



**Library Services
Surplus Books Program**

*Low Cost Enhancements Will
Protect Surplus Collection Materials'
Movement to America's Libraries*

Audit Report No. 2010-PA-106
September 2011

FOR PUBLIC RELEASE



UNITED STATES GOVERNMENT

LIBRARY OF CONGRESS

Memorandum

Office of the Inspector General

TO: James H. Billington
Librarian of Congress

September 2, 2011

FROM: Karl W. Schornagel
Inspector General

A handwritten signature in black ink, appearing to read "Karl Schornagel".

SUBJECT: Library Services' Surplus Books Program – *Low Cost Enhancements Will Protect Surplus Collection Materials' Movement to America's Libraries*
Audit Report No. 2010-PA-106

This transmits our final report summarizing the results of the Office of the Inspector General's audit report on Library Services' Surplus Books Program – *Low Cost Enhancements Will Protect Surplus Collection Materials' Movement to America's Libraries*, Audit Report No. 2010-PA-106. The executive summary begins on page *i*, and complete findings and recommendations appear on pages 10 to 18.

Based on the written comments to the draft report, we consider all of the recommendations resolved. Please provide, within 30 calendar days, an action plan addressing implementation of the recommendations, including an implementation date, in accordance with LCR 2023-9, *Rights and Responsibilities of Library Employees to the Inspector General*, §6.A.

We appreciate the cooperation and courtesies extended by Library Services and especially staff associated with the Surplus Books Program during this audit.

cc: Chief of Staff
Associate Librarian for Library Services
Director, Acquisitions & Bibliographic Access Directorate, Library Services

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▶▶ EXECUTIVE SUMMARY

The Surplus Books Program (SBP) operates as an ambassador of goodwill for the Library of Congress. The Library makes available its surplus books to educational institutions, public bodies, and non-profit, tax-exempt organizations in the United States. The SBP functions as a model program by transforming excess collection materials into fresh resources for America's financially strapped, municipal libraries, and non-profits. With a limited budget, the program leverages the Library's collection acquisition activities to benefit Library stakeholders.

Recent Office of the Inspector General Investigations of prohibited sales of SBP materials by program participants partly led to this performance audit. Our audit found that SBP management operated the program in an effective and efficient manner with well-designed operations and internal control. However, we identified certain processing and internal control issues where management could improve SBP operations. The following is a summary of our findings and recommendations.

SBP Management Should Improve Elements of the Program's Internal Control—We identified four opportunities to improve SBP's existing system of internal control with minimal costs. First, we found instances where unqualified entities were participating in the program, including some "for profit" organizations. Our analysis found that the process used to obtain and review participant eligibility created conditions where unqualified participants could be admitted into the program. We recommended revising this process to better screen potential participants.

Second, we observed blank Congressional franking labels – essentially, postage – in an unsecured card catalog cabinet. SBP management did not maintain a perpetual inventory and was thus unable to account for all franking labels in its custody. We recommended improvements in the way franking labels are stored and accounted for.

Third, we concluded that the General Property Pass (GPP) used for hand-carrying SBP materials out of the premises was generic in appearance, easy to reproduce, and not serialized,

thereby inhibiting accountability for all passes. We also determined that there was no official responsible for overseeing the issuance, use, or functionality of the GPP. We recommended improvements in controls over GPPs.

Finally, despite multiple requests from SBP management, the Architect of the Capital has not repaired the inoperable door lock and alarm to the main entrance of the SBP. We recommended corrective action.

LS Management Should Pursue SBP Processing Efficiencies—

We observed some opportunities to improve efficiency without investing significant additional resources: First, many of the SBP processes are manual. Manual analytical and reporting processes are both labor intensive and vulnerable to processing errors. We believe that the introduction of a computer spreadsheet application for compiling participant information and processing data will improve SBP management's data collection and analysis capabilities and efficiency. Second, SBP management has not documented operating procedures; we recommended that management document all operating procedures; and finally, the Library's longstanding policy is to encourage other federal agencies to transfer their surplus library materials to the SBP. We observed that most of the surplus materials received are pulped and discarded. We recommended that management conduct an evaluation as to whether the Library obtains a net benefit from the material handling efforts required to process the transfers.

Management concurred with all our recommendations. The full text of management's response is included in appendix C.

▶▶ BACKGROUND

During this period of unprecedented budget deficits and unfunded federal liabilities, the public expects government to do more with less. Agency stakeholders seek more services while dire economic forces tighten their grip on static federal budgets. In this austere environment, agency management must ensure that no part of its base budget lays fallow. Agencies need to transform even operating residues into fresh resources in an effort to cover budget gaps. Within the operations of Library Services' (LS) Acquisitions & Bibliographic Access Directorate (ABA), the Surplus Books Program (SBP) functions as a model program for transforming excess collection materials into fresh resources for America's financially strapped, municipal libraries and non-profits.

The Surplus Books Program operates as an ambassador of goodwill for the Library of Congress. The Library makes available its surplus books to educational institutions (including full-time tax-supported or non-profit schools, school systems, colleges, universities, museums, and public libraries), public bodies (agencies of local, state, or national government), and non-profit tax-exempt organizations in the United States. The only restriction placed on program beneficiaries by the Library is a prohibition on reselling the books received from the program. Recent Office of the Inspector General (OIG) investigations identified (through information provided by SBP staff) and prosecuted fraudulent participation in the program involving the prohibited sales of surplus books to the public. The findings of this investigation were partly the catalyst for this performance audit.

The Library receives approximately 22,000 items¹ each business day and adds roughly 10,000 of these to its collections. The majority of the collections are received through the Copyright registration and Cataloging in Publication Program (CIP) processes. The Copyright Office receives two copies of every U.S. publication, registered for copyright protection, and CIP receives one copy. The CIP data is a bibliographic record prepared by the Library for a book

¹ In its response, management disagreed with this figure, stating, "[t]he actual number of items received each working day has averaged 14,609 items over Fiscal Years 2002-2010." Our citation comes directly from the Library of Congress' website: www.loc.gov/about/facts.html.

that has not yet been published. When published, CIP data is included on the book's copyright page thereby facilitating book processing for libraries and book dealers. In addition, other sources of collection materials include the gift and exchange program and discarded materials transferred from other federal agencies. The Library regularly deems portions of these acquired materials duplicative or out of scope for its collections. These items become the primary source of materials for use in the SBP along with duplicates of existing materials, and deaccessioned² collection materials. The Acquisitions Fiscal and Support Office (AFS) in ABA is responsible for processing all materials identified as not needed for Library collections.

Applying specified criteria, ABA assesses and processes all excess materials qualifying for transfer to the Duplicate Materials Exchange Program (DMEP), the National Library of Medicine (NLM), and the National Agriculture Library (NAL). Through DMEP, the Library and its approximately 4,000 partner organizations around the world exchange materials as part of their collection acquisition programs. Likewise, the Library provides medical books and agricultural materials to NLM and NAL as well as transferring audio tapes and compact discs to the National Library Service for the Blind and Physically Handicapped. ABA places materials not qualifying for DMEP, NLM, or NAL into the SBP.



Figure 1: Image of CIP and Copyright submission material.

Surplus Books Program Operations

With Congress' assistance, Library management designed the SBP to make the Library's excess collections available to educational institutions, public bodies, and other non-profit tax-exempt organizations in the United States free of charge. Materials passing through the SBP are diverse in subject matter and generally not organized in any logical fashion. Despite the amorphous nature of materials flowing through the SBP, the program operates on a frugal annual budget of \$118,548, with payroll absorbing most of its allotment. SBP's

² Deaccession - The process of removing an object from the inventory of a repository.

staff consists of less than one full-time equivalent (FTE) and a portion of services from a materials handling team contract with the Library Associates of Maryland. Under the materials handling contract, nine technicians provide support services throughout AFS for security targeting, edge stamping, laser engraving, acquisition’s mailroom functions, CIP’s mail functions, Government Documents Section receiving and

shipping, DMEP, and SBP. Currently the SBP operates as a fully manual function. Data collection, program metrics tracking, and management analysis occur on paper with minimal computer assistance. At the time of our audit, SBP personnel identified materials suitable for the program and placed them into locked book bays. At management’s discretion, new book bays are opened for selection on a monthly basis.

Surplus Books Program Annual Donations by Category			
Selectors	FY2009	FY2010	% Change
State Selects	49,125	35,173	-28.4
Congressional Selects	10,810	31,343	189.9
Federal Agency Selects	4,325	5,535	28.0
Total	64,260	72,051	12.1
National Agricultural Library	2,781	2,068	-25.6
National Library of Medicine	6,883	3,716	46.0
National Library Service for the Blind and Physically Handicapped	670	2,545	279.9
Library of Congress Reselects	2,173	1,589	-26.9
Total	12,507	9,918	-20.7
Grand Total	76,767	81,969	6.3

Source: Acquisitions Fiscal and Support Office Annual Reports FY2009 and FY2010.

Figure 2: Surplus Books Program annual donations by category.

For the first time, LS management established in FY 2010 performance goals and measures having an annual goal of placing 70,000 items with program participants. The FY 2010 AFS annual report stated that the program placed almost 82,000 articles with program participants, an increase of 5,000 items over FY 2009 (see figure 2). AFS attributes this improvement to increased usage of the program by Congressional offices and additional efforts by Congress (i.e., providing introductory participant letters and Congressional franking labels³) to introduce its constituent libraries to the program.

The SBP is located in the Madison Building and shares a common space with the ABA mailroom and the DMEP. This area is the location where ABA receives acquisition materials and contains shelved DMEP and SBP materials.

³ Congressional franking labels provide free postage for the delivery of SBP materials to program participants.

Surplus Books Program Policy

Although the program has no statutory origins, it is guided by official Library policy through two Library of Congress Regulations (LCR); LCR 515 – *Disposal of Surplus Collections Materials*, dated September 17, 2010 and LCR 315 – *Evaluations of Library Materials* dated September 17, 2010. LCR 515 prescribes the policies and procedures for the disposal of surplus materials, such as books and periodical issues that are not needed for the Library’s collections. The LCR also requires that program management dispose of surplus materials not placed into the program, as well as materials remaining unselected by SBP participants, generally through pulping. LCR 515 also establishes program participant eligibility as follows:

1. Educational institutions – defined as full-time, tax-supported or non-profit schools, school systems; colleges, universities, museums, and public libraries;
2. Public bodies – defined as agencies of local, state, or federal government; and
3. Non-profit tax-exempt organizations – defined as non-profit institutions or organizations that have tax-exempt status under the provisions of section 501 of the Internal Revenue Code of 1954.

During our audit, the Office of the General Counsel and LS updated LCR 515 by requiring that participants of the program operate a library and/or research center that is open to the public. LCR 315 prescribes the criteria for the Library to evaluate books, manuscripts, maps, music, prints, photographs, and other library materials and establishes procedures for conducting such evaluations. The LCR also outlines Library policy for establishing a reasonable basis for the exchange or sale of surplus materials from its holdings. Additionally, the following LCRs codify other policies that affect the SBP:

- LCR 316 – *Acquisitions of Materials by Exchange*, dated September 17, 2010, allows the Library to use in its exchange programs duplicate and surplus materials no longer needed;

- LCR 414-1 – *Marking of Library Materials*, dated August 5, 1981, stipulates that surplus and/or duplicate materials under the Library's exchange or donation programs, or on transfer to other agencies, shall be identified by a "Surplus Duplicate" stamp. Materials removed through the SBP should be stamped with the Library marking 'Surplus Duplicate Not for Resale' (see figure 4 on page 14).
- LCR 1816 – *Passes and Stamps Used for Removal of Material from the Library Buildings*, dated December 15, 1988, authorizes the passes and stamps for use when removing materials from Library buildings, defines the type of materials covered by each pass/stamp, and appoints the area responsible for the issuance and control of each defined pass/stamp. The LCR authorizes SBP to use the Library General Property Pass (GPP) (Form LW 12/54) when removing materials from Library buildings. The LCR requires that GPPs must be handwritten in ink or typewritten, and used only on the same day signed and issued by SBP. Users must surrender the passes to the police when the materials are removed from the buildings and the police, through the Office of Security and Emergency Preparedness, must subsequently return the passes to the issuing official for cancellation and record keeping purposes; and
- LCR 2023-2 – *Conduct in Official Positions*, dated December 15, 1999, prohibits Library staff from serving as the official representative of a federal library, educational institution, or public body for the purpose of selecting, transferring, exchanging, or donating materials from the Library's surplus stocks.

Surplus Books Program Participants

The SBP has four categories of participants where program materials can be directed; the Library, Congressional offices, other federal agencies, and qualifying educational, public body, or non-profit organizations. Occasionally, Library collection managers "re-select" materials for the Library's collections or for other internal Library use. Congressional offices frequently select materials for their own use or for eligible organizations from their home districts. The Library's Congressional Relations Office has stepped up its outreach

strategy to encourage Congressional users to make use of SBP. As a result, the program saw a dramatic increase in use during FY 2010. Overall, Congressional selections during FY 2010 totaled 31,343 compared with 10,810 selections in FY 2009.

In addition to the Library and Congress, other federal government agencies may obtain SBP materials for their libraries or operating use. Finally, participating educational institutions, public bodies, or non-profit organizations, defined eligible for participation under LCR 515, may also select and obtain SBP materials. Although the SBP makes every effort to place its materials, unselected materials build up, and ultimately require disposal because of space limitations.

Surplus Books Program Special Issues

As previously stated, one resource for SBP materials is a long-standing Library practice that encourages federal agencies to transfer their surplus library materials to the Library. Some of these materials may be used to fill gaps in the Library's holdings, however, the overwhelming amount of material received in this manner is screened by SBP for use in its program with the majority of it eventually disposed of by SBP personnel. The practice of receiving discarded materials from other federal agencies originated in a 1904 appropriations law (32 Stat. 854) that established the transfer of books from other federal agencies to the Library, and was codified in 1925, 2 USC § 148 chapter 5; sect.148. Our research revealed that Congress repealed this law on October 31, 1951, c. 654, § 1(1). Congress has not statutorily reinstated this process; however the Library still honors the transfer policy.

We found that the Library established specific guidelines detailing what material it accepts for transfer in an effort to prevent the indiscriminate transfer of materials from other federal agencies. The guidelines allow federal agencies to transfer the following material:

1. Items no older than three years
 - Novels
 - Reference works (e.g. encyclopedias, directories, guides, etc.); and

2. Items no older than five years
 - Humanities (art, music, etc.)
 - History and area studies
 - Social sciences (economics, politics, etc.)
 - Education
 - Science (agriculture, medicine, computer science, mathematics, physics, etc.)

Although the transfer policy's scope has been narrowed and acceptable material limited, federal agencies often send materials that fall outside established guidelines. Currently, there is no policing of this policy and the SBP is tasked with the disposal of unselected material that other federal agencies have determined to be of no value to their collections.

Tracking transfer material was not an established practice by the Library, therefore, performing a cost benefit analysis was not possible. During the course of this audit, the SBP has set up a tracking method for transfers.

Fraud Investigations

The SBP's policies prohibit the resale of SPB books by recipients for any reason. Prior to this audit, the OIG conducted two investigations of fraud and abuse involving participants in the SBP. In the first case, a participant proposed to SBP management that it would exchange with various Florida libraries surplus books obtained through the program for those libraries' older books. The participant would then sell the older books, sharing a profit with those libraries. SBP management alerted the Library's Office of General Council who then contacted the OIG and an investigation was initiated. The participant provided a sworn affidavit stating that he did not sell any of the books obtained from the program. OIG recovered a total of 444 books from the participant; however 91 books were unaccounted for.

In the second case, during August 2009, a participant interested in establishing a partnership to sell surplus books approached a contractor working in the SBP. The contractor alerted management, who then brought the case to the OIG. SBP staff grew increasingly suspicious when this participant chose books that did not seem to support the non-profit's intended mission (an adult literacy program). In addition, the participant provided pre-marked shipping labels issued from

the private law firm where he worked in Washington, D.C. and the shipping address mapped back to a personal home address. OIG's investigation led to the prosecution of the participant for misdemeanor theft of government property and resulted in a plea agreement in which the defendant was sentenced to 36 months probation. OIG recovered all of the books involved in the episode. As previously mentioned, these investigations were partly the catalyst for this audit.

►► OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of our audit were to determine if the SBP:

1) established effective systems of internal control to validate exchanges, authorize and approve program participants, and protect program assets; 2) complied with Library policies and procedures to assure the program achieves its objectives; and 3) developed annual performance plans and related performance metrics.

The scope of our audit included the operations of the SBP during FYs 2009 and 2010, including program policies and procedures, internal control, performance accountability and reporting, and supporting systems.

Our audit methodology involved reviewing compliance with applicable laws and regulations, analyzing the design of and compliance with internal controls, conducting interviews of key management and staff, conducting tests to evaluate participant eligibility, surveying participants to evaluate program performance, and testing compliance with book labeling requirements.⁴

We performed our audit fieldwork from July 2010 through April 2011. We conducted this performance audit in accordance with generally accepted government auditing standards and

⁴ As part of our evaluation, we employed three sampling tests: 1) SBP Participant Eligibility Compliance – in this test we used statistical sampling for attributes to determine if program participants met the program eligibility requirements. We derived the test population from the program registration slips on file for FYs 2009 and 2010. The total universe equaled 1,144 registration slips, with a randomly selected sample size of 103, derived using sampling parameters of 1% expected error rate, 5% precision, and 95% sample reliability. Test results revealed a 2% error rate, which may be projected to the entire test universe. 2) SBP Participant Survey – in our survey, we conducted a judgmental based test to obtain customer feedback about the program. Using the same universe in test one above, we removed Congressional participants and then randomly selected 45 participants employing a systematic selection method. Surveys were mailed to participants during the period Jan 11– Feb 18, 2011. The survey had an 82% response rate. 3) Compliance test for applying Library SBP “not for resale” stamp on books: we conducted a surprise judgmental random sample for attributes during the periods February 4, 10, and 18, 2011. Employing auditor judgment we selected a total of 840 books ready for shipment to participants. We found 100% compliance with the stamping requirement resulting in zero errors in the test. Because the test was judgmentally based, we are unable to project its results beyond the sample tested.

LCR 211-6, *Functions, Authority, and Responsibility of the Inspector General*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

►► FINDINGS AND RECOMMENDATIONS

Our audit found that SBP management operated the program in an effective and efficient manner while meeting program goals. We commend SBP management for achieving program goals, expanding its customer base, and increasing the number of books it distributes to constituent libraries while operating with extremely limited resources. Despite limitations, the SBP program successfully expanded the Library's outreach to its library constituency and supported local library collections by providing new books for their collections.

In analyzing the operations of the SBP, the reviewer must not lose sight of the fact that the program is a low budget operation handling excess collection materials with little individual or collective value. During our audit, we found that SBP operations and internal control were generally well-designed and sound. However, we identified certain operational processes and internal control issues where management could economically improve. In evaluating and presenting these observations and recommendations, we maintained a keen awareness that the cost of implementing and maintaining recommendations does not exceed the value of the asset or process in question.

I. SBP Management Should Improve Elements of The Program's Internal Controls

Our audit determined that the program had a well-designed system of internal control and that compliance with that system appeared adequate. Nevertheless, we identified four opportunities to improve the existing system with minimal expense. The following provides the details of our analysis and recommendations.

a. Program Management Should Create a Uniform Application

LCR 515 establishes requirements for program participant eligibility. We conducted a statistical sample of the SBP participants for the calendar years 2009 and 2010 to determine whether program participants were eligible to receive program benefits as defined by the LCR (see footnote 4 for test details). We found that two percent of the participants receiving surplus books did not qualify for the program under the LCR.

Although this error rate is small, simple improvements to the eligibility review process could eliminate this error rate. Our analysis found that the paperwork format used to obtain and review participant eligibility creates the opportunity for permitting unqualified participants into the program.

New participants navigate a three-form process to become eligible for the program. The first form is a guideline letter sent by the Library to an interested party. This letter sets forth the eligibility requirements, provides basic information about the program, and advises the recipient to send to the program, on the organization's letterhead, a request to participate along with specified information demonstrating eligibility. Our review found that when responding, the organizations' eligibility letters vary as to content and format, often omit required information, and do not provide a uniform format on which program management can effectively and efficiently evaluate an applicant's eligibility. As a result, program management may make eligibility decisions based on incomplete information.

At the time a participant arrives at the SBP area to select materials, the program requires the selector to manually fill out a surplus book registration form. Selectors complete this form manually and our review found that an overwhelming amount of the forms had handwriting that was difficult to decipher, registrants frequently used undefined acronyms, making it difficult to determine who they represented or where they were from, and many required data spaces were left blank. Additionally, we observed that program staff did not review these forms for completeness or eligibility before permitting the registrant to select materials. As a result, missing and undecipherable information subjected the program to ineligible participants as well as not obtaining accurate and complete information about the selector.

We also conducted a participant survey to evaluate the level of compliance, on the part of program participants, with the rules as described in the participation letter (see footnote 4). In addition to many comments complementing the Library about this program, we noted one university participant that responded identified itself as a "for profit" educational body.



Figure 3: Image of book bays in the Surplus Books Program.

Our interpretation of the eligibility requirements determined that for profit educational bodies are not eligible participants. We consulted with the Office of General Counsel (OGC) which confirmed that revised LCR 515, § 4.C.1⁵ extends eligibility only to educational bodies that are "tax supported" or "non-profits" and, therefore, excludes for profit entities from eligibility.

Recommendations

To improve SBP's evaluation of participant eligibility and verification of selector propriety we recommend that the SBP:

1. Revise the guideline letter sent to interested organizations to ensure it clearly advises the reader of all eligibility requirements;
2. Develop and implement a uniform program participant application that requires completion of all eligibility information, including the applicant's IRS issued tax identification number;
3. Include on the application, wording that advises the participant that any fraudulent misrepresentations will be subject to prosecution under federal law; and
4. Require selectors to complete all information on the registration form in a clearly written manner and require SBP staff to verify the registration form is complete and readable before permitting access to the participant.

Management Response

Management concurred with our recommendations.

⁵ LCR 515 *Disposal of Materials Not Needed for the Library of Congress Collections* dated September 17, 2010 states that "SBP participants must function as one of the following: a) educational institutions (defined as full-time, tax-supported or non-profit schools, school systems, colleges, universities, museums, and public libraries), b) public bodies (defined as agencies of local, state, or federal government), c) non-profit, tax-exempt organizations (defined as non-profit institutions or organizations which have tax-exempt status under the provisions of section 501 of the Internal Revenue Code of 1954)..."

b. SBP Management Should Secure Congressional Franking Labels

The Congressional franking privilege allows members of Congress to send mail without postage. Congress, through its legislative branch appropriations, reimburses the U.S. Postal Service for the franked mail it handles. Federal law, House and Senate rules, and committee regulations dictate the use of the Congressional franking privilege. Congressional offices often provide franking labels to their constituents participating in the SBP, thereby providing participants value added service through the program.

Generally, Congressional offices send the labels to SBP for safe keeping until an office stipulates what participants will receive postage. SBP staff document on the processing stamp label usage details including a Congressional signature and the number of books shipped. At any time, the SBP has custody of multiple Congressional franking labels.

During our audit we observed that SBP staff stored blank franking labels in an unsecured card catalog cabinet. We also determined that SBP management did not have a perpetual inventory listing of all franking labels in its custody. Recognizing that the franking labels have value and to prevent and detect misuse of the labels, good internal control requires management to both secure access to the labels and retain an accurate accounting of the labels on hand.

Recommendations

To improve security and accountability for Congressional franking labels, we recommend that SBP management:

1. Store the labels in a locked and secure area; and
2. Create and maintain a perpetual inventory listing of all labels on hand with management periodically physically inventorying the labels to detect pilferage.

Management Response

Management concurred with our recommendations.



Figure 4: Example of Surplus Books Program identification stamp.

c. Library Management Should Revise the Library General Property Pass

At the time SBP participants have completed selecting materials, the selectors may either arrange for parcel shipment of the materials or hand carry the materials out of the Library. According to LCR 1816, *Passes and Stamps Used for Removal of Material from the Library Buildings*, SBP participants must use the Library GPP, when hand-carrying materials out of the premises. The policy requires the authorized issuer to prepare the pass in ink or by typewriter, and fill in the authorized signature, the number of items, and the date. At the building exit, the U.S. Capitol Police (USCP) officer should compare the number of items on the GPP with the number of books the participant is removing from the building. The officer must sign the pass and collect it to prevent its reuse for fraudulent purposes or abuse. The policy requires that the police return all collected passes to the issuing department for filing.

**Library of Congress
General
Pass**

The individual listed below is authorized to remove from Library buildings the material described below. All packages, envelopes, etc., must be opened for inspection.
(Valid only if signed by authorized personnel. Police are authorized to inspect items. See LCR 1816.)

3 (2003/06)
Date (Good on this day only) Name (Must list an individual's name)

Description of Material (Include quantity, serial number(s), and/or other identifying information)

Authorized Official's Printed Name & Signature Title

Service Unit/Division Mail Stop #

Figure 5: Example of Library of Congress General Property Pass.

Our review found the GPP generic in appearance and easy to reproduce. As a result, anyone could produce unauthorized versions of the pass to remove property, including SBP material from the Library. We also noted that the pass is not serialized, thereby inhibiting Library management from accounting for the issuance of all passes and preventing management from detecting counterfeit passes. During the audit, we also observed a delay by the USCP in returning collected passes to the issuing departments as required by the LCR.

Our audit also determined that LCR 1816 does not provide contingency procedures in the event that the USCP delays or does not return the collected passes. The LCR currently designates Integrated Support Services (ISS) as the responsible office for this regulation; however, our research revealed that they are not functionally controlling this document as prescribed. Our research found that there currently is no official responsible for overseeing the issuance, use, or functionality of the GPP. In conclusion, we determined that the current GPP is ineffective for preventing the unauthorized removal of property, including SBP materials from the Library, and that no Library authority exercises control over the pass.

Recommendation

We recommend that the Library update LCR 1816. LCR revisions should include designing a serialized document that is counterfeit resistant, reassigning the responsible office to ensure oversight, documenting accountability, and implementing procedures to more appropriately account for and retire used passes. We also recommend that the revised LCR implement a Pass designed for specific SBP use.

Management Response

Management concurred with our recommendations.

d. SBP Should Continue Repeated Requests to AOC for Door Repairs

The main access double doors serving LM-B47 require repair. The doors provide access to the ABA mailroom, DMEP, and SBP and open directly into public hallways. The door lock and alarm are rendered inoperable exposing the area to unauthorized access and preventing management and staff from adequately securing the areas' assets.

SBP management advised us that it has been submitting repair requests to the Architect of the Capitol (AOC) for over seven-years without response.

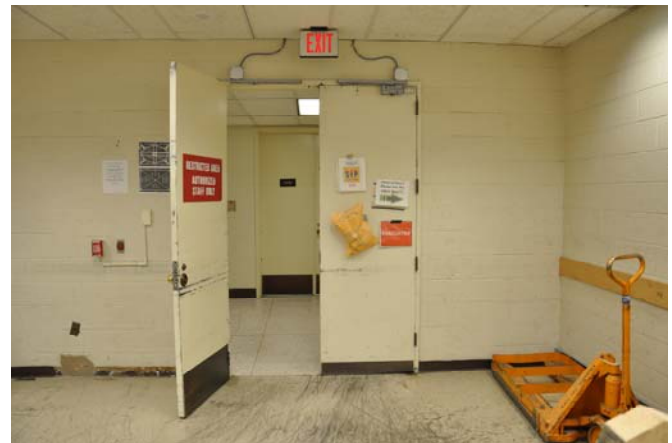


Figure 6: Image of main access double doors in need of repair.

Recommendation

We recommend that SBP management continue pursuing the door lock and alarm repairs with AOC. Although the repairs may not qualify as a significant priority for AOC, we believe a seven-year delay is not reasonable. In light of the excessive delays for this request, we believe senior LS management should insist that the AOC immediately repair the door lock and alarm.

Management Response

Management concurred with our recommendation.

II. LS Management Should Pursue SBP Processing Efficiencies

The hallmark of the SBP is its ability to accomplish its program objectives with Spartan resources. Although we recognize that the nature of this program requires Library management to operate it frugally, we observed opportunities for improving efficiencies without investing significant additional resources. To improve operating efficiency we have the following observations and recommendations.

a. SBP Should Make More use of Basic Office Software

We observed that SBP staff document all participant permission letters, registration forms, visitors, and material selection information on paper forms. When SBP management analyzes its operations or prepares reports on its activities it usually engages in a manual review and compilation of data. Manual analytical and reporting processes are both labor intensive and vulnerable to processing errors. We believe that the introduction of a computer spreadsheet application for compiling participant information and processing data will improve SBP management's data collection and analysis capabilities and efficiency.

With spreadsheet software, SBP management will be able to efficiently compile program metrics such as categorize and report: 1) recipients by type (e.g. school, library, museum, etc.); 2) recipients by Congressional district/state; 3) books distributed by subject matter; and 4) to Congress how each member's area benefited from the program annually.

Recommendation

SBP management should implement the use of a software application to collect and analyze program operating data.

Management Response

Management concurred with our recommendation.

b. SBP Management Should Document Operating Policies and Procedures

Our inquiry of SBP management determined that it has not documented its operating policies and procedures for reference and succession purposes. Documented operating procedures provide a reference record in the event of absences, changes in staffing, personnel issues, or regulatory inquiries.

Recommendation

We recommend that SBP management fully document SBP policies and operating procedures as a matter of sound management practice and good internal control.

Management Response

Management concurred with our recommendation.

c. Library Management Should Evaluate the Utility of Agency Surplus Transfers

Under longstanding policy, the Library encourages other federal agencies to transfer to it their surplus library materials. The Library may use these materials to fill gaps in its holdings, for use in the book exchange program, and to include in its SBP. Our inquiry and observation determined that most of the surplus materials received are pulped and discarded. SBP staff processes, evaluates, and discards volumes of transfers during the year.

Our research determined that this policy originated in a 1904 appropriations law (32 Stat. 854) that established the transfer of books from other federal agencies to the Library. Subsequently, Congress codified the policy in 1925 in 2 USC § 148 chapter 5; sect.148. Further research revealed that Congress repealed the law on October 31, 1951 (ch. 654, § 1(1), 65 Stat.701). Since then, there exists no statutory requirement for the transfers; however the Library still honors the transfer policy.

The policy provides specific guidelines detailing what material the Library accepts for transfer in an effort to limit the material sent from other federal agencies. Although the Library narrowed the scope of the transfer policy to limit

acceptable materials, federal agencies often send materials that do not fall within the established guidelines. The Library's limited resources inhibit its ability to enforce the material restrictions; consequently, SBP staff must process and dispose of volumes of unselected material that other federal agencies have determined to be of no value to their own collections.

During our audit we inquired about what specific items from these transfers SBP staff selected for the use and benefit of the Library. We also inquired whether SBP management knew how much transfer material it received, processed, retained, and disposed of annually. SBP management advised us that it could not provide that information. Based on our inquiry and observation, we question whether there is a real benefit to the Library to continue the transfer policy. However, in the absence of SBP record keeping that documents material received, selected, disposed of, and the associated payroll and material costs required for the transfer processing, neither Library management nor we can determine if there exists a benefit to the Library from the transfer policy. In light of the limited SBP resources and the current budget environment, we believe that Library management cannot afford to engage in non-statutory activities that do not provide tangible benefits to the Library.

Recommendation

We recommend that LS management collect the required data to conduct an analysis to determine whether the Library derives tangible benefits from its processing of other agencies' surplus material transfers.

Management Response

Management concurred with our recommendation.

» CONCLUSION

With limited resources, the SBP extends Library outreach to a multitude of Library customers and represents the Library as a goodwill ambassador. Our review found that the SBP operates effectively and is increasing its activity level with both participants and Congressional offices. Despite its modest assets, it has become an effective collection resource for libraries across the nation and adds value to the Library's vital relationship with Congress. We believe SBP management can improve the effectiveness and efficiency of its operations by implementing the internal control and processing recommendations presented in this report. In conclusion, the SBP program demonstrates LS management's creative ability to maximize as much return as possible from its operating resources.

Major Contributors to This Report:

Nicholas Christopher, Assistant Inspector General for Audits

John Mech, Lead Auditor

Sarah Sullivan, Management Analyst

►► APPENDIX A: ACRONYMS USED IN THIS REPORT

ABA	Acquisitions & Bibliographic Access Directorate
AFS	Acquisitions Fiscal and Support Office
AOC	Architect of the Capitol
CIP	Cataloging in Publication Program
DMEP	Duplicate Materials Exchange Program
FTE	Full-time Equivalent
GPP	General Property Pass
ISS	Integrated Support Services
LCR	Library of Congress Regulation
LS	Library Services
NAL	National Agriculture Library
NLM	National Library of Medicine
OGC	Office of General Counsel
OIG	Office of the Inspector General
OSEP	Office of Security and Emergency Preparedness
SBP	Surplus Books Program
USCP	U.S. Capitol Police

►► APPENDIX B: SBP ANNUAL DONATIONS BY STATE

Surplus Books Program Annual Donations by State							
State	FY2009	FY2010	% Change	State	FY2009	FY2010	% Change
Alabama	90	1,064	1,082.22	New Jersey	629	51	-91.89
Alaska	1,567	3,741	138.74	New Mexico	0	1,035	-
Arizona	0	567	-	New York	2,839	2,709	-4.58
Arkansas	0	181	-	North Carolina	1,256	1,486	18.31
California	554	1,139	105.60	North Dakota	0	0	-
Colorado	110	99	-10.00	Ohio	57	826	1,349.12
Connecticut	388	469	20.88	Oklahoma	0	51	-
Delaware	1,713	1,293	-24.52	Oregon	961	551	-42.66
District of Columbia	15,308	7,361	-51.91	Pennsylvania	899	1,155	28.48
Florida	418	867	107.42	Rhode Island	850	92	-89.18
Georgia	4,204	3,066	-27.07	South Carolina	0	159	-
Hawaii	0	459	-	South Dakota	0	0	-
Idaho	930	1,381	48.49	Tennessee	2,133	2,475	16.03
Illinois	135	291	115.56	Texas	1,381	4,927	256.77
Indiana	153	149	-2.61	Utah	803	0	-100.00
Iowa	0	601	-	Vermont	127	203	59.84
Kansas	506	50	-90.12	Virginia	14,284	11,704	-18.06
Kentucky	189	524	177.25	Washington	561	301	-46.35
Louisiana	0	293	-	West Virginia	0	179	-
Maine	198	0	-100.00	Wisconsin	322	240	-25.47
Maryland	6,054	4,112	-32.08	Wyoming	0	980	-
Massachusetts	206	453	119.90	American Samoa	0	0	-
Michigan	1,617	2,457	51.95	Guam	0	0	-
Minnesota	1,621	1,336	-17.58	Marshall Islands	0	0	-
Mississippi	23	709	2,982.61	Micronesia	0	0	-
Missouri	42	0	-100.00	Northern Marianas	0	8,554	-
Montana	771	672	-12.84	Palau	0	0	-
Nebraska	361	614	70.08	Puerto Rico	0	0	-
Nevada	0	0	-	Virgin Islands-U.S.	0	425	-
New Hampshire	0	0	-	Pacific Territories*	0	0	-
Total					64,260	72,051	12.12

Source: Acquisitions Fiscal and Support Office Annual Reports FY2009 and FY2010.

Notes:

- 1) Pacific Territories include Johnson Atoll, Midway Island and Wake Island.
- 2) Congressional selections are reflected in the member's respective state totals. Items may be donated to constituents or remain in member's offices.
- 3) Federal agency selections are reflected in their respective state's totals.


▶▶ APPENDIX C: MANAGEMENT RESPONSE

UNITED STATES GOVERNMENT

Memorandum

LIBRARY OF CONGRESS

DATE: August 8, 2011

TO : Karl W. Schornagel
Inspector GeneralFROM : Deanna Marcum 
Associate Librarian, Library ServicesSUBJECT: Library Services Surplus Books Program—*Low Cost Enhancements Will Protect Surplus
Collection Materials' Movement to America's Libraries*: Draft Audit Report No. 2010-
PA-106, July 28, 2011

Thank you for the opportunity to respond to the Draft Audit of the Library's Surplus Books Program. Library Services finds the report to be fair and thorough. We agree with each finding and recommendation. In the attached response, we have included general comments about statements in the report and how we propose to respond to each recommendation.

We look forward to the final report and to taking steps to address the recommendations.

Attachment

cc: Director, Acquisitions & Bibliographic Access

**Comments from Library Services Regarding
the Surplus Books Program Draft Audit Report
(No. 2010-PA-106)**

August 8, 2011

Library Services finds the draft audit report of the Surplus Books Program (SBP) to be fair and thorough. We agree with each finding and recommendation. Below are general comments about the text and specific responses for each recommendation.

General Comments

Page i – In the fourth paragraph, it is stated, “...SBP management was unable to account for all franking labels in its custody.” That phrase gives the impression that labels were missing or have been lost. A more accurate description would be, “...SBP management was unable to provide an inventory listing of all franking labels in its custody.”

Page 1 – A sentence in the second paragraph begins, “Recent Office of the Inspector General (OIG) investigations identified and prosecuted fraudulent participation in the program...” This states that the OIG identified these problem situations. In fact, it was Surplus Books Program (SBP) staff and management that brought all such instances to the attention of the OIG. Thus, it would be more accurate to begin this sentence as “Recent Office of the Inspector General (OIG) investigations of problem situations identified and reported by SBP prosecuted fraudulent participation in the program...”

Page 1 – The first sentence of the third paragraph begins, “The Library receives approximately 22,000 items each business day...” The actual number of items received each working day has averaged 14,609 over Fiscal Years 2002-2010.

Page 2 – The first full sentence on this page reads, “The Library regularly deems portions of these acquired materials unessential for its collections.” We suggest replacing the word *unessential* with the phrase *duplicative or out of scope* to more clearly define these items. The revised sentence would read, “The Library regularly deems portions of these acquired materials *duplicative or out of scope* for its collections.”

Page 4 – The first full sentence on this page reads, “The LCR prohibits recipients from selling SBP books for any reason.” However, that prohibition is not stated in LCR 515. We assume that this prohibition emanates from U.S. laws/regulations related to the disposal of surplus government property.

Page 4 – There is a two sentence description of LCR 315:
“LCR 315 prescribes the criteria for the Library to evaluate books, manuscripts, maps, music, prints, photographs, and other library materials and establishes procedures for

conducting such evaluations. The LCR also outlines Library policy for establishing a reasonable basis for the exchange or sale of surplus materials from its holdings.” However, this LCR is irrelevant to the operations of the Surplus Books Program, which does not evaluate, exchange or sell any materials. We suggest that these two sentences be removed. (NOTE: LCR 315 is also referred to in the last paragraph on page 3. If the page 4 sentences are removed, the page 3 reference should also be deleted.)

Page 7 – The first two sentences of the description of the Barry Victor situation are not correct. They currently read:

“In the first case, a participant proposed to SBP management that it would exchange with various libraries the Library’s surplus books obtained through the program for the libraries’ older books. The participant would then sell the older books, sharing a profit with the Library.”

SBP was not aware in advance of Mr. Victor’s plans, nor was there any proposal to share profits with the Library. We suggest the following revised wording:

“In the first case, a participant planned to exchange with various libraries in Florida the Library’s surplus books obtained through the program for those libraries’ older books. The participant would then sell the older books, sharing a profit with those Florida libraries.”

Page 13 – Figure 4, shown on this page, is of the Surplus Duplicate stamp. Since this stamp could be used to steal collections materials from the Library, we suggest that “SAMPLE” be superimposed over the image, just as has been done already with Figure 5 on page 14.

Comments Related to the Recommendations

I.a.1. Revise the guideline letter sent to interested organizations to ensure it clearly advises the reader of all eligibility requirements. (p. 12)

Response: SBP will update its letter and its public web page.

I.a.2. Develop and implement a uniform program participant application that requires completion of all eligibility information, including the applicant’s IRS issued non-profit tax identification number. (p. 12)

Response: SBP is in the second phase of requirements development for an integrated system that will provide automated administrative, operational and statistical support for the Program. ITS has already indicated that it will provide development support for this system. The uniform application requirement will be included.

I.a.3. Include on the application, wording that advises the participant that any fraudulent misrepresentations will be subject to prosecution under federal law. (p. 12)

Response: Such wording will be incorporated.

I.a.4. Require selectors to complete all information on the registration form in a clearly written manner and require SBP staff to verify the registration form is complete and readable before permitting access to the participant. (p. 12)

Response: This will be implemented immediately.

I.b.1. Store the [frank mail] labels in a locked and secure area. (p. 13)

Response: SBP is moving into long-term temporary space in September. A request for a locking cabinet to store these labels has been made to FD&C.

I.b.2. Create and maintain a perpetual inventory listing of all [frank mail] labels on hand with management periodically physically inventorying the labels to detect pilferage. (p. 13)

Response: We plan to achieve such an inventory through the integrated system described in I.a.2. above.

I.c. We recommend that the Library update LCR 1816. LCR revisions should include designing a serialized document that is counterfeit resistant, reassigning the responsible office to ensure oversight, documenting accountability, and implementing procedures to more appropriately account for and retire used passes. We also recommend that the revised LCR implement a Pass designed for specific SBP use. (p. 14)

Response: This is not the responsibility of Library Services.

I.d. We recommend that SBP management continue pursuing the door lock and alarm repairs with AOC. Although the repairs may not qualify as a significant priority for AOC, we believe a seven-year delay is not reasonable. In light of the excessive delays for this request, we believe senior LS management should insist that the AOC immediately repair the door lock and alarm. (p. 15)

Response: The AOC has agreed to meet all LM B47 door requirements (including new doors, automatic door openers and electronic card readers) when the entire area is completely renovated as part of the larger ABA renovation. The ABA Basement renovation begins in September 2011, and the area with the LM B47 door is scheduled to be renovated beginning in June 2012.

II.a. *SBP management should implement the use of a software application to collect and analyze program operating data. (p. 16)*

Response: See I.a.2. above.

II.b. *We recommend that SBP management fully document SBP policies and operating procedures as a matter of sound management practice and good internal control. (p. 16)*

Response: The text for a Surplus Books Program manual has been drafted. Further editing needs to be done, illustrations added and some appendices completed. The final manual should be in the 25-30 pages range.

II.c. *We recommend that LS management collect the required data to conduct an analysis to determine whether the Library derives tangible benefits from its processing of other agencies' surplus material transfers. (p. 17)*

Response: Since SBP will have limited space when it moves to its long-term temporary location in September, other agencies that often send their discard transfers to the Program have been advised to cease sending their shipments. A re-evaluation of the situation will be done when SBP moves back to its renovated space, scheduled for February 2013.



OFFICE OF THE LIBRARIAN

MEMORANDUM

DATE August 22, 2011

TO Sarah Sullivan
Management Analyst

FROM Robert Dizard Jr. *RD*
Chief of Staff

SUBJECT Draft Audit Report on the Surplus Book Program

I am responding to your email of August 18, 2011 regarding recommendation 1.c of the subject report:

We recommend that the Library update LCR 1816. LCR revisions should include designing a serialized document that is counterfeit resistant, reassigning the responsible office to ensure oversight, documenting accountability, and implementing procedures to more appropriately account for and retire used passes. We also recommend that the revised LCR implement a Pass designed for specific SBP use.

Library management accepts the recommendation to update LCR 1816. I have asked the General Counsel to initiate this process.

Thank you for your work in this area. We will report back to you on our progress on implementing this recommendation.

Cc: D. Marcum
E. Pugh