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United States General Accounting Office
Washington, DC 20548

January 23, 2003

The Honorable Charles H. Taylor
Chairman
Subcommittee on Interior and Related Agencies
Committee on Appropriations
House of Representatives

The Honorable James P. Moran
Ranking Minority Member
Subcommittee on Legislative
Committee on Appropriations
House of Representatives

Subject: *Library of Congress: Special Events Gift Fund Operations and
Accountability*

Pursuant to your request, we are reporting on selected aspects of the Special Events Gift Fund of the Library of Congress. We are also providing a copy of this report today to the incoming Chairman of the Subcommittee on Legislative, House Committee on Appropriations.

The Library of Congress holds a variety of special event activities in its public areas, including official receptions, dinners, conferences, and cultural, educational, and scholarly presentations. To facilitate the planning and coordination of its special event activities, the Library maintains a special events support staff, which is part of the Library's Office of Special Events and Public Programs (OSEPP). For fiscal year 2001, the Library reported that the special events support staff planned over 490 individual event activities, which were recognized in the Library's supporting records, as approximately 360 special events.¹ Of these, about one-third, or approximately 120, were accounted for in the Special Events Gift Fund (Gift Fund).² Events accounted for in the Gift Fund can be sponsored or cosponsored by the Library, members of

¹For final accounting and control purposes, the Library treats related special event activities as a single event.

²Pursuant to its gift fund authority and a 1990 donation, the Library created the Special Events Gift Fund to make funds available for food, beverages, entertainment, personnel, and other miscellaneous expenses related to hosting special events.

Congress, and outside organizations. The approximately 240 other special events held in fiscal year 2001 were, according to Library officials, accounted for in other funds available to the Library, which include other gift and appropriated funds.

The Library's event-specific costs associated with holding the approximately 120 events accounted for in the Gift Fund are financed through contributions received from the sponsors of those events. To finance the salary and benefit costs of the Library staff³ who plan and coordinate all of the Library's annual special event activities, the Library requests from outside sponsors or cosponsors of events an additional contribution to the Gift Fund that is based on the particular room requested for the event. The room contributions on which the Library depends the most to fund its special events staff payroll come from a limited number of events that involve the use of the Great Hall in the Library's Jefferson Building. The Library reported that it held a total of 13 Great Hall events in 2001, for which it requested and received room contributions.

The current suggested room contribution levels associated with the limited number of outside-sponsored events in the Great Hall are \$50,000 for for-profit organizations and \$15,000 for nonprofit organizations. These amounts were increased in January 2001 from the previous levels of \$25,000 for for-profit organizations and \$8,000 for nonprofit organizations. The increase in suggested room contributions responded to the Library's 5-year forecast that showed that funding needed to pay for increased salary and benefit costs associated with the Library's event staff would deplete the Gift Fund's available balance. According to Library officials, the increased salary and benefit costs were associated with needed increases in the full-time staffing level for the Special Events program and projected annual increases in the salary and benefit costs for the event staff.

You requested that we review the Library's Special Events Gift Fund. As agreed with your staff, we focused our review on the Library's analysis supporting its June 2000 decision to increase suggested room contributions associated with the Great Hall effective January 2001, and key policies, procedures, and controls associated with holding the approximately 120 fiscal year 2001 special events that were accounted for in the Gift Fund. Specifically, we agreed with your staff to

(1) review and comment on the analysis behind the Library's January 2001 increase in the suggested room contributions from outside sponsors of events held in the Great Hall of the Jefferson Building;

(2) identify key policies and procedures applicable to requesting, approving, and planning those special events accounted for through the Gift Fund and determine whether the Library is following those policies and procedures; and

³The Gift Fund pays salaries and benefits of all OSEPP staff except for the Special Events Officer, who is currently paid from appropriated funds.

(3) identify key accounting and control policies and procedures over receipts, expenditures, and the fund balance of the Gift Fund and determine whether the Library is following those policies and procedures.

Results in Brief

The January 2001 increase in the suggested room contributions from outside-sponsored Great Hall events was based on the Library's decision to fund the projected salary and benefit costs of its special events support staff with contributions from outside sponsors of those events while trying to limit the number of such events in response to concerns about the wear and tear on the Great Hall. To identify the level of contributions needed to fund the forecast salary and benefit costs of special events support staff over a 5-year period, in May 2000, the Library analyzed alternative combinations of contribution levels and numbers of outside-sponsored Great Hall events.⁴

In performing the analysis, the Library did not take into account alternatives for funding the forecast salary and benefit costs other than suggested room contributions and sponsorship for Great Hall events. According to Library officials, at the time of the analysis, demand for use of the Great Hall had been increasing. However, in the aftermath of the terrorist attacks and the anthrax incidents on Capitol Hill, the Library received less in suggested room contributions from outside sponsors and cosponsors of Great Hall events for 2001 than it had projected in its the analysis. Specifically, the Library reported 3 fewer (13 instead of 16) total events than projected for 2001: 4 fewer (5 instead of 9) for-profit sponsored events and one additional non-profit event.

The types of special event activities that can be held at the Library are governed by Library regulations, which also establish policies and procedures that guide the processes through which events are requested, approved, planned, and held. Library procedures provide for documenting the implementation of these policies and procedures, and OSEPP establishes what it refers to as event files to maintain this documentation. We examined files for 93 events that, according to Library officials, involved Gift Fund receipts, disbursements, or both, and we found that, at the time of our review, key supporting documentation was missing from 73 of those event files. Among the missing items were letters requesting approval to hold events, direct evidence of the Library's approval for events, key agreements required for the use of the facilities, and certificates of tax status for nonprofit sponsors. In four cases, OSEPP had difficulty finding entire files, which according to OSEPP staff had been misplaced following an office move. However, based on additional inquiries and procedures, we were able to conclude that the Library had generally followed its policies and procedures for requesting, approving, and planning these special events.

⁴Because the Library could not provide data or other information used in preparing the analysis, we were unable to review the support underlying the assumptions about projected costs.

In addition to event-related policies and procedures, OSEPP has established accounting and internal control–related policies and procedures for Gift Fund receipts and expenditures. While Library records showed that these policies and procedures were generally followed, we found that the policies and procedures were not sufficient to achieve full accountability over Gift Fund transactions and funds. Specifically, OSEPP lacked basic financial management records for events involving the Gift Fund, such as schedules of receipts and expenditures approved by OSEPP, and thus did not have a basis for reconciling approved receipts and expenditures to the receipts and expenditures recorded in the Library’s financial management system (FMS) for the Gift Fund. We found errors that could have been identified by Library staff if the basic financial records for events had been maintained and reconciled to the Library’s financial management system. Also, OSEPP did not have a policy or related controls to ensure that final accountings for events were performed within an established time period. We found that for the files we reviewed, final accountings were performed on average about 5 months after their respective events, with some final accountings occurring roughly a year or more after the event.

We are making recommendations to the Librarian of Congress to analyze the Library’s options for funding OSEPP staff and to strengthen internal control to improve the integrity of event files and strengthen accountability over event finances and reporting.

In commenting on a draft of this report, the Chief of Staff of the Library agreed with our recommendations and has described planned actions to respond to them.

Background

Library Special Events

Library of Congress regulations describe special events as gatherings in the Library’s public areas that involve guests and that may involve food and beverage service. It is the Library’s policy to encourage the planning and implementation of special events and public programs that relate to its mission, that share the treasures of its collections and the talents of its staff with members of other cultural and scholarly organizations, and that attract targeted groups and individuals who normally might not come to the Library, potentially expanding the Library’s base of support.

As a general rule, the Library limits the use of its facilities to Library-sponsored functions. However, the Great Hall and other public spaces may be used for special events sponsored or cosponsored by members of Congress⁵ and, since 1993, by outside organizations—both for-profit and nonprofit—that satisfy certain terms and conditions. According to Library regulations, special events sponsored by outside

⁵Congressionally cosponsored events involve a member of Congress and an outside organization.

organizations must be under the full control⁶ of the Library, must be hosted by the Library, and must involve Library staff and the Library's collections.

The unit responsible for carrying out Library policy for special events is OSEPP, under the Chief of Staff of the Library. OSEPP provides the overall coordination and management of all special events at the Library. Depending on the nature of the event, OSEPP's specific responsibilities can range from scheduling and coordinating the set-up of a room to planning and coordinating all event-related activities including preparing budgets; arranging for caterers, entertainment, security, parking, Library displays, and cleanup; and preparing the final accounting for events.

According to the Library, the special events support staff planned more than 490 individual event activities during fiscal year 2001, including, in some cases, multiple activities related to what the Library categorized as one event. The Library treats related special event activities as a single event for purposes of budgeting and maintaining supporting documentation. According to Library records, the more than 490 special event activities identified by the Library were related to approximately 360 special events. For purposes of our review, events with multiple event activities were treated as a single event.

Special Event Gift Fund Operations

Section 160 of Title 2 of the United States Code authorizes the Librarian of Congress to accept gifts or bequests of money for immediate disbursement by the Librarian in the interest of the Library, its collections, or its service. Contributions are to be deposited into the Gift Fund and are to be used consistent with the purposes of the gift as indicated by its donor. Pursuant to its gift authority, the Library, in 1990, accepted a donation to establish the Special Events Gift Fund. In establishing the Gift Fund, the donor requested that the funds be made available for food, beverage, and entertainment expenses as well as the costs of special events personnel and miscellaneous related expenses. The donor also requested that others be permitted to contribute and add to the Gift Fund subject to the purposes and conditions for which it was established. Of the approximate 360 special events held by the Library in fiscal year 2001, Library officials identified 123 special events involving receipts to or disbursements from the Special Events Gift Fund.

Sponsoring organizations wishing to hold approved special events are expected to contribute the amount needed to pay the event-specific costs of holding the event. Library regulations refer to these event costs as "recoverable costs." It is OSEPP's responsibility to ensure that it receives and deposits into the Gift Fund the contribution needed to pay all estimated recoverable costs of a planned special event before obligating money for the event. OSEPP staff identify and estimate the anticipated recoverable costs for each event. Recoverable costs include, but are not

⁶Library of Congress regulations (LCR) define "full control" as final approval of and responsibility for invitation texts, guest lists, budgets, caterers, support personnel, and facilities management (LCR 1818-3 Section 4.B.1.b, reviewed May 28, 1998).

necessarily limited to, the direct costs of services such as food and beverage, audiovisual and lighting, overtime for Library staff, a tent at the Great Hall loading dock, production of signs and printed materials, and vendor charges for cleaning and other services. In addition to these direct costs associated with the event, Library policies require OSEPP to add an indirect-cost charge of 9.79 percent of applicable direct costs.⁷

It is also Library policy to use funds available in the Gift Fund to pay the salaries and benefits of all but one of the special events support staff, which consists of six full-time OSEPP staff members⁸ and two full-time staff of the Public Program Services Division. In addition, the Gift Fund is used to cover the costs of special events for which event-specific donations were not made. To cover these staff and event costs, the Library suggests specific room contributions for events sponsored by outside organizations.⁹ OSEPP is responsible for maintaining a schedule of suggested room contributions applicable to outside sponsors. The schedule provides for lower suggested room contributions for events that are sponsored or cosponsored by nonprofit organizations. In addition, for Madison Building events that are cosponsored by a member of Congress and an outside organization, the Library requests a room contribution that is half the amount that would apply to an event sponsored solely by an outside organization.

Scope and Methodology

To accomplish our objectives, we

- reviewed the Library's May 2000 analysis of alternative Great Hall room contributions to cover salary and benefits paid through the Gift Fund;
- reviewed the Library's policies and procedures for requesting, approving, and planning special events;
- determined, through review of Library regulations and discussions with Library staff, Library policies and procedures for accounting for and controlling receipts, expenditures, and the fund balance of the Gift Fund;
- reviewed 93 of 123 fiscal year 2001 special events identified by the Library as being accounted for through the Gift Fund to determine whether the special event folder contained documentation to support (1) compliance with the Library's

⁷The indirect-cost charge is intended to recover for the library indirect costs associated with support provided to the special events activities by various Library administrative functions, including financial services, general building overhead, information technology support, and management and human resources.

⁸The salary and benefits of the Special Events Officer, one of the six OSEPP full-time staff, are currently paid from appropriated funds.

⁹The suggested room contribution applies to outside sponsors who request the use of the Great Hall, which is located in the Jefferson Building, and the Montpelier Room, Mumford Room, Pickford Theater, Madison Hall, and selected dining rooms, which are located in the Madison Building.

policies and procedures for requesting, approving, and planning special events, (2) the recoverable costs for event sponsors, and (3) the basis for the suggested room contribution;

- reviewed the Library's statutory gift authority; and
- interviewed Library officials and staff with responsibilities for special events operations, the Gift Fund, and related financial reporting, budgeting, and human resources.

In selecting the 93 special events for review, we included all events held in the Great Hall, all events for which a room contribution was received, and all events for which the Gift Fund absorbed some or all of the recoverable costs of the event. In addition, we reviewed one-half of the remaining Library- and congressionally sponsored events. In performing our review of the Gift Fund we considered, where appropriate, *Standards for Internal Control in the Federal Government*.¹⁰

Also, we obtained written comments on a draft of this report from the Chief of Staff of the Library, which are included in enclosure I.

We did our work in accordance with generally accepted government auditing standards from January 2002 through November 2002.

Library's Analysis of Suggested Contributions for Great Hall Events

In January 2001, the Library increased its suggested contribution for use of the Great Hall from \$25,000 to \$50,000 for for-profit organizations and from \$8,000 to \$15,000 for nonprofit organizations.¹¹ These increases followed a May 2000 Library analysis of alternative combinations of suggested room contributions and numbers of outside-sponsored Great Hall events that would support the Library's projected level of funds needed to pay forecast salary and benefit costs for special events support staff over the next 5 years. Following the analysis, the Librarian of Congress notified the members of the Joint Committee on the Library that, effective January 1, 2001, the Library would raise the suggested room contribution.

According to Library officials, the May analysis resulted from concerns raised during an annual internal budget review of the Gift Fund's 5-year budget forecast for fiscal years 2001 through 2005. The Library projected that, at the existing contribution levels for the Great Hall, the costs that the Gift Fund would incur in filling the full-time special events staffing needs would, under the Library's policy of funding special events support staff salaries and benefits, deplete the fund's available resources within 2 years. The May 2000 analysis focused on identifying increases in the

¹⁰U. S. General Accounting Office, *Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1 (Washington, D.C.: November 1999).

¹¹The suggested room contributions for the various Madison Building rooms (which range from \$500 to \$5,000) were not changed.

suggested contribution levels for a relatively small number of outside-sponsored Great Hall events, which, the Library believed at the time of its analysis, would be achievable. According to Library officials, at the time of the analysis, demand for use of the Great Hall had been increasing. The analysis matched different contribution levels with different totals and mixes of event sponsorships that could be expected to generate sufficient funds over the 5-year period. The objective of the analysis was to ensure that room contributions and the available Gift Fund balance would be sufficient to cover the forecast salary and benefit costs associated with seven full-time special events support staff assuming 10 percent yearly increases in the salary and benefit expense. Earlier, the Architect of the Capitol had raised concerns about the wear and tear such events might be having on the Great Hall. In light of those concerns, the Library's analysis sought to identify the level of suggested room contributions needed to fund forecast salary and benefit costs while limiting the number of outside-sponsored events.

The contribution alternative selected was based on annually holding 16 Great Hall events sponsored by outside organizations, with 9 involving for-profit sponsors and 7 involving nonprofit sponsors. This alternative stayed within the Library's general parameters limiting the number of outside-sponsored Great Hall events to help lessen wear and tear on the Great Hall, and was expected to provide sufficient funding over the 5-year period of the analysis to ensure that the Gift Fund had adequate resources to pay the salary and benefit costs of the seven full-time support staff positions charged to the Gift Fund and sufficient additional funding to allow the Gift Fund to cover the costs associated with the one remaining OSEPP staff person currently paid from appropriated funds.

Library officials told us that the staffing level considered in the analysis was the level needed to support the Library's overall special events operations. However, the Library had no workload-related or other data to support the staffing level considered. For example, the Library could not provide data that related the staffing level of eight full-time positions to the event planning efforts associated with the annual number of special events handled by the staff. In addition, the Library could not provide support for its assumption that the annual cost of funding those positions would increase by 10 percent per year, except to say that the increase was intended to cover annual cost-of-living increases, promotions, and in-grade step increases. In this regard, while Office of Management and Budget (OMB) current budget guidelines for these factors (excluding promotions) is about half of what the Library used, OMB expects that agencies should base their estimates on their own individual data.¹² Although the Library's staffing assumptions were key to determining the amount of and need for the suggested room contributions for the Great Hall, because there were no supporting data, we were unable to review the Library's basis for its staffing levels or the 10 percent annual cost increase.

Also, in the aftermath of the terrorist attacks and anthrax incidents on Capitol Hill in the fall of 2001, the Library has reported a drop in the expected number of outside-

¹²While OMB guidance is not applicable to the Library of Congress, we used it for contextual purposes.

sponsored Great Hall events. For calendar year 2001, OSEPP reported a total of 13 outside-sponsored Great Hall events, including 5 for-profit events and 8 nonprofit events. This compares to the combination of 9 for-profit and 7 nonprofit events that served as the basis for the contribution level needed to meet OSEPP's salary and benefit costs as considered in the May 2000 analysis. The drop from the expected 16 to 13 Great Hall events for calendar year 2001 is even more significant given that actual events sponsored by for-profit organizations, which are asked to make the \$50,000 room contribution, dropped from 9 to 5 for the year. This trend in the combinations of outside-sponsored Great Hall events continued in calendar year 2002, with the Library reporting 3 for-profit and 11 nonprofit Great Hall events. Library officials also noted that the state of the economy has likely contributed to this decline.

The drop in outside-sponsored Great Hall events has, according to Library officials, resulted in lower than expected amounts available to the Gift Fund to pay special events support staff salaries and benefits. Given that the Library has limited the number of outside-sponsored Great Hall events to lessen excess wear and tear on the facility, it relies on relatively few events to fully fund special events support staff payroll. This has, at least in the short-term, raised a question about the Library's ability to fund special events support staff salary and benefit costs. A drop of even two or three, especially for-profit events, can significantly affect the Library's ability to fund all of the Library's special events support staff salary and benefit costs from these events.

Event Approval and Planning Is Guided by Policies and Procedures, but Related Documentation Was Missing for Many Events

Through regulations, operating guidelines, and practices, the Library has established policies and procedures applicable to special events sponsored or cosponsored by the Library, members of Congress, and outside organizations. These policies and procedures guide the processes of requesting, approving, and planning events, and they provide for the development of supporting documentation applicable to each stage of preparation for an event. OSEPP is responsible for maintaining this documentation in event files.

Although specific policies and procedures for reviewing and approving requests for special events vary by type of sponsorship, the basic control aspects of review and approval remain the same, as the following illustrate.

- Library procedures call for requests to be documented through either a request form or letter submitted in advance of the event. Library sponsors are to submit a Special Event Request Form; outside and congressional sponsors are to submit a proposal letter.
- Outside sponsors that are nonprofit organizations are required to submit a copy of their Certificate of Tax Status showing that they meet the definition of a nonprofit organization as described in Title 26, United States Code, Section 501(c)(3). This

- evidence of their status is needed to support the Library's policy of suggesting lower room contributions for nonprofit organizations.
- Although the specific process varies depending on the type of sponsor requesting the event, all requests are reviewed and considered for approval. Requests for events sponsored exclusively by outside sponsors are to be reviewed by the Library's Facilities Committee, requests from members of Congress are to be reviewed and considered for approval by the Library's Congressional Relations Office, and requests for Library-sponsored events are to be reviewed and approved by Library division chiefs.

Once an event has been approved, OSEPP staff work with the event's sponsor to establish the nature and size of the event and then develop a budget for the estimated event costs. For those events sponsored or cosponsored by outside organizations, Library policy requires that event sponsors pay for the estimated recoverable costs prior to the event. The Library requests the applicable room contribution when the budget of recoverable costs is presented.

Along with written estimates of the amounts needed to fund event costs, OSEPP staff provide outside sponsors with guidance on how to transmit the contribution to the Library. Also, Library policy requires that outside sponsors sign a written agreement to abide by Library regulations and policies related to sponsoring events. OSEPP staff provide additional planning assistance and event oversight and control by requiring that guest lists, invitations and other printed material, seating arrangements, and entertainment and photography requirements be submitted for approval.

While the *Standards for Internal Control in the Federal Government* recognize that transactions and other significant events should be clearly documented and the documentation properly managed and readily available for examination, our review found problems with key supporting documents in many of the events files we reviewed. Specifically, we found misplaced files, missing request letters or forms, missing evidence that events had been approved, and a lack of explanation or support for apparent departures from applicable policies.

At the time of our review, we noted the following examples of missing, misplaced, or incomplete event documentation involving 73 of the 93 event files we reviewed:

- Files for 4 events were misplaced during a relocation of OSEPP and were not located until after we requested the files for our review.
- While 72 of the events required request letters, 12 were missing from the event files.
- Evidence of the Library's approval for 54 of the total 93 events we reviewed was missing from the files.
- Agreements with 12 of 28 outside sponsors were missing from the files or were incomplete.

- The Certificate of Tax Status (showing that the sponsor met the IRS definition of a nonprofit organization)¹³ was missing from 11 of 20 nonprofit event files.

Federal internal control standards require that adequate supporting documentation be maintained and readily available to provide evidence that significant events have occurred and internal controls have been complied with. Without such documentation, the Library cannot readily demonstrate that special events are conducted in accordance with key policies and procedures or explain exceptions. Incomplete documentation also exposes OSEPP staff and Library management to increased risk that their event-related decisions may be called into question and that they will be unable to adequately explain or defend their decisions.

While more than three-fourths of the OSEPP event files we reviewed were incomplete to some extent, we were able to conclude that the Library generally followed its policies and procedures related to requesting, approving, and planning those events through our (1) review of other documents in the event files, (2) understanding of the Library's procedures for requesting, approving, and planning events, and (3) follow-up with OSEPP staff concerning missing records and information.

Policies and Procedures for Receipts, Expenditures, and Fund Balance Are Followed, but They Are Not Sufficient for Full Accountability

OSEPP has established policies and procedures for processing Gift Fund receipts and expenditures. While our review showed that these policies were being followed, we noted that OSEPP's ability to achieve full accountability by effectively accounting for and controlling amounts recorded in the Gift Fund was inhibited by a lack of basic accounting and management records; reconciliations of receipts, expenditures, and fund balance; and controls over event final accountings.

Established Policies and Procedures over Gift Fund Receipts, Expenditures, and Fund Balance Were Generally Followed

OSEPP has instituted event planning and close-out policies and procedures that are intended to account for and control event-related receipts and expenditures. These policies and procedures include requirements for event budgets, advance payments, and final accountings. Regarding budgets, OSEPP policy requires that a budget be developed for all the recoverable costs of special events. Budgets assist OSEPP management in planning and monitoring event costs and support the Library's request to sponsors for contributions to cover the estimated recoverable costs of the event and, where applicable, for suggested room contributions. Event budgets are to itemize estimated event costs and include direct costs (such as catering, tent rental, sound systems, set-up and cleaning service, and overtime for Library personnel), indirect costs (9.79 percent of direct costs), and applicable suggested room contributions. After developing the event budget, OSEPP staff are to inform the sponsor and request that a contribution for the estimated amount be made to the Gift

¹³26 U.S.C. 501(c)(3),

Fund. We found that the Library had prepared budgets as applicable for the 93 events we reviewed.

OSEPP policy requires that the Library receive all funds in advance for those events sponsored or cosponsored by outside organizations. Requiring advance funding helps to ensure that the Gift Fund receives the amount it needs to pay for all recoverable event costs. The policy requires sponsors to fund an amount equal to 50 percent of the event budget no later than 30 days after notification that the Library has approved the event. The remaining balance is due no later than 30 days prior to the event. While we did not test the specific time frames provided for in the policy, our review of the 93 event files showed that the Library generally received the contributions it requested prior to the events' being held. There were eight exceptions to this policy in which funds were not received in advance of the event, but the supporting documentation in the file did not provide a reason for the exceptions. Five of the eight were received within 13 days after the event. For the other three events, funds were not received prior to the Library's final accounting.

After an event has been held, OSEPP policy requires that a final accounting be performed once OSEPP staff have received and approved invoices from vendors and all event-related expenditures have been made. The final accounting represents a key control that helps ensure that the Gift Fund receives funds for all recoverable event costs and that it refunds any over-funding by sponsors. OSEPP prepares a final accounting that itemizes event-related expenditures and compares the expenses to the advance contribution received. If a sponsor's advance contribution is less than the actual costs identified in the final accounting, OSEPP is to request an additional payment from the sponsor. If the sponsor's advance contribution exceeds actual expenditures, the Library is to offer the donor the choice of requesting a refund or donating the excess to the Gift Fund. At the time of our review, final accountings had been completed for 88 of the 93 fiscal year 2001 events we reviewed. Additional information on final accountings is presented in table 1 later in this report.

Additional Receipt and Expenditure Policies Are Needed to Strengthen Accountability

While existing policies for financial operations were generally followed for the events we reviewed, we determined that they were not sufficient to achieve full accountability over Gift Fund activity. Specifically, policies did not call for OSEPP to maintain certain accounting records that could be used to reconcile event receipts and expenses to the separate Gift Fund records maintained in the Library's FMS. Also, final accounting policy did not call for final accounting to be completed promptly.

Lack of OSEPP Accounting Records Limits Accountability

The Library accounts for Gift Fund transactions and the fund balance in its FMS. While OSEPP, as discussed previously, is to maintain individual event files, there were no policies and procedures for effectively monitoring and comparing OSEPP-

approved receipts and expenditures to amounts recorded in the Library's FMS to ensure that all Gift Fund transactions are completely, promptly, and accurately recorded.

In addition, OSEPP staff did not maintain basic accountability records needed to show the status of efforts to complete final accountings, collect amounts owed, and refund excess amounts. Such records would normally include journals of payments received and expenses approved, records detailing how much is owed to the Gift Fund and how long it has been outstanding, and status reports summarizing, by event, all special event financial transactions. Status reports can include information such as the event date and sponsor, the budget estimate number,¹⁴ contributions received, estimated and actual expenses, the date final accounting is completed, the amount owed by or to the sponsor, and the date the final payment is received or paid.

The importance of OSEPP's having the accounting information described above and reconciling that information to comparable information recorded in the Library's FMS is demonstrated by the errors noted below, which thorough and timely reconciliations would be expected to identify.

- OSEPP staff did not include approximately \$839 in food costs in the final accounting for one event. Because OSEPP expense records were not reconciled with Gift Fund expenses recorded by the Financial Services Office, OSEPP staff did not detect the omission.
- OSEPP did not identify nine Gift Fund expenditures, totaling more than \$85,000, that were recorded in the wrong fiscal year in FMS records. A comparison of a complete list of events held in fiscal year 2001 to the FMS records would have disclosed the error.
- OSEPP did not identify approximately 12 hours of erroneous overtime charges to the Gift Fund totaling about \$350. A comparison of overtime charges paid from the Gift Fund to OSEPP supporting records would have disclosed these erroneous charges.

Our review of event files identified other matters that would likely have been identified by OSEPP staff if basic accounting records were maintained. Accounting records that record, summarize, and report amounts owed and received would have allowed OSEPP management to identify that the following transactions were not properly completed.

- A sponsor's refundable contribution of \$1,604 was not identified as needing to be refunded until we brought the matter to OSEPP's attention in August 2002, even though the event, scheduled for September 12, 2001, had been canceled.

¹⁴The budget estimate number is the unique number assigned to each event on the form Estimated Expenditure of Funds for Entertainment. The library uses the budget estimate form internally to approve the budgets for each special event.

- A \$100 sponsor's check was put into an event file and not processed for deposit by OSEPP staff. OSEPP staff said that the check was not deposited because the event file was one of a group of files that was lost for several months during an OSEPP office move.

Weak Controls over Final Accounting Contribute to Unresolved Errors

OSEPP's accounting procedures require a final accounting for all Gift Fund events. When performed promptly after all event-related expenditures are made, final accounting helps ensure that amounts owed, whether to sponsors or to the Library, are identified and paid. However, at the time of our review, the Library did not have a policy or related controls to ensure that final accountings for events were performed within an established time period. In addition, the Library did not have controls to ensure the final accountings properly included all relevant costs or that no costs were inappropriately charged to the Gift Fund. For example, overtime charged by Library staff to the Gift Fund is to be verified during the final accounting. However, for the payroll records we tested, we found that about \$1,300 in overtime involving six events was incorrectly charged to the Gift Fund. The costs of these six events should have been charged to other funds available to the Library. Four of these six events were held between November 2000 and March 2001, but as of September 2002, the final accounting for these events had not yet been completed.

In fiscal year 2001, all events held in the Great Hall were to be assessed a tent fee to recover the Library's cost of leasing a tent to shelter catering preparations on the Great Hall loading dock. Library officials told us that the fee assessed for use of the tent varied by the type of event sponsor. For-profit sponsors were to be assessed a fee of \$1,250; nonprofits sponsors, \$1,000; and Library sponsors, \$750. However, OSEPP did not have written guidance to assist OSEPP staff in preparing the final accounting for these events. Our review of 33 final accountings for events involving the use of tents showed that for 14 events the Library's policy on tent fees was not consistently applied. In some cases sponsors were charged too much, in other cases sponsors were not charged at all.

Although an OSEPP official stated that OSEPP's efforts in fiscal year 2001 were focused on completing the final accounting of events sponsored by outside organizations, the Library had generally not established an overall policy for promptly completing final accountings. Our review of 87 final accountings completed for fiscal year 2001 events showed that on the average they were completed 5.1 months after an event was held. Table 1 also shows that for nine events, the final accounting took roughly a year or more to complete.

Table 1: Timing of Final Accounting for 87 Special Events at the Library of Congress

	Aging of account from day of event to final accounting							Total events	Average number of days between event and final accounting
	30	Over 30	Over 60	Over 90	Over 120	Over 180	Over 360		
Outside-sponsored events	0	2	5	11	8	2	0	28	110
Library-sponsored events	0	1	3	7	6	0	2	19	153
Congress-sponsored events	0	1	6	10	13	3	7	40	183
Total events	0	4	14	28	27	5	9	87	
Average days									153

Source: GAO analysis based on Library of Congress data.

Note: Of the 93 events we reviewed, final accounting for 1 event was undated, 2 were in process, and final accountings for 3 other events were not being prepared for various reasons.

The 87 final accountings that had been performed by the Library identified about \$19,200 in refunds owed to 40 sponsors and about \$68,900 due from 46 sponsors. In its comments on our report, the Library stated that all monies have been refunded or collected in full except for one event (see enclosure I). We did not attempt to verify the refunds or collections.

OSEPP management has indicated that the office has recently begun to follow an unwritten policy of completing final accounting for all outside-sponsored events within 3 months of the event. According to OSEPP management, due to time and staffing limitations, more time is allowed for completing the final accountings for internally sponsored events.

Conclusions

The Library’s May 2000 analysis of funding the projected salary and benefits costs of its special events support staff over the next 5 years only considered suggested room contributions from outside sponsors of Great Hall events. This approach leaves the funding of special events support staff salaries and benefits dependent on the room contributions for relatively few events. In addition, the Library could not provide data or information to support the key assumptions it made in conducting its analysis. In the aftermath of the terrorist attacks and anthrax incidents on Capitol Hill in the fall of 2001, the Library has not held the number of outside-sponsored Great Hall events assumed in the analysis. Whether or not the reduced number of events is a short-term or longer-term issue is unknown. However, the drop in outside-sponsored

events raises a question about the Library's ability to rely on a limited number of events to fully fund the salary and benefit costs of the staff needed to support the Library's special events program.

The Library of Congress has policies and procedures to guide OSEPP in managing special events at the Library. Because special event records were missing from many of the event files we reviewed, the Library did not have ready assurance that special events were conducted in accordance with Library policies and procedures and that departures from policy had been approved. Unless OSEPP takes actions to strengthen its control over its event files, it may not be able to show that its events are being conducted in accordance with its policies and procedures or to explain exceptions. Also, OSEPP has instituted policies and procedures to account for and control event-related receipts and expenses, which it generally follows. However, it does not have the basic accounting and management records it needs to provide full accountability for the Gift Fund. Without accounting information that can be readily summarized, reviewed, and reconciled, those responsible for the Gift Fund cannot adequately monitor final accountings for events or the appropriateness and completeness of the receipts and expenditures recorded in the Gift Fund.

Recommendations

To help ensure that the Library of Congress has the ability to fund the salary and benefit costs of personnel who support the Library's overall special events activities, the Librarian of Congress should direct the Library's Financial Services Director to work with OSEPP to conduct a new analysis that considers various options for funding forecast salary and benefits costs of special events support staff. In conducting this analysis, the Library should develop and maintain documentation to support the assumptions incorporated into the analysis.

To help improve the Library's internal control over event files and their contents, the Librarian of Congress should direct the Library's Financial Services Director to work with OSEPP to

- develop documentation standards for maintaining event files,
- require periodic review of event folders to ensure compliance with Library policies and procedures, and
- develop policies for including in events files documentation for exceptions or deviations from policies.

To improve the Library's accounting for and control of the funds in the Special Events Gift Fund, the Librarian should direct the Financial Services Director to work with OSEPP to

- establish basic accounting records in OSEPP for the Gift Fund, including receipts, expenses, amounts due, and amounts owed by event;

- establish a policy to reconcile, on a monthly basis, OSEPP's Gift Fund receipts and disbursements to amounts maintained in the Library's FMS;
- compile a monthly status report as a tool for monitoring the operations and finances of the Gift Fund. The report could include event-specific information, such as event date, sponsor, budget event number, budgeted expenses, payments received to date, expenses incurred to date, amount and date of final billing, and amount owed to or from event sponsor; and
- establish a policy for completing all final accountings on a timely basis.

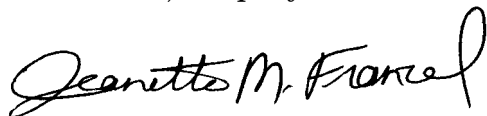
Agency Comments

We provided the Chief of Staff of the Library with a draft of our report for review and comment. In written comments on the draft, the Chief of Staff agreed with our recommendations and noted the Library's planned actions to respond to our recommendations. In addition, the Chief of Staff's comments noted the need for a few technical clarifications, which have been incorporated into our final report as appropriate.

The Chief of Staff's comments are reprinted in enclosure I.

We are sending copies of this report to the Chairman, Subcommittee on Legislative, House Committee on Appropriations; the chairmen and ranking minority members of the House Committee on Government Reform; the Senate Committee on Governmental Affairs; and the Subcommittee on Legislative Branch, Senate Committee on Appropriations. We are also sending it to the Chairman and Vice Chairman of the Joint Committee on the Library and the Librarian of Congress. This report will also be available on the GAO's home page at <http://www.gao.gov>.

If you have any questions concerning this report, please contact me at (202) 512-9406, or by e-mail at franzelj@gao.gov, or John Reilly, Assistant Director, at (202) 512-9517 or by e-mail at reillyj@gao.gov. Key contributors to this report were Louis Fernheimer, Jacquelyn N. Hamilton, Benjamin W. Smith, and Gail F. Vallieres.



Jeanette M. Franzel
Director
Financial Management and Assurance
Enclosure



THE LIBRARY OF CONGRESS

WASHINGTON, D.C. 20540-1000

Office of the Librarian

January 7, 2002

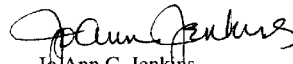
Dear Ms. Franzel:

Thank you for the opportunity to review and comment on the General Accounting Office (GAO) draft report on the results of your review of the operations of and accountability for the Library of Congress's Special Events Gift Fund. As you are aware, the Library requested that the Congress approve the Library's guidelines and policies for the hosting of special events and programs, which is a prerequisite for implementation of a new Special Events and Programs revolving fund.

GAO's draft is very timely and helpful in supporting our efforts to implement a new revolving fund structure for this program. In general, we agree with the GAO draft recommendations and plan to incorporate their implementation into the new revolving fund structure. We are pleased that GAO found that the Special Events Office generally follows its policies and procedures relating to requesting, approving, and planning events. The enclosure presents a detailed response to each of the GAO draft recommendations and provides a few technical clarifications to the draft report.

I very much appreciate your thoughtful attention to our concerns throughout this review.

Sincerely,


JoAnn C. Jenkins
Chief of Staff

Enclosure

Ms. Jeanette M. Franzel
Director
Financial Management and Assurance
United States General Accounting Office
Washington, DC 20548

January 7, 2003

**LIBRARY OF CONGRESS
RESPONSE TO GAO'S REVIEW OF THE SPECIAL EVENTS GIFT FUND**

Funding Salary and Benefit Costs

1. **GAO recommendation:** CFO and OSEPP should conduct a new analysis that considers various options for funding OSEPP's forecast salary and benefits costs. Develop and maintain documentation to support the assumptions incorporated into the analysis.

Library of Congress Response: The Financial Services Directorate and OSEPP will collaboratively review and evaluate available options, and maintain a record of factors considered, for funding of OSEPP salaries/benefits as planning for revolving fund status continues.

Internal Controls Over Event Files

2. **GAO recommendation:** Develop documentation standards for maintaining the files.

Library of Congress (LC) Response: OSEPP staff currently uses an event checklist, one component of which concerns required documentation for events files. As part of the revolving fund implementation, the Library plans to automate this check list review, thereby improving oversight of events management and file maintenance.

3. **GAO recommendation:** Require periodic review of event folders to ensure compliance with Library policies and procedures.

Library of Congress (LC) Response: The Office currently reviews folders regularly until the final accounting of actual event costs is prepared. The new automated system will enable the Office to produce daily reports for multiple events, facilitating more frequent review to ensure compliance with Library policies and procedures. The Chief, OSEPP has established a policy requiring periodic review of event folders and will advise the staff.

4. **GAO recommendation:** Develop policies for including in its events files documentation for exceptions or deviations from policies.

Library of Congress (LC) Response: The Special Events Office has emphasized the importance of documenting all exceptions and deviations from policies in event files. As OSEPP moves to revolving fund implementation, it will continue to document all

exceptions and deviations from policies. The policy requiring periodic event files review should ensure necessary documentation is included in events files. The Chief, OSEPP has established a policy requiring documentation for exceptions/deviations and will advise the staff.

Accounting for and Control of the Special Events Gift Fund

5. **GAO recommendation:** Establish basic accounting records in OSEPP for the Gift Fund, including receipts, expenses, amounts due, and amounts owed by event.

LC Response: As part of the revolving fund implementation, the Library plans to establish two new funds in the central financial management system(CFMS) to account for special events—indirect and direct fund. The direct fund will be used to track all receipts and expenses for events funded by outside entities through the new special events revolving fund. The Library also plans to establish subsidiary accounting records for individual special events that can be reconciled to the new CFMS fund. The indirect fund will be used to track all indirect receipts (e.g., room contributions) and expenses (e.g., salaries not chargeable to a specific event).

6. **GAO recommendation:** Establish a policy to reconcile on a monthly basis OSEPP's Special Events Gift Fund receipts and disbursements to amounts maintained in the Library's CFMS.

LC Response: As described above, the Library plans to establish a reconciliation requirement as part of the new revolving fund implementation.

7. **GAO recommendation:** Compile a Gift Fund monthly status report as a tool for monitoring the operations and finances of the fund. The report could include event-specific information, such as event date, sponsor, budget event number, budgeted expenses, payments received to date, expenses incurred to date, amount and date of final billing, and amount owed to or from event sponsor.

LC Response: The Library agrees that a status report for the new direct fund is needed, but the timing and content of that report will develop during the implementation of the new revolving fund.

8. **GAO recommendation:** Establish a policy for completing all final accountings on a timely basis.

LC Response: In FY 2002, OSEPP began completing final accountings within three months following an event. OSEPP will continue to follow this policy as part of the new revolving fund implementation, assisted by the new automated system.

Technical Clarifications

Technical clarification: The report on page 1 states that OSEPP planned over 360 events in FY 2001. The auditors counted events based on assignment of budget control numbers. However, more than one event may be encompassed within one budget control number. Accordingly, OSEPP statistics reflect that 493 events were planned in FY 2001.

Technical clarification: The report on page 5 and 7 states that OSEPP provides overall coordination and management of special events with eight full-time staff positions. OSEPP has six full-time positions, all of which are funded through the Special Events Gift Fund, with the exception of the Special Events Officer position which is an appropriated fund position. The Public Program Services Division also works with OSEPP in supporting Library events. Two other full-time positions in the Public Program Services Division are supported by the Special Events Gift Fund.

Technical clarification: The report on page 20 states that 87 final accountings that had been performed by the Library identified about \$19,200 in refunds owed to 40 sponsors and about \$68,900 due from 46 sponsors. With the exception of one event, all monies have been refunded or collected in full.