

**REPORT on the MAY 1998 ELECTRONIC  
SYSTEMS DEVELOPMENT DIVISION'S  
INTERNAL CONTROL REVIEW**

**June 2000**

**00-07**



Office of Audits



UNITED STATES GOVERNMENT PRINTING OFFICE  
OFFICE OF THE INSPECTOR GENERAL

# memorandum

DATE: June 21, 2000

REPLY TO

ATTN OF: Inspector General

SUBJECT: Report on the May 1998 Electronic Systems Development Division's Internal Control Review

TO: Production Manager, Production Department

The Office of Inspector General has completed a review of the May 1998 Internal Control Review submitted by the Electronic Systems Development Division (ESDD). This review was conducted to determine the completeness of the assessments and reviews performed on ESDD as directed by GPO Instruction 825.18A *Internal Control Program*.

We determined that the May 1998 Internal Control Review as submitted by ESDD, while accurate, was incomplete and did not fully meet the requirements of GPO Instruction 825.18A. The review also revealed that GPO managers have not been provided adequate instructions and/or training on conducting internal control reviews. We made eight recommendations that will assist ESDD in completing future internal controls reviews and strengthen their internal controls in three areas of ESDD by: (1) updating the standardized questionnaire; (2) protecting leased equipment; and (3) reporting the status of all open recommendations from prior financial statement audits. The network administration and network security was also addressed in the report, but no formal recommendations were made.

Management officials have agreed to implement three of the eight recommendations on updating the standardized questionnaire and reporting the status of all open recommendations. However, management officials disagreed with: (1) the four recommendations to comply with GPO Instruction 810.11A *Property Management Program* on protecting leased equipment; and (2) the open recommendation to comply with GPO Instruction 825.2 CH-1 *Personnel Security Program* on applying for background investigations for information technology (IT) related positions. (See Appendix IV.)

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We believe that it is imperative for management officials to follow the existing GPO Instructions and to agree with the remaining five recommendations to ensure they have adequate internal controls over their leased equipment and have accurate sensitivity levels and clearance requirements for their IT related positions.

Mr. Joseph Verch, Supervisory Auditor, and Mr. Rodney Dahl, Auditor-In-Charge, conducted this review.

We appreciate the cooperation and courtesies extended during the review by officials and staff of the Production Department, Office of Budget, and the Office of Comptroller.

  
ROBERT G. ANDARY

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**REPORT ON THE MAY 1998 ELECTRONIC SYSTEMS DEVELOPMENT  
DIVISION'S INTERNAL CONTROL REVIEW**

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**REPORT ON THE MAY 1998 ELECTRONIC SYSTEMS DEVELOPMENT DIVISION'S  
INTERNAL CONTROL REVIEW**

**RESULTS IN BRIEF**

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In July and August 1999, the Government Printing Office's (GPO) Office of the Inspector General (OIG) conducted a review of the May 1998 Internal Control Review submitted by the Electronic Systems Development Division (ESDD) of the Production Department. This review was conducted to determine the completeness of the assessments and reviews performed on ESDD as directed by GPO Instruction 825.18A *Internal Control Program*.

Our review determined that the May 1998 Internal Control Review as submitted by ESDD, while accurate, was incomplete and did not fully meet the requirements of GPO Instruction 825.18A. The OIG recognizes that GPO managers have received little guidance in complying with the GPO Internal Control Policy, however, the implementation of the eight recommendations will assist ESDD in completing future internal control reviews and strengthen their internal controls within three areas of ESDD by:

1. Updating the standardized questionnaire with vulnerability assessments and internal control reviews for Production officials to continuously monitor and improve the effectiveness of management controls associated with specific ESDD programs, functions, and activities;
2. Providing reasonable assurance and safeguards to protect leased equipment against potential waste, loss, unauthorized use, and misappropriation; and
3. Reporting the status of all open recommendations from prior financial statement audits.

In addition, the OIG also addressed the network administration and network security, but no formal recommendations were made.

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## BACKGROUND

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GPO Instruction 825.18A, dated May 28, 1997, established the Internal Control Review Program at the Government Printing Office (GPO). The purpose of the Internal Review Control Program is to provide managers with a means to assess the vulnerabilities within their areas of operation and to determine whether adequate controls exist and are implemented to prevent or detect the occurrence of potential risks in a cost-effective manner.

It is GPO policy that management maintains an effective system of accounting and management controls. GPO managers should continuously monitor and improve the effectiveness of management controls associated with their programs, functions, and activities, through the performance of vulnerability assessments and internal control reviews.

Internal controls are defined as "...the organization, policies, and procedures used to reasonably ensure that:

1. programs achieve their intended results;
2. resources are used consistent with agency mission;
3. programs and resources are protected from waste, fraud, and mismanagement;
4. laws and regulations are followed; and
5. reliable and timely information is obtained, maintained, reported, and used for decision making."

ESDD is one of six divisions in the Production Department and is informally divided into the Electronic Systems Branch (ESB) and the Network Systems Group (NSG). ESDD has a total of 17 employees and is tasked with:

1. Providing electronic technical services to the Production Department, to other areas of GPO, to the Congress, and other Government agencies;
2. Providing electronic engineering and system design expertise to these groups and providing electronic technicians for maintenance on and revisions to their electronic equipment and systems;

3. Providing maintenance service to the Production Department, Senate Office of Legislative Counsel, House Office of Information Systems, House Office of Legislative Counsel, Law Revision Counsel, National Labor Relations Board, and Office of the Federal Register; and
4. Providing electronic engineering expertise to all of these groups in the fields of phototypesetting and data capture. Consultation is also provided to the Joint Committee on Printing when requested.

Additionally the Network Systems Group provides:

1. Networking services to the GPO in the areas of design, domain name service(DNS), security including Internet firewalling, mail, interconnectivity through routing and switching, network cabling, and maintenance;
2. Internet services to the GPO including HTTP, FTP, SMTP, and Telnet and provides the capability for other Government entities to use GPO resources to host Web homepages and receive mail via mail forwarding; and,
3. Intranet services to the GPO including resources for departmental/division/branch homepages and access to controlled departmental resources and systems via NT networking.

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## OBJECTIVE, SCOPE, AND METHODOLOGY

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The objective of this review was to determine the completeness of the assessments and reviews performed on the ESDD as directed by GPO Instruction 825.18A. A secondary objective was to assist the Manager, ESDD, in structuring future reviews to more closely reflect the work environment. Additionally, it is hoped that increasing the awareness of GPO's Internal Control Program will make managers more aware of the benefits to be gained by good internal control procedures.

The fieldwork of the OIG's review of ESDD's May 1998 Internal Control Review was conducted during July and August 1999 and included such tests of the procedures, operations, and internal controls in place as were considered necessary. This Internal Control Review was also evaluated for compliance with the standards and guidelines in GPO Instruction 825.18A.

The auditors also performed specific examinations over several areas to determine if the controls in these areas had been adequately assessed and reported. These areas included:

- Inventory of Property – To perform an evaluation of accountability and controls over GPO property in the Electronic Systems Development Division.
- Security – To review the security procedures of ESDD to determine if controls are adequate to protect the data and equipment of the GPO.
- Personnel – To evaluate if the number of personnel is adequate to complete the mission of ESDD and if training and retention needs have been properly addressed.
- Budget – To review the budget cycle process to ensure budgetary needs of the organization are met and practices are within GPO guidelines.

We reviewed:

- GPO Instruction 105.1B, Change 8, *Organization and Functions of the Government Printing Office* dated May 13, 1991, to identify general policy and procedures of the ESDD within the Production Department;
- GPO Instruction 655.10 *Conflict of Interest* dated August 9, 1976, to determine if ESDD was in compliance with the Instruction;

- GPO Instruction 810.11A *Property Management Program* dated August 16, 1981, to identify property management responsibilities and applicable policies and procedures governing the Program;
- GPO Instruction 825.2 Change 1 *Personnel Security Program* dated April 7, 1980, to assess compliance with applicable portions of the Program;
- GPO Instruction 825.16B *GPO Telecommunications and Automated Information (TAI) Systems Security Program* dated April 12, 1994, to determine if ESDD was in compliance with this Program;
- GPO Instruction 825.18A *Internal Control Program* dated May 28, 1997, to identify policies, standards, and guidelines for conducting internal control reviews of GPO programs;
- The KPMG Management Letters for the financial statements of September 30, 1997, 1998, and 1999, to determine if steps had been taken to address the recommendations in the letters;
- The Comptroller's database listing of property to determine if inventories had been taken and listings were accurate; and
- The Detailed Responsibility Report for Cost Code 4700 to determine if ESDD's budget was within limits.

The OIG audit team also interviewed appropriate management officials and staff of the ESDD, the Office of Comptroller, and the Office of Budget.

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## FINDINGS AND RECOMMENDATIONS

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### 1. STANDARDIZED QUESTIONNAIRE

#### FINDING

The offices of the Production Department including the Electronic Systems Development Division (ESDD) completed a standardized questionnaire with 15 questions dated May 1998. (See Appendix I.) Production managers/superintendents used the questionnaire as a vulnerability assessment tool to continuously monitor and improve the effectiveness of management controls associated with their programs, functions, and activities as directed by Paragraph 3 of GPO Instruction 825.18A.

However, a review of the questionnaire with an ESDD official found that 7 of 15, or 47 percent, of the questions did not apply to ESDD. Although the following seven questions did not apply to ESDD's operations, the questions were still answered by the ESDD official:

1. "Are there controls to prevent jackets from being backlogged and not closed out timely?"
2. "Are there controls to ensure that customer work is delivered on time to all customers?"
3. "Are there controls to ensure customers authorize changes to any printing requirements?"
4. "Are there controls to minimize the level of paper waste in the production process?"
5. "Are there controls over completed products to avoid loss prior to distribution?"
6. "Are there controls to account for paper and supplies stock obtained from stores and not placed into production?"
7. "Are there controls in place to ensure work quality is such that back-to-press is minimized?"

Although the questionnaire was a good beginning for Production officials to assess the overall Internal Control Program, a follow-up review to address specific programs, functions, and activities within each Production office should have been conducted. Once the specific programs, functions, and activities were addressed, then tests needed to be performed to provide ESDD officials, as well as the Production Manager, reasonable assurance that ESDD's programs, functions, and activities were:

- Achieving their intended results;
- Using resources consistently with agency mission;
- Protected from waste, fraud, and mismanagement;
- Following all laws and regulations; and
- Obtaining, maintaining, reporting, and using reliable and timely information for decision making purposes, as stated in Paragraph 5.c. of GPO Instruction 825.18A.

Any findings associated from the testing of the internal controls over specific programs, functions, and activities should be followed-up by a detailed examination (internal control review) by that particular Production office, as required by Paragraph 5.b. of GPO Instruction 825.18A.

For future monitoring of management controls, ESDD should replace the seven questions described above with questions that relate to specific programs and activities such as: (1) the installation and maintenance of hardware and software of the GPO NT network; and (2) providing computer hardware, software, and maintenance to GPO offices.

## **RECOMMENDATION**

The Production Manager, Production Department, should ensure that the Manager, Electronic Systems Development Division, continuously monitors and improves the effectiveness of management controls by updating the standardized questionnaire with vulnerability assessments and internal control reviews on specific ESDD's programs, functions, and activities, as directed by GPO Instruction 825.18A (0007-01).

## **MANAGEMENT COMMENTS**

The Production Manager, Production Department, agreed with the finding and recommendation. (See Appendix IV.)

## 2. LEASED EQUIPMENT

### FINDING

The Assistant Chief (Systems), ESDD, maintains an in-house system for tracking leased equipment for Congressional offices and other government agencies, such as the Federal Aviation Administration Office in Atlantic City, New Jersey, and the Census Monitoring Board in Washington, DC. The leased equipment for the offices and the agencies was not assessed in the Production Department's May 1998 standardized questionnaire.

On August 16 and 17, 1999, an OIG inventory was conducted on the leased equipment of 97 items at the Congressional offices. The inventory identified 87 of the 97 items of leased equipment. Thirty-nine of the 87 items did not have a GPO identification number assigned and affixed as required by paragraphs 10.a. and 10.b. of GPO Instruction 810.11A.

"The Financial Management Service will maintain a records system on capitalized and non-capitalized property owned or leased by the GPO...The system will also serve as a check for physical inventory of this property." (10.b.)

"Equipment Numbers (prefixed by a letter or letters to indicate type of equipment) will be assigned and engraved on or attached to capitalized and controllable equipment." (10.a.)

The remaining 10 items ( $97 - 87 = 10$ ) could not be located in the Congressional offices. One of the 10 items<sup>1</sup> was located in a locked office and could not be verified. In addition, the inventory identified another 29 items<sup>2</sup> of equipment that were found in the Congressional offices but were not reported or maintained on ESDD's in-house inventory system. Fifteen of these items had no GPO identification numbers attached to the equipment. (See Appendix III.)

None of the 126 leased equipment items inventoried ( $97 + 29$ ) were included on the Comptroller's General Ledger and Property Section's property inventory listings of July 7, 1999. Failure to include leased equipment on the property inventory listing resulted in a loss of accountability for the equipment and the response to Question 5 of the May 1998 Internal Control Questionnaire being flawed.

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<sup>1</sup> Subsequent discussions with ESDD on April 11, 2000, revealed that the remaining nine items were either returned to Stores or were used for parts in ESDD.

<sup>2</sup> On April 11, 2000, ESDD revealed that the 29 items had either been returned to Stores, used for parts, still in inventory or was not GPO property. (See Appendix III.)

The Manager, ESDD, stated that there is no requirement to attach GPO numbers to leased equipment or report this information to the Comptroller other than for billing purposes. Additionally he felt that the information that is contained in ESDD's databases is accessible to the Comptroller. The OIG believes that the leased equipment should have GPO numbers attached in order for the Comptroller to maintain a records system to serve as a check for physical inventory of leased equipment.

The results of the inventory showed that leased equipment did not have adequate management controls that could provide reasonable assurance and safeguards to protect assets against potential waste, loss, unauthorized use, and misappropriation as required by Standard 2 of GPO Instruction 825.18A.

## **RECOMMENDATIONS**

The Production Manager, Production Department, should ensure that the Manager, Electronic Systems Development Division, takes appropriate steps to:

- Obtain GPO identification numbers and tags and attached them to all leased equipment in Congressional offices and other government agencies (0007-02);
- Contact the Office of Comptroller indicating the names of databases that contain the leased equipment for ESDD and how they can be accessed. (0007-03);
- Examine the 29 unreported items found in the Congressional offices and include the items in ESDD's in-house inventory system, as well as the Comptroller's General Ledger and Property Section's property inventory listing (0007-04); and
- Locate the 10 items of leased equipment that could not be accounted for in the Congressional offices (0007-05).

## **MANAGEMENT COMMENTS**

The Production Manager, Production Department, disagreed with OIG Finding 2 and the four recommendations. (See Appendix IV.)

## **INSPECTOR GENERAL'S RESPONSE**

The Production Manager commented that for Recommendation Numbers 0007-02 and 0007-03, GPO Instruction 810.11A states that other GPO organizations are responsible for the managing of property inventory and identification and not ESDD's property custodian. The Production Manager continues that ESDD will only comply when these other GPO organizations issue ESDD GPO identification numbers and tags and request the names of databases that contain the leased equipment.

However, the Production Manager failed to mention paragraph 9.c.(1) of GPO Instruction 810.11A that states:

“Property Custodians are charged with the responsibility for proper physical use and safekeeping of assigned property while it is in their area of responsibility, whether for use, storage, or repair. Property Custodians are also responsible for the overall operation of a records system including generating and transmitting timely and accurate forms; verifying computer printouts; and taking necessary action to have deficiencies in the records corrected....”

GPO Instruction 810.11A directs ESDD’s property custodian to safeguard all property assigned and to take “necessary action” to correct the Comptroller’s property records. This “necessary action” would include the obtaining of GPO identification numbers and tags and contacting the Office of the Comptroller on the names of databases to correct the Comptroller’s property records for leased equipment.

For Recommendation Numbers 0007-04 and 0007-05, the Production Manager commented that all the leased equipment has been accounted for. This comment is, in fact, a concurrence with Recommendation Numbers 0007-04 and 0007-05. The OIG followed-up their inventory taken with the ESDD property custodian and found that corrective action had been taken.

In addition, the Production Manager also commented that the original OIG inventory taken was inaccurate. However, the corrective action taken by the ESDD property custodian on the inaccuracies identified by the OIG’s inventory contradicts the Production Manager’s comments.

### 3. OPEN RECOMMENDATIONS FROM PRIOR FINANCIAL STATEMENT AUDITS

#### FINDING

The Production Manager, Production Department, did not resolve the open recommendations from prior financial statement audits performed by KPMG auditors, contrary to GPO Instruction 825.18A.

The September 30, 1998, KPMG Management Letter recommended that:

1. Production Department internal personnel holding information technology (IT) related positions have updated background investigations that reflect accurate sensitivity levels and clearance requirements. However, no background investigations have been completed for key (IT) personnel in ESDD.

Standard 8 of GPO Instruction 825.18A states:

“Managers should promptly evaluate and determine proper actions in response to known deficiencies, reported audit and other findings, and related recommendations. Managers should complete, within established time frames, all actions that correct or otherwise resolve the appropriate matters brought to management’s attention.”

In addition, an annual Internal Control Review should contain a statement that all sensitive positions have been reviewed to ensure meeting the current time requirements as required by Paragraph 7.d.(1) of GPO Instruction 825.2 *Personnel Security Program*.

“Each employee occupying a sensitive position in the Government Printing Office shall, 5 years after being granted a security clearance, and at least once each succeeding 5 years, submit an updated personnel security questionnaire, SF-86, to the Director of Security Service.”

The Manager, ESDD, stated that the Instruction did not clearly state who was required to have a background investigation and what type of clearance was required. Because of this, he intends to wait until the security requirements of GPO are fully addressed in the form of a new Instruction on security. At that time, he will assess the proper security clearances for his personnel. However, this open recommendation, as well as, any future open recommendations from audits should be included in the annual internal control reviews with the status of each recommendation. To address this issue, the Manager, ESDD, should state his decision to defer all security clearance issues until the requirements are fully defined.

However, the OIG believes that Paragraph 4.b.(1)(f) of GPO Instruction 825.2 CH-1 *Personnel Security Program*, requires internal personnel holding information technology (IT) related positions to have a background investigation for a critical-sensitive position.

2. The list of users with access to the GPO network contains individuals no longer employed by GPO and inactive users who are not automatically revoked after a period of inactivity. ESDD has taken action on this finding and now receives a list of separated employees from Payroll for the purpose of removing these individuals as authorized network users. This finding and its resolution should be included in the annual internal control review and its effectiveness tested in future reviews.
3. Access Control – Adequate segregation of duties is lacking in the administration of mainframe database, network security, and the control of application changes.

Network security administration functions for Windows NT are not appropriately segregated from the day-to-day network administration and maintenance functions. The retention of highly skilled personnel has been and continues to be a problem in ESDD. The Manager, ESDD, expects a turnover rate of all technical personnel about every three years. Shortages in highly skilled personnel could have an adverse effect on security and make separation of duties virtually impossible. As a result, the status of this finding should be included in this and future internal control reviews to ensure that ESDD adheres to Standard 2 of GPO Instruction 825.18A.

“Management controls must provide reasonable assurance and safeguards to protect assets against waste, loss, unauthorized use, and misappropriation.”

The purpose of this review was not to assess staffing levels or personnel requirements. That is a function that properly belongs to management. The concern of this review was to determine if these issues are properly addressed in the internal control review. To the extent that staffing, training, and budgets effect security, it could have a major effect on GPO operations.

It is very difficult to address these issues solely through the use of a questionnaire. A narrative to supplement the questionnaire may be the proper way to convey to management the severity of the problem, and how it needs to be addressed through staffing requirements, training, and budgeting. In this way, management is better able to assess alternative courses of action and the consequences of each alternative course of action.

The three September 30, 1998, KPMG recommendations were also recommendations in the September 30, 1997, KPMG Management Letter, but the recommendations were

not as detailed and responsibilities were not as clearly defined. However, the September 30, 1999, Management Letter recommended to management to:

“Confirm that the OIRM and Production personnel holding information technology related positions, have had background investigations based on up-to-date information that reflect their current ADP responsibilities, and thus, accurate sensitivity levels and clearance requirements.”

## **RECOMMENDATIONS**

The Production Manager, Production Department, should ensure that the Manager, Electronic Systems Development Division, takes appropriate steps to:

- Apply for background investigations on key internal personnel holding information technology (IT) related positions that reflect accurate sensitivity levels and clearance requirements now and reevaluate the need for such clearance when the GPO Instruction has been issued and a policy has been established (0007-06);
- Include a statement in future internal control reviews that all sensitive positions have been reviewed to ensure meeting the current time requirements as required by Paragraph 7.d.(1) of GPO Instruction 825.2 *Personnel Security Program* (0007-07); and
- Report all open recommendations from prior audits and the status of each recommendation in future internal control reviews (0007-08).

## **MANAGEMENT COMMENTS.**

The Production Manager, Production Department, agreed with OIG Finding 3 and two of the three recommendations (Recommendation Numbers 0007-07 and 0007-08). (See Appendix IV.)

## **INSPECTOR GENERAL'S RESPONSE**

The Production Manager commented that ESDD must wait for the approval of the new security policy before Recommendation Number 0007-06 can be implemented. The new security policy written by ESDD in 1998 has yet to be approved. However, ESDD continues to have key internal personnel holding information technology related positions without having background investigations, contrary to the current GPO Instruction 825.2 CH-1 and recommendations made by KPMG auditors.

## 4. NETWORK SECURITY

### FINDING

The GPO network has evolved from a collection of individual local area networks to one agency-wide network that includes access to the Intranet and Internet. The GPO network also hosts the agency's Internet site, GPO Access. As a result, the network has become a highly visible representation of the role GPO is playing in the worldwide transition to a computerized environment. As such, it is imperative that the network is as a secure and reliable system.

The security of the GPO network should be of a high priority. The public perception of GPO can be shaped by the image presented on the network. If the network is regarded as unreliable or unresponsive, GPO as a whole will suffer. One of the worst possible scenarios would be a highly publicized hacking of the network.

ESDD is tasked with developing and maintaining this network. ESDD personnel have the ability to identify security weaknesses on the network. ESDD can correct these problems on equipment that is controlled by ESDD but does not have the authority to require other offices in GPO to make security fixes. Any weak link in security can increase the possibility that the entire network could be compromised. Additionally the KPMG audit team has in the past identified security problems that needed to be addressed.

Change 8 (Production Department) to GPO Instruction 105.1B *Organization and Function of the Government Printing Office* does not clearly define the responsibilities of ESDD in relation to network administration or network security. As a result, there is no coordinating or controlling authority at GPO to require network users to abide to approved security measures and apply appropriate fixes to security problems as required by Standard 4 of GPO Instruction 825.18A.

"Managers should ensure that appropriate authority, responsibility, and accountability are defined and delegated to accomplish the mission of the organization, and that an appropriate organizational structure is established to effectively carry out program responsibilities."

GPO Instruction 105.1B, Change 8, needs to be revised to clearly define responsibilities for network administration and network security by giving ESDD or some other GPO entity the authority to ensure other GPO offices follow approved security measures and apply appropriate corrective actions. Periodic testing of these security measures and appropriate corrective actions should be made and documented by ESDD and included in annual internal control reviews.

The Manager, ESDD, in response to two fiscal year 1997 audit findings prepared a draft instruction entitled GPO Computer Network Security Policy. The draft instruction attempts to incorporate network security into an overall GPO security solution. This draft is a commendable effort and seems to incorporate solutions for all of the network security related findings in the 1997 and 1998 audits. However, to date no action has been taken on incorporating this draft instruction into a GPO security policy and therefore many of the findings remain unresolved. Changing GPO Instruction 105.1B if only on a temporary basis until the new instruction and properly trained personnel are in place at GPO would allow ESDD to provide a timely solution to this critical problem. A narrative explaining the status of these audit findings should be included in internal control reviews until they are resolved.

## **RECOMMENDATIONS**

No recommendations were made to GPO officials.

## OTHER MATTERS DISCUSSED WITH MANAGEMENT

- The internal controls in place for sub-stores 9916 were very good and included monthly inventory counts. In July 1999, the Materials Management Service Inventory Team inventoried approximately 300 items totaling over \$743,000 for sub-stores 9916. The Inventory Team found inventory adjustments needed to be made on three items totaling \$20. However, the results of the Inventory Team's testing were not reported to ESDD management or included in ESDD's annual Internal Control Review.
- The OIG conducted testing of the internal controls over employee time and attendance in ESDD. The results showed the internal controls were functioning properly and could be relied upon for record-keeping purposes. However, an independent individual with no responsibility for entering or approving time and attendance should conduct future tests, and the results should be included in the annual internal control reviews.
- A review by OIG of GPO Form 1452 *Designation of Certifying Officer for Time and Attendance Reports* in the Payroll Office revealed that there were some individuals no longer employed in ESDD who had authorization to sign payroll documents. These should be checked in the course of internal control reviews and the results mentioned in the report along with the actions taken.
- The Office of Comptroller has begun charging network costs to users based on usage. In past years, network installation costs have been capitalized as improvements. However, none of ESDD's labor costs that are used to maintain and manage the network are charged to the users. ESDD management should meet with the Comptroller to assist in the allocation of such costs to users.
- Presently, GPO bills Congressional offices for the use of computer equipment over a two-year period. Due to decreased computer acquisition costs, a one-time charge may be possible for the Congressional offices. ESDD management should meet with the Comptroller, Budget officials, and Congressional Printing Management Division personnel to pursue this matter.

INTERNAL CONTROL REVIEW QUESTIONS (May 1998)  
Electronic Systems Development Division

	Q:	A:	Responsible Manager	Risk	Controls Documented	Controls Tested	Testing Documented	Evaluative Comments
1	Are there controls over the accuracy of probe charges to jobs and/or jackets?	Yes	Section Supervisors.	Low.	Manual correction of daily probe sheet.	Office of Financial Management journal ledger.	Data is entered into work in process system.	Overall responsibility belongs to Office of Financial Management.
2	Are there controls to ensure that the time & attendance reports are properly certified for payment by production supervisors?	Yes	Section Supervisors.	Low.	Payroll maintains lists of signatory authority.	N/A for production.	N/A for production.	(Same as No. 1.)
3	Are there controls to ensure that all overtime is properly authorized in advance of work schedule?	Yes	Production Manager, Production Department.	Low.	Division head forwards written request.	Follow-up report submitted to Production Manager, Production Department.	N/A.	Controls adequate.
4	Are there controls to prevent unnecessary overtime costs (i.e. work on jobs other than those that specifically required the overtime)?	Yes	Production Manager, Production Department.	Med.	Overtime authorization based on specific jobs.	Daily priority work lists by shift.	N/A.	Priorities change (i.e. work may not materialize as promised).
5	Are there controls to ensure that accountable equipment is properly inventoried and reconciled with the official financial records?	Yes	Asst. Chief, ESDD.	Low.	Annual list of inventoried equipment.	Reconciliation with lists supplied.	General accounting responsibility.	None.

INTERNAL CONTROL REVIEW QUESTIONS (May 1998)  
Electronic Systems Development Division

	Q:	A:	Responsible Manager	Risk	Controls Documented	Controls Tested	Testing Documented	Evaluative Comments
6	Are there controls to prevent the unauthorized use of production equipment?	Yes	Section Supervisors.	Low.	GPO Corrective Action Schedule (655.4).	Disciplinary measures.	N/A.	24-hour observation of equipment by responsible manager.
7	Are there controls to prevent jackets from being backlogged and not closed out timely?	Yes	Section Supervisors.	Low.	Daily list of delinquent jackets.	Supervisory review.	N/A.	None.
8	Are there controls to ensure that customer work is delivered on time to all customers?	Yes	Section Supervisor.	Med.	Internal work jacket.	Work is scheduled by priority work lists, PEPS order entry screen, Beitel list, etc. and jacket date and time.	Priority lists reevaluated every shift.	Priorities continually change.
9	Are there controls to ensure proper safeguards are in place over equipment operation to avoid on-the-job injury of employees?	Yes	Section Supervisors.	Low.	N/A.	N/A.	N/A.	Low-risk equipment, periodic safety reviews by safety office.
10	Are there controls to ensure customers authorize changes to any printing requirement?	Yes	Customer Services.	N/A.	N/A.	N/A.	N/A.	EPD work requirements determined by Customer Services.

INTERNAL CONTROL REVIEW QUESTIONS (May 1998)  
Electronic Systems Development Division

	Q:	A:	Responsible Manager	Risk	Controls Documented	Controls Tested	Testing Documented	Evaluative Comments
11	Are there controls to minimize the level of paper waste in the production processes?	Yes	Section Supervisors.	Low.	Machine reporting by quantity.	Supervisory review comparing machine counters to reports.	N/A.	Supervisory observation of usage 24-hours.
12	Are there controls to ensure that adequate security safeguards and other access restrictions exist over classified material and products?	Yes	Section Supervisors (security cleared).	Low.	Work receipted when moved from section to section.	Receipts passed only between security cleared personnel.	Security receipts saved and stored in security safes.	Security areas under lock and key, access only by security cleared personnel.
13	Are there controls over completed products to avoid loss prior to distribution?	Yes	Section Supervisors.	Low.	Work receipts (quantities listed).	Receipt copy signed and returned (quantities listed).	Receipts stored.	None.
14	Are there controls to account for paper and supplies stock obtained from stores and not placed into production?	Yes	Section supervisors.	High.	Minimal.	Minimal.	N/A.	Inadequate warehousing facility for paper inventory. Paper accessible to casual pilferage.
15	Are there controls in place to ensure work quality is such that back-to-press is minimized?	Yes	Section Supervisors.	Low.	Proofs.	OK proofs by department.	Proof stored on critical work.	Print work quality reviewed by section supervisor.

LEASED EQUIPMENT

JACKET	DESCRIPTION	GPO #	S/N	PRICE	DATE	STATUS
69014	QMS 2425	1226	Q0143034			NOI #5
69014	QMS 1725		Q0073917		5/21/93	NO #1
69014	ESDD WS	1226				NOI #5
69014	ESDD MON 17	1226				NOI #5
69014	ESDD P333	IHS1224	CT990704713		12/9/98	P
69014	ESDD MON 17	IHM1224	JR82654731		12/9/98	P
69016	QMS 2425		Q0167699		5/13/97	P
69016	ESDD P200	IHS1183	CT971108026		12/12/97	P
69016	ESDD MONITOR	IHM1183	A470600116		12/12/97	P
69016	SCAN FUJITSU		162			NOI #5
69016	ESDD P200	IHS1182	CT971108518		12/12/97	P
69016	ESDD MONITOR	IHM2799			12/12/97	P
69039	QMS 1700		Q0020938		2/1/93	P
69042	QMS 2425	1225	Q0139532			P
69042	ESDD P333	IHS1225	CT990704720		12/9/98	P
69042	ESDD MON 17	IHM1225	JR82654728		12/9/98	P
69044	ESDD P200	IHS1204	990205781		4/6/98	P
69044	ESDD MON 17	IHM1204	JX74002045		4/6/98	P
69044	QMS1725		Q0098367		2/6/95	P
69044	FUJITSU SCAN		0172224		10/4/95	P
69044	ESDD 486/66	IHS1089	7070013734		2/8/95	P
69044	ESDD MONITOR	IHM1089	3743170877		2/8/95	P
69044	QMS1725		Q0098369		2/6/95	P
69044	ESDD 486	IHS1090	7070013347		2/8/95	P
69044	ESDD MONITOR	IHM1090	3743170520		2/8/95	P
69044	ESDD	IHM1091				NOI #2
69044	ESDD MONITOR	IHM1091				NOI #2
69045	HP 4000N	IHL8701	USQC022166	1,350	7/15/99	P
69045	QMS 3825		Q01119308		3/6/96	P
69045	QMS 2425		Q0213412		4/3/98	P
69045	QMS 2425		Q0214236		4/3/98	P
69045	QMS 2425		Q0213420		4/3/98	P
69045	QMS 2425		Q02112755		4/3/98	P
69045	QMS 3825		Q0116256		8/13/93	P
69045	QMS 3825		Q0114782		6/20/95	P
69045	QMS 3825		Q0124530		10/14/93	P
69045	HP SCAN 9100		USB3000267	11,379	8/9/99	P
69048	QMS 2425		Q0169319			NOI #2
69048	HP SCANJET	1154				NOI #5
69048	ESDD WS	1155				NOI #3
69048	ESDD WS	1157				NOI #5
69048	ESDD WS	1154				NOI #3
69057	ESDD P166	IHS1160	CT971005058		12/17/96	P
69057	ESDD MONITOR	IHM1160	A162701208		12/16/96	P

**Appendix III  
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JACKET	DESCRIPTION	GPO #	S/N	PRICE	DATE	STATUS
69057	ESDD P166	IHS1161	CT971202546		12/16/96	P
69057	ESDD MONITOR	IHM1161	A163502624		12/16/96	P
69057	ESDD P166	IHS1156	CT971202548		12/17/96	P
69057	ESDD MONITOR	IHM1156	A163502603		12/17/96	P
69057	QMS 2425		Q0225424		6/5/98	P
69057	HP SCANJET		342022			P
69057	ESDD P200	IHS1221	CT9990704285		9/9/98	P
69057	ESDD MON 17	IHM1221	KX80228070		9/9/98	P
69057	QMS 1660		Q0125057		8/15/96	NOI #4
69071	HP SCANNER	IHSJ3069			1/5/99	P
69071	ESDD CPU	1233				NOI #5
69071	ESDD MONITOR	1233				NOI #5
69071	QMS 1725		Q0060801			NOI #2
69072	QMS 1666		Q0116044	6,802	3/6/95	P
69072	QMS 2425		Q0166821		2/6/97	P
69072	QMS 2425		Q0166822		2/6/97	P
69073	QMS 2425		Q0223922		6/25/98	NO #1
69079	QMS 1725		Q0061673		6/3/93	NO #1
69157	LASER PRINTER	IHL8673		2,230	5/4/99	P
69166	QMS 2425		Q0225423			P
69166	ESDD P200	IHS1213	J981417241		6/17/98	P
69166	ESDD 17	IHM1213	JL74006729		6/17/98	P
69166	HPSCANJET		330522			NOI #4
69168	QMS 1660		Q0118905		11/10/94	P
69168	ESDD 486		0820040248		11/14/94	NO #1
69177	QMS 2425	BLANK	Q221899		9/9/98	P
69177	ESDD P200	IHS1181	CT970719380		8/12/97	P
69177	ESDD MONITOR	IHM1181	A470600726		8/12/97	P
69201	QMS 2425		Q0184892		10/17/96	P
69201	HP SCANJET					NOI #5
69201	QMS 2425		Q0184868		10/17/96	P
69202	QMS 1660E		Q0125060			NO #1
69202	SCANJET		351193		2/22/99	NOI #5
69203	QMS 2425		Q021154		12/15/97	NOI #5
69204	QMS 2425		Q0167236		5/28/96	NA
69207	QMS 2425		Q0211981		9/19/97	P
69209	HP SCAN 6100C	IHSJ305N	SG8861305N		1/5/99	P
69209	QMS 2425	BLANK	Q0139512		9/9/98	P
69210	HP 6250 SCAN	IHHP11H3	SG91B111H3		4/16/99	P
69210	LENMARK PRTN	IHL8469				NOI #5
69212	QMS 2425		Q0125293		12/5/96	P
69212	QMS 2425		Q0127682		11/27/96	P
69212	QMS 2425		Q0128420		8/28/96	P
69212	QMS 2425		Q0128415		8/28/96	P
69212	QMS 4060					NOI #5
69212	QMS 1660		Q0032722		1/30/96	P

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JACKET	DESCRIPTION	GPO #	S/N	PRICE	DATE	STATUS
69216	QMS 2425	IHQ5187	Q0145187		3/23/99	P
69216	HP SCANNER	IHHP1106	SG8BQ1106M		3/23/99	P
69220	QMS 1725		Q0081403		2/23/94	NO #1
69229	ESDD 500MH	IHS1241	CT990204516	1,867	4/28/99	P
69229	ESDD MON 17	IHM1241	JY90315130		4/28/99	P
69229	ESDD 486	1038				NOI #3
69229	ESDD MONITOR	1038				NOI #3
69229	HP SCANJET		17709			NOI #6
69229	QMS 1700					NOI #5
69236	QMS 1725		Q0114514	6,714	5/23/95	P
69236	QMS 1700		Q020669			NOI #2
69236	QMS 2425		Q0168434			NOI #5
69236	QMS 2425		Q0168445			NOI #5
69238	ESDD P90	IHS1109	CT960811899		12/13/95	P
69238	QMS 1725		Q0067539		8/26/93	P
69238	ESDD 486	IHS1144			8/26/93	P
69238	ESDD 486	IHS1143	CT9708000101		11/4/96	P
69238	FUJITSU 3096GX		487		1/30/96	P
69238	QMS 1660		Q0032746		1/30/96	P
69238	ESDD 486	IHS1145			1/30/96	P
69238	ESDD MONITOR	IHM1145			1/30/96	P
69238	QMS 1660		Q0032748		1/30/96	P
69241	QMS 1725		Q0067613		9/29/24	P
69241	ESDD 486	IHS1080			9/29/94	NO #1
69241	ESDD MONITOR	IHM1080	3742663278		9/24/94	NO #1
69241	ESDD P-2003	IHS1205	CT990205796		4/6/98	P
69241	ESDD MON 17	IHM1205	JX4002162		4/6/98	P
69241	HP SCANJET		199623			P
69249	QMS 2425		0211976		4/3/98	P
69268	QMS 1725 SLS		Q0098349		12/17/95	P
69285	QMS 810	7212	Q0016002		6/24/91	P
69292	QMS 2425		Q0224186		9/9/98	P
69292	ESDD P200	IHS1220	CT990704283		9/9/98	P
69292	ESDD MON 17	IHM1220	KY80227806		9/9/98	P
69292	HP SCANNER		327787			NOI #5
69292	QMS 1725		Q0101149		6/15/94	NO #1

P = Present and observed (from inventory listing) 87 items  
 NOI = Not On Inventory listing – 29 items  
 NO = Not Observed (from inventory listing) – 9 items  
 NA = Office was Not Available for inventory – 1 item

Subsequent discussions with ESDD on April 11, 2000, revealed the following information in the Status Column:

#1 – Items listed as not observed (NO) had been returned to Stores.

- #2 – Items listed as not on inventory (NOI) had been returned to Stores and replaced by other equipment.
- #3 – Items listed as not on inventory (NOI) had been returned to Stores and not replaced.
- #4 – Items listed as not on inventory (NOI) were used for parts in ESDD.
- #5 – Items listed as not on inventory (NOI) were on ESDD's inventory, as of April 11, 2000.
- #6 – Item listed as not on inventory (NOI) was not GPO property and belonged to the Congressional committee.

## memorandum

DATE: May 3, 2000

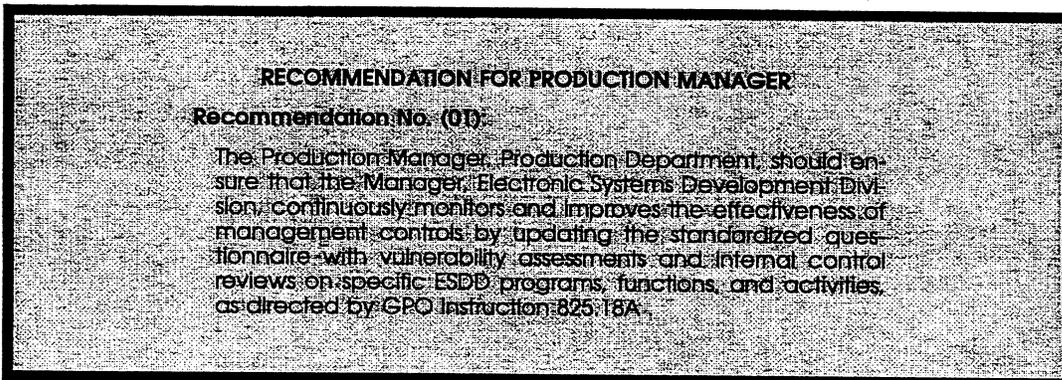
REPLY TO  
ATTN OF: Production Manager

SUBJECT: DRAFT Report on the May 1998 ESDD's Internal Control Review

TO: GPO Inspector General

The following is in response to subject draft IG report entitled: *Report on the May 1998 Electronic Systems Development Division's Internal Control Review*, conveyed with cover memo dated April 26, 2000.

The specific recommendations pertaining to the Production Department are listed and statements regarding the Production Manager's agreement/disagreement and current status of conformity are provided:



**Recommendation No. (01):**

*The Production Manager is in agreement with Recommendation No. (01). The updated standardized questionnaire for ESDD is included as Attachment 1. However, it should be noted that in response to recommendations made by KPMG in 1998, a comprehensive draft security policy was submitted by the Manager, ESDD. This policy, when established as a regulation will allow ESDD to monitor network resources for appropriate usage. These elements cannot be included in the standardized questionnaire until they are defined by duly constituted regulations.*

**RECOMMENDATIONS FOR PRODUCTION MANAGER**

The Production Manager, Production Department, should ensure that the Manager, Electronic Systems Development Division, takes appropriate steps to:

**Recommendation No. (02):**

Obtain GPO identification numbers and tags and attach them to all leased equipment in Congressional offices and other government agencies.

**Recommendation No. (03):**

Contact the Office of Comptroller indicating the names of databases that contain the leased equipment for ESDD and how they can be accessed.

**Recommendation No. (04):**

Examine the 29 unreported items found in the Congressional offices and include the items in ESDD's in-house inventory system, as well as the Comptroller's General Ledger and Property Section's property inventory listing, and

**Recommendation No. (05):**

Locate the 10 items of leased equipment that could not be accounted for in the Congressional offices.

**Recommendation No. (02):**

*The Production Manager is not in agreement with Recommendation No. (02).* GPO Instruction 810.11A clearly establishes the responsibility of property inventory and identification management to other GPO organizations. ESDD's internal ID system was created to assist ESDD in the absence of a reliable property management system and does not replace the records or identification management systems referred to in this instruction. ESDD will provide access to its records upon request to assist other departments in fulfilling their property management responsibilities. ESDD's Property Custodian will attach identification numbers/tags to all leased equipment in Congressional offices and other government agencies when they are issued by the entity designated in GPO Instruction 810.11A.

**Recommendation No. (03):**

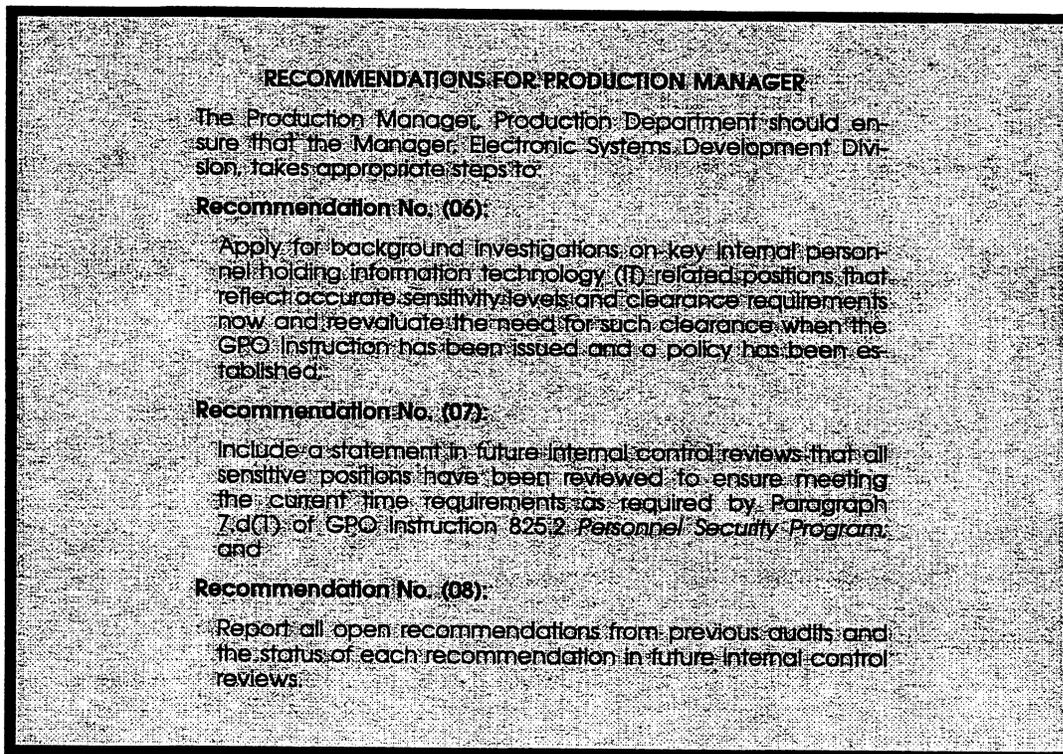
*The Production Manager is not in agreement with Recommendation No. (03).* GPO Instruction 810.11A clearly establishes the responsibility of property inventory and identification management to other GPO organizations. However, ESDD will provide the Office of the Comptroller access to its records upon request.

**Recommendation Nos. (04) and (05):**

*The Production Manager is not in agreement with Recommendation Nos. (04) and (05). All leased equipment provided by ESDD has been accounted for. The original inventory conducted by the OIG was inaccurate because:*

- 1) the location of equipment is not always at the main office of a committee or agency;
- 2) the office or agency can have the equipment installed wherever they want; and
- 3) items completely paid for by other Government entities should not be recorded as GPO property.

When the Comptroller's General Ledger and the Property Section's inventory listings become accurate and are disseminated in accordance with GPO Instruction 810.11A, ESDD's Property Custodian will be able to ensure their accuracy through use of the ESDD Internal ID system.

**Recommendation No. (06):**

*The Production Manager is not in agreement with Recommendation No. (06). ESDD must await finalization of information security policies/regulations to*

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ascertain which areas are to be considered sensitive, thus requiring expenditures for background investigations.

**Recommendation No. (07):**

*The Production Manager is in agreement with Recommendation No. (07). Once sensitive areas have been established by policy/regulation, ESDD will review those positions and embark on obtaining the appropriate clearances. ESDD will include a statement in future internal control reviews that all sensitive positions have been reviewed to ensure meeting the current time requirements as required by Paragraph 7.d(1) of GPO Instruction 825.2 Personnel Security Program.*

**Recommendation No. (08):**

*The Production Manager is in agreement with Recommendation No. (08). ESDD will report all open recommendations from previous audits and the status of each recommendation in future internal control reviews.*

If I may be of further assistance, please do not hesitate to contact me on X2-0707.

  
DONALD L. LADD

**Attachments:**

- (1) ESDD's updated standardized questionnaire.

**ATTACHMENT 1 (1 Page)**

**INTERNAL REVIEW QUESTIONS (ESDD)**

1. ARE THERE CONTROLS OVER THE ACCURACY OF PROBE CHARGES TO JOBS AND/OR JACKETS?
2. ARE THERE CONTROLS TO ENSURE THAT THE TIME & ATTENDANCE REPORTS ARE PROPERLY CERTIFIED FOR PAYMENT BY ESDD?
3. ARE THERE CONTROLS TO ENSURE THAT ALL OVERTIME IS PROPERLY AUTHORIZED IN ADVANCE OF WORK SCHEDULE?
4. ARE THERE CONTROLS TO PREVENT UNNECESSARY OVERTIME COSTS (I.E. WORK ON JOBS OTHER THAN THOSE THAT SPECIFICALLY REQUIRED THE OVERTIME)?
5. ARE THERE CONTROLS TO ENSURE THAT ACCOUNTABLE EQUIPMENT IS PROPERLY INVENTORIED AND RECONCILED WITH THE OFFICIAL FINANCIAL RECORDS?
6. ARE THERE CONTROLS TO PREVENT THE UNAUTHORIZED USE OF PRODUCTION EQUIPMENT?
7. ARE THERE CONTROLS TO ENSURE THAT CUSTOMER WORK IS DELIVERED ON TIME TO ALL CUSTOMERS?
8. ARE THERE CONTROLS TO ENSURE PROPER SAFEGUARDS ARE IN PLACE OVER EQUIPMENT OPERATION TO AVOID ON-THE-JOB INJURY OF EMPLOYEES?
9. ARE THERE CONTROLS TO ENSURE CUSTOMERS AUTHORIZE CHANGES TO ANY JOBS SUBMITTED TO ESDD?
10. ARE THERE CONTROLS OVER COMPLETED PROJECTS TO AVOID LOSS PRIOR TO DISTRIBUTION?
11. ARE THERE CONTROLS TO ENSURE THAT WORK QUALITY IS SUCH THAT REWORK OF PROJECTS/JOBS IS MINIMIZED?
12. ARE THERE CONTROLS TO ENSURE THE ACCOUNTABILITY OF INVENTORY IN THE ESDD SUBSTORES?