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GPO

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**REPORT on the BILLING VOUCHERS  
SUBMITTED for PROGRAM 3402-S  
(BLUE ANGELS' PROMOTIONAL MATERIALS)**

**September 2000**

**00-10**



**Office of Audits**



UNITED STATES GOVERNMENT PRINTING OFFICE  
OFFICE OF THE INSPECTOR GENERAL

# memorandum

DATE: September 28, 2000

REPLY TO

ATTN OF: Inspector General

SUBJECT: Report on the Billing Vouchers Submitted for Program 3402-S (Blue Angels' Promotional Materials)

To: Manager, Printing Procurement Department  
Comptroller

Attached is the report of an Office of Inspector General (OIG) audit on the billings and payments made for Program 3402-S (Blue Angels' Promotional Materials) from August 27, 1998, through July 31, 1999. The contract was terminated for the convenience of the Government, effective April 2, 1999. The objective of the audit was to determine whether all billings and payments were proper and in accordance with the Government Printing Office's (GPO) criteria and whether the direct-deal term contract was effectively and efficiently administered by Government officials. The audit was conducted as a result of the OIG's Office of Investigation's June 29, 1999, referral memorandum.

Our audit determined that the internal controls that GPO officials had implemented over the contractor's billings and payments from Program 3402-S direct-deal print orders were bypassed by the unauthorized actions of the customer agency representative. The GPO officials did not identify these unauthorized actions until after the contractor had received questionable payments totaling \$13,571.

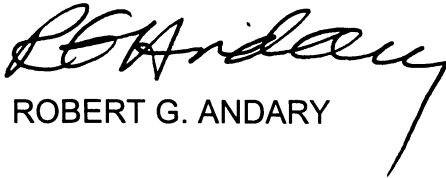
The OIG audit identified five findings and made ten recommendations to the Printing Procurement Department and the Office of Comptroller to strengthen their internal controls over administering future direct-deal print orders. Implementation of these recommendations will result in the improvement in internal controls for receiving future direct-deal print orders for examining contractor's vouchers.

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The Manager, Printing Procurement Department, and the Comptroller agreed with the findings and the recommendations. (See Appendices V and VI.)

Mr. Joseph Verch, Supervisory Auditor, and Ms. Allyson Brown, Auditor-In-Charge, conducted this audit. The OIG appreciates the cooperation and courtesies extended during the audit by the officials and staff of the Printing Procurement Department and the Office of the Comptroller.

  
ROBERT G. ANDARY

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(232)**

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**REPORT ON THE BILLING VOUCHERS  
SUBMITTED FOR PROGRAM 3402-S**

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

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**REPORT ON THE BILLING VOUCHERS  
SUBMITTED FOR PROGRAM 3402-S**

**RESULTS IN BRIEF**

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The Government Printing Office (GPO) Office of Inspector General has completed an audit on the billings and payments made for Program 3402-S *Blue Angels Promotional Materials*. The objective of this audit was to determine whether:

1. All billings and payments for Program 3402-S were proper and in accordance with applicable laws and regulations, as well as GPO's policies, procedures, and the contract specifications; and
2. The Printing Procurement Department's Atlanta Regional Printing Procurement Office (RPPO) was administering Program 3402-S effectively and efficiently from August 27, 1998, through April 2, 1999, when the contract was terminated.

The OIG conducted the audit from July through October 1999, and found that the internal controls implemented over the contractor's billings and payments from Program 3402-S direct-deal print orders were bypassed by the unauthorized actions by the customer agency representative. GPO officials did not identify these unauthorized actions until after the contractor had received questionable payments of \$13,571 for modifications, quantity increases, and Timework charges.

<b>Print Order</b>	<b>Modifications, Quantity Increases, and Timework</b>
81001	\$120
81002	60
81003	1,698
81004	1,036
81005	2,289
81006	5,468
81008	1,110
81009	120
81010	1,670
<b>Totals</b>	<b>\$13,571</b>

However, the customer agency and the representative have not provided any documentation or issued a complaint on the questionable payments made to the contractor. Instead, the customer agency representative expressed that the customer agency was "very satisfied" with the contractor's performance. As a result, there was no supporting evidence for GPO to recover the questionable payments of \$13,571 that was made to the contractor.

The customer agency representative's actions also showed that the officials and staff from the Printing Procurement Department and the Office of Comptroller need to strengthen their internal controls over administering future direct-deal print orders which are signed-off by the customer agency representative. The Printing Procurement Department needs to implement more internal controls to ensure enforcement of GPO Publications 305.1, 305.3, 310.2, and the specifications in term contracts on modifications and quantity changes made by the customer agency representatives.

The Office of Comptroller needs to issue more written instructions and desk procedures on voucher examining to ensure that variances in contractors' billings are reviewed and communicated to the Printing Procurement Department and that funds are withheld from the contractor effectively and efficiently.

The implementation of the ten recommendations in this report will result in the improvements in internal controls for reviewing future direct-deal print orders for examining contractor's vouchers.

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## BACKGROUND

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The Denver Regional Printing and Procurement Office awarded a term contract for the procurement of *Blue Angels Promotional Materials* to begin on August 1, 1998, to July 31, 1999, at an estimated cost of \$101,338. The next lowest bid received was for \$323,366.

The term contract was assigned Program 2848-S and Purchase Order M-3507. The customer agency, U.S. Department of Defense, Defense Automated Printing Service, requested the term contract be transferred from Denver to the Atlanta Regional Printing Procurement Office (RPPO), because the administration of the contract would be better logistically for the customer agency (Florida) and GPO (Atlanta).

On August 26, 1998, the administrative operation of Program 2848-S was transferred to the Atlanta RPPO. The Atlanta RPPO assigned a new program number and purchase order to the term contract, Atlanta Program 3402-S and Purchase Order F-1760. The term contract was from August 27, 1998, through July 31, 1999.

Program 3402-S is a direct-deal term contract. The contract allows the customer agency to place print orders directly with the contractor rather than routing them through the Atlanta RPPO for placement. The purpose of the direct-deal term contract is to ensure that agency printing needs are met in the most effective and efficient manner possible in the areas of an agency's schedule, location, and handling of special materials.

On March 23, 1999, the Atlanta RPPO Manager requested approval from GPO's Contract Review Board to terminate the contract, because of the ambiguities and insufficiencies in the term contract and because the contractor may have over-billed GPO on several print orders.

The Atlanta RPPO Manager also requested the Comptroller to suspend payments on Program 3402-S, Purchase Order Number F-1760 until further notice. On April 2, 1999, the Manager, Atlanta RPPO notified the contractor, by letter, that Program 3402-S was terminated for the Convenience of the Government, effective April 2, 1999.

On April 13, 1999, the Atlanta RPPO Manager submitted a request for an investigation to the Office of Inspector General (OIG). The OIG's Office of Investigations found no evidence of criminal violations and determined that the Atlanta RPPO Manager had intended to request an OIG audit of the bills submitted for the purchase orders under Program 3402-S. On June 29, 1999, the matter was referred to the OIG's Office of Audits.



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## OBJECTIVE, SCOPE, AND METHODOLOGY

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The objective of this audit was to determine whether all billings and payments for Program 3402-S were proper and in accordance with applicable laws, regulations, GPO's policies, procedures, and the contract specifications. In addition, the audit was to determine whether Government officials effectively and efficiently administered Program 3402-S.

Audit fieldwork was conducted during the period of July 1999 through October 1999 in accordance with generally accepted Government auditing standards, and included such tests of the procedures, operations, and internal controls in place as were considered necessary under the circumstances.

We reviewed:

1. GPO Publication 305.1 *GPO Agency Procedural Handbook* to identify applicable laws, regulations, and procedures concerning Federal printing policy and GPO's procurement process;
2. GPO Publication 305.3 *Printing Procurement Regulation* to identify uniform policies and procedures for the procurement of printing, binding and related services;
3. GPO Publication 310.2 *GPO Contract Terms* to identify solicitations provisions, supplemental specifications, and additional contract clauses;
4. GPO Instruction 825.18A *Internal Control Program* to identify policies, standards, and responsibilities for conducting internal control reviews of GPO programs;
5. Contract specifications, print orders, vouchers, correspondence, and other relevant documents relating to Program 3402-S;
6. Printing Procurement Department's March 7, 1995, memorandum *Exclusion of Cost Element "Timework", Where Appropriate, on Term Contracts*; and
7. Prior OIG audit reports.

The OIG audit team interviewed appropriate management officials and staff of the Printing Procurement Department and the Office of Comptroller.

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## FINDINGS AND RECOMMENDATIONS

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### CHAPTER I. INTERNAL CONTROLS OVER ADMINISTERING DIRECT-DEAL PRINT ORDERS

The Printing Procurement Department's Atlanta RPPO can improve the internal controls over administering direct-deal print orders for completeness and for compliance with contract specifications as directed by GPO Publications 305.1, 305.3 and 310-2, GPO Instruction 825.18A, and the Printing Procurement Department's March 7, 1995, memorandum. Prior OIG audit reports<sup>1</sup> have indicated the importance of administering direct-deal term contracts by the Atlanta RPPO.

Chapter I reports three findings for improvement in the Atlanta RPPO's internal controls over administering direct-deal print orders, and recommends strengthening these controls by: (1) enforcing the authorization of modifications and quantity changes to direct-deal print orders; and (2) implementing additional internal controls to require the approval of future Timework charges.

#### I-1. UNAUTHORIZED MODIFICATIONS

##### FINDING

From November 1998 to March 1999, the customer agency representative issued 10 direct-deal, term contract print orders for Program 3402-S (Blue Angels' Promotional Materials). An OIG audit of the 10 print orders that were submitted by the contractor to GPO for payment found that Print Order Number 81001 had a modification for an additional \$170 that was approved by the Atlanta RPPO Contracting Officer.

However, the audit also found that the contractor received \$12,641 for modifications and quantity increases on 6 other direct-deal print orders for Program 3402-S, based on the unauthorized approval from the customer agency representative and contrary to GPO Instruction 305.1 which requires approval from the Atlanta RPPO Contracting Officer.

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<sup>1</sup> Audit Report Number 95-06, dated November 30, 1994, and Audit Report Number 89-33, dated September 29, 1989

No.	Print Order	Date	Amount of Modification	Modification Made
1	81003	01/26/99	\$1,458	Rework was made on the Presentation Folder and Inserts and Timework of \$120.
2	81004	01/27/99	916	Re-scan and made new film on 1999 Mini-Litho and Timework of \$180.
3	81005	01/27/99	2,199	Quantity increased from 4,663 to 18,650.
4	81006	02/04/99	5,468	Quantity increased from 2,000 to 6,000.
5	81008	02/12/99	990	Blue lines and Timework of \$180 to 1999 Fat Albert Litho.
6	81010	03/05/99	1,610	Gloss and dull varnish film and Timework of \$180 on handout.
	<b>Totals</b>		<b>\$12,641</b>	

Section IV., paragraphs 2, 3, and 3.a. of GPO Publication 305.1 state respectively:

**“2. Federal Agency Authority Under Direct-Deal Term Contracts.** Agency authority under direct-deal term contracts extends only to the placement of print orders and to the transmission of copy and proofs. Exceeding this authority, or not meeting the responsibilities prescribed by GPO, may be cause for an agency to lose its direct-deal privilege. All other authority rests with GPO’s Contracting Officers. Agency personnel are not allowed to negotiate with contractors or to require performance beyond the terms of the contract. Any dissatisfaction with a contractor’s performance, or need of additional services, is to be brought to the immediate attention of the RPPO manager.”

**“3. Federal Agency Responsibilities.** Because direct-deal authority transfers control over print order placement to the customer agency, GPO must rely on agency personnel for information regarding a contractor’s performance. Accurate and complete records are essential to protecting the Government’s interests in contract disputes. It is the responsibility of Federal agency printing representative to bring problems with timeliness of delivery, product quality, and quantities received to the attention of the PPO.”

**“a. Adhering to Contract Terms.** Persons placing print orders under GPO term contracts must understand the terms and conditions of the contract. The requirements of any print order, including the schedules, must agree with the requirements and schedules specified in the contract. No print order may be placed which requires performance not provided for in the contract, or which waives any contractual agreement, regardless of how minor these modifications may seem. Only a GPO Contracting Officer may negotiate changes with a contractor.”

The Atlanta RPPO procurement personnel were not aware of the four modifications or the two quantity changes that were authorized by the customer agency representative on the six print orders, because the Atlanta personnel only received a copy of the original print order. The customer agency representative did not provide any written support for the six print orders until March 24, 1999, 19 calendar days after Print Order Number 81010 was issued to the contractor. The lack of any written support for the six print orders from the customer agency representative prevented the Atlanta personnel from determining whether the six print orders complied with the contract specifications, as required by Chapter XIII-1.5.(b) of GPO Publication 305.3:

*"Print Orders Placed by Agencies. (Direct Deal Term Contract). (1)...each print order received by GPO shall be reviewed by the program operator for (i) completeness and (ii) compliance to the contract specifications. Each direct-deal term contract shall be reviewed by the program operator on a quarterly basis (at the minimum), to assure that agencies are not deviating from these contracts...."*

As a result, the customer agency representative's unauthorized approval of modifications and quantity increases on the six print orders compromised the integrity of the procurement process. When the internal controls for authorizing modifications and quantity changes were not separated from the customer agency representative, as required in Standard 5 of GPO Instruction 825.18A, improprieties between the customer agency representative and the contractor may have existed:

*"Key duties and responsibilities in authorizing, processing, recording, and reviewing official agency transactions should be separated among individuals. Managers should exercise appropriate oversight to ensure that individuals do not exceed or abuse their assigned authorities."*

The GPO was also exposed to claims from the contractor, per paragraph 1 of the Contract Clauses of GPO Publication 310.2:

*"Awards by GPO for printing, binding, and related services are the sole responsibility of GPO and not of its customer agencies. Modifications shall have no force or effect unless addressed before the fact to and subsequently confirmed in writing by the Contracting Officer. Failure to comply with this clause may be cause for nonpayment of additional costs incurred or rejection of the order."*

When asked about the validity of the modifications, the Atlanta RPPO Contracting Officer stated that the modifications authorized by the customer agency representative were questionable. Had the Atlanta RPPO Contracting Officer reviewed the weekly Comptroller's Report JAPS64D1 *Payments of \$1,000 Thru \$999,999 Exceeding Estimated Amount By 5.0%* that was distributed by the Regional Operations Office, the following four print orders would have shown questionable payments and could have alerted the Contracting Officer to research them:

<b>No.</b>	<b>Print Order</b>	<b>Amount Billed</b>	<b>Amount Obligated</b>	<b>Amount Questioned<sup>2</sup></b>
1	81003	\$ 5,452	\$ 1,576	\$ 3,876
2	81005	4,477	2,278	2,199
3	81006	6,870	1,420	5,450
4	81010	80,620	56,880	23,740
	<b>Totals</b>	<b>\$97,419</b>	<b>\$62,154</b>	<b>\$35,265</b>

The customer agency and the representative had not provided any documentation or issued a complaint on the questionable payments made to the contractor. On the contrary, the customer agency representative has expressed that the customer agency was "very satisfied" with the contractor's performance. As a result, there was no supporting evidence for GPO to recover the questionable payments of \$12,641 made to the contractor for the modifications and quantity increases. (See Table on page 6.)

However, the Atlanta RPPO Manager should take corrective action to remove the direct-deal privilege from that particular customer agency representative on future term contracts, as directed by Section IV., paragraph 2 of GPO Publication 305.1. In addition, the Atlanta RPPO Manager should notify future customer agency representatives about the requirements of GPO Publication 305.1 and 310.2 on reporting modification in direct-deal term contract print orders through the award letter.

## **RECOMMENDATIONS**

The Manager, Printing Procurement Department, should:

- Ensure that the Manager, Atlanta Regional Printing Procurement Office, removes the direct-deal privilege granted to that particular customer agency representative of Program 3402-S (0010-01);

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<sup>2</sup> Before any prompt payment discounts were taken by the Comptroller.

- Ensure that all Printing Procurement Department's Contracting Officers notify future customer agency representatives about the requirements of Section IV., paragraph 3.a. of GPO Publication 305.1 and paragraph 1 of the Contract Clauses of GPO Publication 310.2 on reporting modifications in direct-deal term contract print orders through the award letter (0010-02); and
- Issue a written reminder to all Contracting Officers and other procurement personnel of the importance of reviewing the weekly Comptroller's Report JAPS64D1 *Payments of \$1,000 Thru \$999,999 Exceeding Estimated Amount By 5.0%* that is distributed by the Regional Operations Office in order to review any questionable payments made on direct-deal print orders (0010-03).

### **MANAGEMENT COMMENTS**

The Manager, Printing Procurement Department, agreed with the finding and the three recommendations.



## I-2. UNAUTHORIZED TIMEWORK

### FINDING

The contractor received \$1,590 to do Timework on 8 of the 10 direct-deal print orders for Program 3402-S, based on the unauthorized approval from the customer agency representative and contrary to the term contract specifications requiring approval from the Atlanta RPPO Contracting Officer on a contract modification.

No.	Print Order	Date	Hours Charged	Amount Charged to Timework
1	81001	11/17/98	2	\$ 120
2	81002	12/02/98	1	60
3	81003	01/26/99	6	360
4	81004	01/27/99	5	300
5	81005	01/27/99	1.5	90
6	81008	02/12/99	5	300
7	81009	02/12/99	2	120
8	81010	03/05/99	4	240
	<b>Total</b>		<b>26.5</b>	<b>\$1,590</b>

Sections 2 and 4 of the contract specifications states:

“Section 2 – Specifications CONSULTATION: For more complex consultation (i.e. those that require agency data be downloaded into contractor’s equipment for viewing and necessary manipulation) a Timework charge will be permitted. This level of consultation requires the issuance of a print order as the consultation will be job specific. Actual time involved will be agreed upon by the Contracting Officer’s Technical Representative (COTR) and the contractor upon completion of the consultation and the print order will be amended by Contract Modification. Disagreement on the amount of chargeable time shall be referred to the Contracting Officer for final resolution.”

“Section 2 – Specifications NOTE: Timework charges for making author’s alterations on an individual print order will be paid only when authorized by a Contract Modification from Contracting Officer.”

“Section 4 - Schedule of Prices I. (j) Timework...Operations, including file rebuilding of electronic files, which cannot be properly classified under any other item shall be charged as “Timework” and must be authorized by Contract Modification.”



These specific sections of the contract that discuss the Timework cost element are supported by paragraph 13 of the Supplemental Specifications in GPO Publication 310.2:

**“Timework.** Operations which cannot be properly classified under any other measurable item shall be charged as timework. Generally, timework charges will not be applicable. Each item and the time required therefore must be indicated separately and fully described on or with the contractor’s voucher; otherwise, the charges will not be allowed. The Government Printing Office reserves the right to determine the appropriate amount of time to be allowed for all such charges.”

The Atlanta RPPO procurement personnel were not aware of Timework charges that were authorized by the customer agency representative on the eight print orders, because the Atlanta personnel only received a copy of the original print order. The customer agency representative did not provide any written support for the eight print orders until March 24, 1999, 19 calendar days after Print Order Number 81010 was issued to the contractor.

A review of the customer agency representative’s March 24, 1999, memorandum to the Atlanta RPPO Contracting Officer did not identify or justify the use of the Timework cost element in the eight print orders. Timework charges in consultation, author’s alterations, or file rebuilding, as identified in Sections 2 and 4 of the contract specifications, were not mentioned in the memorandum.

However, as mentioned in Finding I-1, the customer agency and the representative have not provided any documentation or issued a complaint on the questionable payments made to the contractor on the Timework charges. As a result, there was no supporting evidence for the Atlanta RPPO Manager to recover the questionable payments of \$1,590 that GPO made to the contractor for the Timework charges.

## **RECOMMENDATION**

No recommendations were made to GPO officials.

### I-3. TIMEWORK SPECIFICATIONS

#### FINDING

On the direct-deal term contract, Program 3402-S, the Atlanta RPPO procurement personnel had difficulties in enforcing the contract specifications on the Timework cost element, as reported in Finding I-2. This has not been the first time that GPO procurement personnel had difficulties with contractors on the Timework cost element in direct-deal term contracts.

In February 18, 1992, a contractor submitted Print Order 20167 on direct-deal term contract, Program 298-S, to GPO for payment of \$40,680 or \$31,055 more than the customer agency had originally estimated. An OIG review of the print order identified the overcharge to the Timework cost element. As a result, on July 24, 1992, the OIG issued Audit Report Number 92-27 *The Cost Element "Timework" Should Be Excluded, Where Appropriate, on Future GPO Term Contracts*. Three recommendations were made to the Manager, Printing Procurement Department:

- To identify all existing term contracts that have "Timework" in the specifications (9227-1);
- To issue a procedural guidance to reduce "Timework" in the specifications on future term contracts (9227-2); and
- To ensure Contracting Officers closely monitor the billing of "Timework" by the contractor on future term contracts (9227-3).

On March 7, 1995, the Manager, Printing Procurement Department, issued a memorandum to his Contracting Officers directing them to follow the OIG audit recommendations on the Timework cost element in future term contracts. Additional guidance on the Timework cost element was provided in May 1999, by paragraph 13 of the Supplemental Specifications in GPO Publication 310.2.

However, on direct-deal term contracts, as reported in Finding I-2, the Contracting Officer cannot always monitor Timework charges to determine the appropriate amount of time to allow. The specifications in Program 3402-S required that a contract modification be prepared on all Timework charges and approved by the Contracting Officer.

Before a contract modification could be approved, the Atlanta RPPO Contracting Officer would have to know about the Timework charges from the customer agency representative. However, the customer agency representative failed to notify the Atlanta RPPO Contracting Officer. Without any notification from the customer agency

representative, the Atlanta RPPO Contracting Officer cannot monitor Timework charges by the contractor.

As a result, the customer agency representative's unauthorized approval of Timework charges on the eight print orders in Program 3402-S increased the risks for collusion between the customer agency representative and the contractor. In addition, the integrity of the procurement process was compromised when the internal controls for authorizing Timework charges were not separated from the customer agency representative, as required in Standard 5 of GPO Instruction 825.18A.

The Manager, Printing Procurement Department, should ensure that Contracting Officers are reminded to enforce the approval of all Timework charges, before the contractor can be paid, or to exclude the Timework cost element from all future direct-deal term contracts.

### **RECOMMENDATION**

The Manager, Printing Procurement Department, should issue a written reminder to all Contracting Officers and procurement personnel to enforce the approval of all Timework charges on direct-deal term contracts before a contract can be paid, or to exclude the use of the Timework cost element from all future direct-deal term contracts (0010-04).

### **MANAGEMENT COMMENTS**

The Manager, Printing Procurement Department, agreed with the finding and the recommendation.

## CHAPTER II. INTERNAL CONTROLS OVER VOUCHER EXAMINING

The Comptroller's Commercial Examination Section can improve the internal controls over voucher examining as directed by Standards 2, 3, 4, and 5 of GPO Instruction 825.18A.

Chapter II reports two findings that improvement is needed in the Commercial Examination Section's internal controls over voucher examining, and makes recommendations to strengthen these controls by: (1) developing written instructions to withhold funds; and (2) incorporating written desk procedures to audit future variances in contractor's vouchers of direct-deal print orders. A recommendation was also made to the Manager, Printing Procurement Department, to implement a policy specifying the PAYMENT clause to use in printing and binding contracts that authorizes the customer agency representative and/or the Comptroller to examine and certify approval over the contractor's billings on direct-deal print orders.

### II-1. WITHHELD FUNDS

#### FINDING

The Comptroller's Commercial Examination Section paid the contractor \$85,093 between April 2 and May 6, 1999, for work completed on Print Orders 81009 and 81010 for Program 3402-S, contrary to a March 23, 1999, memorandum from the Manager, Atlanta RPPO, requesting funds be withheld until further notice. (See Appendix III.)

<b>Print Order</b>	<b>Voucher Received</b>	<b>Contractor Paid</b>	<b>Amount Paid</b>
81009	04/16/99	05/06/99	\$ 4,876
81010	04/02/99	04/22/99	80,217
<b>Totals</b>			<b>\$85,093</b>

The Chief, Commercial Examination Section, recalls receiving the March 23, 1999, memorandum. However, the Chief was not sure whether the memorandum was reviewed before the payments were made to the contractor. The payments were made 4 and 6 weeks after the date of the memorandum.

Commercial Examination Section personnel could not provide any written instructions on withholding funds from a contractor. Instead, a written example from a VOPPS Inquiry screen of a cancel/default date that was entered in PICS by the Philadelphia RPPO on May 10, 1999, was provided.

A voucher examiner from the Commercial Examination Section did speak with a printing specialist from the Atlanta RPPO to verify Program Number 3402-S on the contractor's

voucher for Print Order 81010. Once verified, the voucher examiner processed the contractor's voucher for payment.

The voucher examiner denies that the Atlanta RPPO printing specialist mentioned the March 23, 1999, memorandum to withhold funds for Program 3402-S. However, the printing specialist's written documentation of the April 5, 1999, telephone conversation clearly states that the withhold funds memorandum was indeed discussed and that the voucher examiner was going to "flagged" the contractor in PICS. (See Appendix IV.)

This breakdown in written and verbal communications between the personnel in the Commercial Examination Section and the Atlanta RPPO; and the lack of written instructions on how to withhold funds from the contractor are contrary to Internal Control Standards 3 and 4 of GPO Instruction 825.18A:

*"Standard 3 – ...Effective communication within and between offices should be encouraged."*

*"Standard 4 – Managers should ensure that appropriate authority, responsibility, and accountability are defined and delegated to accomplish the mission of the organization...."*

As a result, the contractor was allowed to receive \$85,093 for the completion of two print orders before the questionable charges could be justified by the Atlanta RPPO Manager. To ensure that funds are withheld from future contractors with questionable charges, communications within the Commercial Examination Section and other offices need improvement; and written instructions should be developed and issued to all Printing Procurement Department offices.

## **RECOMMENDATIONS**

The Comptroller should ensure that:

- Effective communications within the Commercial Examination Section and among other offices is encouraged (0010-05); and
- Written instructions are developed and issued to all authorized Printing Procurement Department offices on the correct steps to take to withhold funds so that the Commercial Examination Section does not pay future contractors with questionable charges until those questions can be resolved (0010-06).

## **MANAGEMENT COMMENTS**

The Comptroller, agreed with the finding and the two recommendations.

## II-2. VARIANCES AUDITED

### FINDING

The Comptroller's Commercial Examination Section's voucher examiners and the printing specialists/assistants audit variances of \$1,000 or more on contractor's vouchers before any payments are made. However, for Program 3402-S, the Commercial Examination Section did not audit the variances for the 4 print orders totaling \$35,265, as shown in the Table on Page 8. The reason given was that Program 3402-S was a direct-deal term contract with language in the contract authorizing the customer agency representative to have examination and certification approval over the contractor's billing.

The wording in the contract for Program 3402-S read:

**"PAYMENT:** Submit all vouchers/invoices to: **Comptroller, U.S. Government Printing Office, North Capitol and H Streets, NW., Washington, D.C. 20401.**

**OPTIONAL PAYMENT PROCEDURE:** The Government Printing Office (at its option and by written notice) may utilize the following procedure. Vouchers/invoices for the work will be sent to the ordering agency for examination and certification as to correctness of the billing as applicable to the work performed. This certification by the ordering agency will suffice in lieu of submitting a completed sample with the contractor's voucher/invoice. After certification by the ordering agency, a copy of the approved voucher/invoice is to be submitted to the Denver RPPO immediately via fax...This requirement is in addition to the above **"Payment"** requirement. Failure by the contractor to mail the certified voucher/invoice to the comptroller at the above address **AND** fax the certified voucher/invoice to the Denver RPPO may result in the contractor not being paid in a timely fashion."

Had the OPTIONAL PAYMENT PROCEDURE clause not been included in the contract, the Commercial Examination Section would have audited the contractor's invoices, based on the PAYMENT clause.

The Chief, Commercial Examination Section, explained that Program 3402-S had the customer agency representative's approval on the contractor's voucher and the unwritten policy for the Section's voucher examiner and the printing specialist/assistant was that an audit was not required on any variances if the approval was signed off. As a result, the contractor was paid the additional \$35,265.

However, the Chief would not know that the customer agency representative's approval on the four print orders was not authorized in accordance with the written specifications of the term contract. Nor was the Atlanta RPPO Contracting Officer informed of any

variances on the contractor's vouchers. As a result, the Commercial Examination Section's unwritten policy on not auditing variances of direct-deal signoff print orders on Program 3402-S were contrary to the internal controls in Standards 2, 4, and 5 of GPO Instruction 825.18A:

*"Standard 2 – Manager controls must provide reasonable assurance and safeguards to protect assets against waste, loss, unauthorized use, and misappropriation."*

*"Standard 4 -- Managers should ensure that appropriate authority, responsibility, and accountability are defined and delegated to accomplish the mission of the organization, and that an appropriate organizational structure is established to effectively carry out program responsibilities."*

*"Standard 5 – Key duties and responsibilities in authorizing, processing, recording, and reviewing official agency transactions should be separated among individuals. Managers should exercise appropriate oversight to ensure that individuals do not exceed or abuse their assigned authorities."*

To implement these internal controls, the Comptroller should coordinate with the Manager, Printing Procurement Department, to ensure that future variances in contractor's vouchers in direct-deal signoff print orders are authorized and approved in accordance with the contract specifications of the term contract and the GPO Contracting Officer. This internal control should also be included in the Commercial Examination Section's written desk procedures for the voucher examiner and the printing specialist/assistant.

In addition, PPD officials should write and implement a policy specifying the PAYMENT clause to use in printing and binding contracts that authorizes the customer agency representative and/or the Comptroller to examine and certify approval over the contractor's billings on direct-deal print orders.

## **RECOMMENDATIONS**

The Comptroller should coordinate with the Manager, Printing Procurement Department, to ensure that future variances in contractor's vouchers for direct-deal signoff print orders are:

- Authorized and approved, as specified in the specifications of the term contract (0010-07);
- Brought to the attention of the GPO Contracting Officer when the contractor's voucher is certified (0010-08); and

- Defined and incorporated into the Commercial Examination Section's written desk procedures for the voucher examiner and the printing specialist/assistant (0010-09).

The Manager, Printing Procurement Department, should ensure that a policy is written and implemented that specifies the PAYMENT clause to use in printing and binding contracts that authorizes the customer agency representative and/or the Comptroller to examine and certify approval over the contractor's billings on direct-deal print orders (0010-10).

### **MANAGEMENT COMMENTS**

The Comptroller and the Manager, Printing Procurement Department, agreed with the finding and the four recommendations.





**OTHER MATTERS DISCUSSED WITH MANAGEMENT**

- During the audit, the OIG auditors identified three different versions of the Printing Procurement Department Contracting Officer's award letter that was sent to the customer agency and the contractor. A uniform letter is needed to ensure that all important information about the contract (dates, contractor's name, GPO point of contact, estimated costs, requesting changes, etc.) has been included.
- The Comptroller overpaid the contractor \$100 for Print Order 81010 on April 22, 1999. The customer agency representative had approved the contractor's voucher for \$80,520 on March 12, 1999. On April 2, 1999, the Atlanta RPPO Manager also approved the contractor's voucher for \$80,520 for Print Order 81010. However, on April 14, 1999, the Commercial Examination Section incorrectly entered \$80,620 in VOPPS for Print Order 81010, or a difference of \$100 more than the contractor's voucher. Once the prompt payment discount of 0.5 percent was taken, the contractor was paid \$80,217 or \$100 more than the \$80,117 that he was due.

<b>Amount Billed</b>	<b>0.5% Discount</b>	<b>Net Payment</b>
\$80,620	\$403	\$80,217
80,520	403	80,117
<b>Difference</b>		<b>\$ 100</b>

The Comptroller should take action to recover the overpayment of \$100 from the contractor.



**PRINT ORDER COMPARISON**  
**Print Order 81001**

<b>TASKS</b>	<b>GPO ESTIMATE</b>	<b>CONTRACTOR BILLED</b>	<b>DIFFERENCE</b>	<b>COMMENTS</b>
I (a)	\$ 0	276	<\$ 276>	Had 92 text pages with the cover printed in 4 colors and a blue line done on text pages.
I (b)	1,645	280	1,365	
I (e)	0	175	<175>	
I (h)	645	15	630	
I (l)	30	60	<30>	
I (j)	0	120	<120>	
II (d-1)	1,720	1,840	<120>	
II (d-2)	1,957	2,093	<136>	
II (d-3)	0	40	<40>	
II (d-4)	0	65	<65>	
II (d-5)	300	300	0	
II (d-6)	1,950	975	975	
III (a)	279	299	<20>	
III (e)	65	65	0	
IV	0	174	<174>	
<b>Totals</b>	<b>\$8,591</b>	<b>\$5,746<sup>3</sup></b>	<b>\$2,845<sup>4</sup></b>	

**Print Order 81002**

<b>TASKS</b>	<b>GPO ESTIMATE</b>	<b>CONTRACTOR BILLED</b>	<b>DIFFERENCE</b>	<b>COMMENTS</b>
I (b)	\$53			
II (a-1)	25			
II (a-2)	560			
II (a-3)	40			
II (a-4)	800			
II (f-1)	60			
II (f-2)	1,200			
II (g-1)	150			
II (g-2)	800			
III (l)	560			
IV (b)	320			
<b>Totals</b>	<b>4,568</b>	<b>\$3,443</b>	<b>\$1,125</b>	

<sup>3</sup> The contractor added wrong on the invoice to GPO. The actual column's total is \$6,777.

<sup>4</sup> The contractor added wrong on the invoice to GPO. The actual difference is \$1,814.



Print Order 81003

TASKS	GPO ESTIMATE	CONTRACTOR BILLED	DIFFERENCE	COMMENTS
I (b)	\$455	\$1,295	<\$840>	Rework was made on the Presentation Folder and Inserts.
I (e)	140	1,260	<1,120>	
I (h)	135	278	<143>	
I (l)	120	120	0	
I (j)	0	360	<360>	
II (a-1)	450	925	<475>	
II (a-2)	126	259	<133>	
II (a-3)	60	80	<20>	
II (a-4)	15	20	<5>	
II (a-5)	300	400	<100>	
II (a-6)	30	40	<10>	
II (h-1)	100	100	0	
II (h-2)	150	150	0	
III (f)	21	28	<7>	
III	0	37	<37>	
IV (b)	100	100	0	
<b>Totals</b>	<b>\$2,202</b>	<b>\$5,452</b>	<b>&lt;\$3,250&gt;</b>	

Print Order 81004

TASKS	GPO ESTIMATE	CONTRACTOR BILLED	DIFFERENCE	COMMENTS
I (b)	\$140	\$ 0	\$ 140	Re-scan and made new film on 1999 Mini-Litho.
I (e)	0	374	<374>	
I (f)	0	296	<296>	
I (h)	0	100	<100>	
I (l)	120	0	120	
I (j)	0	300	<300>	
II (b-3)	0	52	<52>	
II (b-4)	0	1,615	<1,615>	
II (b-5)	300	387	<87>	
II (b-6)	5,000	3,225	1,775	
II (e)	0	200	<200>	
III (f)	7,000	7,000	0	
IV (b)	500	645	<145>	
IV (c)	5,500	5,500	0	
<b>Totals</b>	<b>\$18,560</b>	<b>\$17,979<sup>5</sup></b>	<b>\$581<sup>6</sup></b>	

<sup>5</sup> The contractor added wrong on the invoice to GPO. The actual column's total is \$19,694.

<sup>6</sup> The contractor added wrong on the invoice to GPO. The actual difference is <\$1,134>.



Print Order 81005

TASKS	GPO ESTIMATE	CONTRACTOR BILLED	DIFFERENCE	COMMENTS
I (b)	\$ 210	\$ 210	\$ 0	Quantity increased from 4,663 to 18,650.
I (e)	175	0	175	
I (l)	180	45	135	
I (j)	0	90	<90>	
II (a-3)	233	60	173	
II (a-4)	0	933	<933>	
II (a-5)	300	300	0	
II (a-6)	466	1,865	<1,399>	
III	20	0	20	
III (g)	1,166	788	378	
IV (b)	48	186	<138>	
<b>Totals</b>	<b>\$2,798</b>	<b>\$4,477</b>	<b>&lt;\$1,679&gt;</b>	

Print Order 81006

TASKS	GPO ESTIMATE	CONTRACTOR BILLED	DIFFERENCE	COMMENTS
<b>Totals</b>	<b>\$3,170</b>	<b>\$6,870</b>	<b>&lt;\$3,700&gt;</b>	Quantity increased from 2,000 to 6,000.





Print Order 81007

TASKS	GPO ESTIMATE	CONTRACTOR BILLED	DIFFERENCE	COMMENTS
I (b)	\$35	\$ 35	\$ 0	
I (h)	15	0	15	
II (a-1)	25	25	0	
II (a-2)	105	210	<105>	
II (a-3)	20	20	0	
II (a-4)	75	75	0	
II (e)	0	200	<200>	
II (f-1)	60	0	60	
II (f-2)	225	0	225	
II (g)	0	375	<375>	
III (g)	375	0	375	
IV (b)	15	15	0	
IV (c)	0	55	<55>	
<b>Totals</b>	<b>\$950</b>	<b>\$1,010</b>	<b>&lt;\$60&gt;</b>	

Print Order 81008

TASKS	GPO ESTIMATE	CONTRACTOR BILLED	DIFFERENCE	COMMENTS
<b>Totals</b>	<b>\$8,010</b>	<b>\$6,863</b>	<b>\$1,147</b>	Blue lines added to 1999 Fat Albert Litho.

Print Order 81009

TASKS	GPO ESTIMATE	CONTRACTOR BILLED	DIFFERENCE	COMMENTS
<b>Totals</b>	<b>\$4,627</b>	<b>\$4,901</b>	<b>&lt;\$274&gt;</b>	



Print Order 81010

TASKS	GPO ESTIMATE	CONTRACTOR BILLED	DIFFERENCE	COMMENTS
I (b)	\$ 560	\$ 280	\$ 280	Gloss and dull varnish film added.
I (e)	0	70	<70>	
I (f)	0	450	<450>	
I (h)	240	60	180	
I (l)	960	120	840	
I (j)	0	240	<240>	
II (c-3)	400	400	0	
II (c-4)	18,000	18,000	0	
II (c-5)	1,200	2,400	<1,200>	
II (c-6)	18,000	18,000	0	
III (c)	15,000	15,000	0	
IV (b)	3,000	12,000	<9,000>	
IV (d)	6,750	13,500	<6,750>	
<b>Totals</b>	<b>\$64,110</b>	<b>\$80,620<sup>7</sup></b>	<b>&lt;\$16,510&gt;<sup>8</sup></b>	

<sup>7</sup> The contractor added wrong on the invoice to GPO. The actual column's total is \$80,520.

<sup>8</sup> The contractor added wrong on the invoice to GPO. The actual difference is \$16,410.



MARCH 23, 1999, MEMORANDUM

UNITED STATES GOVERNMENT  
**MEMORANDUM**

DATE: March 23, 1999

REPLY TO

ATTN OF: Douglas M. Faour

By: Rebecca C. Stone

SUBJECT: Withhold Funds - Program 3402-s, Purchase Order F1760

TO: Financial Management  
Through: Regional Operations Office

It is requested that all unpaid vouchers on the above referenced Program 3402-S, Purchase Order F 1760, remain unpaid until further notice from the Atlanta Regional Printing Procurement Office.

It has been brought to our attention that overpayment may have been made on Print Orders 81003, 81005, 81006, 81007, and 81009. They have furnished us with a voucher to submit for Print Order 81010 which we believe is inaccurate.

We have requested from the ordering activity, samples of the work performed and written documentation of the changes requested and performed by the contractor. Until we have proper documentation and justification for some of the questionable charges, we would like to request that no payments be made to this contractor. We will notify you of any costs that need to be collected on the above mentioned print orders.

Your cooperation is appreciated,

  
DOUGLAS M. FAOUR



APRIL 5, 1999, TELEPHONE CONVERSATION

RECORD OF: <input type="checkbox"/> VISIT <input type="checkbox"/> CONFERENCE <input checked="" type="checkbox"/> TELEPHONE CALL	TIME 3:05	DATE 4/5/99
Coordination with: Name Mr. Eban	Organization EMCE	Telephone No. 202-512-0800
SUBJECT:		
Jacket No: —	Purchase Order No: or Program/Print Order No: 34021	

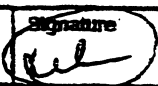
DIGEST:

He called because he has print orders w/ Denver Post under acct #00-#

Which print order? 80010 That's over-  
funds to be added per memo of 3/23/99

Said "OK per Faou" on voucher  
way - please FAX OK & he'll make  
sure K is flagged - K offered  
add'l discount to pay whi: 6 days  
NO WAY - he'll credit info from  
us -

CONCLUSION, ACTION TAKEN, OR REQUIRED:

Date 4/5/99	Title Pubg Spec	Signature 
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## MEMORANDUM

DATE: September 12, 2000

REPLY TO  
ATTN OF : Manager, Printing Procurement Department

SUBJECT: Draft Report On The Billing Voucher submitted For Program  
3402-S (" Blue Angels" Promotional Materials)

TO: Inspector General

This is in response to your requests for review and comments on the draft report noted above. As stated in your cover memo to this report, Printing Procurement has agreed to the five recommendations at the exit conference. However, the third recommendations, the review of the JAPs 64D1 Report states that this review is required by the Printing Procurement Regulation Chapter XIII 1.5(b). This review in the Printing Procurement Regulation refers to alerting the Contracting Officer to procedural errors by the Agency in placing Print Orders. It is not a review of questionable voucher payments. The JAPs 64D1 report and the quarterly report at Chapter XIII 1.5(b) are two distinct reviews and are not interrelated. Please delete reference to Chapter XIII 1.5(b) in recommendation number 3.

Actions on the recommendations will be taken as follows:

Recommendation # 1. The Manager of Atlanta will remove the direct deal authority from the individual responsible at the agency for administering this Program 3402-S.

Recommendation # 2. The Printing Procurement Department will develop a new template on our computer system that addresses the required language in our award transmittal to the agencies on direct deal contracts.

Recommendation # 3 and # 4. Either in paper or electronic media, an issuance will be forwarded to the Managers, reminding them of the importance of reviewing JAPs 64D1 and of adhering to the March 7, 1995 memorandum on timework.

Recommendation #10. The Printing Procurement Department will write and implement the requested clarification.

The Printing Procurement Department will coordinate as necessary with Financial Management on the remaining recommendations.

00-10  
(232)

  
M.L. Arneson

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RSA  
9/13/00



**U.S. Government  
Printing Office**

# Memo

**To:** Inspector General  
**From:** Comptroller  
**Date:** 09/19/00  
**Re:** Response on Draft Report on the Billing Vouchers Submitted for Program 3402-S

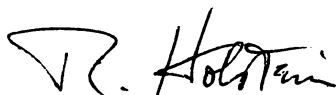
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Members of my staff met on August 21, 2000 with your staff on the draft report for Program 3402-S (Blue Angels' Promotional Materials). They discussed many issues in the original draft report and thought the discrepancies had been resolved. However, the revised draft report contains two statements we disagree with and after discussing them with Mr. Verch, he agreed to change them.

The first paragraph on page 18 should read: **"The Comptroller should coordinate with the Manager, Printing Procurement Department, to ensure that future variances in contractor's vouchers for direct-deal signoff orders are:"** The word that was omitted was "signoff" and Mr. Verch agreed that it should be in the paragraph.

Recommendation number (8) on page 18 currently reads: "Brought to the attention of GPO Contracting Officer before any payments are made (8); and". If we followed this recommendation, GPO would lose 9 out of 10 prompt payment discounts. Mr. Verch agreed to change the recommendation to: **"Brought to the attention of GPO Contracting Officer when the contractor's voucher is certified (8); and"**. This allows my staff to collect the prompt payment discount. We are notifying the Printing Procurement Department daily of the payments having a variance of 5% or more. The Contracting Officer can review the scanned image of the voucher on the day after certification for payment. Any discrepancy in the amount of payment is recoverable from the contractor if needed.

My staff and I appreciate the professional manner in which Mr. Verch conducted the exit conference. If you need any additional information, please contact Robert Colvin on 512-2073.



ROBERT B. HOLSTEIN

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(232)

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GA  
9/19/00

