

**REPORT ON THE AUDIT OF
LARGE ONE-TIME PROCUREMENTS**

SEPTEMBER 2001

01-09



Office of Audits



UNITED STATES GOVERNMENT PRINTING OFFICE
OFFICE OF THE INSPECTOR GENERAL

memorandum

DATE: September 20, 2001

REPLY TO:

ATTN OF: Inspector General

SUBJECT: Report on the Audit of Large One-Time Procurements

To: Manager, Printing Procurement
Office of The Comptroller
Director, Customer Services

An important function of GPO's Printing Procurement Department (PPD) is the conducting of large one-time procurements. These procurements, which are by definition not term contracts, are all for sums of \$25,000 or more. During the last six months of Fiscal Year (FY) 2000, 350 large one-time procurements, valued at more than \$62 million, were awarded.

This report discusses the responsibilities of PPD's Contracts Branch, its work in soliciting and processing these procurements, and its interaction with other PPD branches and GPO departments in completing these duties. An Office of the Inspector General audit team determined that overall controls and procedures were effective. The report also identifies opportunities to improve internal controls over procurements and makes ten recommendations in this area. Management has reviewed these recommendations in the three departments affected and has provided either written or oral responses, which are included in the Appendix to this report.

Mr. David Schaub and Mr. Michael Ober conducted the review. If you have any questions or need additional information, please contact me at x31183 or 2-0039, or contact Mr. Schaub at x31166.

A handwritten signature in black ink, reading "R G Andary", is positioned above the typed name of the Inspector General.

ROBERT G. ANDARY
Inspector General

Attachment

REPORT ON THE AUDIT OF LARGE ONE-TIME PROCUREMENTS

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

REPORT ON THE AUDIT OF LARGE ONE-TIME PROCUREMENTS

RESULTS IN BRIEF

The Contracts Branch of the Printing Procurement Department (PPD)'s Purchase Division is responsible for the solicitation, award, administration, and termination of large one-time procurements at the Central Office of the Government Printing Office (GPO). A large one-time procurement is a non-term contract procurement exceeding \$25,000. The Contract Review Board (CRB) reviews all proposed awards over \$50,000. During the period April-September of Fiscal Year (FY) 2000, the Contracts Branch awarded 350 large one-time procurements valued at a total of \$62,339,097.93.

Written specifications and a bidders list of 20 or more suppliers, if available, are required for large one-time procurements. The number of potential suppliers solicited depends upon the value and complexity of the procurement. Invitations for bidding (IFB's) are sent primarily via facsimile (fax). Schedule permitting, up to 15 days is allowed for submission of one-time bids. The Bid Section administers IFB's and the safeguarding and opening of bids, as well as the posting of specifications.

From October 2000 through March 2001, the Office of the Inspector General (OIG) performed an audit to evaluate the adequacy, efficiency, and effectiveness of management controls over large one-time procurements within the Central Office of GPO.

The audit verified that: (1) large one-time procurements were properly awarded and administrated; and (2) bid practices on large one-time procurements were generally in compliance with regulations and administrated in an efficient manner. This OIG audit focused on current printing procurement practices in effect under GPO Publication 305.3, *Printing Procurement Regulation (PPR)*, Revised May 1999.

The OIG found that due to technological advances such as the Internet and usage of fax machines, the PPR did not reflect adequately on some of the current operating procedures, controls and administration of large one-time procurements. For instance, the realities of using fax bids for the vast majority of jobs today, as well as the scheduling demands by agencies, means that most jobs will be posted for five days or less.

Overall, the auditors found that the Contracts Branch and the Bid Section were administrating the large one-time procurements in an efficient and effective manner. The OIG audit report identified eight areas needing management attention: (1) CRB participation of a Contracting Officer's supervisor, (2) requisition change annotation, (3) time frame for submission of bids, (4) IFB quantity, (5) requisition documentation, (6) contractors' signatures on modifications, (7) rush surcharges policy, and (8) use of the Automated Bid List System (ABLS). Revision of the PPR would address several of these areas. Specific findings and recommendations are addressed in pages 9 through 23 of this report.

BACKGROUND

The Contracts Branch of PPD, Purchase Division, is responsible for the solicitation, award, administration, and termination of large one-time procurements at the Central Office of the Government Printing Office (GPO). A large one-time procurement is a non-term contract procurement exceeding \$25,000. The Contract Review Board (CRB) reviews all proposed awards over \$50,000.

During the period April-September of FY 2000, the Contracts Branch awarded 350 large one-time procurements valued at \$62,339,097.93. Written specifications and a bidders list of 20 or more suppliers, if available, are required for large one-time procurements. The number of potential suppliers solicited depends upon the value and complexity of the procurement. Invitations for bidding (IFBs) are sent primarily via facsimile. Schedule permitting, up to 15 days is allowed for submission of one-time bids. The Bid Section administers IFBs, safeguarding and opening of bids, as well as posting of specifications.

As of October 1, 2000, the Contracts Branch consisted of 14 employees, with positions as follows: one Branch Chief, one Section Chief, and 12 Printing Specialists. There are currently two vacant Printing Specialist positions, which when filled would bring the Contracts Branch to 16 employees. Printing Specialists were grouped into teams of four. As of April 1, 2001, contract authority was held by the following three people:

- 1 Branch Chief (Unlimited authority)
- 1 Section Chief (Unlimited authority); and
- 1 Printing Specialist (Limited authority to \$50,000 maximum)

GPO Publication 305.3, *Printing Procurement Regulation (PPR)*, revised May 1999, establishes printing procurement controls and procedures in effect.

Prior to this audit, the OIG had conducted an audit of one-time procurements at the Central Office (including small purchases) during 1989 which resulted in OIG Audit Report 90-13, *Contracts Branch: Some Improvements in Compliance with GPO Policies are Needed*, issued in December 1989. Considering the amount of time that has elapsed since this audit and various changes in technology, personnel and procurement directives, we determined that a follow-up on 1989 findings and recommendations from the previous report was not necessary.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of this audit was to evaluate the adequacy, efficiency and effectiveness pertaining to the preparation, solicitation, and award of large one-time procurements within the GPO. Current controls and procedures of large one-time procurements in place at the Central Office of GPO were evaluated to determine if they were in compliance with applicable laws, regulations, standards, and policies. Specifically, the OIG (1) verified whether large one-time procurements were properly awarded and administrated, and (2) assessed whether bid practices on large one-time procurements were in compliance with regulations and administrated in an efficient manner.

The OIG reviewed 15 procurements totaling \$16,960,040 of the 350 large-one time procurements awarded totaling \$62,339,098 for the period April-September 2000.

The audit was conducted during the period of October 2000 through March 2001 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 305.3, *Printing Procurement Regulation (PPR)*, revised May 1999, to identify applicable policies and procedures governing large one-time procurements.
2. GPO Instruction 825.18A, *Internal Control Program*, dated May 28, 1997, to identify policies, standards and responsibilities for conducting internal control reviews of GPO programs.
3. A requested April-October 2000 listing of large one-time procurements over \$25,000 [accessed by Office of Information Resource Management (OIRM) per program GPPC93RM], to select a procurement sample for review.
4. Jackets for 15 awarded large one-time procurements, judgmentally selected in order to ensure a variety of customer agencies (since many of the current procurements are for one agency), to determine if documentation was in compliance with the PPR.

5. Various internal and external reports by private accounting and consulting firms, including independent public accountants and Booz-Allen & Hamilton, for background and general information.

The OIG audit team also conducted walk-throughs of key central office areas and observed bidding and procurement operations, and discussed contractual actions, policies, procedures, and proposed improvements in operations with management officials and staff of the Printing Procurement Department, Customer Services, and the Office of The Comptroller.

FINDINGS AND RECOMMENDATIONS

1. CONTRACTING OFFICER'S SUPERVISOR PARTICIPATION IN CONTRACT REVIEW BOARD (CRB) ACTIONS

FINDING

Fourteen of the fifteen large one-time procurements sampled, or 93%, had CRB action taken with the participation and sign-off of the Contracting Officer's Supervisor.

At the time of the audit, Printing Procurement Regulations, Chapter I, Section 10.2, "CRB Members," stated: "Contracting Officer members shall be from other than the division or section originating the CRB action." It went on to list a wide variety of possible CRB members, including (a) three options for chairperson, (b) two options for a second member, and (c) two more options for a third member (including Contracting Officers down to the PG-12 level). This subsection of the PPR concluded by stating: "(d). Contracting Officers required to sign the award documents of a particular procurement or their supervisors shall not participate in that CRB action."

Procurements over \$25,000 require the signatures of three CRB members in order to be formally awarded. The Chief, Contracts Branch stated that due to time urgency, i.e. the need to get the job out, his immediate supervisor signed off as one of the CRB members because other CRB members were not available. However, as the PPR notes, there are numerous options available for potential personnel to be used as temporary CRB members who would not be directly connected to these procurements.

By not exploring all possible options for use as temporary CRB members, accountability over contract awards is reduced. Although no immediate effects were noted from this approval action on these procurements, the high frequency of supervisory CRB approvals lends the appearance of a conflict of interest. Continuation of this trend could cause greater problems in evaluating GPO's approval process if a future procurement is protested or related issues arise. There is also an increase in the control risk of potential fraud, waste, and abuse within large one-time procurements.

RECOMMENDATION

The Printing Procurement Manager should ensure that a Contracting Officer's supervisor does not act as a regular participant in CRB approval actions. In cases where there may

be extreme time urgency and a lack of available alternative personnel, i.e. when they may be forced to participate, the reason for supervisory participation should be documented within the procurement files. (329-01)

MANAGEMENT COMMENTS AND ACTIONS

In the initial response, dated July 16, 2001, The Superintendent of PPD's Purchase Division agreed to implement this recommendation; i.e., the Contracting Officer's supervisor would not be permitted to participate in CRB approvals.

However, on July 20, 2001 (as this report was being reviewed in draft status), the Printing Procurement Manager issued a memorandum making changes to the wording of the PPR. These changes eliminate the first sentence of I-10.2, thereby allowing Contracting Officer members to be from the same division or section that originates CRB action. Another change, to I-10.2 (d), deletes the phrase "...or *their supervisors*..." which eliminates the prevention of supervisors from participation in CRB action.

We do not agree that this is the best way to take action on this recommendation. Supervisors, in our view, should not be part of the CRB review and approval process for their subordinates' contracting decisions. Eliminating the restrictions in the PPR does not eliminate the possibility of a conflict of interest.

2. GPO POLICY ON APPLICATION OF RUSH SURCHARGES

FINDING

There is no official written GPO guidance or policy covering the administration and application of rush surcharges. Rush surcharges are currently assessed at a rate of 14% of the awarded contract up to the first \$285,714, and are assessed at a combination of a fixed rate (\$40,000) and a variable rate (1.0% of the additional amount) thereafter.

Rush surcharges are only applied to large one-time procurements when the customer agency requests the job is a “rush job.” If an agency needs to get a job done in a rapid turnaround time frame, and they do not stipulate that the job is a rush job, GPO will not bill a rush surcharge, even though the work will be completed as if it were a rush job as requested. GPO has no formal written guidance and policy defining what a rush job is and how it should be consistently applied. As a result, two agencies could be requesting identical work during an identical time frame, but one agency would pay a 14% rush surcharge while the other agency does not. GPO does not apply rush surcharges if an agency does not stipulate rush surcharges, and there is no monetary incentive for an agency to do so.

Standard 2 of GPO Instruction 825.18A, *Internal Control Program*, dated May 28, 1997, states:

“Management controls must provide reasonable assurance and safeguards to protect assets 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.”

The dollar effect on potential lost GPO revenue due to the lack of rush surcharges applied could be significant. However, no data was available to compare jobs of each type with comparably tight time frames to assess how much potential revenue has been lost. In the absence of written controls and formal guidance, the auditors could not make any dollar determination.

RECOMMENDATION

The Manager, Printing Procurement Department, should take the necessary steps to ensure that GPO establishes formal and consistent written policy and guidance for the application of rush surcharges. (329-02)

MANAGEMENT COMMENTS AND EVALUATION

The Manager of PPD's written response dated 8/15/01 claimed that management action on this recommendation would require a higher level of authority. According to him, the Public Printer of GPO must perform approval of any new policy in this area. Thus we determined that this recommendation has not yet been implemented.

3. NUMBER OF INVITATIONS FOR BID

FINDING

Invitations For Bids (IFBs) for 7 of 15 large one-time procurements sampled, or 47%, were sent out to less than the required 20 suppliers, as shown in the following table:

Jacket Number	No. of Invitations Sent Out	No. of Bids Received	Bids Received as a Pctg. of Invitations Sent Out
466-375	10	0	0%
466-379	10	1	10%
466-497	10	3	30%
467-139	9	1	11%
467-156	9	1	11%
468-246	10	1	10%
470-194	9	4	44%

Printing Procurement Regulations, Chapter X., Section 2.1(a) states: “*Sealed Bids*. Bids in this category require 20 invitations, if available, or more depending upon the dollar value of the procurement.”

The Chief, Bid Section explained that limitations of scheduling occur due to the high quantity of fax bids today, which reduces available time for posting. As a result, his section does not always have the time to send out so many invitations; the table indicates that the number of invitations sent out is often 10 or less.

The number of potential bidders decreases with the lowered amount of IFBs sent out. In the population of procurements sampled, no more than four solicited bids (and as few as none) were received for any of these jackets. The proportion of the number of bids received, taken as a percentage of the number of invitations sent out, ranged from a high of 44 percent for Jacket 470-194 (4 bids received out of 9 invitations sent out) to a low of 0 percent for Jacket 466-375 (no bids received from 10 invitations sent out). In the latter example, one bid was received for this jacket, but it was from a bidder who was not included in the IFB.

RECOMMENDATIONS

The Printing Procurement Manager should take necessary steps to ensure that the PPR is revised in order to reflect the increased usage of fax bidding pertaining to IFBs, which will impact the time frame requirements for the majority of jobs. (329-03)

The Chief, Bidding Section should explore further the possibilities of increasing IFBs via electronic means, such as fax-specific software and electronic posting of IFBs. Until the PPR is revised, steps should be taken to document on the Bid Abstract why a minimum of 20 IFB's was not sent out on a given job. (329-04)

MANAGEMENT COMMENTS AND EVALUATION

The Manager. PPD stated in his written response that he would direct the A&R (Analysis & Review) Staff to review the applicable portion of the PPR and determine whether it should be revised. He also noted that the trend of future bid solicitations will be "...on GPO's public web site."

The Chief, Bid Section and the Superintendent, Purchase Division both stated that because of a combination of rapid faxing time (compared to conventional mailing-out of bids) and the comparatively higher quality level that may be needed on some jobs, invitations may routinely total less than 20 in the current environment.

The PPD Manager further stated in his written response that he would instruct his personnel to "...document those instances where fewer IFBs are appropriate." Based on these comments, we determined that PPD has taken action to implement both recommendations.

4. TIME FRAME FOR LARGE ONE-TIME PROCUREMENTS

FINDING

Submission time for 13 of 15 one-time procurements sampled, or 87% of the sample, was less than the allowable 15-day time frame. The following table provides a breakdown of the individual time frames per jacket as shown:

Jacket Number	Work Days between Bids Posted and Closing	Quantity of Invitations Sent Out	No. of Bids Received from IFB's / Total Bids Received	Pct. of Bids Received from IFB's to No. of Invit's Sent out
460-013	10	24	2 / 3	8%
460-022	14	24	0 / 6	0%
466-379	4	10	1 / 5	10%
466-343 <i>[rush]</i>	9	22	3 / 5	14%
466-375	5	10	0 / 5	0%
467-139	4	9	1 / 3	11%
469-797	3	7	4 / 4	57%
460-192	11	24	3 / 4	13%
468-246	3	10	1 / 1	10%
460-006	14	37	2 / 2	5%
470-194 <i>[rush]</i>	2	9	4 / 4	44%
466-497 <i>[rush]</i>	5	10	3 / 3	30%
467-156	1	9	1 / 3	11%

Printing Procurement Regulations, Chapter VII, Section 1, states in part: “IFB’s shall be mailed and, schedule permitting, 15 days shall be allowed for submission of bids for one-time procurements....”

The Chief, Contracts Branch and the Chief, Bidding Section, stated that due to current scheduling demands, most jobs cannot be posted for 15 days. A significant increase in the use of facsimile bidding (fax bids) has greatly decreased the need for a required 15-day time frame. We noted that the first portion of the applicable sentence in the PPR states: “IFB’s shall be *mailed...*” [emphasis added]. However, current realities of faster faxed-in bids and tighter time frames make this portion of the PPR requirement difficult or impossible to follow in many cases, so it is being ignored. To illustrate, a review of the sampled jackets indicated that 8 of these 15 jackets (or 53%) had a timeframe of five days or less between bid posting and closing.

The number of potential bidders appears to have decreased when the invitations with shorter time frames are posted. A review of the number of bids received by GPO for the sampled jackets indicated that no more than 4 solicited bids were received from the quantity of IFBs sent out (and no more than 6 total bids, including unsolicited bids, for any of these jackets) for these large procurements. (Note that several unsolicited bids were received for several of the sampled jackets; these bids were not included in the comparison.) For two jackets (460-022 and 466-375), no solicited bids were received from the IFBs that were sent out. Proportions of the number of solicited bids received as a percentage of those invitations sent out ranged from a high of 57 percent (for Jacket No. 469-797) to a low of 0 percent for the two jackets mentioned.

RECOMMENDATION

The Manager, Printing Procurement should take the necessary steps to ensure that the PPR is revised to reevaluate the time period for submission of bids to reflect current realities of facsimile bidding for the majority of one-time bids. (329-05)

MANAGEMENT COMMENTS AND EVALUATION

In his written response, the PPD Manager stated that he would direct the A&R (Analysis & Review) Staff to review the applicable PPR chapter and section that applies to the time frame for bidding requirements. He acknowledged that in the current environment, "Customer driven schedules often require less time for bidding than the PPD proscribes." We determined that PPD has taken action to implement this recommendation based upon these comments.

5. SIGNATURES ON CONTRACT MODIFICATIONS

FINDING

Copies of Contract Modifications (Mods), while being maintained at the Printing Procurement Department, were missing the contractor's signature on 20 of 30 Mods reviewed as part of the sample. The breakdown by jacket is as follows:

Jacket No.	Total Modifications (All found on file)	Mods with Contractor's Signature On File	Dollar Amount of Modifications Without Contractor's Signature
460-013	2	0	\$142,250 (128,787 + \$13,463)
466-375	2	0	\$277,561 (72,792 + \$204,769)
460-022	1	0	\$250,393
466-379	2	1	\$210,645
467-139	5	0	\$68,000
469-797	3	2	\$235
460-054	1	1	N/A
460-006	4	0	\$39,497 (8,996 + 29,734 + 767)
466-497	4	0	\$18,234
468-246	1	1	N/A
470-194	5	5	N/A
Totals (from 11 Jackets)	30	10	\$1,006,815

Printing Procurement Regulations, Chapter XIII, Section 2.1(c) *Bilateral Agreements, Unilateral Actions, and Administrative Changes*, states: "Bilateral agreements are required when the proposed modifications affect substantial or material aspects of the contract not covered in the original contract. Substantial or material aspects of the contract include, but are not limited to, quantity, contract provisions, contract period, etc. To consummate the bilateral agreement a *supplemental agreement* shall be issued requiring the signature of both the Contracting Officer and the contractor."

Contractors do not always send contract modifications back to GPO with their signatures included, according to both the Comptroller's Examination and Billing Branch and PPD's Contracts Branch. The Chief, Commercial Examination Section, stated that his department usually receives simply a modification with the Contracting Officer's

signature from the contractor. As long as this data has been recorded in PICS, which feeds into their payment system, payment is made unless something appears questionable.

Without documentation of contractor signatures, accountability of records is compromised which can reduce document controls and increases the risk of potential waste and abuse within large one-time procurements. Furthermore, it provides the potential for deniability of the modification's approval should a termination for convenience or other unforeseen circumstance occur. Of the 11 sampled jackets that had contract modifications made to them, 6 of the 11 (or 55%) contained no contractor signature on file verifying the appropriateness of the modification(s). In two instances, four mods for the same jacket were noted with no signatures (Jackets 460-006 and 466-497); and in one other instance, five modifications for the same jacket contained no signatures (Jacket 467-139). The total dollar amount of these transactions was \$125,731.00.

RECOMMENDATIONS

The Printing Procurement Manager should take steps to ensure that the contracting officers obtain signatures for contract modifications of materially significant dollar amounts on large one-time procurements. (329-06)

The Comptroller should also ensure that the Chief, Examination and Billing Branch verifies that modifications of a substantial dollar or quantity amount, such as those in large one-time procurements (i.e. for \$25,000 or more), contain the contractor's signature as well as that of the Contracting Officer before payment of the modification is made. (329-07)

MANAGEMENT COMMENTS AND EVALUATION

The Superintendent, Purchase Division, stated in his response to the draft report that "every effort will be made" to implement Recommendation #329-06.

In an exit conference with the Office of the Comptroller, management agreed that quantification of the minimum dollar amount would simplify instructions given to the voucher examiners. Thus it was agreed that in the future, for any modifications over \$25,000, the Examination and Billing Branch, Office of the Comptroller, would ensure that the contractor had signed the contract modification before payments were made and these signed modifications would be maintained on file. We determined that GPO management has taken appropriate action to implement these recommendations.

6. CHANGES TO REQUISITIONS NOT PROPERLY DOCUMENTED

FINDING

Seven of the fifteen jackets sampled (or 47%) had penned-in changes and/or information cross-outs on their requisitions without proper supporting documentation to explain these changes. A table summarizing these instances is provided as follows:

Jacket	Change(s) Made to Requisition without adequate explanation
466-375	Quantity changed (<i>decreased</i>) from 8,900,000 to 7,269,700
467-139	BAC changed to 3511 (08) and delivery date changed from 7/14/00
469-797	Chargeable appropriation number changed to 52436-00
460-006	Delivery date changed from 12/26/00 to 11/20/00 (<i>expedited</i>)
470-194	Delivery date changed from 9/08/00 to 9/29/00; also, requisition # and date changed. Various other cross-outs noted in the "additional information" column.
466-497	Delivery date changed from "See Specs" to June 20, 2000
467-156	Various additions and changes

Regarding GPO-created changes, the PPR, Chapter VIII, Section 1, paragraph 11, states:

"No changes will be made by any employee of the GPO in requisitions, print orders, or any other type of printing and binding specifications or instructions unless such changes are properly authorized. The name of the individual authorizing the change and any memoranda pertinent to the change shall be attached to or written upon the requisition. Any changes shall be initialed and dated in red by the person making the change."

The Chief, Contracts Branch stated that these changes were made in all likelihood by the customer agency. There was also the possibility that GPO departments other than the Purchase Division made these changes but did not identify them. When we discussed this issue with the Superintendent, Departmental Account Representative Division, he acknowledged that his printing specialists used to review these changes when the requisitions came in, but had discontinued the practice due to the volume of work and its time-consuming nature.

The fact that the customers may have requested and/or entered the changes before submitting the requisition to GPO does not relieve GPO personnel from the responsibility of documenting their review and authorization of these changes. Otherwise, accountability over requisitions is reduced. Without documented evidence of review and approval of changes, a customer agency could subsequently deny or otherwise question the changes, and the burden of proof would be on GPO to verify them. Lack of sufficient documentation can also increase the potential for waste and abuse of large one-time procurements.

RECOMMENDATION

The Superintendent, Departmental Account Representative Division of Customer Services, should implement policy explaining that crossed-out changes or penned-in additions and amendments to requisitions for large one-time procurements will not be acceptable from customer agencies. Instead, there should be an annotated explanation with the date and initials of the person making the change. When changes are reviewed and approved by GPO, some proof of GPO review should be noted on the documents.
(329-08)

MANAGEMENT COMMENTS AND EVALUATION

The Superintendent, Departmental Account Representative Division, responded that he concurred with this finding. Although he disagreed with the portion of this recommendation prescribing that customer agencies submit written explanations, he instructed the Chief of his Requisition Section to review requisitions for crossed-out and/or penned-in changes and provide proof of review.

The Superintendent, Purchase Division also responded to this recommendation in writing by stating that the supervisors in the Contracts Branch "...will take steps to instruct their employees that all annotations made to the requisitions must be dated and initialed."

Based on these comments, we determined that GPO management has taken action to implement the intent of this recommendation.

7. DOCUMENTATION NEEDS TO BE MAINTAINED ON FILE

FINDING

GPO is not maintaining time-dated, stamped requisitions. Specifically, the time and date when Customer Services receives the original requisition are both stamped on the back (reverse) side of the requisition, but this copy is eventually discarded by the Comptroller's Examination and Billing Branch. After the original requisition is submitted to PPD's Contracts Branch from Customer Services, it then goes to the Comptroller's Examination and Billing Branch. At this branch, personnel will often scan the front of the original requisition, but not the back, and then discard the original requisition after the contractor is paid.

The Chief, Examination and Billing Branch noted that sometimes the back of the requisition is copied, but the original stamp was too faint for the copy to be readable. It also should be noted that Customer Services enters the date the procurement was received into PICS but not the time, and the source documentation is not available.

Standard 7 of GPO Instruction 825.18A, *Internal Control Program*, states:

“...The documentation for transactions, management controls and other significant events must be clear and readily available for examination.”

Without source documentation being maintained pertaining to the date and time requisitions are received at GPO, managerial controls over operations are weakened. Due to the continuously tightening time frames for rush jobs and most jobs in general, the exact time of a job's receipt could become a critical factor for the order of placement of jobs into scheduling. Loss of time data may have a ripple effect on rush surcharges, deadlines made or missed, timely delivery of products, and customer satisfaction with large one-time procurements.

RECOMMENDATION

The Printing Procurement Manager should take necessary steps to ensure that the Contracts Branch maintains photocopies of the requisitions, with both the date and time the requisition has been received, for their records. If this information is written too lightly to be read when photocopied, then it should be manually annotated (329-09).

MANAGEMENT COMMENT AND ACTION

The Superintendent, Purchase Division stated in his written response that his division has already implemented this recommendation. He states: “The Superintendent, Purchase Division, and Comptroller have agreed that the original requisition will remain with the contract file and a photocopy thereof will be furnished to FMCE [Examination and Billing Branch].”

8. AUTOMATED BID LIST SYSTEM NOT ALWAYS BEING USED

FINDING

Two of the fifteen large one-time procurements sampled, or 13 percent, did not use the ABLs in the selection of prospective bidders.

The Chief, Bid Section stated that sometimes the ABLs could not be used because it might not be up to date and the job is an unusual type of job. The Chief maintains a listing of these types of jobs in an "Odd Job Logbook" within the Bid Section. Placement of jobs in this logbook would depend on the experience of Bid Section personnel and their knowledge or familiarity with bidders. He also stated that he is awaiting a new up-to-date listing from Procurement Analysis and Review.

The fourth requirement in PPR Chapter X, Section 1. (e)(2) requires the bid desk operator to: "(iv) complete the bidders list from ABLs." This is done after the operator has already included the previous successful vendor (if applicable), all eligible firms requesting a written solicitation, and all eligible firms requested by the customer agency.

Flexibility and allowances for not using ABLs are not accounted for in the PPR. The regulations do not make mention of odd or unusual jobs that cannot qualify for ABLs and how they should be provided with bidders. Maintenance of this logbook is not documented, and updating would depend on the Bid Section Chief. Accountability in the selection of prospective bidders could be lessened in some circumstances (such as the absence of the chief and experienced assistants when such jobs may be requisitioned), which could increase the risk of waste and abuse over large one-time procurements if ABLs listings are also not kept current.

RECOMMENDATION

The Manager, Printing Procurement Department, should take necessary steps to ensure that the ABLs is updated regularly and that new potential bidders for unusual or "odd" jobs are identified for future reference. To that end, the PPR should also be updated in the appropriate area(s) to reflect this documented need for change. (329-10)

MANAGEMENT COMMENTS

The Manager, PPD stated that sometimes the ABLs is irrelevant, due to specific job requirements that do not match up with current product codes. However, he also agreed to remind PPD personnel to use ABLs "whenever possible," and the A&R Staff will be instructed to review current product codes in order to recommend a new set of them.

OTHER MATTERS DISCUSSED WITH MANAGEMENT

1. There was a \$10,000 clerical error detected in the PICS system in regard to Jacket 466-343. Specifically, \$1,124,147.50 was observed as the recorded award price in PICS, when the actual Purchase Order listed \$1,134,147.50. Upon being informed of this fact by the OIG auditors, the discrepancy was acknowledged and immediately corrected by the Chief, Contracts Branch. No further action is considered necessary.
2. On Internal Revenue Service (IRS) jobs, while the IRS itself was reviewing the contract specifications, there was no "Reviewed By" annotation on the IRS Contract Specifications. The Chief, Contracts Branch, acknowledged the omission and agreed to enter this information on current and future specifications immediately. No further action is considered necessary.

UNITED STATES GOVERNMENT

memorandum

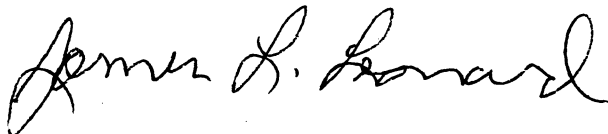
DATE: July 16, 2001
REPLY TO:
ATTN OF: Superintendent, Purchase Division
SUBJECT: Response to Audit Report on Large One-Time Procurements
TO: Manager, Printing Procurement Department *MM 7/14/01*

The audit report has been carefully reviewed, and its recommendations will serve as a valuable tool for our Division to employ while seeking to more effectively serve our Federal printing customers in accordance with established printing procurement policy and regulations.

We are encouraged by the audit report's verification that our large one-time procurements have been properly awarded and administered, and that our bid practices regarding these procurements have been generally in compliance with regulations and administered in an efficient manner.

We have noted the eight areas identified in the audit report which need attention and offer the attached proposals which we believe will address the audit report's concerns.

Sincerely,



JAMES L. LEONARD

**SUPERINTENDENT OF PURCHASE DIVISION'S RESPONSE
TO AUDIT REPORT ON LARGE ONE-TIME PROCUREMENTS**

1. Contracting Officer's Supervisor Participation in Contract Review Board (CRB) Actions

The recommendation of the audit report will be implemented to insure that the signing Contracting Officer's supervisor will not participate in CRB approval actions. Specifically, CRB approval actions that originate within the Contracts Branch will be forwarded to Contracting Officers outside the Branch.

2. GPO Policy on Application of Rush Surcharges

This recommendation must be addressed by the Procurement Manager.

3. Number of Invitations for Bid

This recommendation must be addressed by the Procurement Manager.

4. Time Frame for Large One-Time Procurements

This recommendation must be addressed by the Procurement Manager.

5. Signatures on Contract Modifications

Every effort will be made to implement the recommendation of the audit report that the contractor must expeditiously return a signed copy of all modifications with a significant dollar or quantity amount to the Contracting Officer, and that copy will be included in the file.

The audit report further recommends in the second paragraph on page 24: *"The Comptroller should also take necessary steps to ensure that the Chief, Examination and Billing Branch verifies that modifications of a substantial dollar or quantity amount, such as those in large one-time procurements, contain the contractor's signature as well as that of the Contracting Officer before work commences or continues on the contract."* [Italics added for emphasis.]

The Comptroller has no involvement in the administration of printing contracts; this function is reserved exclusively to the Contracting Officer. Perhaps the audit report intended to read: *"... before payment of the modification is made."*

6. Changes to Requisitions Not Properly Documented

The Contracts Branch Supervisors will take steps to instruct their employees that all annotations made to the requisitions must be dated and initialed. In the event the requisition contained annotations made prior to receipt in the Contracts Branch, and such annotations have not been documented, those annotations will be verified and documented by Contracts Branch employees.

7. Documentation Needs To Be Maintained on File

The audit report recommendation that requisitions with date and time stamps must be maintained in the contract file has already been implemented in the Purchase Division. The Superintendent, Purchase Division, and Comptroller have agreed that the original requisition will remain with the contract file and a photocopy thereof will be furnished to FMCE.

8. Automated Bid List System Not Always Being Used

This recommendation must be addressed by the Procurement Manager.

UNITED STATES GOVERNMENT
MEMORANDUM

DATE: July 20, 2001

REPLY TO:
ATTN OF: Manager, PPD

SUBJECT: PPR Changes

TO: Contracting Officers
Through Division Superintendents

A. S. S. 7-20-01

Make pen and ink changes to the following:

Delete the first sentence in I-10.2, CRB Members.

Delete "or their supervisors" in I-10.2(d).

Delete "workdays" in line 3, XV-2.4(a)(2) and insert "days".


M. L. ARNESON

UNITED STATES GOVERNMENT

MEMORANDUM

DATE: July 24, 2001

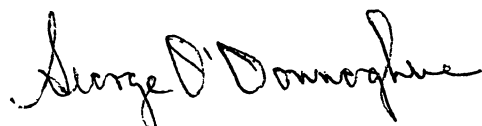
REPLY TO

ATTN OF: Superintendent, Departmental Account Representative Division

SUBJECT: Finding 6. Changes To Requisitions Not Properly Documented

TO: Inspector General, Office of Audits
Attn: Mike Ober

1. I concur with the attached finding and have implemented procedures to document all changes made by my personnel.
2. I do not concur that customer agencies be required to explain changes they have made prior to submitting their requirements. Rather, I have instructed the Chief, Requisition Section to review all requisitions upon receipt and stamp "DEPT" beside any crossed out or penned-in change. This procedure was used in the past and I believe it is satisfactory to prove that the Government Printing Office did not make an unauthorized change.



GEORGE S. O'DONNOGHUE

GPO Policy an Application of Rush Surcharges

This recommendation should have customer agency comments and recommendations. This consultation effort should be the responsibility of the Customer Services Director, and before any policy is adopted in this area, it must be approved by the Public Printer.

Number of Invitations for Bid

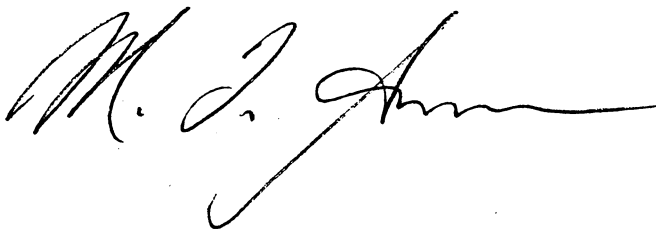
The Manager, PPD will remind the Department to adhere to PPD requirements, and document those instances where fewer IFBs are appropriate. The Manager, PPD will also direct the A&R Staff to review the PPR requirement to see if it ought be revised, keeping in mind that in the future bids will be solicited only by posting them in the office of origination and on GPO's public web site.

Time Frame for Large One-Time Procurements

Customer driven schedules often require less time for bidding than the PPD proscribes. The Manager, PPD will remind the Department to adhere to PPD requirements, and document those instances when less time for bidding is required. The Manager, PPD will also direct the A&R Staff to review the PPR time frame for bidding requirement.

Automated Bid List System Not Always Being Used

Job requirements often make the present product codes on which ABLS is based irrelevant. The Manager, PPD will remind the Department to use ABLS whenever possible, and document those instances when ABLS can not be used. The Manager, PPD will also direct the A&R Staff to review the product codes and make recommendations for a new set of product codes.

 8/15/01