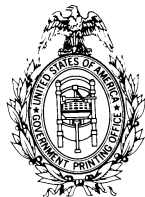




**Report on the Follow-up Audit  
of GPO's Warehouse Space  
(Report No. 96-08)**

**November 1999**

**00-01**



Office of Audits



UNITED STATES GOVERNMENT PRINTING OFFICE  
OFFICE OF THE INSPECTOR GENERAL

# memorandum

DATE: November 10, 1999

REPLY TO

ATTN OF: Inspector General

SUBJECT: Report on the Follow-up Audit of GPO's Warehouse Space (Report  
No. 96-08)

To: Deputy Public Printer  
Director, Engineering Service  
Director, Materials Management Service  
Director, Office of Administrative Support  
Director, Office of Budget  
Production Manager, Production Department  
Superintendent of Documents

The Office of Inspector General has completed a follow-up audit of the corrective actions taken on the recommendation with six suggestions reported in the "Audit of GPO's Warehouse Space," Audit Report No. 96-08, dated August 23, 1996.

The audit noted that management officials' actions on all six suggestions contributing to more efficient and effective use of GPO's office, production, and warehouse space in Central Office's Buildings I, II, III, and IV are closed. (See Appendix I.)

However, in accordance with GPO Instruction 825.18A *Internal Control Program*, and Arthur Anderson's January 1996 *Comments and Suggestions for Consideration*, additional actions need to be taken by management officials to use GPO's office, production, and warehouse space more efficiently and effectively in Central Office, as well as outside the Washington area.

00-01  
(319)

**Page 2**

We recommend that GPO implement the two recommendations for improving and strengthening the internal controls within GPO in using space effectively, reducing utilities and material handling, and increasing labor capability. The implementation of Recommendation 0001-2 to consolidate the Springbelt warehouse with the Laurel complex could potentially allow the GPO to put funds totaling over \$8 million to better use in the next ten years.

The Deputy Public Printer agreed with the findings and the two recommendations and commented that the recommendations have already been accomplished or are under active consideration.

Mr. Joseph Verch, Supervisory Auditor, Mr. David Schaub, Supervisory Auditor, and Ms. Allyson Brown, Auditor-In-Charge, conducted this audit.

We appreciate the cooperation and courtesies extended during the audit by officials and staff of the Engineering Service, Materials Management Service, Office of Administrative Support, Office of Budget, the Production Department, and the Superintendent of Documents.

  
ROBERT G. ANDARY

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**REPORT ON THE FOLLOW-UP AUDIT OF GPO'S WAREHOUSE SPACE**

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**U. S. Government Printing Office  
Office of the Inspector General  
Office of Audits**

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**REPORT ON THE FOLLOW-UP AUDIT OF GPO'S WAREHOUSE SPACE  
RESULTS IN BRIEF**

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In March through September 1999, the Government Printing Office's (GPO) Office of Inspector General (OIG) conducted a follow-up audit of the corrective actions taken on the recommendation with six suggestions reported in the "Audit of GPO's Warehouse Space," Audit Report No. 96-08, dated August 23, 1996.

The audit noted that management officials' actions on all six suggestions contributing to the use of GPO's office, production, and warehouse space more efficiently and effectively in Central Office's Buildings I, II, III, and IV are closed. (See Appendix I.)

However, in accordance with GPO Instruction 825.18A *Internal Control Program*, and Arthur Anderson's January 1996 *Comments and Suggestions for Consideration*, additional actions need to be taken by management officials to use GPO's office, production, and warehouse space more efficiently and effectively in Central Office, as well as outside the Washington area.

The report contains two recommendations for improving the use of office, production, and warehouse space. Implementation of the two audit recommendations would strengthen the internal controls to use space effectively, reduce utilities and material handling, and increase labor capability within GPO by:

1. Developing plant designs in Central Office; and
2. Performing a study and making recommendations on the feasibility of consolidating the Springbelt warehouse into the Laurel complex before the lease expires on the Springbelt warehouse on September 30, 2000. The implementation of this recommendation to consolidate the Springbelt warehouse with the Laurel complex could potentially allow the GPO to put funds totaling over \$8 million to better use in the next ten years.

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## BACKGROUND

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In August 1996, the OIG issued Audit Report No. 96-08 *Audit of GPO's Warehouse Space*. The audit report had one recommendation with six suggestions on making GPO's office, production, and warehouse space more efficient and effective in Central Office's Buildings I, II, III, and IV, as follows:

**Recommendation:**

The Deputy Public Printer should consider tasking Engineering Service to develop a long-range strategic plan that would use GPO's office, production, and warehouse space more efficiently and effectively in Central Office's Buildings I, II, III, and IV.

**Suggestions:**

1. Transferring the Bindery's first-class meter mailing functions to the Office of Administrative Support's Mail Management Section;
2. Identifying and removing obsolete and surplus machines from Production Services in Central Office, including the spare parts in Materials Management Service's Stores Division inventory;
3. Filling in a portion of the rail tracks on the 3<sup>rd</sup> floor of Building IV with concrete to create an additional 4,640 square feet of warehouse space to store another 1,000 rolls of newsprint;
4. Activating the new paper lift for new presses on the 4<sup>th</sup> floor in Building III;
5. Having a study performed by Superintendent of Documents (SuDocs) officials on improving the use of existing office, production, and warehouse space at Laurel I and Laurel II warehouses; and
6. Involving Engineering Service more on assisting individual offices in developing future strategic plans for the most efficient and effective use of office, production, and warehouse space that may become available.

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## OBJECTIVE, SCOPE, AND METHODOLOGY

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The objectives of this follow-up audit were to review management's responses and actions taken since the issuance of the original audit report on August 23, 1996, on the recommendation with six suggestions. The field work for this audit was conducted during the period of March through September 1999 in accordance with generally accepted Government auditing standards, and included such tests of procedures, operations, and internal controls in place as were considered necessary under the circumstances.

We reviewed:

1. Management's responses to the status of Audit Report No. 96-08 in the OIG's follow-up files;
2. The August 1996, Materials Management Service's Space Requirements Study on the feasibility of moving their Springbelt Warehouse operation to the Laurel Complex;
3. The March 4, 1997, Engineering Service's memorandum for consolidating warehouse space at Laurel I and Laurel II;
4. Arthur Anderson's management report *Comments and Suggestions for Consideration*, dated January 1996;
5. The existing lease of the Springbelt warehouse and the old leases of Laurel I and Laurel II;
6. The new leases for Laurel I and Laurel II, effective August 27, 1999, and January 1, 2001, respectively;
7. GPO Instruction 825.18A *Internal Control Program*, which identified policy, standards, and responsibilities for conducting internal control reviews of GPO programs; and
8. Change 12 to GPO Instruction 105.1B *Organization and Functions of the Government Printing Office*, which identified general policy and procedures of Engineering Service.

We also:

1. Performed a walk-through of the Building IV Warehouse; and
2. Verified the current operational status of the paper lift for the new presses on the 4<sup>th</sup> floor in Building III.

The audit team interviewed appropriate management officials and employees with respect to the warehouse space. We interviewed representatives of the:

- Engineering Service, including officials from Industrial Systems Branch;
- Materials Management Service, including officials from Paper Procurement Section, and Paper Warehousing Section;
- Office of Administrative Support;
- Office of Budget;
- Production Department; and
- Superintendent of Documents, including officials from the Laurel Operations.



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## FINDINGS AND RECOMMENDATIONS

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### 1. PLANT DESIGNS

#### FINDING

The August 23, 1996, Audit Report No. 96-08 recommended that a long-range strategic plan be developed that would use GPO's office, production, and warehouse space more efficiently and effectively in Central Office's Buildings I, II, III, and IV. The recommendation followed the suggestion made in Arthur Anderson's January 1996 management report *Comments and Suggestions for Consideration* that GPO officials review and organize plant designs in Central Office in order to use space effectively, reduce utilities and material handling, and increase labor capability. In July 1996, the then Deputy Public Printer agreed with the audit recommendation.

The 1996 audit report also made five suggestions for GPO management to more efficiently use office, production and warehouse space in the four Central Office Buildings.<sup>1</sup> As described in Appendix I, management has taken action with regard to three of the five audit suggestions, and has determined that action on the remaining two is not warranted or feasible.

However, this audit found that management has not acted to implement the 1996 audit recommendation to develop a long-range strategic plan to improve the efficient and effective use of space for Central Office's Buildings. The Director, Engineering Service, stated that the Engineering Service lacked both the skills and resources to develop a long-range strategic plan. Restrictions on funding and the reduction of available personnel in this department since the audit report was issued were cited as impediments to Engineering Service's ability to develop a long-range strategic plan.

Standard 8 of GPO Instruction 825.18A requires that GPO managers promptly evaluate and determine proper actions in response to audit findings and recommendations, and complete action to correct or resolve matters brought to management's attention.

If additional funding and resources cannot be obtained, strong consideration should be made to contract-out to commercial sources for the development of plant designs.

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<sup>1</sup> A sixth suggestion relating to the Laurel warehouses was also implemented.

## **RECOMMENDATION**

The Deputy Public Printer should ensure that plant designs are developed for the Central Office that would use space effectively, reduce utilities and material handling, and increase labor productivity to the maximum extent possible (0001-01).

### **Management Comments**

The Deputy Public Printer agreed with the finding and recommendation. He commented that: "Much of this recommendation is already being implemented, including utility usage and plans to replace wasteful (energy) fixtures – lights and air conditioning -, the quantification of waste and recognition programs for reducing such, and the furtherance of safety programs to reduce time-off of production workers."

The Director, Engineering Service, commented that certain information, such as, the future role of the GPO, the amount of on-site printing, the size of the GPO workforce, etc., needs "...to be provided by either Management, Joint Committee on Printing (JCP), or Congress before any discreet planning takes place." (See Appendix III.)

## 2. LAUREL AND SPRINGBELT WAREHOUSES

### FINDING

Currently, GPO is paying more than \$2.7 million annually in lease costs, taxes, and utilities for 562,000 square feet of warehouse space at Laurel I, Laurel II, and Springbelt warehouses. GPO officials have acknowledged excess warehouse space and have recently conducted studies of the two complexes:

- In August 1996, Materials Management Service (MMS) officials issued a Space Requirements Study on the feasibility of moving their Springbelt Warehouse operation to the Laurel Complex. The study showed that the support facilities at the Laurel Complex were adequate, however 142,000 square feet of operation space would be needed and the moving costs would be in excess of \$3.2 million. However, over \$2.8 million was for lease costs for the remaining four years at Springbelt. The study also estimated that an additional \$281,000 would be needed to replace the propane industrial trucks with battery-operated industrial trucks that are used at the Laurel Complex.
- On March 4, 1997, a memorandum was provided from Engineering Service to the Superintendent of Documents (SuDocs) Laurel Operations Coordinator, that provided five alternative schemes for consolidating warehouse space at Laurel I and Laurel II and thereby improving space utilization. (See Appendix II.) Based on the results of this study, the Laurel Operations Coordinator selected the second scheme to be undertaken, which freed up 25,000 square feet of warehouse space.

On June 14, 1999, GPO signed new leases for Laurel I and Laurel II. Laurel I was for 180,000 square feet at a cost of approximately \$788,600 annually (\$678,600 lease costs + \$110,000 in utilities). Laurel II was for 202,000 square feet at a cost of approximately \$1,145,019 annually (\$963,540 lease costs + \$181,479 in taxes and utilities).

- As recently as March 1999, the Budget Officer discussed with MMS and SuDocs officials the feasibility of consolidating the Springbelt and Laurel warehouses. However, no official study on a comprehensive plan that would take into account all three warehousing areas has been conducted since 1996.

The existing lease for 180,000 square feet of the Springbelt warehouse will be expiring on September 30, 2000. GPO is leasing the Springbelt warehouse for approximately \$848,000 annually (\$720,000 lease costs + \$128,000 in taxes and utilities).

In response to the 1996 MMS Study, SuDocs officials stated that the Laurel Complex has enough space to accommodate Springbelt operations. Since MMS and SuDocs can make a strong case for their particular views, an independent department with an expertise in space management such as the Engineering Service should perform a study. The study should include recommendations on the feasibility of consolidating the Springbelt warehouse into the Laurel complex. This action will maximize the efficient and effective use of resources as required in Standard 1 of GPO Instruction 825.18A.

“Resources should be efficiently and effectively allocated for duly authorized purposes.”

The OIG projects that an estimated savings of over \$8 million over the next ten years can be obtained from the consolidation, provided:

- \$8,480,000 - Springbelt lease costs, taxes, and utilities remain the same or rise in the next ten years (\$848,000 x 10 years).
- - 281,000 - The propane industrial trucks are replaced with battery-operated industrial trucks.
- - 68,000 - The cost of the move to Laurel.
- \$8,131,000 - Estimated savings.

## **RECOMMENDATION**

The Deputy Public Printer should ensure that a study be performed to make recommendations on the feasibility of consolidating the Springbelt warehouse into the Laurel complex before the lease expires on the Springbelt warehouse on September 30, 2000 (0001-02).

## **MANAGEMENT COMMENTS**

The Deputy Public Printer agreed with the finding and recommendation and commented that: “This recommendation is already being accomplished, with Materials Management recommending this exact proposal.”

The Director, Materials Management Service, also concurred with the recommendation. On September 22, 1999, the Director along with the Superintendent of Documents forwarded a memorandum to the Public Printer recommending that the lease at Springbelt not be renewed and that the Springbelt Warehouse be consolidated with the operation at the Laurel Complex. (See Appendix IV.)

The Director, Office of Administrative Support, commented that: "Any cost savings that would be realized from eliminating the Springbelt security system will have to be offset against the additional cost outlays needed for updating and enhancing security in the Laurel Warehouse complex." (See Appendix V.)

**STATUS OF THE RECOMMENDATION AND SIX SUGGESTIONS**

Audit Report No. 96-08	RESULTS FROM REVIEW	STATUS
<b>Recommendation 1.</b> Tasking Engineering Service to develop a long-range strategic plan that would use GPO's office, production, and warehouse space more efficiently and effectively in Central Office's Buildings I, II, III, and IV.	No long-range strategic plan has been developed.	Open  See Finding 1.
<b>Suggestion 1.</b> Transferring the Bindery's first-class meter mailing functions to the Office of Administrative Support's Mail Management Section.	Administrative and logistical changes to the mailroom would not be cost beneficial at this time.	Closed
<b>Suggestion 2.</b> Identifying and removing obsolete and surplus machines from Production Services in Central Office, including the spare parts in Materials Management Service's Stores Division inventory.	Since 1996, obsolete and surplus machines have been removed.	Closed
<b>Suggestion 3.</b> Filling in a portion of the rail tracks on the 3 <sup>rd</sup> floor of Building IV with concrete to create an additional 4,640 square feet of warehouse space to store another 1,000 rolls of newsprint.	Rail car shipments have increased since the audit report requiring the need for both rail tracks.	Closed
<b>Suggestion 4.</b> Activating the new paper lift for new presses on the 4 <sup>th</sup> floor in Building III.	The new paper lift has been activated.	Closed
<b>Suggestion 5.</b> Having a study performed by Superintendent of Documents (SuDocs) officials on improving the use of existing office, production, and warehouse space at Laurel I and Laurel II warehouses.	Engineering Service, at the request of SuDocs, performed a study and provided five schemes on March 4, 1997.	Closed
<b>Suggestion 6.</b> Involving Engineering Service more on assisting individual offices in developing future strategic plans for the most efficient and effective use of office, production, and warehouse space that may become available.	Engineering Service did assist SuDocs in March 1997 in performing a study on the Laurel complex.	Closed

**ENGINEERING SERVICE'S FIVE ALTERNATIVE SCHEMES FOR  
CONSOLIDATING WAREHOUSE SPACE AT LAUREL I AND LAUREL II  
(March 4, 1997)**

<b>Scheme</b>	<b>Cost</b>	<b>Space Freed</b>
<b>1. Move Shipping Unit to Laurel II.</b>	\$141,667	53,166 sq. ft.
<b>2. Move Consignment Unit to Laurel II.</b>	\$66,986	23,563 sq. ft.
<b>3. Move Shipping and Consignment Units to Laurel II.</b>	\$208,653	76,729 sq. ft.
<b>4. Move Shipping Unit to the 300 area of Laurel I and move Consignment Unit to Laurel II and back fill 400 area of Laurel II with pallet racks.</b>	\$236,676	76,729 sq. ft.
<b>5. Move Shipping Unit to the 300 area of Laurel I and back fill 400 area of Laurel II with pallet racks.</b>	\$164,974	53,166 sq. ft.

UNITED STATES GOVERNMENT

# memorandum

DATE: October 26, 1999

REPLY TO  
ATTN OF:

Director, Engineering Service

SUBJECT:

Plant Designs

TO: Inspector General

This is in response to the subject and our recent meeting on the subject. Plant designs, this is an area where everybody seems to be missing the boat including A. Anderson.

At our meeting Materials Management Service (MMS) indicated that they had resolved the problem of warehousing and that they will soon provide you with the details of the solution. Consequently, there is no need for me to address this item.

With regard to the Central Plant and a long range plan, there is certain information that has to be provided by either Management, Joint Committee on Printing (JCP), or Congress before any discreet planning takes place. Namely: Will Government Printing Office (GPO) still be an entity five to ten years hence? What will our role be? How much on site printing will we do? What percent will be electronic? Size of workforce? Will we be in the same complex? How will we be funded? Any oversight and by whom? This is just some of the information that will be required by a planner.

With regard to updating the present plant, the above still has to be provided. It should be recognized that these buildings are well 60 years old and along with that comes low ceilings and tight column spacing. The latter constrictions do not offer us the expanse that a modern facility would enjoy. Current day materials handling equipment requires room both to operate and maintain the equipment. We simply do not have that luxury. Any cost/benefit study would end up with that conclusion.

With our future in doubt, no direction and funding tight, it would be extremely difficult to invest in any major rehabilitation of the current location.

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The above presents only some of the problems in dealing with the topic of plant design.

J. A. HALLAM



UNITED STATES GOVERNMENT

# memorandum

**DATE:** October 20, 1999

**REPLY TO  
ATTN OF:** Director, Materials Management Service

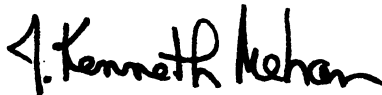
**SUBJECT:** Discussion Draft Report on the Follow-up of GPO's Warehouse Space (Report No. 96-08)

**TO:** Inspector General

As requested, I have reviewed your memorandum of September 24, 1999 relating to the findings and recommendation to consolidate the Springbelt Warehouse into the Laurel Complex before the lease expires on the Springbelt Warehouse on September 30, 2000. I do concur with the recommendation based upon the following:

By memorandum dated September 22, 1998, the Materials Management Service and the Superintendent of Documents had conducted a study on the feasibility of moving the Springbelt Operation to the Laurel Complex. Based upon the findings of the study, we recommend that the lease for the Springbelt Warehouse not be renewed and consolidate the operation at the Laurel Complex. The Public Printer has initially approved this action pending further discussions/approvals with the JCP and local congressional offices. (See attachment.)

If you have any questions, please call me.



J. KENNETH MEHAN

Attachments

UNITED STATES GOVERNMENT

# memorandum

DATE: September 22, 1999  
TO: Director, Materials Management Service  
FROM: Springbelt Warehouse

Public Printer
<input checked="" type="checkbox"/> Approved
<input type="checkbox"/> Disapproved
OCT - 8 1999

*Subject to discussion w/ JCPA local cong. offices re: Constitution re: location + union impact discussion. I have discussed in general w/ George Ford but need discussions with JCPA + Justice Malchin as appropriate*

*Rtm 10/5/99  
FJ Buckley 10/4/99*

TO: Public Printer  
Through: Deputy Public Printer  
Superintendent of Documents

This Space Requirements Study for the Springbelt Warehouse has been completed in view of the pending expiration of the building lease and the lessor's proposed rate increase of 54 percent.

Our findings show that a move to Laurel of the Springbelt Operation will not only be feasible, but would result in substantial savings to the Agency beginning in the first year. The Superintendent of Documents is working with us to provide adequate acceptable space through their continued consolidation efforts.

A concern in recommending this consolidation into existing space at Laurel is the increase in commuting distance of the Springbelt employees. If this consolidation is approved, Stores Division will canvass the warehouse employees in the Central Office to determine interest in transfers to Laurel. If enough Central Office employees (who live in Maryland) are willing to go to Laurel, we could offer Springbelt employees the option of working in the Central Office.

In view of the savings to be realized by the Agency through this consolidation of warehouse space, I recommend that we not renew the Springbelt lease and move forward with plans to consolidate as quickly as possible.

*Kenneth Mehan*  
Kenneth Mehan

# memorandum

DATE: October 19, 1999

Appendix V  
Page 1 of 2

REPLY TO  
ATTN OF: Director, Office of Administrative Support

SUBJECT: Draft Audit Report – GPO Warehouses

TO: Inspector General  
THROUGH: Deputy Public Printer *10/21/99*

We reviewed your Draft Audit Report of GPO Warehouse Space and offer the following comments:

The second finding, on page 11 of the draft report, states that estimated savings of \$8,131,000 can be obtained from warehouse consolidation, based on several audit calculations and assumptions. However, the Physical Security Group is curious to know whether or not this estimation has taken into account the costs of providing needed improvements and enhancements to the physical security framework. We have held some preliminary discussions, including one with Engineering Service's personnel, regarding this matter. Any cost savings that would be realized from eliminating the Springbelt security system will have to be offset against the additional cost outlays needed for updating and enhancing security in the Laurel Warehouse complex.

A prime example of these needs would be to make improvements to the current camera situation. Enhancing the current security situation would be made necessary by the anticipated influx of personnel, materials, and vendor deliveries. Such improvements, which would require purchase and installation of additional cameras, have been roughly estimated as costing between \$1,500 and \$2,000 per camera unit (when installation time and associated costs are factored in). Furthermore, this cost does not include the purchase and installation of a multiplexor for synchronizing a coordinated camera system. The fact that two different GPO departments would be operating within the Laurel complex (SuDocs and MMS) also opens up the issue of ensuring appropriate controls over employee access in areas where they may be unauthorized. Therefore, in the event that these costs were not factored into the calculations, we suggest that they should be accounted for and recognized.

In addition, the OIG states in the "Results In Brief" on page 4 of the draft report that an Arthur Anderson management report was issued in January 1996. However, the OIG audit report on which this follow-up report is based was not issued until August 1996, according to this draft. Was consideration given as to GPO management's

comments and actions that were based on the Arthur Anderson report of seven months earlier? If they were, does that mean that no action was taken? If not, wouldn't any actions taken be relevant, and what would they have been?

In our reading of the first draft report finding, there appears to be a contradiction that may require some rewording for clarity. Within the section titled "Plant Designs," on page 8 of the draft report, it states that "strong consideration" should be given to contracting out for plant design development. However, this option is suggested only "if additional funding and resources *cannot be obtained*" [emphasis added]. Therefore, further explanation may be needed to justify how it would be feasible to hire outside contractors, who are usually more costly to the government than internal development, if funds and resources are not available in the first place.

Lastly, the second recommendation, on page 11 of the draft report, directs the Deputy Public Printer to task Engineering Service to perform a warehouse consolidation study, or else contract out this study. Through informal discussions with management, we have been informed that such a study has already been initiated by MMS and is currently approaching completion. What is known about this study, and has it considered whether the results would be sufficient for GPO's purposes? If so, it could save the agency from expending additional resources, and cause OIG's recommendation to be unnecessary.

Thank you for affording us the opportunity to provide comments and questions regarding the draft report.



R.J. GARVEY