

Implement Purchase Card Controls for Purchases of Advertisements

PUBLIC RELEASE

**OFFICE OF
INSPECTOR GENERAL
LIBRARY**
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MEMO

Date November 6, 2018
To Dr. Carla Hayden
Librarian of Congress
From Kurt W. Hyde
Inspector General 
Subject Final Report – *Implement Purchase Card Controls for Purchases of Advertisements*, Report No. 2015-PA-102

This transmits our final report for the Office of the Inspector General's (OIG) performance audit of the Library of Congress (Library) purchase card program. OIG initiated the audit to determine whether (1) the Library's internal controls over the program are appropriately designed and (2) the controls are effectively working. As discussed in the background section of the report, OIG has previously issued two interim reports as part of this audit. This is our third and final report for the audit.

Based on your written response to the draft report, we consider our recommendation resolved. Your response indicated that action has been completed. Your response was in accordance with Library of Congress Regulation 9-160, *Rights and Responsibilities of Library Employees to the Inspector General*, §6.A.

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

cc Principal Deputy Librarian of Congress
Chief Operating Officer
Chief Financial Officer
General Counsel

Summary

The Office of the Inspector General (OIG) initiated the audit to determine whether (1) the Library of Congress (Library) internal controls over the purchase card program are appropriately designed and (2) the controls are effectively working. Prior to this report, OIG issued two interim reports, which are described in the background section of this report. OIG completed the interim reports to alert Library management of our initial findings before completing the audit to enable the Library to take corrective actions as soon as possible. This report pertains to the Library's Office of Communications and its involvement in the purchase card program. For the three-month period under review, August 1, 2015, to October 31, 2015, OIG identified instances of noncompliance with the Library's agency-wide purchase card directive, a Class Determination and Findings document that gave Office of Communications purchase card holders the authority to buy advertisements up to \$25,000, and Office of Communications standard operating procedures, which outline requirements for buying advertisements above the micro-purchase threshold.

Of the 14 advertising purchases reviewed by OIG totaling approximately \$132,900, we could not identify complete supporting documentation for 11 purchases totaling approximately \$60,900 and therefore concluded that the transactions were improper payments. Further, in the majority of the cases we examined, 11 purchases totaling approximately \$117,300, Office of Communications purchase card holders did not make the purchase card advertisement purchases as required. Of the 11 purchases, OIG could not locate documentation demonstrating that the Office of Communications approved six purchases totaling about \$32,800. The Director of Communications told OIG she was aware of and approved all of the transactions. OIG also identified three purchases totaling approximately \$15,500 that did not have advertisement justifications, six purchases totaling approximately \$35,700 that had incomplete information about the advertisements being purchased, and 11 purchases totaling approximately \$117,300 that did not include a copy of the Class Determination and Findings document.

OIG recommended that the Office of Communications update its standard operating procedures in collaboration with the Program Coordinator to ensure that effective internal controls are established and implemented for the proper

functioning of purchase card advertisement purchases.

Management Comments

In response to our draft report (see Appendix B), the Library's senior leadership agreed with our recommendation for the Office of Communications to update its standard operating procedures and indicated that action has already been taken. It should be noted that after preliminary discussions with the Office of Communications, the Director of Communications took immediate action to update the standard operating procedures; OIG will review the procedures to determine whether they are responsive to our recommendation.

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Background

For our audit of the Library of Congress (Library) purchase card program, the Office of the Inspector General (OIG) issued two interim reports prior to this report to enable the Library to take corrective actions before OIG completed the audit. OIG issued an interim report on the audit's first objective in March 2017 that was entitled *The Purchase Card Program Needs Up-To-Date Policies and Procedures and Stronger Oversight*. OIG's first interim report noted that a risk commonly cited in federal audits of government purchase card programs is a weak internal control environment. The report identified that the Library's control environment had several areas of weakness: the program's policies, procedures, and training requirements needed to be updated; the program's internal controls needed to be updated and outlined in policies and procedures; and the Office of the Chief Financial Officer needed to update performance expectations to better enforce program policies and procedures.

OIG made seven recommendations in the first interim report, all of which have been implemented by the Library. The Library developed and implemented a new purchase card directive. When OIG initiated this audit, program requirements were documented in Directive 06-01, *Use and Management of the Government Purchase Card*, dated September 18, 2006. They are now documented in Directive 7-200.1, *Government Purchase Card*, dated June 7, 2018. The Library also updated trainings and training materials, implemented a plan to assess program risks on a quarterly basis, reexamined its activities related to collecting and reporting program data and implemented new procedures, improved its data mining activities, and updated the performance plans of purchase card program personnel.

OIG issued a second interim report on the audit's second objective in January 2018 that was entitled *Library Management Needs to Exercise Stronger Oversight of the Library Gift Shop's Participation in the Purchase Card Program*. The findings in the second interim report demonstrated the risks associated with having a weak internal control environment. OIG determined that the gift shop had an ongoing problem with splitting needs into smaller purchases to circumvent the purchase card program's single-transaction limits, that the gift shop needed stronger independent receipt and acceptance practices, that monthly reconciliations were being performed improperly, and that the Library needed to exercise greater oversight of the gift shop's participation in the purchase card program. OIG made 12 recommendations designed to address these issues and the Library concurred with all of them.

The background sections of the interim reports covered several important topics, such as the establishment of the federal government's purchase card program in 1984 and the Library's purchase card program in 1993, the size of the Library's purchase card program, and OIG's previous work related to the

Library's purchase card program.¹ Program expenditures were \$5.1 million in fiscal year 2017.

In performing the audit's first objective, OIG identified three staff positions of particular importance in the purchase card program's operations. These are the

- cardholders, who use purchase cards to acquire goods and services and can be held financially responsible if the cards are not used in accordance with regulations;
- approving officials, who are responsible for the review and approval of individual purchase card transactions made by cardholders in Momentum, the Library's electronic financial system; and
- members of the Agency Program Coordinator (Program Coordinator) who are OCFO personnel responsible for assisting cardholders and approving officials and for evaluating and monitoring the purchase card program to ensure compliance with the Library's policies and procedures.

This report, the last in our series covering the audit's sample period, relates to our continuing assessment of the Library's internal controls for the purchase card program and focuses on the involvement of the Office of Communications in the program from August 1, 2015 to October 31, 2015; this time period was selected during our planning activities at the start of the audit. The Office of Communications develops and directs internal and external communications to support the Library's mission. It is the primary source of official information about the Library, coordinates content of the Library's website, provides oversight for social media, and serves as the Library's media liaison.

¹ In addition to the work identified in the prior interim reports, see *Limited Number of Improper Payments Found During Nine-Month Period*, 2017-SP-101, March 2018.

Finding

For the audit's second objective, OIG performed tests to determine whether the Library's internal controls for its purchase card program were working effectively. In one test, OIG examined purchase card transactions equal to or greater than \$3,000 for the period under review, August 1, 2015 and October 31, 2015. The \$3,000 amount was selected because it was the Library's threshold for individual purchase card purchases at the start of the period under review until October 1, 2015 when the Library raised the threshold to \$3,500, where it remained for the rest of the period under review.² In reviewing the 30 purchase card transactions equal to or greater than \$3,000, OIG identified 14 purchases of advertisements totaling approximately \$132,900. The purchases ranged in size from approximately \$3,600 to \$25,000. The value of these purchases was about 11 percent of the approximately \$1.3 million in total purchase card purchases made during the period under review.

Implement Purchase Card Controls for Purchases of Advertisements

OIG examined the advertisement purchases and identified instances of noncompliance with the Library's purchase card policies and procedures, as shown in Table 1. However, the Director of Communications took immediate action on our recommendation. For the period under review, the Library had in place an agency-wide directive that outlined the Library's overall purchase card procedures.³ The directive has since been updated.⁴ The Library also had a Class Determination and Findings document dated September 2014⁵ that gave Office of Communications purchase card holders the authority to buy advertisements up to \$25,000.⁶ Further, the Office of Communications had standard operating procedures that outlined guidance for making purchase card advertisement purchases.⁷ The Library's purchase card policies and

² The Library increased the micro-purchase threshold from \$3,500 to \$10,000 in June 2018.

³ Directive 06-01: *Use and Management of the Government Purchase Card*, September 2006.

⁴ OIG recommended that the Program Coordinator develop and implement updated policies and procedures for the purchase card program in our first interim report: *The Purchase Card Program Needs Up-To-Date Policies and Procedures and Stronger Oversight*, Interim Report No. 2015-PA-102, March 13, 2017. The Library's current policy and procedures are outlined in its Directive 7-220.1, *Government Purchase Card*, June 2018.

⁵ See the *Class and Determination of Findings, Placement of Advertisements on Behalf of the Library by the Office of Communications Above the Micro-Purchase Threshold*, signed by the Director of Contracts and Grants Management and the Acting Chief Financial Officer in September 2014. Also, the Library has a similar document for purchase card purchases of training. See *Class and Determination and Findings, Library of Congress, Order for Employee Training*, signed by the Director of Contracts and Grants Management and the Chief Financial Officer in October 2015.

⁶ The advertising Class Determination and Findings document expires on September 30, 2018.

⁷ *Procedures for Placing Advertising Above the Micro-Purchase Threshold*, Office of Communications, undated.

procedures need to be complied with as designed to maintain the purchase card program’s internal control system and to mitigate the risk of fraud, waste, and abuse.⁸

| Purchase Card Advertisement Purchases and Instances of Noncompliance with Library of Congress Purchase Card Policies and Procedures | |
|--|--|
| <i>Directive 06-01, Use and Management of the Government Purchase Card</i> | <i>Exceptions</i> |
| “Records of Transactions: Cardholders should scan receipts and any supporting documents and attach to the obligation document created in Momentum.” ⁹ | Of the 14 advertising purchases reviewed by OIG totaling approximately \$132,900, we could not identify complete supporting documentation for 11 purchases totaling approximately \$60,900 in Momentum, the Library’s financial management system. The supporting documents did not include receipts. |
| <i>Class Determination and Findings Requirement</i> | <i>Exceptions</i> |
| “The purpose of this D&F is to allow Library purchase cardholders within the Office of Communications to place this class of advertisements without competition, with a Government-wide commercial purchase card limit of \$25,000.” ¹⁰ | OIG identified 11 purchases totaling approximately \$117,300 that were not placed by Office of Communications purchase card holders. In six of the 11 cases, there was either incomplete or no documentation of the Office of Communications having approved the purchases; these transactions totaled approximately \$32,800. |
| <i>Office of Communications Standard Operating Procedures Requirements</i> | <i>Exceptions</i> |
| Information needed to obligate funding in Momentum: | |
| <ul style="list-style-type: none"> • Advertisement justification | OIG could not identify advertisement justifications for three purchases totaling approximately \$15,500. |
| <ul style="list-style-type: none"> • Advertisement details: size and specifications, cost, period of performance, and merchant name | OIG identified incomplete information about the advertisements being purchased for six purchases totaling approximately \$35,700. |
| <ul style="list-style-type: none"> • Signed copy of the Class Determination and Findings document for the placement of advertisements¹¹ | OIG could not identify a Class Determination and Findings document for 11 purchases totaling approximately \$117,300. |

Table 1: Purchase Card Advertisement Purchases and Instances of Noncompliance
 Source: OIG analysis. The footnotes in the table provide the sources for program requirements.

⁸ As noted by the Government Accountability Office (GAO), repeated nonadherence to internal control policies and procedures may not constitute a violation of law or regulation, but contributes to the erosion and weakening of a purchase card program’s internal control system. See *Audit Guide—Auditing and Investigating the Internal Control of Government Purchase Card Programs*, GAO-04-87G, November 2003.

⁹ Directive 06-01: *Use and Management of the Government Purchase Card*, September 2006, page 11.

¹⁰ *Class and Determination of Findings, Placement of Advertisements on Behalf of the Library by the Office of Communications Above the Micro-Purchase Threshold*, September 2014, introductory statement.

¹¹ *Procedures for Placing Advertising Above the Micro-Purchase Threshold*, Office of Communications, undated.

Of the 14 advertising purchases reviewed by OIG totaling approximately \$132,900, we could not identify complete supporting documentation for 11 purchases totaling approximately \$60,900 (about 46 percent) and therefore concluded that the transactions were improper payments. The Library's agency-wide directive required cardholders to scan receipts and any supporting documentation and attach the documentation to obligations made in Momentum, the Library's financial management system.¹² For the 11 purchases, the supporting documents did not include receipts for the goods or services purchased. As stated by the Office of Management and Budget (OMB), when an agency cannot discern whether payments were proper as a result of insufficient or lack of documentation, the payments should be considered improper.¹³ Although the Library is not subject to OMB Circulars, as a legislative branch agency, the Library generally conforms to OMB guidance on internal controls.

According to the Class Determination and Findings document, the Office of Communications is responsible for developing and directing the Library's internal and external communications and advising Library officers and staff members on public relations and public information matters, among other duties. The document also allows "Library purchase cardholders within the Office of Communications to place this class of advertisements without competition, with a Government-wide commercial purchase card limit of \$25,000."¹⁴ However, in the majority of the cases we examined, the Office of Communications informally delegated the purchase card advertisement purchases. Of the 14 advertising purchases totaling approximately \$132,900, we identified that 11 purchases totaling about \$117,300 (about 88 percent of the advertising purchases) were made by the purchase card holders in the offices requiring the advertisements, even though these card holders did not have the authority to do so. Of the 11 purchases, OIG could not locate documentation demonstrating that the Office of Communications approved six purchases totaling about \$32,800 (about 25 percent). The Director of Communications told OIG she was aware of and approved all of the transactions. The Director explained that the original intent of the Library's Class Determination and Findings policy was for her office to place all advertisements for the Library, but that a mechanism had not been created to

¹² The Library has strengthened its requirement related to receipts being scanned and attached along with other supporting documentation to obligations in Momentum. The Library's requirement for the period under review, as stated in Directive 06-01, was that "cardholders should scan receipts" (emphasis added) and attach them to obligations in Momentum. The Library's current requirement, under Directive 7-220.1, is that "cardholders must scan receipts" (emphasis added) and attach them to obligations in Momentum. This new, stricter language provides greater clarity about the Library's expectations.

¹³ See OMB M-18-20, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement*, June 26, 2018, part I, section A1, page 8.

¹⁴ *Class and Determination of Findings, Placement of Advertisements on Behalf of the Library by the Office of Communications Above the Micro-Purchase Threshold*, September 2014, introductory statement.

provide her office with access to the funds needed to make purchases on behalf of other offices.

OIG also identified noncompliance with the Office of Communications standard operating procedures, which outline requirements for buying advertisements above the micro-purchase threshold. Among other requirements, the standard operating procedures require that the following be included in the documentation for each purchase card advertisement purchase: an advertisement justification, advertisement details (e.g., size and specifications, cost, period of performance, and merchant name), and a signed copy of the Class Determination and Findings document. Of the 14 advertisement purchases totaling approximately \$132,900, OIG identified three purchases totaling approximately \$15,500 that did not have advertisement justifications (about 12 percent of the advertising purchases), six purchases totaling approximately \$35,700 that had incomplete information about the advertisements being purchased (about 27 percent), and 11 purchases totaling approximately \$117,300 that did not include a copy of the Class Determination and Findings document (about 88 percent).

Since being briefed by OIG about the issues outlined above, the Director of Communications has taken steps to remedy them. For example, at the request of the Director, the Office of the Chief Financial Officer (OCFO) established a mechanism for the Office of Communications purchase card holders to receive the funds needed to make advertisement purchases on behalf of other offices. OCFO also developed and distributed procedures for the submission of advertisement requests to the Office of Communications. However, the Office of Communications needs to complete as planned an update of its standard operating procedures for making purchase card advertisement purchases, which is necessary to help ensure that clear internal control guidance is available for the purchase card program and to help prevent the kinds of deficiencies identified by our audit.

Recommendation

As part of strengthening the oversight of advertising purchases, OIG recommends that:

1. The Office of Communications complete the update of its standard operating procedures in collaboration with the Program Coordinator to ensure that effective internal controls are established and implemented for the proper functioning of purchase card advertisement purchases. (The Office of Communications has recently completed an update of its standard operating procedures; OIG will review the new procedures to determine whether they are responsive to this recommendation.)

Appendix A: Objectives, Scope, and Methodology

The audit's objectives were to determine whether (1) the Library's internal controls for its purchase card program are appropriately designed and (2) are effectively working. As referenced in the background section of this report, OIG issued an interim report for the first objective in March 2017 and another interim report pertaining to the second objective in January 2018.¹⁵ OIG issued interim reports to facilitate the Library taking corrective actions as soon as possible. This practice is in-line with government auditing standards¹⁶ and Library of Congress Regulation (LCR) 1-140, *Inspector General*.

This report is the third in a series of three reports related to our assessment of the Library's internal controls for the purchase card program. It focuses on the involvement of the Office of Communications in the program from August 1, 2015 to October 31, 2015; this time period was selected during our planning activities at the start of the audit. We initiated the purchase card audit on March 23, 2016, completed our fieldwork for the first objective on December 15, 2016, completed our fieldwork for the second interim report on November 27, 2017, and completed our fieldwork for this final report on September 10, 2018. By design, our scope did not include an assessment of the Library's use of convenience checks.¹⁷

Audit methodologies for the completion of the audit included document analysis, data analysis, and in-person interviews. There were several documents of particular importance because they outlined program requirements: Directive 06-01, *Use and Management of the Government Purchase Card* dated September 18, 2006 and the updated version Directive 7-220.1, *Government Purchase Card*, dated June 7, 2018. OIG also utilized relevant requirements and guidance in OMB Circular A-123 and GAO's *Standards for Internal Control in the Federal Government*. Further, OIG took into account relevant laws and regulations, the Library's strategic plan and annual reports, and other relevant records.

OIG initially identified compliance issues involving the Office of Communications when examining electronic data of purchase card transactions equal to or greater than \$3,000 for the period under review, August 1, 2015 and October 31, 2015.¹⁸ The \$3,000 amount was selected because it was the

¹⁵ The two reports were respectively entitled *The Purchase Card Program Needs Up-To-Date Policies and Procedures and Stronger Oversight* and *Library Management Needs to Exercise Stronger Oversight of the Library Gift Shop's Participation in the Purchase Card Program*.

¹⁶ GAO, *Government Auditing Standards*, December 2011, GAO-12-331G.

¹⁷ Some Offices of Inspector General have reviewed convenience check programs as part of their examination of purchase card programs. For example, see the Department of the Interior's Office of Inspector General report entitled *U.S. Department of Interior's Internal Controls for Purchase Cards and Fleet Cards*, Report No. 2015-ER-011, September 2016.

¹⁸ Electronic data was obtained from Momentum, the Library's financial management system. Momentum's general and application controls are subject to annual audit as part of the Library's financial statement audit.

Library's threshold for individual purchase card purchases at the start of the period under review until October 1, 2015 when the Library raised the threshold to \$3,500, where it remained for the rest of the period under review.¹⁹ In reviewing the 30 purchase card transactions equal to or greater than \$3,000, OIG identified 14 purchases of advertisements totaling approximately \$132,900. The purchases ranged in size from approximately \$3,600 to \$25,000. The value of these purchases was about 11 percent of the approximately \$1.3 million in total purchase card purchases made during the period under review. After identifying the compliance issues, OIG conducted in-person interviews with the Office of Communications and the Director of Communications provided additional data for OIG's analysis. Our activities took place in the Library's Madison Building in Washington, District of Columbia.

OIG conducted performance audit activities in accordance with Generally Accepted Government Auditing Standards as prescribed by the Comptroller General of the United States and LCR 1-140, *Inspector General*. GAO's standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions.

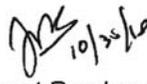
¹⁹ The Library increased the micro-purchase threshold from \$3,500 to \$10,000 in June 2018.

Appendix B: Management Response



Office of the Librarian

MEMORANDUM

DATE October 30, 2018
TO Kurt Hyde, Inspector General
FROM J. Mark Sweeney, Principal Deputy Librarian of Congress 
SUBJECT Comments on OIG Draft Report No. 2015-PA-102, *Implement Purchase Card Controls for Purchases of Advertisements*

Thank you for the opportunity to comment on the final audit of the Library's purchase card program, involving the Office of Communications' procurement of advertisements.

The Library's individual purchase card limits, which you identify in the report, historically have tracked to the micro-purchase thresholds established by federal law or in the Federal Acquisitions Regulations. Although the Library believes a lower risk of fraud, waste, and abuse is likely to result from micro-purchase transactions, we agree the Library should maintain a level of internal control that ensures compliance with existing policies and procedures and oversight over purchase card transactions. We appreciate the Office of the Inspector General's (OIG) acknowledgement of the efforts made by the Purchase Card Program Coordinator to resolve the recommendations contained in the OIG's prior interim reports.

With respect to advertisement purchases, the Program Coordinator and Office of Communications have implemented a solution that allows the Director of Communications to access funding provided by individual requesting offices and apply such funds to Office of Communications advertisement contracts. This solution enables the Office of Communications to exercise the direct authority originally envisioned under the class determination and finding issued by the Library for the advertisement purchases. Also, we are confident that the Office of Communications' updates to its standard operating procedures now clearly define the contracting role of the Director of Communications, the supporting documentation for each transaction, and the necessary steps for requesting offices and the Office of Communications in obtaining advertisements in future.

We value the OIG's assistance in identifying the weaknesses in the Library's existing processes and helping the Library strengthen its internal controls over purchase card transactions.

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cc: Edward Jablonski, Chief Operating Officer
Mary Klutts, Chief Financial Officer
Elizabeth Pugh, General Counsel