations were drawn on four randomly selected days from those items loaded on book trucks in the Anglo-American Acquisitions Division mailroom, awaiting transfer to the respective cataloging divisions for eventual addition the Library's permanent collections.

#### A. Testing Methodology

Selection of Testing Days – KPMG used a statistical methodology to measure the effectiveness of internal controls during a period of time. In the case of PD&E collection items, this time period was the consecutive, four-week period beginning September  $27^{th}$ , 2001 and ending October  $16^{th}$ , 2001; for Monograph collection items the four-week period began October  $2^{nd}$ , 2001 and ended October  $26^{th}$ , 2001. The methodology is based on the formulas for calculating the estimation of population proportion for a cluster sample.<sup>6</sup> Test dates were chosen using a random number generator. The following dates, highlighted in Figure 3 below, were selected for testing:

Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	1
						1		1	2	3	4	5	6
	3	4	5	6	7	8	7	8*	9	10	11	12	1.
	10	11	12	13	14	15	14	15	1 1	17	18	19	20
6	17	18	19	20	21	22	21	22	23**	24	25	26	27
3	24	25	26	27	28	29	28	29	30	31	1	2	
0													

<u>Figure 3 – Testing Da</u>	te Selection – PD&E	and Monographs
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\*\* Testing was performed October 26<sup>th</sup> due to unexpected Library closure

<sup>&</sup>lt;sup>5</sup> AACR Review Group 1 – Final Report; January 19<sup>th</sup>, 1999.

http://lcweb.loc.gov/acq/conser/aacr1report.html

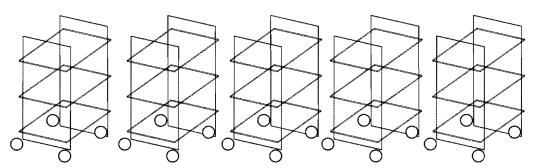
<sup>&</sup>lt;sup>6</sup> Elementary Survey Sampling. Schaeffer, Mendenhall, and Ott. 1996.



**Determining the Population** – The PD&E and Monograph collection items from which the samples were chosen were housed on book trucks within the Anglo-American Acquisitions Division receiving area. Typically, there were five book trucks for PD&E items; one for each of the five cataloging divisions that routinely receive PD&E items: Arts and Sciences, History and Literature, Special Materials, Social Sciences and Regional and Cooperative cataloging divisions. For Monograph collection items, the number of book trucks holding collection items and awaiting transport on a given day was dependent upon the number of new Monograph collection items that were selected for the Library's permanent collection between each test date.

KPMG aligned the book trucks containing the population from which the sample was drawn angularly, with the width side of the book truck facing the engagement team member selecting the sample. The objective was to make certain that all sampling on each subsequent test date was performed in a symmetrical and consistent fashion. See illustration in Figure 4.





All items stored on the outgoing book trucks were counted in order to determine the entire population. Multiple items of the same title, which may or may not have been banded together by Division personnel, were counted individually, as they each had a unique identifier. The total population count was entered into a random number generator and a unique, randomly determined sample of 30 items was chosen.

Sampling the Population – On each of the four randomly selected days over the four consecutive weeks, KPMG randomly selected 30 sample items from that day's population for both PD&E and Monograph collection items. As expected, the population size of collection items varied on each test date because the number of newly arriving items varied, as did the pace at which processed items were moved from the Anglo-American Acquisitions Division to the cataloging divisions. On some test dates, previously sampled book trucks had not been moved to Cataloging, so these items were also included in the next sample date's population. The statistical methodology used for this test allowed for re-sampling of previously sampled collection items, so no adjustments had to be made.



The sample count began on the left-hand-side of the book truck and proceeded from top-to-bottom prior to moving to the right-hand-side of the truck. (If there were multiple book trucks, the same procedures would apply until all sample items were chosen.) Each item on the book truck whose position in the count corresponded with one of the randomly generated numbers was removed from the book truck and its description recorded. All key data fields were identified so the item could be identified when it reached its associated cataloging division.

The identified data fields for both PD&E and Monograph collection items were:

- Point of Origin
- Bibliographic Record Number
- Intended Destination
- Library of Congress Control Number (LCCN)
- Title
- Inventory Control Number (where applicable)
- Author
- OCLC Number (where applicable)
- Publisher
- Serial Number (where applicable)

As soon as this information for the sample population was recorded, KPMG forwarded the tracking worksheets to a Library point of contact, who distributed the worksheets to personnel within those cataloging divisions where the items were expected to arrive. Library cataloging personnel were then responsible for locating the items listed on the tracking worksheets, setting aside these items, and contacting KPMG so the engagement team could physically verify the existence of the items. When contacted by the Library point of contact, KPMG verified each item's title, author, and bibliographic record number in an effort to ensure that the item originally chosen for the sample was in fact the one being verified. Once this was completed, the engagement team updated the tracking worksheets to reflect those items for which existence was verified.

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#### B. Test Results

Final testing for Monograph collection items concluded January 24<sup>th</sup>, 2002. However, the verification process was not adequately completed by that date for PD&E collection items. To assure the most accurate results, the Library requested that attempts to verify the existence of sampled items continue under the direction of the Library's Office of Inspector General (OIG). KPMG concurred and final existence verification concluded three months later, on April 24<sup>th</sup>, 2002. KPMG could not determine whether this apparent lag in the movement of items from the Anglo-American Acquisitions Division to the next step in the workflow process was delayed because of control problems within Cataloging, or because KPMG's Library points of contact did not follow up on locating the items in a timely manner.

Misrouting of items by the Anglo-American Acquisitions Division could also have contributed to the verification delay. In some instances, collection items were erroneously marked for transfer to one cataloging division but were actually sent to another cataloging division. Library personnel explained that the receiving area personnel must attempt a "best guess" of the correct destination of the items, but do not always know if the designation is correct. When KPMG encountered these occurrences, the engagement team noted the discrepancies on the tracking sheet and informed the proper cataloging division that they should have received the item.

#### Purchased, Donated <u>& Exchanged:</u>

Over the four consecutive test dates, KPMG sampled 120 items from a total population of 2,884 PD&E collection items, and was able to verify 86 out of a possible 120 items; 34 items could not be verified. There were multiple delays in KPMG's attempts to verify the existence of collection items. KPMG participated in physically verifying the existence of items until January 24<sup>th</sup>, 2002. At that time, the Library determined that existence results were not reflective of what they should be and made a concentrated effort to locate the remaining items. The Library's OIG participated in this effort as an independent monitor. Final confirmations were forwarded from the OIG to KPMG on April 24<sup>th</sup>, 2002. Table 2 illustrates the results for each test period:

Date	Population (# items)	Sample Size (# items)	Existence Verified (# items)
09/27/01	876	30	20
10/03/01	558	30	24
10/09/01	707	30	21
10/16/01	743	<u>30</u>	21
Totals	2,884	120	86

Tuble 2 Existence Test Results by Sumple Day TDae	Table 2 – Existence	e Test Results b	y Sample <u>Da</u>	<u>y – PD&amp;E</u>
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	(-) Margin	Point	(+) Margin
	of Error	Estimate	of Error
Range of Test Results	65.8%	70.9%	76.0%

These results indicate that as of April 24<sup>th</sup>, 2002, KPMG was 95% confident that the existence of between 65.8% and 76% of PD&E collection items transferred from the receiving area to the respective Cataloging divisions could be verified. Stated alternatively, KPMG was 95% confident that, out of every 100 newly acquired PD&E collection items, only 71 of these 100 items could be located in the cataloging division where they were sent for further processing (the point estimate).



#### Government Monographs:

Over the four consecutive test dates, KPMG sampled 120 items from a total population of 555 Monograph collection items and was able to verify the existence of 68 out of a possible 120 items. Table 3 illustrates the results for each test period.

Date	Population (# items)	Sample Size (# items)	Existence Verified (# items)
10/02/01	152	30	22
10/09/01	203	30	18
10/16/01	100	30	8
10/26/01	100	30	20
Totals	555	120	68
	(-) Margin of Error	Point Estimate	(+) Margin of Error
Test Results	40.2%	58.8%	77.5%

#### Table 3 – Test Results by Sample Day – Monographs

The results indicate that as of January 24<sup>th</sup>, 2002, KPMG was 95% confident that the existence of between 40.2% and 77.5% of Government Monograph collection items could be verified. Stated another way, KPMG was 95% confident that, out of every 100 newly acquired Monograph collection items, 59 of these 100 items (the point estimate) could be located within approximately 6 months following their arrival in the Anglo-American Acquisitions Division, and 41 out of every 100 newly acquired PD&E items were either lost or misplaced in movement between the Anglo-American Acquisitions Division and the various cataloging divisions. However, our results have a wide margin of error, and the number of items within the population that could not be located during this time period may actually be as low as 40 out of every 100, or as high as 77 out of every 100.

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#### C. Analysis of the Results

Test work under the current task order was the first statistical measure of the effectiveness of controls over accountability in the Anglo-American Acquisitions Division. Consequently, KPMG does not have any basis for comparison as to what is a tolerable level of error when measuring existence of items moving through this division. When KPMG initially designed the statistical methodology for these collection items, we assumed the risk of loss or theft as low as items are transferred from the receiving area to the respective cataloging divisions, and that an acceptable level of existence error was certainly under 10%. Accepting the premise that the risk of loss or theft is low and that 10% is a tolerable level for existence error, the statistical results suggest that the controls in place are not effectively safeguarding the Library's assets. However, because the margin of error is so wide (i.e. anywhere from 40% to 77% of the items could be verified for existence – a wide margin), the degree of ineffectiveness of the controls is uncertain.

While this engagement was not designed to investigate or statistically measure the causal factors hindering effective accountability over assets, certain general issues were apparent from the testing process. First and foremost, though personnel in the Anglo-American Acquisitions Division receiving area document the Cataloging Division in which they expect a newly acquired item to be received, they do not record the item's intended destination in Voyager (the Library's on-line integrated Library system that provides a variety of activities including cataloging, Online Access Cataloging Searches (OPAC), acquisitions, serials check-in, circulation, and call slips) when the item is placed under initial bibliographic control. If the intended destination were recorded and if Voyager had the functionality to be queried by the "Tag" data field, cataloging division personnel could potentially know what items they should expect to receive, and could cross-check this information with the items they do receive. (*Note: there are multiple system variations of this check-and-balance depending upon the functionality of Voyager. Also, controls can be established without relying on a system integrated between points in the workflow process.*)

Receiving personnel are not responsible for making the final decision as to which cataloging division an item is sent, and frequently their initial categorization may be inaccurate. Of the 120 items tested, cataloging division personnel had annotated in Voyageur that 10 Monographs and 9 PD&E items were sent to the wrong cataloging division. This number is likely understated as it only accounts for those items in which the cataloging personnel actually documented the mistake in Voyager. Test work suggests that using Voyager as a tracking system is not a standard procedure for cataloging personnel. Unofficial estimates by Library personnel would also seem to confirm the possibility of understatement. Taken in conjunction with the first issue mentioned above, the Library has no means of tracking in-transit items and there is a

high probability that items in-transit will arrive at an incorrect location. This condition significantly increases the possibility of loss, theft or misplacement of collection items.

Finally, processes for conducting item-level accountability appear to be unique to each cataloging division. Some divisions had informal means of tracking item-level accountability while other divisions were confident that "if an item had made it through the workflow, it would have ended up on (my) desk." The ad hoc approach followed by each cataloging division seems consistent with the fact that the Library has not implemented standardized procedures for tracking item-level accountability of new acquisitions. There also does not appear to be any process-wide checks or balances in place to determine if the individual efforts at item-level accountability are successful. These weaknesses in internal control were identified in risk assessments performed several years ago by Library personnel and still appear to exist.

In summary, our test results indicate the following:

- The Library does not maintain item-level accountability of items as they are transferred from the Anglo-American Acquisitions Division receiving area to the various cataloging divisions.
- Receiving personnel cannot always accurately determine which cataloging division should receive an item being sent from Anglo-American Acquisitions Division to Cataloging.
- The Cataloging divisions do not have an effective means of tracking items until those items enter the workflow processes of Cataloging personnel.

The Library could improve the internal controls over the existence of Anglo-American Acquisition items by:

- I. Incorporating Voyager into the process for tracking items as they are transferred from the receiving area to the Cataloging divisions. This can be accomplished either formally, by mandating the use of a data field in Voyager to track items, and by creating system checks and balances to ensure that all items transferred have been received, or informally using a manual process of checklists and spreadsheets;
- II. Training receiving personnel to better identify to which cataloging division an item should be sent so as to minimize the need to reroute items in transit;
- III. Developing standardized processes across the cataloging divisions to ensure that as soon as items are transferred from the receiving area, they are incorporated into the cataloging personnel's workflow processes.

## Library of Congress Anglo-American Acquisitions Division Internal Controls Assessment

#### **IV. Special Materials Collection Items**

Special Materials are items that are stored in formats such as CD-ROMs. They are considered high risk for theft or loss because of the ease with which these items can be removed from the Library (i.e., their size), and their popularity as a content medium. Special Material collection items are received infrequently in the Anglo-American Acquisitions Division. To test these items, KPMG randomly selected a sample of Special Material request memorandums filed over a five-year period.

The Special Material request memorandums are internally used documents, printed in triplicate, that are attached to every Special Material collection item chosen for the Library's permanent collections. One copy of the Memorandum is retained with a supervisor in the Anglo-American Acquisitions Division receiving area. The Special Material collection item and the two duplicate copies are then sent to the Special Materials Cataloging Division. The supervisor in the Anglo-American Acquisitions Division receiving area requests, but does not require, that the Special Materials Cataloging Division return a signed copy of the memorandum to the Anglo-American Acquisitions Divisions Division, acknowledging receipt of the collection item.

#### A. Testing Methodology

Selecting of Testing Days: Unlike the other three areas of the Anglo-American Acquisitions Division, which had regular inflows of new acquisitions, Special Material collection items do not arrive with any degree of regularity. Therefore, sampling Special Material collections items over a period of multiple test dates would not ensure a representative population. However, because Anglo-American Acquisitions Division personnel had maintained copies of the Special Materials request memorandums, a statistical methodology could be used to sample from this population. Consequently, one random test date, September 27<sup>th</sup>, 2001, was chosen to perform this sampling.

**Determining the Population:** The population consisted of all Special Material request memorandums that had been collected over a five-year period by the Anglo-American Acquisitions Division and were on file on the testing date selected. Because the population on that date contained many duplicate and triplicate copies, special care was given to prevent duplicates and triplicates from being counted as separate items in the population.

After removing duplicate and triplicate copies, the Special Material request memorandums were arranged in chronological order (starting with the most recent), and assigned a sequential number, starting from 1 through 143, the total number of memorandums in the population. Using a random number generator, a unique sample of 50 items was selected. This was the required number of collection items to have a statistically significant sample, given the confidence level selected for this analysis.



*Limitations of Population Completeness:* Though the population consisted of all Special Materials request memorandums on the randomly selected test date, there is anecdotal evidence to suggest that this population might not have been truly representative. First and foremost, though this population spanned five calendar years, 96% of the population fell into the three middle years. Second, the file of memorandums often contained only the second or third copy of the Special Materials collection item and not the original, or vice-versa. This suggests a lack of adherence to the informal document retention policy. Taken together, these observations cast doubt as to whether the population sampled from was truly inclusive of all memorandums over the past five years.<sup>7</sup>

**Sampling the Population:** Each transfer memo that corresponded with one of the randomly generated numbers was removed from the stack and constituted one item in the sample population. For each sample item, all key data fields were recorded to provide the engagement team and Library personnel the ability to locate the item in the Special Materials Cataloging Division. The following data fields were recorded for each Special Materials collection item:

- Title/Identification (type of material)
- Number of Copies
- Acquired By
- Date Received by Library
- Point of Origin
- Source
- Intended Destination

In a fashion similar to that employed in testing other Anglo-American items, the engagement team electronically forwarded the tracking worksheets to the Library point of contact once the information relating to each sample item had been completely recorded. KPMG requested assistance from Library cataloging personnel in locating the items selected.

KPMG used a statistical methodology to illustrate the effectiveness of internal controls over a stated period of time. In the case of Special Materials collection items, this time period was the previous five years of Special Materials request memorandums on hand as of September 27, 2001. The statistical methodology is based on the formulas for calculating the estimation of the population proportion for a simple, random sample.<sup>8</sup>

<sup>&</sup>lt;sup>7</sup> Library personnel also mentioned that some of the Special Material collection items are replaced/updated on an annual basis. Consequently, Special Material collection items sampled from previous periods may or may not be located during the testing process.

<sup>&</sup>lt;sup>8</sup> Elementary Survey Sampling. Schaeffer, Mendenhall, and Ott. 1996.

## Library of Congress Anglo-American Acquisitions Division Internal Controls Assessment

#### B. Analysis of Test Results

There were multiple problems with attempting to validate existence of the Special Materials collection items. First, these collection items do not undergo initial bibliographic control when they first enter the Library in the Anglo-American Acquisitions Division receiving room, nor are they provided a unique identifier that could be used to track the item from the receiving area to the cataloging divisions. Second, the nomenclature recorded on the memorandum is not typically the nomenclature recorded in Voyager. Consequently, attempting to verify existence was at times a guessing game as Library personnel attempted to query Voyager or multiple variations of the nomenclature recorded on the memorandum with the hope of obtaining a match. The existence results, therefore, need to be qualified. However, the analysis of the controls environment still highlights its fundamental shortcomings.

The internal controls environment for Special Materials has one additional weakness not previously cited. The Special Material request memorandums signify how many units of the Special Materials were forwarded to Cataloging. For example, the Special Material request memorandum will state: "2 CD-ROMs of XYZ Subject were forwarded to Cataloging." However, as the engagement team conducted its testing, KPMG was unable to verify the existence of these multiple units even though the Library's own internal policies stated that multiple units should have been retained. The previously mentioned existence results do not take this issue into consideration.

Based on the results of these tests, it is fair to conclude that safeguarding measures are not adequate or effective for maintaining item level accountability of Special Material collection items. Out of the 50 Special Material collection items sampled, only 20 items were successfully tracked to the Cataloging Division. These results translate into a 95% level of confidence that only 4 out of every 10 Special Material collection items forwarded to the Special Materials Cataloging Division can be located. The margin of error in our results indicates that, for every 100 Special Material items processed by the Anglo-American Acquisitions Division, the number of items whose existence can be verified may vary from 31 to 49 items. *Table 4* summarizes our test results:

Attribute	Population	Sample Size	Existence (#
	(# items)	(# items)	items) Verified
Existence Totals	143	30	68
	(+) Margin	Point	(-) Margin of
	of Error	Estimate	Error
Test Results	76.0%	70.9%	65.8%

Table 4 – Existence Test Results as of April 24th, 2002 – Special Materials

Our test results indicate the following:

- The sampled items were selected from a population that appears to be incomplete and not necessarily representative of the total population;
- Special Materials do not undergo initial bibliographic control when they first enter the Library, which makes them difficult to track upon initial receipt;
- Special Materials are not logged into the Voyageur system using an identifier that is easily located and therefore, Special Material items may exist in the Library's collections, but were not found during testing; and
- Document retention policies for the memos from which the sample was taken are informal and appeared to be inconsistently used, thereby making the effort to collect them only marginally useful.

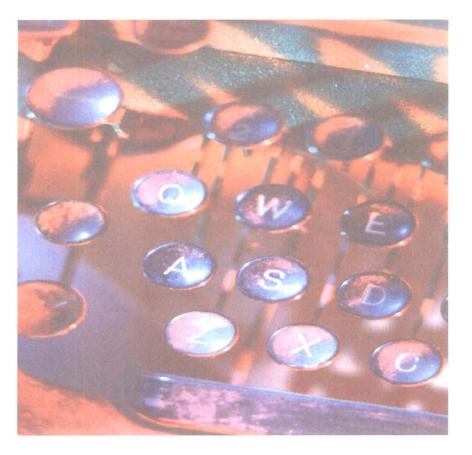
The Library could improve the internal controls over the existence of Special Material items by:

- Formalizing the receipt and acceptance process for Special Materials when transferring items to Special Materials Cataloging;
- Requiring initial bibliographic control of items as they arrive in the Anglo-American Acquisitions Division, similar to other materials that are processed there; and
- Standardizing the nomenclature used in the Special Materials request memorandums and the bibliographic record.



# Library of Congress Manuscripts Division





# STATISTICAL MEASURE OF THE EFFECTIVENESS OF INTERNAL CONTROLS

Fall, 2001

August, 2002



2001 M Street, NW Washington, DC 20036

Telephone 202 533 3000 Fax 202 533 8500

August 28, 2002

Ms. Anita Scala Office of Inspector General Library of Congress 101 Independence Avenue, S.E., LM-630 Washington, D.C. 20540

Dear Ms. Scala:

We have completed our review of the effectiveness of the internal controls over the collection items received in the Manuscripts Division using the statistical sampling plan outlined in our accepted proposal letter dated September 12, 2001. This report to you represents our final report for the Manuscripts Division and completes the services provided by KPMG LLP ("KPMG") as described in the proposal letter.

The data included in this report was obtained from Manuscripts Division personnel on or before October 31, 2002. We have no obligation to update our report or to revise the information contained therein to reflect events and transactions occurring subsequent to October 31, 2001.

This report is solely for your information and is not to be referred to in communications with or distributed for any other purpose to anyone who is not a member of management of the Library of Congress or the Manuscripts Division.

Please contact Oscar J. Castro, Manager, on 202-533-4484 if you have any questions or comments. We look forward to continuing to provide service to you, the Library, and the Manuscripts Division in the future.

KPMG LIP



# Library of Congress Manuscripts Division Internal Controls Assessment

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KPMG

#### I. Overview of Study and Test Methodology

The Library of Congress (Library) has more than 121 million items in its permanent collections and it adds approximately 7,000 new items to its permanent collections each day. The Library has stewardship responsibility for all items in its collections, and is therefore expected to provide Congress and the public with assurances that these duties are being carried out effectively. To assist in providing these assurances, the Library contracted with KPMG LLP (KPMG) in 1998 to conduct an assessment of the collections' safeguarding risks resident in the workflow processes for acquiring, maintaining and preserving different types of collection items.

These studies identified conditions that, if not corrected, could expose the Library's collections to high risks for loss, theft or degradation. The Library has been instituting policy and procedural changes to address these conditions. To measure progress in improving its safeguarding controls, the Library again contracted with KPMG to develop a statistical methodology for quantitatively assessing the strength of safeguarding controls for several of its collections. This report is the result of the Library's application of that methodology to collection items served to visiting scholars in the Manuscripts Reading Room. Under the current task order, KPMG was contracted to statistically establish a baseline for measuring the controls in place to ensure accountability and preservation of the Manuscripts collections.

The Manuscripts Reading Room serves as the central location where visiting scholars request access to the Library's collection of Manuscripts. The Manuscript Division holds over eleven thousand collections containing more than fifty million items, with the majority of the Division's collections comprised of personal papers of individuals and families. Since public access to the Library's collections of Manuscripts is controlled primarily through the Reading Room, the Library decided that testing controls at the external access point would provide the best measure of the Library's ability to account for and assess preservation needs of the Manuscripts collections. All Manuscript collection items are not requested by scholars with equal frequency, nor are all items in similar condition, because the Library has a finite amount of preservation resources that are needed to meet the needs of all collection divisions within the Library. To take these factors into consideration, KPMG designed a sampling methodology to identify changes in accountability and quality of the Manuscripts collections over time, as subsequent testing is performed.

KPMG

#### A. Internal Controls Evidenced by the Engagement Team

Though KPMG was not tasked with determining the specific controls in place to ensure accountability and preservation of the Manuscripts collections, the level of controls inherently affect the analysis of the results of the statistical methodology. Consequently, we have provided a brief summary of the internal control environment we observed as we conducted our test work.

- All visiting scholars must apply for and carry a valid Library identification card, allowing them access to the collections. In addition, each time they enter the Reading Room, visiting scholars must sign in with the security guard and demonstrate that they did not bring any extraneous items into the viewing area. All personal belongings must be kept in a Library-provided locker, located outside of the Reading Room.
- Security cameras, placed strategically throughout the Reading Room, monitor visiting scholars' activities at all times.
- All lots must be requested by filling out a call slip. Reading Room personnel locate all requested items from the stack areas (which are off limits to non-Manuscript personnel). Scholars are not allowed to request more than four lots at a time.
- All items requested for viewing are required to be re-filed after the scholar has completed his or her research. Items used over a series of days are not re-filed, but are secured within the closed stack area.
- When scholars leave the Reading Room, security guards search all items in the scholars' possession, including every piece of paper, to ensure that original collection items do not leave the Manuscripts Division.

KPMG

#### **II.** Testing Methodology

The statistical methodology, used to perform these tests, measures changes in accountability and preservation of the Manuscripts collections over time. To measure the trend in effectiveness of accountability and condition controls each period the collections are tested, the engagement team will need to construct and analyze samples taken from two separate populations: the previous test period's population (which, for the next period, will be the baseline established in these procedures); and the population of Manuscripts requested for viewing by visiting scholars on a randomly selected number of days. Section II of this report discusses the methodology for selecting the test dates, determining the population from which to sample, and identifying the specific steps the engagement team utilized as they sampled from the population.

#### A. Selection of Testing Dates

KPMG selected five random dates during four consecutive weeks in which testing would occur. The dates were chosen from a population consisting of weekdays between October 1, 2001 and October 31, 2001. The following dates were selected for testing:

October,						
Sun	Mon	Tue	Wed	Thu	Fri	Sa
	1	2	3	4	5	6
7	8*	9	10	11	12	13
14	15	16	17	18**	19	20
21	22	23	24	25	26	27
28	29	30	31	1	2	

Figure	l - Testin	g Date Selection

\* Testing was performed October 9<sup>th</sup> due to a Federal holiday
 \*\* Testing was performed October 26<sup>th</sup> due to unexpected Library closure

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#### **B.** Determining the Population

Our test sample was drawn from the entire population of Manuscripts requested for viewing by visiting scholars on five randomly selected days in October, 2001.<sup>1</sup> Each call slip constituted one test item and could contain up to four Manuscript items. KPMG randomly selected 25 call slips on each test date. If there were less than 25 call slips on any selected day, the sample population would then consist of all call slips for that day. A total of 116 items were selected for testing.

<b>Test Date</b>	Number of Items Tested
10/03/01	25
10/05/01	25
10/10/01	21
10/12/01	22
10/17/01	23

Table 1.	Number of	f Test Items	Selected by	y Test Date
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Once the sample was determined, KPMG submitted the sample selection to Reading Room personnel to locate the selected items.

Visiting scholars request access to a bundle or 'lot' of Manuscripts. The lot is typically a cardboard container containing multiple folders. The folders are organized in some fashion, such as date or subject matter, and each folder contains numerous individual items. The items in the folder varied greatly and could be anything from Christmas cards to personal or official correspondence, to scraps of papers with notes on them. KPMG arranged the lots in numerical order<sup>2</sup> and then counted the total number of folders contained in all of the lots listed on the call slip. KPMG then randomly selected one folder from this sub-sample. The selected folder served as the 'item' for which existence was tested and a condition assessment ascribed. The condition assessment was determined by KPMG with the assistance of Reading Room personnel by assigning an average condition for the entire folder. Detailed description notes were taken to assist in performing this task in the future.

The Library also wanted to obtain some indication of the reliability of item-level accountability within the Manuscripts Division. Given the nature of the items housed in Manuscript lots, preparing item-level descriptions could be difficult. As an alternative to describing an entire lot, piece-by-piece, KPMG randomly selected two

<sup>&</sup>lt;sup>1</sup> To develop the statistical methodology, KPMG analyzed the workflow processes of the Manuscripts Reading Room, noting in particular the volume of items requested for viewing on any given day. By selecting 5 random, business days over a one-month period, the statistical results ensure adequate and representative coverage of the Reading Room's typical workflow.

<sup>&</sup>lt;sup>2</sup> This was done simply to ensure consistency in the sampling process.



individual items from each folder. A digital picture was taken of each of these randomly selected items to use as samples for future existence testing. During future testing periods, a randomly generated sample will be taken from this population and tested for item-level existence. While the item-level test results cannot be extrapolated to the entire Manuscript Division population, it will provide some level of information the Library can use to assess the degree of item-level control in the Division.

#### C. Sampling the Population

For each sub-sample item/folder selected, the engagement team counted all pages or units within the sub-item/folder.<sup>3</sup> This item count was recorded on a tracking worksheet. The engagement team member then assigned an overall condition rating to the entire sub-item (folder) based on the condition definitions provided by Reading Room personnel. (Both the condition of the items and the housing<sup>4</sup> of the items were assessed and recorded on the tracking worksheet.) KPMG also captured the following key data fields for each item selected for testing:

- Title of the Collection
- Item Chosen<sup>5</sup>
- Number of Items within the Folder
- Condition of Items in the Folder
- Detailed Comments on the Condition of the Items<sup>6</sup>

<sup>&</sup>lt;sup>3</sup> There is the possibility of error in future testing in the event that paper-clipped or stapled items become separated.

<sup>&</sup>lt;sup>4</sup> Housing refers to the type of container used to store the collection item. Good Housing (HG) means that both the container and folder are acid-free.

<sup>&</sup>lt;sup>5</sup> The box number of the folder title was recorded. The folder title was generally read from left to right, and contained unique identifying characteristics such as an event name or description, individual(s)' names, and/or dates.

<sup>&</sup>lt;sup>6</sup> Comments on the condition of an items may include: brittleness of paper, fading, discoloration, creasing or tearing of items, as well as any smudging or water damage.

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#### **D.** Condition Assessment

Condition assessments were made based upon standardized condition descriptions provided by Reading Room management. Management believes that these descriptions adequately capture the range of conditions within the Manuscripts Division. KPMG worked with Reading Room personnel to understand how they would assign conditions to sample items. The engagement team further consulted with Reading Room personnel during the exercise to seek consensus on any condition assessment that was not readily apparent.

The definitions of the various degrees of condition of the Manuscripts Division Collection items, as defined by Manuscripts Division personnel, are as follows:

Condition	Definition of Condition Assessment
Assessment	
Excellent/HG	Little or no apparent damage to manuscript or object, and is in
	good housing.
Excellent/HP	Object is in excellent condition, but is in poor quality housing.
Good/HG	Mild handling wear to manuscript or object. May include bent
	corners, slight tears that do not go into the text or image, or
	creasing. Object is usable, but not in top condition. Housing is
	good.
Good/HP	Object is in good condition, but is in poor quality housing.
Fair/HG	Moderate handling wear to the manuscript or object. May include
	tears that go into the text or image, extensive creasing, fading
	and/or blurring of ink, damage from fasteners or housing. 'Fair'
	may also include papers that are undamaged, but very brittle to
	handle, or paper that is discolored. Object can be handled with
	care. Housing is good.
Fair/HP	Object is in fair condition. Housing is of poor quality.
Poor/HG	Substantial damage to manuscript or object. May include
	reactions to adhesives or acidic housing, foxing, dramatic fading
	or blurring, large tears, damage from inappropriate housing or
	folder size, or media-induced breakage of support. Pages or
	pieces loose or detached. Special care required to handle without
	damage. Housing is good.
Poor/HP	Object is in poor condition. Housing is of poor quality.
Severe/HG	Object cannot be handled at all in current condition without
	risking further damage. Pieces of a single page detached and in
	danger of loss; however housing is good.
Severe/HP	Object is in Severe condition, and is in poor quality housing.

#### Table 2: Condition Assessment Categories

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#### III. Summary of Results

Because the statistical analysis is based on a sample population, the results do not provide an exact value for each condition assessment category. Instead, the statistical results provide an estimated range of the condition of items in the Manuscripts collections with a 95% level of confidence. For example, the Library can be 95% certain that the percentage of items assigned a condition assessment of 'Excellent' is between 6.9% and 18.9%. The average of this range, 12.9%, is called the point estimate. The statistical results for the Manuscripts' collections are as follows:

Condition Assessment	(+) Margin of Error	Point Estimate	(-) Margin of Error
Excellent	18.9%	12.9 %	6.0 %
Good	46.7%	37.9 %	29.2 %
Fair	38.4%	30.2 %	22.0%
Poor	26.0%	19.0 %	11.0%
Severe	0/0%	0.0 %	0.0 %
Missing	0/0%	0.0 %	0.0 %
Total		100.0%	

Table 3 – Summar	y of	Condition	Test	Results
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The condition assessment test results are illustrated in graphic form in Figure 2 below.

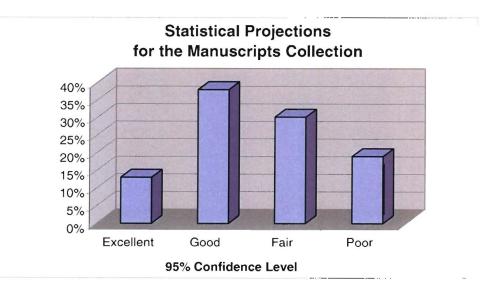


Figure 2 – Summary of Condition Test Results

KPMG

Because this was the first test period for sampling the Manuscripts' collections, the statistical results provide only limited insight as to the effectiveness of the Reading Room's controls over preservation, and no insight over accountability. As the figure above indicates, items in 'good' and 'excellent' condition could range anywhere from 1/3 of the population of items served during the test period to as much as 2/3 of the population. Management's expectations of the results of the condition assessment may or may not be different than the actual results, depending upon what management's initial perception of the general condition of the Manuscripts collections was. Management will have better information to assess control effectiveness when additional tests are conducted in future periods.

# Library of Congress Prints & Photographs Division



# STATISTICAL MEASURE OF THE EFFECTIVENESS OF INTERNAL CONTROLS

Fall, 2001

August, 2002



2001 M Street, NW Washington, DC 20036 Telephone 202 533 3000 Fax 202 533 8500

August 28, 2002

Ms. Anita Scala Office of Inspector General Library of Congress 101 Independence Avenue, S.E., LM-630 Washington, D.C. 20540

Dear Ms. Scala:

We have completed our review of the effectiveness of the internal controls over the collection items received in the Prints and Photographs Division using the statistical sampling plan outlined in our accepted proposal letter dated September 12, 2001. This report to you represents our final report for the Prints and Photographs Division and completes the services provided by KPMG LLP ("KPMG") as described in the proposal letter.

The data included in this report was obtained from Prints and Photographs Division personnel on or before November 1, 2001. We have no obligation to update our report or to revise the information contained therein to reflect events and transactions occurring subsequent to November 1, 2001.

This report is solely for your information and is not to be referred to in communications with or distributed for any other purpose to anyone who is not a member of management of the Library of Congress or the Prints and Photographs Division.

Please contact Oscar J. Castro, Manager, on 202-533-4484 if you have any questions or comments. We look forward to continuing to provide service to you, the Library, and the Prints and Photographs Division in the future.

KPMG LLP



## Library of Congress Prints and Photographs Reading Room Internal Controls Assessment

### I. Overview of Study and Test Methodology

The Library of Congress (Library) has more than 121 million items in its permanent collections and it adds approximately 7,000 new items to its permanent collections each day. The Library has stewardship responsibility for all items in its collections, and is therefore expected to provide Congress and the public with assurances that these duties are being carried out effectively. To assist in providing these assurances, the Library contracted with KPMG LLP (KPMG) in 1998 to conduct an assessment of the collections' safeguarding risks resident in the workflow processes for acquiring, maintaining and preserving different types of collection items.

These studies identified conditions that, if not corrected, could expose the Library's collections to high risks for loss, theft or degradation. Since the 1998 study, the Library has been instituting policy and procedural changes to address these conditions. To measure progress in improving its safeguarding controls, the Library contracted with KPMG to develop a statistical methodology for quantitatively assessing the strength of safeguarding controls for several of its collections. KPMG executed this statistical methodology twice previously for collection items in the Prints and Photographs Reading Room. This report is the result of the Library's third application of that methodology to collection items served to visiting scholars in the Prints and Photographs (P&P) Reading Room.

The Prints and Photographs Reading Room serves as the central location where visiting scholars request access to the Library's collection of P&P. The Reading Room holds over 13.6 million international and domestic images including photographs, fine and popular prints and drawings, posters, and architectural and engineering drawings with some prints dating from the fifteenth century. Since public access to the Library's collections of P&P is controlled primarily through the Reading Room, the Library decided that testing controls at the external access point would provide the best measure of the Library's ability to account for and assess preservation needs of the P&P collections. All P&P collection items are not requested by scholars with equal frequency, nor are all items in similar condition, because the Library has a finite amount of preservation resources that are needed to meet the needs of all collection divisions within the Library. To take these factors into consideration, KPMG designed a sampling methodology to identify changes in accountability and quality of the P&P collections over time, as subsequent testing is performed.

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## Library of Congress Prints and Photographs Reading Room Internal Controls Assessment

#### **B.** Summary of Results

As mentioned previously, the statistical methodology employed for this test was designed to identify changes in accountability and quality of the P&P collections over time, as subsequent testing is performed. Each subsequent test samples a combination of (1) new items selected each day by visiting scholars over a 10-day period, and (2) previously sampled items randomly selected from the previous test period's sample population. KPMG's sampling test work was performed during the period September 26<sup>th</sup> to November 1<sup>st</sup>, 2001. During this period, KPMG randomly selected days on which to perform the testing, and then randomly selected items to test for existence and condition.

For each item selected, the KPMG engagement team recorded unique identifiers so that these items could be re-sampled if selected again in future test work. In addition, KPMG worked with Reading Room personnel to assess the condition of each randomly selected item, in accordance with condition assessment criteria provided by Library management. Finally, the engagement team took digital photographs of selected items that will be re-tested in future periods as a means of assessing item-level accountability. Even though this analysis cannot be statistically extrapolated, Library management wanted to test whether item-level accountability was being maintained.

#### C. Condition Assessment Results

*Table 1 and Figure 1* provide a three-year statistical analysis of the collection condition results of KPMG's test work in the P&P Reading Room.

	Period 1 January, 1999			od 2 er, 1999	Period 3 October, 2001	
Condition	Point Estimates	Margin of Error +/-	Point Estimates	Margin of Error +/-	Point Estimates	Margin of Error +/-
Excellent	12.2%	4.4%	8.3%	3.1%	9.6%	2.8%
Very Good	17.4%	5.1%	34.0%	5.7%	39.0%	4.7%
Good	59.2%	6.6%	41.8%	5.7%	40.8%	4.8%
Fair	9.4%	3.9%	12.7%	3.9%	9.6%	2.7%
Poor	1.9%	1.8%	2.0%	1.9%	1.1%	1.3%
Missing			1.3%	2.0%		

KPMG

### A. Internal Controls Evidenced by the Engagement Team

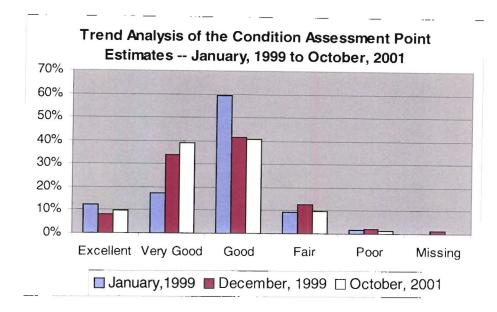
Though KPMG was not tasked with determining the specific controls in place to ensure accountability and preservation of the P&P collections, the level of controls inherently affect the analysis of the results of the statistical methodology. Consequently, we have provided a brief summary of the internal control environment we observed as we conducted our test work.

- All visiting scholars must apply for and present a valid Library identification card, allowing them access to the collections. In addition, each time they enter the Reading Room, visiting scholars must sign in with the security guard and demonstrate that they did not bring any extraneous items into the viewing area. All personal belongings must be kept in a Library-provided locker, located outside the Reading Room.
- Security cameras, placed strategically throughout the Reading Room, monitor visiting scholars at all times.
- All closed-stack items must be requested via a call slip and are retrieved by Library personnel. However, scholars can access open-stack items themselves.
- Items requested for viewing are not immediately re-filed after viewing, which hinders Library personnel's ability to hold any one individual responsible if an item is stolen or mutilated.
- Reading Room personnel do not have an efficient, systemized process for tracking P&P items sent to Photoduplication.
- All visiting scholars' belongings taken from the Reading Room are searched prior to leaving to ensure that collection items are not leaving the Reading Room.

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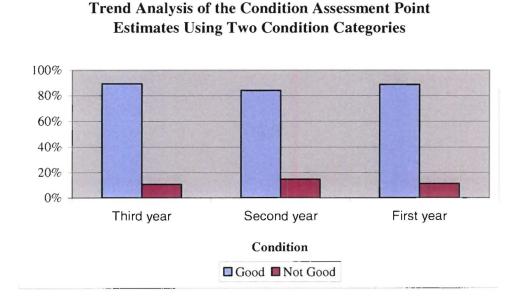
The following observations can be made regarding the trend analysis of the P&P condition assessments over the three test periods.

- There were no statistically significant changes in any condition assessment category between Period 1 and Period 2 and between Period 2 and Period 3.
- There was, though, a statistically significant change in two of the condition assessment categories between Period 1 and Period 3.
- Items assessed as 'very good' had a point estimate of 39% in Period 3 versus a point estimate of 17% in Period 1.
- Items assessed as 'good' had a point estimate of 41% in Period 3 versus a point estimate of 59% in Period 1.

Because individual condition assessments tend to be subjective, it is often useful to look at the population of condition assessments from the binary perspective of 'good' or 'not good.' 'Good' would include all items assigned a condition assessment of 'excellent' to 'good' and 'not good' would include those items assigned a condition assessment of 'fair' to 'poor'. If the statistical results are analyzed using these two condition assessment categories, the following observations can be made:

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#### <u>Figure 2– Summary of Condition Test Results Using Two Condition Categories –</u> January, 1999 to October, 2001



- Again, there were no statistically significant changes in the overall condition of the population of items served between Period 1 and Period 2, and between the Period 2 and Period 3.
- However, though not statistically significant, there appeared to be a slight improvement in overall condition between Period 2 and Period 3. The point estimate for the percentage of items in 'good' condition in Period 3 was 89%, compared to 84 % for Period 2. Accordingly, the overall assessment of items in 'not good' condition was 11% in Period 3, compared to 15% in Period 2.

The results suggest that two situations might have occurred:

- P&P personnel may have assigned slightly more lenient condition assessments in Period 3 compared to Period 2<sup>1</sup>, or
- P&P personnel may have applied preservation treatments to those sample items found in less than good condition in Period 2, thus improving their condition prior to Period 3 re-sampling.

<sup>&</sup>lt;sup>1</sup> There will always exist some risk that personnel will apply slightly different interpretations to a condition assessment definition. This risk can be mitigated by further refining the condition assessment descriptions.



#### D. Current Year Accountability Assessment

It should be noted that the existence of five items could not be verified in Period 3. While the point estimate for the '*missing*' condition assessment category is 0%, in reality, there are five existence errors from the re-sampled population. Because of how the paneling results are calculated, however, these results did not become a factor in the final calculations.

The detail of our results is provided in the Appendix to this report.

## Library of Congress Prints and Photographs Reading Room Internal Controls Assessment

#### **II.** Testing Methodology

As mentioned previously, the statistical methodology provides a measure of changes in accountability and preservation of the P&P collections over time. To measure the trend in effectiveness of accountability and condition, each period the collections are tested, the engagement team will need to construct and analyze samples taken from two separate populations: one sample comprised of 70 or 80 items randomly selected from the previous period's population; and the other sample comprised of 70 or 80 items – 7 – 8 items a day, randomly selected over 10 consecutive days – from all items selected the previous day for viewing by visiting scholars. The sum of both populations will yield a sample size of 150 items. For each test period, these populations were analyzed using a statistical process known as paneling.<sup>2</sup>

Section II will discuss the methodology for selecting the test dates, determining the population from which to sample, and the specific steps the engagement team utilized as they sampled from the population.

#### A. Selection of Testing Dates

The statistical methodology for sampling newly selected items required the engagement team to randomly select a period of 10 consecutive, business days on which to conduct testing.<sup>3</sup> This was done by randomly selecting one day in a one-month period and sampling that day plus the 9 days following. The following dates, highlighted in *Figure 3* below, were selected for testing:

October,						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18*	19	20
21	22	23	24	25	26	27
28	29	30	31	1*	2	3
4	5	6	7			

Figure 3 – Testing D	ate Sele <u>ction – Newly Sam</u>	pled P&P
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\* Testing was halted from October 18<sup>th</sup> due to the unexpected closure of the Library; testing resumed November 1<sup>st</sup>.

<sup>&</sup>lt;sup>2</sup> Sampling Techniques, 3<sup>rd</sup> Edition, William G. Cochran: Wiley Publishing Co., 1973.

<sup>&</sup>lt;sup>3</sup> Prior to establishing the baseline population in 1999, KPMG analyzed the workflow processes of the P&P Reading Room, noting in particular the volume of items requested for viewing on any given day. By selecting 10 consecutive, business days, the statistical results ensure adequate and representative coverage of the Reading Room's typical workflow.

## Library of Congress Prints and Photographs Reading Room Internal Controls Assessment

#### **B.** Determining the Population

In general, sample items were one of two types; an individual item, or a "lot" of individual items. Individual items were simply a single print or photograph mounted on cardboard, sometimes protected with a plastic cover. A "lot" is a group of individual prints or photographs that are filed together. Lots are typically kept in a cardboard container(s), however, sometimes lots may be kept in folders with multiple lots in a single container. Alternatively, some lots, like the Tuskegee Collection, for example, might have multiple boxes as part of one lot, with each box containing many P&P items - sometimes hundreds of individual P&P items.

On October 11<sup>th</sup>, 2001, KPMG began assembling the sample of 70 new items to be drawn from all items requested by visiting scholars on the previous day. Reading Room personnel assisted in this effort by sequestering all items viewed on the previous day so KPMG could easily isolate the day's test population. To establish the sample population, KPMG counted the number of P&P items on the book truck(s) and then, using a random number generator, randomly selected 7 items from the sample population. Again, lots or groups of items served as one unit were counted as one item. This process was performed again on each of the following 9 consecutive, business days.

KPMG selected the sample population of 80 items from the previous period's sample data of 150 items using a random number generator. Once the sample was selected, KPMG forwarded this list to Reading Room personnel to begin physically locating the items.

#### C. Sampling the Population

Once Reading Room personnel informed the engagement team that they had located the items from the previous period's sample data, KPMG evidenced the item's existence and then worked with Reading Room personnel to assess the condition of items in accordance with the condition assessment guidelines drafted by Library management. This process was relatively straightforward for individual P&P items. For lots, however, the lot itself was considered the item to be tested, both for accountability and condition assessment (a statistical process known as cluster sampling was employed for condition assessment).

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#### Library of Congress Prints and Photographs Reading Room Internal Controls Assessment

This method was slightly different than the method used to measure accountability in the prior year's testing processes. In the prior years, the Library requested KPMG to assess individual item accountability even for items that were housed within lots. Given the sheer size of some of the lots and the lack of identifying information on some of individual items within the lots, this had become a tenuous exercise. The Library agreed to alter the procedures and abandon the requirement to individually account for all items within a sampled lot.

Alternatively, KPMG was instructed to track the total number of items in each lot so that, on subsequent testing dates, the engagement team could verify whether the number of items in the lot during the current test period corresponded with the number of items in the lot during the previous sample. In addition, KPMG agreed that it would randomly select two items from each lot to test item-level accountability in subsequent periods. All identifying information for these items was recorded, and a digital photograph of the item was taken to ensure that the item could be located later.

Testing for new items began on October 11<sup>th</sup>, 2001 and lasted for 10 consecutive, business days as was the practice in previous periods tested. For each individual or lot item selected for testing, KPMG recorded the following key data fields:

- Call/Open Item
- Copyright Number
- Lot Number
- Library of Congress Number
- Title/Description of the Collection
- Photocopy of Digital Picture
- Current Condition
- Comments on the Condition

#### **D.** Condition Assessment

Condition assessments were made based upon detailed condition descriptions provided by the P&P Division personnel. P&P Division personnel believe that these descriptions adequately capture the range of conditions within the Division. P&P Division personnel performed each assessment. For individual prints and photographs, Division personnel simply assigned a condition assessment to that item. However, to measure the condition of lots, KPMG used a statistical process known as cluster sampling. KPMG

#### Library of Congress Prints and Photographs Reading Room Internal Controls Assessment

Cluster sampling allows a single condition assessment to be assigned to a group of individual items by sub-sampling within the group, assigning condition assessments to each of the individual items within the sub-sample, and extrapolating this information to arrive at a single condition assessment for the entire group. The cluster sampling sizes used in this study are as follows:

Table 2: Sub-sample Size

Group/Cluster Size	Sub-Sample Size (# of items)
<20	All
21-50	25 or all, whichever is smaller
51-100	30
>100	50

The condition descriptions used in our assessment are as follows:

Condition Assessment	Definition of Condition Assessment
Excellent (EX)	No apparent damage to print or mount.
Very Good (VG)	Extremely minor handling wear to mount; little or no apparent damage to the print – may include bent mount corners and minor creasing.
Good (G)	Mild to moderate handling wear to the mount and/or print – may include bent corners; slight tears that do not go into the photo; creasing; normal fading.
Fair (F)	Moderate to substantial handling wear to the print as well as the mount – may include tears that go into the print itself; extensive creasing; color changes.
Poor (P)	Substantial damage to print as well as the mount – may include reactions with glue or acidic housing; foxing; dramatic color changes; large tears.
Missing (M)	Items identified as missing means that the selected item could not be located during the entire testing process. While there are multiple explanations for this – item was misplaced/misfiled; item was sent to photo duplication; item was stolen – the testing process can not differentiate amongst these explanations and simply categorizes all missing items as missing leaving individual interpretation to Library management.

#### Table 3: Condition Assessment Categories

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#### Library of Congress Prints and Photographs Reading Room Internal Controls Assessment

#### Appendix I – Condition and Existence Test Data for 80 Re-Sampled Items

Prior and current year conditions are presented below, in summary and in detail.

#### Summary Results - Prior Year vs. Current Year

Year	Excellent	Very Good	Good	Fair	Poor	Missing	Total
Prior	7	30	32	9	2	0	80
Current	6	26	34	8	1	5	80

#### Detail of Current Year Condition Assessments by Sample Number

Sample #	Prior Condition	Current Condition	Sample #	Prior Condition	Current Condition
1	VG	VG	41	VG	Missing
2	G	G	42	VG	G
3	P	Missing	43	G	G
4	VG	VG	44	Ğ	G
5	Р	P	45	VG	VG
6	VG	VG	46	VG	G
7	G	G	47	G	Missing
8	G	G	48	VG	VG
9	F	F	49	VG	VG
10	E	E	50	F	F
11	F	F	51	G	G
12	Ē	E	52	G	G
13	E	E	53	F	F
14	F	F	54	G	G
15	G	G	55	VG	VG
16	VG	VG	56	G	Missing
17	G	G	57	VG	VG
18	G	G	58	G	G
19	G	G	59	VG	VG
20	G	G	60	E	E
21	VG	VG	61	VG	VG
22	VG	VG	62	G	G
23	VG	VG	63	G	G
24	VG	VG	64	G	G
25	E	E	65	G	G
26	VG	VG	66	F	F_
27	VG	VG	67	G	G
28	G	G	68	G	G
29	G	G	69	G	G
30	VG	VG	70	F	F
31	F	F	71	E	VG
32	G	G	72	E	E
33	VG	VG	73	VG	VG
34	VG	VG	74	G	G
35	VG	G	75	VG	VG
36	G	G	76	VG	G
37	G	G	77	VG	VG
38	VG	VG	78	F	Missing
39	G	G	79	G	G
40	VG	VG	80	G	G

#### Library of Congress Prints and Photographs Reading Room Internal Controls Assessment

#### Appendix II – Summary of Condition and Existence of 70 Newly Sampled Items, By Test Date

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Dem	Day Total Pop	% of Total	Sample	CURRENT CONDITION				
Day	Total Pop	Рор	Size	Excellent	Very Good	Good	Fair	Missing
1	158	13.3%	7	1	3	2	1	0
2	70	5.9%	7	1	3	1	2	0
3	144	12.1%	7	1	6	0	0	0
4	90	7.6%	7	0	5	2	0	0
5	144	12.1%	7	3	2	2	0	0
6	74	6.2%	7	0	5	2	0	0
7	254	21.4%	7	0	5	2	0	0
8	70	5.9%	7	0	2	5	0	0
9	66	5.6%	7	3	2	1	1	0
10	118	9.9%	7	0	6	1	0	0
Total	1188	100.0%	70	9	39	18	4	0

#### Table 1 – Total Number of Items By Day By Condition Category

The above data were used to calculate the daily proportions, or weighted averages, of items sampled from the population that exhibit the various degrees of condition, as follows:

Dav   Loral Pon	% of Total	Sample	CURRENT CONDITION					
	Size	Excellent	Very Good	Good	Fair	Missing		
1	158	13.3%	7	14.3%	42.9%	28.6%	14.3%	0.0%
2	70	5.9%	7	14.3%	42.9%	14.3%	28.6%	0.0%
3	144	12.1%	7	14.3%	85.7%	0.0%	0.0%	0.0%
4	90	7.6%	7	0.0%	71.4%	28.6%	0.0%	0.0%
5	144	12.1%	7	42.9%	28.6%	28.6%	0.0%	0.0%
6	74	6.2%	7	0.0%	71.4%	28.6%	0.0%	0.0%
7	254	21.4%	7	0.0%	71.4%	28.6%	0.0%	0.0%
8	70	5.9%	7	0.0%	28.6%	71.4%	0.0%	0.0%
9	66	5.6%	7	42.9%	28.6%	14.3%	14.3%	0.0%
10	118	9.9%	7	0.0%	85.7%	14.3%	0.0%	0.0%
Total	1188	100.0%	70	12.0%	59.0%	24.6%	4.4%	0.0%

Table 2 – Total Number of Items By Day as a Percentage of Total

Using the above data, the frequency with which an item was rated 'Excellent', 'Very Good', 'Good' 'Fair', or 'Poor' can be determined, both on a per-day basis given a sample size of 7, and for all 70 randomly selected items across the 10-day period.

UNITED STATES GOVERNMENT Memorandum

TO:	Donald L. Scott		August 2, 2002
FROM:	Deputy Librarian Karl W. Schornagel Inspector General	had burgh	PUBLIC Release

SUBJECT: Appointing a Chief Operating Officer at the Library of Congress

This is a follow-up to my July 24, 2002 memorandum to you suggesting appointment of a seniorlevel manager to oversee all infrastructure functions except perhaps Financial Services Directorate and Information Technology Services. There are actions as recent as July 25<sup>th</sup> concerning development of like positions (Chief Operating Officers) in other federal agencies that may be relevant to the Library.

I obtained some additional information from the General Accounting Office (GAO). As you may know, the Comptroller General of the United States designated strategic human capital management as a government wide high-risk area in January 2001 because of a long-standing lack of a consistent strategic approach to marshaling, managing, and maintaining the human capital needed for government to deliver on it promises. The Comptroller General testified before the National Commission on the Public Service (the Volcker Commission) expounding on the Chief Operating Officer (COO) concept and its need in many agencies that suffer from a range of longstanding management challenges. See attachment 1, pages 7 through 9.

Senator Durbin introduced the COO concept last week during FY 2003 appropriation proceedings for the Architect of the Capitol. See attachment 2. Specifically, the Senator's amendment of H.R. 5121 directs the Architect to appoint a Deputy Architect of the Capitol that will serve as the COO and be responsible for strategic planning; performance planning; proposing organizational changes; and reviewing and directing operational functions including facilities, project management, modernizing systems, productivity and cost-saving measures, strategic human capital management, and financial management.

With focus from GAO, there is a trend in the federal government toward recognizing the need for COOs to address cultural transformations and directing more attention on our most important assets, the people who perform our missions. This is evident in discussions about establishing COOs in existing and new federal agencies, including the Department of Homeland Security.

If you have any questions or would like to discuss further the advantages that such a position could bring to the Library, please let me know.

#### UNITED STATES GOVERNMENT

LIBRARY OF CONGRESS

### <u>Memorandum</u>

Office of the Inspector General

TO:	Marybeth Peters	May 6, 2002
	Register of Copyrights and Associate Librarian for Copyright S	ervices
FROM:	Karl W. Schornagel Inspector General	PUBLIC RELEASE

SUBJECT: Licensing Division: Internal Controls Are Generally Adequate, But IT Security Control Improvements Are Needed Audit Report No. 2001-PA-102

We completed a review of the process used by the Copyright Licensing Division (LD) to record and distribute royalties. The review focused on the integrity of the financial transactions recorded by LD and the information technology (IT) security controls utilized to protect those transactions. The report discusses the results of the audit and provides recommendations for improvements.

Please provide an action plan addressing implementation of the recommendations, including implementation dates, within 90 calendar days in accordance with LCR 1519-1, Section 4.B. We appreciate the cooperation and courtesies extended by LD staff during the audit.

#### **EXECUTIVE SUMMARY**

We found that LD controls are adequate to produce timely and reliable financial information, however, some aspects of IT security practices could be improved. LD provides an important service to the public by serving as a trusted third party in the receipt, investment, and distribution of copyright royalties. The royalties can exceed \$460 million on an average day. The process used to record and distribute these royalties requires meticulous attention to detail as staff members record, allocate, invest, and distribute the funds.

LD has adequate internal controls, including a separation of duties policy that ensures the accuracy of the financial data. However, we found that due to a lack of training, LD did not fully understand the concepts of (1) reducing significant vulnerabilities of the Windows NT server administrator account, (2) performing continuous auditing through proper configuration of the security log, and (3) ensuring daily data backups. Further, LD does not have written procedures covering existing practices or describing acceptable security practices. Without these controls in place, important data is not properly protected from loss.

In its April 25, 2002 response to the draft report, LD concurred with our recommendations and stated it would take appropriate corrective action. We incorporated LD's comments to our draft report into individual recommendations appearing on pages three through eight. The complete response is included as an attachment.

#### BACKGROUND

LD operates under authority contained in 17 U.S.C. (the Copyright Act). The Act includes provisions for entities such as cable television systems, satellite carriers, and distributors of digital sound media to obtain a license to use certain copyrighted works in their business operations. The license holders remit royalty payments to the Copyright Office, and LD distributes the funds to the copyright holders.

LD provides an important service to the public by serving as a trusted third party between the licensed businesses that owe royalty fees and those who are due royalty fees (the claimants). Before distributing royalty fees, LD first deducts its operating costs. As a trusted third party, LD has important record keeping and fiduciary responsibilities that benefit the industries it serves. These responsibilities include processing the \$186 million received annually in royalty payments from thousands of statements of account, and investing the payments on behalf of the claimants in U.S. Treasury securities. As of July 30, 2001, receipts in excess of \$460 million were divided into pools segregated by class of the remitters and claimants, and year of receipt. LD maintains records of remittances, investments, and distributions. These records are available for review by the public and interested parties.

Because disputes between interested parties claiming royalty fees are typically only resolved after a hearing by a Copyright Arbitration Royalty Panel, full distribution is typically delayed for several years. During this period of dispute, LD has full responsibility for the funds.

Organizationally, the Acting Division Chief reports to the Register of Copyrights and Chief Operating Officer. LCR 215-6 delegates responsibility for policy direction, coordination, and oversight of all Division activities to the Chief. LD is located in the Madison Building, and employs 30 staff.

We reviewed LD activities with an emphasis on the Fiscal Section which is responsible for all royalty accounting, budgeting, and investing functions. LD is responsible for administering the systems used to perform these functions. Financial statements are prepared using DataPro, an off-the-shelf application installed on LD's Windows NT server. Investment holdings are tracked using Excel, a Microsoft spreadsheet application that is also installed on the server. Information on individual license holders is input by LD staff and resides in an Oracle database located in the Information Technology Services (ITS) data center.

#### **OBJECTIVES, SCOPE, AND METHODOLOGY**

Our objectives were to (1) determine whether the royalty receipt and distribution process contained adequate management controls, (2) ensure the integrity of financial transactions, and (3) determine whether the applications and data residing on the LD server were protected by appropriate IT security controls. We conducted our fieldwork from October 1, 2000 through January 31, 2002. Our report was delayed due to special assignments of higher priority.

We conducted our audit in accordance with generally accepted government auditing standards. The criteria used to evaluate the audit evidence included:

- □ The Computer Security Act of 1987, Public Law 100-235;
- Principles and Practices for Securing IT Systems issued by the National Institute of Standards and Technology;
- □ The Standards for Internal Control in the Federal Government (GAO/AIMD-00-21.3.1);
- □ Library of Congress Regulation LCR-1620, Computer Security Policy of the Library of Congress;
- □ Library of Congress Financial Services Directive FSD 00-01, Guidelines for Financial System Reconciliations;
- Licensing Division procedures manuals; and
- D Windows NT 4.0 Server Baseline Security Checklist.

Our audit included an assessment of LD policy directives on IT security, an evaluation of technical controls over access to system data, as well as internal controls over financial data residing on LD's Windows NT server. We interviewed key personnel from LD, ITS, and the Financial Services Directorate. We observed staff performing their duties, conducted detailed testing on the partial distribution of 1998 cable royalties, and evaluated the separation of duties over receipts. We reviewed logical access to system data, evaluated the usefulness of management controls provided by the NT server security log, and evaluated the effectiveness of management controls in place over the data backup and recovery process. Because the interface between the Library and LD's accounting system is manual, we also evaluated the reliability of the reconciliation process between the two systems.

#### FINDINGS AND RECOMMENDATIONS

#### I. Systems IT Security Staff Require Additional Training

Systems security staff are not completing periodic IT security training. Due to a lack of training, we discovered IT security weaknesses including controls over data backup, logical access to network resources, and configuration and review of security logs.

Systems administrators and managers attended some classroom training, but the training did not address current security practices, and was not adequate to fulfill the standards established by the National Institute of Standards and Technology. These standards require that managers and system administrators obtain training beyond that of an ordinary user so that they possess the knowledge necessary to effectively carry out their IT security responsibilities. LCR-1620, *Computer Security Policy of the Library of Congress*, delegates the authority to establish and implement local (system level) IT security policy for programs to Library managers. We believe the staff responsible for systems security should participate in training that addresses best practices in system security.

LD management stated that they are unaware of any requirements for attending training and are following ITS guidance, which does not include requirements for management and systems administrators to complete specialized IT security training. The Library's Computer Security

Officer stated that while Library policy indicates that supervisors are to consult with ITS on their training needs, the responsibility for assessing individual training needs rests primarily with the supervisor. She suggested that a service unit's own Computer Security Coordination Group representative would probably be in the best position to provide customized advice.

#### **Recommendations:**

- A. The Acting LD Chief should issue a policy that requires establishing an annual IT security training plan for managers and systems administrators.
- B. The annual IT security training plan should require classroom attendance at one comprehensive Windows NT security course within the next 12 months.

#### **Copyright Office Response and OIG Comments**

The Copyright Office concurs. We will verify that corrective action is being taken as part of our audit follow-up process.

#### II. Formal IT Security Procedures Should Be Issued

The Division does not have IT policies describing and documenting its logical access security practices such as minimum password standards, training requirements, or data backup and restoration practices. By not having written procedures in place, there is minimal assurance that employees are performing tasks consistent with management's intent. Until management fully establishes its policies and procedures, LD data and applications will be exposed to loss or intrusion.

The U.S. General Accounting Office's Standards for Internal Controls in the Federal Government (GAO/AIMD-00-21.3.1) requires that internal controls be clearly documented in administrative policies, management directives, or operating manuals. The National Institute of Standards and Technology emphasizes the importance of establishing accountability for delegated IT security tasks. LCR-1620, Computer Security Policy of the Library of Congress, delegates the authority to establish and implement local IT security policy and procedures to Library managers.

The Division believes that it implemented its procedures by using verbal policies and procedures. However, its verbal policies and procedures do not cover some important aspects of IT security, and do not provide for proper accountability for the IT security tasks.

#### **Recommendations:**

A. The Acting LD Chief should identify and establish written procedures for critical processes. At a minimum, the written procedures should cover administration of logical access security controls such as password standards, data access rights, and review of security logs; requirements and procedures for data backup and recovery; and requirements for annual employee training plans. Procedures should be distributed to appropriate personnel.

B. Management should periodically review and update written procedures as processes and practices change.

#### **Copyright Office Response and OIG Comments**

The Copyright Office concurs. We will verify that corrective action is being taken as part of our audit follow-up process.

#### III. IT Security Logs Should Be Configured and Reviewed to Monitor Significant Events

The current Windows NT security log is tracking so many activities that it is difficult to review, quickly becomes voluminous, fills up its allotted storage space, and is often overwritten before staff have an opportunity to review it.

When we began our review of LD's practices, we observed that the Windows NT security log was turned off. When we inquired about the security log's use, the log was turned on. However, we observed that the log is not serving its intended purpose of providing management with a way to continuously monitor events that may be a potential threat to security.

The Windows NT security log is an automated tool that managers can use to perform continuous auditing of user activities. There are many events that can be tracked such as log on successes and failures, deletion of files, creation of a new user, a change in audit policy, and clearing of the log. Depending on the criticality of data, management may or may not want to audit all of these events. For example, LD is currently logging events such as all successful log ons and log offs of all employees. It is doubtful that this type of tracking of successful log ons and log offs would reveal anything other than the time that Division staff members begin and end their work days. This setting alone creates a needlessly high number of log entries, which makes it difficult to review. The security log is currently tracking information that exceeds 600 pages in an eighthour period. This volume of data makes the security log virtually useless as a management tool.

The National Institute of Standards and Technology guidelines require that audit trails be established, but gives management flexibility in determining which events to track for maximum effectiveness. The guidelines also require periodic review of the logs. Proper use can provide invaluable assistance in protecting the system. For example, tracking actions such as unsuccessful log ons may disclose a record of an intruder trying to guess a staff member's password and attempting to illegally access system resources. A record of three consecutive unsuccessful log on attempts appearing in the security audit log should alert LD personnel of an attempted, or possibly successful, network penetration.

We believe the security log is not being properly used because LD personnel are not aware or trained in the use of the tracking options offered by the security log and how to customize its features for different organizational functions. Further, as discussed above, there are no written security procedures describing effective and acceptable IT security practices.

#### **Recommendations:**

- A. LD should determine which system events it wants to routinely track and monitor.
- B. LD should assign responsibility for monitoring the security log to one staff member and for reviewing the log to a second staff member.
- C. As the event log grows, it should be moved to a new storage location within the system.
- D. LD staff should promptly notify the Acting LD Chief of suspicious log entries and any actions taken in response.

#### **Copyright Office Response and OIG Comments**

The Copyright Office concurs. Further, LD has already taken some preliminary action to identify events to track and monitor. We will verify that corrective action is being taken as part of our audit follow-up process.

#### IV. Data Should Be Consistently Backed Up

We found that LD personnel are not consistently backing up data on the Windows NT server. Our review of the automated backup log for 98 consecutive business days from June 12, 2001 through November 6, 2001 disclosed that backups were unsuccessful 69 percent of the time. During the month of August, backups were unsuccessful for 17 consecutive days. These failures resulted from the malfunction of the automatic tape backup software and staff not inserting backup tapes into the tape drive. Further, there are no formal practices to review the backup log for successful completion of the backup process.

The data residing on the LD server includes records of distributions, as well as financial statements on royalty fee collections exceeding \$186 million per year and records of over \$460 million invested in U.S. Treasury securities. A structural collapse, major fire, or cyber attack could cause a loss of invaluable information that would be difficult to reconstruct. If there was a complete loss of the server and there were no current backup tapes available off-site, LD personnel would be forced to reconstruct records in order to keep the program operational. This would be a slow, labor-intensive effort, and the loss of critical data might adversely impact LD's ability to serve the industries that rely on its services.

The U.S. General Accounting Office's *Standards for Internal Controls in the Federal Government* (GAO/AIMD-00-21.3.1) require that controls be established over client-server operations including data backup and recovery. Further, LCR 1620, section 6.H, delegates protection of assets, systems, and data used within management's assigned area of control to the immediate supervisor.

The Head of LD's Fiscal Section said he sometimes creates a backup of the system and takes the backup home, but there was no record of these backups, and they are not done on a daily or routine basis.

#### **Recommendations:**

- A. The Acting LD Chief should revise actual practices to include assigning backup responsibilities to specific staff members; requiring periodic testing, restoration, security, and labeling of tapes; informing staff how to proceed when the backup software is not functioning properly; and monitoring the success or failure of backups. These revised practices should be clearly documented in written procedures and communicated to responsible staff.
- B. Responsibility for backups should be included in the performance standards of the responsible staff members.

#### **Copyright Office Response and OIG Comments**

The Copyright Office concurs with recommendation A. For item B, the Copyright Office states that traditionally there have been no performance standards for positions in the LD, and they would prefer not to single out a few positions, which would also require them to negotiate with the unions. The Copyright Office believes that staff can be held accountable in other ways. First, the Computer Specialist's position description includes a number of references to performing backups as duties to which he is responsible. In addition, for all positions, the Copyright Office will document in its practices the expectations for staff performing these duties.

The proposed corrective action is responsive to our recommendations. We will verify that corrective action is being taken as part of our audit follow-up process.

#### V. The Windows NT Administrator Account Requires Additional Protection

LD's NT Administrator account has not been re-named to a less obvious name and is protected by a password that is several years old. The Windows NT server is vulnerable to intruders because LD is not following Microsoft's IT security recommendations for naming the "Administrator" account, and password protection. Until the account name is changed, and a strong password is established and changed on a frequent basis, LD applications and data are vulnerable targets for unauthorized access.

The Windows NT built-in "Administrator" account is unique in that it permits the user to have unrestricted access to all system resources. An intruder accessing this account has the ability to do anything a systems administrator can do to the system such as deleting files or changing financial data. Consequently, the "Administrator" account is a well-known target used by intruders to gain access to the server, and anonymously manipulate sensitive data.

In its Windows NT 4.0 Server Baseline Security Checklist, Microsoft recommends camouflaging the "Administrator" account's powerful capabilities by renaming it to any name except "Administrator." Microsoft also recommends that passwords be at least nine characters long, include at least one punctuation mark or nonprinting character in the first seven characters, and that it be changed at least every 42 days.

Management considers its verbal policies on network administration adequate, and has not issued written procedures describing acceptable logical access security controls. Further, as discussed in Finding I, system administrators have not had sufficient training and do not understand the need for strong password controls and changing the "Administrator" account name.

#### **Recommendations:**

- A. The Acting LD Chief should revise the system administration practices to require that stronger controls be established over the "Administrator" account.
- B. The account should be renamed to a less obvious name and the controls over passwords should be strengthened so that the password is at least nine characters long, includes at least one special character, and is changed at least every 42 days.

#### Copyright Office Response and OIG Comments

The Copyright Office concurs. We will verify that corrective action is being taken as part of our audit follow-up process.

Attachment: Copyright Office Response dated April 25, 2002

cc: Deputy Librarian of Congress Staff Director and Chief Operating Officer Acting Licensing Division Chief Fiscal Section Head -

,

Attachment (Page 1 of 2)

COPYRIGHT OFFICE			UNITED STATES GOVERNMENT
			MEMORANDUN
	to:	Karl Schornagel Inspector General	date: April 25, 2002
	from:	Marybeth Peters (1) Register of Copyrights	
	sub:	Response to Audit Report No. 2	001-PA-102
	The fo	llowing details our responses to r	recommendations included in the audit report:
Reco	mmenda	ation I. Systems IT Security Staf	f Require Additional Training
		g LD Chief should issue a policy for managers and systems admin	that requires establishing an annual IT security istrators.
		ng plan should require classroon ourse within the next 12 months	n attendance at one comprehensive Windows
Copy	right Of	fice response: Concur.	
Reco	mmenda	ation II. Formal IT Security Proc	edures Should be Issued
At a : conti requi	minimun ols such rements	n, the written procedures should as password standards, data and procedures for data backup	ablish written procedures for critical processes. cover administration of logical access security access rights, and review of security logs; o and recovery; and requirements for annual be distributed to appropriate personnel.
	lanagem ices chai		nd update written procedures as processes and
Сору	ri <mark>ght Of</mark> l	fice response: Concur.	
	mmenda ficant Ev		ld be Configured and Reviewed to Monitor
			it wants to routinely track and monitor.

Attachment (Page 2 of 2)

Audit Report No. 2001-PA-102 -2-

April 25, 2002

**B.** LD should assign responsibility for monitoring the security log to one staff member and for reviewing the log to a second staff member.

Copyright Office response: Concur. Further, the Licensing Division has already taken preliminary action in determining events to track and monitor which has reduced the security log to two pages.

#### Recommendation IV. Data Should be Consistently Backed Up

A. The Acting LD Chief should revise actual practices to include assigning backup responsibilities to specific staff members; requiring periodic testing, restoration, security, and labeling of tapes; informing staff how to proceed when the backup software is not functioning properly; and monitoring the success or failure of backups. These revised practices should be clearly documented in written procedures and communicated to responsible staff.

B. Responsibility for backups should be included in the performance standards of the responsible staff members.

Copyright Office response: Concur as to item A. For item B, there have traditionally been no performance standards for positions in the Licensing Division, and we would prefer not to single out a few positions which would also require us to negotiate with the unions. We feel that staff can be held accountable in other ways. First, the Computer Specialist's position description includes a number of references to performing backups as duties to which he is responsible. In addition, for his and other positions, we would document in our practices the expectations for staff performing these duties.

### Recommendation V. The Windows NT Administrator Account Requires Additional Protection

A. The Acting LD Chief should revise the system administration practices to require that stronger controls be established for the "Administrator" account.

**B.** The account should be named to a less obvious name and the controls over passwords should be strengthened so that the password is at least nine characters long, includes at least one special character, and is changed at least every 42 days.

Copyright Office response: Concur.

#### UNITED STATES GOVERNMENT Memorandum

#### LIBRARY OF CONGRESS

Office of the Inspector General

TO: James H. Billington Librarian of Congress

February 4, 2003

FROM: Karl W. Schornagel Inspector General

Kand

PUBLIC RELEASE

SUBJECT: Management Letter – Audit of the Library's Digital Migration

The Office of Inspector General recently began an audit of the Library's long-term migration to digital media. The audit includes, but is not limited to, the activities relating to the Library's National Digital Information Infrastructure and Preservation Program (NDIIPP). We are in the survey stage of the review (initial fact finding and refinement of audit objectives), which includes a preliminary assessment of the management control framework and applicable laws and regulations.

We believe the Library's Congressionally-approved NDIIPP plan provides a good framework for defining how the Library can provide external leadership in evaluating options for sharing expertise and preserving digital material. Similarly, the recently chartered internal Digital Executive Oversight Group (DEOG) provides a practical process for obtaining Library-wide feedback and discussion on internal issues. Nevertheless, I want to bring to your attention a few communication and policy development issues that could have an adverse affect on the Library's management of digital migration activities.

The first issue involves some inconsistency between policy documents. Your January 14, 2003 NDIIPP coordination memo could be interpreted differently than guidance issued last fall concerning reorganizing some of the Library's functions. The coordination memo delegates authority and responsibility for overall strategic planning to the Associate Librarian for Strategic Initiatives. The reorganization guidance, on the other hand, delegates overall strategic planning to the Chief Financial Officer. The new LCR for the Office of Strategic Initiatives conflicts with the DEOG charter on management authority and responsibility.

The second issue involves inconsistency within the coordination memo in that it appears to assign approval authority to both the DEOG and the Associate Librarian for Strategic Initiatives. For example, the memo can be interpreted as requiring that all digital initiatives be approved by the Associate Librarian prior to submitting them to the DEOG, or that the Associate Librarian for Strategic Initiatives can cancel a digital initiative previously approved by the DEOG. We believe that these inconsistencies occurred because the authors did not have a baseline of policy information on how the Library intended to absorb this new area of responsibility.

The third issue is that existing and proposed guidance are silent as to the decision-making process for determining which activities may be financed with NDIIPP money vs. base funding. Specifically, stating how these decisions will be made will clarify and streamline NDIIPP

implementation. These decisions could have a considerable effect on resources available for nondigital-related programs and operations, and the extent of external research and development activities feasible with NDIIPP money.

Congress has entrusted to the Library a highly visible role to facilitate coordination of complex digital issues. Since language in the policies is currently open to some interpretation, you can expect that managers may focus their energies on obtaining clarification of roles and responsibilities rather than moving forward on coordinating digital initiatives. Accordingly, we suggest that you clearly differentiate between the authorities and responsibilities of Library Services, the Office of Strategic Initiatives (or other Library units), and the DEOG for acquiring, preserving, securing, processing, and providing access to the digital collections of the Library and its external partners, including strategic planning and criteria for allocating NDIIPP funds.

The purpose of this memorandum is to provide you with our observations early while the management control framework is still being developed. Our experience with large and complex activities such as the Library's digital migration, both within and between federal agencies, has shown that the issues we raise typically lead to misunderstandings about functional responsibilities, confusion as to program direction, and delays in decision-making.

The audit work that underlies the conclusions expressed in this memorandum was performed in accordance with government auditing standards. However, since this is a management letter and not an audit report, you do not need to respond. If you would like more detailed information concerning our conclusions, please let me know.

cc: Deputy Librarian Office of the General Counsel

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### Infrastructure Survey Results

Office of the Inspector General Library of Congress October 2002

For use by Senior Level Library of Congress Managers. Do Not Copy. Additional copies may be obtained from the Office of the Inspector General.



# Structure of Briefing

- Part 1
  - Objectives
  - Methodology
  - Results in Brief
  - Conclusions and Recommendations
- Part 2 Infrastructure Units Detailed Ratings and Comments by Service Units.
- Part 3 Service Units Detailed Ratings and Comments by Infrastructure Units.



- Objectives
- Methodology
- Results in Brief
- Conclusions and Recommendations

## L Objectives

- Deputy Librarian's request to determine:
  - How satisfied service units are with service provided by infrastructure units?
  - How important are infrastructure services to service units?
  - How satisfied are infrastructure units with cooperation from service units?



- Two Questionnaires
  - Service Unit Ratings of Infrastructure Units 16 Questions.
  - Infrastructure Units Ratings of Service Units 10 Questions.
- Preliminary discussions with selected Library managers.
- Hardcopy and E-mail -199 responses.

- Service Unit 16 Questions Covered 5 Topics:
  - Planning
  - Organization and ease of doing business
  - Communication
  - Staff qualities (knowledge, timeliness, and availability)
  - Overall satisfaction

- Infrastructure Unit 10 Questions Covered
  - 4 Topics:
    - Communication
    - Planning
    - Staff qualities (knowledge, timeliness, and availability)
    - Overall satisfaction



- Two scales for every question:
  - Satisfaction
  - Importance

### Satisfaction Rating Scale:

- 5 = Very Satisfied
- 4 = Satisfied
- 3 = Slightly Satisfied
- 2 = Not Satisfied
- 1 = Very Unsatisfied

### Importance Rating Scale:

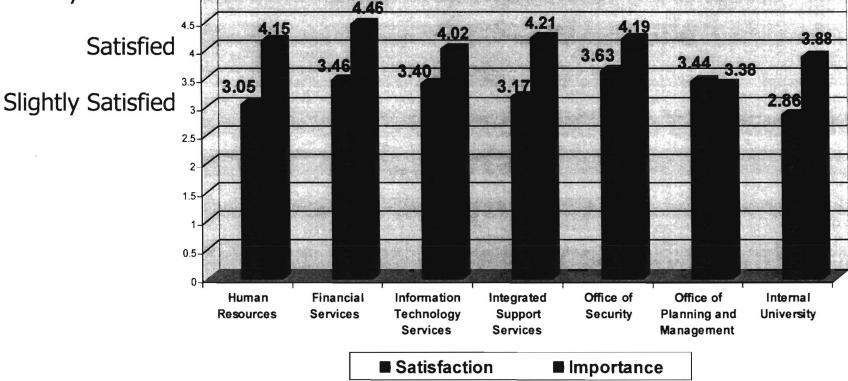
- 5 = Very Important
- 4 = Important
- 3 = Moderately Important
- 2 = Slightly Important
- 1 = Not Important

### Results in Brief

- Service units rated the infrastructure units between slightly satisfied and satisfied.
  - (Overall weighted average 3.61)
- Service units believe infrastructure services are important to very important.
  - Overall weighted average of 4.27)
- Infrastructure units generally satisfied with working relationship with service units.
  - (Overall weighted average of 3.94)

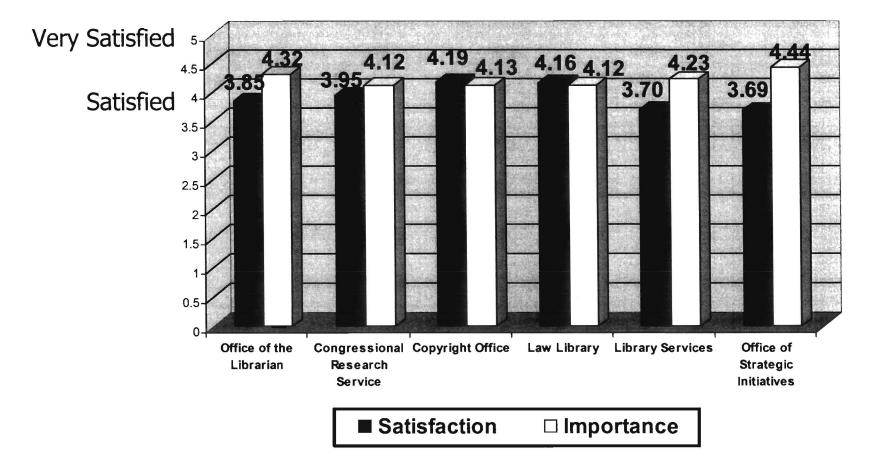
### Results in Brief – **Overall Service Unit Ratings** of Infrastructure Units

Very Satisfied



Weighted average by number of responses from service units.





Results in Brief – Ratings Among Service Units Were Consistent With Some Exceptions

- Office of the Librarian rated FS and ISS <sup>3</sup>/<sub>4</sub> point higher and ITS <sup>1</sup>/<sub>2</sub> point higher than the other service units.
- Law Library rated Internal University about one point higher than the other service units.
- CRS rated ISS about <sup>1</sup>/<sub>2</sub> point lower compared with the other service units.
- Office of Strategic Initiatives rated HRS, Office of Security, and PMED <sup>1</sup>/<sub>2</sub> to 1 point lower than the other service units.

Results in Brief – Variances Found Within Infrastructure Units

- While some infrastructure unit's overall rating was low, sub-units of the infrastructure were rated higher.
  - Logistic Services (4.00) and the Health Services (3.98) scored in the top 25 percent although ISS rated low (3.17).
  - Labor Relations Office (3.89) was rated in the top one-third overall although Human Resources Services rated low (3.05).

# Results in Brief – Highest and Lowest Rated

- Electronic & Physical Security, Disbursing Office, and the Personnel Security Office received 4.00 or better for all 16 questions.
- Human Resources Services Operations Office scored the highest for importance but the lowest for satisfaction.
- Travel Office scored highest for accommodating unique requirements.
  - (4.77 vs. overall average 3.72).

# Results in Brief – Highest and Lowest Rated

- Only 4 of 29 Infrastructure Sub-units rated less than 4.0 for Importance.
  - Multimedia Support, ITS (3.6)
  - PMED (3.6)
  - Office of Investigations, OS (3.7)
  - Dispute Resolution Office, HRS (3.8)
- Overall average was 4.3

Results in Brief-Infrastructure Units Rated 4.0 Or Better For Satisfaction

- Personnel Security Office (4.57)
- Disbursing Office (4.37)
- Electronic and Physical Security Office (4.32)
- Travel Office (4.22)
- Telephone Service (4.14)
- Financial Reporting & Reconciliation (4.11)
- Logistic Services (4.00)

## 5 = Very Satisfied & 4 = Satisfied

Results in Brief – Infrastructure Units Rated 3.0 or Less For Satisfaction

- HRS Operations Office (2.39)
- HRS EEOC (2.73)
- HRS Affirmative Action Office (2.79)
- Internal University (2.86)

## 3 = Slightly Satisfied & 2 = Not Satisfied

# Results in Brief-Upper One-third

'Infrastructure Unit	Satisfaction	Importance
<b>OS- Personnel Security Office</b>	4.57	4.33
FS-Disbursing Office	4.37	4.29
OS-Electronic and Physical Secur	ity 4.32	4.49
FS-Travel Office	4.22	4.64
ITS Telephones	4.14	4.28
FS-Financial Reporting & Reconc	iliation 4.11	4.53
ISS-Logistic Services	4.00	4.19
ISS-Health Services	3.98	4.39
ITS-Multimedia Support	3.96	3.62
HRS-Labor Relations Office	3.89	4.27

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# Results in Brief – Middle One-third

'Infrastructure Unit	Satisfaction	Importance
ITS-Workstation Proc. & Install.	3.82	4.16
FS-Budget Office	3.81	4.40
FS-Accounting Operations	3.79	4.29
PMED	3.65	3.66
OS-Office of Investigations	3.62	3.70
OS-LC Police Force	3.59	4.44
ITS-Internet Support	3.57	4.06
HRS-Dispute Resolution Office	3.54	3.76
ISS-Contracts Services	3.49	4.34
ISS-Safety Services	3.38	4.35

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# Results in Brief – Lower One-third

Infrastructure Unit	Satisfaction	Importance
ITS-Hotline Support	3.32	4.03
FS-Financial Systems Office	3.29	4.46
ITS-Systems Engineering	3.28	4.27
ISS-Office Systems Services	3.28	3.99
ISS-Facility Services	3.07	4.40
Internal University	2.86	3.96
HRS-Affirmative Action Office	2.79	4.00
HRS-EECO	2.73	4.10
HRS-Operations Office	2.39	4.71

# Results in Brief – Three Highest Rated Questions

- Staff possessed the knowledge needed to provide the service you requested.
  - Disbursing Office (4.54) and Telephone Service (4.61) rated high.
  - Overall average rating 3.84.
- **Resolution** of your service requests.
  - Disbursing Office (4.63), Electronic and Physical Security Office (4.58), and Travel Office (4.52) rated high.
  - Overall average rating 3.75.
- Accuracy of information provided (errors or other mistakes).
  - Budget Office had one of the highest scores (4.48).
  - Overall average rating 3.75.

## Results in Brief – Three Lowest Rated Questions

- Including you in the process, asking you what you need, i.e. working collaboratively.
  - Average Rating 3.25
- Informing you about their future plans, objectives and goals.
  - Records Management and Transportation rated exceptionally low.
  - Average Rating 3.31
- Planning the amount of work to be received in the future.
  - Average Rating 3.35

- Conclusions:
  - Staff are knowledgeable.
  - Infrastructure service requests are resolved.
  - Information provided by Infrastructure Units is accurate.
  - Infrastructure Units do not include service units in the planning process or inform service units of future plans, objectives, and goals.

- Conclusions continued:
  - Service Units rate planning by infrastructure units low and rate PMED, which is involved with planning, one of the two least important infrastructure offices.
  - Top ten rated infrastructure sub-units are small sized operations.

- Conclusions continued:
  - Infrastructure Units need to do a better job communicating with service units regarding who to contact for service.
  - Infrastructure Units need to expand their hours of service to better accommodate service units with staff working later hours.

- Conclusions continued:
  - Widest disparity between rating given and rating received:
    - Copyright Office and Facility Services, ISS.
    - Library Services and Financial Systems Office, FS.
    - Strategic Initiatives and HRS.
    - Strategic Initiatives and Electronic and Physical Security, Office of Security.

- Recommendations
  - Facilitate meetings among Library Units to determine causes and solutions.
  - Develop Action Plan documenting implementation time frames.
  - Establish management accountability for resolution.
  - Conduct (Office of Inspector General) followup survey in approximately one year.



UNITED STATES GOVERNMENT

<u>Memorandum</u>

LIBRARY OF CONGRESS Office of the Inspector General

TO: James H. Billington Librarian of Congress

FROM: Karl W. Schornagel Inspector General

SUBJECT: Audit Survey of Visitor Tunnel Preparations Audit No. 2005-PA-102

PUBLIC RELEASE

June 28, 2005

We performed an audit survey of the Library's plans to accommodate the tunnel connecting the Capitol Visitor Center (CVC) to the Jefferson Building. Based on this survey, we determined that a full audit is not necessary at this time.

We looked at two areas: Integrated Support Services, Facility Design and Construction (FD&C); and Library Services, to determine whether preparations needing long lead-times are being planned and executed to prepare for opening the tunnel to the public. For FD&C, the audit is not needed because all CVC related projects are currently scheduled for completion by August 2005, a full year prior to the CVC's planned opening in September 2006.

For Library Services, the audit is not needed because CVC tunnel-related plans are in the preliminary stage. Library Services' contractor, the Institute of Learning Innovation, will report back in late June with a conceptual master plan for the public spaces in the Jefferson Building. The conceptual master plan will circulate in the Library for further consideration and eventual agreement on a preliminary master plan. Library Services will then issue a Request for Proposals to amplify the preliminary master plan. This could take one year.

Based on our survey work, we believe that the planning frameworks established by both FD&C and Library Services are effectively addressing the Library's plans to accommodate the tunnel. Moreover, we were pleased to find that FD&C management is aggressively planning and executing required projects to enable a projected early completion. We also commend Library Services for its leadership in facilitating discussion through a detailed process of conceptualizing the visitor's experience at the Library of Congress. The nature and magnitude of the opportunities and adjustments to be considered are not amenable to "quick fixes;" rather they will likely require the iterative, thoughtful process of disciplined planning that Library Services has initiated.

We appreciate the cooperation and courtesies extended by Integrated Support Services, including FD&C; the Architect of the Capitol; Library Services, including the Visitor Services Office; the Office of S<sup>e</sup>curity and Emergency Preparedness, and the Chief of Staff.

cc: Deputy Librarian Chief of Staff Director, Integrated Support Services Associate Librarian for Library Services Deputy Associate Librarian for Library Services



### Library of Congress Manuscript Division

Statistical Measure of the Effectiveness of Internal Controls

February 200

ADVISORY

AUDIT - TAX - ADVISORY



UNITED STATES GOVERNMENT

LIBRARY OF CONGRESS

Memorandum

Office of the Inspector General

TO: James H. Billington Librarian of Congress March 7, 2005

FROM: Karl W. Schornagel Inspector General

Katting ?

SUBJECT: A ssessment of the A countability and the Condition of the Manuscript Division and Prints and Photographs Division Collections Special Project Report No. 2004-SP-801

This transmits the results of our statistical assessment of the collections in the Manuscript Division, and the Prints and Photographs Division. We engaged KPMG LLP, a recognized provider of Assurance and Advisory services to assist us. KPMG's reports are attached. This was the fourth year we tested the Prints and Photographs Division's collection and the second year for the Manuscript Division. Since 1998, these divisions have significantly reduced the exposure of their collections to high risks of loss, theft, or degradation by implementing safeguarding controls.

We estimate that the Manuscript Division could locate 99.2 percent of the items requested by and served to researchers in the Reading Room during the test period (95 percent confidence level with a margin for error of plus or minus 1.7 percent). Additionally, we estimate that 93.2 percent of the Manuscript Division collection is in fair or better condition (90 percent confidence level with a margin of error plus or minus 6.7 percent).

We estimate that the Prints and Photographs Division could locate 98.3 percent of the items requested by and served to researchers in the Reading Room during the test period (95 percent confidence level with a margin for error of plus or minus 6.5 percent). We also estimate that 98.6 percent of the Prints and Photographs Division collection is in good or better condition (90 percent confidence level with a margin of error plus or minus 6.3 percent). The current test sample did not include any materials assessed as "poor" condition.

For this assessment, Manuscript Division staff located all 126 (61 new and 65 resampled) items requested for testing. Prints and Photographs Division staff located all except one of the 150 items (70 new and 80 resampled items). The missing item was from the group of resampled items. The resampled items also included one item

in Prints and Photographs and three in the Manuscript Division that could not be located during the previous assessment. Reading Room staff located all four items for this assessment. This indicates that any unaccounted for items may be temporary misplaced or misfiled rather than permanently lost.

We also found that there has been a statistically significant improvement in the average condition of these collections. Both divisions attribute this to enhancing and more strictly enforcing security practices, and to preservation measures.

Since the testing methodology is cumulative, the accuracy of the statistical results improves as we conduct more assessments within a collection. We plan to continue testing in these two divisions and expand our testing to other Library collections.

We appreciate the cooperation and courtesies extended by Manuscript Division and Prints and Photographs Division staff during our testing.

cc: Deputy Librarian of Congress Associate Librarian for Library Services Chief, Manuscript Division Chief, Prints and Photographs Division Director, Office of Security and Emergency Preparedness Director, Office of Communications



KPMG LLP 2001 M Street, NW Washington, DC 20036

February 21, 2005

Ms. Anita Scala Office of Inspector General Library of Congress 101 Independence Avenue, S.E., LM-630 Washington, D.C. 20540

Dear Ms. Scala:

We have completed our review of the effectiveness of the internal controls over the collection items in the Manuscript Division using the statistical sampling plan outlined in our engagement letter dated August 19, 2004. This report to you represents our final report for the Manuscript Division and completes the services KPMG LLP (KPMG) agreed to provide, as described in the engagement letter.

The data included in this report was obtained from Manuscript Division personnel on or before January 25, 2005. We have no obligation to update our report or to revise the information contained therein to reflect events and transactions occurring subsequent to January 25, 2005.

This report is solely for your information and is not to be referred to in communications with or distributed for any other purpose to anyone who is not a member of management of the Library of Congress or the Manuscript Division.

Please contact Laura Price at 202.533.4032 if you have any questions or comments. We look forward to continuing to provide service to the Library and the Manuscript Division in the future.

Very truly yours,

KPMG LIP

### LIBRARY OF CONGRESS

### Manuscript Division Internal Controls Assessment

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### **Manuscript 2004 Internal Controls Assessment**

#### 1. Overview of Study and Test Methodology

The Library has stewardship responsibility for all items in its collections, and is therefore expected to provide Congress and the public with assurances that these duties are carried out effectively. To assist in providing these assurances, the Library engaged KPMG LLP (KPMG) in 1998 to conduct an assessment of the collections' safeguarding risks resident in the workflow processes for acquiring, maintaining, and preserving different types of collection items. These studies identified conditions that, if not corrected, could expose the Library's collections to high risks for loss, theft, or degradation. Since the 1998 study, the Library has been instituting policy and procedural changes to address these conditions.

To measure progress in improving the Library's safeguarding controls, KPMG developed a statistical methodology for quantitatively assessing the strength of safeguarding controls for several of the Library's collections. KPMG executed this statistical methodology in the Manuscript Reading Room during 2001. This report is the result of the Library's second application of that methodology, which was conducted during the period of September 20 through October 15, 2004.

The Manuscript Reading Room serves as the central location where visiting scholars request access to the Library's collection of manuscripts. The Manuscript Division holds over 11 thousand collections containing more than 57 million items, with the majority of the Division's collections comprised of personal papers of individuals and families. Since public access to the Library's collections of manuscripts is controlled primarily through the Reading Room, testing controls at the external access point would provide the best measure of the Library's ability to account for and assess preservation needs of the Manuscript collections. The sampling plan is designed to measure changes in both the condition and accountability of Manuscript collections over time as subsequent testing is performed.

### 1.1. Internal Controls Evidenced by Engagement Team

Prior to conducting the sampling exercise, KPMG reviewed Manuscript's internal control environment to verify whether adequate measures were being taken on an ongoing basis to ensure accountability and preservation of the Manuscript collections. The level of controls affects the analysis of the results of the statistical methodology. KPMG observed the following internal controls during test work conducted in 2004. These controls were also in place during the prior sampling period:

- All visiting scholars must apply for and carry a valid Reader Identification card, allowing them access to the collections.
- Each time a visiting scholar enters the Reading Room, she must sign in with the security guard and demonstrate that she did not bring any extraneous items into the viewing area.
- Personal belongings are not allowed in the Reading Room. Belongings may be stored in the provided lockers.
- Security cameras are placed strategically throughout the Reading Room to monitor the visiting scholars at all times.
- A call slip must be filled out for each requested item. The following information is entered on the call slip: Collection/Title, Container/Reel Numbers, Researcher's Name, Researcher's Signature, Table Number, and Date. Reading Room personnel locate all requested items from the stack areas, which are off-limits to visitors.

- Only one collection may be served at a time to prevent cross-contamination between collections.
- Up to four containers per collection may be checked out at a time.
- Containers must remain on the cart. Cardboard dummies are provided to mark the place where folders should be re-filed; it is necessary to preserve the existing arrangement of materials.
- Prior to photocopying material, Reading Room personnel must grant authorization.

### 2. Testing Methodology

The statistical methodology used provides a measure of changes in accountability and preservation of the Manuscript collections over time. For each test period, items were analyzed using a statistical process known as paneling.<sup>1</sup> Paneling enables the comparison of the current condition against the previously determined baseline. To measure the trend in the effectiveness of accountability and condition, the engagement team selected and analyzed samples taken from two separate populations: the previous test period's population, which in this case was items sampled during the period of October 3, 2001 through October 17, 2001, and the population of collection items requested for viewing by visiting scholars on randomly selected days during the current sampling period. Sixty-five items were resampled and sixty-one<sup>2</sup> newly selected items were sampled. Combined, one hundred twenty-six items were sampled for this assessment.

### 2.1. Selection of Testing Dates

The statistical methodology for sampling new items required the engagement team to randomly select five business days on which to conduct testing over a four-week period. The following dates, highlighted in Figure 1 below, were selected for testing:

		Septe	mber						0	ctober			
Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat
			1	2	3	4						1	2
5	6	7	8	9	10	11	3	4	5	6	7	8	9
12	13	14	15	16	17	18	10	11	12	13	14	15	16
19	20	21	22	23	24	25	17	18	19	20	21	22	23
26	27	28	29	30			24	25	262	27	28	29	30
							31						

Figure 1 – Testing Date Selection – Newly Sampled Manuscripts

<sup>&</sup>lt;sup>1</sup> Sampling Techniques, 3<sup>rd</sup> Edition, William G. Cochran: Wiley Publishing Co., 1973.

 $<sup>^{2}</sup>$  The statistical sampling plan called for sixty new items to be tested. However, on one of the testing days thirteen items were tested. Each of the sixty-one items was used in the statistical analysis.

#### 2.2. Determining the Population

Visiting scholars request access to a bundle or "lot" of manuscripts. The lot is typically a cardboard container containing multiple folders. The folders are organized in some fashion, such as date or subject matter, and each folder contains numerous individual items. The items in the folder varied greatly and could be anything: Christmas cards, personal correspondence, or scraps of papers with notes on them.

New test samples were drawn from the entire population of manuscripts requested for viewing by visiting scholars on five randomly selected days during September and October 2004. Each call slip constituted one test item and could contain up to four manuscript items. KPMG randomly selected 12 call slips on each test date. If there were less than 12 call slips on any selected day, the sample population would then consist of all call slips for that day. A total of 61 new items were selected for testing. Once the sample was determined, KPMG submitted the sample selection to Reading Room personnel to locate the selected items.

For the resampled items, KPMG randomly selected a sample population of 65 items from a population of 125 items recorded during the previous period's sample data. Once the sample was selected, KPMG forwarded this list to Reading Room personnel to begin physically locating the items.

#### 2.3. Sampling the Population

For each item selected, the engagement team performed the following steps: evidenced the items' existence, counted all pages or units within the sub-item/folder, and assessed the condition of items (refer to Table 2). KPMG recorded the results along with the following items:

- Random number
- Item number
- Title/Description and file collection name
- Item description
- Previous condition
- Current condition
- Number of documents
- Comments

#### 2.4. Condition Assessment

Each call slip may have more than one lot listed and each lot may have multiple folders. In order to assess the condition, KPMG randomly selected a lot and then randomly selected a folder from that lot. The selected folder served as the "item" for which existence was tested and a condition assessment ascribed.

Condition assessments were based upon standardized condition descriptions. The descriptions were established by Manuscript personnel for the previous sampling exercises and were reviewed for appropriateness by KPMG and Manuscript personnel before the current sample was conducted. KPMG consulted with Reading Room personnel to determine how to assign conditions to sample items. For items in which the condition was difficult to determine, the engagement team consulted with the Reading Room personnel. The condition descriptions used for the Manuscript sampling exercises are as follows:

Condition	Description
Excellent/HG <sup>1</sup>	Little or no apparent damage to manuscript or object and is in good housing
Excellent/HP <sup>1</sup>	Object is in Excellent condition but is in poor quality housing
Good/HG	Mild handling wears to manuscript or object. May include bent corners, slight tears that do not go into the text or image, or creasing. Object is usable but not in top condition, housing is good
Good/HP	Object is in good condition but is in poor quality housing
Fair/HG	Moderate handling wear to the manuscript or object. May include tears that go into the text or image, extensive creasing, fading and/or blurring of ink, and damage from fasteners or housing. Fair may also include papers that are undamaged but very brittle to handle, or paper that is discolored. Object can be handled with care, housing is good quality
Fair/HP	Object is in fair condition, housing quality is poor
Poor/HG	Substantial Damage to manuscript or object. May include reactions to adhesives or acidic housing, foxing, dramatic fading or blurring, large tears, damage from inappropriate housing or folder size, or media-induced breakage of support. Pages or pieces loose or detached. Special handling required to avoid further damaging items, housing quality is good
Poor/HP	Object is in poor condition, housing quality is poor
Severe/HG	Object cannot be handled at all in current condition without risking further damage. Pieces of a single page are detached and in danger of loss; however housing is good
Severe/HP	Object is in Severe condition, housing quality is poor

 Table 1 – Condition Assessment Categories

Housing refers to the type of container used to store the collection item. The container can either be considered in good condition (HG) or poor condition (HP).

The definitions of the various housing conditions are as follows:

Condition	Description
Housing – Good (HG)	The container/box is acid-free. The container is not acid-free if it is brown inside or has a brown core
	There is no apparent damage to the box and/or folder
	The folder is acid-free. The folder may be identified as acid-free by a statement on the folder or by the name of qualified manufacturers: Universal Products, Permalife, Hollinger Corporation, or Conservation Resources
Housing –	Too many items contained within the box and/or folder
Poor (HP)	There is evidence of substantial handling wear to the folder and/or box such as extensive creasing on the edges, torn cover top (or lid), or discoloration
	Box made of poor quality (brown cardboard) inside, or torn or broken in any way
	Folders that are not holding up

 Table 2 – Condition of Housing Categories

### 3. Summary of Results

Statistical analysis is based on a sample population; therefore, the results do not provide an exact value for each condition assessment category. However, the statistical results provide an estimated range of the condition and existence of the items in the Manuscript collections. For example, we estimate—with a 95% level of confidence—that the Library can locate 99.2% of the items requested by researchers during the period of our test work (with a margin for error of 1.7%). We also estimate the Library can be 90% certain that 13.3% of the items are in "Excellent" condition (with a margin for error of 4.2%). Table 3 provides a summary of the results of KPMG's test work in the Manuscript Reading Room for 2004.

	Period 2 October 2004						
Condition	Lower Confidence Limit <sup>1</sup>	Point Estimates	Upper Confidence Limit <sup>2</sup>	Margin of Error			
Excellent	9.1%	13.3%	17.5%	4.2%			
Very Good	0.0%	0.0%	0.0%	0.0%			
Good	36.2%	42.9%	49.6%	6.7%			
Fair	30.4%	37.0%	43.6%	6.6%			
Poor	3.5%	6.8%	10.1%	3.3%			
Missing	0.0%	0.0%	0.0%	0.0%			

Table 3 - Summary of Condition Test Results

#### 3.1. Accountability Assessment Results

Reading Room personnel were able to locate each item (new and resampled) requested for this assessment period. It should be noted that one item was not located during the previous assessment. That item was selected for resampling and was located for this assessment period. The details of our results are provided in the Appendices to this report.

Based on the results of the two assessments, we estimate—with 95% confidence—that the Library can find 99.2% of the items requested by researchers in the Manuscript collection during the time of our test work (with a margin for error of 1.7%). It should be noted that items described as "missing" might not be permanently lost. Missing items can also be misfiled or temporarily misplaced.

<sup>&</sup>lt;sup>1</sup> The Lower Confidence Limit is the point estimate minus the Margin of Error.

<sup>&</sup>lt;sup>2</sup> The Upper Confidence Limit is the point estimate plus the Margin of Error.

#### 3.2. Condition Assessment Results

Table 4 and Figure 2 provide a two-year statistical analysis of the collection condition results based on KPMG's test work in the Manuscript Reading Room.

		od 1 er 2001	Period 2 October 2004		
Condition	Point Estimates	Margin of Error	Point Estimates	Margin of Error	
Excellent	12.9%	6.9%	13.3%	4.2%	
Very Good	0.0%	0.0%	0.0%	0.0%	
Good	37.9%	8.7%	42.9%	6.7%	
Fair	30.2%	8.2%	37.0%	6.6%	
Poor	19.0%	8.0%	6.8%	3.3%	
Missing	0.0%	0.0%	0.0%	0.0%	

Table 4 - Summary of Condition Test Results - October 2001 & October 2004

Statistically significant changes occur when the ranges between the periods (Lower Confidence Limit to the Upper Confidence Limit) do not overlap. Figure 2 compares the ranges of the conditions for the two test periods.

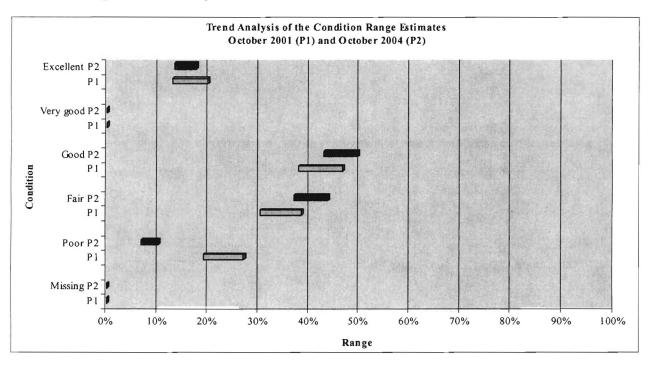


Figure 2 - Summary of Condition Test Results - October 2001 & October 2004

The following significant changes are revealed when comparing the results of the manuscripts condition assessments over the two test periods:

- There are no statistically significant changes in the "Excellent," "Good," and "Fair" categories. The ranges for each of these categories overlap. However, the range increased for each of these three categories.
- There is a statistically significant decrease in the "Poor" condition assessment category. The range decreased from 11.0–27.0% (Period 1) to 3.5%–10.1% (Period 2).

Based on the significant changes listed above, items are moving from the "Poor" category to the "Fair" and to the "Good" category. Figure 3 illustrates this trend:

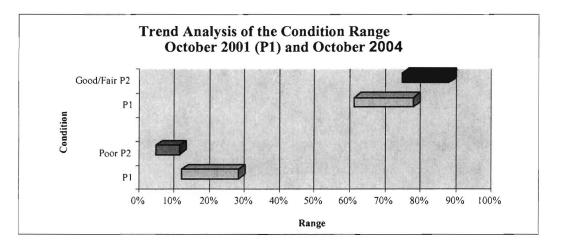


Figure 3 – Summary of Condition Test Results using Two Condition Categories – October 2001 and October 2004

Manuscript personnel have indicated to KPMG that they have taken certain measures to improve the condition of the items in the Manuscript Division. Manuscript personnel have rebonded items and applied various other preservation treatments to improve the condition of items. Manuscript personnel also indicated they have improved upon, and more strictly enforced, existing security measures within the Manuscript Reading Room since the last review was conducted in 2001. For example, Manuscript personnel have moved more items to Microfiche so the originals cannot be defaced. There is a possible correlation between better security and fewer items being defaced or stolen.

It should also be noted that as new items are added to the sample population during each assessment, the accuracy of the statistical results improves. As more assessments are conducted, Library management will have better information to assess control effectiveness. Therefore, some of the improvement may also be attributable to the increased representation of the population.

Condition					After			
	Condition	#EX	#VG	#G	#E	#P	Missing	TOTAL
	#EX	4		1	1			6
	#VG							0
Before	#G	1		20	4			25
Bef	#F			6	15	3		24
	#P				2	7		0
	Missing				1			1
	TOTAL	5	0	27	23	10	0	65

### 4. Appendix I – Condition and Existence Test Data for 65 Re-Sampled Items

Sample #	Previous Condition	Current Condition	Sample #	Previous Condition	Current Condition
1	Fair	Fair	21	Excellent	Excellent
2	Good	Good	22	Fair	Poor
3	Fair	Good	23	Fair	Fair
4	Poor	Poor	24	Excellent	Excellent
5	Fair	Fair	25	Poor	Poor
6	Fair	Fair	26	Fair	Fair
7	Fair	Fair	27	Fair	Fair
8	Poor	Fair	28	Good	Excellent
9	Poor	Fair	29	Good	Good
10	Good	Good	30	Fair	Good
11	Good	Good	31	Fair	Good
12	Fair	Good	32	Poor	Poor
13	Good	Good	33	Fair	Fair
14	Good	Good	34	Good	Fair
15	Fair	Fair	35	Fair	Fair
16	Good	Good	36	Poor	Poor
17	Good	Good	37	Excellent	Excellent
18	Fair	Fair	38	Missing	Fair
19	Poor	Poor	39	Excellent	Fair
20	Poor	Poor	40	Good	Good

Sample #	Previous Condition	Current Condition	Sample #	Previous Condition	Current Condition
41	Good	Good	54	Excellent	Excellent
42	Good	Good	55	Good	Good
43	Good	Good	56	Fair	Good
44	Good	Good	57	Fair	Poor
45	Good	Good	58	Good	Fair
46	Fair	Fair	59	Fair	Fair
47	Fair	Good	60	Excellent	Good
48	Good	Good	61	Fair	Fair
49	Good	Good	62	Fair	Fair
50	Good	Good	63	Good	Good
51	Good	Good	64	Good	Fair
52	Poor	Poor	65	Good	Fair
53	Fair	Poor			

Day	Total Pop.	% of Total Pop.	Sample Size	# EX	#NG	#G	#F	#P	Missing
1	60	27%	12	4	0	3	5	0	0
2	39	18%	12	3	0	5	3	1	0
3	38	17%	13 <sup>1</sup>	2	0	5	6	0	0
4	33	15%	12	0	0	3	9	0	0
5	49	22%	12	1	0	7	3	1	0
Totals	219		61	10	0	23	26	2	0

5. Appendix II – Condition and Existence of 61 Newly Sampled Items

 $<sup>^{1}</sup>$  An extra item was tested on 10/6/2004 for a total of 13 items tested.



# Library of Congress Prints & Photographs Division

Statistical Measure of the Effectiveness of Internal Controls

February 2005

ADVISORY

AUDIT . TAX . ADVISORY



UNITED STATES GOVERNMENT

LIBRARY OF CONGRESS

Memorandum

Office of the Inspector General

March 7, 2005

TO: James H. Billington Librarian of Congress

FROM: Karl W. Schornagel

Inspector General

SUBJECT: A ssessment of the A countability and the Condition of the Manuscript Division and Prints and Photographs Division Collections Special Project Report No. 2004-SP-801

This transmits the results of our statistical assessment of the collections in the Manuscript Division, and the Prints and Photographs Division. We engaged KPMG LLP, a recognized provider of Assurance and Advisory services to assist us. KPMG's reports are attached. This was the fourth year we tested the Prints and Photographs Division's collection and the second year for the Manuscript Division. Since 1998, these divisions have significantly reduced the exposure of their collections to high risks of loss, theft, or degradation by implementing safeguarding controls.

We estimate that the Manuscript Division could locate 99.2 percent of the items requested by and served to researchers in the Reading Room during the test period (95 percent confidence level with a margin for error of plus or minus 1.7 percent). Additionally, we estimate that 93.2 percent of the Manuscript Division collection is in fair or better condition (90 percent confidence level with a margin of error plus or minus 6.7 percent).

We estimate that the Prints and Photographs Division could locate 98.3 percent of the items requested by and served to researchers in the Reading Room during the test period (95 percent confidence level with a margin for error of plus or minus 6.5 percent). We also estimate that 98.6 percent of the Prints and Photographs Division collection is in good or better condition (90 percent confidence level with a margin of error plus or minus 6.3 percent). The current test sample did not include any materials assessed as "poor" condition.

For this assessment, Manuscript Division staff located all 126 (61 new and 65 resampled) items requested for testing. Prints and Photographs Division staff located all except one of the 150 items (70 new and 80 resampled items). The missing item was from the group of resampled items. The resampled items also included one item

in Prints and Photographs and three in the Manuscript Division that could not be located during the previous assessment. Reading Room staff located all four items for this assessment. This indicates that any unaccounted for items may be temporary misplaced or misfiled rather than permanently lost.

We also found that there has been a statistically significant improvement in the average condition of these collections. Both divisions attribute this to enhancing and more strictly enforcing security practices, and to preservation measures.

Since the testing methodology is cumulative, the accuracy of the statistical results improves as we conduct more assessments within a collection. We plan to continue testing in these two divisions and expand our testing to other Library collections.

We appreciate the cooperation and courtesies extended by Manuscript Division and Prints and Photographs Division staff during our testing.

cc: Deputy Librarian of Congress Associate Librarian for Library Services Chief, Manuscript Division Chief, Prints and Photographs Division Director, Office of Security and Emergency Preparedness Director, Office of Communications

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KPMG LLP 2001 M Street, NW Washington, DC 20036

February 21, 2005

Ms. Anita Scala Office of Inspector General Library of Congress 101 Independence Avenue, S.E., LM-630 Washington, D.C. 20540

Dear Ms. Scala:

We have completed our review of the effectiveness of the internal controls over the collection items in the Prints & Photographs Division using the statistical sampling plan outlined in our engagement letter dated August 19, 2004. This report to you represents our final report for the Prints & Photographs Division and completes the services KPMG LLP (KPMG) agreed to provide, as described in the engagement letter.

The data included in this report was obtained from Prints and Photographs Division personnel on or before January 25, 2005. We have no obligation to update our report or to revise the information contained therein to reflect events and transactions occurring subsequent to January 25, 2005.

This report is solely for your information and is not to be referred to in communications with or distributed for any other purpose to anyone who is not a member of management of the Library of Congress or the Prints and Photographs Division.

Please contact Laura Price at 202.533.4032 if you have any questions or comments. We look forward to continuing to provide service to the Library and the Prints & Photographs Division in the future.

Very truly yours,

KPMG LIP

### LIBRARY OF CONGRESS

### Prints and Photographs Division Internal Controls Assessment

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Prints & Photographs 2004 Internal Controls Assessment

### Prints and Photographs Division Internal Controls Assessment

### 1. Overview of Study and Test Methodology

The Library has stewardship responsibility for all items in its collections, and is therefore expected to provide Congress and the public with assurances that these duties are carried out effectively. To assist in providing these assurances, the Library engaged KPMG LLP (KPMG) in 1998 to conduct an assessment of the collections' safeguarding risks resident in the workflow processes for acquiring, maintaining, and preserving different types of collection items. These studies identified conditions that, if not corrected, could expose the Library's collections to high risks for loss, theft, or degradation. Since the 1998 study, the Library has been instituting policy and procedural changes to address these conditions.

To measure progress in improving the Library's safeguarding controls, KPMG developed a statistical methodology for quantitatively assessing the strength of safeguarding controls for several of the Library's collections. Between 1998 and 2003, KPMG executed this statistical methodology three times in the Prints and Photographs (P&P) Reading Room. This report is the result of the Library's fourth application of that methodology, which was conducted during the period of September 20 through October 15, 2004.

The Prints and Photographs Reading Room serves as the central location where visiting scholars request access to the Library's collection of P&P. The Reading Room holds over 13.6 million international and domestic images including photographs, fine and popular prints and drawings, posters, and architectural and engineering drawings. Some items date from as far back as the fifteenth century. Since public access to the Library's collections of P&P is controlled primarily through the Reading Room, testing controls at the external access point would provide the best measure of the Library's ability to account for and assess preservation needs of the P&P collections. The sampling plan is designed to measure changes in both the condition and accountability of P&P collections over time as subsequent testing is performed.

### 1.1. Internal Controls Evidenced by the Engagement Team

Prior to conducting the sampling exercise, KPMG reviewed P&P's internal control environment to verify whether adequate measures were being taken on an ongoing basis to ensure accountability and preservation of the P&P collections. The level of controls affects the analysis of the results of the statistical methodology. KPMG observed the following internal controls during test work conducted in 2004. These controls were also in place during the prior three sampling periods:

- All visiting scholars must apply for and present a valid Reader Identification card, allowing them access to the collections.
- Each time a visiting scholar enters the Reading Room, she must sign in and demonstrate that she did not bring any extraneous items into the viewing area.
- All personal belongings must be kept in a Library-provided locker located outside the Reading Room.
- Security cameras are placed strategically throughout the Reading Room to monitor the visiting scholars at all times.
- All closed-stack items must be requested via a call slip and are retrieved by Library personnel; however, scholars can access open-stack items themselves.
- A call slip must be filled out for all lots requested.

### 2. Testing Methodology

The statistical methodology used provides a measure of changes in accountability and preservation of the P&P collections over time. For each test period, items were analyzed using a statistical process known as paneling.<sup>1</sup> Paneling enables the comparison of the current condition against the previously determined baseline. To measure the trend in effectiveness of accountability and condition, the engagement team selected and analyzed samples taken from two separate populations: the previous test period's population, which in this case was items sampled during the period of October 11 through November 7, 2001, and the population of collection items requested for viewing by visiting scholars on randomly selected days during the current sampling period. Eighty items were resampled and seventy items were newly selected. Combined, one hundred fifty items were sampled for the assessment.

### 2.1. Selection of Testing Dates

The statistical methodology for sampling new items required the engagement team to randomly select ten business days on which to conduct testing over a four-week period. The following dates, highlighted in Figure 1 below, were selected for testing:

	September								0	ctober			
Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat
			1	2	3	4						1	2
5	6	7	8	9	10	11	3	4	5	6	7	8	9
12	13	14	15	16	17	18	10	11	12	13	14	15	16
19	20	21	22	23	24	25	17	18	19	20	21	22	23
26	27	28	29	30			24	25	262	27	28	29	30
							31						

Figure 1 – Testing Date Selection – Newly Sampled P&P

### 2.2. Determining the Population

In general, sample items were one of two types: (1) an individual item or (2) a "lot" of individual items. Individual items are simply a single print or photograph mounted on cardboard, sometimes protected with a plastic cover. A "lot" is a group of individual prints or photographs that are filed together. Lots are typically kept in a cardboard container. Alternatively, some lots may have multiple boxes as part of one lot, with each box containing many P&P items—sometimes hundreds of individual P&P items.

For the newly sampled items, Reading Room personnel assisted KPMG by sequestering all items viewed on the previous day so KPMG could easily isolate the day's test population. To establish the sample population, KPMG counted the number of P&P items on the book truck(s) and then, using a random number generator, randomly selected seven items from the sample population. A total of 70 new items were selected for testing. Once the sample was determined, KPMG submitted the sample selection to Reading Room personnel to locate the selected items.

<sup>&</sup>lt;sup>1</sup> Sampling Techniques, 3<sup>rd</sup> Edition, William G. Cochran: Wiley Publishing Co., 1973.

For the resampled items, KPMG randomly selected a sample population of 80 items from a population of 150 items recorded during the previous period's sample data. Once the sample was selected, KPMG forwarded this list to Reading Room personnel to begin physically locating the items.

### 2.3. Sampling the Population

Reading Room personnel located the items requested from the previous review. KPMG evidenced the items' existence and then worked with Reading Room personnel to assess the condition of items in accordance with the condition assessment guidelines agreed to by Library management and KPMG. Based on the assessment, KPMG recorded the results. The process was more complex when lot items were involved. The lot was considered the "item" to be tested, both for accountability and condition assessment (a statistical process known as cluster sampling was employed for condition assessment).

For each individual lot item selected for testing, KPMG recorded the following key data fields:

- Random number
- Item number
- Total population size
- Total number of sampled items
- Library of Congress number
- Title/Description of the collection
- Location
- Lot number
- Existence
- Prior condition
- Current condition
- Comments

### 2.4. Condition Assessment

Condition assessments were based upon standardized condition descriptions. The descriptions were established by P&P personnel for the previous sampling exercises and were reviewed for appropriateness by KPMG and P&P personnel before the current sample was conducted. KPMG consulted with Reading Room personnel to determine how to assign conditions to sample items. For items in which the condition was difficult to determine, the engagement team consulted with the Reading Room personnel. The condition descriptions used for the P&P sampling exercises are as follows:

Condition	Description
Excellent	No apparent damage to print or mount
Very Good	Extremely minor handling wear to mount; little or no apparent damage to the print-may include bent mount corners and minor creasing
Good	Mild to moderate handling wear to the mount and/or print—may include bent corners, slight tears that do not go into the photo, creasing, normal fading
Fair	Moderate to substantial handling wear to the print as well as to the mount—may include tears that go into the print itself, extensive creasing, color changes
Poor	Substantial damage to print as well as the mount—may include reactions with glue or acidic housing, foxing, dramatic color changes, large tears

### Table 1 – Condition Assessment Categories

To measure the condition of the lots, KPMG used a statistical process known as cluster sampling. Cluster sampling allows a single condition assessment to be assigned to a group of individual items by sub-sampling within the group and assigning condition assessments to each of the individual items within the sub-sample. The median of the sub-sample is used to arrive at a single condition assessment for the entire group. The cluster sampling sizes used in this study are as follows:

### Table 2 – Sample Size

Group/Cluster Size	Sub-sample Size (# of items)
<20	Select all
21–50	Select 25 or all, whichever is smaller
51-100	Select 30
>100	Select 50

### 3. Summary of Results

Statistical analysis is based on a sample population; therefore, the results do not provide an exact value for each condition assessment category. However, the statistical results provide an estimated range of the condition and existence of the items in the Prints & Photographs collections. For example, we estimate—with a 95% level of confidence—that the Library can locate 98.3% of the items requested by researchers during the time of our test work (with a margin for error of 6.5%). We also estimate the Library can be 90% certain that 20.7% of the items are in "Excellent" condition (with a margin for error of 5.3%). Table 3 provides a summary of the results of KPMG's test work in the P&P Reading Room for 2004.

	Period 4 October 2004							
Condition	Lower Confidence Limit <sup>1</sup>	Point Estimates	Upper Confidence Limit <sup>2</sup>	Margin of Error				
Excellent	15.4%	20.7%	26.0%	5.3%				
Very Good	19.6%	25.3%	31.0%	5.7%				
Good	46.3%	52.6%	58.9%	6.3%				
Fair	0.0%	1.4%	2.8%	1.4%				
Poor	0.0%	0.0%	0.0%	0.0%				
Missing	0.0%	0.0%	0.0%	0.0%				

### Table 3 – Summary of Condition Test Results

### 3.1. Accountability Assessment Results

During the October 2004 assessment, all except one requested item (new and resampled) was located. This item was selected for resampling and was located during the previous assessment. It should also be noted that during the previous assessment, five items could not be located. We selected three of those items for resampling this period and all three were located. Of the new items chosen for sampling, Reading Room personnel were able to locate each item. The details of our results are provided in the Appendices to this report.

Based on the results of our four P&P assessments, we estimate—with 95% confidence—that the Library can find 98.3% of the items requested by researchers in the P&P collections during the time of our test work (with a margin for error of 6.5%). The items noted as "missing" may not be permanently lost. They may also be temporarily misplaced or misfiled, as our current periods results indicate.

<sup>&</sup>lt;sup>1</sup> The Lower Confidence Limit is the point estimate minus the Margin of Error.

<sup>&</sup>lt;sup>2</sup> The Upper Confidence Limit is the point estimate plus the Margin of Error.

### 3.2. Condition Assessment Results

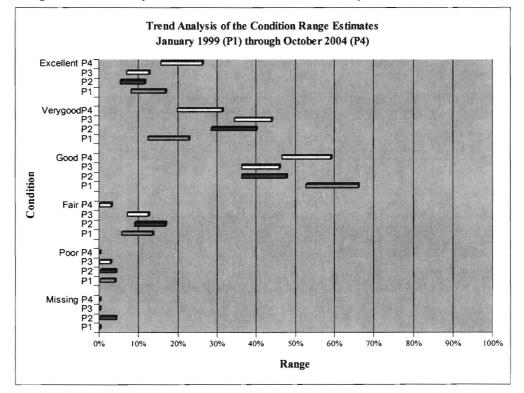
Table 4 and Figure 2 provide a four-year statistical analysis of the collection condition results based on KPMG's test work in the P&P Reading Room.

	Period 1 January 1999		Period 2 December 2000		Period 3 October 2001		Period 4 October 2004	
Condition	Point Estimates	Margin of Error	Point Estimates	Margin of Error	Point Estimates	Margin of Error	Point Estimates	Margin of Error
Excellent	12.2%	4.4%	8.3%	3.1%	9.6%	2.8%	20.7%	5.3%
Very Good	17.4%	5.1%	34.0%	5.7%	39.0%	4.7%	25.3%	5.7%
Good	59.2%	6.6%	41.8%	5.7%	40.8%	4.8%	52.6%	6.3%
Fair	9.4%	3.9%	12.7%	3.9%	9.6%	2.7%	1.4%	1.4%
Poor	1.9%	1.8%	2.0%	1.9%	1.1%	1.3%	0.0%	0.0%
Missing	0.0%	0.0%	1.3%	2.0%	0.0%	0.0%	0.0%	0.0%

Table 4 - Summary of Condition Test Results - January 1999-October 2004

Statistically significant changes occur when the ranges between the periods (Lower Confidence Limit to the Upper Confidence Limit) do not overlap. Figure 2 compares the ranges of the conditions between the four test periods.

Figure 2 - Summary of Condition Test Results - January 1999-October 2004



Prints & Photographs 2004 Internal Controls Assessment

The following significant changes are revealed when comparing the results of the P&P condition assessments over the four test periods:

#### Excellent

• There is a statistically significant increase from Period 3 (6.8%-12.4%) to Period 4 (15.4%-26.0%)

#### Very Good

- There is a statistically significant increase from Period 1 (12.3%-22.5%) to Period 2 (28.3%-39.7%)
- There is a statistically significant decrease from Period 3 (34.3%-43.7%) to Period 4 (19.3%-31.0%)

Good

- There is a statistically significant decrease from Period 1 (52.6%-65.8%) to Period 2 (36.1%-47.5%)
- There is a statistically significant increase from Period 3 (36.0%-45.6%) to Period 4 (46.3%-58.9%)

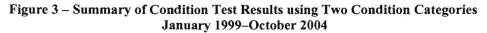
Fair

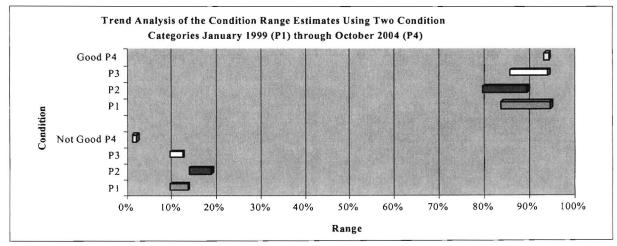
- There is a statistically significant decrease from Period 3 (6.9%-12.3%) to Period 4 (0.0%-2.8%)
- There is a statistically significant decrease from Period 1 (5.5%-13.3%) to Period 4 (0.0%-2.8%).

### **Poor and Missing**

• There are no statistically significant changes within these condition categories

Because individual condition assessments tend to be subjective, it is often useful to look at the population of condition assessments from the binary perspective of "good" or "not good." "Good" would include all items assigned a condition assessment of "excellent" to "good" and "not good" would include those items assigned a condition assessment of "fair" to "poor." Figure 3 provides a trend analysis of these two categories over the four assessment periods.





Prints & Photographs 2004 Internal Controls Assessment

If the statistical results are analyzed using these two condition assessment categories, the following observations can be made:

• There is a statistically significant change in the overall condition of the population of items assessed between Period 1 and Period 4. The range of items assessed as "Not Good" decreased from 9.4%-13.2% (Period 1) to 0.9-1.9% (Period 4)

When comparing the results over the four test periods, the results suggest that more items are moving to the "Good" category and fewer items are in the "Not Good" category. P&P personnel have indicated to KPMG that they have taken certain measures to improve the condition of the items in the P&P Division. P&P personnel have reframed items and applied various other preservation treatments to improve the condition of items. P&P personnel also indicated they have improved upon, and more strictly enforced, existing security measures within the P&P Reading Room since the last review was conducted in 2001. For example, Reading Room personnel have increased scrutiny of people entering the Reading Room to ensure items are not brought into the room. Another example is that only a set number of items can be viewed at once. There is a possible correlation between better security and fewer items being defaced or stolen.

It should also be noted that as new items are added to the sample population during each assessment, the accuracy of the statistical results improves. As more assessments are conducted, Library management will have better information to assess control effectiveness. Therefore, some of the improvement may also be attributable to the increased representation of the population.

After Before	#EX	#VG	#G	#F	#P	Missing	TOTAL
#EX	7	2	1				10
#VG	12	16	8				36
#G		4	19				23
#F		1	4	2		1	8
#P							0
Missing		1	1		1		3
Total	19	24	33	2	1	1	80

# 4. Appendix I – Condition and Existence Test Data for 80 Re-Sampled Items

Sample #	Prior Condition	Current Condition	Sample #	Prior Condition	Current Condition
1	Very Good	Very Good	20	Good	Good
2	Good	Good	21	Good	Good
3	Missing	Poor	22	Good	Good
4	Very Good	Very Good	23	Very Good	Very Good
5	Fair	Good	24	Good	Good
6	Fair	Fair	25	Missing	Very Good
7	Excellent	Excellent	26	Very Good	Very Good
8	Fair	Good	27	Very Good	Very Good
9	Excellent	Very Good	28	Good	Good
10	Fair	Good	29	Missing	Good
11	Good	Good	30	Good	Very Good
12	Very Good	Good	31	Excellent	Excellent
13	Good	Good	32	Very Good	Very Good
14	Very Good	Very Good	33	Good	Good
15	Excellent	Excellent	34	Good	Good
16	Good	Good	35	Good	Good
17	Good	Good	36	Good	Very Good
18	Very Good	Good	37	Fair	Good
19	Good	Very Good	38	Very Good	Very Good
20	Good	Good	39	Very Good	Very Good
21	Good	Good	40	Very Good	Excellent

Sample #	Prior Condition	Current Condition	Sample #	Prior Condition	Current Condition
41	Very Good	Very Good	61	Very Good	Excellent
42	Very Good	Excellent	62	Very Good	Excellent
43	Very Good	Excellent	63	Good	Good
44	Fair	Missing	64	Good	Very Good
45	Good	Very Good	65	Very Good	Good
46	Excellent	Excellent	66	Good	Good
47	Fair	Fair	67	Very Good	Excellent
48	Very Good	Excellent	68	Very Good	Very Good
49	Good	Good	69	Good	Good
50	Very Good	Excellent	70	Excellent	Excellent
51	Very Good	Very Good	71	Excellent	Very Good
52	Very Good	Excellent	72	Very Good	Good
53	Very Good	Very Good	73	Very Good	Good
54	Very Good	Very Good	74	Good	Good
55	Very Good	Very Good	75	Very Good	Very Good
56	Very Good	Good	76	Very Good	Excellent
57	Good	Good	77	Very Good	Excellent
58	Excellent	Excellent	78	Very Good	Excellent
59	Excellent	Good	79	Very Good	Excellent
60	Very Good	Good	80	Very Good	Good

New Items									
		Ni	N <sub>i</sub> /N						
Day	Date	Total Pop.	Wi	D <sub>i</sub>	#EX	#VG	#G	#F	#P
1	9/22	100	8.03%	7	0	4	3	0	0
2	9/23	294	23.60%	7	2	3	2	0	0
3	9/24	26	2.09%	7	3	1	3	0	0
4	9/29	85	6.82%	7	0	3	4	0	0
5	9/30	310	24.88%	7	3	2	2	0	0
6	10/1	7	0.56%	7	1	1	5	0	0
7	10/5	191	15.33%	7	1	0	5	1	0
8	10/7	7	0.56%	7	0	0	7	0	0
9	10/8	208	16.69%	7	0	3	4	0	0
10	10/13	18	1.44%	7	2	0	5	0	0
Totals		1246		70	12	17	40	1	0

### 5. Appendix II – Condition and Existence of 70 Newly Sampled Items

UNITED STATES GOVERNMENT

LIBRARY OF CONGRESS



Memorandum

Office of the Inspector General

TO:	Frank Kurt Cylke
	Director, NLS/BPH

FROM: Karl W. Schornagel Inspector General

August 23, 2006

PUBLIC RELEASE

SUBJECT: Survey – Conversion to Digital Talking Books Report 2006-PA-101

We performed a survey of the National Library Service for the Blind and Physically Handicapped (NLS) project to convert and replace the primary technology used in the national library program that provides talking books, playback equipment, and Braille materials for blind and physically handicapped patrons. NLS' plans call for digital books and equipment to begin replacing analog cassette books and machines in fiscal year (FY) 2008 and become the program's primary technology by FY 2011. Based on our survey, we determined that an audit of the project is not necessary at this time.

During our survey, we researched federal laws, regulations, and guidance on agency planning and budgeting for major acquisitions, determined their applicability to the technology conversion project, and determined NLS' compliance with them; consulted with NLS management and staff, reviewed data they provided on the project's progress, and evaluated the extent to which NLS is applying project management principles to the project; and discussed project related acquisition issues with the Chief of the Library's Office of Contracts.

Information we collected led us to conclude that NLS' plans should enable it to successfully convert the talking book program's primary technology from analog to digital format over the currently planned transition period. Specifically, our survey revealed that NLS is effectively managing its plans to:

- develop a digital playback machine and related equipment,
- test and validate the new playback machine throughout its evolution from design to full production, and
- produce 20,000 talking book titles in digital format by the time the new playback machine becomes available in FY 2008.

Notwithstanding the progress NLS is making in these areas, we are concerned that an acquisition plan has not been prepared for the manufacturing phase of the digital equipment. Acquisition

planning is a requirement of the Federal Acquisition Regulation (FAR) for all acquisitions made by executive branch agencies. Moreover, it is Library policy to follow the FAR in the procurement of goods and services unless it is formally determined that following it is not in the Library's best interest. The Chief of the Library's Office of Contracts acknowledged that acquisition plans are required by the FAR, but noted that because the Director position is vacant for the Office of Contracts and Grants Management, FAR-specified internal procedures have not been established for the Library to address the regulation's requirements.

In our view, it is clearly in the Library's best interest to have a written acquisition plan for the manufacturing phase of the digital equipment and the lack of internal procedures should not prevent the Library from preparing one. Acquisition planning compels an agency to identify and evaluate cost, technical, and schedule risks that threaten the successful outcome of an acquisition and to develop effective strategies for addressing them if they occur. By preparing an acquisition plan for this major acquisition of digital equipment – estimated to cost \$140 million over five years – the Library would not only be following the FAR and its own policy, but would also be in line with standard federal agency practice. Therefore, NLS should work closely with the Chief of the Office of Contracts to promptly prepare a written acquisition plan for the manufacturing phase of the digital playback equipment.

We appreciate the cooperation and courtesies extended by NLS staff during our survey. We will continue to monitor the technology conversion project as it progresses. Please feel free to contact me if you have any questions concerning this memorandum.

cc: Librarian of Congress Deputy Librarian of Congress Associate Librarian for Library Services Chief, Office of Contracts ,



The Library of Congress Office of the Inspector General



# **Office of Strategic Initiatives**

Lead Institutions Need to Improve Sub-Awardee Cost Monitoring on The National Digital Information Infrastructure and Preservation Program

> Audit Report No. 2007-FN-101 September 2007

> > PUBLIC RELEASE

UNITED STATES GOVERNMENT

LIBRARY OF CONGRESS



Memorandum

Office of the Inspector General

TO:	James H. Billington Librarian of Congress		September 19, 2007
FROM:	Karl W. Schornagel Inspector General	Kattony	
SUBJECT:		to Improve Sub-Awardee Cost Monit nation Infrastructure and Preservation	0

Audit Report No. 2007-FN-101

This transmits our final audit report on the Library's National Digital Information Infrastructure and Preservation Program. The Executive Summary begins on page *i*, and complete findings and recommendations appear on pages 4 to 8.

OSI agreed with our findings and recommendations. We request that the Associate Librarian for Strategic Initiatives provide within 30 calendar days an action plan addressing implementation of recommendations I and II, including implementation dates, in accordance with LCR 211-6, Section 11.A.

We appreciate the cooperation and courtesies extended by the Office of Strategic Initiatives during the audit.

cc: Chief Operating Officer Associate Librarian for Strategic Initiatives

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### **EXECUTIVE SUMMARY**

This report is the second of a two-part review of the Library's National Digital Information Infrastructure and Preservation

Program (NDIIPP). The NDIIPP was established to develop a national

the burgeoning amounts of digital

content, especially materials that are

strategy to collect, archive, and preserve



We have selected more than **66 terabytes** of digital files for preservation - the text equivalent of approximately

Source: NDDIIPP Web site

created only in digital formats, for current and future generations. Its strategy to achieve its goals was to partner with other public and private institutions; in 2004, it awarded approximately \$14 million in grants to eight lead institutions (the "leads"). The Office of Strategic Initiatives (OSI) within the Library administers the NDIIPP.

In this report, our objective was to review the original eight NDIIPP leads' compliance with their cooperative agreements for fiscal year (FY) 2005.

We found that the leads had received unqualified opinions on their single audit reviews<sup>1</sup> for FY 2005, which indicates that they had adequate controls in place to ensure compliance with the agreements' terms and conditions.

Notwithstanding the unqualified opinions, we found that some leads were not adequately monitoring sub-awardee funds.<sup>2</sup> We also found that OSI needs to include a prior approval procedure<sup>3</sup> in its improved NDIIPP cost monitoring

<sup>&</sup>lt;sup>1</sup> In order to simplify the oversight of federal government grantees, Congress enacted the Single Audit Act of 1984 (the Act). The Act allows non-federal entities that receive funds from multiple federal agencies to perform only one consolidated ("single") audit, rather than performing multiple audits with guidance from multiple federal agencies.

<sup>&</sup>lt;sup>2</sup> A sub-awardee is an entity that receives federal funds from a non-federal entity. OMB Grant Circulars refer to non-federal entities that pass federal funds to another entity as pass-through entities and a sub-awardee as a sub-recipient.

<sup>&</sup>lt;sup>3</sup> OMB Circular A-110 \_\_\_\_.2 (w) defines prior approvals as written approval by an authorized official evidencing prior consent. OMB Circular A-122 further explains prior approval as securing the awarding agency's permission in advance to incur cost for those items that are designated as requiring prior approval by the Circular. Prior approvals are tools used by a grantor agency to monitor certain grant expenditures and budget or scope of work changes.

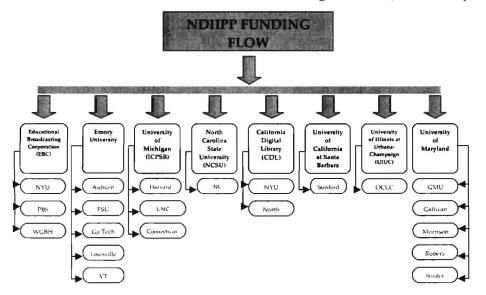
procedures. Specifically, we found that three of the leads are not adequately reviewing sub-awardee invoices and that the leads have not submitted any prior approvals to the grants manager or NDIIPP Agreement Officer's Technical Representatives. The leads need to institute procedures to monitor sub-awardee costs (see page 4) and OSI needs to include prior approval procedures in the enhanced cost monitoring procedures it is currently drafting (see page 7). Without these procedures in place, there is significantly reduced assurance that NDIIPP funds are being used effectively, efficiently, and for the intended purpose.

OSI agreed with our findings and recommendations.

### ➡ INTRODUCTION

Through the Library's National Digital Information Infrastructure and Preservation Program (NDIIPP), the Library is working with a variety of public and private partners to collect and preserve specific types of digital content that Congress, scholars, students, and lifelong learners will use for generations to come. The NDIIPP is administered by the Library's Office of Strategic Initiatives (OSI).

In 2004, the Library of Congress made awards totaling nearly \$14 million to eight lead institutions (the "leads") to establish the digital preservation network. Each lead formed additional collaborative relationships. Over time, the network will grow to represent the full scope of libraries, archives, and other repositories with long-term responsibilities for the collection and preservation of digital materials. Since funding the original eight leads and its partners covered in this audit (see diagram below), the Library has added over fifty additional



NDIIPP funding flowing down to the original eight leads and then to each partner/sub-awardee.

partners. The current network consists of about 90 institutions which have found success in (1) identifying and collecting digital content that is at risk of disappearing; (2) assembling a national community to work together to save digital information, and (3) developing new tools and processes for taking care of digital information.

This report presents the results of the second part of our review of the NDIIPP program. We presented the first part results in audit report 2006-PA-105, issued in March 2007. In that report, we found

that OSI was providing adequate performance oversight but needed to improve its financial oversight. In this report, we focus on the leads' compliance with the terms and conditions of their respective cooperative agreements with the Library.

# ✤ OBJECTIVES, SCOPE, AND METHODOLOGY

The objective of our audit was to determine if the leads are complying with the terms and conditions of their respective cooperative agreements with the NDIIPP and applicable OMB Grant Circulars.<sup>4</sup> To accomplish our objective, we:

- reviewed cooperative agreements, FY 2005 Single Audit Reports,<sup>5</sup> and Federal Audit Clearinghouse SF-SAC forms;
- interviewed Library and lead institution staff;
- statistically sampled the leads' FY 2005 NDIIPP transactions; and<sup>6</sup>
- reviewed each sampled transaction for allowability of costs based on cooperative agreement and OMB Grant Circular requirements.

We performed our audit fieldwork from May 2007 through July 2007. We conducted the audit in accordance with

<sup>&</sup>lt;sup>6</sup> We used the Defense Contract Audit Agency's EZ Quant Stat Sampling Program to generate the appropriate sample size. We applied a 95% confidence level with a 5% presumed universe error rate. Our universe and sample size were as follows for each institution:

	Emory	Michigan	NCSU	CDL	UCSB	Maryland
Universe	44	349	93	78	144	182
Sample Size	21	21	31	18	19	19

<sup>&</sup>lt;sup>4</sup> The Office of Management and Budget has relocated the following OMB Circulars to the Code of Federal Regulations (CFR): A-21, A-87, A-122, and A-110. The relocated circulars are cited as follows: 2 CFR Part 220 (A-21), 2CFR Part 225 (A-87), 2 CFR Part 230 (A-122) and 2 CFR Part 215 (A-110). For consistency with the cooperative agreement language, we have used the superseded citations.

<sup>&</sup>lt;sup>5</sup> In order to simplify the oversight of federal government grantees, Congress enacted the Single Audit Act of 1984 (the Act). The Act allows non-federal entities that receive funds from multiple federal agencies to perform only one consolidated audit, rather than performing multiple audits with guidance from multiple federal agencies. The Act permits a single federal agency to act as the "cognizant agency." This agency oversees the single audit and coordinates with other affected federal agencies. Single audits can provide additional assurance that awardees are properly expending federal funds. The audits address whether the awardees' financial statements are presented fairly, whether internal controls are effective in preventing noncompliance with major federal program requirements, and whether the awardees comply with laws and regulations that have a direct and material effect on major federal programs.

Government Auditing Standards issued by the Comptroller General of the United States and Library of Congress Regulation (LCR) 211-6, *Functions, Authority, and Responsibility of the Inspector General,* dated December 4, 2006.

# **>>** FINDINGS AND RECOMMENDATIONS

We found that the leads are administering their cooperative agreements properly, but that there is room for improvement. Specifically, the leads need to establish procedures for monitoring sub-awardee costs. Furthermore, OSI needs to include prior approvals in its improved cost monitoring procedures. Our detailed findings and recommendations are as follows:

### I. The Leads Need to Improve Sub-Awardee Cost Oversight

In FY 2007, Congress cut nearly half of the NDIIPP's original direct funding.<sup>7</sup> Therefore, it is imperative that each institution entrusted with NDIIPP funds apply prudent procedures to ensure compliance with cooperative agreement terms and conditions.

Because the Library of Congress has established a groundbreaking preservation network made up of public and private sector organizations to save our nation's digital heritage, each partner in the network must have in place procedures to monitor funds it expends throughout the network. This is especially true in light of the funding cuts the NDIIPP program is confronted with.

OMB Circular A-110 .51(a) states that recipients are responsible for managing and monitoring each project, program, subaward, function or activity supported by the award. Recipients must monitor subawards to ensure subrecipients<sup>8</sup> have met the audit requirements. OMB Circular A-133 Compliance Supplement requires recipients to ensure that sub-recipient costs are allowable.

<sup>&</sup>lt;sup>7</sup> The House Joint Resolution 20, "Revised Continuing Appropriation Resolution, 2007" rescinded \$47 million of the un-obligated balance available for the NDIIPP program. The Librarian of Congress' March 20 testimony before the House Legislative Branch Appropriations Subcommittee stated that the loss of funds equates to \$84 million-\$47 million in direct funding and \$37 million in potential matching funds.
<sup>8</sup> A sub-recipient means the legal entity to which a sub-award is made and which is accountable to the recipient for the use of the funds provided by the

Federal awarding agency.

During our testing of the leads' FY 2005 transactions, we found that the Education Broadcasting Corporation (EBC), California Digital Library (CDL), and Emory University (Emory) were not reviewing sub-awardees' invoices for allowability of costs.<sup>9</sup> Without an adequate monitoring process, these funds are at a higher risk of being misused or wasted.

#### A. Education Broadcasting Corporation

We found that EBC is not monitoring the NDIIPP funds it provides to its sub-awardees. This is occurring because EBC does not fully understand its role in the grants financial management system.

EBC stated that "EBC only records what the other corp[oration] send [sic] to us. We are just acting as the agent for the project."<sup>10</sup> Both EBC's cooperative agreement<sup>11</sup> and OMB Circular A-110<sup>12</sup> require EBC to monitor these funds.

Specifically we found that EBC does not receive nor request supporting documentation for costs such as travel, equipment, other direct costs, and salaries charged to the NDIIPP grant by its sub-awardees. At a minimum EBC should be reviewing: (1) travel for airfare, lodging, and trip purpose, (2) equipment for applicability to the NDIIPP program, (3) other direct costs for the nature of the costs, and (4) salaries for time charges and rates. Performing these minimal procedures would satisfy OMB Circular and cooperative agreement requirements. This, in turn, will provide reasonable assurance that NDIIPP funds are managed in accordance with federal grant regulations. Without performing these steps, the Library lacks the data to determine if EBC is properly managing these funds.

<sup>&</sup>lt;sup>9</sup> Only allowable costs should be charged to federal grants. Allowability of costs is determined by: (1) the OMB cost principles (A-21, A-87, or A-122) applicable to the entity incurring the costs and (2) grant terms and conditions. Any costs not meeting the OMB cost principle criteria and/or the grant terms and conditions are unallowable and should not be charged to that grant.

<sup>10</sup> Email dated 7/31/07, "RE: Questions about NDIIPP Info"

<sup>&</sup>lt;sup>11</sup> Article 11.2, "Application of OMB Circulars."

<sup>&</sup>lt;sup>12</sup> OMB Circular A-110 \_\_.51 (a).

#### B. California Digital Library

We found that CDL sub-awardee requests for payment procedures lack a process for verifying cost allowability. This is because CDL procedures focus on progress and milestones and not on determining whether costs submitted are in accordance with the cooperative agreements' terms and conditions. CDL monitoring procedures currently consist of signoffs, reconciliations, and consultation on transactions as needed.<sup>13</sup> At a minimum, CDL needs to add a procedure that will require periodic testing of a select number of sub-awardee invoices<sup>14</sup> in order to validate the underlying costs used to track progress and milestones.

C. Emory University

Emory provided a procedure narrative explaining its practice of reviewing sub-awardee invoices. Emory's sub-awardee review procedures include: (1) checking for mathematical accuracy, (2) determining if billed dates are within the period of the award, (3) determining if billed amounts are within the subcontract in place, (4) determining that line item charges are within budget guidelines or that re-budgeting, if needed, is allowed, and (5) looking for the certification of costs by the sub-awardee.

Emory's review procedures are quantitative, rather than qualitative, in nature. To fulfill the qualitative aspect of cost monitoring, Emory relies on a sub-awardee certification that the costs claimed were allowable. This is insufficient. OMB Circulars A-110<sup>15</sup> and A-133<sup>16</sup> require the pass-through entity to have procedures in place to ensure that costs charged to federal awards comply with the cost circulars, the grant, and administrative procedures.

If it continues to use sub-awardee certification as evidence that all costs charged comply with federal grant regulations and the Library's cooperative agreement, Emory must begin

<sup>15</sup> OMB Circular A-110 \_\_.51 (a)

<sup>&</sup>lt;sup>13</sup> CDL document submission attached to email dated, 7/1/0/07. "RE: Follow up guestion on FY05 NDIIPP Transactions."

<sup>&</sup>lt;sup>14</sup> CDL's FY 2005 Single Audit Report contained "Finding 05-3: Lack of Subrecipient Monitoring." The finding highlights CDL's need to monitor sub-recipient costs.

<sup>16</sup> OMB A-133 Compliance Supplement, "M. Subrecipient Monitoring."

performing periodic procedures to determine if the certification is valid. These procedures should include invoice reviews based on standards set forth in OMB Circulars A-21 and A-110 and the cooperative agreement terms and conditions. Without validating these certifications, the Library cannot be assured that Emory sub-awardees are spending Library grant funds appropriately.

#### Recommendation

We recommend that OSI direct EBC, CDL, and Emory to review OMB Circulars A-110 and A-133, *Sub-recipient Monitoring Compliance Requirements*, and institute procedures to monitor sub-awardee costs.

### II. OSI Needs to Include Prior Approvals in NDIIPP Cost Management Procedures

Grant officials are responsible for monitoring grants to ensure that recipients obtain prior approvals when required. Prior approvals are a significant part of the grant cost monitoring system, because they provide a mechanism to notify an awarding agency of prospective charges to its grants.

In part one of our NDIIPP program management review, we recommended that OSI institute more effective procedures to monitor costs.<sup>17</sup> During our fieldwork for this report, it came to our attention that the leads had not submitted requests for prior approvals.<sup>18</sup> We did not find that the lack of prior approvals resulted in any unallowable costs, however, compliance with applicable OMB Circulars dictates that OSI should include prior approval monitoring in any enhanced cost monitoring procedures it is currently drafting.

#### Recommendation

We recommend that OSI revise its draft financial monitoring procedures to ensure that they provide a means to evaluate whether prior approvals are being appropriately requested in

<sup>&</sup>lt;sup>17</sup> Audit Report No. 2006-PA-105, dated March 2007, Finding I, page 7.

<sup>&</sup>lt;sup>18</sup> In response to a request for information on equipment prior approvals, the Library's grants manager stated in an email dated 6/18/07 "No explicit "prior approval" request has been submitted to the Grants office by any NDIIPP awardee or an AOTR."

accordance with the applicable OMB Cost Circulars. The procedures should provide for a system in which approvals for costs requiring them are obtained prior to charging the NDIIPP program.

### **OSI Response to Findings**

OSI agreed with our findings and recommendations and indicated that it would work with the Grants Officer to implement finding I and revise its draft financial procedures to include partner prior approval evaluation procedures in implementing finding II.

### **CONCLUSION**

Overall, the leads are adequately managing the NDIIPP program. Specifically, the institutions are meeting milestones and appear to be accomplishing their project objectives. Notwithstanding those performance accomplishments, the lead institutes need to do a better job of monitoring subawardee funds.

In light of the NDIIPP funding cuts, each NDIIPP dollar, whether directly or indirectly awarded, must be subject to adequate and effective oversight. Implementing the recommendations in this report will accomplish this goal.

### **Major Contributors to This Report**

Nicholas G. Christopher, Assistant Inspector General for Audits Sherry D. Angwafo, Auditor

# ► APPENDIX A: LEAD INSTITUTIONS AND PROJECT DESCRIPTIONS

California Digital Library at the University of California Web-at-Risk: A Distributed Approach to Preserving our Nation's Political Cultural Heritage

Education Broadcasting Corporation (EBC) Preserving Digital Public Television

Emory University MetaArchive

North Carolina State University Libraries Collection and Preservation of At-Risk Digital Geospatial Data

University of California at Santa Barbara National Geospatial Digital archive

University of Illinois at Urbana-Champaign Library Exploring Collaborations to Harness Objects in a Digital Environment for Preservation – ECHO Depository

University of Maryland Robert H. Smith School of Business *The Birth of the Dot Com Era* 

University of Michigan Inter-University Consortium for Political and Social Research Social Science Data

# ► APPENDIX B: OSI RESPONSE

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		RECEIVED		
UNITED ST	TATES GOVERNMENT	1776 - 178 <b>(107</b>		
Memorandum		INSPECTOR GENERAL		
		LIBRARY OF CONGRESS		
то	: Karl W. Schornagel Inspector General	Date: September 11, 2007		
FROM	: Laura E. Campbell July Associate Librarian for Strategic I	nitiatives		
SUBJECT		Need to Improve Sub-Awardee Cost Information Infrastructure and Preservation		
	Draft Audit Report No. 2007-FN-10	1		
	k you for the opportunity to review Au ing from our review of the report are l	dit Report No. 2007-FN-101. Comments isted below:		
result	ing from our review of the report are l	-		
result 1) to the 2) moni	OSI will work with the Grants Office Lead Partner Institutions.	isted below: er to communicate the IG recommendation #1 #2. OSI will revise its draft financial o evaluate whether prior approvals are being		
result 1) to the 2) moni appro OSI a from	of the report arc l OSI will work with the Grants Office Lead Partner Institutions. OSI concurs with recommendation toring procedures to provide a means to opriately requested in accordance with additionally recommends that the chart this document because it is inaccurate	isted below: er to communicate the IG recommendation # #2. OSI will revise its draft financial o evaluate whether prior approvals are being		

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×



The Library of Congress Office of the Inspector General



# **Office of Strategic Initiatives**

Enhanced Policies and Procedures are Needed to Ensure Effective Financial Management of the National Digital Information Infrastructure and Preservation Program

> Audit Report No. 2006-PA-105 March 2007

PUBLIC RELEASE



UNITED STATES GOVERNMENT

LIBRARY OF CONGRESS

Memorandum

Office of the Inspector General

TO:	James H. Billington Librarian of Congress	March 31, 2007
FROM:	Karl W. Schornagel Inspector General	
SUBJECT:	Enhanced Policies and Procedures are Needed to Ens Effective Financial Management of the National Digital Information Infrastructure and Preservation P	

Audit Report No. 2006-PA-105

This transmits our final audit report on the Library's National Digital Information Infrastructure and Preservation Program. The Executive Summary begins on page *i*, and complete findings and recommendations appear on pages 5 to 9.

In its response to our recommendations I and II, OSI referred us to certain sections of the Cooperative Agreements; however, those agreements do not address the substance of our recommendations. OSI must not only document, but also monitor and ensure compliance with the relevant sections of the Cooperative Agreements. OSI agreed with our final finding and recommendation. We request that the Associate Librarian for Strategic Initiatives provide within 30 calendar days, an action plan addressing implementation of recommendations I and II, including implementation dates, in accordance with LCR 211-6, Section 11.A.

We appreciate the cooperation and courtesies extended by the Office of Strategic Initiatives during the audit.

cc: Chief Operating Officer Associate Librarian for Strategic Initiatives

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## **EXECUTIVE SUMMARY**

"To save a digital file for, let's say, a hundred years, is going to take a lot of work." 1

In December 2000, Congress authorized the Library of Congress to develop and execute a plan for the National Digital Information Infrastructure and Preservation Program (NDIIPP). Through the NDIIPP, the Library is leading a nationwide effort, in collaboration with other federal and nonfederal entities, to develop (1) a nationwide network of partners committed to collecting and preserving at-risk digital material of vital importance to the nation; (2) a technical infrastructure to support long-term preservation of those materials; and (3) a research program to develop advanced technology, tools, and methods for digital preservation.

In September 2004, the Library took a significant step to advance NDIIPP goals by awarding \$18.6 million in cooperative agreements to eight "lead institutions." The agreements were awarded to identify, collect, and preserve atrisk "born-digital" materials of significant cultural and historical value to the nation.

This Office of the Inspector General (OIG) report provides the results of the first part of a two-part OIG audit of the NDIIPP. In this report, our objectives were to determine if (1) the NDIIPP partners are complying with their agreements' terms, conditions, and applicable laws and regulations, and (2) the Library's Office of Strategic Initiatives (OSI) is providing adequate program oversight.

For this part of the audit, we reviewed four of the eight cooperative agreements for compliance. In our second report, we will focus on the objectives and accomplishments of the NDIIPP and review the remaining four cooperative agreements. Furthermore, we will test all of the institutions'

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<sup>&</sup>lt;sup>1</sup> Peter Hite, president of Media Management Services, quoted in The New York Times, "Even Digital Memories Can Fade" article, dated November 10, 2004.

compliance with NDIIPP agreements by using sampling techniques.

We found that the institutions had received unqualified opinions on their single audit reviews for fiscal year (FY) 2005. This indicated that these institutions had adequate controls in place to ensure that they administered their programs in compliance with applicable laws, regulations, and terms of the agreements.

We also confirmed that OSI provides adequate oversight for the program's performance. Specifically, we found that OSI uses a comprehensive matrix<sup>2</sup> to track the progress of major program activities, meets regularly with principal investigators;<sup>3</sup> and maintains a close working relationship with each lead institution.

Notwithstanding these notable activities, we concluded that OSI's program oversight could be improved. Specifically, OSI should (I) revise its procedures to ensure that unallowable costs charged to the NDIIPP agreements are identified (see page 7); (II) revise its procedures to ensure NDIIPP partners meet the requirements for matching federal funds (see page 8); and (III) formalize all OSI draft procedures for monitoring the NDIIPP and ensure that they are implemented (see page 9).

In its response to recommendations I and II, OSI referred us to certain sections of the Cooperative Agreements which require the grantees to certify compliance with matching principles. However, the Agreements do not address the substance of our recommendations, which are to both document and monitor compliance. Therefore, we reaffirm those recommendations. OSI agreed with finding and recommendation III.

<sup>&</sup>lt;sup>2</sup> OSI has drafted the "NDIIPP Strategic Plan Matrix." This comprehensive matrix tracks and coordinates major program activities by deliverables, owners, budgets, and timelines.

<sup>&</sup>lt;sup>3</sup> A grantee's principal investigator (PI) takes direct responsibility for completion of a funded project, directing the research, and reporting directly to the funding agency.

## ► INTRODUCTION

In FY 2004, the Library of Congress advanced the goals of the National Digital Information Infrastructure and Preservation Program (NDIIPP) by awarding \$18.6 million in cooperative agreements to eight lead institutions and their partners. The purpose of the cooperative agreements was to identify, collect, and preserve historically important digital materials within a nationwide digital preservation infrastructure (see Figure 1, page 2). The NDIIPP awards will be matched dollar-for-dollar by the awardees in the form of cash, in-kind contributions, or other resources. The institutions will share responsibilities for preserving at-risk digital materials of significant cultural and



historical value to the nation.

Naboral Digital Information Infrastructure & Proservation Program Accillaborative Infrastructure of the Library of Congress with and operations in FY 2003 and issued a

memorandum on April 15, 2003. In that memorandum, we noted that the Library's NDIIPP plan was providing a good framework for the program's external leadership in evaluating options for sharing expertise and preserving digital material. However, we also noted that more attention to intra-Library communication and policy development was needed.

## **BACKGROUND**

Because libraries are creatures of their societies' intellectual accomplishments, the changing world of information poses a particular challenge to them. The Library of Congress generally shares in the fate of all libraries, but uses its size,

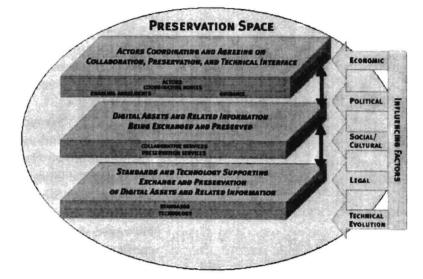
distinction, and resources to help shape its destiny. Accordingly, in 1998, the Library commissioned a study, in conjunction with the development of its digital strategic plan, to tackle the information management challenges facing libraries. The study's results are provided in the report, "LC 21: A Digital Strategy for the Library of Congress," issued in July 2000. The report recommended, among other things, that the Library take the lead in a working arrangement with other institutions in the preservation and archiving of digital materials.

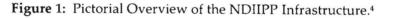
In December 2000, Congress appropriated \$100 million (later rescinded to \$99.8 million, then rescinded by a further \$47 million)

for a national digital-strategy effort, led by the Library. Congress required the Library to initially spend \$25 million to develop and execute a congressionally approved strategic plan for NDIIPP and also specified that \$5 million could be spent during the planning phase to acquire and preserve digital information that may otherwise vanish. The legislation authorized up to \$75 million in federal funding, subject to a dollar-for-dollar match in nonfederal donations, including inkind contributions.

<sup>4</sup> Source: NDIIPP website.

## DIGITAL PRESERVATION INFRASTRUCTURE - ENVISIONED DYNAMICS





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## ➡ OBJECTIVES, SCOPE, AND METHODOLOGY

The broad objectives of this part of our two-part audit of the NDIIPP were to determine whether (1) the NDIIPP partners are administering their cooperative agreements according to their terms, conditions, and applicable laws and regulations, and (2) the Library is providing adequate program oversight.

To accomplish our objectives for this report, we:

• Reviewed cooperative agreements, the Office of Strategic Initiatives' policies and procedures for the NDIIPP, FY 2005 Single Audit Reports,<sup>5</sup> and Federal Audit Clearinghouse SF-SAC forms;

• Interviewed Library and lead institution staff, including the NDIIPP grants officer and the project manager, and financial personnel of the lead institutions;

• Reviewed four of the eight lead institutions' for compliance with laws, regulations, and terms of the agreements;<sup>6</sup> and

• Assessed compliance with the NDIIPP cooperative agreements' terms and conditions including the Office of Management and Budget's (OMB's) Grants Management Circulars.

<sup>6</sup> We audited the California Digital Library at the University of California, the University of Illinois at Urbana - Champaign Library, the University of Maryland Robert H. Smith School of Business, and the University of Michigan Inter-university Consortium for Political and Social Research.

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<sup>&</sup>lt;sup>5</sup> In order to simplify the oversight of federal government grantees, Congress enacted the Single Audit Act of 1984 (the Act). The Act allows non-federal entities that receive funds from multiple federal agencies to perform only one consolidated audit, rather than performing multiple audits with guidance from multiple federal agencies. The Act permits a single federal agency to act as the "cognizant agency." This agency oversees the single audit and coordinates with other affected federal agencies. Single audits can provide additional assurance that awardees are properly expending federal funds. The audits address whether the awardees' financial statements are presented fairly, whether internal controls are effective in preventing noncompliance with major federal program requirements, and whether the awardees comply with laws and regulations that have a direct and material effect on major federal programs.

We performed our audit fieldwork from July 2006 through January 2007. We conducted the audit in accordance with Government Auditing Standards issued by the Comptroller General of the United States and Library of Congress Regulation (LCR) 211-6, *Functions, Authority, and Responsibility of the Inspector General*, dated December 4, 2006.

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## FINDINGS AND RECOMMENDATIONS

We found that the lead institutions are administering their cooperative agreements properly. Specifically, the institutions received unqualified opinions in their single audit reviews for FY 2005, which indicates that they have effective controls in place to adequately administer the cooperative agreements in accordance with applicable laws and regulations.

Moreover, OSI is providing adequate oversight for the program's performance. Specifically, OSI (1) uses a comprehensive matrix to track the progress of major program activities; (2) meets regularly with principal investigators; and (3) maintains a close working relationship with each lead institution.

Notwithstanding these activities, there is room to improve OSI's program oversight. Specifically, OSI should (1) revise its procedures to ensure that unallowable costs charged to the NDIIPP agreements are identified; (2) revise its procedures to ensure NDIIPP partners meet the requirements for matching federal funds; and (3) formalize all OSI draft procedures for monitoring the NDIIPP agreements and ensure that the procedures are implemented.

#### I. More Effective Procedures to Monitor Costs are Needed

In general, a significant part of the oversight of any federal grant includes procedures for identifying and dealing with costs charged to the federal government that may not be allowable under the terms of the grant.

We interviewed the NDIIPP Director of Program Management, NDIIPP Project Manager, financial personnel, and reviewed draft financial monitoring procedures. We found through interviews and a review of the draft procedures that the issue of cost allowability has not been addressed. We determined that, because no individual was identified as responsible for doing so, OSI does not have adequate monitoring procedures for identifying unallowable costs. OSI has financial monitoring procedures<sup>7</sup> that are in draft form. Although the results of a review we performed on a sample of one institution's<sup>8</sup> FY 2005 invoices revealed no significant questionable costs, there is no assurance, through OSI's draft procedures, that costs charged to the agreements are allowable under OMB criteria and, therefore, eligible for matching federal funds.

Such OSI procedures must be effective because (1) invoiced costs of the NDIIPP are not high enough to be examined in the testing procedures applied in a single audit;<sup>9</sup> and (2) only those costs that are allowable under OMB criteria are eligible for the matching funds available through the NDIIPP's authorizing legislation. If inadequate procedures are in place, grant overseers may not identify unallowable costs.

Each of the agreements limits an institution's chargeable costs to those specified by OMB's three Cost Principle Circulars (i.e., A-21, A-87, or A-122), OSI's controls must include procedures to determine whether a cost that is charged is allowable according to those criteria.

Accordingly, OSI should revise its draft financial monitoring procedures to ensure that it provides a means to evaluate the costs that the institutions charge and invoice to the cooperative agreements. March 2007

<sup>&</sup>lt;sup>7</sup> As of January 26, 2007, OSI had finalized 15 of 20 NDIIPP monitoring procedures.

<sup>\*</sup> The University of Illinois.

<sup>&</sup>lt;sup>9</sup> Single Audits require auditors to determine compliance with fourteen compliance requirements. One of the fourteen compliance requirements is "Allowable costs/cost principles." This requirement directs the auditor to perform audit procedures to determine if costs charged to federal awards are allowable in accordance with agreement terms, laws, and regulations.

#### Recommendations

We recommend that OSI:

1. Revise its draft financial monitoring procedures to ensure that it identifies unallowable costs charged to the NDIIPP program. The revision should provide for determination of unallowable costs according to one of three OMB Cost Principle Circulars.

2. Verify that the lead institutions are monitoring sub agreements for cost allowability.<sup>10</sup>

#### II. OSI Needs to Improve Oversight of NDIIPP Partners' Matching Requirements

Matching requirements represent a committiment by a nonfederal entity to the purpose and goals of significantly important public service projects. As such, the validity of each nonfederal match must be equal to its significant public purpose.

Because the legislation calls on each institution to match its cooperative agreement award amount in cash, or other resources, as a condition for receiving matching federal funds, OSI controls must include procedures to verify that each institution's contribution was valid and in conformance with applicable OMB criteria.<sup>11</sup> Such OSI procedures must be effective because the legislation does not permit matching federal funds to be released until they are accompanied by a valid contribution from the institution.

We found that OSI has a draft procedure<sup>12</sup> that requires program officers to report an NDIIPP partner's match-

<sup>&</sup>lt;sup>10</sup> Article 11, Incorporation of Standard Federal Guidance, Section 11.2, requires that OMB Circulars applicable to the lead institution shall be incorporated into each sub award agreement.

<sup>&</sup>lt;sup>11</sup> OMB Circular A-110 \_\_\_\_.23 (a) provides criteria for matching federal funds.

<sup>&</sup>lt;sup>12</sup> "Building an NDIIPP Partner Budget Report", Draft - 11/16/2006.

qualifying contributions to the Office of the Chief Financial Officer (OCFO) semiannually. OCFO uses the reports to process the release of matching federal funds.

We determined that the OSI draft procedure is not adequate because it does not provide a means for the office to determine whether the NDIIPP partner's contributions are valid and in conformance with applicable OMB criteria. The procedure does not address whether the match is (1) verifiable, (2) not included in other federal projects, (3) necessary and resonable for accomplishment of project objectives, or (4) in conformance with OMB cost and adminsitrative circulars. As a result, there is no assurance that the federal funds released have been matched by valid contributions from NDIIPP partners.

In view of the amount of matching federal funds that are available to the NDIIPP partner institutions, it is critical that OSI effectively monitor the validity of the institutions' matchqualifying contributions.

#### Recommendation

We recommend that OSI amend its draft procedure on NDIIPP partners' match-qualifying contributions to ensure it provides a means to determine whether the partner's contributions are valid and in conformance with OMB Circular A-110 \_\_.23 (a)(1)-(7).

#### **OSI Response to Findings I and II and OIG Comments**

In its response, OSI directed us to the Cooperative Agreement language in sections B.3.1 and B.3.2. Generally, sections B.3.1 and B.3.2 require the awardee to submit a methodology for valuation of in-kind contributions accompanied by a certification that the match methodology is appropriate and conforms to the applicable OMB Circular cost principle. In addition, section B.3.2 requires additional match certifications for the first quarterly report and the final report.

Notwithstanding this pre-approved methodology and certification requirements, our recommendations address the need not just for documentation, but also a monitoring program to determine if the awardee is following the certified methodology, therefore, we reaffirm our recommendations.

#### III. OSI Needs to Formalize and Fully Implement NDIIPP Draft Procedures

Effective procedures are an integral part of an internal control structure, providing reasonable assurance that an organization is meeting its goals and objectives.

OSI has taken significant steps to improve NDIIPP's performance by standardizing its procedures for monitoring the program's activities. As of January 26, 2007, the office had drafted about 20 "NDIIPP Processes" to monitor a wide range of financial and program-substantive activities and had implemented over half of them.

The procedures provide the means to monitor NDIIPP's progress, resolve issues, track deliverables, document meetings, and amend agreements. Before they were drafted, each program officer had to rely on personal judgment to monitor his or her project. Notwithstanding the procedural issues previously identified involving allowable costs and requirements for matching federal funds, the draft procedures provide a good framework to effectively monitor NDIIPP's performance. It is in the Library's and NDIIPP's best interests to finalize all "NDIIPP Processes" currently in draft and promptly implement them to ensure the program's performance is effectively monitored.

#### Recommendation

We recommend that OSI promptly complete work on all OSI draft procedures for monitoring NDIIPP and ensure that they are implemented.

#### **OSI Response**

OSI agreed with our finding and recommendation and indicated that it would shortly be finalizing and implementing draft procedures.

## **CONCLUSION**

Overall, the lead institutions and OSI are adequately managing the NDIIPP program. Specifically, OSI adequately monitors program performance, has established metrics for gauging program progress, and convenes regular meetings with all principal investigators to discuss program-specific and crosscutting issues. Additionally, the principal investigators regularly provide subject matter presentations to the public.

Notwithstanding these notable activities, OSI's oversight of NDIIPP could be improved by implementing the recommendations contained in our report.

#### Major Contributors to This Report

Nicholas G. Christopher, Assistant Inspector General Sherry D. Angwafo, Auditor John Kane, Senior Auditor

## ➡ APPENDIX A: LEAD INSTITUTIONS AND PROJECT DESCRIPTIONS

California Digital Library at the University of California Web-at-Risk: A Distributed Approach to Preserving our Nation's Political Cultural Heritage

Education Broadcasting Corporation (EBC) Preserving Digital Public Television

Emory University MetaArchive

North Carolina State University Libraries Collection and Preservation of At-Risk Digital Geospatial Data

University of California at Santa Barbara National Geospatial Digital Archive

University of Illinois at Urbana - Champaign Library Exploring Collaborations to Harness Objects in a Digital Environment for Preservation – ECHO Depository

University of Maryland Robert H. Smith School of Business The Birth of the Dot Com Era

University of Michigan Inter-university Consortium for Political and Social Research Social Science Data



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## ► APPENDIX B: OSI RESPONSE

Office of Strategic Initiatives The Library of Congress

Memorandum					
TO:	Karl W. Sch	omagel			

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	Inspector General	,
	Laura E. Campbell Jana E. Campbell /g	1
EDOM.	Louis E Comphell Anna Lat Amphell /	C.
FROM:	Laura E. Campbell / purce	

Associate Librarian for Strategic Initiatives

SUBJECT: Comments on "Enhanced Policies and Procedures are Needed to Ensure Effective Financial Management of the National Digital Information Infrastructure and Preservation Program"

March 30, 2007

Draft Audit Report No. 2006-PA-105

Thank you for the opportunity to review Audit Report No. 2006-PA-105. Comments resulting from our review of the report are listed below:

1) For the first two findings, we request the IG review the Cooperative Agreement language in sections B.3.1 and B.3.2. The Library specifically required the submission of both a Valuation Methodology Report and unconditional certifications by the recipients' CFO that attests to the recipients' conformance to both OMB cost principles and the valuation of the match.

2) We concur with the third finding in the audit report. The draft procedures for monitoring NDIIPP will be finalized and implemented shortly.

If you have any further questions, please feel free to contact me.

cc: George Coulbourne, OSI Molly Johnson, OSI Martha Anderson, OSI Lisa Hooks, OSI