



Office of the Inspector General

MEMORANDUM

DATE March 13, 2017

TO Robert R. Newlen
Deputy Librarian of Congress

FROM Kurt W. Hyde *KWH*
Inspector General

SUBJECT *Interim Report for Public Release – The Purchase Card Program Needs Up-To-Date Policies and Procedures and Stronger Oversight, Interim Report No. 2015-PA-102*

This transmits our interim report for the Office of the Inspector General's (OIG) performance audit of the Library of Congress (Library) purchase card program. As explained in the Executive Summary on page 1, this interim report provides our findings and recommendations associated with the audit's first objective. OIG will report on the audit's findings associated with the second objective at a later date. The findings and recommendations appear on pages 6 to 9. Management's response to our recommendations appears in Appendix B.

Based on your written response to the draft interim report, we consider all of the recommendations resolved. Your response provided an action plan for the implementation of each recommendation, including an implementation date, in accordance with Library of Congress Regulation 2023-9, *Rights and Responsibilities of Library Employees to the Inspector General*, §6.A.

We appreciate the cooperation and courtesies extended by the Office of the Chief Financial Officer (OCFO) and other units within the Library during this audit.

cc: Chief Operating Officer
Chief of Staff
Chief Financial Officer
General Counsel

EXECUTIVE SUMMARY

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. In the course of conducting the audit, OIG determined that the OCFO needs to strengthen the purchase card program's internal control environment. OIG completed this interim report to alert Library management of our initial findings before completing the audit to enable the Library to take corrective actions immediately. The knowledge OIG gained in conducting the first objective will inform our activities for the audit's second objective. OIG attributed the current environment to, in part, a lack of planning and communication about program requirements when the program moved to OCFO from the Library's Contracts Office in June 2013, based on the description of the handoff given by OCFO to OIG. OCFO has taken steps to improve the program since that time, such as implementing data mining activities, but more needs to be done.

The purchase card program's policies and procedures, including the user's manual and current directive, are out-of-date. The user's manual and current directive still reflect a time when many administrative responsibilities were delegated to the Office of Contracts despite that office no longer playing a role in administering the program. Maintaining the user's manual and directive is important because they outline the program's internal control system and assign responsibility for upholding internal controls.

OIG also determined that required compliance reviews were not being implemented as designed and that OCFO needs to more actively manage program data. Required compliance reviews need to be performed as designed to maintain the purchase card program's internal control system and to mitigate the risk of fraud, waste, and abuse. OCFO needs to make better use of program data to monitor its oversight efforts. Specifically, OIG determined that OCFO's use of a data mining tool was a positive step, but that OCFO needs to better utilize the system.

OIG analyzed the performance plans and performance appraisals of OCFO's purchase card program personnel as well. OIG found that performance expectations needed to be updated in order to better enforce program requirements.

MANAGEMENT RESPONSE

In response to our draft report (see Appendix B), the Library's senior leadership agreed with all of our recommendations and provided time frames for the implementation of corrective actions. It should be noted that before the issuance of our draft report we alerted Library management to the issues and they began to immediately implement corrective actions.

BACKGROUND

In 1984, the U.S. General Services Administration (GSA) introduced the federal government to the use of charge cards. Today, GSA SmartPay—the world’s largest government charge card and commercial payment solutions program—provides agencies with a comprehensive portfolio of purchase, travel, fleet, and integrated payment solutions. Through a master contract with multiple banks, GSA SmartPay enables agencies to streamline federal acquisition processes for small dollar purchases and earn refunds.

In 1993, the Library established its purchase card program. Responsibilities for the program were split between OCFO and the Library’s Contracts Office until problems in the Contracts Office led the Librarian of Congress to consolidate the program in OCFO. In a June 11, 2013 memorandum, the Librarian delegated authority to OCFO for (1) promulgating policy and approving directives and guidance for the Library’s purchase card program, (2) working with the purchase card issuing bank, (3) appointing purchase cardholders and service unit approving officials, and (4) establishing and implementing internal management controls.¹

The June 2013 memorandum also established the Library policy to maximize use of purchase cards in line with *Federal Acquisition Regulation* (FAR) subparts 13.003(e) and 13.301(b). Subpart 13.003(e) states that agencies shall use purchase cards “to the maximum extent practicable in conducting simplified acquisitions.”² Subpart 13.301(b) requires agencies using purchase cards to establish procedures that comply with the Department of Treasury’s *Treasury Financial Manual*.^{3,4}

In addition, Office of Management and Budget (OMB) Circular A-123, Appendix B, *Improving the Management of Government Charge Card Programs*, provides minimum requirements and suggested best practices for government purchase card programs.⁵ Although the Library is not subject to OMB Circulars, as a legislative branch agency, the Library’s policy is to generally conform to OMB guidance on internal controls.⁶

The focus of OIG’s first objective was examining the purchase card program’s internal controls. A risk commonly cited in federal audits of government purchase card programs is a weak

¹ Memorandum dated June 11, 2013, from James H. Billington, Librarian of Congress, to Jeffrey Page, Chief Financial Officer, and Nicole Broadus, Accounting Operations Officer, Subject: Delegation of Authority - Governmentwide Commercial Purchase Card Program.

² FAR § 13.003(e)

³ FAR § 13.301(b)

⁴ Library of Congress Regulation 2110, *Procurement-Supplies and Services*, states that it is the policy of the Library to follow FAR in procurement of goods and services unless a deviation therefrom is determined to be in the best interest of the Library.

⁵ OMB Circular No. A-123, Appendix B, dated January 15, 2009, Subject: Improving the Management of Government Charge Card Programs.

⁶ Library of Congress Regulation 1510-1, *Internal Control Program*.

internal control environment.⁷ To start, OIG identified two key documents for creating a workflow of the purchase card program's internal control system. One was the *Library of Congress Governmentwide Commercial Purchase Card Program User's Manual* (user's manual) dated March 2012. OCFO described the user's manual as the basis for the program's administration in OCFO. The other was Directive 06-01, *Use and Management of the Government Purchase Card* (current directive) dated September 18, 2006.⁸ Additionally, OCFO provided OIG with a copy of a proposed new directive that had been submitted to the Library's Office of General Counsel (OGC) for review. OCFO told OIG that it intends to replace the purchase card program's current directive with the proposed new directive. After creating the workflow, OIG conducted interviews to better understand how the internal control environment was functioning. OIG also analyzed the Library's internal control system in relation to relevant requirements and guidance in the *Treasury Financial Manual*, OMB Circular A-123, Appendix B (Circular A-123), and the Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government (Standards)*.

Based on OIG's analysis of the Library's internal control environment, three positions are crucial to 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
- the 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.

The purchase card program currently has approximately 194 cardholders and 74 approving officials. Additionally, as shown in Figure 1, program expenditures overall have grown from \$4.8 million in fiscal year (FY) 2014 to \$5.1 million in FY 2015 and then to \$5.7 million in FY 2016, approximately a 20 percent increase from FY 2014 to FY 2016. The program had 6,683 transactions in FY 2016, making each transaction an average size of approximately \$853.

⁷ For example, see the following reports: Department of the Interior Office of Inspector General, *U.S. Department of the Interior's Internal Controls for Purchase Cards and Fleet Cards*, Report No. 2015-ER-011, September 2016; Department of Commerce Office of Inspector General, *Internal Controls for Purchase Card Transactions Need to Be Strengthened*, Report No. OIG-13-025-A, May 2, 2013; and Treasury Inspector General for Tax Administration, *Controls Over the Purchase Card Program Were Not Effective in Ensuring Appropriate Use*, Reference Number: 2011-10-075, August 31, 2011.

⁸ Directive 06-01 dated September 18, 2006 from Nydia M. Coleman, Chief, Office of Contracts, and Jeffrey Page, Chief Financial Officer, to Library of Congress Staff, Subject: Use and Management of the Government Purchase Card.

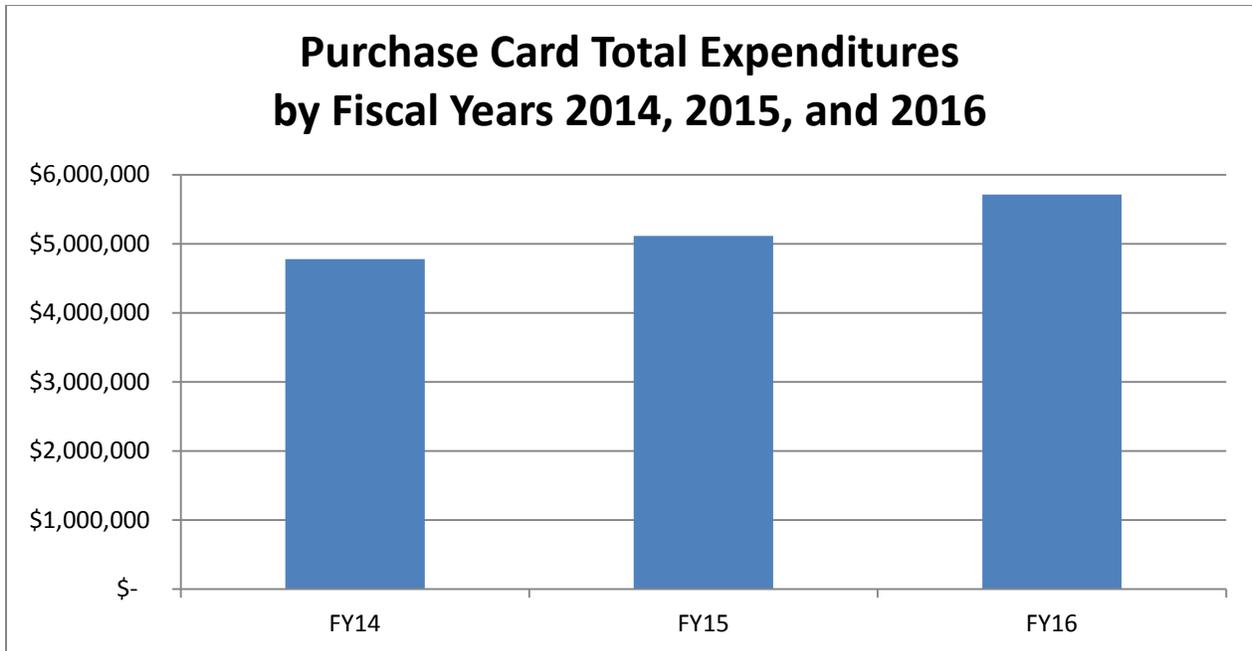


Figure 1 Purchase Card Total Expenditures for Fiscal Years 2014, 2015, and 2016

Source: Library of Congress Purchase Card Program Monthly Statements

OIG has addressed the Library’s purchase card program in several previous reports. In March 2004, OIG issued a report on the Library’s purchase card program.⁹ In May 2011, OIG issued a report on improper payments that identified 18 occasions in which one office violated the Library’s purchase card regulations by splitting purchase orders to circumvent the Library’s micro-purchase threshold. The current directive prohibits this activity. The violations totaled \$13,230 in purchases over the spending limit.¹⁰ In 2014, OIG investigators determined that a senior Library employee directed subordinates to split purchases totaling nearly \$40,000 at the end of FY 2013. More recently, OIG oversaw a Hewlett Packard information technology-related assessment in which Hewlett Packard noted that “in some cases cardholder or approver designees were able to complete or approve requests.”¹¹ OIG initiated this audit to follow-up on Hewlett Packard’s observations and on our other previous purchase card program-related activities.

⁹ *Contracts and Grants Management – Purchase Card Program: Controls and Communication Need Improvement*, Report No. 2003-PA-103, March 2004.

¹⁰ *Improper Payments Review II*, Report No. 2011-SP-101, May 2011.

¹¹ *Benchmarking the Library of Congress Information Technology Fiscal Year 2014 Budgetary Obligations and Human Capital*, 2015-IT-101, March 2016, page 10.

THE PURCHASE CARD PROGRAM'S POLICIES, PROCEDURES, AND TRAINING REQUIREMENTS NEED TO BE UPDATED IMMEDIATELY

The purchase card program's policies and procedures have not been updated to reflect the June 2013 consolidation of the program in OCFO.¹² The user's manual and current directive were both created prior to the consolidation and, as a result, many administrative responsibilities are still delegated to the Contracts Office despite the office no longer playing a role in administering the program. OMB Circular A-123 states that each agency "must develop and maintain written policies and procedures"¹³ and they should be "updated annually, or more frequently, if necessary to remain current."¹⁴ Maintaining the purchase card program user's manual and directive is important because they outline the program's internal control system and assign responsibility for upholding internal controls. GAO's *Standards* state that management needs to develop and maintain up-to-date documentation of its internal controls. The next section of this report discusses the need for the Program Coordinator and OCFO management to assess program risks and internal controls in creating updated policies and procedures.

OIG also examined the proposed new directive submitted by OCFO to OGC and determined that it needed further review to ensure that it accurately reflects the current state of the purchase card program. For example, prior to June 2013, cardholders and approving officials were required to complete two separate trainings, an Administrative training given by the Contracting Office and a Momentum Accounting System training given by OCFO. The Administrative training covered purchase card policies and procedures and the Momentum training covered usage of the Momentum financial management system for the electronic processing of purchase card transactions. The Program Coordinator explained to OIG that these two trainings were combined after the program was consolidated in OCFO. Nevertheless, the proposed new directive inaccurately lists the trainings separately, as though the consolidation of the program's management and its trainings in OCFO did not happen. Further, it was unclear whether the Program Coordinator was enforcing training requirements. The Program Coordinator told OIG that approving officials and cardholders are now required to complete both a GSA-sponsored online training and the combined training. However, the Program Coordinator did not have certificates to show that the six individuals OIG interviewed had taken both trainings as required.

OIG recommends that the Program Coordinator develop and implement updated and accurate policies and procedures, including updated training requirements, for the purchase card program. OIG addresses the need to enforce program requirements as stated in policies and procedures in the final section of this report.

¹² See the memorandum dated June 11, 2013 from James H. Billington, Librarian of Congress, to Jeffrey Page, Chief Financial Officer, and Nicole Broadus, Accounting Operations Officer, Subject: Delegation of Authority - Governmentwide Commercial Purchase Card Program.

¹³ OMB Circular A-123, Appendix B, section 2.1.

¹⁴ Ibid.

THE PURCHASE CARD PROGRAM'S INTERNAL CONTROLS NEED TO BE UPDATED AND OUTLINED IN POLICIES AND PROCEDURES

OIG determined that key internal controls were not being implemented as designed. OIG also determined that the Program Coordinator needs to more actively manage program data. OIG makes several recommendations to strengthen the purchase card program's internal control system.

Several Compliance Reviews Are Not Being Performed as Designed

Required compliance reviews need to be performed as designed to maintain the purchase card program's internal control system and mitigate the risk of fraud, waste, and abuse. As noted by 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.¹⁵ OCFO management also needs to incorporate the purchase card program within the Library's Internal Control Program; OIG found that the purchase card program had not been made part of the Internal Control Program. The Internal Control Program ensures that adequate internal controls are in place to provide reasonable assurance that program activities Library-wide are operating efficiently and effectively and assets are safeguarded. OCFO was in the process of incorporating the purchase card program into the Internal Control Program at the time of our fieldwork.

The user's manual, current directive, and proposed new directive require approving officials to perform a semiannual compliance review of cardholder documentation to ensure adherence to policies and procedures and proper maintenance of files. This compliance review represents one way in which approving officials play a key role. As stated in the user's manual, they are the "first line of defense against misuse, abuse, and fraud."¹⁶ The user's manual also states that approving officials will document the review with a short narrative and provide copies to the Program Coordinator. The narrative is supposed to identify the general outcome of the review, any major problems, corrective actions needed, and whether a follow-up review is required. However, the Program Coordinator told OIG that it has not enforced this requirement since OCFO took control of the program in June 2013. One of the approving officials OIG interviewed did not perform semiannual compliance reviews. The other performed activities that the official thought would satisfy the requirement, but that training and guidance, such as a checklist, from the Program Coordinator would be helpful.¹⁷

The user's manual, current directive, and proposed new directive also require the Program Coordinator to perform annual compliance reviews. The Program Coordinator initially told OIG that the annual compliance review had not been conducted in years and then later told OIG that parts of the review had been conducted, such as examining cardholders' spending. Examining

¹⁵ GAO, *Audit Guide – Auditing and Investigating the Internal Control of Government Purchase Card Programs*, GAO-04-87G.

¹⁶ *Library of Congress Governmentwide Commercial Purchase Card Program User's Manual*, March 2012, sections 3.3.6 and 9.2.3.

¹⁷ OIG also noted that the semiannual compliance review was not referenced in the training materials for the APC's combined training.

cardholders' activity on an annual basis and closing the accounts of those cardholders with little or no activity is a best practice. This is one way the Program Coordinator can mitigate the risk of fraud, waste, and abuse. However, despite the user's manual stating that the annual compliance review would be documented, such documentation was not available.¹⁸

The user's manual states that the Program Coordinator would examine the usage of purchase cards in the Library's program areas, but the Program Coordinator told OIG it does not perform program reviews. According to the manual, program reviews "shall be conducted by the Program Coordinator to prevent, identify, and correct non-compliance, misuse, abuse, and fraud."¹⁹ OMB Circular A-123 refers to program reviews as a best practice because they help reduce the risk of fraud, waste, and error.²⁰

OIG recommends that the Program Coordinator and OCFO management assess the purchase card program's risks and internal controls, update internal controls that are critical to the program's proper performance, and outline these controls in updated policies and procedures. This includes incorporating the purchase card program within the Internal Control Program as appropriate. The Program Coordinator should also establish trainings for cardholders and approving officials on those internal controls they are required to uphold.²¹ With regard to identifying, analyzing, and responding to fraud-related risks, the Program Coordinator and OCFO management may find GAO's *A Framework for Managing Fraud Risks in Federal Programs (Framework)* helpful.²² The *Framework* was developed to help combat fraud in government programs.

The Agency Program Coordinator Needs to Collect and Report Purchase Card Program Data

The Program Coordinator needs to make better use of program data. GAO's *Standards* state that management should monitor internal control systems and evaluate the results. OMB Circular A-123 states that collecting and reporting purchase card program data helps managers assess efforts to mitigate the risk of fraud, waste, and abuse and to monitor program performance; OMB collects such data for purchase card programs operating in the executive branch on either a quarterly or annual basis. OMB requires executive branch agencies to collect, monitor, and report data on the

- number of purchase cards;
- number of active accounts;
- percentage of employees that are cardholders;
- net number of new accounts (new less cancelled);

¹⁸ As stated in GAO's *Standards*, documentation is a necessary part of an effective internal control system.

¹⁹ *Library of Congress Governmentwide Commercial Purchase Card Program User's Manual*, March 2012, section 8.3.

²⁰ In comments on an earlier version of this report, OCFO stated that while it has not been performing program reviews, it has other tools for mitigating certain risk factors, such as through the use of its Expert Monitoring System, which is discussed later in this report.

²¹ OMB notes that "training is important because it is vital that charge card managers and cardholders understand their roles and responsibilities in order for charge card programs to be effectively implemented." See OMB Circular A-123, Appendix B, section 3.2.

²² GAO, *A Framework for Managing Fraud Risks in Federal Programs*, GAO-15-593SP.

- charge card dollars spent, total refunds earned, and percentage of potential refunds earned;
- number of cases reported to the agency Office of Inspector General or agency/organization program coordinator for possible card misuse and/or abuse;
- number of administrative and/or disciplinary actions taken for card misuse, including delinquency (if known);
- ratio of approving officials to purchase cardholders;
- average number of monthly purchase card transactions reviewed per approving official;
- number of purchase cardholders with contracting warrants above \$3,000; and
- number of purchase cardholders with transaction limits of \$3,000 or more that do not hold contracting warrants.

OIG determined that the Program Coordinator collects less program data than required by OMB and that there were inaccuracies in the Program Coordinator's data. OIG also determined that the Program Coordinator reports limited program data to OCFO management.

OIG recommends that the Program Coordinator reexamine its activities related to collecting and reporting program data. The coordinator should implement new procedures to ensure that comprehensive and accurate data are collected and reported to OCFO management for monitoring purposes. These activities should be outlined in the program's updated policies and procedures.

The Agency Program Coordinator Needs to Mine Purchase Card Program Data More Effectively

The Program Coordinator's usage of the electronic Expert Monitoring System (EMS), a data mining tool, is a positive step, but the Program Coordinator needs to better utilize the system. In 2014, OIG investigators determined that at the end of FY 2013 a senior Library employee directed subordinates to violate purchase card policy and use their purchase cards to split purchases totaling nearly \$40,000. At the time, OCFO told OIG that the newly implemented EMS would help identify such transactions going forward. EMS is a MasterCard® system that uses "rules" designated by the Program Coordinator to identify transactions that appear to violate the purchase card program's policies and procedures. The Program Coordinator then examines these transactions.

OIG determined that the EMS rules need to be updated. We found, for example, that the rule for detecting split purchases was too lenient. It identifies transactions for review only if two or more similar transactions are made near the micro-purchase threshold with the same merchant and within one day. The Program Coordinator's MasterCard® account representative told OIG that other agencies have programmed their systems to detect split purchases over a longer period of time, such as up to one week. OIG believes using a longer period of time would increase the likelihood of detecting split purchases. Accordingly, OIG recommends that the Program Coordinator reexamine its EMS rules and update them to more effectively detect improper transactions.

OIG also concluded that the Program Coordinator needs procedures for its usage of EMS. EMS identifies rule-breaking transactions to prompt a review by Program Coordinator staff. However, OIG determined that there were no procedural requirements related to the Program Coordinator's review, such as timeliness requirements, or procedures related to reporting on EMS data to OCFO management.²³ The *Treasury Financial Manual* requires agencies to establish data mining procedures to help identify delinquency, fraud, misuse, and trends.

Further, OIG examined a report produced by the Program Coordinator's EMS dated September 26, 2016 and found that the coordinator's reviews of transactions need to be timelier and better documented. A few of OIG's observations were that

- of the "working" cases under review by the Program Coordinator, more than half (eleven out of the twenty cases) had been under review for more than two years;
- of the "closed" cases identified in the report, it had taken a year or more for the Program Coordinator to start an investigation in most cases (eleven out of seventeen cases); and
- certain fields were used inconsistently, such as the fields indicating the priority status of the Program Coordinator's review and the results of the investigations.

OIG recommends that the Program Coordinator establish procedures for the effective usage of EMS and outline them in the program's updated policies and procedures.

OCFO MANAGEMENT NEEDS TO UPDATE PERFORMANCE EXPECTATIONS TO BETTER ENFORCE PURCHASE CARD PROGRAM POLICIES AND PROCEDURES

According to GAO's *Standards*, management should evaluate performance and hold individuals accountable for their internal control responsibilities. OIG analyzed the performance plans and performance appraisals of purchase card program personnel (i.e., two Program Coordinator staff members and their supervisor) and found that performance expectations needed to be updated. For example, the performance plans in question did not reference the need to maintain up-to-date policies and procedures and to enforce program requirements outlined in the user's manual and current directive, such as holding cardholders and approving officials accountable for meeting training requirements. The performance plans also did not reference expectations associated with enforcing the key internal controls outlined in this report, including the semiannual compliance review, the annual compliance review, and the program review. In one case, a performance plan stated that an individual was responsible for performing "compliance reviews," but there was no reference in the associated performance appraisal to indicate that semiannual compliance reviews, the annual compliance review, and program reviews had not been performed as designed. The other performance appraisals also did not reference these key internal controls. Accordingly, OIG recommends that OCFO management establish expectations and hold purchase card program personnel accountable for routinely enforcing the program's internal controls and requirements as stated in updated policies and procedures.

²³ OCFO management may want to monitor this type of program data in conjunction with the other program data discussed above.

RECOMMENDATIONS

We recommend:

- 1) The Program Coordinator should develop and implement updated and accurate policies and procedures, including updated training requirements, for the purchase card program.
- 2) The Program Coordinator and OCFO management should assess the purchase card program's risks and internal controls, update internal controls that are critical to the program's proper performance, and outline these controls in updated policies and procedures. This includes incorporating the purchase card program within the Internal Control Program as appropriate.
- 3) The Program Coordinator should establish trainings for cardholders and approving officials on those internal controls they are required to uphold.
- 4) The Program Coordinator should reexamine its activities related to collecting and reporting program data. The coordinator should implement new procedures to ensure that comprehensive and accurate data are collected and reported to OCFO management for monitoring purposes. These activities should be outlined in the program's updated policies and procedures.
- 5) The Program Coordinator should reexamine its EMS rules and update them to more effectively detect improper transactions.
- 6) The Program Coordinator should establish procedures for the effective usage of EMS and outline them in the program's updated policies and procedures.
- 7) OCFO management should establish expectations and hold purchase card program personnel accountable for routinely enforcing the program's internal controls and requirements as stated in updated policies and procedures.

APPENDIX A: OBJECTIVES, SCOPE, AND METHODOLOGY

The audit's objectives are to determine whether (1) the Library's internal controls for its purchase card program are appropriately designed and (2) are effectively working. OIG completed this interim report after completing audit work associated with our first objective. After identifying several internal control deficiencies, OIG decided to alert Library management of our findings to facilitate the Library taking corrective actions as soon as possible. This practice is in-line with government auditing standards and Library of Congress Regulation (LCR) 205, *Office of Inspector General*.²⁴ Consequently, the scope of our audit work thus far has been limited to the first objective mainly and to OCFO, the office responsible for administering the program. The scope has not included an assessment of the Library's use of convenience checks.²⁵ OIG intends to follow-up on the second objective and issue a final report at a later date. The knowledge OIG gained in conducting the first objective will inform our activities related to the second objective. As described in the background section of the report, OIG has reported on the Library's purchase card program previously. We initiated this audit on March 23, 2016 and completed our fieldwork for the first objective on December 15, 2016. Our activities took place in the Library's Madison Building in Washington, District of Columbia.

Audit methodologies included document analysis, data analysis, and in-person interviews. OIG outlined the workflow of the purchase card program's internal control system using program policies and procedures. As described in the background section, there were two documents of particular importance. One was the *Library of Congress Governmentwide Commercial Purchase Card Program User's Manual* dated March 2012, which OCFO described as the basis for the program's administration in OCFO. The other was Directive 06-01, *Use and Management of the Government Purchase Card* dated September 18, 2006. Additionally, OCFO provided OIG with a copy of a proposed new directive that had been submitted to the Library's Office of General Counsel for review and that was intended to replace the purchase card program's current directive, according to OCFO. After creating the workflow, OIG conducted interviews with approving officials and cardholders in two Library offices and with OCFO management and staff to assess the implementation of the program's internal control system.

OIG also analyzed the Library's internal control system in relation to relevant requirements and guidance in the *Treasury Financial Manual*, OMB Circular A-123, and GAO's *Standards for Internal Control in the Federal Government*. Best practices identified by GSA were also taken into consideration. OIG also reviewed relevant laws and regulations, the Library's strategic plan and annual reports, and other relevant records.

OIG's data analysis activities in relation to the first objective involved analyzing purchase card data at a high-level to identify overall trends. OIG obtained purchase card statements from the Library's purchase card bank and computed the trends. The results of this analysis are presented in the report's background section. OIG did not rely on computer-processed data from the Library to develop our findings for the audit's first objective.

²⁴ GAO, *Government Auditing Standards*, December 2011, GAO-12-331G.

²⁵ Some Offices of Inspector General have reviewed convenience check programs as part of their examination of purchase card programs. For example, see Department of the Interior Office of Inspector General, *U.S. Department of Interior's Internal Controls for Purchase Cards and Fleet Cards*, Report No. 2015-ER-011, September 2016.

OIG conducted performance audit activities for the audit's first objective in accordance with Generally Accepted Government Auditing Standards as prescribed by the Comptroller General of the United States and LCR 205, *Office of the 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 for the audit's first objective.

APPENDIX B: MANAGEMENT'S RESPONSE

MEMORANDUM

LIBRARY OF CONGRESS
OFFICE OF THE LIBRARIAN

DATE March 3, 2017

TO Kurt Hyde, Inspector General

FROM Robert Newlen, Deputy Librarian for Institutional Advancement

SUBJECT Comments on OIG Draft Interim Audit No. 2015-PA-102, Purchase Card Program Needs Up-to-Date Policies and Procedures and Stronger Oversight

Thank you for the opportunity to comment on the subject draft interim report. The Library appreciates the opportunity to respond to the interim findings and to improve the administration and internal controls of the purchase card program.

As described on the attached chart, the Library concurs with the report's findings and recommendations. The Library is making progress in updating the Library of Congress directive and standard operating procedures that control the purchase card program and the employee training materials for the program.

Although the Library is not subject to the Office of Management and Budget circulars, we understand that Circular A-123, Appendix B, "Improving Management of Government Charge Card Programs", reflects best practices for effective management of the purchase card program. While the Library agrees that internal controls and oversight of the program are imperative, we observe that controls must be commensurate with the risks identified and balanced with the efficiencies intended to be gained through use of purchase cards.

Please let me know if you have questions or would like to discuss this in greater detail.

attachment:
Management Comments on Recommendations

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

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Management Comments on Recommendations
OIG Draft Interim Audit No. 2015-PA-102, Purchase Card Program

Recommendation	Comments	Target Completion
<p>1. The Program Coordinator should develop and implement updated and accurate policies and procedures, including updated training requirements, for the purchase card program.</p>	<p>Concur.</p> <p>In December 2015 OCFO submitted a draft of the updated purchase card directive to the Office of General Counsel (OGC) for review and issuance. To address findings of this audit, OCFO submitted a revised draft of the directive to the OGC on February 15th.</p> <p>In addition to finalizing the directive, standard operating procedures (SOPs) for AOO staff are being drafted and user training materials are being updated.</p>	<p>April 1, 2017: Directive to be circulated to LCR Working Group with adoption before FY17 Q4.</p> <p>May 1, 2017: Revised training materials</p> <p>June 1, 2017: Standard operating procedures for AOO staff</p>
<p>2. The Program Coordinator and OCFO management should assess the purchase card program's risks and internal controls, update internal controls that are critical to the program's proper performance, and outline these controls in updated policies and procedures. This includes incorporating the purchase card program within the Internal Control Program as appropriate.</p>	<p>Concur.</p> <p>OCFO has already drafted a Risk Analysis and Management Plan (RAMP) for the purchase card program and will add a module to the internal control program.</p> <p>The directive, training materials, and SOPs will reflect internal controls designed to manage the risks identified.</p>	<p>Before FY17 Q4: Directive, training materials, and SOPs issued.</p>
<p>3. The Program Coordinator should establish trainings for cardholders and approving officials on those internal controls they are required to uphold.</p>	<p>Concur.</p> <p>OCFO currently sponsors Momentum training for purchase card users. We have been in the process of updating training materials to include policies and procedures for purchase card holders and approving officials, but are waiting until the directive is finalized to be sure the training materials and directive are consistent. OCFO concurs with the recommendation and training materials are being updated to reflect the new directive.</p>	<p>May 1, 2017: Revised training materials.</p>

3/3/17

Recommendation	Comments	Target Completion
<p>4. The Program Coordinator should reexamine its activities related to collecting and reporting program data. The coordinator should implement new procedures to ensure that comprehensive and accurate data are collected and reported to OCFO management for monitoring purposes. These activities should be outlined in the program's updated policies and procedures.</p>	<p>Concur. The SOPs will include details of what data will be collected and reported, and to whom.</p>	<p>June 1, 2017: completion of the SOPs.</p>
<p>5. The Program Coordinator should reexamine its EMS rules and update them to more effectively detect improper transactions.</p>	<p>Concur. The Expert Monitoring System (EMS) version 1.7 was implemented in October 2011 for administration of the travel card program. When OCFO assumed responsibility for the purchase card program in 2013, the Program Coordinator began work to extend EMS to the purchase card program by upgrading the software to version 2.3 and providing refresher training to OCFO staff who would manage both the travel cards and purchase cards. After securing approvals through the Library's revised IT investment process, the EMS version 2.3 software upgrade was implemented in 2016 and OCFO staff received necessary training. OCFO is currently reviewing and updating the EMS rules for the purchase card program.</p>	<p>April 1, 2017: Completion of review and update of EMS rules.</p>
<p>6. The Program Coordinator should establish procedures for the effective usage of EMS and outline them in the program's updated policies and procedures.</p>	<p>Concur. OCFO is currently drafting the SOPs which will include details on how EMS is used.</p>	<p>June 1, 2017: completion of the SOPs.</p>

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<p>7. OCFO management should establish expectations and hold purchase card program personnel accountable for routinely enforcing the program's internal controls and requirements as stated in updated policies and procedures.</p>	<p>Concur. OCFO has included expectations in the performance plans of purchase card program personnel. The Library will add more detail in the performance plans and evaluations for the next rating period.</p>	<p>Beginning May 1, 2017: OCFO performance plans will be updated with additional details.</p>
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