



**U.S. GOVERNMENT  
PRINTING OFFICE**  

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**KEEPING AMERICA INFORMED**

**OFFICE OF INSPECTOR GENERAL  
OFFICE OF AUDITS**

**REPORT ON  
THE GOVERNMENT PRINTING OFFICE'S  
CONTRACTOR MAILINGS PROGRAMS**

**March 2004**

**04-01**



U.S. GOVERNMENT  
PRINTING OFFICE  
KEEPING AMERICA INFORMED

OFFICE OF THE INSPECTOR GENERAL  
**memorandum**

DATE: March 31, 2004

REPLY TO

ATTN OF: Glenn C. Griser, Assistant Inspector General for Audits

SUBJECT: Report on the Government Printing Office's Contractor Mailings Programs

TO: Superintendent of Documents  
Director, Customer Services Department

The Office of the Inspector General's (OIG's) Office of Audits has completed an audit of the Government Printing Office's (GPO's) Contractor Mailings Programs. Attached are the results of the audit. The OIG identified the following conditions needing improvement:

1. Standard contract language has not been developed to cover the contractor mailing part of printing contracts.
2. A focal point (organizational accountability) for monitoring the contractor mailings programs has not been assigned.
3. Effective assurances that contractors are submitting required mailing statements/documents to GPO are lacking.
4. Written review procedures have not been established for governing the programs.
5. Internal control reviews/vulnerability assessments of the programs need to be enhanced.

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This report contains nine recommendations to improve GPO's contractor mailings programs. The Superintendent of Documents and the Director of the Customer Services Department reviewed a draft of this report and agreed with our recommendations.

Mr. David Schaub, Supervisory Auditor, Mr. Rodney Dahl, Supervisory Auditor, Ms. Allyson S. Brown, Auditor-in-Charge, and Ms. Patricia Mitchell, Auditor, conducted this audit.

We appreciate the cooperation and courtesies extended during the audit by the officials and staff of the Information Dissemination Department and the Customer Services Department.

MARC A. NICHOLS  
INSPECTOR GENERAL

By:   
Glenn C. Griser, Assistant Inspector General for Audits

# REPORT ON GPO CONTRACTOR MAILINGS

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## RESULTS IN BRIEF/EXECUTIVE SUMMARY

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The Government Printing Office (GPO) Office of the Inspector General (OIG) has completed a performance audit on the GPO's contractor mailings programs. Printing contracts can include a section addressing the mailing costs associated with delivery of the final products. This section either instructs the contractor to use the GPO permit imprint number (G-26) or delegates to the contractor authority to incur charges for mailing the final product to the customer. Under a delegation, the contractor is to submit documentation regarding the mailing charges to GPO for reimbursement.

The primary objective of this audit was to ensure that adequate management controls were maintained over the contractor mailings programs. In conjunction with this objective, our audit examined the following efficiency and effectiveness issues:

- The accuracy and standardization of contract language regarding contractors' mailing/postal charges;
- The levels of accountability in managing and administering the contractor mailings programs;
- The review procedures for reporting of contractors' mailing charges; and
- The accuracy and completeness of internal control reviews/vulnerability assessments related to the programs.

The OIG identified the following conditions needing improvement:

1. Standardized contract language has not been developed to cover the mailing/postal charges associated with printing contracts.
2. A focal point (organizational accountability) for monitoring the programs has not been assigned.
3. Effective assurances that contractors are submitting required mailing statements/documents to GPO are lacking.
4. Written review procedures have not been established for governing the contractor mailings programs.
5. Internal control reviews/vulnerability assessments of the programs need to be enhanced.

We recommend that the Superintendent of Documents and the Director of Customer Services take the following steps:

1. Develop clear and concise standard contract language regarding mailing of final products and ensure that such standard language is used in printing contracts;
2. Confer with the Chief Financial Officer (CFO) of Finance & Administration (F&A) in order to identify and assign responsibility for monitoring the contractor mailings programs;
3. Require contractors to submit adequate documentation (mailing statements) to the appropriate GPO offices in order to ensure proper and accurate payments of postal charges;
4. Coordinate with the Chief Information Officer (CIO) to ensure that any necessary enhancements to the current automated systems governing contractor mailings are made;
5. Coordinate with the CFO to ensure that adequate written standard operating procedures are prepared for the contractor mailed functions;
6. Verify that drafted procedures ensure that contractors' documents regarding mailing costs are forwarded to the appropriate GPO departments and properly processed;
7. Develop sanctions for contractors, such as withholding reimbursements, that fail to comply with requirements;
8. Coordinate with the CFO to ensure that internal/management control reviews include performing a vulnerability assessment of the contractor mailings programs; and
9. Coordinate with the CFO to ensure that the estimated funds saved (\$100,000) are put to better use.

**Management comments.** The Superintendent of Documents and the Director of Customer Services reviewed a draft of this report and agreed with our recommendations. Further, the Director of Customer Services stated he will recommend the Deputy Public Printer form a committee of representatives from each of the involved GPO departments to establish policy and to assign responsibilities addressing the issues raised in this audit report.

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## BACKGROUND

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The Information Dissemination Department (IDD), headed by the Superintendent of Documents, is responsible for keeping the public informed about the activities of the Government by providing free or low-cost access to information published by the U.S. Congress, Federal agencies, and the Federal courts. Thousands of titles are available for sale to the public through mail order and via the Consumer Information Center in Pueblo, CO. Official Federal information is also made available through IDD and the Superintendent of Documents at about 1,300 Federal depository libraries nationwide.

The Documents Sales Service (DSS) is the organization within IDD that purchases, warehouses, announces, and distributes Government documents in accordance with Titles 1 and 44 of the U.S. Code. Functions performed by this group include providing subscription services for Government publications and selling titles for single publications. DSS operates phone, mail, fax, and electronic order services at the Central Office in Washington, DC, and also in Pueblo, CO. They also sell publications through Government Consigned Agents, and provide distribution services for Congress, General Services Administration, and other Federal agencies.

The Documents Technical Support Group (DTSG) is the advisory organization reporting directly to IDD that provides management, analytical, and support services essential to the successful operation of all IDD programs. DTSG services include strategic planning, development and implementation of automated systems, financial and workflow analysis, performance tracking, and process improvement. DTSG is responsible for IDD policy and procedure development and administration, quality assurance, inventory control and forms management programs. DTSG is also the focal point for IDD personnel, property, postage, and budgetary administration.

In the Mail Management Report prepared by GPO's Office of Administrative Services (OAS) for Fiscal Year 2002,<sup>1</sup> GPO's Reimbursable Postage Program's annual postage expense was estimated at \$1.5 million for requesting executive agencies. A second program, IDD's Sales Program, where products are mailed by printing contractors, incurred annual postage expenses estimated at \$1.0 million. The IDD Sales Program consists of 193 subscription services. Of these services, 29 (15 percent) are classified as contractor mailing jobs.

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<sup>1</sup> These reports are dependent upon receiving information from the U.S. Postal Service (USPS). The information from USPS for FY 2002 was not received and compiled by OAS until May 2003. To date, no information from USPS for FY 2003 has been made available, so no further Mail Management Reports have been prepared.

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## OBJECTIVES, SCOPE, AND METHODOLOGY

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The primary objective of this audit was to ensure that adequate management controls were maintained over the contractor mailings programs. In conjunction with this objective, our audit examined the following efficiency and effectiveness issues:

- The accuracy and standardization of contract language regarding contractors' mailing/postal charges;
- The levels of accountability in managing and administering the contractor mailings programs;
- The review procedures for reporting of contractor mailing charges; and
- The accuracy and completeness of internal control reviews/vulnerability assessments related to the programs.

Originally, our audit plans called for us to determine the discrepancies in postal forms. However, as the audit developed, this objective was found to be minimally relevant to the status of the program. Thus, we replaced it with audit steps to assess the accountability in monitoring the programs.

This audit began in May 2002 but was suspended in November 2002 and again in December 2003 for higher priority assignments. It concluded in March 2004. The audit was performed in accordance with generally accepted Government auditing standards issued by the Comptroller General of the United States.

The methodology we used consisted of interviews, conferences, Internet data retrieval, observation, data mining, and examination of documents, including review of a requested OAS-prepared postal expense report and an internal IDD report of contractor mailings. Some reorganization and personnel changes occurred during the writing of this report and are noted.

In addition, we reviewed the following publications and instructions that contained policy and procedures followed by IDD, Customer Services, F&A, and OAS personnel:

- GPO Instruction 845.11B, *Procedures for Handling and Controlling Priority Mail and Correspondence Requiring Special Handling*, to identify such procedures as designated by the Legislative Affairs Office;
- GPO Publication 310.2, *Contract Terms*, to identify responsibilities of the contractor regarding shipping and reimbursement;
- GPO Revised Specification Changes Book, to identify contract clauses and current contract language for GPO contracts;

- GPO Instruction 825.18A, *Internal Control Program*, to identify policies, standards, and responsibilities for conducting internal control reviews of GPO programs; and
- GPO Publication 825.25, *Indicators of Procurement Fraud*, to identify such indicators within Federal Government contracts and the procurement process;

In the course of our work, we also assessed the susceptibility of various aspects of the contractor mailings programs to potential fraud, waste, and abuse.

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## **FINDINGS AND RECOMMENDATIONS**

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### **1. CONTRACT LANGUAGE NEEDS TO BE STANDARDIZED**

#### **BACKGROUND**

Within each printing contract prepared by GPO there is a subsection of language that addresses the postage/ mailing or shipping costs associated with delivery of the final product. This language can instruct the contractor to use the GPO permit imprint number (G-26) – this process is usually associated with IDD’s “sales program.” The language can also delegate the contractor authority to incur charges for mailing the final product in order to send it to the customer in a timely manner – this process is usually associated with Customer Services’ “reimbursable postage program.” After the contractor mails the product and receives a mailing statement from the shipping company (e.g., the United States Postal Service (USPS)) confirming the quantities and charges, the contractor is instructed to submit the mailing statement to GPO for reimbursement.

#### **FINDING**

Fully standardized contract language has not been developed for mailing arrangements where the contractor either (a) uses the GPO mailing permit or (b) prepays the postal charges and is reimbursed for those charges. Contract language concerning mailing arrangements and costs, especially regarding the routing of mailing statements to specific offices in GPO, is not clear, concise, or consistent.

We examined the language in several sample contracts. In each sample, the contractor was instructed to send different documentation to different GPO offices. In one single-award contract (with over 1,500 addresses), the contractor was instructed to send one copy of USPS Form A3602 to GPO’s Technical Services Group. In another single-award contract (with over 200 destinations), the contractor was to send a copy of USPS’s verified mailing statement to GPO’s Contract Compliance Section (part of Customer Services). In a third contract (with 5 to 10 addresses), the contractor was directed to send the verified mailing statement to both Contract Compliance Section and IDD’s Documents Technical Support Group (DTSG).

We found that examples of various types of contract language are available in the Analysis & Review (A&R) Staff of Customer Services. The audit team obtained a copy of the Standard Phraseology Employed in Contract Solicitations (SPECS) Book maintained by A&R, which contains a 37-page section entitled “Distributions” that provides sample sentences and paragraphs of contract language. However, we noted

only four statements that related to contractor mailings.

According to interviews with GPO personnel, contractors do not submit all the required documents to the correct GPO personnel. For the reimbursable postage program, several copies of the appropriate mailing statements are supposed to be sent to different GPO departments, including Commercial Examination Section (of F&A) and Printing Procurement (of Customer Services), so that the charges can be cross-checked for appropriateness and accuracy. However, GPO has neither developed standardized contract language -- clearly stating what documents are to be sent to which GPO offices -- nor ensured its inclusion in contracts.

IDD should also be involved for contracts involving its sales/permit program. In a conference we conducted with managers from IDD in July 2003, a Section Chief in IDD expressed the presumption that when they needed a contractor to mail something out, the mailing charge was just part of the contracting process. He did not understand how IDD was involved. We explained that we learned that the former Chief of IDD's Subscriptions Section used to review term contracts for postal mailings. Prior to contract solicitation, this IDD section would receive a copy of contract specifications for comment concerning contract language for contractor-mailed sales program items. We were told that Printing Procurement stopped sending contract specifications to IDD about 2 or 3 years ago, but nobody knew why this process was discontinued.<sup>2</sup>

In an internal report to the Superintendent of Documents from the Chief, Documents Planning and Development, entitled "Contractor Mailing Report," (dated January 2001), a problem was stated that demonstrates one of the negative effects of inconsistent and/or confusing contract language:

"Misuse of GPO's permit number G-26 -- several instances were discovered where the vendor was incorrectly using GPO's permit number to pay for other agencies' mailings."

We also alerted Customer Services to the problem with contract language regarding its reimbursable postage program. Customer Services indicated it would address this issue, and in August 2003, an A&R Senior Analyst was assigned to a focus group, which included a branch chief from OAS and a Printing Specialist, to assist with the development of contract language for contract specifications. However, when we followed up on the progress of this focus group in March 2004, we learned that contractor mailing charges was only one of several issues for the group, and that it has not yet been addressed.

**Criteria.** GPO Instruction 825.18A, *Internal Control Program*, establishes standards and responsibilities for conducting internal control reviews of GPO programs. Within Part 8, "Standards," Standard 4 requires that:

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<sup>2</sup> The Chief, Subscriptions Section, has retired since these discussions took place.

“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.”

**Conclusion.** The Chief of IDD’s Sales Management Division explained that this problem goes back for many years. He understood that Printing Procurement accepted whatever statements the contractors made available for processing and payment, but in the sales program of IDD, they want to send the mailings in the most economical way. He concluded that Printing Procurement should be involved in these conversations when the need to review standard contract language is finally resolved. Likewise, Customer Services needs to be involved and develop standard contract language for its reimbursable postage program.

When standardized contract language is developed, it allows for uniformity in procedures and services and serves as an effective control measure. However, when it is not developed, opportunities increase for fraud, waste, misuse, and abuse.

## **RECOMMENDATIONS**

The Superintendent of Documents and Director of Customer Services should work together to develop a program to ensure that standardized contract language is improved and used in all contracts regarding items mailed by contractors. (0401-01)

## **MANAGEMENT COMMENTS**

IDD and Customer Services management agreed with the recommendation. IDD added that it would further improve contract language by requiring contractors to:

- Document each cost and mailing category per invoice, and itemize them according to rate group; and
- Specify each mailing class and rate for both customer agency mailings and IDD mailings where contractors mail items for both entities on the same job.

## 2. ACCOUNTABILITY WAS NOT ESTABLISHED FOR MONITORING THE CONTRACTOR MAILINGS PROGRAMS

### BACKGROUND

The processing of mailing statements and postal charges for both the contractor-mailed sales program and the reimbursable postage program involve several GPO departments (IDD, Customer Services, F&A, and OAS). In the sales program mailings, IDD personnel review the job sheets that itemize quantities of items to be mailed. In the reimbursable postage program, Customer Services maintains the contracts and is to ensure that appropriate language is included regarding reimbursements for mail charges. F&A performs the actual payouts to contractors. OAS is to receive statements from USPS notifying GPO of the grand total (includes other GPO-mailed charges in addition to contractor-mailed charges) owed to USPS.

### FINDING

A focal point of coordination has not been established for the monitoring of contractor-mailed programs. In interviews with personnel in each of the involved departments, we noted that no department had demonstrated the willingness to take on this responsibility.

IDD is aware of problems with its sales program. IDD's internal Contractor Mailing Report of January 2001 stated:

"Poor postage accountability – No one in SuDocs [IDD], Mail Management Branch [of OAS], Contract Compliance Section [Customer Services], or Commercial Examination Section [F&A] is effectively monitoring postal forms and/or bills submitted by term contract vendors for Sales Program mailings."

When the audit team inquired into the current status of postal form and postal bill monitoring, we learned that this condition has not changed.

The Acting Director of OAS, who is also the Chief of the Mail Management Branch (MMB), stated that IDD is supposed to report to MMB on this matter because MMB is designated as the data collection point on postage. However, MMB cannot know what IDD (or the designated contractors) are mailing unless they are notified.

Regarding Customer Services' reimbursable program, we noted contract language that involved the Contract Compliance Section. Three of four sampled term contracts we reviewed contained a statement in the contract language in their "Mailing Statements" paragraph about requiring contractors to send their mailing statements within 24 hours to the Contract Compliance Section of GPO. That paragraph states the following:

“The contractor must mail the verified mailing statement, containing postage computations, within 24 hours of receipt from the U.S. Postal Service, to: Contract Management Division, Contract Compliance Section...U.S. Government Printing Office, Washington, DC 20401...”

The Contract Compliance Section gets the mailing statements because these statements show the dates contractors completed delivery of the products. However, personnel could not identify whether anyone was assigned to monitor compliance with that paragraph.

GPO Publication 310.2 *Contract Terms* specifies that the contractor must provide verifiable documentation. The section on “Supplemental Specifications,” Part 6, “Shipping Information,” states:

“(d) The GPO, at its option, may order the contractor to effect shipment via commercial bill of lading or U.S. Postal Service. If so directed, the contractor must prepay all charges and will be reimbursed for such charges upon presentation, with the voucher, of Postal Service receipts (properly filled out and stamped by the post office)<sup>3</sup> or copies of each paid commercial carrier’s airway bill or freight bill as applicable.”

The MMB Chief claimed that MMB has tried unsuccessfully to ensure the receipt of this information, including written requests, but contract specifications do not require it. According to this official, the common perception among other GPO departments has been that postage is “nobody’s [i.e., somebody else’s] problem.”

Effects of this lack of monitoring accountability were specifically noted by IDD. A Program Analyst in IDD’s DTSG alleged that a particular contractor had overbilled GPO for contract mailings.<sup>4</sup> The Program Analyst claimed that this happens because invoices submitted to F&A are not sufficiently reviewed. The Chief of F&A’s Commercial Examination Section agreed that it is their responsibility to pay the invoices. However, his personnel do not review mailing statements to determine what mailing class was used, or if it was accurate, because they do not have the technical expertise to determine from the invoice whether a contractor has overcharged GPO. Without clearly defined monitoring and other responsibilities (which may require proper training of personnel) in the affected departments, this problem can persist.

Other effects, such as an inability to assign costs accurately within GPO, were noted. In a June 2003 interview, the Chief of MMB indicated that if IDD does a subscription mailing, and MMB does not receive a mailing statement, MMB does not know what GPO program area to charge. For example, a contractor could mail 2,000 pieces for the customer agency and another 4,000 for IDD’s sales program. MMB receives only a

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<sup>3</sup> IDD officials noted that proper filling out and stamping is known as “round date-stamped USPS copy.”

<sup>4</sup> This allegation has been referred to OIG’s Office of Investigations for further review.

statement that 6,000 were mailed in total. The mailing statement should be filled out, but often is not, according to the MMB Chief. IDD is categorized by program, and every item mailed out is supposed to fit into one of their program categories. If not defined, i.e., if the contractor does not send in a mailing statement, the MMB Chief assumes that all the costs get charged to IDD's sales program.

IDD has previously acknowledged that a greater level of monitoring needs to be established. In the aforementioned "Contractor Mailing Report" of January 2001, DTSG noted:

"Adequate controls are not currently in place to effectively monitor the performance of term contract vendors [contractors] when tasked with distributing products directly to SuDocs' customers."

IDD's DTSG personnel summarized that IDD has always had personnel in other offices do things for them in this area, but stated IDD should have accountability for its own operations. The former Chief of DTSG claimed that the main problem with the contractor-mailed sales program is that IDD does not get the opportunity to verify the charges. Although she did not know whether it should be IDD or elsewhere (e.g., F&A or MMB) where the duty to monitor these mailings is assigned, the former Chief agreed there should be match-up analysis done somewhere in GPO in order to compare planned mailings to actual mailings.

**Criteria.** GPO Instruction 825.18A, *Internal Control Program*, identifies standards and policies for conducting internal control reviews of GPO programs. Within Part 8, "Standards," Standard 2 requires that:

"...Management controls developed for agency programs should be logical, applicable, reasonably complete, and effective and efficient in accomplishing management objectives."

**Conclusion.** When clearly defined monitoring responsibilities are established and assigned to appropriate personnel, the accountability of postage charges related to contractor-mailed programs are better controlled. Without clearly defined monitoring responsibilities, the risk of GPO being overcharged increases significantly.

## **RECOMMENDATION**

The Superintendent of Documents and the Director of Customer Services, in cooperation with the CFO, should ensure that organizational accountability be assigned for the monitoring of contractor-mailed programs in order to improve accountability.  
(0401-02)

## **MANAGEMENT COMMENTS**

IDD and Customer Services management agreed with the above recommendation.

### **3. ASSURANCES OF RECEIPT OF PROPER DOCUMENTATION (MAILING STATEMENTS) FROM CONTRACTORS TO GPO ARE NEEDED**

#### **BACKGROUND**

Under Customer Services' reimbursable program, contractors should send copies of mailing statements to Contract Compliance Section for review. Contractors are to send mailing statements to F&A, which processes the reimbursement payments. Under the sales/permit program, contractors should send copies of mail statements to IDD. The Mail Management Branch of OAS is also to receive copies of mailing statements to account for postal expenses that are related to both contractor-mailed programs.

#### **FINDING**

GPO has not developed an automated system that adequately tracks the receipt of mailing statements. Without such a system, GPO cannot verify that the lowest rates have been used. International mailings performed by contractors demonstrate this problem. Customer agencies determine the mailing class desired. However, DTSG personnel informed the audit team that on certain jobs, the contractor billed every piece of mail as "global priority" (the highest-cost airmail rate) unnecessarily, instead of the lower-cost "Airmail Letter-post" or "Economy Letter-post" rate. The dollar difference can be very significant; a DTSG Program Analyst described an example of mail sent to Canada. A 16-ounce mailing sent via Global Priority Mail results in a charge of \$8; if sent by Airmail Letter-post, it would be \$3.75, or if sent by Economy Letter-post, it would be \$2.70.

The MMB Chief explained that sometimes a customer agency might want to incur higher-cost mail rates due to their need for expediency. However, when riders are made on the same product by GPO, it is unnecessary to send additional copies of the same product at the highest-cost mailing rate. According to this official, contractors are not making that distinction and instead send out all copies of the given product at the same highest-cost mailing rate. OIG attempted to determine how much in additional mailing costs was incurred by this lack of distinction. However, these quantities cannot be monitored due to the lack of a comprehensive automated system.

Relevant information from the mailing statements should be maintained by the Procurement Information Control System (PICS), presuming it could be entered into a preliminary database; it would allow several departments greater accountability, effective tracking and following up on the receipt of mailing statements and related documents. For example, having an adequate automated database would allow greater control and accountability over an estimated \$2.5 million in annual postage expenses as reported for the Fiscal Year (FY) 2002 Mail Management Report, the most recent report

available.<sup>5</sup>

GPO has taken note of this issue in the past. In the January 2001 Contractor Mailing Report, two other specific problems GPO discovered with the contract vendors illustrated the negative effects:

- “Vendors making errors on postal forms – one vendor entered the wrong weight for a book resulting in SuDocs [IDD] being charged approximately nine-thousand dollars in excess postage...
- Ignoring distribution instructions on SuDocs’ job sheet – in several cases all international copies were sent via air mail even though only a small percentage of these customers paid extra for premium service.”

The lack of effective and consistent automation or information processing has appeared to be a severe handicap to GPO. The former DTSG Chief acknowledged that IDD has never had an automated database that was effective. GPO has depended on outside sources of automated data, such as USPS’s Official Mail Accounting System (OMAS) report, to track postage used by Federal agencies. This report provides a breakdown of the charges for customer agencies per different mailing classes. However, both DTSG and MMB managers stated that the information from OMAS was neither consistent nor reliable.

OIG noted that there were further effects of lacking a sufficient automated system to monitor the detailed mailing statements. Due to the limitations of the current systems, the MMB Chief provides only estimated dollar amounts on his postage summary. The MMB Chief acknowledged that if MMB gets only the information that a total dollar amount was paid by the vendor on GPO’s behalf for postage, there is no way of knowing how much of the postage bill was legitimate and how much may be inaccurate, erroneous, or overbilled.

Further, in October 2003 a Laurel Operations analyst stated that MMB was having a problem getting completed USPS forms for mailings by contractors. The analyst also relayed that Contract Compliance personnel had been instructed *not* to verify any bills of less than \$10,000; if bills were under \$10,000, they were just paid. Currently, GPO’s automated systems are not able to track or quantify data regarding contractors’ bills for mail charges. GPO managers should track the amounts and percents represented by contractors’ bills to determine if it is indeed cost effective to have personnel simply pay bills under \$10,000.

In the Contractor Mailing Report of January 2001, IDD noted a related problem:

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<sup>5</sup> Information from USPS for FY 2002 was not received/compiled by OAS until May 2003.

“No stock accountability – current inventory system does not accurately track stock mailed by term contract vendors. Accurately tracking when products are mailed and the disposition of residual copies is problematic.”

When the audit team inquired into the current status of the inventory system, OIG found that it has not been upgraded or enhanced to track mailings of stock more accurately.

**Criteria.** GPO Instruction 825.18A, *Internal Control Program*, identifies standards and responsibilities for conducting internal control reviews of GPO programs. Within Part 8, “Standards,” Standard 4 requires that:

“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.”

In addition, Standard 7 requires that:

“Transactions should be promptly recorded, properly classified, and accounted for in order to prepare timely accounts and reliable financial and other reports. The documentation for transactions, management controls, and other significant events must be clear and readily available for examination.”

**Conclusion.** When actual postal expenses are not recorded and reported correctly, the integrity of GPO’s contractor-mailed sales program and reimbursable postage programs are compromised and actual postal expenses cannot be reported.

## **RECOMMENDATIONS**

The Superintendent of Documents and Director of Customer Services, in cooperation with the CFO and CIO, should ensure:

- Contractors are required to submit mailing statements to consistent offices in GPO — e.g., IDD, Customer Services, F&A, etc. — to enable consistent receipt, processing, and accounting of postal charges; and (0401-03)
- Any appropriate enhancements to current automated systems governing contractor mailings are made. (0401-04)

## **MANAGEMENT COMMENTS**

IDD and Customer Services management agreed with the above recommendations. The Deputy Superintendent of Documents added that IDD would pursue the recovery of both past and present postage that may have been overbilled by contractors.

## 4. ADEQUATE WRITTEN PROCEDURES WERE NOT ESTABLISHED

### BACKGROUND

Written standard operating procedures are to provide clear, concise guidelines and instructions. Adequate written procedures ensure uniformity of policy and clearly define officials' responsibilities regarding program operations. In addition, written procedures serve as an effective instrument for measuring program operations results, while serving as an effective evaluation tool.

### FINDING

Written procedures have not been established for the specific purpose of governing contractor-mailed programs. Since this function operates across the agency – affecting personnel in IDD, Customer Services, F&A, and MMB – presumptions appear to have been made that these procedures were prepared or implemented by one of the departments, when in fact they were not.

Insufficient or non-existent written procedures have led to gaps in program accountability. For example, DTSG personnel acknowledged that contractor mailing reporting is a problem because contractors are required to submit documents to several different offices in GPO. However, GPO is failing to follow up with these contractors to determine why mailing documents were not received. Further, for contractor documents that were received, no one at GPO is ensuring that these documents were forwarded to the appropriate personnel.

Written procedures are needed regarding contract language (Finding 1). OIG learned that personnel from the A&R Staff (Customer Services) and MMB worked together to develop the contract language for GPO mailings in the SPECS Book; however, no IDD personnel were involved in the development of the language. OIG also found that a statement specifying that contractors should mail documents in the most economic way – one of IDD's needs – is not included in the SPECS book.

**Criteria.** GPO Instruction 825.18A, *Internal Control Program*, identifies the responsibilities for conducting internal control reviews of GPO programs. Within Part 8, "Standards," Standard 4 requires that:

"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."

**Conclusion.** Without established, written policies and procedures in place for administering contractor mailing programs, personnel assigned the tasks of receiving

and processing this information do not have complete instructions regarding what they are expected to do and how, when, or where they are expected to route the information when received. Lacking this direction, opportunities increase for fraud, waste, and abuse of Government resources.

## **RECOMMENDATIONS**

The Superintendent of Documents and Director of Customer Services, with the cooperation of the CFO, should take steps to ensure that:

- Adequate written standard operating procedures are prepared for the contractor-mailed programs; (0401-05)
- Drafted procedures should be verified during preparation process among the departments affected to ensure that the required documents submitted by contractors to GPO are monitored, forwarded to the appropriate departments, and properly processed; and (0401-06)
- Sanctions, such as withholding reimbursements, are developed and applied to contractors who fail to comply with mailing process requirements. (0401-07)

## **MANAGEMENT COMMENTS**

IDD and Customer Services management agreed with the above recommendations. They further stated that each GPO department involved in these processes should be responsible for drafting their own written standard operating procedures.

## **5. INTERNAL CONTROL REVIEWS/VULNERABILITY ASSESSMENTS NEED TO BE ENHANCED**

### **BACKGROUND**

Internal control reviews/vulnerability assessments serve to identify procedures that may be weak, non-existent, or redundant, as well as verifying those that are adequate. The development of adequate controls provides reasonable assurance that Government resources and assets are safeguarded against fraud, waste, abuse, and misuse.

### **FINDING**

Internal control reviews/vulnerability assessments of GPO's contractor-mailed programs have not been performed. Such reviews/assessments would provide an effective reporting measure to determine whether IDD and Customer Services objectives have been achieved, and whether postal charges have adequately been accounted for.

In a memorandum to the former Inspector General from the former Superintendent of Documents, dated October 31, 2002, the Superintendent acknowledged that:

“...We are still planning to complete a revised Vulnerability Assessment and Management Control review schedule for Documents [IDD]. We hope to have these completed and forwarded to your office for review sometime during the next several months.”

However, as of late March 2004, IDD management acknowledged that these reviews have not been done.

Effective coordination and communication of the need for the development and periodic assessment of adequate internal controls has not been established between or among the GPO departments involved. Different departments gave different reasons why this has not been done. IDD personnel had not initiated (or instituted) this process for over a year because this task has not been assigned to any one person; however, the Acting Chief of DTSG stated that there is now a person in IDD who is assigned to this duty. Customer Services' Printing Procurement personnel stated that they have not done so because they do not know what mailing statements to expect to receive from a contractor.

An internal undated report provided by DTSG personnel to the audit team pointed out several effects of the lack of a consistent, systematic internal control review:

“...Other vendors also submit paperwork showing errors negatively impacting the coffers of the Superintendent of Documents. These mistakes were not detected and paperwork reviewed was filed. We must

also pay attention to vendors who may be guilty of potential abuse."

"Some mailings performed by vendors for different agencies are frequently and improperly billed to the Superintendent of Documents. Contract terminology lacks uniformity. Some contracts may address disposition of postal forms, foreign mail procedures, and other specifics, while others do not."

The Chief of MMB has claimed that as a result of this lack of internal control review, his section is unable to determine what portions of the cost of postal charges are valid and legitimate, and what portions may be the result of using higher cost postage than necessary, causing overcharges and needless expense to the Government. He also noted that with his impending retirement, MMB will be merged into F&A, and thus any future management control reviews for what has been known as MMB would be coming from that department.

**Criteria.** GPO Instruction 825.18A, *Internal Control Program*, identifies the policies, standards and responsibilities for conducting internal control reviews of GPO programs. Within Part 3, "Policy," it states:

"GPO shall maintain effective systems of accounting and management control. GPO's 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."

Also, within Part 8, "Standards," of this Instruction, Standard 4 requires that:

"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."

**Conclusion.** GPO has not developed and implemented adequate internal control reviews/vulnerability assessments over its contractor mailing programs. When adequate internal control reviews are not conducted, the Government is exposed to increased risks of fraud, waste, and abuse.

IDC and the MMB Chief agreed that if GPO implemented the majority of corrective actions discussed in this report, it would conservatively achieve 4 percent in cost efficiencies in the contractor mailings programs. Based on the latest estimate of related annual postage expenses of \$2.5 million and the 4 percent cost efficiency number, this would result in \$100,000 that GPO could put to better use.

## **RECOMMENDATION**

The Superintendent of Documents and Director of Customer Services, with the cooperation of the CFO, should ensure that

- Internal control reviews are expanded to the extent that they establish and perform vulnerability assessments of all aspects of the contractor-mailed programs; and (0401-08)
- The estimated funds saved (\$100,000) are put to better use. (0401-09)

## **MANAGEMENT COMMENTS**

IDD and Customer Services management agreed with the above recommendations.

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