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Status of General Accounting Office Reviews of the Library of Congress

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Status of General Accounting Office Reviews of the Library of Congress

Mr. Chairman and Members of the Committee:

We are pleased to be here to discuss the status of our reviews at the Library of Congress. I will first briefly summarize our 1991 report on the Library's financial management and its response to our recommendations. Then I will explain the scope and status of our current review requested just last month by Senators Hatfield and Mack, who asked that we conduct a broad assessment of the Library's management, including an update of the 1991 financial audit.

1991 Financial Audit Report on the Library

In August 1991 we issued a report on the Library's 1988 balance sheet, Financial Audit: First Audit of the Library of Congress Discloses Significant Problems (GAO/AFMD-91-13). Since that time, we periodically contacted Library officials to discuss their planned corrective actions to address our recommendations. We also testified on our report before the Subcommittee on Libraries and Memorials, Committee on House Administration, in November 1991. In addition, the Library's Inspector General followed up on our work and issued an audit report in August 1992.

Our 1991 audit disclosed three main areas of weakness in the Library's financial operations that precluded us from giving an opinion on the Library's financial statements—a situation we have encountered in initially reviewing the financial operations of a number of federal agencies. First, the Library's financial records and controls were in such poor condition that we were unable to audit a significant portion of its assets and liabilities. The weaknesses in the Library's financial management operations also greatly limited the Library's ability to effectively account for and control its collection of about 89 million books and other items.

Second, the Library was unable to produce reliable financial information. It had not uniformly prescribed, documented, or followed the policies and procedures required to effectively account for, control, reconcile, and report financial management information. For example, our audit disclosed that the Library had little or no assurance that it was recovering the cost of reimbursable services provided.

Third, the Library's controls over the Federal Library and Information Network (FEDLINK) program were weak. As a result, its ability to achieve intended program objectives, namely to provide bibliographic and

information retrieval services to federal libraries, and to comply with applicable laws and regulations was adversely affected.

Our recommendations fell into two categories. The first related to financial reporting and internal controls. Here we recommended that the Library: (1) designate a chief financial officer, (2) establish accounting and internal control policies and procedures to assure compliance with federal government accounting principles, and (3) develop an overall financial management improvement plan, which would include audited financial statements as well as an inventory of the collection. The second category related to compliance issues. Here we recommended that the Library: (1) ensure appropriations transferred to the Library from other federal agencies were expended only for services provided during the fiscal year for which the appropriations were available, (2) seek statutory authority to establish revolving funds to use gifts for self-sustaining activities, (3) stop accepting nonappropriated funds as reimbursements for FEDLINK services, (4) ensure that prices charged customers under the FEDLINK program reflect the Library's actual costs, and (5) ensure that the number of staff positions financed from Economy Act reimbursements complied with the limitation imposed by law.

In response to our recommendations, Library officials advised us that the Library had designated the Director of Financial Services as chief financial officer, adopted accounting and internal control policies and procedures to comply with federal government accounting principles and GAO internal control standards, purchased and implemented a new financial management system to comply with the standard general ledger and core financial system requirements, and implemented controls in the FEDLINK program. However, the Library has not had a comprehensive financial audit since our initial audit, although its financial management improvement plans called for it to prepare financial statements in 1996 and have them audited.

Although Library officials have taken various actions to implement our recommendations, a detailed assessment is needed to evaluate the effectiveness of the Library's actions. We have recently engaged an independent accounting firm to perform a comprehensive financial audit to evaluate the progress made by the Library and to assess the current reliability of the Library's financial statements, the status of internal controls, and compliance with laws and regulations. This audit will better position the Library to prepare annual, audited financial statements for all Library operations. We believe the legislative and judicial branch agencies

should prepare annual audited financial statements¹ in order to put them on a par with major executive branch agencies which are required to have audited financial statements by the Chief Financial Officers Act, as amended by the Government Management Reform Act. Annual independent financial audits are needed to ensure the integrity and reliability of data produced by financial systems.

Ongoing Management Review of the Library

In August and September 1995 there were several news articles concerning the Library's handling of the investigation and reporting of thefts of rare documents as well as other matters related to financial and human resources management. On October 11, 1995, Senators Hatfield and Mack asked that we undertake a review of the overall management of the Library and complete our work by March 1996. Given the time constraints and our recent downsizing, we consulted and reached agreement with the Senators that it will be necessary to accomplish portions of the work using contractors. We are presently doing some preliminary work to assess the Library's operations and identify various management issues that need further study. We are contracting with a management consulting firm to perform the general management aspects of this study. As mentioned earlier, we have also engaged an independent auditing firm to do a financial audit.

We began our work on October 18, 1995, by meeting with the Librarian and asking for his cooperation and arranging for briefings from the various service and management support units within the Library. Since then we have been briefed by Library managers and observed many of the Library's varied operations. We have focused our early inquiries on how the Library plans and directs its operations, makes decisions, executes plans, organizes its people and functions, manages its human resources, reviews and evaluates performance, and manages its collections. We expect to complete the preliminary work and identify issues to pursue by mid-December.

Mr. Chairman, that concludes my prepared statement. My colleagues and I would be pleased to answer any questions the Committee may have.

¹Testimony by the Comptroller General before the Subcommittee on Government Management, Information and Technology, Committee on Government Reform and Oversight, House of Representatives on July 25, 1995, entitled Financial Management: Momentum Must Be Sustained to Achieve the Reform Goals of the Chief Financial Officers Act (GAO/T-AIMD-95-204).

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