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Financial Performance Measures

Cash Management

Payment Performance – In fiscal year 2001, GPO continued to earn millions of dollars from taking favorable prompt payment discounts offered by contractors for the payment of invoices within the discount period. GPO earned prompt payment discounts of \$6.6 million on purchased printing expense of \$432 million. This represents a discount rate of 1.5 percent, as compared to 1.6 percent for the prior fiscal year. Total discounts taken were less due to an \$87 million decrease in the total purchased printing expense base of \$519 million in fiscal year 2000. The 1.5 percent discount rate earned exceeded the 1.4 percent goal set for fiscal year 2001. Our goal will remain at 1.4 percent for fiscal year 2002.

Discounts lost decreased to \$278,000 in fiscal year 2001 from \$288,000 in fiscal year 2000. The percentages of discounts lost to discounts offered were 4 percent and 3.4 percent in fiscal years 2001 and 2000, respectively. We did not achieve our goal set for fiscal year 2001, which was a maximum of 2.5 percent. At the end of fiscal year 2001, GPO implemented an automated workflow invoice processing system that should reduce lost prompt payment discounts.

Electronic Payments – The use of electronic funds transfer (EFT) payments results in savings for GPO and the Department of the Treasury because paper checks do not have to be produced and processed. In fiscal year 2001, approximately 25,500 monthly payments, or 91 percent, of all GPO payments were made by EFT, compared with 25,800 monthly payments, or 94 percent of all payments in fiscal year 2000. Our goal for fiscal year 2001 was to increase EFT payments to 97 percent of all payments. Our goal in fiscal year 2002 is to increase EFT payments to 96 percent of all payments made.

Debt Management

Federal Receivables – In fiscal year 2001, GPO billed Federal agencies \$665 million for printing and binding services. Of this amount, \$489.7 million (73.6 percent) was collected using the Department of Treasury's On-Line Payment and Collection (OPAC) system; \$33.8 million (5.1 percent) was from funds residing in Printing and Binding Deposit Accounts maintained by the GPO; and \$11.5 million (1.7 percent) was collected via credit card. These methods enable the collection of funds within 30 days or less, as opposed to the more traditional methods of collection which require the creation and exchange of paper documents.

Total GPO government accounts receivable at the end of fiscal year 2001 is \$9.3 million, compared with \$8.4 million at the end of fiscal year 2000. The Department of Defense (DoD), with an average monthly balance of \$5 million for billings outstanding for more than 90 days, representing 48.6 percent of all of GPO's delinquent receivables, is

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GPO's largest delinquent customer. At the end of fiscal year 2001, DoD owed GPO \$485,000 for billed, completed work that was between 31 and 60 days overdue, \$262,000 that was between 61 and 90 days overdue, and \$5.7 million that was more than 90 days overdue. GPO and DoD have, in recent years, used Treasury's OPAC system to simultaneously bill and collect certain DoD invoices for printing and publishing services. This agreement has had a significant impact in reducing GPO's receivables from DoD. As recently as fiscal year 1998, accounts receivable from DoD were \$34.9 million, including \$14.1 million overdue by more than 90 days.

GPO also offers Printing and Binding Deposit Accounts to allow agencies to prepay for their printing. These accounts greatly simplify customer agency accounting and have the added benefit of providing detailed customer account information, via a secure Web site, which enables customers to either download or print their transactions. At the end of the year, there were 222 printing and binding deposit accounts valued at \$42 million.

GPO continues to offer agencies the option to pay their printing and binding bills by credit card. Credit card usage increased in fiscal year 2001 to \$11.5 million for nearly 13,000 print jobs from \$10.6 million for nearly 12,000 print jobs in fiscal year 2000. The average price per job (about \$900 per job in each year) paid via credit card indicates that customers find it an easy way to pay for small printing jobs.

Management Discussion and Analysis

The consolidated financial statements of GPO were prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). Under the accrual method, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. GAAP also requires that accounting principles used be applied in a consistent manner with that of the previous year.

The principal consolidated financial statements report the financial position and the results of operations of the agency pursuant to the requirements of 31 U.S.C. §3515(b). The principal consolidated financial statements were audited by an independent external auditor selected by the Public Printer in accordance with 44 U.S.C. § 309(e).

The consolidated financial statements and reports are prepared from the GPO's financial management system. Transactions are recorded on the accrual basis and are within budgetary limitations established to facilitate compliance with legal constraints and controls over the use of federal funds. GPO's annual financial statements and accompanying notes provide information on the agency's financial position, results of operations, changes in net position, and disclose all significant events and economic affairs controlled by GPO, in conformity with applicable laws, regulations, standards, and policies relevant to financial reporting.

GPO is committed to maintaining strong financial systems and internal controls to ensure accountability, integrity, and reliability. Our internal controls are designed to

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provide reasonable assurance that obligations and costs are in compliance with applicable laws and regulations; funds, property, and other assets are safeguarded against loss from unauthorized acquisition, use, or disposition; and revenues and expenses are properly recorded and accounted for to enable our agency to prepare reliable financial reports and maintain accountability over assets.

GPO Instruction 825.18A *Internal Control Program* effectively adopts the internal control standards and assessment methodology used by the executive branch. GPO managers regularly conduct vulnerability assessments and internal control reviews of GPO's programs, operations, and other activities. The GPO Inspector General monitors the program and keeps the Public Printer informed of the progress by management. The GPO Internal Control Program has strengthened management controls and improved the economy, efficiency, and effectiveness of GPO's programs, operations, and other activities.

Operating Issues

GPO's mission is to assist Congress and Federal agencies in the cost-effective creation and replication of information products and services, and to provide effective and economical public access to government information. GPO strives to operate and manage its resources efficiently and to achieve steady gains in productivity.

There has been a steady decline in demand in recent years for traditional printing within the Federal government. All major programs within GPO have been impacted by this dynamic: less printing is produced and procured and fewer printed publications are sold. The GPO workforce reflects this decrease in demand as well, with the number of employees on the rolls decreasing from 8,500 employees in fiscal year 1976 to 3,026 at September 30, 2001.

GPO's Plant Printing Operations produces the *Congressional Record* and all other documents relative to the legislative process. However, neither Congress nor GPO can accurately forecast the printing workload that may be required to support and record legislative proceedings. In those years where congressional printing requirements exceeds the funding provided, GPO uses its authority to temporarily fund the shortfall through the Revolving Fund. In the majority of years, funding has been adequate.

In fiscal year 2000, the funding needed to provide Congress with its printing services exceeded the annual \$71.3 million appropriation by an estimated \$9.9 million in cumulative obligations. During fiscal year 2001, Congress approved a \$9.9 million supplemental appropriation and a \$9.5 million appropriation transfer to the Revolving Fund to pay down the cumulative shortfall through fiscal year 2000. GPO estimates a shortfall of \$5.9 million at the end of fiscal year 2001.

The GPO Printing Procurement Program continues to be the best acquisition service for the Federal printing dollar. The Program offers the advantage of a centralized staff of technical experts to ensure that the customer agency's printing requirements are met at the lowest cost. Customer orders are offered, via the competitive bid process, to the

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commercial printing industry to obtain the best offer. GPO's commercial printing contractors are capable of producing over 350 types of products. GPO's Printing Procurement staff has fulfilled the needs of its customers for timely and cost effective printing, as shown by their on-time delivery and quality acceptance rate performance measures. This program, as with other print-on-paper operations, must continually look for ways to reduce costs and increase efficiency in an environment of declining demand. GPO is looking to streamline the printing procurement process by developing requirements for a web-based, simplified purchase agreement application, which will allow customer agencies to electronically transmit their specifications to GPO. GPO will be able to rank potential contractors and electronically place the order with the contractor that provides the best value for the Federal Government. Contractors will also be able to electronically receive orders and bill GPO for the finished product.

The GPO Sales of Publications Program has experienced a significant decrease in sales activity and the number of titles available for sale. This decline corresponds to advances in electronic information technology, such as the world wide web, and increases in electronic publishing by customer agencies. The Sales of Publications Operations 2001 revenue of \$42.4 million declined from fiscal year 2000 revenue of \$45.5 million. This continues the downward trend that began in fiscal year 1995, when revenue was \$80 million. Years of diminished revenue and virtually fixed labor costs have caused the Sales Program to sustain significant annual operating losses. This is significant in that the Sales Program receives no appropriated funds, and must recover costs to continue operations.

In an effort to improve this situation, 3 bookstores that were not recovering their operating expenses (San Francisco, Boston, and McPherson Square, DC) were closed during the year, and management plans to close additional stores in fiscal year 2002. Also, continued efforts to downsize through attrition are being employed in other areas of the Sales Program, as well as efforts to consolidate space to reduce overhead costs. Sales Program customers are also being encouraged to do business with the U. S. Government Online Bookstore as a means of providing more efficient customer service while lowering administrative and staffing costs. To generate additional revenue, efforts are being intensified to identify and obtain additional Government publications for sale to the public.

During fiscal year 2001, GPO management revalued the Integrated Processing System (IPS) for accounting purposes. This computer system is being developed for use by the Superintendent of Documents for the Sales of Publications Program. IPS is designed to replace about 18 older computer systems. IPS was initially expected to have a useful life of 5 years. However, the project, which was begun in fiscal year 1995, was not operational as of September 30, 2001. Therefore, the capitalized asset was declared by management to be "impaired," and was written-off in 2001. This write-off of \$12 million has been presented as an "Impairment loss" on the financial statements for fiscal year 2001.

Efforts are focused on purchasing from the GSA Schedule, commercial, off-the-shelf cataloging and library management software that meets system requirements.

The Salaries and Expense Appropriation by Congress funds the administration of the Federal Depository Library Program (FDLP), the Cataloging and Indexing Program, and the distribution component of the International Exchange Program of the Library of Congress. GPO's cataloging and locator services have emerged as a critical element in the FDLP's provision of current public access to U.S. Government publications. Long recognized as the national authority for cataloging government publications, FDLP is also gaining recognition as a center of excellence in other aspects of managing an electronic collection for permanent public access.

In order to provide FDLP services more timely and efficiently, GPO is in the process of acquiring an up-to-date library cataloging and data management system that will enhance the ability to perform the statutorily authorized functions of the Cataloging and Indexing Program and the FDLP. Efforts are focused on purchasing from the GSA Schedule, commercial, off-the-shelf cataloging and library management software that meets system requirements. Significant costs and time associated with a full competitive procurement will be saved with this approach. Internal workflow procedures will be adjusted, as necessary, to mesh with the new system, minimizing modifications to the standard software.

Fiscal Year 2001 Financial Results

The public printing and documents chapters of Title 44, *United States Code*, require GPO to fulfill the printing needs of the Federal Government and distribute government publications to the public. GPO activities are financed through a Revolving Fund, which is reimbursed by payments from customer agencies, sales to the public, and transfers from the Congressional Printing and Binding Appropriation and the Superintendent of Documents Salaries and Expenses Appropriation. These two annual appropriations are used to reimburse the Revolving Fund for costs incurred while performing congressional work and fulfilling statutory requirements associated with the distribution of government publications, respectively. Reimbursements to the Revolving Fund from the appropriations are recorded as revenue, and generally, unexpended appropriations are returned to the U.S. Treasury after 5 years have passed.

GPO's comprehensive, audited principle financial statements include all economic events impacting the agency. In fiscal year 2001, GPO recorded an accrued unfunded liability of \$67.7 million and an accrued expense of \$31.4 million resulting from the change in the actuarial estimate of the long-term liability for accident compensation. GPO is required to include the actuarial estimate of Federal Employees' Compensation Act (FECA) liability and the accrued FECA expense in its consolidated financial statements in order to comply with applicable accounting standards.

To improve financial reporting, the change in the actuarial estimate of workers' compensation liability is now presented as a separate cost element in the financial statements.

However, GPO does not include the actuarial estimate of the future cost of accident compensation in the computation of rates and prices used to charge Congress, Executive Agencies, or the Public, and does not include it in its requests for annual appropriations. GPO has included in its rate structure and prices only the actual cost of accident compensation paid to the Department of Labor (DoL) for the period reported. The future costs of GPO's accident compensation will be paid from revenues earned in the year the expense is paid.

To improve financial reporting, the change in the actuarial estimate of workers' compensation liability is now presented as a separate cost element in the financial statements. In prior statements, this cost was incorporated in the expense category entitled "Personnel Compensation and Benefits." This enhancement provides readers with a better representation of actual personnel compensation and benefits.

The Consolidated Statements of Revenues and Expenses reflect the "Change in actuarial liabilities" and the "Impairment loss" for IPS separately under "Other Operating Expenses." This presentation method highlights two major events that had a significant economic effect on the Agency's operating results. GPO's expenses for fiscal year 2001 increased by about \$43.5 million as a result of these two items.

GPO's revenues, expenses, and income or loss before other operating expenses for fiscal years 2001 and 2000 are summarized in the table on the next page entitled "GPO's Major Operations." GPO's loss before the aforementioned expenses was approximately \$1.5 million in fiscal year 2001, compared with income of approximately \$3.3 million in fiscal year 2000. After inclusion of the aforementioned expenses, GPO had losses of \$45 million and \$115,000 for fiscal years 2001 and 2000, respectively.

Revenues and expenses declined by \$95 million (12 percent) and \$90.1 million (11 percent) in fiscal years 2001 and 2000, respectively, before inclusion of the expenses for the impairment loss and change in the actuarial estimate for workers' compensation liability. Part of this decrease in revenue and expense is attributable to cyclical work for the U.S. Census Bureau. During fiscal year 2000, GPO provided about \$70 million in commercially procured printing for the Decennial Census of the United States.

Printing and Binding Operations had income before other operating expenses for the year of approximately \$6 million compared with income before other operating expenses of approximately \$15 million in fiscal year 2000. Revenues were \$663.3 million compared with \$756.7 million in fiscal year 2000. The income for fiscal year 2001 is before the aforementioned costs recognized for the increase in the actuarial estimate for workers' compensation liability, and the impairment loss for IPS.

The Sales of Publications Operations revenue of \$42.4 million declined by \$3.1 million, or 6.8 percent when compared to fiscal year 2000 revenue of \$45.5 million. The Sales of Publications loss before other operating expenses was \$7.6 million in fiscal year 2001 and \$11.8 million in fiscal year 2000. The loss before other operating expenses for

fiscal year 2001 is before the costs recognized for the increase in the estimate for workers' compensation liability and the impairment loss for IPS.

The Equity for the Sales of Publications Operations reflects an accumulated deficit of approximately \$35.9 million resulting from program operations since fiscal year 1993. Due to statutory restrictions that required earnings (i.e., receipts in excess of costs) to revert to the U.S. Treasury, the Sales of Publications Operations Program was unable to accumulate retained earnings until Public Law 103-69 amended 44 U.S.C. §1709 in 1993. Prior to the 1993 revision, over \$17 million in excess receipts was transferred to the Treasury as required by statute, and over \$28 million was used to fund the Salaries and Expenses of the Superintendent of Documents, as directed by Congress.

The following table summarizes the consolidated revenues and income (loss) before other operating expenses in each major operation of GPO during fiscal years 2001 and 2000.

GPO's Major Operations - Unaudited (Dollars in thousands)	2001		2000	
	Revenues	Income (Loss) before Other Operating Expenses	Revenues	Income (Loss) before Other Operating Expenses
Revolving Fund:				
Printing and binding operations:				
Purchased printing				
Central	\$259,959	\$ 5,455	\$330,620	\$ 3,161
Regional	214,371	(1,733)	226,992	(2,881)
Subtotal	474,330	3,722	557,612	280
In-house printing				
Central	186,216	3,328	195,830	15,291
Regional	759	(1,224)	1,217	(752)
Subtotal	186,975	2,104	197,047	14,539
Other	2,005	128	2,020	174
Subtotal of printing and binding operations	663,310	5,954	756,679	14,993
Information dissemination:				
Sales of publications	42,407	(7,607)	45,479	(11,815)
Agency distributions	4,435	105	5,215	129
Subtotal	46,842	(7,502)	50,694	(11,686)
Appropriations:				
Salaries and expenses	29,653	-	29,824	-
Congressional printing and binding	86,100	-	81,064	-
Subtotal	115,753	-	110,888	-
Total before eliminations	825,905	(1,548)	918,261	3,307
Eliminations (1)	(113,497)	-	(110,892)	-
Total after eliminations	\$712,408	\$ (1,548)	\$807,369	\$ 3,307

1. The eliminations include revenue recognized by one area of the GPO for products or services produced or provided to another area of GPO. In order to avoid reporting the expense and revenue for intra-company transactions, eliminating entries must be made. In fiscal year 2001, major eliminations included printing work charged

to the Congressional Printing and Binding Appropriation (\$86.1 million), publications printed for the Sales of Publications Program for resale to customers (\$9.6 million), and printing for programs funded by the Salaries and Expenses Appropriation (\$14.8 million).

Fiscal Year 2002 Projections

GPO projects breakeven operations for fiscal year 2002, with revenue and expenses expected to remain at about the same levels experienced in fiscal year 2001. However, congressional activity, in the form of legislation to stimulate the economy and deal with other issues related to the war against terrorism, may increase GPO's revenue stream during the year. GPO expects to operate at less than the congressionally mandated full-time equivalent ceiling of 3,260 for fiscal year 2002, with no degradation in core products and services. This is possible primarily to efficiencies from recent investments in new technology and on-going automation efforts.

GPO will continue to develop and employ efficient business practices and production processes to contain costs, and emphasize cost-effective methods of providing customer agencies and the public with government information and dissemination services.