
**U.S. GOVERNMENT PRINTING OFFICE
OFFICE OF INSPECTOR GENERAL**

SEMIANNUAL REPORT TO THE CONGRESS

OCTOBER 31, 1997

**REPORTING PERIOD
APRIL 1, 1997 - SEPTEMBER 30, 1997**

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MESSAGE FROM THE ACTING INSPECTOR GENERAL

I am pleased to present this Semiannual Report of the Inspector General for the six-month period ended September 30, 1997. The report summarizes the major accomplishments of the auditors, investigators, and other employees of the Office of the Inspector General (OIG) during this reporting period. This is my second semiannual report as the acting Inspector General of the U.S. Government Printing Office (GPO). I was detailed to this challenging position shortly after the former Inspector General retired in January 1997.

During the past nine months, I have assessed the audit and investigative programs and progressively taken steps to enhance the ability of the OIG to accomplish its mission in a more efficient and effective manner. Increased emphasis has been placed on reviewing management control systems that support every GPO program, operation, and financial management activity. Management controls help GPO managers operate in the most economic, efficient, and effective manner to achieve goals defined by law, regulation, and policy. Adequate and effective management control systems also help prevent fraud, waste, and abuse.

To increase audit coverage of the GPO, I created five OIG Review Teams to conduct performance and financial reviews within every major GPO organization. The teams will evaluate the adequacy and effectiveness of management control systems as part of each review. The combined talents of the auditors, investigators, and computer specialists on these teams should provide for more comprehensive and beneficial reviews. These reviews will provide the Public Printer with an independent assessment of GPO's Management Control Program.

I have also established two goals for the OIG. My first goal addresses the recently established requirement for annual audits of GPO's financial statements. In the past, triennial audits of GPO's financial statements were conducted by the U.S. General Accounting Office (GAO) in accordance with 44 U.S.C. 309. In October 1996, Congress amended this statute. The GPO, OIG, was empowered with authority to conduct these audits on an annual basis, if requested by the Joint Committee on Printing (JCP). Therefore, my first goal is to ensure that the OIG has the capability to honor any future request to audit GPO's financial statements.

My second goal is to increase the acceptance of OIG audit report recommendations by GPO managers. To be successful, the OIG must work more effectively to convince GPO managers of the merits of the OIG's recommendations. Efforts will be taken to improve the quality of audits, and the communication of audit findings and recommendations to managers.

I hope that the OIG function will help managers address the new and emerging issues and challenges facing the GPO as we near the 21st century.


THOMAS J. MULDOON

HIGHLIGHTS OF THE SEMIANNUAL REPORT

The OIG audit, investigative, and special efforts during this reporting period resulted in several major accomplishments, as follows.

- Upon request, the OIG provided advice to the U.S. Department of Health and Human Services (HHS), OIG, which is reviewing the National Institutes of Health's Printing Program. The NIH has authority to directly procure printing from commercial printers.

The HHS's initial study results included a comparative price analysis between the GPO and the NIH for six printing jobs. The results of the NIH Study were provided to IRM officials at HHS and the Office of Management and Budget (OMB). The comparative price analysis was inaccurate due to several errors. When corrected, the pricing analysis favored the GPO by about \$42,400.

The study suggests that a specialized, Government-wide procurement program for printing may be more economical than a general agency-specific procurement program. The NIH surcharges ranged from 10 to 18.5 percent. In comparison, the normal GPO surcharge was 6 percent, limited to a maximum of \$15,000 per printing order. The GPO's overall average surcharge for Fiscal Year 1996 equated to only 5.36 percent. Thus, the cost of operating a centralized procurement appears to be substantially less than decentralized procurement, due to economies of scale.

The GPO, OIG's review of the results of the HHS, OIG's Study raised the issue of NIH's compliance with certain Title 44 sections applicable to Government printing, recycled paper use, and Government information dissemination.

- The OIG completed a multi-phased review of the GPO Workers' Compensation Program (WCP) mandated by the Federal Employees' Compensation Act (FECA). The GPO, WCP provides benefits of about \$6 million annually. The review was conducted in three parts. Part I disclosed that the U.S. Department of Labor had been inappropriately charging GPO a fee of about \$220,000 annually for administering the program. Part II identified opportunities to improve the program and compliance with FECA regulations.

Part III evaluated the adequacy and effectiveness of controls to monitor program participants, and to minimize benefit costs. The third and final audit report was completed during this period and issued on October 3, 1997. The report contained seven recommendations that, when fully implemented, should strengthen management controls and improve performance. The GPO action official indicated that the seven recommendations had been acted upon during the audit.

- The OIG conducted a limited review of the Mail Management Program, which incurred postage costs of about \$18.3 million during Fiscal Year 1996. The OIG evaluated efforts to provide reimbursable mailing services for printing.

The audit identified the need to (1) strengthen the effectiveness of the system of management controls over the billing of printing jobs with reimbursable postal permit mailings, and (2) ensure that GPO had been fully compensated for all mailing services. The OIG observed two conditions. The Comptroller took prompt corrective action that resulted over \$7.2 million in postage revenue for GPO.

- The GAO, at the request of Congress, and the OIG, at the request of the Public Printer, reviewed a special inventory reduction for the Sales of Publication Program in September 1996. This inventory reduction included the destruction of 3,258 copies (some of each volume) of a four-volume history entitled, *The Senate 1789-1989*, by Senator Robert C. Byrd. The Senate Historian's Office had previously expressed interest in obtaining any excess copies of this historic publication. The GAO and OIG coordinated their activities to avoid duplication of efforts and ensure that the two offices shared findings.

The Superintendent of Documents had policies and procedures in place to offer excess sales publications to an issuing agency before disposal. However, the [former] Superintendent of Documents instructed his staff to disregard policies that interfered with the goal of disposing of as much excess inventory as possible by year-end. About \$9 million in surplus publications were disposed of by GPO during Fiscal Year 1996.

The GAO issued a report entitled *Information on September 1996 Major Inventory Reduction*, dated September 16, 1997. The Public Printer stated in his comments on this report that the GPO has taken actions to ensure that applicable policies and procedures are followed in the future. The OIG concluded that the GAO report adequately addressed the issues and therefore, an OIG report was unnecessary under the circumstances.

- The OIG conducted a total of five Local Agency Checks (LAC) of GPO employees at the request of the GPO, Personnel Security Specialist. The purpose of the LAC's was to confirm the criminal history records of the employees. As a result of one check, it was determined that a GPO employee had falsified his Standard Form - 171 *Application for Federal Employment*, to gain GPO employment. The employee was terminated from Government service. The Government realized a cost savings in payroll expenses of \$8,460 since a replacement could not be hired for three months.
- The OIG conducted two separate investigations of a contractor for the alleged brokering of printing contracts to others for performance. The contractor was investigated for submitting false claims, and making false statements. The investigation disclosed an estimated \$664,638 in illegal profit by the contractor through the brokering scheme. This matter is currently pending action by the U.S. Department of Justice.

- The U.S. Attorney's Office in Denver, Colorado, accepted an investigative case for prosecution involving allegations of forgery, mail fraud, wire fraud, false claims, false statements, bribery, and violations of the Anti-Kickback Act. The subject of the investigation is a former employee of a GPO contractor. The suspect allegedly diverted about \$6,000 of Government funds, intended as a contract payment, into his personal bank account.
- The OIG investigated an allegation of widespread gambling operations in the Production Department. The investigation disclosed evidence to confirm the allegation. Two subjects have confessed to organizing gambling operations, and over 70 employees were identified as participants.
- The OIG investigated the alleged submission of fraudulent Time and Attendance reports by the Manager and the Assistant Manager of a GPO bookstore. The investigation resulted in the resignation of the Manager in lieu of corrective administrative action, and the suspension without pay of the Assistant Manager.
- The OIG Audit Plan for Fiscal Year 1998 was prepared.

**U.S. Government Printing Office
Office of Inspector General
Semiannual Report to the Congress**

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Office of Investigations

A. Investigative Mission

The Office of Investigations (OI) conducts and/or coordinates the conduct of investigations relating to matters pertaining to monetary or material losses occurring in the U.S. Government Printing Office's (GPO) programs, operations, and other activities. These investigations may include Government contractors, program participants, and/or GPO officials and other employees. The OI's independent, or joint investigative efforts with other federal or non-federal investigative agencies, may result in: (1) criminal prosecutions, (2) civil proceedings, and/or (3) the imposition of administrative sanctions. Prosecutions may result in court-imposed prison terms, probation terms, fines, and/or restitutions.

Many of the ongoing or completed investigations began as a result of a complaint or specific request. The need is present to expand these types of investigations with emphasis placed on a proactive approach to supplement the other ways of initiating investigations. The OI will continue to be responsible for conducting individual investigations, whether as self-initiated or externally requested. However, rather than view each single effort by itself, each will become part of a comprehensive look at the total GPO's operating environment wherein opportunities for fraud, waste, theft, and abuse can originate.

In consonance with the Inspector General's audit responsibility, there is a need for continual cooperation with the Office of Audits (OA). The *Interim Quality Standards for Federal Offices of Inspector General*, established by the President's Council on Integrity and Efficiency (PCIE), recognized the importance of proactive investigations as part of the deterrent and preventive role played by investigators. As such, rather than be called upon entirely in a support function regarding the investigation of fraud, waste, theft, and abuse activity on the OA, the OI will use a similar framework as the auditors in order to investigate the potential of fraud, waste, theft, and abuse within the GPO.

The OI will pursue more self-initiated, proactive investigations in the future to accomplish the OIG's statutory investigative mission in a more effective manner. The OI will, in part, base these proactive investigations on the extensive knowledge gained from past investigations of the OI's five major categories of investigative work (i.e., procurement fraud, workers' compensation abuses, employee misconduct, violations of printing procurement regulations, and miscellaneous investigations). For example, the OI is planning a major proactive financial investigation in concert with the Office of Audits' financial evaluation of GPO's financial statements for Fiscal Year 1997, and related financial management reports.

B. Summary of Investigations

During this reporting period, the OIG Hotline Program for Drug Activity, Fraud, Waste, and Abuse, received 12 fraud-related matters, 3 complaints concerning illegal drugs, and 30 calls for information, for a grand total of 45 investigative matters. Of that number:

- 1 complaint was referred to GPO management for resolution;
- 2 fraud investigations were initiated;
- 2 matters pertained to an ongoing investigation;
- 1 matter was documented in the OI Intelligence Files; and
- 39 telephone calls did not warrant any form of action.

The following table summarizes the OI's investigative case workload during this reporting period.

**Summary of Investigative Case Workload
as of September 30, 1997**

Workload Analysis	Number of Cases
Beginning Case Workload - 4/1/97	99
Add: New Cases Opened	33
Less: Cases Closed	37
Ending Case Workload - 9/30/97	95

The OI opened 33 investigative cases during this reporting period in response to new complaints or allegations. The 37 cases closed during the reporting period consisted of 6 cases from the current period and 31 cases from prior reporting periods. The OI's investigative efforts resulted in total monetary benefits to the Government of \$60,162 during this reporting period. This amount consisted of \$9,115 in recoveries, and \$51,047 in cost savings.

The OI's productivity realized an approximate 25 percent reduction in the caseload inventory compared to the beginning of the year. This reduction was a result of bringing closure to numerous matters which were pending from prior years.

The following case examples from Fiscal Year 1997 depict the wide range of areas and matters the OI is currently investigating and/or is involved:

- Two separate investigations into alleged brokering of contracts, submitting false claims, false statements by the same GPO Region 5 contractor, disclosed an estimated \$664,638 in contractor's illegal profit. This matter is currently pending action by the Commercial Litigation Division of the U.S. Department of Justice.
- A GPO contractor was ordered, by a U.S. District Court, to pay \$369,673 in fines. The imposition of the fines were a result of the OI's investigation into the alleged submission of false claims and false statements by the contractor. The USAO also issued a Writ of Garnishment against the contractor in efforts to recover the fines.
- An investigation into alleged intoxication on duty and assault by a GPO employee resulted in the subject's arrest by the GPO and Metropolitan Police Departments. The subject was charged with Robbery with Force/Violence (a felony), which carries a possible 10 year sentence in the District of Columbia. The subject resigned his position at GPO pending removal action.
- The U.S. Attorney's Office in Denver, Colorado, has accepted for prosecution an OI investigation involving allegations of forgery, mail fraud, wire fraud, false claims, false statements, bribery, and violations of the Anti-Kickback Act. The subject, a former employee of a GPO Region 8 contractor, allegedly diverted approximately \$6,000 of Government funds, intended as payment to the contractor, into his personal bank account. A GPO employee involved in this scheme is also under investigation.
- An investigation into an allegation of widespread gambling operations in the GPO's Production Department revealed evidence to confirm the allegation. Two subjects confessed to organizing gambling operations and over 70 employees were identified as participants.
- An investigation into the alleged submission of fraudulent Time and Attendance reports by the Manager and Assistant Manager of a GPO bookstore resulted in the resignation of the Manager in lieu of corrective administrative action, and the suspension without pay of the Assistant Manager.

The following chart summarizes the results of the OIG's investigative activities for the past five fiscal years.

**Office Of Investigations
Five-Year Productivity Analysis
(Fiscal Years 1993 Through 1997)**

MEASUREMENT	1993	1994	1995	1996	1997	TOTALS
CASES OPENED	154	132	119	83	69	557
CASES CLOSED	147	101	189	94	98	629
ARRESTS	9	9	4	3	2	27
CASES TO USAO	28	24	15	18	15	100
DECLINATIONS	12	12	11	15	13	63
CONVICTIONS	5	8	4	0	1	18
GUILTY PLEAS	4	9	4	2	2	21
JAIL TIME (days)	240	6,570	2,970	0	3,372	13,152
SUSPENDED TIME (days)	1,095	10,950	2,394	0	3,140	17,579
PROBATION (days)	4,195	11,670	2,290	365	2,920	21,440
PUBLIC SERVICE (days)	230	200	0	0	0	430
RESTITUTION	\$41,709	\$16,374	\$415,061	\$79,185	\$21,442	\$573,771
FINES	\$250	\$2,000	\$16,000	\$45,500	\$369,673	\$433,423
RECOVERIES 1/	\$206,029	\$79,378	\$2,152	\$128,873	\$14,621	\$431,053
CIVIL PROSECUTION REFERRALS	1	4	4	6	4	19
ADMINISTRATIVE REFERRALS	53	47	40	22	45	207
SUSPENSIONS	8	3	5	9	8	33
DEBARMENTS	20	29	12	14	12	87
TERMINATIONS	7	2	5	5	2	21
WARNED/OTHER ACTION	30	17	21	8	34	110
REFERRALS TO OTHER AGENCIES	10	11	13	4	4	42
COST SAVINGS	\$1,120,294	\$26,163	\$229,056	\$578,307	\$58,842	\$2,012,662

1/Includes Investigative Costs

C. Types of Cases

The OI's investigative workload has been categorized into five major areas that are based on the types of investigative cases, as follows:

1. Workers' Compensation Program (WCP)

The OI investigates GPO employees who have allegedly submitted false claims and made false statements to facilitate receipt of workers' compensation benefits. The OI currently has 13 active criminal investigations involving alleged WCP fraud violations. The investigations are all from prior reporting periods.

Two prior reporting period investigations that were presented to the U.S. Attorney's Office for prosecution, during prior reporting periods, remain pending. In addition, one current reporting period WCP investigation and three WCP cases from prior reporting periods, have been referred to the GPO's Labor and Employee Relations Service (LERS) for consideration in taking possible administrative action(s).

2. Title 44, United States Code (U.S.C.) Violations

The OI investigates allegations involving reported violations of Title 44 *Public Printing and Documents, United States Code* (U.S.C.). These violations include federal agencies allegedly circumventing GPO by procuring printing services in violation of the law. The OI currently has seven active Title 44 investigations. Five investigations have been referred elsewhere for appropriate action.

The OI also investigates allegations of violations of Title 31 *Money and Finance, U.S.C.*, which may arise from alleged violations of Title 44. The Title 31 violations occur as a result of federal employees expending their agency's congressionally-appropriated funds for printing services provided by contractors other than through the GPO.

Two prior reporting period Title 44 violations were referred to other federal agencies for appropriate action. No response or action has been received by the OI.

The three current reporting period investigations were referred to other Office of Inspectors General during this reporting period. The agencies include the U.S. Department of Health and Human Services (HHS), the U.S. Department of Defense (DOD), and the U.S. Department of Transportation (DOT). All three matters remain pending.

The GPO, OIG, anticipates consolidating all Title 44 violation investigations and incorporating them as part of an Office of Audits' program review in the future.

3. Procurement Fraud

The OI investigates reported statutory violations generally involving GPO contractor service providers that have allegedly defrauded the Government resulting from GPO's procurement of goods and services. These violations generally include, but are not limited to, false claims, false statements, wire and mail fraud, product substitution, and Small Disadvantaged Business program violations.

The OI currently has 23 active procurement fraud cases. Seventeen are from prior reporting periods and six are from the current reporting period.

Four prior reporting period fraud cases, which were referred to U.S. Attorneys' Offices for prosecution, remain pending. One investigation was referred to the U.S. Department of Energy during a prior reporting period, and one prior reporting period matter had been referred to the Internal Revenue Service. As in the previous report, the OI has not received any notification regarding the disposition or status of these two referrals.

Two prior reporting period investigations and one current reporting period investigation, involving GPO contractors, have been referred to the GPO's Office of General Counsel (OGC) for administrative action. The OGC has not notified the OI regarding final disposition.

The OI closed 15 prior reporting period contract fraud investigations.

4. Employee Misconduct

The OI investigates allegations involving GPO employee misconduct. These allegations include, but are not limited to, time and attendance fraud, theft, assaults, drug violations, gambling, kickbacks, and travel voucher fraud.

The OI is currently conducting a total of 16 active alleged misconduct investigations. Ten are from prior reporting periods and six from the current reporting period.

Four alleged misconduct investigations have been referred for administrative action. Of this number, three were from prior reporting periods and one was from the current reporting period.

During the reporting period, 16 employee misconduct investigations were closed. Fourteen cases involved investigations from prior reporting periods and two were from the current reporting period.

5. Miscellaneous Investigations

The OI also investigates matters of a miscellaneous nature. These matters include, but are not limited to, alleged violations of GPO rules, regulations, policies, or programs.

A total of ten prior reporting period cases remain active. One prior reporting period investigation was referred to the appropriate GPO management official for administrative action.

The OI closed a total of five cases, one from prior reporting periods and four from the current reporting period.

D. Referrals Awaiting Final Disposition

The OI's investigative efforts have resulted in both external and internal referrals to others for actions. A synopsis of outstanding referrals by the OI follows:

1. External

- U.S. Attorney's Office (USAO):

A total of seven OI investigations are at USAO's awaiting criminal and/or civil prosecution.

The OI presented a total of eight investigations to USAO's for criminal prosecution during the reporting period. The USAO's declined to prosecute seven cases; however, a case involving allegations of bribes, gratuities, and the theft of Government Funds was accepted for prosecution.

Six prior reporting period investigations, presented to USAO's during prior reporting periods, continue to be evaluated for prosecutable merit. Two of these cases involve alleged OWCP related criminal violations, and four are contract fraud cases.

One OI investigation was presented to a USAO during the reporting period for civil prosecution. It was declined for civil prosecution.

- Other Agencies:

Two OI investigations, involving alleged violations of Title 44, U.S.C., have been referred to other Federal agencies for action. One matter was referred, during a prior reporting period, to the U.S. Department of Veterans Affairs (DVA). The other matter was referred to the U.S. Department of Energy (DOE) during a prior reporting period. The OI has not received a response or disposition in connection with these referrals to the DVA and the DOE.

One matter, involving employee misconduct, was referred to the Immigration and Naturalization Service (INS) during a prior reporting period. The OI has not received a response or disposition from the INS in connection with this referral.

The OI referred two investigations, involving alleged contract fraud to the DOE and INS, respectively. The referrals occurred during prior reporting periods. However, the OI has not received a response or disposition from either the DOE or the INS concerning these referrals.

2. Internal

- Executive Office:

As reflected in the prior semiannual report, one investigation, referred to the Office of the Public Printer during a prior reporting period, involved a non-agency recreation association program and the program related activities of a GPO employee. Correspondence received from the GPO employee may result in the case being re-opened. In addition, one prior reporting period investigation relating to alleged Prohibitive Personnel Actions by the GPO, was referred during this reporting period.

- Office of General Counsel:

The OI has referred three contractor fraud matters to the GPO, Office of General Counsel (OGC) for administrative adjudication. Two of the referrals occurred during prior reporting periods and one occurred during this reporting period. The OI has not received a final disposition in connection with these referrals.

As a result of OI investigations, the GPO, OGC debarred six companies and/or company officials from doing business with the Government; two Show Cause and three Letters of Warning were issued to GPO contractors; and two companies were suspended for six months from doing business with the Government. In addition, in one matter, \$4,874 worth of Government Furnished Materials was recovered from a contractor. By recovering these materials, the Government did not have to reproduce the material.

- Labor and Employee Relations Service:

Six matters have been referred to the GPO Labor and Employee Relations Service. Allegations referred included reported employee misconduct and OWCP fraud. Three referrals occurred during the current reporting period and three occurred during prior reporting periods. The OI has not received any notification concerning the final disposition or status of the six referrals.

As a result of OI investigations, two GPO employees were terminated, one employee resigned in lieu of agency adverse administrative action, and one employee was suspended without pay. The OI recovered \$4,241 in salary overpayments from falsified

annual leave charges. Administrative actions also resulted in a cost savings of \$46,173 in payroll expenditures from the suspension and terminations.

E. Investigative Case Dispositions

The following actions depict a sample of matters handled by the OI during this reporting period.

- A current reporting period OI investigation into allegations that a GPO Police Officer used “Deadly Force” during the conduct of his official duties, was referred to GPO management for action and is pending. The USAO declined to prosecute the matter.
- Two separate prior reporting period investigations into alleged brokering of contracts, submitting false claims, false statements by the same GPO Region 5 contractor, disclosed an estimated \$664,638.20 in illegal profit. This matter was declined for criminal prosecution by the United States Attorney's Office (USAO) for the Southern District of Ohio and referred to the Civil Division. The contractor was suspended pending final action by the USAO. This matter is currently pending action by the Commercial Litigation Division at the Department of Justice.
- A prior reporting period investigation into alleged intoxication on duty and assault by a GPO employee resulted in the subject’s arrest by the GPO and Metropolitan Police Departments. The subject was charged with Robbery with Force/Violence (a felony), which carries a possible ten-year sentence in the District of Columbia. The subject resigned his position at GPO pending removal action. The Government realized a cost savings in payroll expenses in the amount of \$10,288 since a replacement could not be hired for three months. Final criminal action in this matter is pending a court date.
- The U.S. Attorney’s Office in Denver, Colorado, has accepted a current reporting period OI investigation involving allegations of forgery, mail fraud, wire fraud, false claims, false statements, bribery, and violations of the Anti-Kickback Act. The subject, a former employee of a GPO Region 8 contractor, allegedly diverted approximately \$6,000 of Government funds as payment to the contractor, into his personal bank account. A GPO employee allegedly involved in this scheme is also under investigation.
- The OI is conducting a current reporting period investigation into the alleged violations of the Small Disadvantaged Business (SDB) Regulations by a former GPO Region 2 contractor. In addition, the contractor allegedly filed over \$15,000 in false claims to the GPO.
- During the current reporting period, the OI received allegations that a GPO Region 3 contractor filed false claims pertaining to jobs the company subcontracted, which is a violation of GPO Contract Terms. The company was awarded over \$1.5 million worth of contracts since January 1, 1997.

- A current reporting period investigation into the alleged assault of a supervisor by a GPO employee is pending.
- The OI is currently conducting a current reporting period investigation of the alleged violations of Title 44 United States Code, by the National Technical Information Service. The preliminary results of the investigation were provided to the Joint Committee on Printing (JCP) for review and guidance.
- A prior reporting period investigation into an allegation of widespread gambling operations in the GPO's Production Department revealed evidence to confirm the allegation. Two subjects confessed to organizing gambling operations and over 70 employees were identified as participants. One subject in this matter received a 14 day Suspension. This resulted in a cost savings of \$2,638 in payroll expenses. Final action concerning subject number two is currently pending.
- A prior reporting period investigation into the alleged submission of fraudulent Time and Attendance reports by the Manager and Assistant Manager of a GPO bookstore resulted in the resignation of the Manager in lieu of corrective administrative action, and the suspension without pay of the Assistant Manager. The Government recovered \$4,241 in salaries, for uncharged leave, from the two individuals, and realized a cost savings in payroll expenditures of \$24,787.
- A prior reporting period investigation concerning a GPO Region 9 contractor resulted in all outstanding deliveries being made and all Government Furnished Materials (GFM), totaling \$4,874, being recovered just prior to the contractor being converted from a Chapter 11 to a Chapter 7 bankruptcy. Since the material was recovered, they did not need to be reproduced. The investigation also prompted the owner of the company in question to close his newly formed company that was about to start bidding on some of the GPO's contracts for the Small Disadvantaged Businesses.
- The OI conducted a total of five Local Agency Checks (LAC) involving GPO employees. These checks were conducted at the request of the GPO's Personnel Security Specialist. The purpose for the LAC's was to confirm the criminal history records of the employees. As a result of one check, it was determined that the GPO employee had falsified his Standard Form - 171 *Application for Federal Employment*, to gain GPO employment. The employee was terminated from Government service. The Government realized a cost savings in payroll expenses of \$8,460 since a replacement could not be hired for three months.

The following chart summarizes the results of the OIG's investigative activities for the six-month reporting period ended September 30, 1997.

**Investigative Productivity Statistics and Performance Measurements
for the Six-Month Period Ending September 30, 1997**

MEASUREMENT	TOTALS
COMPLAINTS & ALLEGATIONS RECEIVED	33
CASES CLOSED	37
ARRESTS	1
CASES PRESENTED TO USAO	9
DECLINATIONS OF PROSECUTION	8
CONVICTIONS	0
GUILTY PLEAS	0
ACQUITTALS	0
JAIL TIME (days)	0
SUSPENDED TIME (days)	0
PROBATION (days)	0
PUBLIC SERVICE (hours)	0
RESTITUTION	0
RECOVERIES	\$9,115
FINES	0
CASES REFERRED FOR CIVIL PROSECUTION	1
ADMINISTRATIVE REFERRALS	22
SUSPENSIONS	3
DEBARMENTS	12
TERMINATIONS	2
WARNED/OTHER ACTION	8
REFERRALS TO OTHER AGENCIES	0
COST SAVINGS	\$51,047

Office of Audits

A. Audit Mission

The mission of the Office of Audits (OA) is defined by the GPO Inspector General Act of 1988, which created a statutory OIG at GPO. The Act requires the OIG to:

1. Conduct independent and objective audits relating to GPO;
2. Provide leadership and coordination, and recommend policies to promote the economy, efficiency, and effectiveness of GPO's programs, operations, and activities; and
3. Keep both the Public Printer and Congress fully and currently informed about problems and deficiencies relating to the administration and operations of the GPO.

The OA conducts performance audits, financial related audits, and special reviews to accomplish its audit mission. All OIG audits are performed in accordance with applicable Government Auditing Standards promulgated by the Comptroller General of the United States.

B. Audit Operations

The OA was authorized 16 full-time equivalent positions for Fiscal Years 1997 and 1998. The OA had 13 employees as of September 30, 1997. The OA staff consisted of 12 auditors and a secretary. Actions are being taken to fill the three vacant auditor positions.

During the six-month reporting period ending September 30, 1997, the OIG concentrated audit resources on the following audits and audit-related activities:

1. Issued an audit report to the Comptroller addressing the need to (1) strengthen the effectiveness of the system of management controls over the billing of printing jobs with reimbursable postal permit mailings, and (2) ensure that GPO had been fully compensated for all postal permit mailing services provided to customer agencies.
2. Issued five contract audit reports requested by GPO Contracting Officers in the Printing Procurement Department. The GPO Contracting Officers use these reports in evaluating contractor proposals for negotiated procurements, contract modifications, contract termination settlements, and claims against the Government.
3. Completed the final audit report on Part III of the OIG's Review of the Workers' Compensation Program (WCP) at GPO. This program is mandated by the Federal Employees' Compensation Act (FECA), and provides about \$6 million in benefits annually to GPO workers for job-related injuries. Part III of the audit evaluated the program benefit costs paid by the U.S. Department of Labor and funded by the GPO.

4. Drafted an audit report on personnel security as part of the Review of the Internal Control Environment for the Production of Secured Products in the GPO Central Plant. The final report should be issued during the next reporting period.
5. Drafted three audit reports on the Review of the Safety and Security of GPO's Pay Parking Program. These reports should be issued during the next reporting period.
6. Started the field work phase for a comprehensive evaluation of GPO's overall management control environment. This agency-wide review will evaluate the system of management controls that support GPO's: (1) printing plant operations, (2) materials management activities, (3) printing procurement program, (4) Government information dissemination operations, and (5) administrative support activities which include financial management and information resource management.
7. Started planning and/or performing the field work to evaluate three contractor proposals. These contract audits were requested by GPO Contracting Officers.
8. Provided the Health and Human Services (HHS), OIG, with requested comments and suggestions on Government printing and information dissemination programs. The information should help the HHS, OIG evaluate the National Institutes of Health (NIH) Printing Program which interfaces with several related programs administered by GPO.
9. Facilitated the efforts of the GAO to review the facts surrounding a major inventory reduction of excess publications by the Superintendent of Documents in September 1996. The GAO audit was conducted for the Committee on Appropriations, U.S. Senate.
10. Coordinated the revision of GPO Instruction 825.18A *Internal Control Program*.
11. Conducted semi-annual follow-up actions to monitor the progress of GPO's efforts to conduct Vulnerability Assessments and Internal Control Reviews in accordance with GPO Instruction 825.18A.
12. Continued efforts to update the OIG's *Audit Policy and Procedures Manual* for revisions made to the *Government Auditing Standards* (a.k.a. the Yellow Book), and incorporate applicable suggestions from the Peer Review Report of the OA, dated January 6, 1997.
13. Conducted two internal Quality Assurance Reviews (QARS) of OIG audits.
14. Prepared the OIG's *Audit Plan* for Fiscal Year 1998.

The OIG's audit authority and/or related responsibilities also increased in two areas as a result of recent legislation mandating annual audits of GPO's financial statements, and a change in GPO's policies and procedures for the Internal Control Program. A synopsis of each of these changes follows.

Annual Audits of GPO's Financial Statements

The *General Accounting Office (GAO) Act of 1996* (Public Law 104-316) amended Title 44 *Public Printing and Documents* of the *United States Code* in regard to audits of the GPO. In part, this Act requires annual audits of GPO's financial statements, and increases the authority of the Inspector General to conduct audits of the GPO. Specifically, the Act provides that: (1) the Inspector General shall audit the financial and operational activities of GPO each year; (2) these OIG audits shall be conducted under the direction of the Joint Committee on Printing (JCP); and (3) the JCP may request the Inspector General or Comptroller General of the United States to conduct the annual audit of GPO's financial statements. The Public Printer also has the authority to retain an independent external auditor to audit GPO's financial statements.

The OIG has initiated actions to implement the applicable provisions of this Act. The Acting Inspector General has held meetings with other affected parties, including the Public Printer, the JCP, and the GAO. The purpose of these communications was to discuss how best to implement the provisions of the Act. The Acting Inspector General arranged financial audit training on management controls for the audit staff, and redirected audit resources to review and evaluate more GPO management control systems. The OIG goal is to develop an audit staff capable of conducting the annual audit of GPO's financial statements, when requested.

Internal Control Program

GPO Instruction 825.18A *Internal Control Program* was significantly revised and reissued by the Public Printer on May 28, 1997. The OIG made suggestions for strengthening the GPO Internal Control Program that were incorporated in the revised policies and standards.

The revisions benefited the GPO in two significant ways. First, the OIG's responsibilities in regard to monitoring GPO efforts to implement and maintain an adequate and effective Management Control Program were increased. Specifically, the GPO Instruction states:

“The Inspector General is responsible for staying abreast on the progress of implementation by management of annual assessments and control reviews, reviewing the completeness of the assessments and reviews, and consolidating the review results in an annual letter of compliance to be forwarded to the Public Printer. The Inspector General will serve as the coordinator with any independent auditor, the GAO, or any other entity, relative to vulnerability assessment and internal control review matters.”

The benefit to the OIG results from the fact that the extent of OIG audit field work and testing is directly dependent on the adequacy and effectiveness of management control systems. Generally, every OIG audit is required to evaluate internal controls in effect within the scope of the audit. When GPO managers conduct proper vulnerability assessments and internal control reviews on a regular basis, confidence in the system of internal controls increases. In part, the OIG determines the extent of audit field work and related testing based on the degree of confidence in control systems.

Confidence in control systems would be reduced if required vulnerability assessments and internal control reviews were not being regularly performed by management. The OIG would generally have to perform more extensive testing when confidence in the control environment and control systems is lower. Thus, the OIG audit mission benefits from having first-hand knowledge of GPO's efforts to implement and maintain an adequate and effective Internal Control Program. Furthermore, non-compliance with GPO Instruction 825.18A may be the basis for increased audit coverage of a particular area.

To implement the OIG's added responsibilities under GPO Instruction 825.18A, the Assistant Inspector General for Policy, Planning, and Control (Audits) has been instructed to monitor the progress of organizations and advise managers, when requested, of their responsibilities under GPO Instruction 825.18A.

A second benefit to the OIG from this revised GPO Instruction was the designation of the Deputy Public Printer or designee as the *GPO Audit Resolution Official*. In the event that the Inspector General and a GPO manager (i.e., action official) have a difference of opinion concerning the implementation of an open audit recommendation, the matter now will be referred to the Office of the Public Printer for resolution. This escalation option was informal until the subject revision was made.

C. Audit Accomplishments

The OIG issued a total of six audit reports to GPO officials during the six-month reporting period ending September 30, 1997. A synopsis of OA's audit accomplishments and a description of significant audit reports follows.

Financial Audits

The OA issued one financial audit report during this reporting period. This audit evaluated management controls of the GPO Mail Management Program. The corrective actions taken by the Office of the Comptroller resulted in the GPO billing customer agencies for over \$7.2 million in mailing services performed.

Performance Audits

No audit reports were issued as a result of performance audits during this reporting period.

Contract Audits

The OA issued five audit reports in response to contract audit requests from Contracting Officers within the GPO, Printing Procurement Department (PPD). Contract audits assist GPO Contracting Officers in evaluating proposals from GPO printing contractors in regard to negotiated procurements, contract modifications, contract termination settlements, or contractor claims. The five contract audit reports questioned a total of about \$53,000 in proposed contractor costs, overhead, and profit. The questioned amounts were either unallowable, not allocable to the contract, and/or unsupported.

Investigative Support

The OA is committed to supporting the OIG's investigative mission. About 500 hours of the OA's audit resources are planned for investigative support activities during Fiscal Year 1998.

When requested, the OA provides accounting and auditing assistance to the OIG Special Agents for both civil and criminal investigations. During this reporting period, the OA provided audit services to the Office of General Counsel for one earlier OI investigation of a former GPO contractor. The OA also refers irregularities and other suspicious acts detected during audits to the OI for investigative consideration. The OA did not make any referrals to the OI during this reporting period.

Significant Audit Reports

A synopsis of the two significant OIG audit reports finalized during this reporting period follows. The second report was issued on October 3, 1997, and therefore, will only be reflected in the audit statistics for the next semiannual reporting period.

(1) **AUDIT REPORT ON STRENGTHENING CONTROLS OVER THE BILLING OF REIMBURSABLE POSTAL PERMIT MAILINGS**
(Report Number 97-05, Issued June 4, 1997)

The OIG conducted a limited review of the GPO's Mail Management Program which incurred postage costs of about \$18.3 million during Fiscal Year 1996. At the suggestion of the GPO Comptroller, the OIG reviewed GPO's efforts to provide mailing services, on a reimbursable basis, for printing products ordered by customer agencies. GPO obtained a new GPO postal permit number for this new mailing service which became available to customers around May 31, 1994.

The audit identified the need to (1) strengthen the effectiveness of the system of management controls over the billing of printing jobs with reimbursable postal permit mailings, and (2) ensure that GPO had been fully compensated for all reimbursable mailing services provided to customers. The OIG observed two conditions. First, the draft *Accounting and Operating Procedure for GPO Permit Mailings* had been drafted, but had not been finalized and fully implemented as of September 1996. Second, the billing file for a large printing job was closed after billing the customer for printing, but without billing the customer for reimbursable postage of about \$1.7 million.

The OIG brought these conditions to the attention of the Comptroller who took prompt corrective actions to ensure that all mailing customers had been properly billed. A suggested reconciliation of postal expenses to postal revenues by Office of the Comptroller resulted in the billing of over \$7.2 million in postage revenue for GPO. Additionally, the final *Accounting and Operating Procedure for GPO Permit Mailings* was issued on April 25, 1997. The periodic reconciliation of postal revenue and expense accounts was added as a control procedure to detect any future billing discrepancies.

**(2) AUDIT REPORT ON THE GPO WORKERS' COMPENSATION PROGRAM
(Report Number 98-01, Issued October 3, 1997)**

The OIG has completed a multi-phased review of the GPO Workers' Compensation Program (WCP) which is mandated by the Federal Employees' Compensation Act (FECA). The WCP provides benefits to GPO employees of about \$6 million annually. The U.S. Department of Labor (DOL) is responsible for the payment of all workers' compensation benefits for the Federal Government. The audit was requested by the Director of the Labor and Employee Relations Service.

The review was conducted in three parts. An OIG audit report on Phase I was included in an earlier OIG Semiannual Report to Congress (Report Number 94-10). Phase I disclosed that DOL had been inappropriately charging GPO a fee of about \$220,000 annually for administering the program. The Comptroller General of the United States issued a decision on April 4, 1996 concurring that the GPO is not required to pay the administrative fee to the DOL. The DOL has been reviewing the Comptroller General's decision and has not taken corrective actions as of yet.

Phase II of this review assessed GPO's compliance with FECA regulations. The second report (Report Number 95-03) contained 20 recommendations for improving the WCP and compliance with FECA regulations. In summary, the report concluded that GPO needs to: (1) improve the light-duty/return to work program; (2) establish better program accountability; and (3) ensure that WCP claims are adequately reviewed.

Phase III evaluated the adequacy and effectiveness of controls, to monitor compensation recipients, and to minimize benefit costs. The third and final audit report (Report Number 98-01) contained seven recommendations that will strengthen management controls and improve performance, when fully implemented.

The third audit report was directed to the Director of the Labor and Employee Relations Service for comment. The Director indicated that the seven audit report recommendations had been acted upon through self-initiated changes to policies and procedures followed by the GPO Workers' Compensation Program staff. The OIG recognizes the significant management improvements that have occurred during the period of the audit.

D. Work-In-Process

The OA has started 16 financial or performance audits that will benefit GPO, and three contract audits that will assist GPO Contracting Officers in evaluating contractor claims and other proposals.

The Acting Inspector General created five audit teams to conduct reviews within an assigned area of responsibility. The five audit areas are based on type of customer service: (1) Production Services, (2) Procurement Services, (3) Government Information Dissemination Services, (4) Information Resources Management Services, and (5) Administrative Support Services. The Acting Inspector General's objective is to provide better audit coverage of GPO's various programs, operations, and activities through defined areas of audit responsibility that will also promote greater audit expertise and knowledge of these five service areas.

The objectives and scope of every audit will include, to varying degrees, an evaluation of (1) the management control environment, and (2) compliance with applicable laws, regulations, and management policies. Good management control systems help ensure that GPO provides quality services to customers in a timely manner at the lowest cost to the taxpayers. Adequate and effective systems of management control: (1) improve the economy, efficiency, and effectiveness of GPO programs, operations, and other activities; (2) safeguard public assets; (3) deter, detect and prevent fraud, waste, and abuse; and (4) help ensure compliance with laws, regulations, and management policies established by Congress or the Public Printer.

The following sections contain a brief description of the objectives of the 16 on-going audits within the five service areas.

(1) PRODUCTION SERVICES

The Production Services Area includes in-house printing plant operations and related material management activities. The Production Department is responsible for the GPO Central Printing Plant, the Engineering Service is responsible for maintaining production facilities, and the MMS is responsible for storing and issuing supplies for the printing plant. The OIG has six open audits or other reviews in the Production Services Area.

1. Review of the Integrity of the PROBE System - This financial audit will assess the accuracy, efficiency, security, and effectiveness of PROBE-processed production data that interfaces with other financial management and reporting systems, including customer billing systems.

2. Review of the Internal Control Environment for the Production of Secured Products - This audit will assess the adequacy and effectiveness of personnel and physical security measures for selected GPO production facilities that handle and produce classified and other sensitive printing products for the Government.

3. Review of Production Equipment Utilization and Workload Indicators - This audit will assess the economy, efficiency, and cost effectiveness of the GPO production operations in quantitative and qualitative measurements of equipment cost and utilization. The review will also evaluate the effects of equipment utilization on significant financial statement accounts.

4. Review and Verification of Selected GPO Financial Statement Account Data and Its Reasonableness as Related to Production Services - This financial audit will assess the accuracy and integrity of significant asset, revenue, and expense accounts in GPO's financial statements that relate to production services.

5. Review of Internal Controls and Economic and Financial Consequences of SIA/WCP Matters Within Selected Plant Operations - This audit will evaluate the adequacy and effectiveness of GPO's efforts to provide a safe working environment for employees in printing production facilities. The audit will review historic data on employee injuries and the cost of associated compensation to assess trends.

(2) PROCUREMENT SERVICES

The Procurement Services Area includes the PPD's Printing Procurement Program, the MMS's Paper Program, and the acquisition of equipment, services, supplies, and vehicles by the MMS. The OIG has four open audits or other reviews in the Procurement Services Area.

1. Review of GPO's Printing Procurement Program and Internal Control Environment Relating to the PICS/VOPPS Interface - This financial audit will evaluate the reasonableness and reliability of financial data on printing procurement jobs maintained in the PICS/VOPPS common database. The common database provides an interface for the transfer of financial-related data between the Procurement Information Control System (PICS) and the Voucher Processing and Payment System (VOPPS).

2. Review of Title 44 Procurement Violations - This performance audit will determine if Federal agencies are violating certain Title 44 *Public Printing and Documents*, procurement requirements. Section 501 of Title 44 requires Federal agencies to obtain printing, binding, and blank-book work from the GPO, unless exempted. Procurement of printing by other means may result in higher costs than necessary, non-compliance with Government paper and ink standards, and exclusion of the publication from public access through Government information dissemination programs.

3. Review of Management Control Environment for the Printing Procurement Program - This audit will evaluate the management control environment for the GPO Printing Procurement Program, which procures over \$500 million in printing annually from the private sector. The audit will review efforts to implement and maintain an adequate and effective management control environment.

4. Review of the Transportation Issues - This performance audit will evaluate GPO's agency-wide use of transportation services to determine if the most economical, efficient, and effective means and modes of transportation are being used and/or employed by the various GPO organizations.

(3) GOVERNMENT INFORMATION DISSEMINATION SERVICES

The Government Information Dissemination Services Area includes the information dissemination programs administered by the Superintendent of Documents for the Government. This area includes the Sales of Publications Program, the Federal Depository Library Program, the International Exchange Program, and the Cataloging and Indexing Program. The OIG has four open audits or other reviews in the Government Information Dissemination Services Area.

1. Review of the Integrated Processing System (IPS) - This System Development Life Cycle (SDLC) audit will evaluate the implementation phase of the IPS. IPS is scheduled for implementation in Fiscal Year 1998 and will support the Sales of Publications Program. The audit will examine contingency planning, data integrity, and system security.

2. Review of the Integrity of SuDocs' Financial Data Processing - This financial audit will evaluate the integrity of SuDocs' generated financial data processed for financial reporting purposes during the IPS transition period.

3. Review of the Sales of Publications Program - This audit will evaluate the Sales of Publications Program which sells Government publications to the public through a network of 24 Government Bookstores; consigned sales agents in other agencies; and by telephone, fax and mail order sales at Central Office. To avoid possible duplication of audit efforts, the OIG will coordinate the audit efforts with the GAO, which plans to conduct a review of the program for the Congress.

4. Review of the Depository Library Program - This performance audit will evaluate the Depository Library Program, which distributes Government publications to about 1,360 depository libraries located throughout the United States. The program makes Federal Government information, in printed and electronic formats, accessible to the public at no cost to the user.

(4) INFORMATION RESOURCES MANAGEMENT SERVICES

The Information Resources Management Services Area supports all of GPO's printing production, printing procurement, and information disseminations programs, operations and activities. The Office of Information Resources Management (OIRM) maintains and operates most of GPO's computer facilities and major application systems that supports GPO's various operations. The OIG has one open audit or other review in the Information Resources Management Services Area.

1. Review of the OIRM's Organizational Structure and Management Control

Environment - This performance audit will assess the adequacy and effectiveness of the OIRM's organizational structure, and the evaluate the management control environment.

(5) ADMINISTRATIVE SUPPORT SERVICES

The Administrative Support Services Area supports all of GPO's production, printing procurement, and information disseminations programs, operations and activities. Some of the major support activities include the Office of the Comptroller, which is responsible for financial management and reporting; the Office of Budget, which is responsible for fiscal planning and budgeting; the Office of Planning, which is responsible for GPO's strategic and other plans; and the Office of Administrative Support, which is responsible for security and administrative services. The OIG has two open audits or other reviews in the Administrative Support Services Area.

1. Evaluation of GPO's Financial Statements and Related Reports for Fiscal Year 1997 - This review will evaluate the overall reasonableness of GPO's Consolidated Financial Statements and associated financial management reports as an aid to effective decision making. The review will provide a level of confidence for the various users of financial information, particularly for accounts with material dollar amounts.

2. Review of Safety and Security of GPO's Pay Parking Program - This performance audit will determine the effectiveness of the controls in place to ensure safety and security in GPO's Pay Parking Program.

E. Advice and Assistance

The audit staff provides advice and assistance to GPO managers and others in an effort to:

1. Promote, economy, efficiency, and effectiveness in agency programs, operations, and other activities;
2. Promote compliance with laws and regulations; and
3. Strengthen management control systems that deter, prevent, and detect fraud, waste, and abuse.

During this reporting period, the OA provided substantial advice and assistance to GPO officials and other Federal audit organizations. A brief description of each of these activities follows.

(1) Review of National Institutes of Health's (NIH) Printing Program

The U.S. Department of Health and Human Services (HHS), OIG, has been conducting a Review of the NIH's Printing Program. The NIH is exempted by law from 44 U.S.C. 501 and therefore, has authority to procure printing directly from commercial printers, or through GPO. The HHS, OIG, requested the GPO, OIG, to provide comments and suggestions to aid in a follow-on study of the NIH's printing program.

The GPO, OIG, reviewed the HHS, OIG's memorandum on the Review of NIH's Printing Program, dated August 4, 1997, that contained the HHS, OIG's initial study results. This memo included a summary of a comparative price analysis between the GPO and the NIH for a judgmental sample of six printing jobs. The results of the NIH Study were provided to Information Resources Management (IRM) officials at HHS and the Office of Management and Budget (OMB).

On September 24, 1997, the Acting Inspector General of the GPO provided written comments to the Assistant Inspector General for Public Health Service Audits at HHS. In summary, the GPO, OIG, detected several errors that had a significant overall effect on the results of HHS, OIG's comparative price analysis between the NIH and the GPO for a sample of six printing jobs. Some of the errors included: (1) the HHS computed a GPO surcharge amount that exceeded the GPO maximum surcharge amount of \$15,000 per order by \$10,791; (2) four of the six printing jobs in the sample, including the highest valued job of \$424,255, lacked NIH surcharges; and (3) the cost of depository library copies, estimated at about \$5,921, were inappropriately included in GPO estimated printing costs for NIH.

The OIG concluded that the HHS, OIG's comparative price analysis should not be used for any management decision purpose. Correction of these errors and adding imputed NIH surcharges, when lacking, would result in the overall comparative pricing analysis favoring the GPO by about \$42,400. This differs from the results communicated by the HHS to the OMB.

In regard to surcharges, the information from the HHS, OIG Study suggests that a specialized, Government-wide procurement program for printing may be more economical than a general agency-specific procurement program. The NIH surcharges ranged from 10 to 18.5 percent. In comparison, the normal GPO surcharge was 6 percent limited to a maximum of \$15,000 per printing order. The GPO's overall average surcharge for Fiscal Year 1996 equated to only 5.36 percent. Thus, the cost of operating a centralized procurement appears to be substantially less than decentralized procurement, due to economies of scale.

The GPO, OIG's review of the results of the HHS, OIG Study raised the issue of NIH's compliance with certain current laws and regulations applicable to Government printing, recycled paper use, and Government information dissemination.

First, Government Paper Specification Standards (44 U.S.C. 509) were not used by NIH for at least the largest printing job in the sample, the book entitled *Taking Time*. The GPO estimated that NIH could have saved about \$63,600 (15 percent) or more of the \$424,255 expended on this procured printing job by using comparable JCP Papers instead of the brand-name or equivalent papers cited in the NIH contract specifications.

Second, the NIH specified Number 1 quality, brand-name papers that had no recycled content for the largest printing job in the sample. Comparable JCP Papers would have had a postconsumer waste recycled content of at least 10% in adherence with Executive Order 12873, dated October 20, 1993.

Third, the HHS, OIG Study raises concerns that some of the Government publications acquired by NIH were not furnished to GPO for: (1) cataloging and indexing (44 U.S.C. 1710); (2) dissemination to depository libraries (44 U.S.C. 1902); and (3) international exchange with foreign governments (44 U.S.C. 1719). Government publications on health and safety, such as NIH's publications, generally have significant public interest and educational value.

The GPO, OIG has offered to provide the HHS, OIG with further assistance, and has requested that the erroneous information on the initial study results be corrected.

(2) GAO/OIG Review of a Major Inventory Reduction for the Sales of Publication Program

The GAO, at the request of Congress, and the GPO, OIG, at the request of the Public Printer, reviewed a special inventory reduction by the SuDocs for the Sales of Publication Program in September 1996.¹ This inventory reduction included the destruction of 3,258 copies (some of each volume) of a four-volume history entitled, *The Senate 1789-1989*, by Senator Robert C. Byrd. The Senate Historian's Office had previously expressed interest to GPO in obtaining any excess copies of this historic Government publication.

The GAO and OIG coordinated their activities to avoid duplication, facilitate the review, and ensure that the two offices shared findings. The following observations were made by the review teams.

For the first time in 15 years a potential financial loss was identified for the GPO, Sales of Publication Program in June 1996. One of several corrective actions intended to improve the program's long-term financial condition involved a special identification and disposal of excess publications from the sales inventory at the SuDocs warehouse in Laurel, Maryland. The [former] Superintendent of Documents said that he wanted to dispose of the excess inventory by September 30, 1996, to incur the expense and associated losses in fiscal year 1996, rather than in later years.

¹ The GAO review was conducted for the Chairman and the Ranking Minority Member, Committee on Appropriations, U.S. Senate.

The Superintendent of Documents had policies and procedures in place to offer excess sales publications to an issuing agency for transfer, before disposal and destruction. However, the [former] Superintendent of Documents instructed the staff to disregard those policies that would interfere with the goal of disposing of as much excess inventory as possible by September 30, 1996. Thus, the inventory reduction resulted in 2,127 different publications being disposed of by selling the surplus for eventual use as scrap paper in recycling. For Fiscal Year 1996, about \$9 million in surplus publications expense was incurred by GPO, including about \$3 million for the month of September 1996.

The GAO issued a report entitled *Information on September 1996 Major Inventory Reduction*, (Report Number GGD 97-177) dated September 16, 1997. The Public Printer stated in his comments on this GAO report that the GPO has taken a variety of actions to ensure that applicable policies and procedures are followed in the future.

The GPO, OIG concluded that the GAO report adequately addressed the issues and therefore, another report by the OIG for the benefit of the Public Printer was not necessary.

(3) GPO Internal Control Program

The OIG monitors the progress of GPO's efforts to implement and maintain an Internal Control Program under GPO Instruction 825.18A *Internal Control Program*. In September 1997, the OIG requested GPO managers to provide a copy of all Internal Control Reviews conducted within the last six months. This was the first formal follow-up action by the OIG.

Additionally The Assistant Inspector General for Policy, Planning, and Control (Audits) has been designated as the OIG point-of-contact with management on internal controls. During this reporting period, the OIG provided advice and assistance to Printing Procurement Department management on implementing an effective internal control program.

(4) Telecommunications and Automated Information System Security Program

In August 1997, the OIG provided comments to the Office of Administrative Support on draft revisions to GPO Instruction 825.16B, *GPO Telecommunications and Automated Information (TAI) Systems Security Program*. Additionally, the OIG advised the Director of the Office of Administrative Support that several TAI Security Representatives needed to be appointed.

(5) Computer Systems - Year 2000 Compliant

Before the Year 2000, many Government computer systems will need to be replaced, redesigned, or modified to operate properly by the time the year 2000 arrives. Government programs and operations could be adversely affected by computer system failures or inaccurate data processing and output. The Federal Government has initiated a Government-wide effort to ensure Federal agencies' computer systems are Year 2000 compliant.

The OIG is preparing an advisory report to assess the current posture of the GPO's efforts to address the Year 2000 problem. This report will provide management with the OIG's observations on the current awareness, assessment, and project management efforts. The report will address the traditional information technology environment, including mainframe and mid-range system applications, hardware and software, as well as personnel computer hardware and software vulnerabilities. Additionally, non-traditional areas of potential risks will be examined, such as external suppliers of goods and services, and internal systems, such as ventilation systems, power distribution systems, building security, and equipment control devices. The OIG will make suggestions to GPO management for strengthening the current efforts and reducing the risk of millennium problems. The purpose is to ensure that GPO will be able to provide customers with uninterrupted, quality service when the Year 2000 arrives.

F. Outstanding OIG Recommendations

GPO management officials have not completed all necessary actions to implement significant recommendations contained in four OIG audit reports issued during prior semiannual reporting periods. A synopsis of our audit findings and recommendations, along with management's action(s), to implement the outstanding recommendations follows.

(1) AUDIT OF GPO'S NEGOTIATED/DIVERTED PROGRAM **(Report Number 96-01, Issued November 21, 1995)**

FINDING(S)

The intent of the Negotiated/Diverted Program was to improve the economy and efficiency of GPO in-house production resources. The program allowed GPO to recover direct costs and some indirect costs from non-Congressional jobs, rather than have production employees and machinery remain idle during Congressional recesses and other periods of lower customer demand. A former Public Printer had established three goals for the in-house retention of printing jobs. The audit disclosed that GPO achieved two of the three goals of the former Public Printer. The audit concluded that GPO was: (1) retaining jobs to operate production equipment at optimum utilization levels and (2) negotiating commercially comparable prices for non-Congressional printing jobs. However, GPO had not achieved the third goal of producing a profitable in-plant operation.

RECOMMENDATION(S)

The audit report had 11 recommendations to improve the economy, efficiency, and effectiveness of the Negotiated/Diverted Program.

MANAGEMENT'S ACTION(S)

On May 6, 1997, the Manager of the Production Department issued a policy statement, effective May 1, 1997, on the GPO Negotiated/Diverted Program. This policy statement addressed all but two of the remaining open audit recommendations. The Office of the Comptroller took additional actions that implemented one of the two remaining open recommendations. Thus, only one audit report recommendation remains open.

(2) SURVEY OF GPO'S WORKERS' COMPENSATION PROGRAM **(Report Number 94-10, Issued September 9, 1994)**

FINDING(S)

The GPO has been paying an annual administrative fee to the U.S. Department of Labor (DOL) to administer GPO's Workers' Compensation Program (WCP). The General Counsel determined that the GPO is not legally required to pay this administrative fee. The GPO legal opinion was supported by a decision of the Comptroller General of the United States.

RECOMMENDATION(S)

The review recommended that immediate actions be taken to: (1) stop payment on the annual administrative fee paid to DOL; (2) request remittance from DOL of fees paid since 1982; and (3) request copies of all bills from 1950-1982 showing charge-back costs and fees charged to the GPO. If this information is not available, any data which will allow GPO to reasonably estimate the administrative fees charged during this period should be made available.

MANAGEMENT ACTION(S)

On September 20, 1994, the GPO Comptroller sent a letter to DOL requesting remittance of fees paid since 1982 and copies of all bills from 1950-1982. The DOL disagreed, and concluded that the GPO was required to pay an annual administrative fee. In view of this dispute, the GPO Comptroller requested a legal opinion from the Comptroller General of the United States on whether the GPO is required to pay an administrative fee for the WCP.

On April 4, 1996, the GPO received the requested Comptroller General decision. The decision concluded that the GPO was not legally required to pay an administrative fee for the WCP. On September 6, 1996, the GPO forwarded this decision and a letter to the Solicitor of the DOL requesting assistance in fully implementing the Comptroller General's decision.

On February 5, 1997, the Public Printer sent a letter to the Secretary Designate of DOL requesting assistance to resolve this interagency issue because the Solicitor had not responded to an earlier request from GPO. On May 6, 1997, the DOL Office of the Solicitor and the Office of Workers' Compensation Programs committed to conducting an in-depth review of the Comptroller General decision and responding to GPO's concerns upon completion of their review.

On May 13, 1997 the Chairman of the Joint Committee on Printing sent a letter to the Secretary of Labor requesting that immediate action be taken to (1) refund GPO funds paid in error and (2) preclude future assessment of WCP charges.

On August 5, 1997, the GPO Public Printer sent a letter to the Acting Comptroller General requesting assistance in obtaining the refund from WCP.

(3) REPORT ON EFFORTS TO IMPLEMENT A CAPACITY MANAGEMENT PROGRAM (Report Number 89-21, Issued May 9, 1989)

FINDING(S)

The GPO has not established a capacity management program for its Automated Data Processing (ADP) operations. Capacity management programs help ensure that computer systems are properly designed and configured to give efficient performance and to provide sufficient computer capacity for present and future operations. Capacity management also includes analyzing how computer resources are utilized and forecasts future requirements.

RECOMMENDATION(S)

GPO should establish and maintain a capacity management program.

MANAGEMENT ACTION(S)

On September 19, 1997, the Director, OIRM, stated that the Fiscal Year 1998 budget request included new personnel needed to implement this recommendation.

G. Outstanding GAO Recommendations

The GPO is taking actions to implement significant recommendations contained in a GAO-sponsored report completed by an independent external auditor. A summary of the report's findings and status of the outstanding recommendations follows:

(1) GAO/Arthur Andersen & Co.'s Comments and Suggestions for Consideration
(Issued January 1996)

FINDING(S) AND RECOMMENDATION(S)

As part of the GAO audit of GPO's financial statements for Fiscal Year 1995, Arthur Andersen, LLP (a CPA firm under GAO contract) issued a report entitled *Comments and Suggestions for Consideration*. This report contained 4 recommendations (reportable conditions) and 86 comments and suggestions to improve GPO's operations and systems of internal accounting control.

MANAGEMENT ACTION(S)

The GPO action officials responsible for the areas discussed in the Arthur Andersen, LLP report, have taken some actions to address many of the recommendations and suggestions. Overall, the actions have generally been responsive. However, GPO officials need to take some additional actions to implement the report. The GPO is now required to have annual audits conducted of GPO's financial statements. Thus, follow-up actions on this report will be conducted in the near future. The OIG will continue to monitor the GPO's efforts to implement these recommendations and suggestions.

**Statistical Table on Audit Reports
With Questioned Costs**

	<u>Number of Reports</u>	<u>Questioned Costs</u>	<u>Unsupported Costs</u>
A. For which no management decision has been made by the commencement of the reporting period	1	\$ 289,116	\$ 289,116
B. Which were issued during the reporting period	5	<u>52,643</u>	<u>3,883</u>
C. Subtotals (A+B)	6	\$ 341,759	\$ 292,999
D. For which a management decision was made during the reporting period without unsupported costs	2	\$ 25,130	\$ 0
1. Dollar value of disallowed costs	2	\$ 25,130	\$ 0
2. Dollar value of allowed costs	0	\$ 0	\$ 0
E. For which no management decision has been made by the end of the reporting period	4	\$ 316,630	\$ 292,999
F. Report for which no management decision has been made within six months of issuance	1	\$ 289,116	\$ 289,116

**Statistical Table on Audit Reports With Recommendations
Involving Funds Collected**

	<u>Number of Reports</u>	<u>Funds Collected For Operations</u>
A. For which no management decision has been made by the commencement of the reporting period	0	\$ 0
B. Which were issued during the reporting period	1	<u>7,259,461</u>
Subtotals (A+B)	1	\$7,259,461
C. For which a management decision was made during the reporting period	1	\$7,259,461
1. Dollar value of recommendations that were agreed to by management	1	\$7,259,461
2. Dollar value of recommendations that were not agreed to by management	0	0
D. For which no management decision has been made by the end of the reporting period	0	0
E. Report for which no management decision has been made within six months of issuance	0	0

**List of Audit Reports
Issued During This Reporting Period**

A. Contract Audit Reports:

	Questioned <u>Costs</u>	Unsupported <u>Costs</u>
1. Contract Review (Report 97-04, Issued 09/30/97)		
2. Contract Review (Report 97-06, Issued 05/12/97)	<i>Information identifying the contractor and the associated questioned costs have not been disclosed. The Government's negotiating position on claims which have not been settled is thereby protected.</i>	
3. Contract Review (Report 97-07, Issued 05/28/97)		
4. Contract Review (Report 97-08, Issued 09/10/97)		
5. Contract Review (Report 97-09, Issued 09/30/97)		
Total	_____	_____
	\$52,643	\$3,883

B. Other Audit Reports:

	Funds Collected <u>For Operations</u>
1. Audit Report Strengthening Controls Over the Billing of Reimbursable Postal Permit Mailings (Report #97-05, Issued 6/4/97)	\$7,259,461
Total	<u>\$7,259,461</u>

Semiannual Report Cross References to the Inspector General Act

<u>IG Act Section</u>	<u>Description</u>	<u>Report Page(s)</u>
4(a)(2)	Review of Legislation and Regulations	N/A
5(a)(1)	Significant Problems, Abuses, and Deficiencies	9-10 & 17-19
5(a)(2)	Recommendations With Respect to Significant Problems, Abuses, and Deficiencies	9-10 & 17-19
5(a)(4)	Matters Referred to Prosecutive Authorities	7-9
5(a)(5)	Summary of Instances Where Information Was Refused	N/A
5(a)(6)	List of Audit Reports	32
5(a)(7)	Summary of Significant Reports	17-19 & 26-28
5(a)(8)	Statistical Table with Questioned Costs	30
5(a)(9)	Statistical Table with Recommendations That Funds Be Put to Better Use	31
5(a)(10)	Summary of Audit Reports Issued Before the Commencement of the Reporting Period for Which No Management Decision Has Been Made	N/A
5(a)(11)	Significant Revised Management Decisions Made During the Reporting Period	N/A
5(a)(12)	Management Decisions With Which the Inspector General Is In Disagreement	N/A

