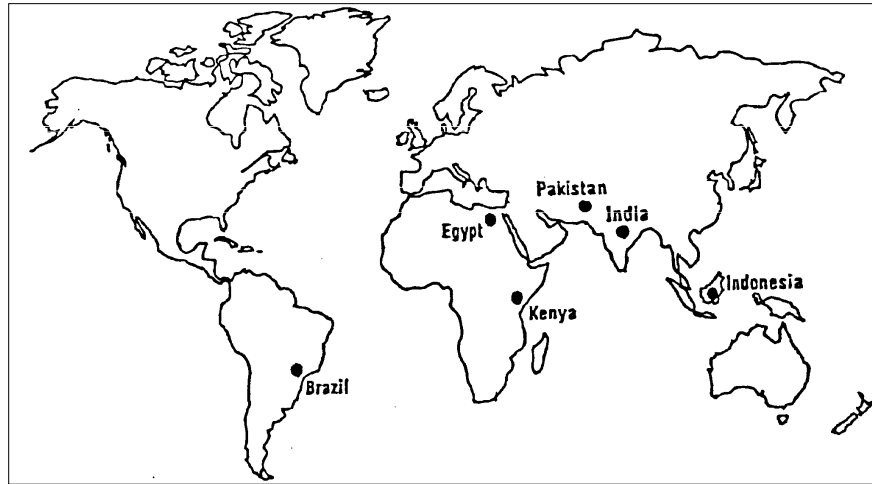


# LIBRARY OF CONGRESS

## COOPERATIVE ACQUISITIONS PROGRAM REVOLVING FUND

### FINANCIAL STATEMENTS FOR FISCAL YEAR 2002



Washington, DC  
March 2003

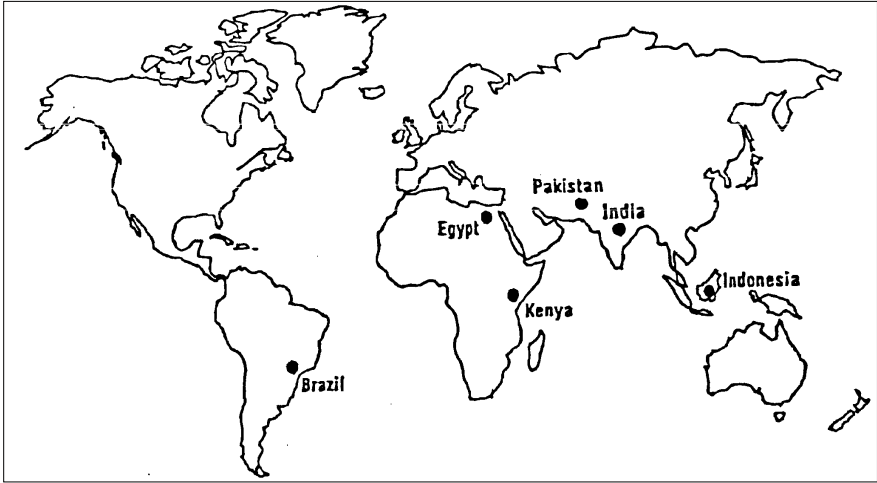
**COOPERATIVE ACQUISITIONS PROGRAM REVOLVING FUND**

**FINANCIAL STATEMENTS FOR FISCAL YEAR 2002**

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# MANAGEMENT'S DISCUSSION AND ANALYSIS



**COOPERATIVE ACQUISITIONS PROGRAM REVOLVING FUND  
FINANCIAL STATEMENTS  
Fiscal Year Ended September 30, 2002**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**MISSION AND OVERVIEW**

The mission of the Library of Congress Cooperative Acquisitions Program is to support advanced research and study about all aspects of the less-developed areas of the world, through the acquisition and distribution of primary research materials published in more than 40 developing nations. These materials are not otherwise reliably available in the United States. Because of over forty years of participation in this program, the research libraries of the nation's most prestigious universities have developed unequalled collections which support advanced research about the developing world. In fiscal year 2002, the Library supplied more than 400,000 individual publications to more than 90 U.S. institutions of higher learning and academic institutions abroad.

**HISTORY**

In 1958, Congress approved Public Law 83-480, Section 104n, which amended the Agricultural Trade Development and Assistance Act of 1954 (popularly known as Public Law 480) and authorized the Librarian of Congress to use foreign currencies that accrued to the government in connection with the sales of agricultural commodities to finance "the acquisition of books, periodicals, and other materials...of cultural or educational significance...and the deposit thereof in libraries and research centers in the United States specializing in the areas to which they relate."

This amendment led to the formation of the Library's overseas offices and Cooperative Acquisitions Program. The overseas offices were created due to the ineffectiveness of conventional international commercial methods in acquiring books and other research materials from less-developed countries. Because of the lack of established publishing industries or international vendors, poor book distribution systems, and the political and economic instability of the nations of the developing world, a local presence is the only effective way to acquire the needed primary source materials.

In 1962, the Library opened the New Delhi Office, and by 1964 had opened offices in Karachi, Pakistan; Dacca, Pakistan (now Bangladesh); Cairo, Egypt; Tel Aviv, Israel; and Jakarta, Indonesia. In 1965, Congress expanded the Library's overseas offices through Public Law 89-329, the Higher Education Act of 1965, Title II-C, known as the National Program for Acquisitions and Cataloging (NPAC).

Between 1962 and 1986, twenty-three overseas offices were funded for operations; all but six were closed when no longer needed. Since 1987, the Library has operated six overseas offices: New Delhi, India; Cairo, Egypt; Rio de Janeiro, Brazil; Jakarta, Indonesia; Nairobi, Kenya; and Islamabad, Pakistan.

These six overseas offices are responsible for acquiring materials for the Library of Congress collections and, on a cost recovery basis, for the participants in the Cooperative Acquisitions Program. The offices are under the administrative control of the Library's African/Asian Acquisitions and Overseas Operations Division.

## OVERVIEW OF FINANCIAL STATEMENTS

Fiscal year 2002 is the fifth year of operation for the Cooperative Acquisitions Program Revolving Fund (CAPRF). Section 207 of the Legislative Branch Appropriations for fiscal year 1998 (P.L. 105-55) established CAPRF from the existing balances in the gift fund program, and mandated that the Library submit annual audited financial statements for the revolving fund. CAPRF is authorized to acquire foreign publications and research materials on behalf of participating institutions on a cost recovery basis. In accordance with Federal accounting standards, the Library has prepared Balance Sheets, Statements of Net Costs, Statements of Changes in Net Position, Statements of Budgetary Resources, and Statements of Financing for CAPRF.

### Balance Sheets

The purpose of the balance sheets are to provide financial statement users with information about CAPRF's assets, liabilities, and net position as of September 30, 2002 and 2001. CAPRF's net position consists of the funds approved in Public Law 105-55 to initially capitalize the fund and the net results of operations through September 30, 2002 and 2001.

<b>Assets</b>			<b>Liabilities and Net Position</b>		
	2002	2001		2002	2001
Intragovernmental	\$ 3,027,853	\$2,532,632	Intragovernmental Liabilities	\$132,052	\$159,167
Other	185,891	79,874	Other Liabilities	2,379,456	1,829,314
			Net Position	702,236	624,025
<b>Total Assets</b>	<b>\$3,213,744</b>	<b>\$2,612,506</b>	<b>Total Liabilities and Net Position</b>	<b>\$3,213,744</b>	<b>\$2,612,506</b>

CAPRF's assets total over \$3.2 million and \$2.6 million in fiscal years 2002 and 2001, with the Fund Balance with the Department of the Treasury as the major item. CAPRF's liabilities total \$2.5 million and \$2.0 million for fiscal years 2002 and 2001, consisting of accounts payable (\$0.2 million for both fiscal years 2002 and 2001) and the advances received from the program participants (\$2.1 million and \$1.5 million for fiscal years 2002 and 2001 that would be refunded to participants upon program termination, and \$0.3 million for both fiscal years 2002 and 2001 that would not be refunded upon program termination).

### **Statements of Net Costs**

The purpose of the Statements of Net Costs are to provide financial statement users with information about the program costs (\$2.3 million for both fiscal years) and earned revenues (\$2.3 million and \$2.2 million) for CAPRF for the fiscal years ended September 30, 2002 and 2001. In other words, the statements presents the net costs of the program: net earned revenue of under \$0.1 million for fiscal year 2002, and net program costs of \$0.1 million for fiscal year 2001. As cited in Public Law 105-55, CAPRF recovers its full costs over a reasonable period of time.

### **Statements of Changes in Net Position**

The purpose of the Statements of Changes in Net Position are to provide financial statement users with information about CAPRF's financing sources and the components of the changes in net position. The CAPRF net position increased by the net earned revenue and the imputed financing source used to offset the imputed costs of the program.

### **Statements of Budgetary Resources**

The Statements of Budgetary Resources and the related disclosures provide information about how budgetary resources were made available as well as their status at the end of the period. The Budgetary Resources section of the statements presents the total budgetary resources available to the CAPRF. The Status of Budgetary Resources section of the statements presents information about the status of budgetary resources at the end of the period. Finally, the Outlays section presents the total outlays of CAPRF and reconciles obligations incurred to total outlays.

CAPRF's budgetary resources were \$4.9 million and \$4.2 million for fiscal years 2002 and 2001, of which \$2.0 million and \$2.1 million was the unused balance from the previous fiscal year and \$2.8 million and \$2.1 million was obtained from the participants in fiscal years 2002 and 2001. Negative outlays of (\$0.7 million) were a result of the incoming amount from participants exceeding outlay of funds for the program activities, and the \$0.1 million of outlays in fiscal year 2001 were a result of the opposite situation (outlay of funds for the program activities exceeding the incoming amount from participants).

## **Statements of Financing**

The Statements of Financing are presented to explain how budgetary resources obligated during the fiscal year (presented on the Statements of Budgetary Resources) relate to the net costs of operations of the CAPRF (presented on the Statements of Net Costs). The CAPRF had a difference between its net receipts (\$0.7 million) and its net earned revenue (under \$0.1 million) in fiscal 2002 due to the increase in unfilled participant orders (\$0.5 million), imputed financing (under \$0.1 million) and an increase in obligated orders (\$0.1 million). The CAPRF had a difference between its net obligations (under \$0.1 million) and its net costs (\$0.1 million) in fiscal 2001 primarily due to the change in capitalized costs in fiscal 2001.

## **LIMITATIONS OF THE FINANCIAL STATEMENTS**

CAPRF's financial statements are the culmination of a systematic accounting process. The statements have been prepared to report the financial position and results of operations of the CAPRF, pursuant to the hierarchy of accounting principles and standards set forth in Note 1 to the financial statements. While the statements have been prepared from the books and records of the Library of Congress, the statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records. The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity. One implication of this is that obligations and subsequent liabilities cannot be incurred without legislation that provides authority to do so.

# FINANCIAL STATEMENTS AND NOTES





**COOPERATIVE ACQUISITIONS PROGRAM REVOLVING FUND**

**Balance Sheets**

As of September 30, 2002 and 2001

	2002	2001
<b>ASSETS</b>		
Entity Assets:		
Intragovernmental Assets		
Fund Balance with Treasury (Note 2)	\$ 3,022,984	\$ 2,468,106
Accounts Receivable, Net (Note 3)	4,869	64,526
Cash and Other Monetary Assets (Note 4)		
	172,011	70,806
Inventory and Related Property (Note 5)	<u>13,880</u>	<u>9,068</u>
Total Assets	<u>\$ 3,213,744</u>	<u>\$ 2,612,506</u>
<b>LIABILITIES</b>		
Intragovernmental Liabilities		
Accounts Payable (Note 6)	\$ 132,052	\$ 159,167
Advances from Others (Note 7)		
	2,073,768	1,506,722
Accounts Payable (Note 6)	28,173	2,070
Other Liabilities (Note 8)	<u>277,515</u>	<u>320,522</u>
Total Liabilities	2,511,508	1,988,481
<b>NET POSITION</b>		
Cumulative Results of Operations	<u>702,236</u>	<u>624,025</u>
Total Liabilities and Net Position	<u>\$ 3,213,744</u>	<u>\$ 2,612,506</u>

The accompanying notes are an integral part of these financial statements.

**COOPERATIVE ACQUISITIONS PROGRAM REVOLVING FUND**

**Statements of Net Costs**

For the Fiscal Years Ended September 30, 2002 and 2001

	2002	2001
Net Costs by Program Area:		
Cooperative Acquisitions Program:		
Program Costs	\$ 2,255,531	\$ 2,269,069
Less Earned Revenue	<u>(2,284,335)</u>	<u>(2,212,954)</u>
Net Costs of Operations	<u>\$ (28,804)</u>	<u>\$ 56,115</u>

The accompanying notes are an integral part of these financial statements.

**COOPERATIVE ACQUISITIONS PROGRAM REVOLVING FUND**  
**Statements of Changes in Net Position**

For the Fiscal Years Ended September 30, 2002 and 2001

	2002	2001
Net Costs of Operations	\$ 28,804	\$ (56,115)
Financing Sources (Other than Exchange Revenue)		
Imputed Financing (Note 11)	<u>49,407</u>	<u>0</u>
Total Financing Sources	<u>49,407</u>	<u>0</u>
Change in Net Position	78,211	(56,115)
Net Position, Beginning	<u>624,025</u>	<u>680,140</u>
Net Position, Ending	<u>\$ 702,236</u>	<u>\$ 624,025</u>

The accompanying notes are an integral part of these financial statements.

**COOPERATIVE ACQUISITIONS PROGRAM REVOLVING FUND**  
**Statements of Budgetary Resources**

For the Fiscal Years Ended September 30, 2002 and 2001

	2002	2001
<b>Budgetary Resources</b>		
Unobligated Balance-Beginning of Period	\$ 2,045,165	\$ 2,156,515
Spending Authority from Offsetting Collections	2,873,488	2,046,323
Adjustments, Net	<u>(45,448)</u>	<u>36,301</u>
 Total Budgetary Resources	 <u>\$ 4,873,205</u>	 <u>\$ 4,239,139</u>
<b>Status of Budgetary Resources</b>		
Obligations Incurred, New	\$ 2,259,246	2,123,168
Unobligated Balance - Available	2,613,959	2,045,165
Unobligated Balance - Unavailable		<u>70,806</u>
 Total Status of Budgetary Resources	 <u>\$ 4,873,205</u>	 <u>\$ 4,239,139</u>
<b>Outlays</b>		
Obligations Incurred, New	\$ 2,259,246	\$ 2,123,168
Less: Spending Authority from Offsetting Collections	<u>(2,929,246)</u>	<u>(2,082,624)</u>
Subtotal	(670,000)	40,544
Obligated Balance, net- Beginning Balance	422,942	489,710
Less: Obligated Balance, net- End of Period	<u>(409,024)</u>	<u>(422,942)</u>
 Total Outlays	 <u>\$ (656,082)</u>	 <u>\$ 107,312</u>

The accompanying notes are an integral part of these financial statements.

**COOPERATIVE ACQUISITIONS PROGRAM REVOLVING FUND**

**Statements of Financing**

For the Fiscal Years Ended September 30, 2002 and 2001

	2002	2001
Resources that Fund Net Cost Of Operations:		
Obligations Incurred, new	\$ 2,259,246	\$ 2,123,168
Less: Spending Authority from Receipts and Adjustments	(2,929,246)	(2,082,624)
Financing Imputed for Cost Subsidies	49,407	0
<b>Total Resources to Fund Net Cost of Operations</b>	<u>(620,593)</u>	<u>40,544</u>
Resources Used But Not part of Net Cost of Operations		
Increase(Decrease) in budgetary resources obligated to order goods and services not yet received or benefits not yet provided	72,157	156,715
Decrease(Increase) in unfilled customer orders, excluding change due to refunds of unearned revenue	527,705	(164,052)
Costs capitalized on the balance sheet	(4,811)	13,158
Distributions or refunds of non-exchange revenue, unearned revenue and custodial liability balances	(3,262)	(2,664)
<b>Total Resources Used Not Part of he Net Cost of Operations</b>	<u>591,789</u>	<u>3,157</u>
Costs That Do Not Require Resources:		
Depreciation and Amortization	0	12,414
<b>Net Cost of Operations</b>	<u><u>\$ (28,804)</u></u>	<u><u>\$ 56,115</u></u>

The accompanying notes are an integral part of these financial statements.

## COOPERATIVE ACQUISITIONS PROGRAM REVOLVING FUND

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2002 and 2001

### **Note 1. Summary of Significant Accounting Policies**

#### A. Reporting Entity

The Cooperative Acquisitions Program Revolving Fund (CAPRF) was authorized by Public Law 105-55 on October 7, 1997. The Library of Congress (the Library) operates CAPRF on a cost recovery basis to acquire foreign publications and research materials for participating institutions. The operations of CAPRF are managed by the African/Asian Acquisitions and Overseas Operations Division (AfA/OVOP). Fees charged to the participants are set and approved by the Library to recover the full direct and indirect costs of the program incurred by the Library over a reasonable period of time.

The institutions that participate in the program constitute more than 90 academic libraries. The program is managed by six overseas field offices: Jakarta (Indonesia), Nairobi (Kenya), Cairo (Egypt), Rio De Janeiro (Brazil), New Delhi (India), and Islamabad (Pakistan).

#### B. Basis of Presentation

The accompanying financial statements and schedules report the financial position, operations, changes in net position, and the budgetary resources of CAPRF for fiscal years 2002 and 2001. These statements and schedules include amounts of all funds designated by law and managed for the purpose of CAPRF. The statements were prepared from the Library's financial management system in accordance with the form and content for entity financial statements specified by the Library's financial management regulations and directives and the accounting policies summarized in this note.

As a legislative branch agency, the Library is not required to follow the executive agency accounting principles established by the Comptroller General under 31 U.S.C. 3511 or the standards developed by the Federal Accounting Standards Advisory Board (FASAB). However, the Library maintains its fund balances with the Department of the Treasury and submits information required to incorporate its financial and budget data into the overall federal government structure. For purposes of financial management and reporting, the Library has issued a regulation (LCR 1510) which adopts the federal standards for financial reporting and internal controls in a manner consistent with a legislative agency.

#### C. Basis of Accounting

Transactions are recorded on the accrual basis and are within budgetary limitations established to facilitate compliance with legal constraints and controls over use of federal funds. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash.

The Library's financial statements conform to accounting principles generally accepted in the United States of America as promulgated by the FASAB. The American Institute of Certified Public Accountants recognizes FASAB Standards as generally accepted accounting principles for federal reporting entities.

The statements were also prepared based on guidance published in the Office of Management and Budget Bulletin 01-09, Form and Content of Agency Financial Statements. The Library is not required to adopt this bulletin, and accordingly has elected to use the disclosures management deems necessary for the fair presentation of financial statement information.

D. Financing

CAPRF is credited with advances and amounts received as payment for purchases under the program and for services and supplies furnished to program participants. For accounting and reporting purposes, AfA/OVOP management has segmented the Cooperative Acquisitions Program into six field offices.

E. Use of Estimates in Preparing Financial Statements

The preparation of financial statements, in conformity with Federal accounting standards, requires management to make estimates and assumptions. These estimates affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements, and the amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates.

**Note 2. Fund Balance with Treasury**

The amount shown as Fund Balance with Treasury represents CAPRF's obligated and unobligated balances, which are as follows:

	2002	2001
Obligated	\$ 409,024	\$ 325,826
Unobligated	<u>2,613,959</u>	<u>2,142,280</u>
Fund Balance with Treasury	<u>\$3,022,984</u>	<u>\$2,468,106</u>

**Note 3. Accounts Receivable, Net**

Intragovernmental accounts receivable represent amounts due from the appropriated fund for amounts originally charged against CAPRF. Net and gross amounts are equal because no bad debt expense is expected.

**Note 4. Cash and Other Monetary Assets**

Cash represents CAPRF cash on hand that was not deposited with the United States Treasury as of September 30, 2002 and 2001.

**Note 5. Inventory and Related Property**

CAPRF inventories are primarily comprised of postage that will be consumed in future operations.

**Note 6. Accounts Payable**

The Intragovernmental accounts payable amount primarily represents accrued payments due to the appropriated fund for fiscal year 2002 and accrued payments due to the U.S. Postal Service for administrative support costs in fiscal year 2001. The non-governmental accounts payable amount represents accrued operating expenses of the program, such as payments to vendors for materials and services.

**Note 7. Advances from Others**

This unearned revenue account represents current liabilities for funds collected in advance from the program participants. These collections are for direct expenses, such as the cost of materials acquired on the participants' behalf. These funds are available for obligation upon receipt of the advance. The advances are accompanied by an order profile from the participating institution. If a program participant cancels an order, these amounts are either applied to subsequent orders or are refunded.

**Note 8. Other Liabilities**

Other liabilities consist of funds collected in advance from the program participants and unearned for indirect expenses (overhead) associated with the administration of the program. The unearned funds are available for obligation upon receipt of the advance. If a program participant cancels an order, these amounts are immediately recognized as revenue and are not refunded.

**Note 9. Intra-governmental Activities**

The financial activities of CAPRF interact with and depend on the services of the U.S. Air Force (for military postal service postage) and the Department of State for administrative support.

**Note 10. Earned Revenues**

Revenues are recognized as earned based on (1) actual expenses incurred for materials, binding, and shipping; and (2) CAPRF overhead applied according to the overhead rate applicable for each field office. CAPRF overhead rates are updated each year according to an overhead model consistent with



the concept of full cost described in SFFAS No. 4, "Managerial Cost Accounting Concepts and Standards for the Federal Government." The driver for CAPRF overhead rates is the direct cost of materials.

**Note 11. Library Overhead Costs Included in Program Costs and Imputed Financing Sources**

Certain Library overhead costs were included in the program costs for each field office. In compiling CAPRF's fiscal years 2002 and 2001 financial statements, the Library allocated Library-wide overhead costs to the revolving fund programs using the direct method of allocating service department costs. The two types of Library-wide overhead costs are costs associated with the Financial Services Directorate, and Integrated Support Services. These overhead costs were further allocated to the six field offices of CAPRF using a rational and systematic allocation base. The total amount of overhead allocated over the six field offices was \$235,454 and \$186,045 for fiscal years 2002 and 2001. Of the fiscal year 2002 amount, \$186,048 was charged to the field offices through the Library's administrative working funds. A corresponding imputed financing source of \$49,407 was recognized for the unreimbursed portion of the allocated Library overhead. The allocated overhead amount in fiscal year 2001 materially agreed with the amount the CAPRF paid to the administrative working funds, and therefore no imputed costs were required. As administrative working funds rates are derived bi-annually and are based on prior year data, fluctuations between years can occur.

**Note 12. Budgetary Resources Obligated for Undelivered Orders**

Budgetary resources obligated for undelivered orders at September 30, 2002 and 2001, for each of the six field offices are as follows:

	2002	2001
Jakarta, Indonesia	\$ 73,891	\$ 44,820
Nairobi, Kenya	18,878	95,834
Cairo, Egypt	60,838	21,225
Rio de Janeiro, Brazil	39,652	8,751
New Delhi, India	216,457	138,383
Islamabad, Pakistan	<u>(692)</u>	<u>16,813</u>
Total	<u>\$409,024</u>	<u>\$325,826</u>

**Note 13. Total Cost and Earned Revenue by Budget Functional Classification**

A. Total Cost by Functional Classification

<u>Function Classification</u>	2002	2001
Education, Training, Employment and Social Services	<u>\$2,255,531</u>	<u>\$2,269,069</u>

B. Total Earned Revenue by Budget Functional Classification

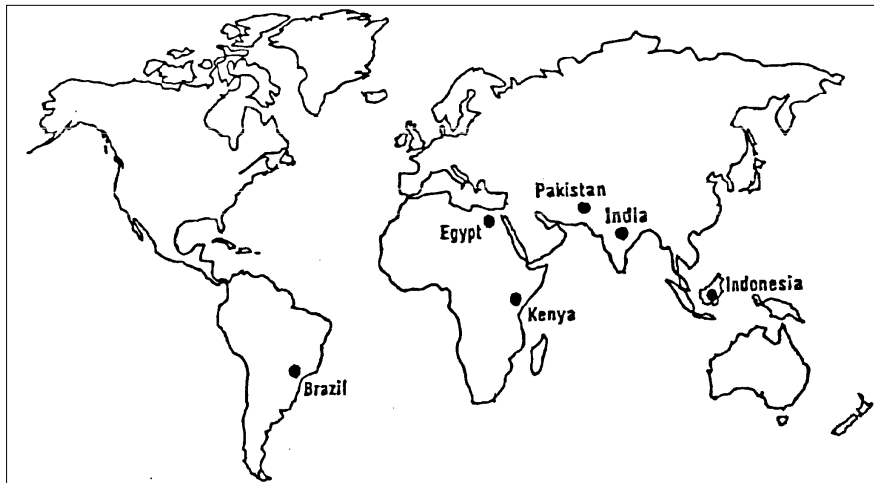
<u>Function Classification</u>	2002	2001
Education, Training, Employment and Social Services	<u>\$2,284,335</u>	<u>\$2,212,954</u>

**Note 14. Total Cost By Program Activity**

Cooperative Acquisitions Program:	2002	2001
Intragovernmental Costs	\$436,463	\$265,634
Public Costs	<u>1,819,068</u>	<u>2,003,435</u>
Total Program Costs	<u>\$2,255,531</u>	<u>\$2,269,069</u>

This information is an integral part of the accompanying financial statements.

## SUPPLEMENTAL SCHEDULES



**COOPERATIVE ACQUISITIONS PROGRAM REVOLVING FUND**  
**Supplemental Schedules of Program Costs**  
**For the Fiscal Year Ended September 30, 2002 and 2001**

Net Costs (Production Costs) by Program Area:	Program Segment	
	Field Office Totals	
	2002	2001
Jakarta, Indonesia:		
Intragovernmental	\$ 117,886	\$ 53,081
Public	346,403	362,038
Subtotal Program Costs	<u>464,289</u>	<u>415,119</u>
Nairobi, Kenya:		
Intragovernmental	69,002	22,735
Public	194,420	141,497
Subtotal Program Costs	<u>263,421</u>	<u>164,232</u>
Cairo, Egypt:		
Intragovernmental	89,326	53,178
Public	279,439	265,630
Subtotal Program Costs	<u>368,765</u>	<u>318,808</u>
Rio de Janeiro, Brazil:		
Intragovernmental	46,653	20,255
Public	106,432	99,690
Subtotal Program Costs	<u>153,085</u>	<u>119,945</u>
New Delhi, India:		
Intragovernmental	33,707	78,875
Public	807,825	986,855
Subtotal Program Costs	<u>841,532</u>	<u>1,065,730</u>
Islamabad, Pakistan:		
Intragovernmental	79,889	37,510
Public	84,550	147,725
Subtotal Program Costs	<u>164,439</u>	<u>185,235</u>
Totals:		
Intragovernmental	436,463	265,634
Public	1,819,068	2,003,435
Total Program Costs	<u>\$ 2,255,531</u>	<u>\$ 2,269,069</u>

**COOPERATIVE ACQUISITIONS PROGRAM REVOLVING FUND**  
**Supplemental Schedule of Participants by State**  
**For the Fiscal Year Ended September 30, 2002**

**Arizona**

Arizona State University  
University of Arizona

**California**

Hoover Institute  
Stanford University  
U.C., Berkeley  
U.C., Los Angeles  
U.C., San Diego  
U.C., Santa Barbara  
U.C., Santa Cruz  
University of Southern California

**Connecticut**

Yale University

**District of Columbia**

Department of the Treasury  
Inter-American Development Bank  
Johns Hopkins University

**Florida**

University of Florida

**Georgia**

Emory University  
University of Georgia

**Hawaii**

University of Hawaii

**Illinois**

Center for Research Libraries  
Northern Illinois University  
Northwestern University  
University of Chicago  
University of Illinois

**Indiana**

Earlham College  
Indiana University  
University of Notre Dame

**Iowa**

University of Iowa

**Kansas**

University of Kansas

**Louisiana**

Tulane University

**Maryland**

National Agricultural Library  
National Library of Medicine  
University of Maryland

**Massachusetts**

Boston Public Library  
Boston University  
Harvard University  
Holy Cross University

**Michigan**

Detroit Public Library  
Michigan State University  
University of Michigan

**Minnesota**

University of Minnesota

**Missouri**

Washington University

**New Jersey**

Princeton University

**New Mexico**

University of New Mexico

**New York**

Columbia University  
Cornell University  
Institute for Advanced Studies of World  
Religions  
New York Public Library  
New York University  
Open Society Institute  
SUNY, Binghamton  
Syracuse University

**North Carolina**

Duke University  
North Carolina State University  
University of North Carolina

**Ohio**

Cleveland Public Library  
Ohio State University  
Ohio University

**Oregon**

Portland State University  
University of Oregon

**Pennsylvania**

Pennsylvania State University  
Temple University  
University of Pennsylvania  
University of Pittsburgh

**Rhode Island**

Brown University

**Tennessee**

Vanderbilt University

**Texas**

Rice University  
University of Texas

**Utah**

Brigham Young University  
Genealogical Society of Utah  
University of Utah

**Virginia**

School of Islamic and Social Sciences  
University of Virginia

**Washington**

University of Washington  
Western Washington University

**Wisconsin**

University of Wisconsin

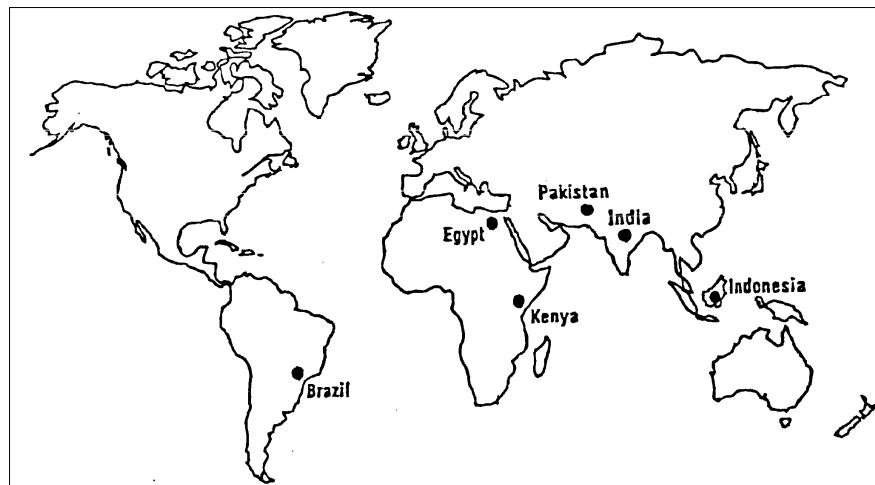
**Non-U.S. Libraries****Canada**

McGill University (Québec)  
University of British Columbia  
University of Toronto (Ontario)

**Other Foreign Libraries**

American University, Cairo (Egypt)  
Ibero-Amerikanisches Institut (Germany)  
Institute for Southeast Asian Studies  
(Singapore)  
Institute of Commonwealth Studies (U.K.)  
International Labour Organisation  
King Abdul Aziz al-Saoud Foundation  
(Morocco)  
National Diet Library (Japan)  
National Library Board (Singapore)  
National Library of Australia  
National Library of South Africa  
Royal Institute of Linguistics (Netherlands)  
University of Essex (U.K.)  
University of Exeter (U.K.)  
University of Sharjah (U.A.E.)

# REPORT OF INDEPENDENT AUDITORS



## Independent Auditor's Report

Inspector General, Library of Congress, and  
Cooperative Acquisitions Program Revolving Fund

We have audited the accompanying balance sheet of the Cooperative Acquisitions Program Revolving Fund (CAPRF) as of September 30, 2002, and the related statements of net costs, changes in net position, statement of budgetary resources, and financing for the year then ended. These financial statements are the responsibility of CAPRF's management. Our responsibility is to express an opinion on these financial statements based on our audit.

### SUMMARY

As stated in our opinion, the financial statements are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

Our consideration of internal control over financial reporting resulted in no material weaknesses.

The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

The following sections discuss our opinion on the CAPRF financial statements, our consideration of CAPRF's internal control over financial reporting, our tests of CAPRF's compliance with certain provisions of applicable laws and regulations, and management's and our responsibilities.

### OPINION ON FINANCIAL STATEMENTS

We have audited the accompanying balance sheet of CAPRF as of September 30, 2002, and the related statements of net costs, changes in net position, budgetary resources, and financing for the year then ended. These financial statements are the responsibility of CAPRF's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of CAPRF as of September 30,



2001, were audited by other auditors whose report, dated March 26, 2002, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the fiscal year 2002 financial statements referred to above present fairly, in all material respects, the financial position of CAPRF as of September 30, 2002, and its net costs, changes in net position, budgetary resources, and financing for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements referred to in the first paragraph. The information in the Management's Discussion and Analysis is not a required part of CAPRF's financial statements, but is considered supplementary information required by OMB Bulletin No. 01-09, *Form and Content of Agency Financial Statements*. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information and express no opinion on it.

## **INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit, we considered CAPRF's internal control over financial reporting by obtaining an understanding of CAPRF's internal control, determined whether internal controls had been placed in operation, assessed control risk, and performed tests of controls in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 01-02. We did not test all internal controls relevant to operating objectives such as those controls relevant to ensuring efficient operations. The objective of our audit was not to provide assurance on internal control. Consequently, we do not provide an opinion on internal control.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions. Under standards issued by the American Institute of Certified Public Accountants, reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect CAPRF's ability to record, process, summarize, and report financial data consistent with the assertions by management in the financial statements. Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Because of inherent limitations in internal controls, misstatements, losses, or noncompliance may nevertheless occur and not be detected. However, we noted no matters involving the internal control and its operation that we considered to be material weaknesses as defined above. We noted other matters involving the internal control over financial reporting that we have reported to the management of CAPRF in a separate letter dated March 21, 2003.

#### **STATUS OF PRIOR YEAR COMMENTS**

In reports issued by prior auditors, two reportable conditions were raised relating to the internal controls of CAPRF. The following discusses the current status of resolutions of the matters raised.

##### **Participant Liability Balance Reconciliation and Record Keeping**

In prior years it was noted that reconciliations of the program's participants' balances were not accurately reconciled as required by Financial Services Directive (FSD) 00-01. In addition, reconciliations were not completed in a timely manner.

Procedures performed in the current year indicated that reconciliations were prepared accurately and that measures have been taken to complete the reconciliation process in as timely a fashion as possible due to the nature of overseas activities.

##### **Entity-Wide Security Program Needs to be Documented**

In prior years it was noted that CAPRF lacked a documented comprehensive security administrative structure to manage and protect its information systems.

Procedures performed in the current year indicate that CAPRF and its staff have taken adequate measures to address the issues from CAPRF's standpoint. The responsibility to

resolve the remaining issues is outside of CAPRF and its staff. Accordingly, this issue has remained a reportable condition for the Library of Congress.

## COMPLIANCE WITH LAWS AND REGULATIONS

The management of CAPRF is responsible for complying with laws and regulations applicable to CAPRF. As part of obtaining reasonable assurance about whether CAPRF's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts and certain other laws and regulations specified in OMB Bulletin 01-02. We limited our tests of compliance to these provisions and we did not test compliance with all laws and regulations applicable to CAPRF.

The results of our tests of compliance disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Providing an opinion on compliance with certain provisions of laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

This report is intended solely for the information and use of the Library of Congress Office of Inspector General, the management of CAPRF and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

  
March 21, 2003



**THE LIBRARY OF CONGRESS**

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**ACTING ASSOCIATE LIBRARIAN**

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202-707-6269 (FAX)  
bwig@loc.gov (EMAIL)

March 27, 2003

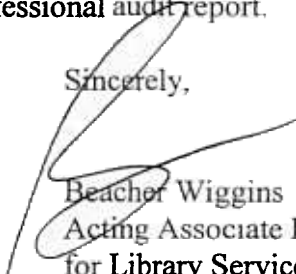
Dear Mr. Green:

Thank you for the opportunity to review and comment on your audit report of the Library of Congress' Cooperative Acquisitions Program Revolving Fund financial statements for fiscal year 2002.

We are very pleased that for the fourth consecutive year, the Cooperative Acquisitions Program Revolving Fund financial statements have received an unqualified audit opinion.

Please accept my appreciation for a professional audit report.

Sincerely,

  
Beacher Wiggins  
Acting Associate Librarian  
for Library Services

Mr. Jeff Green  
Partner  
Kearney & Company  
4501 Ford Avenue  
Suite 1400  
Alexandria, VA 22302