



AUDIT OF
GPO'S NEGOTIATED/DIVERTED PROGRAM

NOVEMBER 1995

96-01



Office of Audits

memorandum

DATE: November 21, 1995

REPLY TO
ATTN OF: Assistant Inspector General for Audits

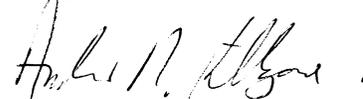
SUBJECT: Audit Report on GPO's Negotiated/Diverted Program

TO: Public Printer
Deputy Public Printer

This audit report summarizes the results of our performance audit of the Government Printing Office's (GPO) Negotiated/Diverted Program. The Negotiated/Diverted Program directs non-Congressional printing and binding work to GPO's in-house Central plant to improve the utilization of plant equipment and personnel. This audit report contains 11 recommendations to improve the economy, efficiency, and effectiveness of GPO's Negotiated/Diverted Program. The recommendations may also be beneficial, when implemented, to other jobs printed and bound in-house and to the costs charged to all customers.

The Deputy Public Printer agreed with the recommendations made in the draft audit report. GPO officials have commenced implementation on the recommendations which should improve GPO's Negotiated/Diverted Program.

I wish to express my appreciation to the officials and staff of the Offices of the Public Printer, Budget, Comptroller, Customer Services, and Production Services for the cooperation and courtesies extended during the audit.


ANDREW N. KILLGORE

Attachment

EXECUTIVE SUMMARY

The U.S. Government Printing Office (GPO), Office of Audits, has completed a review of GPO's Negotiated/Diverted Program. The Negotiated/Diverted Program directs non-Congressional printing and binding work to GPO's in-house Central plant to improve the utilization of plant equipment and personnel. This audit report contains 11 recommendations to improve the economy, efficiency, and effectiveness of the GPO Negotiated/Diverted Program. The recommendations may also be beneficial, when implemented, to other jobs printed and bound in-house and to the costs charged to all customers. (See Appendix I.)

The intent of the Negotiated/Diverted Program was to recover some fixed costs from non-Congressional jobs, rather than have production employees and machinery remain idle during Congressional recesses. These costs recovered would reduce overhead costs, that would have been charged on future Congressional jobs or would have been absorbed as an operating loss in the revolving fund for GPO's Central plant. This billing of non-Congressional jobs at less than regular prices is called "Marginal cost pricing". Marginal cost pricing is a widespread industry practice according to GPO officials.

During January through May 1995, the Office of Audits reviewed GPO's Negotiated/Diverted Program on associated work done in-house for non-Congressional customer agencies. The overall objective of the review was to determine whether the following three stated directives from the (former) Public Printer's letter of March 25, 1983, on in-house work retention were followed:

- (1) To retain whatever work is necessary to operate the equipment facilities at GPO on a full or close to full utilization basis,
- (2) To negotiate the price of the work with customers where necessary, and
- (3) To take all steps necessary to guarantee the profitability of our in-plant operation.

In general, the audit disclosed that GPO achieved two of the three directives of the Public Printer. GPO was: (1) retaining work to operate the equipment at full utilization basis¹ and (2) negotiating prices on non-Congressional jobs. However, GPO did not fully achieve the third directive of producing a profitable in-plant operation as a result of the following four factors:

¹In April 1994, Production Services started to divert work from GPO's term contracts programs.

- (1) The "Scale of Prices" for "Presswork" and "Bindery Work" has not been increased since 1990,
- (2) GPO had contractually agreed to wage increases from 1991 through 1994,
- (3) GPO cost estimates for negotiated jobs were not always within a reasonable range of accuracy, and
- (4) A drop in productivity has resulted in more hours charged by Production Services to complete a job.

From October 1993 through April 1995, GPO produced 1,196 negotiated/diverted jobs. GPO's actual costs to produce these 1,196 in-house jobs were \$24 million.² However, the maximum amount that GPO could bill the non-Congressional customer agencies for producing these 1,196 jobs was \$21.8 million, as a result of the Joint Committee on Printing's Resolution directing GPO not to increase rates reflected in the "Scale of Prices".

For 1,196 negotiated/diverted jobs, GPO actually billed the non-Congressional customer agencies only \$13.1 million or \$10.9 million less than the jobs actually cost. In other words, GPO billed non-Congressional customer agencies only **54 cents** for every dollar of total costs in the Negotiated/Diverted Program.

However, this **54 cents** did account for an estimated **\$6.4 million**³ in additional revenue that reduced GPO's idle time and offset GPO's fixed overhead costs. Otherwise, the fixed costs would have been charged on future Congressional jobs or would have been absorbed as an operating loss in the revolving fund for GPO's Central plant.

Because of the heavy Congressional workload in Fiscal Year 1995, GPO's Central Plant has scaled down the Negotiated/Diverted Program to "duplicating" and other small printing and binding jobs. The maximum discount allowed on the majority of these jobs was 30 percent. Before future Congressional recesses occur, GPO officials should consider whether to continue the Negotiated/Diverted Program.

²The \$24 million includes a 10 percent increase to labor rates as a result of promotions, step increases, bonuses, etc. for the past 5 years that are not reflected in the current "Scale of Prices" billed to GPO's customer agencies.

³This additional revenue was the \$13.1 million, minus \$6.7 million for paper and MMS' 30-percent surcharge.

If the Negotiated/Diverted Program is continued, the following five steps need to be taken by the four GPO offices⁴ to improve the economy, efficiency, and effectiveness of the Negotiated/Diverted Program:

- (1) Appoint an office to administer GPO's Negotiated/Diverted Program,
- (2) Improve the reasonableness on future estimates prepared, including the recovery of break-even costs and paper surcharges,
- (3) Issue a policy on future overtime worked and the Production machines involved on negotiated/diverted jobs,
- (4) Issue a maximum discount limitation for all in-house work designated for negotiation, and
- (5) Update the "Scale of Prices" rates.

The Deputy Public Printer agreed with the recommendations made in the draft audit report. GPO officials have commenced implementation on the recommendations which should improve GPO's Negotiated/Diverted Program. (See Appendix XI.)

This review was conducted by Mr. Joseph Verch, Supervisory Auditor, Ms. Renee Thomas, Auditor-in-Charge, Mr. Michael Ober, Senior Auditor, and Ms. Suzanne Hancock, Staff Auditor.

⁴The four GPO Offices are **Production Services** (Production Planning Division and Production Department), **Customer Services** (Departmental Account Representative Division), **Office of Budget** (Rates & Investigation Branch), and the **Office of Comptroller** (General Accounting Division and Plant Accounting Division).

TABLE OF CONTENTS

<u>FINDINGS</u>		<u>PAGE</u>
I	Administering GPO's Negotiated/Diverted Program	1
II	Developing Reliable Cost Estimates for Negotiated Jobs	4
III	Working Overtime on Negotiated/Diverted Jobs	7
IV	Using Certain Machines to Work Overtime on Negotiated/Diverted Jobs	10
V	Recovering the Break-Even Costs of an Idle Production Worker	13
VI	Cost Estimates Did Not Include MMS's 30 Percent Paper Surcharge	15
VII	Billing Only Partial Costs of Diverted Work	17
VIII	Negotiating Discounts on In-House Work	19
IX	Updating the Standard Rates Reported in the "Scale of Prices"	22

TABLE OF CONTENTS

<u>APPENDICES</u>		<u>PAGE</u>
APPENDIX I	Recommendation Summary	24
APPENDIX II	Background	26
APPENDIX III	Audit Objectives, Scope, and Methodology	28
APPENDIX IV	Other Matters Discussed with Management	30
APPENDIX V	Billing Non-Congressional Customer Agencies	31
APPENDIX VI	Comparison of the GPO Estimate to the Jacket Cost Summary	32
APPENDIX VII	Identifying Certain Machines Used on Overtime on Negotiated/Diverted Jobs	36
APPENDIX VIII	Comparison of the Revenue (Billed Amount) to Jacket Cost Summary on Diverted Work Billed	38
APPENDIX IX	Averaged Discount Received by Non-Congressional Customer Agencies	39
APPENDIX X	Actual Costs of 10 Percent Added to Standard Rates	45
APPENDIX XI	Management Comments	46

ADMINISTERING GPO'S NEGOTIATED/DIVERTED PROGRAM

CONDITION

No GPO office involved in GPO's Negotiated/Diverted Program has taken an active leadership role in administering the Program. Instead, the four offices,⁵ directly involved in GPO's Negotiated/Diverted Program, were acting independently within their own authorization to accomplish two of the three objectives of GPO's Negotiated/Diverted Program:

- Retaining work to operate the equipment at full utilization basis and
- Negotiating prices on non-Congressional work.

CRITERIA

The Public Printer's March 25, 1983, letter on In-house Work Retention addressed to Assistant Public Printer (Production) states,

"Several months ago, I formally advised Production that they had the right to retain work from the Executive agencies, and other sources to fill the voids in our production schedule caused by Congressional recesses and other factors."

"...To clarify, Production is ordered to retain whatever work is necessary to operate the equipment facilities at GPO on a full or close to full utilization basis, to negotiate price where necessary, and to take all steps necessary to guarantee the profitability of our in-plant operation."

"...I wish to receive a report every 30 days that details the amount of Executive and other non-Congressional work being done in-house. I want to know which jobs we have negotiated price on and I want to be kept abreast as to how this retention is effecting the amount of work going to the private sector."

⁵The four GPO Offices are **Production Services** (Production Planning Division and Production Department), **Customer Services** (Departmental Account Representative Division), **Office of Budget** (Rates & Investigation Branch), and the **Office of Comptroller** (General Accounting Division and Plant Accounting Division).

Finding I

General Accounting Office's (GAO) Standards For Internal Controls In The Federal Government states, "Internal control systems are to provide reasonable assurance that the objectives of the systems will be accomplished."

CAUSE

The Public Printer's March 25, 1983, letter does not specifically identify an office to administer GPO's Negotiated/Diverted Program. The letter does direct Production to issue a monthly report to the Public Printer.

In addition, the four GPO offices do not have written guidelines identifying the responsibilities of each office to ensure the objectives of the Negotiated/Diverted Program were met.

EFFECT

With no office taking an active leadership role in administering GPO's Negotiated/Diverted Program, GPO did not fully achieve the third directive in producing a profitable in-plant operation. The Negotiated/Diverted Program did bring in an estimated **\$6.4 million** in additional revenue that reduced GPO's idle time and offset GPO's fixed overhead costs, that otherwise would have been charged on future Congressional jobs. However, GPO billed non-Congressional customer agencies at a rate of only 54 cents⁶ on every dollar of actual costs. (See Appendix V.)

Five major problems have contributed to GPO billing non-Congressional customer agencies at a rate of only 54 cents on every dollar of total costs that need addressing:

1. Improving the reasonableness on future estimates prepared including the recovery of break-even costs and paper surcharges. (See Findings II, V, and VI.)
2. Issuing a policy on future overtime worked and the Production machines involved on negotiated/diverted jobs. (See Findings III and IV.)
3. Examining the cost-effectiveness of the Diverted Work Program. (See Finding VII.)

⁶From October 1993 through April 1995, GPO billed Federal customer agencies only 60 cents for negotiated jobs and 38 cents for diverted jobs for every dollar of actual costs.

Finding I

4. Establishing a maximum discount limitation for all in-house work designated for non-Congressional customers. (See Finding VIII.)
5. Updating the "Scale of Prices" rates. (See Finding IX.)

RECOMMENDATION

The Deputy Public Printer should consider appointing Production Services to administer GPO's Negotiated/Diverted Program effectively and efficiently. This office should have the authority to ensure all GPO offices involved in GPO's Negotiated/Diverted Program have a written policy identifying the responsibilities of each office in accomplishing all objectives of the Negotiated/Diverted Program (9601-01).

DEVELOPING RELIABLE COST ESTIMATES FOR NEGOTIATED JOBS

CONDITION

The reliability of GPO cost estimates for negotiated jobs could be improved by: (1) better feedback of information from the jacket cost summary, including associated estimating variances, (2) the identification and researching of the causes for major variances between estimated and jacket cost summary, and (3) the refinement and updating of the GPO process for developing cost estimates.

GPO cost estimators for negotiated jobs were not always within a reasonable range of accuracy. The 223 negotiated jobs billed in the first 5 months of Fiscal Year 1995 showed that the averaged jacket cost summary was \$957 more than GPO's estimate.

- On 105 jobs, the GPO estimate was an average of \$790 or approximately 10 percent more than the jacket cost summary and
- On the remaining 118 jobs, the GPO estimate was an average of \$2,512 or approximately 23 percent less than the jacket cost summary.

A comparison of the jacket cost summary and the GPO estimate on a sample of 18 of the 223 negotiated jobs billed in the first 5 months of Fiscal Year 1995 showed estimates did not always:

- account for the actual hours reported to print 4 jobs,
- account for the actual hours reported to bind 6 jobs,
- identify the actual costs charged to 12 jobs by activity,
- identify the actual presses used for 1 job,
- limit the costs to actual costs charged to 6 jobs,
- identify the actual paper used for 5 jobs,
- identify the actual paper costs, including spoilage, needed for 2 jobs, and
- identify the actual costs for freight on 4 jobs. (See Appendix VI, pages 3 and 4 of 4.)

CRITERIA

U.S. Government Printing Office (GPO) Training Series books titled Estimating Printing Costs states,

"The **importance of the estimator** in the present-day commercial printing establishment is generally recognized. Upon his judgment and decision depends the economic health of his company. On the soundness of his estimates depends the amount

Finding II

of new business his firm acquires or loses and the amount of profit or loss it shows on its books."

For GPO, an estimate is necessary because: (1) customer agencies "...must have an estimate to enable them to plan their programs intelligently so that their budgets for printing and binding will not exceed the amounts authorized by Congress" and (2) GPO's Plant Billing Section uses the estimate "...in reviewing the actual costs reported by the Production Divisions."

"...The successful estimator should possess patience, a desire to be right rather than quick, and the belief that he is performing a necessary and worthy task. He should keep in mind the necessity for constant verification and rechecking to insure accuracy. An incorrect estimate is not only worthless in itself but may be the cause of the cancellation of a much needed printing job because of an excessive cost forecast or the disruption of Government Printing Office work schedules."

"...From time to time, as wages and costs fluctuate, the Scale of Prices is revised...With the aid of this invaluable guide, the properly trained estimator should be able to predict, within a reasonable range, the approximate cost necessary to reproduce a job of printing."

CAUSE

The estimators in the Estimating and Jacket Preparation Section did not always receive feedback (verbally or in writing) from the personnel in the Plant Billing Section or from the Office of Budget's Rates and Investigations Branch on the accuracy of the estimates. As a result, the Chief, Estimating and Jacket Preparation Section, could not verify the accuracy of the estimates, or take appropriate corrective actions on future estimates prepared.

In addition, a drop in productivity has resulted in more hours charged by Production to complete a job. This drop in productivity can be attributed to: (1) the loss of many experienced Production personnel as a result of the Fiscal Year 1994 buy-out, (2) some inexperienced replacement workers requiring training, and (3) an aging work force. Also, the computer program used by the GPO planner/estimator to determine the hours needed to complete the job has not been updated since 1985.

EFFECT

GPO's Customer Service representatives need current, accurate, and complete cost estimates. An incorrect cost estimate is of little or no value to both GPO and the non-Congressional customer agencies. As a result, an overpriced cost estimate results in the Federal customer agency to cancel a negotiated in-house job.

An underpriced cost estimate results in less revenue to GPO, thereby impacting on the profitability of in-plant operations. This less revenue is also compounded on negotiated jobs because: (1) the negotiated amount is a fixed price that GPO cannot recover any additional costs not identified in the estimate with the non-Congressional customer agency and (2) the discount negotiated with the customer agency has been increased. The fixed price negotiated with the non-Congressional customer agencies in the billing of 223 negotiated jobs in the first 5 months of Fiscal Year 1995 represents reduced revenue, totaling \$213,403 or an average of \$957 per job attributed to GPO's Production Services.

In the billing of 457 negotiated jobs in Fiscal Year 1994, the average jacket cost summary was \$3,653 more than GPO's estimate. This difference also resulted in reduced revenue, totaling over \$1.6 million, for GPO's Production Services.

RECOMMENDATIONS

The Deputy Public Printer should ensure that the Chief, Estimating and Jacket Preparation Section, :

- Receives constant feedback (verbally or in writing) from the Plant Billing Section and Office of Budget's Rates and Investigation Branch on the accuracy of the estimates (9601-02) and
- Verifies the accuracy of the estimates and takes appropriate corrective actions to improve the reliability of the estimating process and the reasonableness on future estimates prepared (9601-03).

WORKING OVERTIME ON NEGOTIATED/DIVERTED JOBS

CONDITION

GPO employees in 3 divisions⁷ worked overtime on Saturday, Sunday, and holidays on 347 negotiated/diverted jobs⁸ or 8.4 percent of the approximately 4,130⁹ jobs worked overtime in Fiscal Year 1994. These 347 jobs had 6,797 overtime hours charged in labor hours (3,890.4) and in machine hours (2,906.6).

- Negotiated jobs accounted for 206 jobs consisting of 2,911.7 labor hours and 1,956 machine hours charged in overtime.
- Diverted jobs accounted for the remaining 141 jobs consisting of 978.7 labor hours and 950.6 machine hours charged in overtime.

In the first 6 months of Fiscal Year 1995, GPO employees in the 3 divisions worked overtime on Saturday, Sunday, and holidays on 150 negotiated/diverted jobs¹⁰ or 5.8 percent of the approximately 2,600¹¹ worked in-house. These 150 jobs had 3,549.9 overtime hours charged in labor hours (2,089.9) and machines hours (1,460).

⁷The three divisions were Electronic Photocomposition (EPD), Press, and Binding.

⁸The 347 discounted jobs included negotiated and diverted jobs billed to non-Congressional customer agencies in Fiscal Years 1994 and 1995.

⁹The 4,130 jobs were identified from the computer program's Data Set Name GPOC.CAAU004S.FY94 that identified overtime worked on Saturday, Sunday, and holidays. The Data Set Name reports about 60 percent of all overtime worked. GPO does not have an automated program that can identify overtime hours charged to the other 40 percent of in-house jobs worked during the remaining days of the week.

¹⁰The 150 discounted jobs included negotiated and diverted jobs billed to non-Congressional customer agencies in Fiscal Year 1995.

¹¹The 2,600 jobs were identified from Data Set Name GPOC.CAAU002S.95.

Finding III

- Negotiated jobs accounted for 90 jobs consisting of 1,227.6 labor hours and 889.6 machine hours charged in overtime.
- Diverted jobs accounted for 60 jobs consisting of 862.3 labor hours and 570.4 machine hours charged in overtime.

CRITERIA

The Public Printer's March 25, 1983, letter on In-house Work Retention addressed to Assistant Public Printer (Production) states, "...To clarify, Production is ordered to retain whatever work is necessary to operate the equipment facilities at GPO on a full or close to full utilization basis, to negotiate price where necessary, and to take all steps necessary to guarantee the profitability of our in-plant operation."

GAO's Standards For Internal Controls In The Federal Government states, "Internal control systems are to provide reasonable assurance that the objectives of the systems will be accomplished....Reasonable assurance equates to a satisfactory level of confidence under given considerations of costs, benefits, and risks....Cost refers to the financial measure of resources consumed in accomplishing a specified purpose."

CAUSE

GPO estimators did not always factor in rush surcharges to include overtime costs needed to complete negotiated work due to unscheduled work priorities and the unavailability of machinery. In addition, Production personnel used overtime to ensure the non-Congressional customer agencies' delivery dates were met.

EFFECT

From October 1993 to March 31, 1995, GPO's Negotiated/Diverted Program incurred 50 percent more than what was estimated in costs for: (1) the 5,980.3¹² overtime, labor hours and (2) the labor charges to the 4,366.6¹³ overtime, machine hours worked on 497 or 42 percent of 1,196 negotiated/diverted jobs billed. These additional overtime costs contributed to GPO billing non-Congressional agencies at the rate of only 54 cents on every dollar of total costs in the Negotiated/Diverted Program during this period.¹⁴

RECOMMENDATION

The Deputy Public Printer should ensure the policy in Recommendation 9601-01 includes future overtime worked on negotiated/diverted work, as a follow-up to the Public Printer's March 25, 1983, letter on In-house Work Retention, in "guaranteeing the profitability" of GPO's Negotiated/Diverted Program. The policy should consider allowing overtime on negotiated/diverted jobs when these jobs would be replaced with a higher priority job that had an overtime surcharge already included in the GPO estimate. This overtime surcharge would offset the overtime needed to complete the interrupted negotiated/diverted job (9601-04).

¹²The 5,980.3 hours consisted of 249.9 hours charged to EPD, 59.5 hours to Press, and 5,671.3 hours to Binding.

¹³The 4,366.6 hours consisted of 2,428.8 hours charged to Press and 1,936.8 hours to Binding.

¹⁴GPO does recover some overtime costs on discounted work from surcharges placed on "Rush" jobs that would replace discounted work during regular working hours.

USING CERTAIN MACHINES TO WORK OVERTIME
ON NEGOTIATED/DIVERTED JOBS

CONDITION

GPO employees in the Press and Binding Divisions used 56 different machines to work overtime in-house on Saturday, Sunday, and holidays on 213 negotiated/diverted jobs¹⁵ in Fiscal Year 1994. These 213 jobs had 2,906.6 overtime hours charged in machine hours.

- Negotiated jobs accounted for 124 jobs, with 1,956 overtime, machine hours charged to 53 different machines. Nine of the 53 machines had over 100 overtime, machine hours charged.
- Diverted jobs accounted for 89 jobs, with 950.6 overtime, machine hours charged to 37 different machines. Eight of the 37 machines had over 50 overtime, machine hours charged. (See Appendix VII, page 1 of 2.)

In the first 6 months of Fiscal Year 1995, GPO employees in the Press and Binding Divisions used 46 machines to work overtime on Saturday, Sunday, and holidays on 93 jobs¹⁶. These 93 jobs had 1,460.0 hours charged in machine hours.

- Negotiated jobs accounted for 48 jobs, with 889.6 overtime, machine hours charged to 36 different machines. Five of the 36 machines had over 50 overtime, machine hours charged.
- Diverted jobs accounted for 45 jobs, with 570.4 overtime, machine hours charged to 30 different machines. Three of the 30 machines had over 50 overtime, machine hours charged. (See Appendix VII, page 2 of 2.)

¹⁵The 213 discounted jobs included negotiated and diverted jobs billed to non-Congressional customer agencies in Fiscal Years 1994 and 1995. The 213 jobs were identified from Data Set Name GPOC.CAAU004S.FY94.

¹⁶The 93 discounted jobs included negotiated and diverted jobs billed to non-Congressional customer agencies in Fiscal Year 1995. The 93 jobs were identified from Data Set Name GPOC.CAAU002S.95.

CRITERIA

GAO's, Standards For Internal Controls In The Federal Government states, "Internal control techniques are to be effective and efficient in accomplishing their internal control objectives.... To be effective, techniques should fulfill their intended purpose in actual application. They should provide the coverage they are supposed to and operate when intended. As for efficiency, techniques should be designed to derive maximum benefit with minimum effort. Techniques tested for effectiveness and efficiency should be those in actual operation and should be evaluated over a period of time."

CAUSE

Over 300 jobs were accepted in GPO's Negotiated/Diverted Program with limited consideration on the availability of machinery during regular working hours to meet the non-Congressional customer agencies' delivery dates. Unforeseen events and limited personnel also contributed to the use of overtime on negotiated/diverted jobs.

EFFECT

From October 1993 to March 31, 1995, 169 or 55 percent of the 306 jobs in GPO's Negotiated/Diverted Program had overtime, machine hours charged to 10 in-house Production machines. These same 10 machines accounted for 2,082.5 or 48 percent of the 4,366.6 machine hours charged to the 306 negotiated/diverted jobs.¹⁷

<u>Machine No.</u>	<u>Division</u>	<u>Jackets</u>	<u>Machine Hrs.</u>
0194 Inset/Stitch	Binding	15	230.6
3277 Offset GR85	Press	23	216.6
3279 Offset GR85	Press	21	156.4
3441 Offset GR85	Press	13	193.6
3474 Web/Doc GR86	Press	3	306.9
3679 Web/Rec GR88	Press	27	235.6
3680 Web/Rec GR88	Press	26	299.2
3915 Inset/Stitch	Binding	11	133.5
9084 Folding	Binding	21	153.0
9085 Folding	Binding	<u>9</u>	<u>157.1</u>
Totals		169	2,082.5

¹⁷GPO does recover some overtime costs on discounted work from surcharges placed on "Rush" jobs that would replace discounted work during regular working hours.

RECOMMENDATION

The Deputy Public Printer should ensure the policy in Recommendation 9601-01 includes extensive consideration be given by Production Planning Division officials before accepting future negotiated/diverted jobs that require certain Production machines to be used on overtime (9601-05).

RECOVERING THE BREAK-EVEN COSTS OF AN IDLE PRODUCTION WORKER**CONDITION**

The Estimating and Jacket Preparation Section personnel were using an October 1993 formula to recover break-even costs of an idle production worker when estimating the lowest price of an in-house negotiated job. However, GPO personnel could not specifically identify all costs originally used to develop the 23 percent formula of labor costs. Additionally, a periodic analysis was not being conducted to update the formula and the associated percentage.

CRITERIA

GAO's, Standards For Internal Controls In The Federal Government states, "Internal control techniques are to be effective and efficient in accomplishing their internal control objectives....To be effective, techniques should fulfill their intended purpose in actual application. They should provide the coverage that are supposed to and operate when intended. As for efficiency, techniques should be designed to derive maximum benefit with minimum effort. Techniques tested for effectiveness and efficiency should be those in actual operation and should be evaluated over a period of time."

CAUSE

A formal, written update on the formula to recover break-even costs of an idle production worker was not done by the Office of Budget's Rates & Investigation Branch officials. The GPO "author" of the formula to recover break-even costs was the former Chief, Office of Budget's Rates & Investigation Branch, who retired from the Federal Government in December 1993.

EFFECT

GPO's Customer Service representatives need current, accurate, and complete cost estimates for the negotiation of job prices with non-Congressional customer agencies. There is little assurance that GPO has been recovering break-even costs of an idle production worker using an outdated formula and not knowing what costs were involved, when estimating in-house printing and binding. GPO has been billing non-Congressional customer agencies only 54 cents for every dollar of total costs. Over the past several years, low-priced estimates on past in-house work represent reduced revenue¹⁸ to GPO's Production Services.

RECOMMENDATION

The Deputy Public Printer should ensure that the Director, Office of Budget, considers developing and documenting a new formula periodically to recover break-even costs of an idle production worker on future in-house printing and binding, pending the results of Recommendation 9601-09 (9601-06).

¹⁸The amount of actual revenue lost could not be determined because GPO officials could not identify all costs used for developing the formula.

COST ESTIMATES DID NOT INCLUDE MMS' 30 PERCENT PAPER SURCHARGE**CONDITION**

Estimating and Jacket Preparation Section personnel were not including Materials Management Service's (MMS) 30-percent surcharge on paper costs when developing the lowest cost estimate for in-house work that GPO's Customer Service representatives could use for negotiations with non-Congressional customer agencies. Thus, these cost estimates understated GPO's actual costs, and therefore, impacted on the profitability of in-plant operations on negotiated/diverted jobs.

GPO's General Accounting Division personnel confirmed that the 30-percent surcharge was automatically added to the acquisition cost of paper procured from the commercial sector, which is issued to production jackets. The surcharge is used to allocate and help recover the costs of MMS support services to the plant, including procurement, warehousing, and materials management.

CRITERIA

GAO's, Standards For Internal Controls In The Federal Government states, "Revenues and expenditures applicable to agency operations are recorded and accounted for properly so that accounts and reliable financial and statistical reports may be prepared and accountability of the assets may be maintained."

CAUSE

Estimating and Jacket Preparation Section personnel only included the following costs when estimating the **lowest** price that GPO's Customer Service representatives could negotiate with non-Congressional customer agencies for in-house work:

- Actual costs of the paper used,
- Twenty-three percent of the labor costs,
- All outside binding costs,
- All shipping costs, and
- Actual costs of any riders and copies for GPO's Superintendent of Documents.

The MMS surcharge of 30 percent on actual paper costs was not used when estimating the **lowest** price for GPO's Customer Service representatives to negotiate with non-Congressional customer agencies.

Finding VI

EFFECT

The absence of MMS' 30-percent surcharge on the original cost of paper represents reduced revenue to GPO's Production Services. Negotiated jobs billed during October 1992 through February 1995 had over \$1.5 million in paper surcharges.

	<u>FY 93</u>	<u>FY 94</u>	<u>FY 95</u>	<u>Totals</u>
Paper Costs	\$2,215,246	\$2,375,054	\$585,432	\$5,175,732
30% Surcharge	<u>664,574</u>	<u>712,516</u>	<u>175,629</u>	<u>1,552,719</u>
Total Costs	\$2,879,820	\$3,087,570	\$761,061	\$6,728,451
	=====	=====	=====	=====

RECOMMENDATION

The Deputy Public Printer should ensure that the Chief, Estimating and Jacket Preparation Section, includes MMS' 30-percent paper surcharge when estimating the lowest price GPO's Customer Service representatives can negotiate with non-Congressional customer agencies on future in-house work (9601-07).

BILLING ONLY PARTIAL COSTS OF DIVERTED WORK**CONDITION**

GPO billed non-Congressional customer agencies only 38 cents for every dollar of total costs to produce 399 copying jobs during the first 12 months of the Diverted Work Program.¹⁹ (See Appendix VIII.)

CRITERIA

GAO's Standards For Internal Controls In The Federal Government, states, "The plan of organization and methods and procedures adopted by management to ensure that resource use is consistent with laws, regulations, and policies; that resources are safeguarded against waste, loss, and misuse; and that reliable data are obtained, maintained, and fairly disclosed in reports. The ultimate responsibility for good internal controls rests with management."

CAUSE

The Diverted Work Program began in April 1994 to bring in more revenue (the majority of Xerox 9900) to GPO. The Production Planning Division reviewed requisitions for GPO Term Contract Programs 415 (cut forms), 421, and 814 (books and manuals) to determine whether GPO could do the job in-house and meet the delivery date. A cost estimate was prepared to ensure the diverted jobs would be cost-effective to do in-house.

EFFECT

The billing of 399 copied jobs to non-Congressional customer agencies in the first 12 months of the Diverted Work Program, at 38 cents for every dollar of total in-house costs, represents reduced revenue, totaling over \$4 million, to GPO's Production Services. (See Appendix VIII.)

If the 399 jobs had been commercially procured through GPO's term contract programs, GPO would have produced an additional \$142,000 (\$2,525,546 x 6%) in revenue. GPO's Printing Procurement Department would have received the additional revenue from the 6-percent surcharge levied on non-Congressional customer agencies.

¹⁹The Diverted Work Program commenced in April 1994.

RECOMMENDATION

The Deputy Public Printer should ensure the policy in Recommendation 9601-01 includes an examination of the cost-effectiveness of the Diverted Work Program periodically to determine whether GPO should continue with the Program or use GPO Term Contract Programs exclusively for copying work to ensure continued revenues from GPO's 6-percent surcharge on non-Congressional customer agencies (9601-08).

NEGOTIATING DISCOUNTS ON IN-HOUSE WORK**CONDITION**

GPO did not offer all non-Congressional customer agencies the same discount to print and bind work in-house. Eleven of 45 non-Congressional customer agencies negotiated an average discount of 40 percent or more with GPO's Customer Services for in-house work billed in Fiscal Year 1994. (See Appendix IX, pages 1 and 2 of 6.)

This trend continued in the first 5 months of Fiscal Year 1995. Four of 38 non-Congressional customer agencies negotiated an average discount of 40 percent or more with GPO's Customer Services for in-house work billed in Fiscal Year 1995. (See Appendix IX, page 3 of 6.)

CRITERIA

GAO's Standards For Internal Controls In The Federal Government states, "Internal control systems are to provide reasonable assurance that the objectives of the systems will be accomplished. The standard of reasonable assurance recognizes that the cost of internal control should not exceed the benefit derived....Cost refers to the financial measure of resources consumed in accomplishing a specified purpose. Cost can also represent a lost opportunity...."

CAUSE

GPO's Customer Service representatives do not always offer the same discount to do in-house work to non-Congressional customer agencies. GPO's Production Planning Division estimators prepare the discount range as a guide for the representatives to use when negotiating with non-Congressional customer agencies discounts.²⁰

²⁰Currently, GPO's Customer Service representatives offer non-Congressional customer agencies 100 percent of the GPO estimate. If the agencies agree with the price, the job is processed. However, if the agency comes back with a counter-offer, Customer Service representatives ask approval from the Chief, Estimating and Jacket Preparation Section. If the counter-offer is within the approved discount range, the counter-offer is accepted. If the counter-offer is not within the approved discount range, the Chief estimator must receive concurrences from the scheduler and the Director, Production Services before approving the agency's counter-offer.

Finding VIII

Also, some non-Congressional customer agencies have access to GPO's Procurement Information and Control System (PICS) data. This additional data of historic prices for commercially procured work gives those non-Congressional customer agencies an advantage over other agencies when negotiating in-house production discounts with GPO.

EFFECT

Some non-Congressional agencies received larger price discounts than other agencies.

- Thirty-four non-Congressional agencies billed in Fiscal Year 1994 paid an average of 15 percent or \$2,216 more per job than the 11 agencies receiving discounts of 40 percent or more. (See Appendix IX, page 1 of 6.)
- Thirty-four non-Congressional customer agencies billed in the first 5 months of Fiscal Year 1995 paid an average of 14 percent or \$1,324 more per job than the 4 agencies receiving discounts of 40 percent or more. (See Appendix IX, page 3 of 6.)

GPO's Customer Service representatives know which non-Congressional customer agencies pursue larger price discounts for in-house work. GPO's practice of offering some agencies larger discounts than others could eventually: (1) hurt GPO's customer relationships with those agencies paying higher prices for in-house work, (2) discourage some agencies from accepting GPO prices for future in-house work, and (3) encourage additional agencies to demand that their jobs be procured commercially by GPO.

However, by offering non-Congressional customer agencies the same discount rate, GPO would process in-house requisitions faster by reducing the time involved by GPO's estimators and Customer Service representatives involved in negotiating discounts. By processing requisitions faster, GPO would allow more time to meet the agencies' delivery dates by doing the work in-house or procuring outside.

RECOMMENDATION

The Deputy Public Printer should ensure the policy in Recommendation 9601-01 includes a maximum discount limitation (e.g. dollar amount or percentage) for all in-house work designated for non-Congressional customer agencies. This discount limitation would contribute to the profitability of GPO plant operations. The Chief, Estimating and Jacket Preparation Section, should use this maximum discount limitation in approving future, in-house work designated for discount from Customer Service representatives. This maximum discount limitation would eliminate the need to obtain approval from the Director, Production Services, on every agency's larger discount request received by Customer Service representatives. The Chief, Estimating and Jacket Preparation Section, would still need a concurrence from the scheduler before accepting an agency's larger discount request (9601-09).

UPDATING THE STANDARD RATES REPORTED IN THE "SCALE OF PRICES"**CONDITION**

The standard rates reported in the "Scale of Prices" for "Presswork" and "Bindery Work" has not been updated since 1990.

CRITERIA

GAO's, Standards For Internal Controls In The Federal Government states, "Revenues and expenditures applicable to agency operations are recorded and accounted for properly so that accounts and reliable financial and statistical reports may be prepared and accountability of the assets may be maintained."

CAUSE

The Joint Committee on Printing (JCP) passed a resolution directing GPO on May 12, 1994, not to increase rates in billing non-Congressional customer agencies for printing and binding work. The JCP has not allowed rate increases since 1990. As a result, the only changes made to GPO's "Scale of Prices" have been the addition of new rates for new equipment and new products to be printed and bound. These changes were made because GPO did not have any historical data and established rates.

EFFECT

Without the continuous input of production and financial data, GPO's accounting system cannot accurately report all costs associated to print and bind work for non-Congressional customer agencies by jacket numbers. As a result, GPO management officials do not know the actual expenses to print and bind work in-house. For example, an estimated \$759,000 in labor rate increases²¹ were not identified in the 542 negotiated/diverted jackets billed to non-Congressional customer agencies in the first 6 months of Fiscal Year 1995. (See Appendix X.)

²¹Wages increased 10 percent in the past 5 years from promotions, step increases, bonuses, etc.

Finding IX

If GPO's Budget Office updated the "Scale of Prices" now and continued to update the "Scale of Prices" GPO could:

- More accurately determine and report how much it actually costs to print and bind work for non-Congressional customer agencies by jacket,
- Bill the non-Congressional customer agencies the actual costs to print and bind immediately after JCP's rate increase moratorium has been lifted,
- Avoid the time and rush to update all "Presswork" and Bindery Work" rates all at once, and
- Still bill the non-Congressional customer agencies the frozen rates by determining what the rate increase was and deducting that increase.

RECOMMENDATIONS

The Deputy Public Printer should ensure that:

- The Director, Office of Budget, considers taking immediate action to update the "Presswork" and "Bindery Work" rates in the "Scale of Prices" and to continue updating the rates (9601-10) and
- The Comptroller, Office of the Comptroller, considers: (1) incorporating these updated rates in "Presswork" and "Bindery Work" in the Jacket Cost Summary and (2) identifying the overall increase as a result of the updating and deducts this increase from the actual billing to non-Congressional customer agencies (9601-11).

RECOMMENDATION SUMMARY

The Deputy Public Printer should:

- Consider appointing Production Services to administer GPO's Negotiated/Diverted Program effectively and efficiently. This office should have the authority to ensure all GPO offices involved in GPO's Negotiated/Diverted Program have a written policy identifying the responsibilities of each office in accomplishing all objectives of the Negotiated/Diverted Program (9601-01),
- Ensure that the Chief, Estimating and Jacket Preparation Section, receives constant feedback (verbally or in writing) from the Plant Billing Section and Office of Budget's Rates and Investigation Branch on the accuracy of the estimates (9601-02),
- Ensure that the Chief, Estimating and Jacket Preparation Section, verifies the accuracy of the estimates and takes appropriate corrective actions to improve the reliability of the estimating process and the reasonableness on future estimates prepared (9601-03),
- Ensure the policy in Recommendation 9601-01 includes future overtime worked on negotiated/ diverted work, as a follow-up to the Public Printer's March 25, 1983, letter on In-house Work Retention, in "guaranteeing the profitability" of GPO's Negotiated/ Diverted Program. The policy should consider allowing overtime on negotiated/ diverted jobs when these jobs would be replaced with a higher priority job that had an overtime surcharge already included in the GPO estimate. This overtime surcharge would offset the overtime needed to complete the interrupted negotiated/diverted job (9601-04),
- Ensure the policy in Recommendation 9601-01 includes extensive consideration be given by Production Planning Division officials before accepting future negotiated/ diverted jobs that require certain Production machines to be used on overtime (9601-05),
- Ensure that the Director, Office of Budget, considers developing and documenting a new formula periodically to recover break-even costs of an idle production worker on future in-house printing and binding, pending the results of Recommendation 9601-09 (9601-06),

RECOMMENDATION SUMMARY

- Ensure that the Chief, Estimating and Jacket Preparation Section, includes MMS' 30-percent paper surcharge when estimating the lowest price GPO's Customer Service representatives can negotiate with non-Congressional customer agencies on future in-house work (9601-07),
- Ensure the policy in Recommendation 9601-01 includes an examination of the cost-effectiveness of the Diverted Work Program to determine whether GPO should continue with the Program or use GPO Term Contract Programs exclusively for copying work to ensure continued revenues from GPO's 6-percent surcharge on non-Congressional customer agencies (9601-08),
- Ensure the policy in Recommendation 9601-01 includes a maximum discount limitation (e.g. dollar amount or percentage) for all in-house work designated for non-Congressional customer agencies. This discount limitation would contribute to the profitability of GPO plant operations. The Chief, Estimating and Jacket Preparation Section, should use this maximum discount limitation in approving future, in-house work designated for discount from Customer Service representatives. This maximum discount limitation would eliminate the need to obtain approval from the Director, Production Services, on every agency's larger discount request received by Customer Service representatives. The Chief, Estimating and Jacket Preparation Section, would still need a concurrence from the scheduler before accepting an agency's larger discount request (9601-09),
- Ensure that the Director, Office of Budget, considers taking immediate action to update the "Presswork" and "Bindery Work" rates in the "Scale of Prices" and to continue updating the rates (9601-10), and
- Ensure that the Comptroller, Office of the Comptroller, considers: (1) incorporating these updated rates in "Presswork" and "Bindery Work" in the Jacket Cost Summary and (2) identifying the overall increase as a result of the updating and deducts this increase in the actual billing from non-Congressional customer agencies (9601-11).

BACKGROUND

In 1983, GPO implemented the Negotiated/Diverted Program. The intent of this Program was to recover some costs from non-Congressional jobs, rather than have production employees and machinery remain idle during Congressional recesses. These costs recovered would reduce fixed overhead costs that would have been charged on future Congressional jobs. This billing of non-Congressional jobs at less than regular prices is called "Marginal cost pricing." This marginal cost pricing is a widespread practice of the printing industry according to GPO officials.

Under the Negotiated/Diverted Program, GPO's Customer Services receives requisitions from non-Congressional customer agencies and forwards the requisitions to Production Planning and Scheduling Committee for review. The Committee selects requisitions to do in-house printing with considerations on the availability of machines and whether delivery dates can be met. The requisitions accepted are classified under negotiated and diverted work. The other requisitions are procured commercially.

An estimate is prepared, based on GPO's Scale of Prices, for 100 percent of the standard costs, for a negotiated job. Discounts are calculated in increments of 10 percent to 40 percent. Customer Services receives the estimate with the discount range and negotiates an acceptable price with the non-Congressional agency.

If a price agreement on the requisition is reached with the agency, Customer Services processes the work in-house. If not, Customer Services forwards the requisition to Printing Procurement Division to procure commercially.

Diverted work began in April 1994 and is limited to requisitions for GPO's Term Contract Program 415 (cut forms), 421, and 814 (books and manuals). A Xerox Docutech is used to do most of the copying. GPO uses the fifth contractor's price on the particular multiple-awarded term contract plus 10 percent to determine the price to bill the non-Congressional agency. GPO does not negotiate the price on diverted work with the non-Congressional customer agency.

In Fiscal Year 1994, GPO billed non-congressional agencies \$8.1 million on 605 jobs done in-house under GPO's Negotiated/Diverted Program. This revenue represented 4.4 percent of the total amount billed to non-Congressional customer agencies and 2.7 percent of the total jobs done in-house during Fiscal Year 1994.

BACKGROUND

In the first 6 months of Fiscal Year 1995, the percentages of the Negotiated/Diverted Program increased. Negotiated/diverted work represented 6.2 percent (\$4.2 million) of the total amount billed to non-Congressional customer agencies and 5.5 percent (542) of the number of jobs done in-house.

AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

The overall objective of the Office of Audit's review of the GPO Negotiated/Diverted Program was to determine whether the directives in the Public Printer's letter of March 25, 1983, were followed and achieved by GPO. In particular, the Public Printer's three stated directives were:

- (1) To retain whatever work is necessary to operate the equipment facilities at GPO on a full or close to full utilization basis,
- (2) To negotiate the price of the work with customers where necessary, and
- (3) To take all steps necessary to guarantee the profitability of our in-plant operation.

The audit objectives were accomplished between January through May 1995 by:

- Obtaining a working knowledge on the processing, printing, and binding of negotiated/diverted work,
- Interviewing employees involved in GPO's Negotiated/Diverted Program to discuss aspects of their jobs to determine what procedures and policies they used to perform their jobs,
- Reviewing the estimates and the jacket cost summaries of 18 Fiscal Year 1995 negotiated jobs billed to non-Congressional customer agencies,
- Analyzing the discounts negotiated with non-Congressional customer agencies for negotiated jobs billed to non-Congressional customer agencies in Fiscal Years 1994 and 1995,
- Reviewing Saturday, Sunday, and Holiday overtime reports on negotiated/diverted jobs to identify machine and labor hours charged for Fiscal Years 1994 and 1995,
- Analyzing the application of MMS' 30 percent paper surcharge for procurement, warehousing, and materials management on all negotiated/diverted work reviewed, and
- Reviewing the last updates on machine and labor rates.

AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

As part of the review, the Office of Audits examined the system of management controls for the printing of materials in-house and conducted general testing of key controls to evaluate their appropriateness and effectiveness. Any material weaknesses in the system of management controls identified from this testing are described in the findings report.

The audit was performed in accordance with generally accepted Government auditing standards and included such tests of the procedures and operations as were considered necessary under the circumstances.

OTHER MATTERS DISCUSSED WITH MANAGEMENT

The following items were discussed with GPO management. The Deputy Public Printer should take corrective action deemed necessary.

- Production Planning representatives in the Production Planning and Scheduling Committee do not always use the same plan numbers when estimating in-house costs on jobs. A plan number specifies the type of product and the hours required to complete the product from a computer program. The plan numbers used by the representatives should be the same to arrive at the same estimate every time on an in-house job.
- GPO can only identify actual overtime hours worked to specific in-house jobs on Saturday, Sunday, and holidays from specific computer data set names. Consideration should be given to develop a computer program to identify all overtime hours charged to in-house jobs.
- An analysis should be performed periodically to identify the in-house Production machines that are charged the most overtime, machine hours for negotiated/diverted jobs for the scheduling of future in-house jobs.

BILLING NON-CONGRESSIONAL CUSTOMER AGENCIES
(October 1993 through April 1995)

<u>Type of Jobs</u>	<u>FY94</u>	<u>FY95</u>	<u>Total</u>
Negotiated jobs	485	312	797
Diverted jobs	<u>120</u>	<u>279</u>	<u>399</u>
Total	605	591	1,196

Revenue Billed

Negotiated	\$7,339,721	\$3,250,930	\$10,590,651
Diverted	<u>796,395</u>	<u>1,729,151</u>	<u>2,525,546</u>
Total	\$8,136,116	\$4,980,081	\$13,116,197

Summary Expenses

Negotiated	\$10,892,433	\$5,032,790	\$15,925,223
Diverted	<u>2,013,802</u>	<u>3,947,441</u>	<u>5,961,243</u>
Total	\$12,906,235	\$8,980,231	\$21,886,466

**Agencies Billed
for Every Dollar
of Standard Costs**

Negotiated	(\$10,590,651 ÷ \$15,925,223)	\$.665
Diverted	(\$ <u>2,525,546</u> ÷ \$ <u>5,961,243</u>)	\$.423
Total Standard	(\$13,116,197 ÷ \$21,886,466)	\$.599

**Agencies Billed
for Every Dollar
of Standard Costs
Plus 10% Increase
in Labor Rates**

Negotiated	(\$10,590,651 ÷ [\$15,925,223 + 10%])	\$.604
Diverted	(\$ <u>2,525,546</u> ÷ [\$ <u>5,961,243</u> + 10%])	\$.385
Total Actual	(\$13,116,197 ÷ [\$21,886,466 + 10%])	\$.544

COMPARISON OF THE GPO ESTIMATE TO THE JACKET COST SUMMARY

	<u>Jacket</u>	<u>GPO Estimate</u>	<u>Negot Price</u>	<u>Rider</u>	<u>Billed</u>	<u>Jacket Cost Summary</u>	<u>Diff²²</u>
01	154201	\$128,833	\$90,000	\$11,615	\$101,615	\$120,892	\$(19,556)
02	154904	6,109	3,665	189	3,854	8,136	1,838
03	155189	13,770	6,000	47,934	53,934	59,890	(1,814)
04	155216	11,362	8,013	0	8,013	11,806	444
05	155374	11,137	5,569	327	5,896	12,709	1,245
06	155956	279	598	0	598	995	716
07	161010	1,734	1,040	0	1,040	1,732	(2)
08	160157	10,293	7,205	0	7,205	36,062	(25,769)
09	160245	2,106	2,000	21	2,021	3,256	1,129
10	160482	1,788	1,300	0	1,300	1,815	27
11	160556	225	149	0	149	225	0
12	160628	415	332	0	332	324	(91)
13	160648	778	389	0	389	842	64
14	160709	754	377	0	377	543	(211)
15	161000	479	230	0	230	549	70
16	161095	1,895	1,400	0	1,400	1,586	(309)
17	161347	950	760	0	760	1,124	174
18	161481	5,243	3,706	180	3,886	8,720	3,297

²²The Difference column is the GPO estimate plus the Rider amount minus the Jacket Cost Summary.

COMPARISON OF THE GPO ESTIMATE TO THE JACKET COST SUMMARY

	<u>Jacket</u>	<u>Pre Press</u>	<u>Press</u>	<u>Bindery</u>	<u>Other*</u>	<u>Paper</u>	<u>Total Diff</u> ²³
01 154201	\$	72	\$ 4,181	\$ (41)	\$ (17,682) ^	\$ 5,529	\$ (7,941)
02 154904		(71)	620	1,197	188+	93	2,027
03 155189		99	12,795	13,998	2,584+	16,644	46,120
04 155216		30	274	168	(112)+	84	444
05 155374		366	1,559	(1,203)	N/A	850	1,572
06 155956		547	0	0	169#	N/A	716
07 161010		(14)	(59)	0	N/A	72	(1)
08 160157		170	486	769	24,448 ^	(104)	25,769
09 160245		9	163	975	N/A	3	1,150
10 160482		89	(62)	0	N/A	0	27
11 160556		(16)	13	40	35+	0	0
12 160628		(32)	53	(112)	N/A	0	(91)
13 160648		14	8	42	N/A	0	64
14 160709		(30)	17	(174)	N/A	(24)	(211)
15 161000		69	(9)	(4)	N/A	14	70
16 161095		(9)	(118)	0	(182) ^	0	(309)
17 161347		57	111	7	N/A	(1)	174
18 161481		129	185	4,388	(1,220)+	(5)	3,477

Note:

- The positive numbers show actual costs from the Jacket Cost Summary were more than the GPO Estimate in each column.
- The negative numbers show actual costs from the Jacket Cost Summary were less than the GPO Estimate in each column.

LEGEND

*** Other:**

- ^ Surcharge
- + Freight
- # AA

²³The Total Difference column is the sum of all columns and equals the GPO estimate minus the Jacket Cost Summary.

COMPARISON OF THE GPO ESTIMATE TO THE JACKET COST SUMMARY

1. **Did not always account for the actual hours needed to print 4 jobs:**
 - * Jacket 154-201 7.2 hrs.
 - * Jacket 154-904 4.3 hrs.
 - * Jacket 155-956 11.5 hrs
 - * Jacket 160-157 2.5 hrs.

2. **Did not always account for the actual hours needed to bind 6 jobs:**
 - * Jacket 154-904 11.3 hrs.
 - * Jacket 155-216 9.9 hrs.
 - * Jacket 155-374 <3.2 hrs>
 - * Jacket 160-157 8.3 hrs.
 - * Jacket 160-245 10.9 hrs.
 - * Jacket 161-481 65.3 hrs.

3. **Did not always identify the actual costs charged to 12 jobs by activity:**
 - * Jacket 154-201 Prepress & Presswork \$4,253
 - * Jacket 154-904 Presswork & Bindery \$1,817
 - * Jacket 155-216 Presswork & Bindery \$442
 - * Jacket 155-374 Prepress & Presswork \$1,925, Bindery <\$1,203>
 - * Jacket 155-956 Prepress \$547
 - * Jacket 160-157 Prepress & Presswork \$656, Bindery \$782
 - * Jacket 160-245 Presswork \$163, Bindery \$975
 - * Jacket 160-628 Bindery <\$112>
 - * Jacket 160-709 Bindery <\$174>
 - * Jacket 161-095 Bindery <\$118>
 - * Jacket 161-347 Presswork \$111
 - * Jacket 161-481 Prepress & Presswork \$314, Bindery \$4,388

4. **Did not always identify the actual presses used for 1 job:**
 - * Jacket 155-374 (Group 86)

COMPARISON OF THE GPO ESTIMATE TO THE JACKET COST SUMMARY

5. Did not always limit the costs to actual costs charged to 6 jobs:

- * Jacket 154-201 Surcharge \$17,682
- * Jacket 154-904 Adh Bind \$1,221
- * Jacket 155-216 Trim \$1,173, Paper 9R125.62 \$349
- * Jacket 155-374 Folding \$952, Adh.Bind \$3,004, Group 85
\$2,263, Paper 9R158.47 \$1,608
- * Jacket 160-709 Trim \$187
- * Jacket 161-095 Surcharge \$182

6. Did not always identify the actual paper used for 5 jobs:

- * Jacket 154-201 27.09
- * Jacket 155-189 2R100.90
- * Jacket 155-216 9R125.61
- * Jacket 155-374 9R125.65
- * Jacket 160-628 2R100.92

7. Did not always identify the actual paper costs, including spoilage, needed for 2 jobs:

- * Jacket 154-201 \$5,529
- * Jacket 155-374 \$850

8. Did not always identify the actual costs for freight on 4 jobs:

- * Jacket 154-904 \$188
- * Jacket 155-189 \$2,584
- * Jacket 160-157 \$23,666
- * Jacket 161-481 <\$1,220>

IDENTIFYING CERTAIN MACHINES USED ON OVERTIME ON
NEGOTIATED/DIVERTED JOBS
(Fiscal Year 1994)

Negotiated jobs accounted for 124 jobs, with 1,956 overtime, machine hours charged to 53 different machines. Nine of the 53 machines had over 100 overtime, machine hours charged.

<u>Machine No.</u>	<u>Division</u>	<u>Jackets</u>	<u>Machine Hrs.</u>
0194 Inset/Stitch	Binding	9	107.2
3277 Offset GR85	Press	13	114.4
3279 Offset GR85	Press	9	100.2
3442 Offset GR85	Press	8	118.7
3474 Web/Doc GR86	Press	1	138.2
3679 Web/Rec GR88	Press	9	100.6
3680 Web/Rec GR88	Press	11	114.7
9084 Folding	Binding	7	114.5
9085 Folding	Binding	3	105.5

Diverted jobs accounted for 89 jobs, with 950.6 overtime, machine hours charged to 37 different machines. Eight of the 37 machines had over 50 overtime, machine hours charged.

<u>Machine No.</u>	<u>Division</u>	<u>Jackets</u>	<u>Machine Hrs.</u>
0194 Inset/Stitch	Binding	2	52.3
2782 Offset GR85	Press	12	64.7
3277 Offset GR85	Press	7	86.5
3283 Offset GR85	Press	8	64.0
3679 Web/Rec GR88	Press	9	58.4
3680 Web/Rec GR88	Press	6	50.9
5586 Gathering	Binding	9	52.3
9086 Folding	Binding	10	55.7

**IDENTIFYING CERTAIN MACHINES USED ON OVERTIME ON
NEGOTIATED/DIVERTED JOBS**
(Fiscal Year 1995)

Negotiated jobs accounted for 48 jobs, with 889.6 overtime, machine hours charged to 36 different machines. Five of the 36 machines had over 50 overtime, machine hours charged.

<u>Machine No.</u>	<u>Division</u>	<u>Jackets</u>	<u>Machine Hrs.</u>
0501 Trimming	Binding	7	72.2
2209 Trimming	Binding	7	85.7
3474 Web/Doc GR86	Press	1	166.4
3915 Inset/Stitch	Binding	4	73.0
9782 Web/Rec GR92	Press	5	54.5

Diverted jobs accounted for 45 jobs, with 570.4 overtime, machine hours charged to 30 different machines. Three of the 30 machines had over 50 overtime, machine hours charged.

<u>Machine No.</u>	<u>Division</u>	<u>Jackets</u>	<u>Machine Hrs.</u>
3441 Offset GR85	Press	3	62.6
3680 Web/Rec GR88	Press	7	68.1
9082 Folding	Binding	8	55.6

COMPARISON OF THE REVENUE (BILLED AMOUNT) TO JACKET COST SUMMARY
ON DIVERTED WORK BILLED

<u>Month/ Year</u>	<u>Jobs</u>	<u>Revenue Bill Amount</u>	<u>Jacket Cost Summary</u>	<u>Revenue Reduced</u>	<u>Percent</u>
05/94	5	\$ 2,710	\$ 12,206	\$ 9,496	78
06/94	23	88,903	189,945	101,042	53
07/94	15	72,644	111,083	38,439	35
08/94	36	387,556	1,025,655	638,099	62
09/94	41	244,582	674,913	430,331	64
10/94	28	324,888	425,585	100,697	24
11/94	5	107,295	291,542	184,247	63
12/94	47	418,311	1,088,430	670,119	62
01/95	97	252,575	772,487	519,912	67
02/95	30	13,964	47,881	33,917	71
03/95	41	245,122	557,489	312,367	56
04/95	<u>31</u>	<u>366,996</u>	<u>764,027</u>	<u>397,031</u>	52
Totals	399	\$2,525,546	\$5,961,243²⁴	\$3,435,697²⁵	58²⁶

²⁴The Jacket Cost Summary reports the costs using 1990 rates. Using a 10 percent increase to labor rates as a result of promotions, step increases, bonuses, etc. for the past 5 years the **actual** costs would increase an additional \$596,124 (\$5,961,243 X 10%) to \$6,557,367 (\$5,961,243 + \$596,124).

²⁵As a result of the increase of \$596,124 from Footnote #24, the new total for **actual** Revenue Reduced would be **\$4,031,821** (\$3,435,697 + \$596,124).

²⁶The **actual** Percent of Revenue Reduced would increase from 58 percent to 62 percent (\$4,031,821 ÷ \$6,557,367). As a result, GPO billed non-Congressional customer agencies at a rate of only **38 cents** on every dollar of total costs to copy work.

AVERAGED DISCOUNT RECEIVED BY NON-CONGRESSIONAL CUSTOMER AGENCIES
(BILLED IN FISCAL YEAR 1994)

		FY94		Average		
<u>Agency</u>		<u>Jobs With</u>	<u>Total</u>	<u>Discount</u>	<u>Net</u>	
		<u>Estimates</u>	<u>Estimated</u>	<u>%</u>	<u>Amount</u>	<u>Costs</u>
		<u>Available</u>	<u>Costs</u>			
01	DMA	1	\$ 2,147	4	\$ 82	\$ 2,065
02	HUD	1	3,352	10	335	3,017
03	USIA	1	2,263	10	226	2,037
04	OPM	4	5,963	15	240	5,002
05	FDIC	5	20,087	16	938	15,399
06	DIA	2	9,633	17	940	7,754
07	DPS	22	225,107	17	3,078	157,400
08	NAVY	4	186,510	17	6,744	159,536
09	SBA	6	22,314	17	693	18,158
10	NIL	1	1,212	18	212	1,000
11	NLRB	3	10,553	18	590	8,782
12	NGA	2	4,269	19	522	3,225
13	EPA	1	38,803	19	7,217	31,586
14	ANC	1	30,315	20	6,063	24,252
15	DOD	1	1,864	20	363	1,501
16	ENERGY	2	13,568	25	1,876	9,809
17	NRC	5	14,998	25	738	11,308
18	LABOR	17	149,271	28	2,817	101,383
19	NASA	11	149,499	28	3,183	114,489
20	GSA	18	89,901	29	2,131	64,328
21	NARA	8	25,319	30	925	17,917
22	PBGC	1	6,458	30	1,937	4,521
23	TREA	12	178,334	30	5,105	117,079
24	IRS	40	1,462,841	33	12,126	977,794
25	ARMY	3	13,321	34	1,076	10,093
26	INT	21	89,086	34	2,221	53,555
27	EDUC	15	106,488	35	2,422	70,152
28	HHS	54	1,298,600	35	9,635	807,232
29	TRANS	14	198,519	35	5,829	116,910
30	AGRI	8	80,659	36	5,621	35,688
31	COMM	18	78,922	37	1,626	49,651
32	NSA	4	40,409	37	4,885	25,756
33	CPSC	3	15,086	38	2,109	8,759
34	IMS	<u>1</u>	<u>3,298</u>	<u>39</u>	<u>1,299</u>	<u>1,999</u>
					=====	=====
Totals		310	\$4,578,969	30²⁷	(average)	

²⁷These 34 non-Congressional customer agencies paid an average of 15 percent (45% minus 30% average) or **\$2,216 more** (\$4,578,969 x 15% ÷ 310 jobs) per job than the 11 agencies on page 2 of Appendix IX receiving discounts of 40 percent or more.

AVERAGED DISCOUNT RECEIVED BY NON-CONGRESSIONAL CUSTOMER AGENCIES
(BILLED IN FISCAL YEAR 1994)

		FY94				
	Agency	Jobs With Estimates Available	Total Estimated Costs	Average Discount %	Amount	Net Costs
35	ACTION	1	\$ 644	40	\$ 258	\$ 386
36	FEC	1	3,294	40	1,318	1,976
37	FLRA	4	2,625	42	295	1,443
38	USPS	29	1,575,029	43	19,287	1,000,050
39	VA	9	58,457	44	3,001	31,446
40	JUSTICE	6	58,697	44	4,318	32,788
41	SUPDOCS	15	122,167	44	2,136	90,130
42	LOC	4	16,029	45	1,760	8,990
43	CRC	1	27,360	56	15,322	12,038
44	CTAPPL	1	4,310	58	2,508	1,802
45	AF	<u>5</u>	<u>63,625</u>	<u>63</u>	<u>4,469</u>	<u>41,278</u>
					=====	=====
	Totals	76	\$1,932,237	45	(average)	

AVERAGED DISCOUNT RECEIVED BY NON-CONGRESSIONAL CUSTOMER AGENCIES
(BILLED IN FISCAL YEAR 1995)

		FY95				
	<u>Agency</u>	<u>Jobs With</u>	<u>Total</u>	<u>Average</u>		<u>Net</u>
		<u>Estimates</u>	<u>Estimated</u>	<u>Discount</u>		<u>Costs</u>
		<u>Available</u>	<u>Costs</u>	<u>%</u>	<u>Amount</u>	
01	NRC	1	\$ 3,159	5	\$ 158	\$ 3,001
02	CRC	6	785	8	11	720
03	DOD	2	2,475	10	121	2,234
04	NAVY	1	679	10	68	611
05	CBO	2	1,532	15	116	1,300
06	FERC	1	5,534	15	836	4,698
07	NASA	2	960	20	96	768
08	NMB	2	1,585	20	167	1,251
09	USIA	2	4,082	20	408	3,266
10	VA	7	24,186	20	856	18,191
11	COMM	7	33,105	23	990	26,178
12	TRANS	3	43,810	23	3,604	32,998
13	USPS	5	561,433	23	28,800	417,434
14	EEOC	3	15,762	24	954	12,900
15	OPM	3	961	24	277	684
16	DLA	1	1,788	27	488	1,300
17	EOP	4	3,829	27	298	2,638
18	CPSC	6	48,095	28	2,908	30,645
19	TREAS	13	37,623	29	830	26,833
20	EXIMBK	1	2,154	30	646	1,508
21	FLRA	1	1,892	30	305	1,283
22	GSA	7	52,702	30	1,656	39,453
23	NLRB	1	2,348	30	704	1,644
24	SSS	1	652	30	197	455
25	HHS	33	309,351	32	2,878	214,386
26	INT	8	24,848	33	1,452	13,235
27	LABOR	9	40,122	33	2,030	21,853
28	NSA	1	892	33	292	600
29	IRS	20	370,041	34	6,042	249,196
30	JUSTICE	1	2,294	35	794	1,500
31	MSPB	2	418	35	73	272
32	NARA	3	16,481	37	2,103	10,172
33	DPS	22	111,266	38	2,634	53,324
34	EDUC	2	4,192	39	647	2,899
					=====	=====
	Totals	183	\$1,731,036	29²⁸	(average)	

²⁸These 34 non-Congressional customer agencies paid an average of 14 percent (43% minus 29% average) or **\$1,324 more** (\$1,731,036 x 14% ÷ 183 jobs) per job than the 4 agencies on page 4 of Appendix IX receiving discounts of 40 percent or more.

AVERAGED DISCOUNT RECEIVED BY NON-CONGRESSIONAL CUSTOMER AGENCIES
(BILLED IN FISCAL YEAR 1995)

		FY95				
<u>Agency</u>	<u>Jobs With</u>	<u>Estimates</u>	<u>Total</u>	<u>Average</u>		<u>Net</u>
	<u>Available</u>		<u>Estimated</u>	<u>Discount</u>		<u>Costs</u>
			<u>Costs</u>	<u>%</u>	<u>Amount</u>	
35	PBGC	1	\$ 5,702	40	\$2,281	\$ 3,421
36	AGRI	3	1,757	42	212	1,122
37	SUPDOCS	27	84,171	42	1,230	50,970
38	ACTION	<u>4</u>	<u>5,248</u>	<u>55</u>	519	3,174
					=====	=====
	Totals	35	\$96,878	43		

NON-CONGRESSIONAL AGENCIES' ABBREVIATIONS

<u>Abbreviations</u>	<u>Agency</u>
ACTION	Sub-agency of Peace Corps
AF	Department of Air Force
AGRI	Department of Agriculture
ANC	Sub-agency of the Department of Army
ARMY	Department of Army
CBO	Congressional Budget Office
COMM	Department of Commerce
CPSC	Consumer Product Safety Commission
CRC	Civil Rights Commission
CTAPPL	Court of Appeals
DIA	Defense Information Agency
DLA	Defense Logistic Agency
DMA	Defense Mapping Agency
DOD	Department of Defense
DPS	Defense Printing Service
EDUC	Department of Education
EEOC	Equal Employment Opportunity Commission
ENERGY	Department of Energy
EOP	Executive Office of the President
EPA	Environmental Protection Agency
EXIMBK	Export-Import Bank
FDIC	Federal Deposit Insurance Corporation
FEC	Federal Election Commission
FERC	Federal Energy Regulatory Commission
FLRA	Federal Labor Relations Authority
GSA	General Services Administration
HHS	Department of Health and Human Services
HUD	Department of Housing and Urban Development
IMS	Immigration and Naturalization Service
INT	Department of Interior
IRS	Internal Revenue Service
JUSTICE	Department of Justice
LABOR	Department of Labor
LOC	Library of Congress
MSPB	Merit Systems Protection Board
NARA	National Archives and Records Administration
NASA	National Aeronautics and Space Administration
NAVY	Department of Navy
NGA	National Gallery of Arts
NIL	National Institute for Literacy
NLRB	National Labor Relations Board
NMB	National Medical Board
NRC	Nuclear Regulatory Commission
NSA	National Security Administration

NON-CONGRESSIONAL AGENCIES' ABBREVIATIONS

<u>Abbreviations</u>	<u>Agency</u>
OPM	Office of Personnel Management
PBGC	Pension Benefit Guaranty Corporation
SBA	Small Business Administration
SSS	Selective Service System
SUPDOCS	Superintendent of Documents
TRANS	Department of Transportation
TREAS	Department of Treasury
USIA	United States Information Agency
USPS	United States Postal Service
VA	Veterans Administration

ACTUAL COSTS OF 10 PERCENT ADDED TO STANDARD RATES

<u>Month</u>	<u>Reported Gain/Loss STD Rates</u>	<u>10% Increase Jacket Cost Summary</u>	<u>Reported Gain/Loss New Rates</u>
Oct94	\$ (376,403)	\$ (85,274)	\$ (461,677)
Nov94	(228,801)	(44,986)	(273,787)
Dec94	(916,981)	(178,379)	(1,095,360)
Jan95	(857,311)	(164,884)	(1,022,195)
Feb95	(126,850)	(53,508)	(180,358)
Mar95	<u>(877,558)</u>	<u>(232,065)</u>	<u>(1,109,623)</u>
Totals	\$ (3,383,904)	\$ (759,096)²⁹	\$ (4,143,000)

²⁹This \$759,096 in labor rate increases were not identified in the 542 negotiated/diverted jackets billed to non-Congressional customer agencies in the first 6 months of Fiscal Year 1995.

UNITED STATES GOVERNMENT
memorandum

95 NOV -1 AM 2:42

DATE: November 2, 1995

REPLY TO
ATTN OF: Deputy Public Printer

SUBJECT: Additional Comments on Draft Audit Report on GPO's
Negotiated/Diverted Program

TO: Assistant Inspector General for Audits

On October 31, 1995, Mr. Joseph Verch of your staff met with the Director of Budget and the Comptroller to discuss the two recommendations that they had not concurred with in my memo to you dated October 26, 1995 on the above subject draft report. I am pleased to inform you that as a result of the meeting, their objections have been resolved and we now concur with all 11 recommendations included in your report.

Once again I would like to express my appreciation for the professionalism your staff has displayed in working with GPO managers to finalize the draft report and resolve questions about the audit recommendations.



JAMES N. JOYNER

cc:
Director, Production Services
Director, Office of Budget
Comptroller

UNITED STATES GOVERNMENT
memorandum

95 OCT -2 AM 9:21

DATE: October 26, 1995

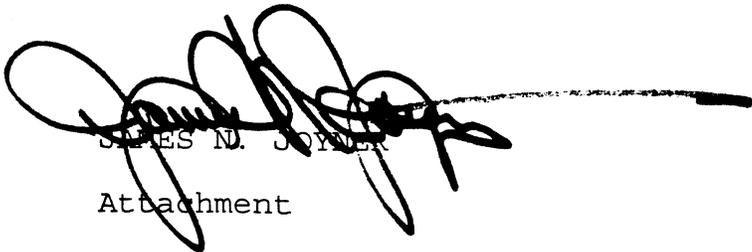
REPLY TO
ATTN OF: Deputy Public Printer

SUBJECT: Comments on Draft Audit Report on GPO's Negotiated/Diverted
Program

TO: Assistant Inspector General for Audits

Attached are management comments on the recommendations included in your draft report. We agreed with 9 of recommendations and have initiated action where appropriate. The Comptroller and the Director, Office of Budget included reasons for their disagreement for the other 2 recommendations.

I want to express my appreciation for the professionalism that the audit team displayed in working with GPO managers to finalize the draft report. If you have any questions or want to discuss any of the recommendations further, please let me know.



JAMES N. JOYNER

Attachment

RECOMMENDATIONS AND COMMENTS:

The Deputy Public Printer should:

- 01. Consider appointing "Production Services" to administer GPO's Negotiated/Diverted Program effectively and efficiently. This office should have the authority to ensure all GPO offices involved in GPO's Negotiated/Diverted Program have a written policy identifying the responsibilities of each office in accomplishing all objectives of the Negotiated/Diverted Program.**

The Director, Production Services will be assigned responsibility for administering the program and developing the written policy. Production Department is responsible for scheduling and producing work so its logical for them to have the responsibility of determining which work they need to fill production gaps and the price they are willing to accept to do that work.

- 02. Ensure that the Chief, Estimating and Jacket Preparation Section, receives constant feedback (verbally or in writing) from the Plant Billing Section and Office of Budget's Rates and Investigation Branch on the accuracy of the estimates.**

The Office of the Comptroller is working with OIRM to completely revise the current Work-In-Process accounting system. The new system will operate in a data base environment and Customer Service account representatives will have access to the system. They should be able to check any job, daily, to determine its status and the amount of charges accumulated against the jacket.

- 03. Ensure that the Chief, Estimating and Jacket Preparation Section, verifies the accuracy of the estimates and takes appropriate corrective actions to improve the reliability of the estimating process and the reasonableness on future estimates prepared.**

When the new work-in-process system is operational, accuracy of estimates can be verified easily. As stated in the action promised for recommendation (02), Customer Service and the Estimating and Jacket Preparation Section will have access to the new system. Testing of the new system is scheduled to begin in January 1996.

- 04. Ensure the policy in recommendation (01) includes future overtime worked on negotiated/ diverted work, as a follow-up to the Public Printer's March 25, 1983, letter on In-House Work Retention, in "guaranteeing the profitability" of GPO's Negotiated/ Diverted Program. The policy should consider allowing overtime on negotiated/diverted jobs when these jobs would be replaced with a higher priority job that had an overtime surcharge already included in the GPO estimate. This overtime surcharge would offset the overtime needed to complete the interrupted negotiated/diverted job.**

Page 2

As stated in the action promised for recommendation (01), the Director, Production Services has been assigned the task of developing a written policy for this program by December 15, 1995.

05. **Ensure the policy in Recommendation (01) includes extensive consideration be given by Production Planning Division officials before accepting future negotiated/diverted jobs that require certain Production machines to be used on overtime.**

The new policy will address this recommendation.

06. **Ensure that the Director, Office of Budget, periodically develops and documents a new formula to recover break-even costs of an idle production worker on future in-house printing and binding.**

The Director, Office of Budget disagrees. This may be required at some point, and may be calculated for a special situation. In any case, an overall figure may not be accurate based on the specific job. However, the program is presently discounting much less than this theoretical maximum. The limit set under recommendation 09 should be sufficient at this time.

07. **Ensure that the Chief, Estimating and Jacket Preparation Section, includes MMS' 30-percent paper surcharge when estimating the lowest price Customer Service representative can negotiate with non-Congressional customer agencies on future in-house work.**

The new policy will address the intent of this recommendation.

08. **Ensure the policy in Recommendation (01) includes an examination of the cost-effectiveness of the Diverted Work Program to determine whether GPO should continue with the Program or use GPO Term Contract Programs exclusively for copying work to ensure revenues from GPO's 6-percent surcharge on non-Congressional customer agencies.**

Both the Comptroller and Director, Office of Budget disagreed with this recommendation. Their comments are summarized below.

Comptroller--I disagree with this recommendation. The underlying rationale for having a negotiated price/diverted work program is to lessen the impact of idle time. The financial impact of implementing this recommendation would be to give up the \$2.5 million in revenue that GPO received for producing the 399 jobs in exchange for \$142,000 in procurement surcharge. It looks like

Page 3

the auditors failed to account for payments to the contractors when making their comparison. When GPO procures printing, only the surcharge is retained by the revolving fund to reimburse GPO costs to procure copying. When GPO produces printing, the entire amount of revenue is retained by the revolving fund to reimburse GPO costs to produce copying.

Director, Office of Budget--Disagree. There is no reason to isolate duplicating work from the overall concept involved in the discounting program. If the alternative is waste, discounting should not be ruled out.

09. **Ensure the policy in Recommendation (01) includes a maximum discount limitation (e.g., dollar amount or percentage) for all in-house work designated for non-Congressional customer agencies. This discount limitation would contribute to the profitability of GPO plant operations. The Chief, Estimating and Jacket Preparation Section, should use this maximum discount limitation in approving future in-house work designated for discount from Customer Service specialists. This maximum discount limitation would eliminate the need to obtain approval from the Director, Production Services, on every agency's larger discount request received by Customer Service specialists. The Chief, Estimating and Jacket Preparation Section, would still need a concurrence from the scheduler before accepting an agency's larger discount request.**

The maximum discount will be addressed in the written policy.

10. **Ensure that the Director, Office of Budget, considers taking immediate action to update the "presswork" and "Bindery Work" rates in the "Scale of Prices" and to continue updating the rates.**

I agree that the rates in the Scale of Prices should be kept up to date. New rates have been drafted and are pending review and approval.

11. **Ensure that the Comptroller, Office of the Comptroller, considers: (1) incorporating these update rates in "Presswork" and "Bindery Work" in the Jacket Cost Summary and (2) identifying the overall increase as a result of the updating and deduct this increase in the actual billing to non-Congressional customer agencies.**

The Comptroller agrees with the recommendation but rates cannot be changed until they are approved by the Public Printer. However, when prices are raised this recommendation will be moot.