

Financial Performance Measures

Cash Management

▪ **Payment Performance** – In fiscal year 1998, GPO continued its strong payment performance by paying contractors within the discount period when it was to the government's advantage. GPO's total purchased printing expense for fiscal year 1998 was \$430.4 million after deducting prompt payment discounts of \$6.8 million. The resultant 1.6 percent of discounts taken to net purchased printing exceeded our fiscal year 1998 goal of 1.4 percent. Our goal for fiscal year 1999 remains at 1.4 percent.

Discounts lost increased to \$186,000 in fiscal year 1998 from \$127,000 in fiscal year 1997. The percentages of discounts lost to discounts offered were 2.7 percent and 1.9 percent in fiscal years 1998 and 1997, respectively. We did not achieve our goal set for fiscal year 1998, which was a maximum of 2.5 percent. Our goal for fiscal year 1999 remains at 2.5 percent.

▪ **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 1998, approximately 23,600 monthly payments, or 88 percent, of all GPO payments were made by EFT, compared with 20,900 monthly payments, or 86 percent of all payments in fiscal year 1997. Therefore, our goal for fiscal year 1998, which was to increase the percentage of EFT payments of total payments, was met. Our goal for fiscal year 1999 is to continue increasing EFT payments.

Debt Management

▪ **Federal Receivables** – In fiscal year 1998, GPO billed Federal agencies \$654.7 million for printing and binding services. Of this amount, \$366.1 million, or 55.9 percent, was collected using the Department of the Treasury's On-Line Payment and Collection (OPAC) system.

In fiscal year 1998, GPO's average monthly receivables more than 90 days overdue were \$13.8 million, or 31.9 percent of the monthly average of outstanding receivables. The Department of Defense's (DoD) account at GPO, with an average monthly balance more than 90 days overdue of \$13.0 million, or 90.0 percent of all of GPO's delinquent receivables, was by far GPO's largest delinquent account. At the end of fiscal year 1998, DoD owed GPO \$6.9 million that was between 31 and 60 days overdue, \$4.5 million that was between 61 and 90 days overdue, and \$14.1 million that was more than 90 days overdue.

The DoD's slow payment process results from procedures requiring that all GPO invoices pass through duplicate review processes at DoD before payment is initiated; and also from DoD not using Treasury Department's OPAC system. Defense Automated Printing Service (DAPS) bills its customers who review GPO's invoices prior to paying DAPS. After DAPS has been paid, GPO's invoices are sent to Defense Finance and Accounting Service where they are reviewed a second time before GPO is paid. This additional layer of DoD administration has had a sustained negative impact on GPO's ability to collect from DoD since the inception of DPS/DAPS in October 1992.

GPO is working with DoD to establish credit cards or deposit accounts as a means of receiving payment from DoD. During fiscal year 1998, GPO and DoD agreed to a pilot program at two DoD sites to use credit cards as the method of payment. During the year, \$11.6 million was paid to GPO under this arrangement.

Also, during fiscal year 1998, use of GPO's printing and binding deposit accounts increased. At year-end, there were 34 accounts with \$17.6 million on deposit. Deposit accounts are used to pre-pay printing bills and eliminate invoices from GPO.

Management Comments on GPO Financial Statements

GPO's consolidated financial statements are prepared in accordance with generally accepted accounting principles (GAAP). GAAP requires that financial statements be prepared on the accrual basis of accounting. Accrual accounting dictates that expenses are recorded when incurred, and revenues are recorded when earned, regardless of when cash is disbursed or received. GAAP also requires accounting principles used be applied in a manner consistent with that of the previous year. The accompanying financial statements provide information on all events and economic affairs controlled by the GPO in conformity with established regulations, procedures, and promulgated accounting principles.

GPO's accounting system includes internal controls designed to provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are properly recorded. To ensure that adequate internal controls are maintained, management monitors the systems that provide management data, and initiates modifications or improvements deemed necessary to promote operational efficiencies and encourage adherence to prescribed managerial policies.

▪ Operating Issues

GPO's continuing 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.

Neither Congress nor GPO has the ability to accurately forecast the volume of printing that may be needed for the legislative process. In those years where congressional workload exceeded funding available, GPO used its authority to temporarily fund shortfalls through the Revolving Fund. In recent years, funding to provide Congress its printing services has been adequate, and no near-term shortfalls are anticipated.

There has been a steady decline in recent years in traditional printing and binding in the Federal government. Certain GPO performance measures (*i.e.*, chargeable hours and number of procured jobs processed) reflect the decline. To stem the adverse financial impact that would typically ensue, GPO has actively been: downsizing its workforce; reducing its operating costs; trying to attain a larger share of the federal printing market; and encouraging customers to adopt electronic-media products when cost effective.

Also, GPO has been pursuing avenues that will increase the efficiency and effectiveness of the overall Federal government. GPO and the Department of Commerce recently completed the second year of their 5-year strategic alliance. As a result of the alliance, GPO developed a secure, electronic version of the *Commerce Business Daily* (CBD) that allows Federal procurement offices worldwide to enter their solicitations to GPO's Internet Web-site. This CBD program, the 1997 recipient of the National Performance Review's Hammer Award, has reduced customer charges per electronic solicitation by 72 percent.

In 1998, GPO entered into reimbursable agreements with the Bi-cameral Commission on the Future of Medicare and the Census Monitoring Board. These agreements required GPO to provide each group with services beyond GPO's traditional printing and binding mission. For a small annual fee, GPO provides each group with complete payroll services. Also, GPO uses its existing infrastructure of Personnel Services, Materials Management Services, etc., to support each group. This has saved both groups the expense of maintaining administrative staffs to perform these functions, and frees their resources to focus on their objectives.

▪ Fiscal Year 1998 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. The two annual appropriations are used to reimburse GPO for costs incurred while performing congressional work and fulfilling statutory requirements associated with the distribution of government publications, respectively. Reimbursements from the appropriations to the Revolving Fund are recorded as revenue, and unexpended appropriations are returned to the U.S. Treasury after 5 years.

GPO experienced a consolidated net income of nearly \$1.4 million in fiscal year 1998, compared with a \$7.6 million net income in fiscal year 1997. Revenues decreased by \$31.7 million (4 percent) overall, while expenses decreased by \$25.5 million (3 percent). A significant portion of the fiscal year 1997 net income was attributable to a one-time, \$12.8 million, recovery of printing costs from Congress and the Depository Library Program for work performed in prior years (for details, see footnote 2D). For several years, GPO was unable to recover the full cost of printing due to a Congressionally mandated freeze on GPO plant rates. Congress had appropriated sufficient funds to cover all the cost but GPO was prevented from billing the total cost during the prior years due to the rate freeze. In fiscal year 1997, GPO was able to bill for the prior years' work that totaled \$12.8 million.

A summary of revenues and net income or loss in each GPO major operation is shown below.

GPO's Major Operations (Unaudited)

(Dollars in thousands)				
	1998		1997	
	Revenues	Net Income or (Loss)	Revenues	Net Income or (Loss)
Revolving Fund:				
Printing and binding operations:				
Purchased printing-				
Central	\$274,992	\$813	\$297,162	\$3,860
Regional	192,444	(7,684)	191,095	(6,313)
Subtotal	467,436	(6,871)	488,257	(2,453)
In-house printing-				
Central	189,213	11,712	195,865	8,507
Regional	1,534	(672)	2,171	(560)
Subtotal	190,747	11,040	198,036	7,947
Other	2,934	1,227	2,635	521
Subtotal of printing and binding operations	661,117	5,396	688,928	6,015
Information dissemination:				
Sales of publications	60,557	(3,626)	67,849	1,794
Agency distributions	5,077	(395)	4,850	(240)
Subtotal	65,634	(4,021)	72,699	1,554
Appropriations:				
Salaries and expenses	30,962	-	27,896	-
Congressional printing and binding	73,185	-	82,542	-
Subtotal	104,147	-	110,438	-
Total before eliminations	830,898	1,375	872,065	7,569
Eliminations (1)	(108,300)	-	(117,765)	-
Total after eliminations	\$722,598	\$1,375	\$754,300	\$7,569

(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 recognizing the expense and revenue for intra-company transactions, eliminating entries must be made. In fiscal year 1998, major eliminations included printing work charged to the Congressional Printing and Binding Appropriation (\$73.2 million), publications printed for the Sales of Publications Program for resale to customers (\$16.8 million), and printing for programs funded by the Salaries and Expenses Appropriation (\$14.8 million).

▪ **Fiscal Year 1999 Projections**

GPO projects breakeven operations for fiscal year 1999. GPO estimates that revenue and expenses will increase slightly over 1998 figures, particularly in Printing and Binding Operations due primarily to the printing of materials for the Decennial Census. GPO will continue to develop and employ efficient business practices and production processes to contain costs where possible. Examples include: Production Operation's automated platemaking system and new passport production line, Printing Procurement's re-engineered procurement support system, and Superintendent of Documents Integrated Processing System. The GPO will continue to emphasize cost-effective methods of providing customer agencies and the public with government information and dissemination services.

GPO expects to meet or exceed the congressionally mandated full-time equivalent ceiling of 3,383 for fiscal year 1999, 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.

▪ **Reporting Year 2000 Issues**

With the publication of GPO Instruction 705.26 titled "GPO Year 2000 Program Guide" on March 16, 1998, the Year 2000 (Y2K) program/projects have been given the top priority with total support and commitment from GPO management. Following the publication of the above publication, several procedural guidance documents have been issued. As of January 7, 1999, GPO has placed 31 out of the 40 mission-critical systems into production as Y2K compliant.

GPO has contacted some of its business partners and is in the process of contacting the remaining partners to discuss and resolve issues regarding the Y2K compliance. If some of GPO's business partners are not ready to exchange Y2K compliant data, GPO will develop appropriate (front-end or back-end) software bridges to resolve the problems.

GPO's costs associated with the Y2K Program/Projects are as follows:

Year	Actual or Projected Cost
1996	\$343,000
1997	\$5,886,000
1998	\$12,889,000
1999	\$6,028,000
2000	\$431,000
Total	\$25,577,000

The projected costs (1999 & 2000) are our best estimate based upon the information presently available and include the costs associated with remediating the non-mission-critical applications and GPO's facilities.

There are certainly risks associated with any effort of this magnitude. These risks can range from power outages to production problems involving mission-critical systems. GPO is in the process of preparing contingency plans for its most critical systems. GPO does not anticipate any serious problems when we transition into the new century. However, unanticipated problems may arise. A likely worst case scenario for GPO will be any Y2K problems affecting the Congressional products and services which will jeopardize their timely delivery to the Congress.

GPO is progressing with its remediation/replacement plans to meet its Y2K challenges. In addition, GPO is in the process of preparing contingency plans for its most critical systems. These plans will be prepared in accordance with the GAO guidelines provided in its August 1998 publication titled "Year 2000 Computing Crisis: Business Continuity and Contingency Planning" and should be ready by the end of March 1999.