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of The Inspector General (OIG) Audit Reports, 2001, 2005

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OFFICE OF THE

INSPECTOR GENERAL

THE LIBRARY OF CONGRESS

WASHINGTON, D.C. 20540

December 30, 2010

I am in receipt of your letter dated December 5, 2010 regarding two audit reports prepared by the Office of the Inspector General. You requested the release of the following audit reports:

- Investigation of Allegations Regarding Mass Deacidification Quality Assurance Oversight, Report No. H-05-002, March 14, 2005, and
- Audit of the Retail Marketing Office, Report No. 2000-IN-ALS-005, February 16, 2001.

I regret that these reports are not available for release to the public. However, I have included redacted summaries of both reports. I hope this is satisfactory and fulfills your request.

Karl W. Schornagel

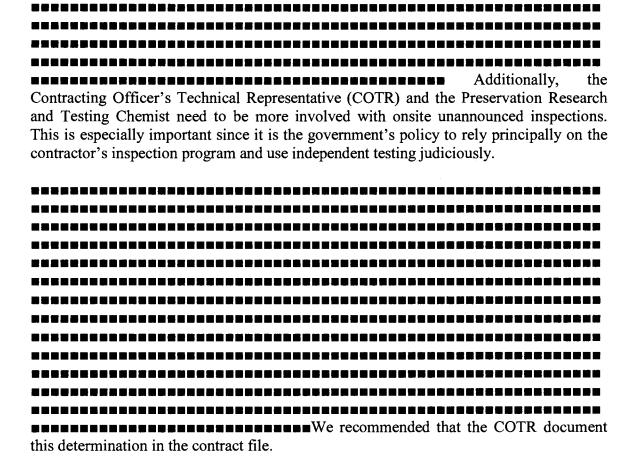
Inspector General

Attachment

Mass Deacidification of Books and Manuscripts

The Office of the Inspector General conducted a review of the Library's Mass Deacidification contract quality assurance program for books and manuscripts. The activity is managed by the Preservation Directorate, Library Services. Specifically, we determined whether:

- the Library's contractor provides meaningful test data for validating contract specifications,
- contract oversight and independent testing ensures that the contractor adheres to contract specifications, and
- any materials are damaged during processing.



A more significant issue is that neither the COTR nor the Preservation Research and Testing Division Chief had effectively monitored the Library's in-house testing. Both admitted that they had not seen test results from October and November 2004 until we requested them on December 14, 2004. Additionally, we found no record of any testing from February 2002 to February 2004. For this testing to be useful, it is essential that the COTR (1) ensure that the Preservation Research and Testing Division conducts its tests as soon as possible after receipt and keep a record of the results, (2) examine the test data

on a timely basis, (3) reconcile any missing data, and (4) take appropriate action for nonconforming test results.

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Retail Marketing Office

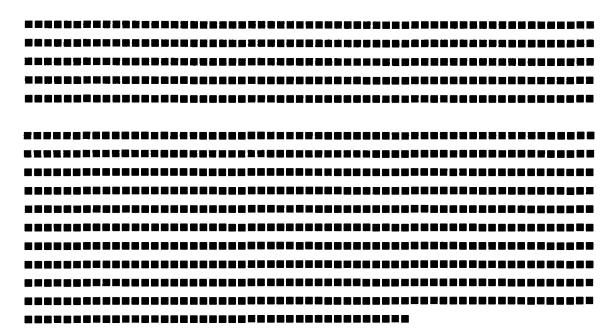
The Library's Retail Marketing Office was established in 1977 with a \$500 gift to purchase, print, or reprint materials including books, pamphlets, pictures, and posters that are related to the Library of Congress. The variety of items available for sale at the Library's gift shops has expanded to include other types of merchandise, including materials that do not originate from the Library. For the first three quarters of FY 2000, the Retail Marketing Office grossed approximately \$1.4 million in sales. The Retail Marketing Office is a unit within the Library's Publishing Office. There are two sales shops that conduct the majority of sales activity; one in the Thomas Jefferson Building and the other in the James Madison Building. The Retail Marketing Office purchases its merchandise from many vendors and can have more than 225,000 items in its inventory with a value in excess of \$700,000.

The OIG conducted a review to determine the adequacy of the system of management controls for measuring, reporting, and monitoring the retail sales operations; whether the unit is acquiring, protecting, and using its resources economically and efficiently; and whether the retail program is operating in compliance with laws and regulations. We identified several areas that warrant management attention.

Lack of Written Procedures - The Retail Marketing Office does not have adequate formal written procedures describing/documenting inventory safeguards, incoming sales receipts, resale pricing policy, and invoice processing. We recommended that the Retail Marketing Officer develop and implement written procedures to ensure that *** pricing methodology incorporates the cost of operating the retail function, and staff have proper guidance in processing invoices so that vendors are promptly paid.



Erroneous Inventory Records – About 90 percent of the inventory records we sampled showed differences between the physical count and the quantities listed in the inventory tracking system. Furthermore, we found that there was no particular order in which items were shelved in the storage rooms. Any one item could be found in any of the seven storage rooms, and in more than one location within the storage rooms. As a result, locating inventory items can be difficult, and the actual number of physical items on hand difficult to determine. We recommended that the Retail Marketing Officer conduct quarterly inventory counts to ensure that perpetual inventory records are properly updated.



Improper Reconciliation Procedures with Federal Financial System - Deposits were not being reconciled to the amounts recorded in the Federal Financial System. These reconciliations are needed to detect inaccurate deposits and mishandling of funds. We recommended that the Retail Marketing Officer ensure that reconciliations are performed in accordance with written procedures.

Split Credit Card Purchases - We discovered thirteen instances where purchases were split in order to circumvent the delegated \$2,500 single purchase limit. The Retail Marketing Officer explained that quick turnaround and large quantities are needed to meet customer demand. However, current practice allows purchasers to increase the Library's liability risk. We recommended that the approving official explore the use of blanket purchasing agreements or delivery order contracts. These contracting options are methods of filling anticipated repetitive needs and would provide flexibility in quantities and delivery schedules, help maintain inventories at minimum levels, and perhaps provide advantageous costs or pricing arrangements with vendors.

Untimely Reconciliation and Payment Approval Process - During our review of credit card payments, we noted eight instances (almost 90 percent of our sample) where reconciliation and submission of vendor payments were not timely. For non-credit-card purchases, we observed nine instances (40 percent of our sample) where the timing for the approval of vendor invoices for payment exceeded the established time frame. In two of these instances, \$261.06 in purchase discounts was lost. Unreasonable delays in payment to vendors could make them unwilling to make credit sales to the Library, and lead to further loss of purchase discounts. We recommended that the Retail Marketing Officer comply with the Library's procedures to process invoices for payment within the required time frame.

Inadequate Reporting and Financial Expertise - The Retail Marketing Office's financial reports are not comprehensive enough to state the unit's financial operation, and the office has not addressed the need for more accounting expertise in its staffing complement. A critical element of a revolving fund is that it must be self-sustaining. This gives added importance to the need for accurate and timely financial reporting. We recommended that the Retail Marketing Officer obtain the resources necessary to improve current reporting practices and decision-making expertise, and to provide accurate and timely information for management decisions.

Management recognized the merit of our recommendations and has taken some corrective action.