

**REPORT ON IMPROVING THE
CONTROLS OVER THE PROCESSING
OF CUSTOMER REQUISITIONS**

September 2000

00-11



Office of Audits



UNITED STATES GOVERNMENT PRINTING OFFICE
OFFICE OF INSPECTOR GENERAL

memorandum

DATE: September 29, 2000

REPLY TO

ATTN OF: Inspector General

SUBJECT: Report on Improving the Controls over the Processing of Customer Requisitions

TO: Production Manager, Production Department
Director, Customer Services
Manager, Printing Procurement Department

The Office of Inspector General conducted a performance audit to evaluate the adequacy, efficiency, and effectiveness of the internal controls over the requisition process, and the timeliness and accuracy of the decisions to forward requisitions to the Production Department and the Printing Procurement Department. The audit included tests of requisitions received during the months of June and August 1998.

The audit identified opportunities to improve controls over the requisition process within Customer Services and the Production Department (Production) and the commitment to operate equipment at full or close to full utilization basis.

Nine recommendations, when implemented, will improve and strengthen controls over processing requisitions within the Customer Services and Production Department and retain more agency requisitions in-house to maximize manpower efficiently and effectively and achieve full or close to full utilization basis.

The Production Manager, Production Department, agreed with the five recommendations addressed to him and has begun taking corrective action. (See Appendix V.) The Director, Customer Services, agreed with one and has accomplished another of the remaining four recommendations addressed to him. (See Appendix VI.) The OIG, however, believes that the implementation of the other two recommendations will: (1) improve the internal controls over reviewing potential in-house work for the Production Department; and (2) allow GPO employees to enter information more efficiently in support of the Office of Information Resources Management's objective to automate manual systems.

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The Manager, Printing Procurement Department, was given the opportunity to comment on the audit report, although no recommendations were directed to him. No comments were received from the Printing Procurement Department.

Mr. Joseph Verch, Supervisory Auditor, and Mr. Kevin Becks, Auditor-In-Charge, conducted this audit.

We appreciate the cooperation and courtesies extended during the audit by officials and staff of Customer Services, the Production Department, the Printing Procurement Department, Office of Budget, Office of Comptroller, and Office of Information Resources Management.


ROBERT G. ANDARY

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(312)

**REPORT ON IMPROVING THE CONTROLS OVER
THE PROCESSING OF CUSTOMER REQUISITIONS**

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

**REPORT ON IMPROVING THE CONTROLS OVER
THE PROCESSING OF CUSTOMER REQUISITIONS
RESULTS IN BRIEF**

From June 1998 through March 1999, the Government Printing Office's (GPO) Office of Inspector General (OIG) conducted a performance audit to evaluate the adequacy, efficiency, and effectiveness of controls over the requisition process. The OIG also evaluated the timeliness and accuracy of the decision-making process for forwarding requisitions to either Production or Procurement.

Customer Services processes congressional and agency requisitions in a timely manner. However, opportunities exist to improve and strengthen controls over processing requisitions within both Customer Services and the Production Department and to retain more agency requisitions in-house to maximize manpower efficiently and effectively and achieve full or close to full utilization as directed by:

- GPO Instruction 825.18A *Internal Control Program*;
- GPO Instruction 105.1B *Organization and Functions of the Government Printing Office*; and
- *Guidelines for the Requisition Section (DARD) for Issuing Printing & Binding Jackets*.

The report contains nine recommendations to improve the controls over the requisition process within the Customer Services and Production Department and retain more agency requisitions in-house. The nine recommendations from the five OIG findings listed below will strengthen controls, maximize manpower efficiently and effectively, and achieve full or close to full utilization:

1. Identify cost-effective presses and bindery equipment;
2. Obtain complete and accurate information;
3. Replace inadequate equipment and adopting new technologies;
4. Improve communications between the Requisition Section and the Production Planning and Scheduling Committee; and

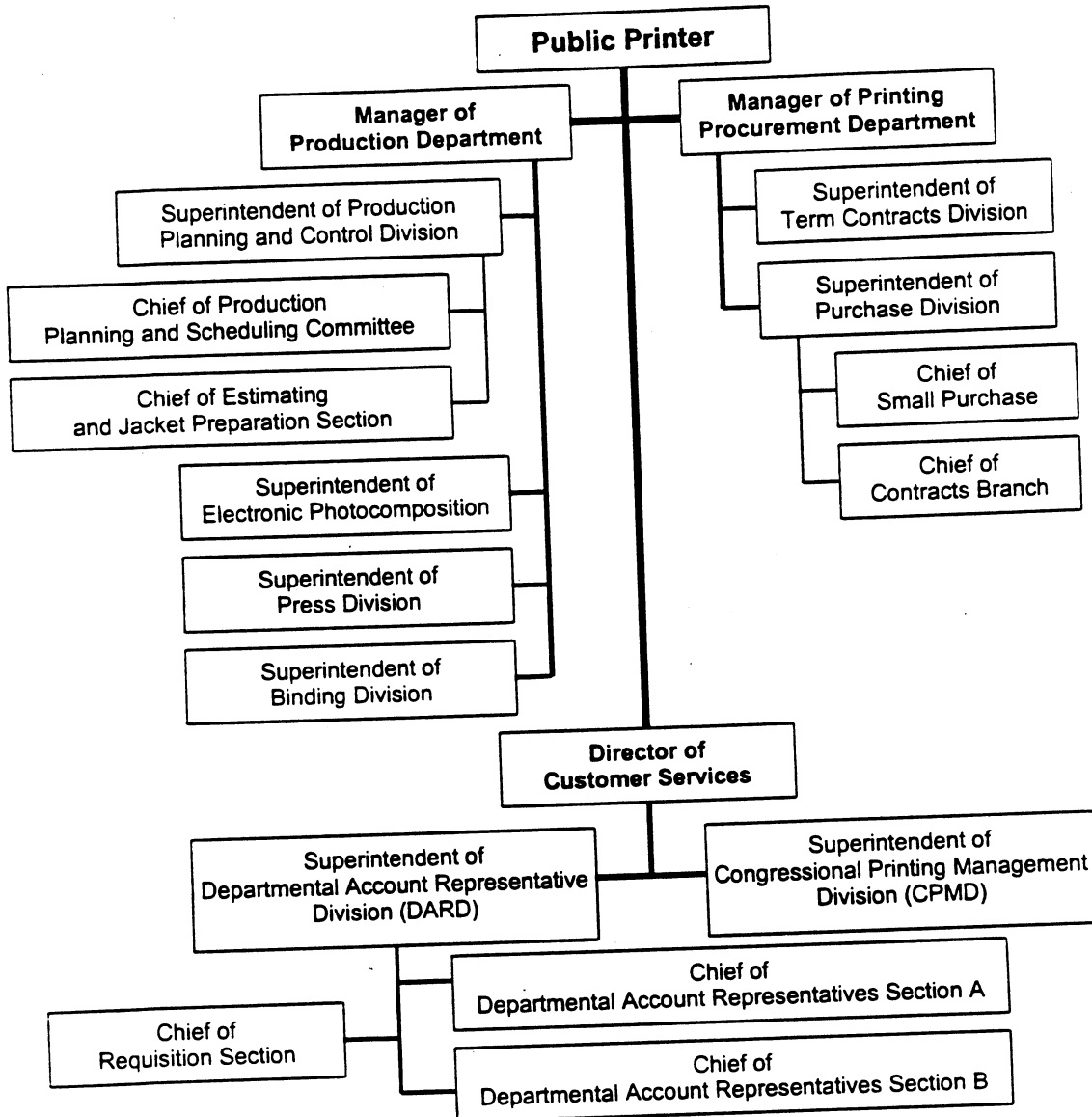
5. Automate the requisition process.

In addition to the nine recommendations, OIG recommends GPO implement all or part of the following related recommendations from the Booz-Allen Report (Management Audit of the Government Printing Office [May 21, 1998] by Booz-Allen & Hamilton, a management consulting firm from McLean Virginia):

- (4) Improve joint evaluation and job planning between Customer Services and Production Planning by implementing the four points noted on page 4-22;
- (5) Identify areas of overhead cost reduction, process improvement, and reduction in management layers as noted on page 4-28 and implement the steps on page 4-30;
- (6) Develop an in-plant strategic manufacturing plan that incorporates procedures to gather, analyze and rank customer requirements with current and planned technology and current in-plant capabilities; develop computer-based models of the entire in-plant operation incorporating exact equipment capabilities and costs; and improve in-plant information systems using documentation such as performance reports, data sheets, control charts as noted on pages 4-34 and 4-35;
- (7) Complete a study of machine optimization in press and bindery to determine production capacity based on current equipment characteristics and develop methods or tools to ensure that production related information is collected in an accurate and timely manner as noted on pages 4-47 and 4-48; and
- (8) Improve information management capabilities within Production by defining information technology requirements necessary to meet the needs of in-plant operations and retrofitting in-plant equipment to support real-time process measurement, data collection, and feedback capabilities linking to a new job ordering and tracking system as noted on pages 4-52 and 4-53.

BACKGROUND

GPO Instruction 105.1B Organization and Functions of the Government Printing Office governs the organizational structure and functions of GPO. The requisition process involves three major departments at GPO: Customer Services and the Production and Procurement Departments. Below is an organizational chart of the three areas.

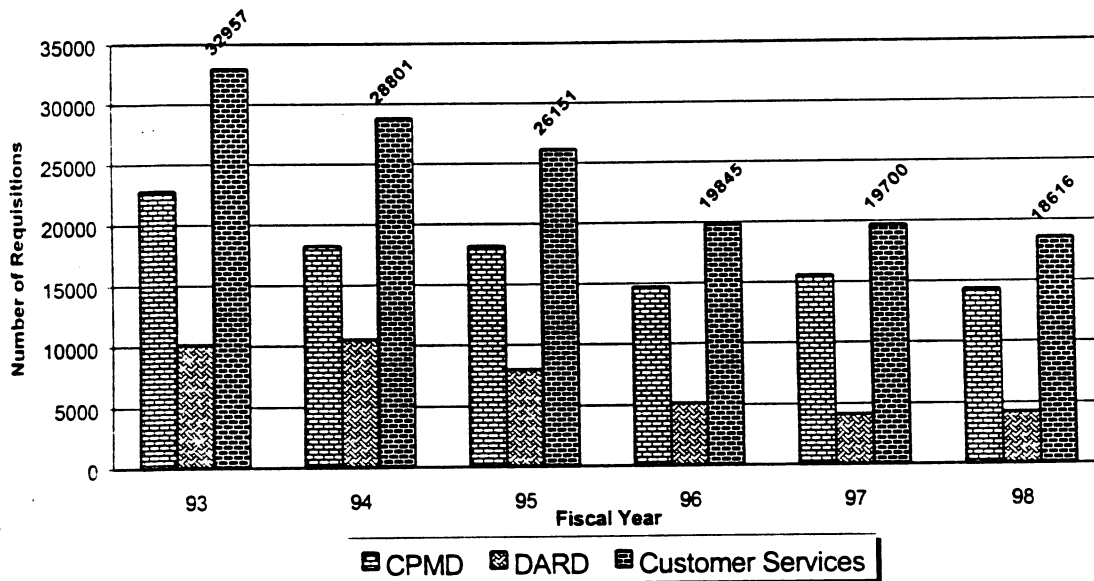


Customer Services processes requisitions within two divisions. Congressional Printing Management Division (CPMD) processes requests received from Congress and Departmental Account Representative Division (DARD) processes requests received from agencies. Both divisions assume responsibilities for deciding whether to route work to either Production or Procurement. However, the decision is less a factor for CPMD than that of its counterpart, DARD, because congressional requisitions receive priority over agency requisitions.

On the other hand, the Requisition Section (Requisition) of DARD processes requests from agencies. The decision to route agency requests to either Production or to Procurement is the responsibility of the Chief of the Requisition Section. However, according to GPO Instructions and other guidelines the responsibilities for retaining work in-house is that of the Production Planning and Control Division.

The number of requisitions produced in-house continues to decline since Fiscal Year 1993. As Exhibit 1 shows below, total requisitions (jackets and print orders) reached 32,957 in Fiscal Year 1993. In Fiscal Year 1998, Customer Services processed 18,616¹ total requisitions for in-house; a reduction of 14,341 requisitions or a 43.5 percent decrease in the number of jobs.

**Exhibit 1
Requisitions Processed by Customer Services for Production**



¹ Workload includes new jackets, print orders and other orders of both CPMD and DARD.

As shown in **Table 1** below, Customer Services processed 2,891 requisitions in June 1998 and 2,069 requisitions in August 1998. Procurement received 69 percent of the agency requisitions in June (1,019) and 75 percent in August 1998 (1,066).

Production received 1,872 and 1,003 requisitions during June and August 1998. CPMD processed 1,408 and 652 congressional requisitions in June and August 1998 for Production to produce in-house. DARD processed 464 and 351 agency requisitions in June and August 1998 for Production to produce in-house.

Table 1

| | Requisitions | | | | | | | |
|---------------|--------------|-------------|--------------|--------------|--------------|-------------|------------|--------------|
| | June 98 | | | | August 98 | | | |
| Department | DARD | | CPMD | Totals | DARD | | CPMD | Totals |
| Procurement | 1,019 | 69% | | 1,019 | 1,066 | 75% | | 1,066 |
| Production | 464 | 31% | 1,408 | 1,872 | 351 | 25% | 652 | 1,003 |
| Totals | 1,483 | 100% | 1,408 | 2,891 | 1,417 | 100% | 652 | 2,069 |

The majority of agency requisitions produced in-house consist of the Federal Register, the Code of Federal Regulations, the United States Budget, passports for the State Department, and postal cards for the U.S. Postal Service.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objectives of this performance audit were to evaluate the adequacy, efficiency, and effectiveness of the internal controls over the requisition process, and the timeliness and accuracy of the decisions to forward requisitions to either the Production Department or the Printing Procurement Department.

The OIG tested a random sample of 47 requisitions. The 47 requisitions represented about 5 percent of the 1,025 one-time jobs for 4 product codes identified as the predominant products produced in-house and sent to procurement during the months of June and August 1998. These four product codes were (06) books, (23) envelopes, (27) forms, and (38) pamphlets.

June and August was selected to compare and contrast Production's productivity during a time when Congress was in session (June) and in recess (August). The sample was selected when the audit fieldwork began in 1998. The OIG believes that the conditions noted in this audit report have not materially changed since that time, and that the recommendation based on the sample are valid.

The field work for this audit was conducted during the period of June 1998 through March 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. GPO Instruction 105.1B *Organization and Functions of the Government Printing Office* dated May 13, 1991, which identified general policy and procedures of Customer Services and other departments and offices within GPO;
2. GPO Instruction 825.18A *Internal Control Program* dated May 28, 1997, which identified policy, standards, and responsibilities for conducting internal control reviews of GPO programs;
3. *Guidelines for the Requisition Section (DARD) For Issuing Printing & Binding Jackets* dated March 27, 1997, which provided guidelines to actively retain all suitable work in-house and, if necessary to negotiate price with the agency;
4. An external May 21, 1998, report by Booz-Allen & Hamilton and the December 15, 1998 and 1999, Status Reports to Congress;
5. The flow of requisitions within CPMD and DARD;
6. Specific risk factors associated with receipt and recording of requisitions; and

7. Actual control tests to ensure events were handled according to applicable policies and procedures.

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

- Customer Services, including officials from the Congressional Printing Management Division, the Departmental Account Representatives Division, and the Requisition Section;
- Production Planning and Control Division, including officials from the Production Planning and Scheduling Committee and the Estimating and Jacket Preparation Section;
- Production Department, including officials from the Press Division, the Binding Division, Electronic Photocomposition Division, and the Production Information Management Section;
- Printing Procurement Department, including officials from the Purchase Division and the Contract Management Division;
- Office of Budget and the Office of Comptroller; and
- Office of Information Resources Management.

FINDINGS AND RECOMMENDATIONS

1. IDENTIFY COST-EFFECTIVE PRESSES AND BINDERY EQUIPMENT

FINDING

GPO maintains more presses and bindery equipment than necessary to meet the needs of its customers and a shortage of manpower to operate all the equipment. As a result, Customer Services and Production Department officials need to retain selected agency work in-house to maximize efficient and effective use of the most cost-effective presses and bindery equipment.

According to the May 21, 1998, Booz-Allen Report, "...decision-making and communication breakdowns constitute significant disruption and financial losses to in-plant production, particularly in light of declining in-plant agency workload. GPO in effect ends up selling away in-plant capacity; this is particularly detrimental to in-plant efficiency when congressional demand is low."²

Officials from various GPO operations (Budget and Comptroller), as well as upper management needs to inform Production Department officials of the presses and bindery equipment that are the most cost-effective to direct appropriate resources, such as, agency requisitions and manpower necessary to run the equipment efficiently and effectively.

At the time, GPO had 45 assorted presses and 43 various items of bindery equipment³ to serve the needs of its customers when the private sector cannot do the customers' requisitions themselves. Although, running all of the presses and bindery equipment at once is not practical since job specifications vary for each job and each agency and a shortage of qualified GPO printing and bindery personnel exists, many of these presses and bindery equipment remained idle for long periods.

For instance, during the month of June 1998, Production reported presses were non-productive at a rate of 74.6 percent. The percentage rate of non-productivity increased to 80.5 percent in August 1998. (See Figures 3 and 4 of Appendix I.) The non-productive rate includes presses that were manned and unmanned.

For both June and August, the percentage of presses that were both non-production and manned were 5.7 percent of all the presses. In August, when Congress was in recess the percentage of presses that were non-productive, but unmanned was

² Page 4-21

³ The number of presses and bindery equipment of which GPO maintains reportable labor hours.

74.8 percent. In other words, 33 (.75 times 45) presses were non-productive and unmanned during the month of August.

When taking into account only those presses reporting labor hours (manned presses), Production reported presses at a non-productive rate of 18.2 percent for June and 22.4 percent for August. (See Figure 2 of Appendix I)

Furthermore, Production reported an average percentage rate of non-productive and manned presses of 21 percent from October 1997 through February 1999. (See Figure 1 of Appendix 1.) Production officials, however, do not have performance standards to determine an acceptable level of non-productivity. Consequently, these officials cannot adequately determine the number of customer requisitions to retain in order to manage GPO's printing and binding operations at full or close to full utilization.

This abundance of equipment, the shortage of personnel, and the uncertainty on the amount of Congressional printing hinders efforts to retain more requisitions in-house, maximize manpower efficiently and effectively on cost-effective printing and binding equipment, and achieve full or close to full utilization.

RECOMMENDATION

The Production Manager, Production Department, consults with officials from the Offices of Budget and Comptroller to identify the more cost-effective presses and bindery equipment needed to perform congressional work and direct appropriate resources to maximize manpower efficiently and effectively and achieve full or close to full utilization for the more cost-effective presses and bindery equipment (0011-01).

MANAGEMENT COMMENTS

The recommendation was originally addressed to the Production Manager, Production Department, and the Director, Customer Services. However, as a result of the comments received from the Production Manager, Production Department, (Appendix V) and the Director, Customer Services, (Appendix VI), the recommendation has been revised and addressed to only the Production Manager, Production Department.

The Production Manager, Production Department, agreed with the finding and the recommendation. (See Appendix V.)

2. OBTAIN COMPLETE AND ACCURATE INFORMATION

FINDING

The Production Department's Planning and Scheduling Committee uses incomplete and inaccurate information to determine whether or not Production has the necessary resources to commit to increased agency requisitions in-house. The lack of complete and accurate information prevents Production from knowing what constitutes full utilization as directed by GPO Instruction 825.18A, which states:

"Internal controls [are] the organization, policies, and procedures used to reasonably ensure that:

- (1) programs achieve their intended results;
- (2) resources are used consistent with agency mission;
- (3) programs and resources are protected from waste...;
- (4) laws and regulations are followed; and
- (5) reliable and timely information is obtained, maintained, reported, and used for decision making."

The Scheduling Committee receives two reports, the *Daily Summary of Work* and the *Daily Report of Press Loading* to determine whether or not Production has the resources to commit to agency requisitions in-house. However, the Scheduling Committee does not always use these reports. Instead, the Scheduling Committee relies on officials from Press and Binding Divisions responsible for assignments and workload activities. The reports are incomplete, inaccurate, and thus not useful, contrary to Standard 2 of GPO Instruction 825.18A, which states:

"Management controls must provide reasonable assurance and safeguards to protect against waste, loss, unauthorized use, and misappropriation. Management controls developed for agency programs should be logical, applicable, reasonably complete, and effective and efficient in accomplishing management objectives."

Also, the Booz-Allen Report states:

"The failure of current in-plant information technologies to provide accurate and dependable management information is best evidenced by PEP [Production Estimating and Planning], the existing production management system...The telephone is often used to track a job rather than relying on the information contained in the PEP system."⁴

For example:

- The *Daily Summary of Work* reports current workload on major equipment and operations in various Divisions throughout GPO. This report, however, is not updated to be effective. The number of jackets on hand for Phototypesetting remains unchanged for an undetermined, but lengthy period of time and does not reflect the actual work-in-process.
- The *Daily Report of Press Loading* lists the number of impressions, hours, and days scheduled for production. This report, however, is useful only when presses are running at full utilization, because the report does not show whether a press is manned.

Reliance on Production officials, however, does not always ensure that manpower and equipment operate on a full or close to full utilization basis as directed by the *Guidelines* and *GPO Instruction 825.18A*. For instance, the "Cumulative Monthly Machine and Group Report by Machine Number" for the month of June 1998 showed that manned equipment in the Press Division was idled at a rate of 18.2 percent. This rate increased to 22.4 percent when Congress was in recess in August 1998. (See Figure 2 of Appendix I.)

RECOMMENDATION

The Production Manager, Production Department, obtain reliable and timely reports and other information, which identifies agency work that can be done on equipment used for congressional work to allocate available resources and operate equipment at full or close to full utilization basis as directed by *Guidelines* and *GPO Instruction 825.18A* (0011-02).

MANAGEMENT COMMENTS

The Production Manager, Production Department, agreed with the finding and the recommendation. (See Appendix V.)

3. REPLACE INEFFICIENT EQUIPMENT AND ADOPT NEW TECHNOLOGIES

FINDING

The Production Department does not have the proper printing presses, bindery equipment, or manpower, to meet both the needs of congressional and also many agency job specifications to print in-house during low periods of congressional demand such as during recesses and election years. As a result, Production has not been able to retain enough agency work to operate its equipment at full or close to full utilization, as directed by *Guidelines for the Requisition Section (DARD) for Issuing Printing & Binding Jackets (Guidelines)*:

Production is ordered to retain whatever work is necessary to operate equipment on a full or close to full utilization basis...Production is authorized to negotiate the price of that work, if necessary, to get agency concurrence that said work be retained. That negotiation process could evolve a price comparable or close to that which the agency could obtain in the private sector...."

The Booz-Allen Report stated:

"Consistent downward trends in labor and machine utilization and the mix of agency and congressional work require planning to optimize production utilization. This includes developing strategies to increase agency work during low periods of congressional demand such as during recesses and election years."⁵

Production officials stated that GPO is not competitive with commercial printers, because Production does not have the manpower or the proper equipment to meet specifications. Some agency requisitions were too large; too complex; required quick turnaround; or contained specifications which required equipment that was either unavailable, such as four-color presses, or was available, but not cost-effective, such as jobs of 8½ inches by 11 inches. As a result, Production reported a non-productive rate of 21 percent a month from October 1997 through February 1999 for its manned equipment. (See Figure 1 in Appendix 1.)

GPO/2001, the strategic plan for the new millennium adopted by GPO in 1991, envisioned that GPO would grow with and adopt new technologies to prepare for the future of information. *GPO/2001* states: "And the rate of change continues to accelerate with continual technological advances that affect us all in how we access and receive information. Among the key technologies driving the future of information are:

- the increasing use of color to add impact to a broad variety of information products;

⁵ Page 4-35

- rapid advances in print-on-demand and scanning technologies, including color....”

Production is unable to grow and adopt new technologies or meet the challenge as quickly as expected. For example, the only presses capable of four-color work are in the Passport and Postal Card Section. As a result, agency requisitions needing four-color work are forwarded directly to the Printing Procurement Department for award to commercial contractors.

Furthermore, Production can produce large jobs more cost effectively using web presses instead of sheet-feed presses, which require additional work from the Binding Division. Web presses, however, print on paper only up to 8 and three-eighths inches by 11 inches. Thus, Production receives requisitions for web presses that contain specifications of only 8 and three-eighths of an inch by 11 inches, not the more common 8½ inches by 11 inches as detailed in Appendix II.

Procurement awards large agency jobs, such as Internal Revenue Service (IRS) publications, to commercial sources, because of conditions that existed in the past. GPO did too many large jobs at one time using older, less cost effective machinery and equipment. Thus, printings of IRS publications by GPO in-house were not always timely. These conditions no longer apply.

IRS publications provide excellent flexibility for Production schedules and are cost-effective to run on web presses as described in a case study in Appendix II. The case study showed that using the more efficient web presses is competitive with commercial sources and achieves a cost comparable with the private sector as directed by the *Guidelines*.

Not receiving large agency requisitions, like the IRS publications, when web presses are free of congressional work forced the Press Division to use web presses on smaller and less cost-effective agency requisitions. Thus, sheet-fed presses, like the ones shown on page 1 of Appendix III, incurred significant idle time while web presses receive smaller, but less cost-effective jobs.

Production needs to eliminate inefficient equipment, such as sheet-feed presses, and replace them with more efficient and effective web presses using four-color ink and sizes commonly used throughout the government that also meet the requirements of congressional job specifications. The goal is to obtain more efficient equipment to improve the performance of congressional work and retain a percentage of agency requisitions done in-house to achieve full or close to full utilization.

Production also needs to work with Customer Services and Procurement officials to identify types of printing and binding products that GPO customers commonly request. While the Procurement Information Control System does identify printing and binding products by “product code,” this code is very general and does not provide sufficient information, such as size and color to Production officials in determining the printing and

binding equipment needed to do the job. As a result, a detailed description is needed, as noted in the Booz-Allen report, which recommended that the Production Department develop and implement a formal in-plant planning process by gathering, analyzing, and ranking current and future customer requirements with current and planned in-plant capabilities.⁶ This information needs to be kept current in a database in order to keep abreast of the type of equipment needed to meet the needs of GPO customers, as well as to operate the equipment on a full or close to full utilization.

RECOMMENDATIONS

The Production Manager, Production Department, consults with officials from the Offices of Customer Services and Printing Procurement Department to:

- Develop a system (data base) that gathers detailed information about the types of jobs that GPO customers commonly request, such as size and color of products, to aid in identifying proper printing presses, bindery equipment, and manpower needed (0011-03); and,
- Develop procedures that allows Production officials to review agency requisitions that have to be placed out for bid again because of changes to agency specifications (0011-04).
- Develop procedures to periodically evaluate and replace inefficient and ineffective printing presses and bindery equipment with more efficient equipment, based on the information gathered from Recommendation Number 0011-03 to: (1) improve the performance of congressional work; (2) retain a percentage of agency requisitions done in-house and at the same time; and (3) operate at full or close to full utilization, as directed by the *Guidelines* (0011-05).

MANAGEMENT COMMENTS

Recommendation Numbers 0011-03 and 0011-04 were originally addressed to the Production Manager, Production Department, the Director, Customer Services, and the Manager, Printing Procurement Department. However, as a result of the comments received from the Production Manager, Production Department, (Appendix V) and the Director, Customer Services, (Appendix VI), the two recommendations have been revised and addressed to only the Production Manager, Production Department.

The Production Manager, Production Department, agreed with the finding and the three recommendations. (See Appendix V.)

⁶ Pages 4-38 and 4-39

4. IMPROVE COMMUNICATIONS BETWEEN THE REQUISITION SECTION AND THE PRODUCTION PLANNING AND SCHEDULING COMMITTEE

FINDING

GPO Instruction 105.1B and other guidelines no longer reflect the actual duties performed by both Customer Services and the Production Department, contrary to Standard 4 of GPO Instruction 825.18A, which states:

“Managers should ensure that appropriate authority, responsibility, and accountability are defined and delegated to accomplish the mission of the organization....”

GPO Instruction 105.1B, dated March 17, 1978, prescribes the duties and responsibilities of Customer Services and the Production Department. According to the Instruction, the Requisition Section (Customer Services) determines, in conjunction with the Production Planning and Scheduling Committee (Production Department), whether GPO procures work to commercial sources or produces work in-house. The Scheduling Committee is responsible for reviewing all requisitions and print-orders received in the Central Office and making changes or corrections as necessary depending on plant workload and capabilities.

In August 1993, Customer Services submitted changes to GPO Instruction 105.1B to address the changes in the organizational functions of Customer Services.

In March 1997, the Production Department issued *Guidelines for the Requisition Section (DARD) for Issuing Printing & Binding Jackets*, which states:

“Production is advised that they have the right to retain work from the Executive agencies and other sources to fill the voids in production schedules caused by Congressional recesses and other factors... Production is ordered to retain whatever work is necessary to operate the equipment facilities at GPO on a full or close to full utilization basis...The Production Planning & Scheduling Committee is to actively seek all suitable work for retention in-house when such action is deemed appropriate....”

However, the August 1993 changes and the March 1997 *Guidelines* have yet to be incorporated into the GPO Instruction. Furthermore, the August 1993 changes reinforce the policy that Requisition Section work with the Scheduling Committee, as well as representatives from both Production and Procurement, in determining what work remains in-house. As a result, the current Instruction does not reflect the current duties and responsibilities of either the Requisition Section or the Scheduling Committee:

- Presently, the Requisition Section receives all agency requisitions and print-orders and determines whether GPO procures work to commercial sources or produces work in-house based on criteria established by the *Guidelines*. The Requisition Section forwards only agency requisitions and print-orders that match the criteria for in-house work to the Scheduling Committee; and
- The Scheduling Committee reviews the plant's workload and capabilities and forwards only those agency requisitions and print-orders that Production can produce in-house to Estimating and Jacket Preparation Section for estimates. All other agency requisitions and print-orders are returned to the Requisition Section for procurement.

Thus the Requisition Section controls the decision-making process and provides the Scheduling Committee with agency work that the Requisition Section determines Production can do in-house. However, the Requisition Section does not have experience to negotiate with agencies to retain work in-house and does not maintain information concerning production schedules and workload activities.

According to the Booz-Allen Report:

"When an initial agency job requisition comes in, Customer Services has at times directly procured work suitable to in-plant production without giving Planning and Estimating an opportunity to bid on the job. Such decisions are based on inaccurate judgments about job attributes or current in-plant availability or capacity."⁷

Furthermore, the Requisition Section does not document its decisions to forward requisitions to Procurement. Thus, the Scheduling Committee cannot determine whether the decisions by the Requisition Section are appropriate.

A review of 47 jobs contracted during the months of June and August 1998 disclosed as many as 27 jobs could have been done by Production in-house, but only one request showed evidence that Estimating received the job and prepared an estimate.

Planning officials could not determine with certainty why Printing Procurement received these requests, because the reasons were not documented, but did offer some possible reasons. The reasons were: (1) not cost effective; (2) inadequately equipped or understaffed in Press or Binding Divisions; (3) too large or complex of a job; or (4) too quick of a turnaround time.

The Booz-Allen Report also stated:

"Production Planning and Scheduling, responsible for initial job estimates, may not always be informed by Customer Services of an agency's reasons for

⁷ Page 4-21

rejecting an initial job estimate. Production Planning and Scheduling therefore loses the opportunity to re-estimate, capture agency work, and/or modify estimating procedures.”⁸

Since the Scheduling Committee is not involved in the requisition process to the extent required by the March 1997 *Guidelines*, the Scheduling Committee cannot actively seek all suitable work for in-house production. Better communication between the Requisition Section and the Scheduling Committee, with written reinforcement from an updated Instruction 105.1B, is needed to provide clear authority, responsibility, and accountability between the two offices with regard to retaining agency work in-house.

RECOMMENDATIONS

The Director, Customer Services, implements the following recommendations to improve the communication between the Requisition Section and the Production Planning and Scheduling Committee by:

- Updating GPO Instruction 105.1B to reflect the current organizational structure and functions of Customer Services. The Instruction should reference: (1) the August 1993 changes and the March 1997 *Guidelines for the Requisition Section (DARD) for Issuing Printing & Binding Jackets*; and (2) an objective of GPO to maintain manpower and equipment at full or close to full utilization (0011-06);
- During the interim phase until OIG Recommendation Number 0011-06 is implemented, the Requisition Section involve the Production Planning and Scheduling Committee in the requisition process, and actively seek all suitable work for retention in-house when such action is appropriate in accordance with the March 1997 *Guidelines for the Requisition Section (DARD) for Issuing Printing & Binding Jackets* (0011-07); and
- Having the Requisition Section document all decisions to forward agency requisitions capable of being done in-house to the Printing Procurement Department, and report such information to the Production Planning and Scheduling Committee on a regular basis (0011-08).

MANAGEMENT COMMENTS

The Director, Customer Services, agreed with the finding and Recommendation Number 0011-06 and commented that Recommendation Number 0011-07 is “...already being accomplished.” For Recommendation Number 0011-08, the Director disagreed and commented “...to document...would be unnecessary and burdensome....” The OIG, however, believes that Customer Services does not have adequate controls to ensure that the Requisition Section forwards all potential in-house work to the Production Planning and Scheduling Committee. (See Appendix VI.)

⁸ Page 4-21

5. AUTOMATE THE REQUISITION PROCESS

FINDING

Customer Services processes requisitions using antiquated and inefficient systems contrary to GPO Instruction 825.18A, which states:

"Internal Controls [are] the organization, policies, and procedures used to reasonably ensure that:

- (1) programs achieve their intended results;
- (2) resources are used consistent with agency mission;
- (3) programs and resources are protected from waste...;
- (4) laws and regulations are followed; and
- (5) reliable and timely information is obtained, maintained, reported, and used for decision making.

The Congressional Printing Management Division (CPMD) and the Departmental Account Representative Division (DARD) each maintain more than one manual log to manage customer requisitions. Because of other priorities, both divisions process requisitions using inefficient methods that lack sufficient, reliable, and timely information.

CPMD performs repetitive tasks by assigning jacket numbers to requisitions and then classifying the same requisitions and jackets accordingly. CPMD uses the first log only to assign jacket numbers to requisitions. The log contains jacket numbers and the abbreviated source of the requisitions in chronological order. The second log classifies requisitions into one of several categories according to source, such as, By Law, House Resolutions, House Hearings, House or Senate Stationery, or Senate Requests.

DARD, on the other hand, performs unnecessary tasks by separating requisitions based on whether the work was contracted out or done in-house. DARD uses one manual log for procurement requisitions or red jacket jobs and another manual log for in-house requisitions or black jacket jobs. DARD assigns jacket numbers in numerical sequence according to date received.

The dual logs and independent numbering systems require additional effort for DARD to identify and manage all agency requisitions. This process creates an unjustified burden on DARD by requiring DARD to determine whether requisitions are red jackets or black jackets before assigning jacket numbers. In contrast, CPMD maintains one source for all requisitions and identifies the red jackets on the same log, which can be better served if automated.

After the requisitions are manually logged-in, CPMD and DARD personnel enter the information into either the Procurement Information and Control System (PICS) for red jackets or Production Estimating and Planning System (PEPS) for black jackets. Each manual task increases risk of human error.

Both CPMD and DARD need an automated system integrated with PICS and PEPS that will enter information only once. Computer-generated data provides more information faster and with less resources than manually generated data.

At one time, DARD used one set of jacket numbers to process agency requisitions as opposed to two sets of numbers as it is currently done. An automated work log and requisition system eliminates the need to manage multiple jackets and work log systems, and replaces the multi-task systems with one database system.

According to the Office of Information Resources Management (OIRM), automating the workload of Customer Services was a low priority due to the Year 2000 phenomenon. However, OIRM now expects to work on requirements and test prototypes in the near future. One objective for the new system is for employees to enter information only once.

RECOMMENDATION

The Director, Customer Services, should coordinate with the Office of Information Resources Management to automate the requisition process of receiving, recording, and controlling customer requisitions. The system be compatible with the Procurement Information and Control System and the Production Estimating and Planning System for both the Congressional Printing Management Division and the Departmental Account Representative Division (0011-09).

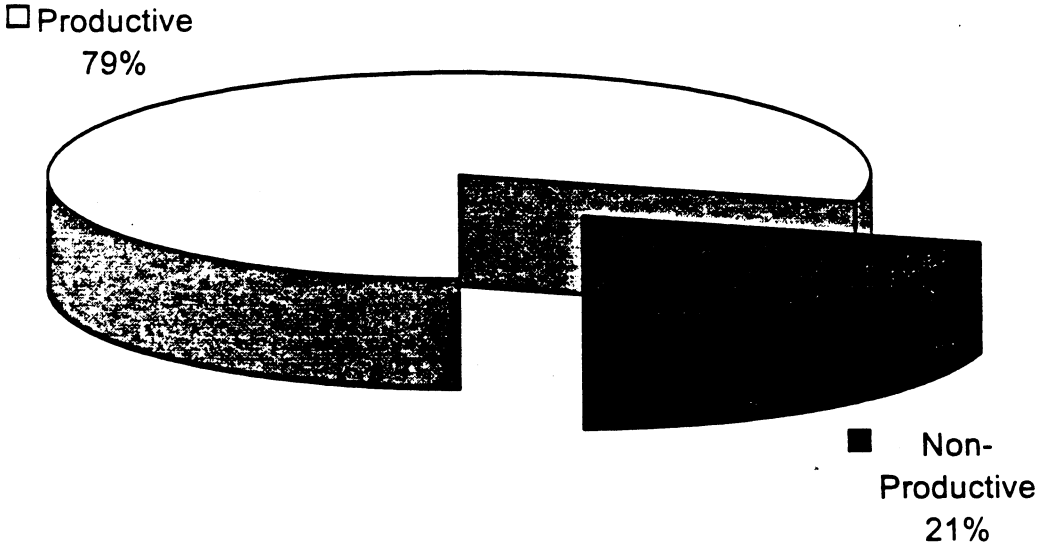
MANAGEMENT COMMENTS

The Director, Customer Services, agreed with the finding, but disagreed to implement Recommendation Number 0011-09 and to continue using their two manual systems. (See Appendix VI.) The OIG, however, believes that GPO employees should enter information more efficiently in support of the Office of Information Resources Management's objective to automate manual systems.

CHARTS OF MANPOWER AND EQUIPMENT

Figure 1

Average Monthly Percentage of Manned Equipment
within Press Division
from October 1997 through February 1999

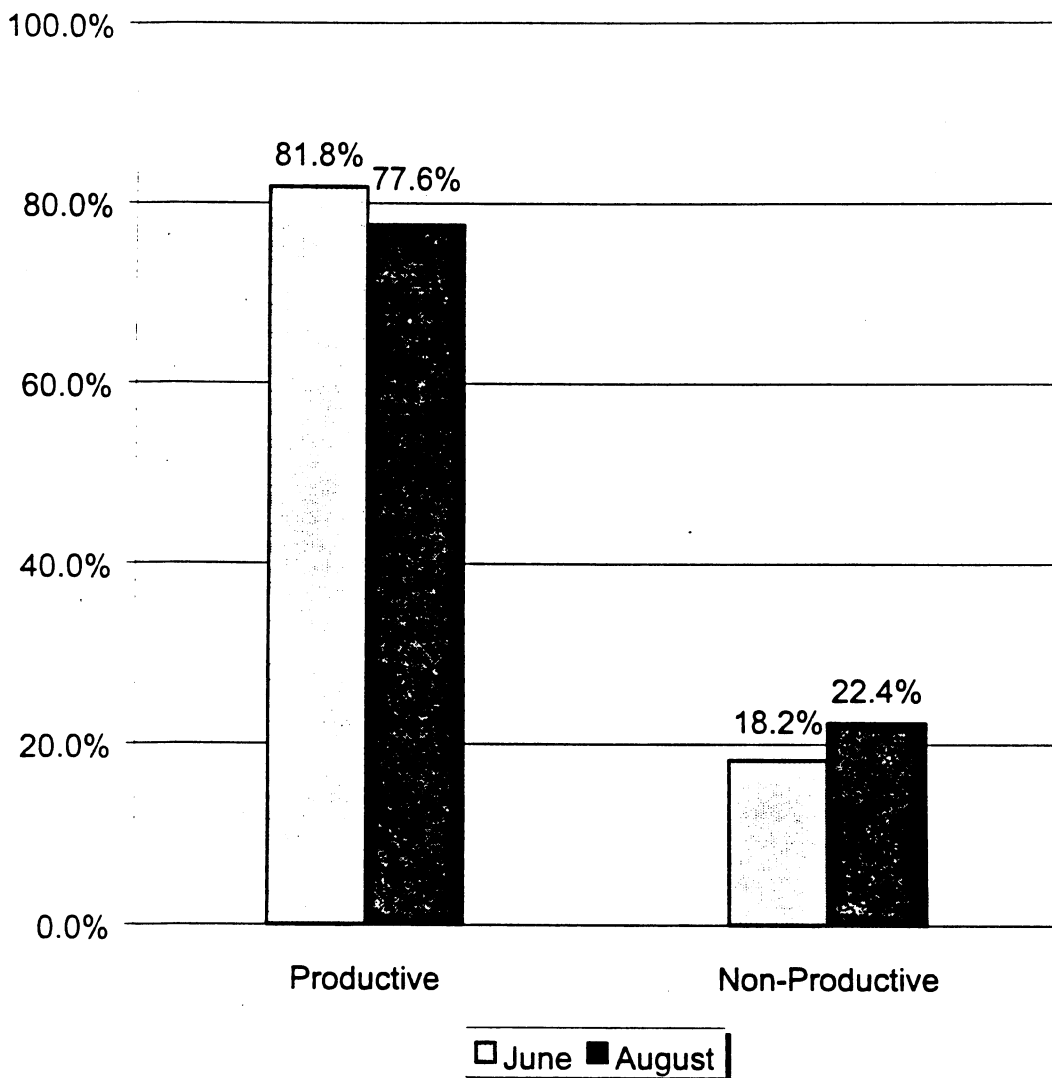


□ Productive ■ Non-Productive

CHARTS OF MANPOWER AND EQUIPMENT

Figure 2

Percentage of Hours for Manned Equipment
for June and August 1998



CHARTS OF MANPOWER AND EQUIPMENT

Figure 3

Percentage of Machine Hours
within Press Division
for June 1998

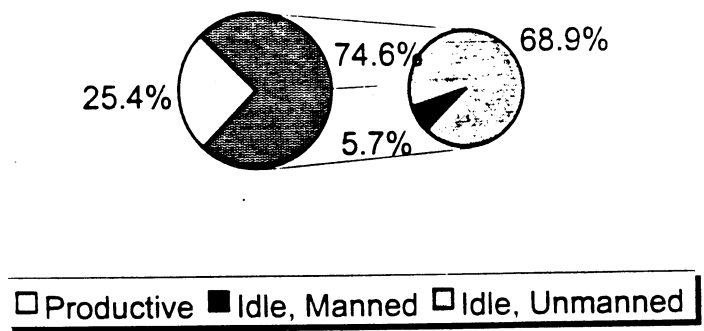
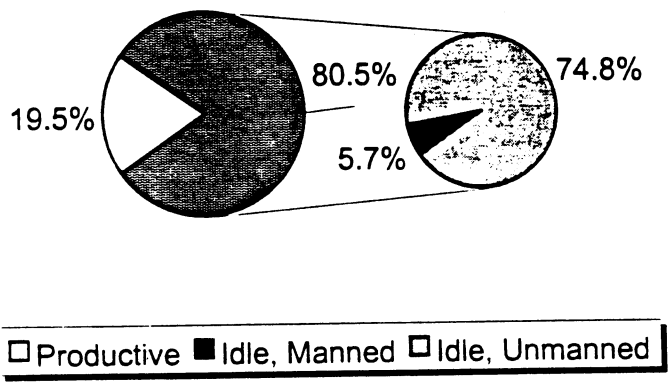


Figure 4

Percentage of Machine Hours
within Press Division
for August 1998



AN EXAMPLE OF INADEQUATE WEB PRESSES

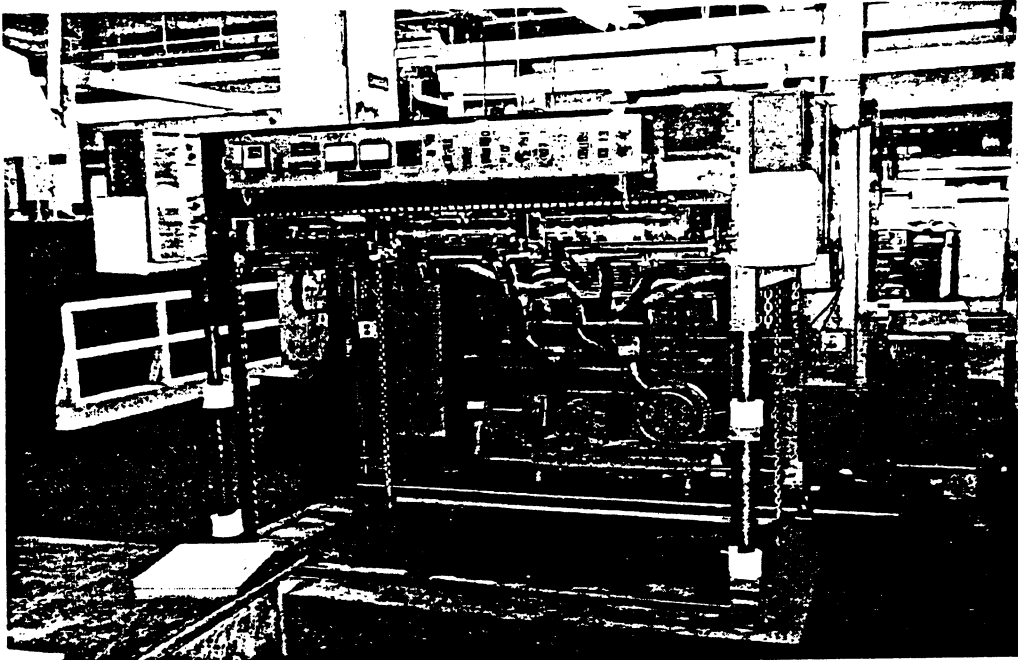
In November 1998 at the request of OIG, Estimating and Jacket Preparation Section provided an in-house estimate for Jacket 643-642, a quality level III printing of three perfect bound books with 444-752 pages. GPO awarded Jacket 643-642 to a commercial source in July 1998 for \$94,124. The Estimating Section provided an estimate of \$425,583 for printing and binding and another \$13,280 for shipping costs before any GPO discounts (30-50%). The Estimating Section based their estimate on the less efficient sheet-fed presses of Group 85, using the specifications 8½ by 11 inches, such as the Group 85 press shown on page 1 of Appendix III.

The only web presses currently used by the Production Department are limited to handle 8 and three-eighths inches by 11 inches. Had Production had the proper web presses to produce the more common 8½ inches by 11 inches, the job could have been done more efficiently. For example, had the Group 98 web presses been able to produce jobs requiring 8½ inches by 11 inches using current rates, Production could have produced Jacket 643-642 at an estimated cost of \$178,749. After the Estimating Section applied a discount of 50 percent, a new in-house estimate would be as low as \$89,375 before shipping costs. Procurement awarded Jacket 643-642 to a commercial printer for \$94,124 including shipping costs. The in-house estimate was only \$8,531 more (\$102,655⁹ - \$94,124) than the cost of the commercial source.

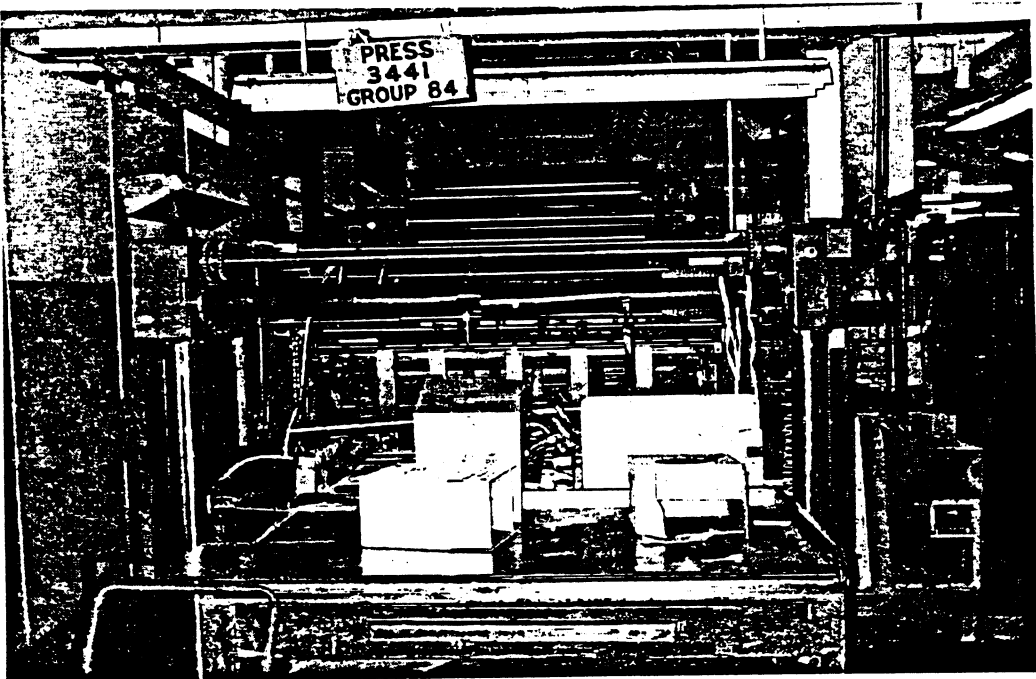
⁹ \$89,375 to produce the job in-house + \$13,280 shipping costs

INADEQUATE EQUIPMENT AND OLD TECHNOLOGY

Group 85 Sheet-feed Press #3282

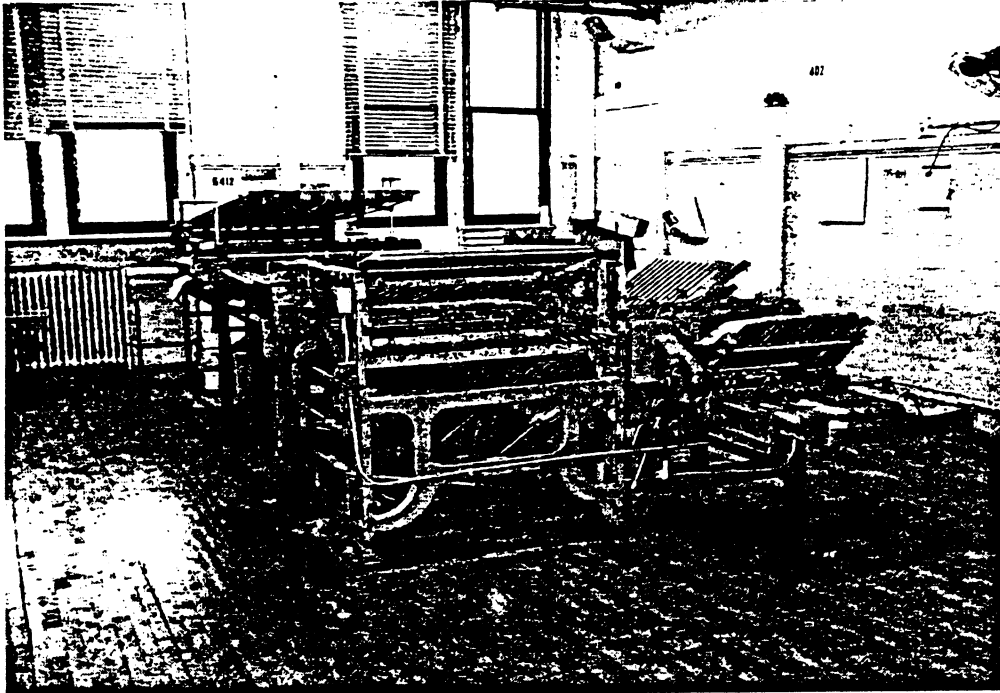


Group 84 Sheet-feed Press #3441 (Idled and unmanned)



INADEQUATE EQUIPMENT AND OLD TECHNOLOGY

Group 5 Pamphlet Bindery Machine #5412 (Idled and unmanned)



Bindery Machine #2691 (Idled and unmanned)



OTHER MATTERS DISCUSSED WITH MANAGEMENT

The following items were discussed with Customer Services officials with respect to improving existing internal controls:

- The acting Chief, Requisition Section, manually compiles the number of agency requests, print orders, and other orders for weekly and monthly reports. However, there is no distribution list for these reports and the acting Chief does not use the data compiled in his official duties.

PRODUCTION MANAGER'S COMMENTS
(Recommendation Numbers 0011-01 through 0011-05)

FOR OFFICIAL USE ONLY

UNITED STATES GOVERNMENT

memorandum

DATE: August 28, 2000

REPLY TO
ATTN OF: Production Manager

SUBJECT: Draft IG Report on Improving the Controls over the Processing of Customer Requisitions

TO: GPO Inspector General

The following is in response to subject draft report dated June 29, 2000:

RECOMMENDATIONS FOR PRODUCTION DEPARTMENT

Recommendation (01):

The Production Manager, Production Department, and the Director, Customer Services, consult with officials from the Offices of Budget and Comptroller to identify the more profitable presses and bindery equipment needed to perform congressional work and direct appropriate resources to maximize manpower efficiency and effectively and achieve full or close to full utilization for the more profitable presses and bindery equipment.

Recommendation (02):

The Production Manager, Production Department, obtain reliable and timely reports and other information, which identifies agency work that can be done on equipment used for congressional work to allocate available resources and operate equipment at full or close to full utilization basis as directed by *Guidelines* and GPO Instruction 825.18A.

Recommendation (03):

The Production Manager, Production Department, the Director, Customer Services, and the Manager, Printing Procurement Department:

- identify and maintain data on the types of printing and binding products that GPO customers request; and

Recommendation (04):

- Develop a system that allows Production officials to identify specific agency jobs that meet certain criteria or specifications early in the procurement process (prior to award) and include procedures that allow Production to review jobs that have to be placed out for bid again because of changes to agency specifications.

Recommendation (05):

The Production Manager, Production Department, replace inefficient and ineffective printing presses and bindery equipment with more efficient equipment to: (1) improve the performance of congressional work; (2) retain a percentage of agency requisitions done in-house and at the same time; (3) operate at full or close to full utilization, as directed by the *Guidelines*.

RGK
2/28/00

Page 2

Recommendation (01):

The Production Manager is in agreement with recommendation (01). The Production Manager's office has always endeavored to direct appropriate resources to maximize manpower efficiently and effectively to achieve full or close to full utilization of press groups 86, 98 and the adhesive binders as they are regarded as the most productive, and consequently, most cost-effective, equipment. Circumstances presently permit close to full utilization of press group 86 but close to full utilization of press group 98 is more difficult to attain as these presses must be dedicated to producing the daily *Federal Register* and *Congressional Record*, both of which are of unpredictable size.

Consultation with the Director, Customer Services, indicates that Customer Services is not involved in the identification of profitable production equipment nor the direction of resources within the Production Department.

Consultation with the Director, Office of the Budget, and the Comptroller, indicates that they take exception to use of the terminology "*more profitable presses and bindery equipment*," as machine rates are established only to cover costs not to make a profit.

Recommendation (02):

The Production Manager is in agreement with recommendation (02). However, to obtain reliable and timely reports and other information which identifies the agency work, the Customer Service requisition desk must provide the Production Planning and Control Division with an opportunity to review all requisitions prior to the make/sell decision. This would afford Production an opportunity of knowing the types of work that are available. If the work specifications are conducive to in-plant production and will not adversely impact delivery of priority Congressional work, the Production Planning and Control Division should be permitted to make the decision to produce the work in-plant. The Director, Customer Services, has agreed to meet to discuss the means by which this could be accomplished.

Recommendation (03):

The Production Manager is in agreement with recommendation (03); however, both the PICS and the PEPS systems presently utilize product codes on every job entered into each database which reveals the "types of printing and binding products that GPO customers request."

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Recommendation (04):

The Production Manager is in agreement with recommendation (04). As stated in response to Recommendation (02): The Director, Customer Services, has agreed to meet to discuss the means by which this could be accomplished.

Recommendation (05):

The Production Manager is in agreement with recommendation (05). For FY2001, the Press Division has budgeted for new equipment totaling \$5,036,062. The Binding Division has budgeted for new equipment totaling \$213,162. Press Division purchase requests totaling \$1,451,926 have already been submitted to permit replacement of the most inefficient and ineffective printing presses. (These acquisitions are subject to Public Printer/Joint Committee on Printing approval.)

If I may be of further assistance, please do not hesitate to contact me on X2-0707.


DONALD L. LADD

CUSTOMER SERVICES DIRECTOR'S COMMENTS
(Recommendation Numbers 0011-01, 0011-03 through 0011-09)

GPO
memorandum

DATE: September 26, 2000

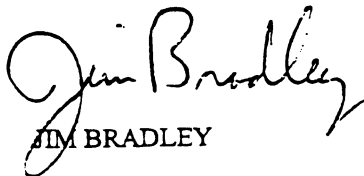
REPLY TO
ATTN OF: Director, Customer Services

SUBJECT: Draft Report on Improving the Controls over the Processing of Customer Requisitions

TO: Inspector General

Thank you for the opportunity to review the above subject draft report. Our comments and suggested changes regarding the report's recommendations are attached and replace those furnished your office on September 7, 2000.

If you or your staff have any questions or require additional information, please let me know.


JIM BRADLEY

Attachment

Inspector General's Draft Report on Improving the
Controls Over the Processing of Customer Requisitions

Customer Services' Comments

RECOMMENDATION 1: *"The Production Manager, Production Department, and the Director, Customer Services, consult with officials from the Offices of Budget and Comptroller to identify the more profitable presses and bindery equipment needed to perform congressional work and direct appropriate resources to maximize manpower efficiently and effectively and achieve full or close utilization for the more profitable presses and bindery equipment."* (The Inspector General's cover memorandum requests that Customer Services address this recommendation. However, the "Management Comments" section lists only the Production Manager.)

Customer Services' Comments: Delete *"and the Director, Customer Services"* from this section. The Director, Customer Services, is not involved in the identification of profitable production equipment nor the direction of resources within the Production Department.

Regarding manpower and equipment required to accomplish Congressional work and directing appropriate resources, it should be noted that three times each day, the Congressional Printing Management Division prioritizes Congressional printing requirements by updating the Production Manager's List utilizing the Production Estimating and Planning System (PEPS). Urgent legislative needs are conveyed to the Division by House and Senate leadership by means of the "9 a.m." ("Beitel") and "Bates" lists, which are incorporated into the Production Manager's List. In addition, memoranda are forwarded via e-mail to the Production Manager when the Division is made aware of priority changes or future requirements that may affect the workload in the plant.

RECOMMENDATION 3: *"Identify and maintain data on the types of printing and binding products that GPO customers request."* ("Management Comments" requested from Production, Customer Services, and Printing Procurement.)

Customer Services' Comments: Codes for this information are entered into the Procurement Information Control System (PICS) by the Printing Procurement Department on each job; the Production Department maintains records of types of work accomplished in-house. For the Departmental Account Representative Division (DARD) of Customer Services to maintain such data separately would pose an undue and unnecessary administrative burden.

RECOMMENDATION 4: *"Develop a system that allows Production officials to identify specific agency jobs that meet certain criteria or specifications early in the procurement process (prior to award) and include procedures that allow Production to review jobs that have to be*

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placed out for bid again because of changes to agency specifications." ("Management Comments" requested from Production, Customer Services, and Printing Procurement.)

Customer Services' Comments: We disagree with both parts of this recommendation. We believe that there is already a system in place to identify specific agency jobs that meet certain criteria or specifications early in the procurement process (prior to award). All customer agency printing and binding requests on the Standard Form 1 are reviewed by the Chief of the Requisition Section for suitability for in-house production. In this determination, he takes into account whether the job can be done on GPO's equipment and falls within the Superintendent of Production Planning's *Guidelines for the Requisition Section (DARD) for Issuing Printing and Binding Jackets*. This document identifies specific types of jobs that the Production Department deems suitable for in-house production. In his review, the Chief of the Requisition Section also considers any applicable laws and regulations, and ignores any "red jacket only" requests that the agency may make. He then takes the requisition to the Production Planning Division for an estimate. If an estimate is provided (Production Planning may not choose to estimate every job) it is forwarded to the appropriate DARD Account Representative, who requests approval from the customer agency. If the agency rejects the estimate, the job is sent back to Production Planning a second time. Although authorized to do so in the aforementioned *Guidelines*, Production Planning rarely, if ever, attempts to negotiate a lower price or provide an alternate estimate; the Chief of the Requisition Section is almost always advised to procure the job.

When agency specifications are changed due to an unsuccessful bid process, Production Planning is not normally consulted or asked for an estimate because, by that point in the process, not only has Production already had two chances at the job, but time constraints have become critical.

RECOMMENDATION 5:

The Inspector General's cover memorandum requests that Customer Services respond only to Recommendations 3 and 4 of Finding 3. However, the "Management Comments" section of Finding 3 (which includes Recommendations 3, 4, and 5) states that "*the Director, Customer Services . . . agreed (disagreed) with the finding and the three (emphasis added) recommendations.*" As Recommendation 5 advises that the Production Manager replace "*inefficient and ineffective printing presses and bindery equipment,*" an action not within Customer Services' purview, we suggest restructuring the "Management Comments" section to indicate Customer Services' response to only the first two recommendations contained in Finding 5.

RECOMMENDATION 6: "*Update GPO Instruction 105.1B to reflect the current organizational structure and functions of Customer Services. Include in the update (1) the August 1993 changes and the March 1997 'Guidelines for the Requisition Section (DARD) for Issuing Printing and Binding Jackets'; and (2) the mission of GPO of maintaining manpower and*

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equipment at full or close to full utilization.” (“Management Comments” requested from Customer Services only.)

Customer Services’ Comments:

Recommendation 6 (1): We agree that the Customer Services’ portion of GPO Instruction 105.1B should be updated. As noted in the recommendation, in August 1993, we responded to a request from Personnel Services to update our portion of the Instruction. However, Personnel never issued a revised Instruction, nor was our update published as a “Change” to the existing Instruction. We are again revising our portion of the Instruction and will submit it to Personnel and request that a “Change” be issued. In the future, we will take a more proactive approach to insure that updates are accomplished and published by Personnel Services.

We disagree that the March 1997 *Guidelines for the Requisition Section (DARD) for Issuing Printing & Binding Jackets* should be included in the Instruction. The *Guidelines* are strictly procedural in nature, not organizational or functional; they comprise “guidelines” set forth by the Superintendent, Production Planning Division, for what products should be assigned to in-house production or commercial procurement.

Recommendation 6 (2): We disagree that the Customer Services’ portion of the Instruction should include “*the mission of GPO of maintaining manpower and equipment at full or close to full utilization.*” While we agree that this is a worthwhile “goal” or “objective,” this is not a definition of GPO’s “mission.” Further, although Customer Services attempts to direct all suitable work to in-house production, the organization has no overall authority regarding manpower and plant equipment utilization.

RECOMMENDATION 7: “*During the interim phase until OIG Recommendation Number 06 is implemented, the Requisition Section involve the Production Planning and Scheduling Committee in the requisition process, and actively seek all suitable work for retention in-house when such action is appropriate in accordance with the March 1997 ‘Guidelines for the Requisition Section (DARD) for Issuing Printing & Binding Jackets.’*” (“Management Comments” requested from Customer Services only.)

Customer Services’ Comments: We disagree with this recommendation, as we believe this is already being accomplished. The Requisition Section involves Production Planning in the requisition process by requesting an estimate on ALL printing and binding jobs that can potentially be produced on GPO’s in-house equipment. Further, as noted previously, the Requisition Section uses the Production Planning Division’s *Guidelines for the Requisition Section (DARD) for Issuing Printing & Binding Jackets* as a primary determinant in evaluating each job’s suitability for in-house production.

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RECOMMENDATION 8: *"The Requisition Section document all decisions to forward agency requisitions capable of being done in-house to the Printing Procurement Department, and report such information to the Production Planning and Scheduling Committee on a regular basis."* ("Management Comments" requested from Customer Services only.)

Customer Services' Comments: We disagree with this recommendation. Requiring the Requisition Section to document all decisions to forward agency requisitions to the Printing Procurement Department would be unnecessary and burdensome; all such work is already estimated by the Production Planning Division, and additional record keeping is redundant.

RECOMMENDATION 9: *"The Director, Customer Services, should coordinate with the Office of Information Resources Management to automate the requisition process of receiving, recording, and controlling customer requisitions. The system should be compatible with the Procurement Information and Control Systems and the Production Estimating and Planning System for both the Congressional Printing Management Division and the Departmental Account Representative Division."* ("Management Comments" requested from Customer Services only.)

Customer Services' Comments: While automation of records is a worthy goal, the manual systems utilized by DARD and CPMD not only do not cause problems or delays, but have immense archival value, providing much-needed and often-consulted resources dating back far beyond what automated systems normally maintain. It should also be noted that any automated requisition processing system must interface with both PICS and PEPS, which are very complex legacy mainframe applications.

Regarding the two sets of jacket numbers used by DARD (referenced in the text of Finding 5 preceding the recommendation), the Office of the Comptroller specifically requested that two separate blocks of numbers for black and red jackets be maintained for accounting and billing purposes. This practice causes the Requisition Section no hardship; in fact, everyone in DARD knows immediately from the first three digits whether a given jacket number is for a red or black jacket.

It should be noted that the Client Agency Request Log (CARL), an electronic rider requisition system, is in place. Current electronic initiatives include the Client Agency Rider Entry System (CARES) and the Client On-line Print Order Entry System (COPES). In addition, "fillable" Standard Form 1 and Form 2511 templates, among other GPO forms, are available through GPO Access (under "Customer Services," "GPO Forms"). In addition, we have recently submitted five Joint Committee on Printing forms to GPO's Electronic Publishing Section and requested that each be created in a "fillable" PDF version and placed on the Web.