
**U.S. GOVERNMENT PRINTING OFFICE
OFFICE OF INSPECTOR GENERAL**

SEMIANNUAL REPORT TO THE CONGRESS

APRIL 30, 1997

**REPORTING PERIOD
OCTOBER 1, 1996 - MARCH 31, 1997**

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MESSAGE FROM THE ACTING INSPECTOR GENERAL

I am pleased to present this Semiannual Report of the Inspector General for the six-month period ended March 31, 1997. The report presents a summary of many of our audits and investigations, along with relevant statistical information. Effective January 1997, the former Inspector General retired and I was asked to assume the management of the Office of Inspector General (OIG). I have taken on this challenge and, in the process, hope to enhance the effectiveness of the OIG operations at the U.S. Government Printing Office (GPO).

With the recent passage by Congress of new legislation affecting the OIG function, the latter part of this reporting period allowed for an evaluation of existing audits, investigations, and other relevant operations. Coupled with this evaluation, I assessed the future needs of the office so that the statutory requirements, both new and old, would be achieved. A significant amount of time was expended reviewing current workload with the goal of completing many assignments. In this way, a new direction could be implemented that would focus on all the legislative mandates required of the Inspector General.

The OIG will be directing its review activities toward a greater financial control orientation. The combined forces of auditors and investigators should provide for more comprehensive reviews. A greater number of control assessments and reviews, to supplement those of managers, will be initiated that will serve the needs both of managers and users of GPO's financial information.

During this period, many OIG staff members received training to enhance their performance in assessing financial related activities and controls, and to conduct internal control reviews in financial statement audits. This training offered staff members an opportunity to assess their work from a different perspective and to use an alternative approach to their audits and investigations to enhance efficiency and effectiveness. To be successful, auditors must work more effectively to convince managers of the merits of the OIG's recommendations.

I hope that the efforts of the Inspector General function will help managers to address new and emerging issues and challenges. We recognize that we must pursue our work differently than in the past, and the OIG's goal will be to provide improved services.


THOMAS J. MULDOON

Office of Investigations

A. Investigative Mission

The Office of Investigations (OI) conducts and/or coordinates the conduct of investigations relating to matters pertaining to monetary or material losses occurring in the U.S. Government Printing Office's (GPO) programs and operations. These investigations may include contractors, program participants, and/or GPO employees. The OI's independent, or joint investigative efforts with other federal or non-federal investigative agencies, may result in:

(1) criminal prosecution, (2) civil proceedings, and/or (3) the imposition of administrative sanctions. Prosecutions may result in court-imposed prison terms, probation terms, fines, and/or restitutions.

Many of the ongoing or completed investigations began as a result of a complaint or specific request. The need is present to expand these types of investigations with emphasis placed on a proactive approach to supplement the other ways of initiating investigations. The OI will continue to be responsible for conducting individual investigations, whether as self-initiated or externally requested. However, rather than view each single effort by itself, each will become part of a comprehensive look at the total Government Printing Office's operating environment wherein opportunities for fraud, waste, theft, and abuse can originate.

In consonance with the Inspector General's audit responsibility, there is a need for continual cooperation with the Office of Audits (OA). The *Interim Quality Standards for Federal Offices of Inspector General*, established by the President's Council on Integrity and Efficiency (PCIE), recognized the importance of proactive investigations as part of the deterrent and preventive role played by investigators. As such, rather than be called upon entirely in a support function regarding the investigation of fraud, waste, theft, and abuse activity on the OA, the OI will use a similar framework as the auditors in order to investigate the potential of fraud, waste, theft, and abuse within the GPO.

Using the knowledge previously gained in its five major categories of investigative work (i.e., procurement fraud, workers' compensation abuses, violations of Title 44 U.S.C., employee misconduct, and miscellaneous investigations), the OI will pursue, through self-initiation, many of the types of existing problems using a more formal investigatory approach. For example, conducting self-initiated investigations to detect fraud, waste, theft, and abuse, in a program like the Federal Printing Program, will be pursued with individual requests for investigations being completed as part of a more comprehensive approach to investigating the total program.

B. Summary of Investigations

During the reporting period, the GPO OIG Hotline Program for Drug, Fraud, Waste, and Abuse, received 5 fraud-related matters, and 2 complaints involving illegal drugs, for a grand total of 7 matters. Of that number:

- 2 complainants were referred to the GPO Labor and Employee Relations Service;
- 1 fraud investigation was initiated;
- 1 matter pertained to an ongoing investigation;
- 1 matter was documented in the OI Intelligence Files; and
- 2 telephone calls were received that did not warrant any action.

The following table summarizes the OI's investigative case workload during this semiannual reporting period.

**Summary of Investigative Case Workload
as of March 31, 1997**

Workload Analysis	Number of Cases
Beginning Caseload @ 10/1/96	124
Add: New Cases Opened	36
Less: Cases Closed	61
Ending Caseload @ 3/31/97	99

The OI was investigating 124 cases at the beginning of this semiannual reporting period. During this six-month reporting period, OI opened 36 new cases and closed 61 cases. The OI's investigative efforts resulted in total monetary benefits to the Government of \$404,116 during this reporting period. This amount consisted of \$396,621 in restitutions, recoveries, and fines, and \$7,495 in cost savings to the Government.

C. Types of Cases

The OI's investigative workload has been categorized into five major types of investigative cases, as follows:

1. Procurement Fraud

The OI conducts investigations of GPO contractors and employees for possible procurement fraud and other procurement irregularities. The GPO, Printing Procurement Department and Materials Management Service, regularly procure goods and services from the private sector to support GPO's various programs, operations, and other activities. Government procurement programs are vulnerable to contract fraud. The OI's investigative efforts have identified various types of procurement related fraud including, but not limited to: (1) product substitution, (2) false claims, (3) false statements, (4) mail and wire fraud, (5) bribes, gratuities, and conflicts of interest, and (6) violations of the Small Disadvantaged Business Program. These investigations may result in criminal, civil, contractual, and/or administrative actions for fraud.

The OI currently has 23 active fraud cases. The open cases consist of 17 investigations from prior reporting periods and 6 investigations from this reporting period.

Four prior reporting period fraud cases have been referred to U.S. Attorneys' Offices for consideration of prosecution. One investigation was referred to the U.S. Department of Energy during a prior reporting period, and one prior reporting period matter had been referred to the Internal Revenue Service. The OI has not received any notification regarding the final disposition of these referrals as of yet.

Eight prior reporting period investigations and 3 current reporting period investigations, involving GPO contractors, have been referred to the GPO's Office of General Counsel (OGC) for administrative action(s). The OGC has not informed the OIG of the final disposition of these referrals as of yet.

The OI closed 12 prior reporting period contract fraud investigations and 2 current reporting period investigations during this reporting period.

2. Office of Workers' Compensation Programs (OWCP)

The OI investigates GPO employees that have reportedly submitted false claims and made false statements to facilitate receipt of OWCP monetary compensation benefits. The OI currently has 14 active criminal investigations involving alleged OWCP fraud violations. The investigations included 12 from prior reporting periods and 2 from the current reporting period.

The OI referred 2 prior reporting period investigations to the U.S. Attorney's Office for prosecution during prior reporting periods. Three OWCP cases, from prior reporting periods, have been referred to the GPO's Labor and Employee Relations Service (LERS) for administrative action.

Eleven prior reporting period OWCP investigations were closed during this reporting period.

3. Violations of Title 44, United States Code (U.S.C.)

The OI investigates allegations involving reported violations of Title 44, U.S.C. - Public Printing and Documents. These violations include some federal agencies allegedly circumventing the GPO's government-wide Printing Procurement Program, and directly procuring printing services. The OI currently has five active Title 44 investigations from prior reporting periods. The OI also investigates Title 31, U.S.C. - Money and Finance, violations which arise from the Title 44 violations. The Title 31 violations occur as a result of federal employees expending their agency's congressionally appropriated funds for printing services provided by contractors other than the GPO.

Three prior reporting period Title 44 violations were referred to other federal agencies for appropriate action. Two referrals occurred in prior reporting periods and one was referred during this reporting period.

The OIG anticipates consolidating all Title 44 violation investigations and incorporating them as part of a broader review of the Printing Procurement operations undertaken by the Office of Audits.

4. Employee Misconduct

The OI investigates allegations involving GPO employee misconduct. These allegations include, but are not limited to: (1) time and attendance fraud, (2) theft of Government property, (3) assaults, (4) drug violations, (5) gambling, and (6) travel voucher fraud.

The OI is currently conducting 20 active employee misconduct investigations. Thirteen are from prior reporting periods and seven from the current reporting period.

A total of 7 alleged misconduct investigations have been referred for administrative action and are awaiting responses from GPO officials. The 7 administrative referrals consisted of 6 referrals from prior reporting periods and 1 referral from this reporting period.

During this reporting period, 21 employee misconduct investigations were closed. The referrals included 14 investigations from prior reporting periods and 7 investigations from this reporting period.

5. Miscellaneous Investigations

The OI also investigates matters of a miscellaneous nature. These matters may include, but are not limited to, alleged violations of GPO rules, regulations, policies, or programs.

A total of 4 prior reporting period cases remain active. One current and one prior reporting period investigation were referred to the appropriate GPO management official for administrative action.

The OI closed a total of 10 miscellaneous investigative cases; 6 cases were from prior reporting periods and 4 cases were from this reporting period.

D. Referrals Awaiting Final Disposition

The OI's investigative efforts have resulted in both external and internal referrals to others for action. A synopsis of outstanding referrals by OI follows:

1. External

U.S. Attorney's Office (USAO):

A total of 6 OI investigations are presently at USAO's awaiting criminal and/or civil prosecution.

The OI presented a total of 6 investigations to USAO's for criminal prosecution during this reporting period. The USAO's declined to prosecute 5 cases. However, a contract fraud investigation was accepted for prosecution. The rejected cases are being pursued for administrative action.

Five prior reporting period investigations, presented to USAO's during prior reporting periods, continue to be evaluated for prosecutive merit. Two of these cases involve alleged OWCP related criminal violations and three are contract fraud cases.

Three OI investigations were presented to USAO's during the reporting period for civil prosecution. Two cases were declined and one was accepted for civil prosecution. The rejected cases are being pursued for administrative action.

Other Agencies:

A total of 3 OI investigations, involving alleged violations of Title 44, U.S.C., have been referred to other federal agencies for action. Two of these matters were referred, during prior reporting periods, to the Department of Veterans Affairs (DVA). The remaining matter was referred to the Department of Energy (DOE) during a prior reporting period. One matter, involving employee misconduct, was referred to the Immigration and Naturalization Service (INS) during a prior reporting period. The OI has not received a response or disposition from the INS in connection with this referral.

The OI referred 2 investigations involving possible contract fraud to other federal agencies for investigative consideration. One referral was to the DOE and the other referral was to the IRS. While both referrals occurred during prior reporting periods, the OI has not received a response from either the DOE or the IRS concerning these referrals.

2. Internal

Executive Office:

One prior reporting period OI investigation, referred to the Office of the Public Printer during a prior reporting period, involved a non-agency recreation association program and the program related activities of a GPO employee. The OIG is reassessing the case to determine whether additional investigatory work needs to be initiated. The Public Printer will be advised as to what action will occur before any final disposition of the matter is deemed necessary.

Office of General Counsel:

The OI has referred 11 contractor fraud matters to the GPO Office of General Counsel (OGC) for administrative adjudication. One of the referrals occurred during a prior reporting period and 10 occurred during this reporting period.

Labor and Employee Relations Service:

Nine matters have been referred to the GPO Labor and Employee Relations Service. Allegations referred included reported employee misconduct and OWCP fraud. Six referrals occurred during the current reporting period and 3 occurred during prior reporting periods.

E. Case Dispositions

The following actions have been taken during this reporting period on OI investigative cases.

1. Matters Pending

- As a result of a prior reporting period investigation, a GPO Region 5 contractor received a show cause notice as to why suspension action should not be initiated against the company or company officials.
- A GPO Region 7 company and company official were suspended, pending debarment action, as a result of a prior reporting period investigation involving allegations of false claims and statements.
- A prior reporting period investigation, into allegations of fraudulent activities by a former GPO Region 7 contractor, resulted in the proposed debarment of the contractor and his 3 companies.
- Two separate prior reporting period OI investigations, involving allegations of false claims and statements by a GPO Region 2 contractor, resulted in proposed debarment notifications of the contractor and his 2 companies.
- A current reporting period OI investigation, into alleged submission of false shipping information by a GPO Region 3 contractor, resulted in the company receiving a notification of proposed debarment.
- A company received notification of a proposed debarment as the result of an OI investigation conducted during the current reporting period. The investigation involved alleged submission of false claims to the GPO for payment by a GPO Region 8 contractor.

2. Matters Closed

- A prior reporting period OI investigation into the alleged theft of Government-furnished materials (GFM's) by a GPO Region 8 contractor resulted in the recovery of \$1,500 worth of GFM's. This recovery allowed the Government to avoid material replacement costs of \$1,500.

- A prior reporting period OI investigation, involving a GPO employee allegedly selling untaxed cigarettes on GPO property, resulted in the employee receiving a verbal warning.
- A prior reporting period OI investigation into the alleged theft of GPO property, resulted in the arrest of a GPO employee. The employee subsequently pled guilty to one misdemeanor count and two felony counts of theft. The employee was sentenced to 5½ years imprisonment, which was suspended except for 10 days. He was also sentenced to 3 years probation, and ordered to pay \$2,000 in restitution to the GPO. The employee was terminated from the rolls of the GPO.
- A prior reporting period OI investigation resulted in a GPO employee receiving a letter of warning. The investigation substantiated an allegation that the employee had allegedly accepted gratuities from a GPO vendor.
- Based on a prior reporting period OI investigation, a GPO employee received a 3-day suspension without pay. The investigative findings substantiated an allegation that the employee had verbally assaulted and threatened a GPO supervisor. As a result of the adverse action, the GPO realized a cost savings totaling \$541 in payroll expenditures.
- The OI's prior reporting period investigation, involving the disappearance of a GPO employee from the workplace, resulted in the employee receiving a written warning.
- A GPO employee resigned following an OI's current reporting period investigation. The investigation substantiated an allegation that the employee had falsified a Standard Form 171, Application for Federal Employment.
- A prior reporting period OI investigation, into the alleged theft of GPO checks by a GSA contractor employee, resulted in the arrest of the individual. The individual was subsequently convicted, and sentenced to 21 months imprisonment and 3 years supervised probation.
- A GPO Region 7 contractor was ordered by the court to pay \$369,673 in fines. The imposition of the fines resulted from a prior reporting period investigation involving alleged submission of false claims and statements by the contractor. The USAO issued a Writ of Garnishment against the contractor, however, the individual claimed he was financially destitute. The contractor subsequently resigned from his position, and has no known fixed address. The USAO does not anticipate taking any further action regarding this matter. The contractor, during a prior reporting period, was debarred from doing business with the GPO.

- A prior reporting period investigation, into a GPO Region 9 contractor's alleged submission of false claims, resulted in the company and a company official being suspended from doing business with the GPO and show-cause letters issued in connection with possible debarments. A subsequent negotiated administrative settlement resulted in the GPO withdrawing the suspensions. However, the company and company official did receive letters of warning. The GPO, as a result of the investigative effort, recovered a total \$4,006. Of that amount, \$2,050 represented recovered investigative costs.
- Two GPO employees received verbal warnings after an OI investigation substantiated allegations that the employees had been providing advance copies of the Congressional Record to their part-time, private sector employer.
- As a result of a prior reporting period OI investigation, a GPO employee pled guilty to the theft of Government funds. The employee was sentenced to 6 months of confinement, placed on 5 years probation, and ordered to pay \$19,442 in restitution to the GPO.
- A prior reporting period OI investigation, into alleged submission of false claims for OWCP benefits by a GPO employee, resulted in the employee's suspension without pay for 45 days. The employee's suspension represented a \$5,454 payroll expenditure cost savings to the GPO.
- Based on a prior reporting period OI investigation, a GPO employee was given a verbal warning for dereliction of duty.
- A prior reporting period investigation resulted in a GPO employee receiving a letter of warning. The warning was issued after investigative findings substantiated the allegation that the employee had threatened a Federal Law Enforcement Officer.

**Productivity Statistics for the
Office of Investigations**

Complaints and Allegations Received	36
Cases Closed	61
Arrests	1
Cases Presented to U.S./State's Attorney	6
Declinations of Prosecution	5
Convictions	1
Guilty Pleas	2
Jail Time (days)	3,372
Suspended Time (days)	3,140
Probation (days)	2,920
Restitution	\$ 21,442
Recoveries	\$ 5,506
Fines	\$369,673
Cases Referred for Civil Prosecution	3
Declinations	2
Administrative Referrals	23
Suspensions	5
Terminations	1
Warned/Other Action	26
Referrals to Other Law Enforcement Agencies	4
Cost Savings	\$7,495

Office of Audits

A. Audit Mission

The mission of the Office of Audits (OA) is defined by the GPO Inspector General Act of 1988, which created a statutory OIG at GPO. The Act requires the OIG to:

1. Conduct independent and objective audits relating to GPO;
2. Provide leadership and coordination, and recommend policies to promote the economy, efficiency, and effectiveness of GPO's programs, operations, and activities; and
3. Keep both the Public Printer and Congress fully and currently informed about problems and deficiencies relating to the administration and operations of the GPO.

The OA conducts performance audits, financial related audits, and special reviews to accomplish its audit mission. All OIG audits are performed in accordance with applicable Government Auditing Standards promulgated by the Comptroller General of the United States.

B. Audit Operations

The OA was authorized 16 full-time equivalent employees for Fiscal Year 1997. The OA had 14 personnel as of March 31, 1997. The OA staff consisted of 13 Auditors and the OA Secretary. During this reporting period, the OA hired a Certified Public Accountant to fill one of three vacant auditor positions.

During the six-month reporting period ending March 31, 1997, the OIG concentrated audit resources on the following audits and audit-related activities:

1. Issued an audit report to the Superintendent of Documents, Document Sales Service, on four Central Office issues relative to GPO Bookstore operations. The OA had reviewed the GPO Pueblo Bookstore and Denver Bookstore, and concluded that the Central Office needed to take certain actions to help ensure compliance with standard operating procedures for the processing of sales transactions and voided transactions.
2. Issued two contract audit reports requested by GPO Contracting Officers in the Printing Procurement Department. The GPO Contracting Officers use these reports in evaluating contractor proposals for negotiated procurements, contract modifications, contract termination settlements, and claims against the Government.

3. Drafted an audit report to be processed early in the ensuing reporting period on Phase III of the OIG review of the GPO Workers' Compensation Program (WCP). This program is mandated by the Federal Employees' Compensation Act (FECA), and provides about \$6 million in benefits annually to GPO workers for job-related injuries. The purpose of Phase III of the audit is to evaluate program benefit costs funded by the GPO.
4. Drafted another audit report, also to be processed early in the ensuing reporting period, that evaluated the adequacy and effectiveness of management controls over the billing of Reimbursable Postal Permit Mailings. GPO provides mailing services to customers on a reimbursable basis for the delivery of printing products produced by GPO contractors.
5. Continued the field work for the OIG review of the GPO Mail Management Program which is a major administrative support activity for GPO's various organizations.
6. Started planning and/or field work to evaluate 3 contractor proposals. These contract audits were requested by GPO Contracting Officers.
7. Started the planning phase for a comprehensive evaluation of GPO's overall management control environment. This agency-wide review will evaluate the system of management controls that support GPO's: (1) printing plant operations, (2) printing procurement program, (3) information dissemination operations, and (4) administrative support activities which include financial management and information resource management. Also to be included is a further development of audit issues that were being pursued independently on several audits that were terminated during the period.
8. Started drafting revisions to update the OIG's *Audit Policy and Procedures Manual* to incorporate revisions to the GAO's *Government Auditing Standards* (Yellow Book). Additionally, some of planned changes to the manual resulted from the adoption of suggestions made by a recent Peer Review of OA's audit management and operations.

Peer Review

At the request of the former Inspector General, the Tennessee Valley Authority (TVA), OIG, conducted an external Quality Assurance Review of the GPO's OIG's audit operations during this reporting period. The purpose of this peer review was to determine whether (1) the GPO, OIG's internal quality control system for audits was adequate, in place, and operating effectively and (2) established policies, procedures, and applicable auditing standards were being followed. The Peer Review Report, dated January 6, 1997, concluded that the:

“GPO-OIG, with respect to audit operations, has an adequate internal quality control system in place and is in general compliance with established policies, procedures, and applicable auditing standards.”

The Peer Review Report contained 7 suggestions to the GPO Inspector General for improving the effectiveness of the GPO's OIG audit operations. The former Inspector General agreed to take corrective actions in response to these suggestions. Implementation of these suggestions will require some revisions to the *OIG's Audit Policy and Procedures Manual*.

New Audit Legislation

The General Accounting Office (GAO) Act of 1996 (Public Law 104-316) amended Title 44 of the United States Code (Public Printing and Documents) in regard to audits of GPO. In part, the Act requires annual audits of GPO's financial statements, and enhances the authority of the Inspector General to conduct audits of GPO. Specifically, the Act provides that: (1) the Inspector General shall audit the financial and operational activities of GPO each year; (2) these OIG audits shall be conducted under the direction of the Joint Committee on Printing (JCP); and (3) the JCP may request the Inspector General or Comptroller General of the United States to conduct the annual audit of GPO's financial statements. The Public Printer also has the authority to retain an independent external auditor to audit GPO's financial statements. The Comptroller General maintains discretionary authority to audit any of GPO's operations, activities, or functions.

The OIG has initiated actions to implement the applicable provisions of this Act. The Acting Inspector General initiated meetings with other affected parties, such as the Public Printer, the JCP staff, and GAO officials. The purpose of these communications was to discuss how best to implement the provisions of the Act related to the OIG's audit mission. The Acting Inspector General obtained financial audit training on management controls during this period, and redirected audit resources to review and evaluate management controls at GPO. The objective is to develop an audit staff capable of conducting the annual audit of GPO's financial statements, when requested.

Training on Management Controls

The entire audit staff and a supervisory criminal investigator received financial audit training on management controls during the week of March 24-28, 1997. The training was provided by the Government Audit Training Institute, U.S. Department of Agriculture Graduate School. The training courses included "Assessing Financial Related Activities and Controls" and "Internal Control Reviews in Financial Statement Audits." Each OIG Auditor earned 40 hours of Continuing Professional Education as a result of this training to help maintain their proficiency.

This training has improved the OA's ability to: (1) conduct annual audits of GPO's financial statements and other financial related audits at GPO and (2) evaluate management controls when conducting both financial and performance audits. The training covered various types of controls, including: (1) financial reporting controls, (2) safeguarding controls, (3) compliance controls, (4) budget controls, (5) operations controls, and (6) performance controls.

This training will also provide the OIG audit staff with a foundation for conducting the comprehensive review of GPO's management control environment.

C. Audit Accomplishments

Three audit reports were issued during the six-month reporting period ending March 31, 1997.

The OA issued two contract audit reports in response to audit requests from GPO Contracting Officers within the Printing Procurement Department (PPD). Contract audit reports assist GPO Contracting Officers in evaluating proposals from GPO printing contractors in regard to negotiated procurements, contract modifications, contract termination settlements, or contractor claims. The two contract audit reports questioned a total of \$11,525 in proposed contractor costs.

The OA issued another audit report resulting from performance audits of two GPO Bookstores. Implementation by management of the three recommendations in this report will strengthen the system of management controls against fraud, waste, and abuse that will also help ensure agency compliance with operating policies and procedures.

Additionally, ten percent of the OA's audit resources are committed to supporting OI's investigative activities. The OA provides accounting and auditing expertise and other assistance to the OI Special Agents for both civil and criminal investigations. The OA provided support on one investigation during this reporting period. The OA also refers irregularities and other suspicious acts detected during audits to the OI for investigative consideration. The OA did not make any referrals to the OI during this reporting period. However, OA and OI have been coordinating audit and investigative efforts in the area of Workers' Compensation.

A synopsis of the one significant OIG audit report issued during this reporting period follows.

(1) AUDIT REPORT ON CENTRAL OFFICE ISSUES ON BOOKSTORES **(Report Number 97-01, Issued October 22, 1996)**

During 1996, the OIG conducted performance reviews of the GPO Denver Bookstore and Pueblo Bookstore to determine if each bookstore was accomplishing its mission in serving the public on a self-sustaining basis. These 2 audits resulted in 3 audit reports. During the last semiannual reporting period, the OA issued 2 audit reports with recommendations to strengthen management controls that would better safeguard assets at each of the 2 GPO Bookstores (Report Numbers 96-11 and 96-12, issued September 27, 1996). The third and final report addressed 4 Central Office issues relative to the operations of all GPO Bookstores.

The audit concluded that the Central Office needed to take further actions to ensure compliance with standard operating procedures for the processing of sales transactions and voided sales transactions at GPO Bookstores. Furthermore, the end-of-year inventory reports could be expanded for use during next year's physical inventory. The Chief, Field Operations Division stated that all three audit report recommendations had been implemented.

The implementation of the recommendations will strengthen the system of management controls against fraud and abuse and will also help ensure bookstore's compliance with agency operating policies and procedures.

D. Work-In-Process

The OA has been working on 3 major financial or performance audits that will benefit GPO, and 3 contract audits that will assist GPO Contracting Officers.

The following audits and other reviews are currently being conducted by the OIG.

(1) REVIEW OF MANAGEMENT'S CONTROL ENVIRONMENT

The OIG has started the planning phase of an agency-wide review of management controls at GPO. The primary objective of this review is to evaluate the adequacy and effectiveness of management controls in place at GPO. For audit planning purposes, the universe of GPO's programs, operations, and other activities were divided into 5 major areas: (1) Procurement,; (2) Printing Plant, (3) Superintendent of Documents, (4) Information Resource Management, and (5) Administrative Support. A separate OA supervisory auditor has been assigned audit responsibility for each of the 5 major groups. Specific audit areas within each group will be selected for review and evaluation. For each major area reviewed, the OA audit teams will assess the efforts of GPO managers to implement the GPO Internal Control Program within their respective area(s) of responsibility. Internal control reviews, conducted by GPO managers, will be examined as part of the evaluation process. The OIG review will recommend actions to: (1) improve the GPO Internal Control Program; (2) strengthen the system of management controls when warranted; and (3) eliminate any excessive controls not justified under the circumstances.

Economical and effective systems of management control will help GPO continue to provide quality services to customers in a timely manner at the lowest cost to the taxpayers. Adequate and effective systems of management control: (1) improve the economy, efficiency, and effectiveness of GPO programs, operations, and other activities; (2) safeguard public assets; (3) deter, detect and prevent fraud, waste, and abuse; and (4) help ensure compliance with laws, regulations, and management policies established by Congress or the Public Printer.

(2) WORKERS' COMPENSATION PROGRAM

The OIG has been conducting a major review of the GPO Workers' Compensation Program (WCP) which is mandated by the Federal Employees' Compensation Act (FECA). The WCP provides benefits to GPO employees in excess of \$6 million annually. The U.S. Department of Labor (DOL) is responsible for the payment of all worker compensation benefits for the Federal Government.

The OIG is participating in the Vice-President's Task Force on Workers' Compensation Fraud and coordinating efforts with the DOL. The OIG audit and investigative team assigned to this project has been working closely together and coordinating their audit and investigative activities.

This OIG review is being conducted in three phases. An OIG audit report on Phase I was included in an earlier OIG Semiannual Report to Congress (Report Number 94-10). This audit report disclosed that DOL had been inappropriately charging GPO about \$220,000 annually for administering the program. DOL challenged GPO's position, which was based on a legal opinion from the GPO, Office of General Counsel. On April 4, 1996, the Comptroller General of the United States concluded that, "GPO is not required to pay the additional fee for administrative costs." GPO officials are attempting to recover past payments from DOL and cease further administrative fee billings by DOL. The DOL has been reviewing the Comptroller General's decision and has not implemented any corrective actions as of yet. On February 5, 1997, the Public Printer sent a letter to the Secretary Designate for the DOL requesting assistance in resolving this issue between the two agencies.

Phase II of this review assessed GPO's compliance with FECA regulations. The second report (Report Number 95-03) contained 20 recommendations for improving the WCP and compliance with FECA regulations. In summary, the report concluded that GPO needs to: (1) improve the light-duty/return to work program; (2) establish better program accountability; and (3) ensure that WCP claims are adequately reviewed.

Field work for Phase III of this review has been completed. A draft audit report is currently being reviewed within the OIG. Phase III consists of a detailed review and evaluation of the costs contained in the DOL's monthly charge-back statement for reimbursement to GPO. The DOL charge-back statement reflects benefit payments made to and on the behalf of GPO claimants under the WCP. The OIG believes that improvements to the WCP will result in substantial cost-avoidances for GPO, which reimburses DOL for program costs.

The OIG will issue the Phase III report early in the next semiannual reporting period.

(3) MAIL MANAGEMENT PROGRAM

The OA is reviewing the GPO Mail Management Program. The audit is in the field work phase, and an interim report on Reimbursable Postal Imprint Mailings has been drafted. The primary objective of this review is to evaluate the adequacy and effectiveness of management controls used to: (1) identify the most economical, efficient, and effective sources and means of delivering GPO mail; (2) project future mail costs for budget purposes; (3) ensure reliable and timely service to GPO customers; (4) prevent fraud, waste, and abuse; and (5) ensure compliance with applicable laws, regulations, and policies relative to official mail.

The audit is evaluating the following five areas: (1) mail management and administration, (2) U.S. Postal Service billings and corresponding GPO payments, (3) the Central Office Mail Center, (4) mail management training, and (5) control and accountability of postage meters.

The review has been conducted primarily at the Office of Administrative Support and the Office of the Comptroller. Other GPO organizations have been contacted about postage meters and mail management training.

(4) CONTRACT CLAIMS

The OA is currently performing three contract audits requested by GPO Contracting Officers. These reports should be issued during the next semiannual reporting period.

E. Terminated Audits

On January 24, 1997, the following three audits were terminated. The Acting Inspector General has requested that the audit issues, which were under development in these audits, be considered for inclusion in the planned OIG comprehensive review of management controls. The audits were:

- (1) Review of the Management of Transportation Costs for the Paper Procurement Program;
- (2) Review of the Voucher Processing and Payment System; and
- (3) Review of the GPO Billing System.

F. Outstanding OIG Recommendations

GPO management officials have not completed all necessary actions to implement significant recommendations contained in four OIG audit reports issued during prior semiannual reporting periods. A synopsis of our audit findings and recommendations, along with management's

action(s), to implement the outstanding recommendations follows.

(1) AUDIT OF GPO'S NEGOTIATED/DIVERTED PROGRAM
(Report Number 96-01, Issued November 21, 1995)

FINDING(S)

The intent of the Negotiated/Diverted Program was to improve the economy and efficiency of GPO in-house production resources. The program allowed GPO to recover direct costs and some indirect costs from non-Congressional jobs, rather than have production employees and machinery remain idle during Congressional recesses and other periods of lower customer demand. A former Public Printer had established three goals for the in-house retention of printing jobs. The audit disclosed that GPO achieved two of the three goals of the former Public Printer. The audit concluded that GPO was: (1) retaining jobs to operate production equipment at optimum utilization levels and (2) negotiating commercially comparable prices for non-Congressional printing jobs. However, GPO had not achieved the third goal of producing a profitable in-plant operation.

RECOMMENDATION(S)

The audit made eleven recommendations to improve the economy, efficiency, and effectiveness of the Negotiated/Diverted Program.

MANAGEMENT'S ACTION(S)

On October 15, 1996, the Deputy Public Printer informed the OIG that actions had been taken by GPO to close three of the eleven audit recommendations. A draft policy on the GPO Negotiated/Diverted Program had been prepared for review. This policy statement will address most of the remaining audit recommendations. The Office of the Comptroller has been tasked with the job of finalizing the policy which should occur early in the ensuing reporting period.

(2) SURVEY OF GPO'S WORKERS' COMPENSATION PROGRAM
(Report Number 94-10, Issued September 9, 1994)

FINDINGS(S)

GPO has been paying an annual administrative fee to the U.S. Department of Labor (DOL) to administer GPO's Workers' Compensation Program (WCP). GPO's General Counsel determined that GPO is not legally required to pay this administrative fee.

RECOMMENDATION(S)

The review recommended that immediate actions be taken to: (1) stop payment on the annual administrative fee paid to DOL; (2) request remittance from DOL of fees paid since 1982; and (3) request copies of all bills from 1950-1982 showing charge-back costs and fees charged GPO. If this information is not available, any data which will allow GPO to reasonably estimate the administrative fees charged during this period should be made available.

MANAGEMENT ACTION(S)

On September 20, 1994, the GPO Comptroller sent a letter to DOL requesting remittance of fees paid since 1982 and copies of all bills from 1950-1982. The DOL disagreed with the GPO's position, and concluded that the GPO was required to pay an annual administrative fee. In view of this dispute, the GPO Comptroller requested a legal opinion from the Comptroller General of the United States on whether the GPO is required to pay an administrative fee for the Worker's Compensation Program.

On April 4, 1996, the GPO received the requested Comptroller General decision. The decision concluded that the GPO was not legally required to pay an administrative fee for the Worker's Compensation Program. On September 6, 1996, the GPO forwarded this decision and a letter to the Solicitor of the DOL requesting assistance in fully implementing the Comptroller General's decision.

On February 5, 1997, the Public Printer wrote a letter to the Secretary Designate of DOL requesting assistance to resolve this interagency issue because the Solicitor had not responded to an earlier request from GPO.

(3) ASSESSMENT OF GPO'S INTERNAL CONTROLS (Report Number 91-01, October 30, 1990)

FINDING(S)

GPO has not conducted the required GPO biennial vulnerability assessment or internal control reviews of its operations since 1982. While GPO is exempt from the Federal Managers' Financial Integrity Act of 1982 (FMFIA), ongoing changes in GPO's personnel, organization, operations, and technology accentuate the need to conduct periodic risk assessments to evaluate the adequacy and effectiveness of management controls. Management controls provide reasonable assurance that GPO's program and functions are: (1) achieving their intended goals or objectives; (2) efficiently and effectively managed; and (3) operating in accordance with applicable laws and regulations.

RECOMMENDATION(S)

The Public Printer should have the GPO Instruction on Internal Control Reviews revised to establish a GPO Internal Control Program similar to the requirements in the FMFIA and the Office of Management and Budget's Circular No. A-123, *Internal Control Systems*.

MANAGEMENT ACTION(S)

On March 10, 1997, the Acting Director, Office of Planning, advised that implementation of Internal Control Reviews and Vulnerability Assessments would best be accomplished if: (1) the GPO operating officials were responsible for conducting Internal Control Reviews and Vulnerability Assessments of GPO and (2) the OIG was responsible for obtaining and reviewing management's actions. The Acting Inspector General and the Acting Director of Planning met and concluded that the OIG was in the best position to review, evaluate, and follow-up on GPO's efforts to conduct periodic Internal Control Reviews. Furthermore, the OIG's audit authority would provide a basis for recommending corrective actions to improve the adequacy and effectiveness of the Internal Control Program, when necessary.

The Acting Inspector General has initiated action to revise the draft GPO Instruction on the GPO's Internal Control Program to effect this proposed change. The OIG's current planned effort of GPO's control environment will be used to review and evaluate management's efforts to implement internal control systems at GPO. The revised draft will be forwarded to the Public Printer early in the next reporting period.

(4) REPORT ON EFFORTS TO IMPLEMENT A CAPACITY MANAGEMENT PROGRAM (Report Number 89-21, Issued May 9, 1989)

FINDING(S)

GPO has not established a capacity management program for its Automated Data Processing (ADP) operations. The lack of a capacity management program could impede GPO's ability to determine present and future ADP needs. Capacity management programs help ensure that computer systems are properly designed and configured to give efficient performance and to provide sufficient computer capacity for present and future operations. Capacity management also includes analyzing how computer systems are currently utilized and forecasting future computer resource requirements.

RECOMMENDATION(S)

GPO should establish and maintain a capacity management program. Since March 17, 1987, the OIG has issued four separate reports recommending that GPO take such action.

MANAGEMENT ACTION(S)

No definite action(s) have been taken by OIRM to implement a Capacity Management Program for ADP resources. On April 4, 1997, the Director, OIRM, stated in a letter that OIRM lacked the personnel and financial resources to staff a Capacity Management Program at this time.

The Acting Inspector General intends to restudy this recommendation and determine the appropriate action to take to resolve this long-standing issue.

G. Outstanding GAO Recommendations

The GPO is taking actions to implement significant recommendations contained in a GAO-sponsored report completed by an independent external auditor. A summary of the report's findings and status of the outstanding recommendations follows:

(1) GAO/Arthur Andersen & Co.'s Comments and Suggestions for Consideration (Issued January 1996)

FINDING(S) AND RECOMMENDATION(S)

As part of the GAO audit of GPO's financial statements for Fiscal Year 1995, Arthur Andersen, LLP (a CPA firm under GAO contract) issued a report entitled *Comments and Suggestions for Consideration*. This report contained 4 recommendations (reportable conditions) and 86 comments and suggestions to improve GPO's operations and systems of internal accounting control.

MANAGEMENT ACTION(S)

The GPO action officials responsible for the areas discussed in the Arthur Andersen, LLP report, have taken action to address many of the recommendations and suggestions. This action has been generally responsive to the recommendations and suggestions in Arthur Andersen's report. The OIG will continue to monitor GPO's implementation of corrective actions.

**Statistical Table on Audit Reports
With Questioned Costs**

	<u>Number of Reports</u>	<u>Questioned Costs</u>	<u>Unsupported Costs</u>
A. For which no management decision has been made by the commencement of the reporting period	3	\$ 334,403	\$ 298,430
B. Which were issued during the reporting period	2	<u>11,525</u>	<u>0</u>
C. Subtotals (A+B)	5	\$ 345,928	\$ 298,430
D. For which a management decision was made during the reporting period without unsupported costs	4	\$ 56,414	\$ 9,309
1. Dollar value of disallowed costs	3	\$ 31,414	\$ 8,173
2. Dollar value of allowed costs	1	\$ 25,000	\$ 1,136
E. For which no management decision has been made by the end of the reporting period	1	\$ 289,116	\$ 289,116
F. Report for which no management decision has been made within six months of issuance	1	\$ 289,116	\$ 289,116

**Statistical Table on Audit Reports With Recommendations
That Funds Be Put To Better Use**

	<u>Number of Reports</u>	<u>Funds Put To Better Use</u>
A. For which no management decision has been made by the commencement of the reporting period	1	\$4,619,898
B. Which were issued during the reporting period	0	<u>0</u>
Subtotals (A+B)	1	\$4,619,898
C. For which a management decision was made during the reporting period		
1. Dollar value of recommendations that were agreed to by management	1	\$4,619,898 ¹
2. Dollar value of recommendations that were not agreed to by management	0	0
D. For which no management decision has been made by the end of the reporting period	0	0
E. Report for which no management decision has been made within six months of issuance	0	0

¹ The Office of the Comptroller recognized the potential cost recoveries and future cost savings resulting from the Review of GPO's Workers' Compensation Program (OIG Report Number 94-10). An accounts receivable for the past erroneous administrative fee payments was established and a refund was requested from DOL.

**List of Audit Reports
Issued During This Reporting Period**

A. Contract Audit Reports:

	Questioned <u>Costs</u>	Unsupported <u>Costs</u>
1. Contract Review (Report 97-02, Issued 02/20/97)	\$ 0	\$ 0
2. Contract Review (Report 97-03, Issued 01/31/97)	<u>\$11,525</u>	<u>0</u>
Total	\$11,525	\$ 0

B. Other Audit Reports:

	Funds Put <u>To Better Use</u>
1. Audit Report on Central Office Issues on Bookstore Operations (Report #97-01, Issued 10/22/96)	\$ 0
Total	<u>\$ 0</u>

**Semiannual Report Cross References
to the Inspector General Act**

<u>IG Act Section</u>	<u>Description</u>	<u>Report Page(s)</u>
4(a)(2)	Review of Legislation and Regulations	N/A
5(a)(1)	Significant Problems, Abuses, and Deficiencies	8-10 & 18-22
5(a)(2)	Recommendations With Respect to Significant Problems, Abuses, and Deficiencies	8-10 & 18-22
5(a)(4)	Matters Referred to Prosecutive Authorities	6-7
5(a)(5)	Summary of Instances Where Information Was Refused	N/A
5(a)(6)	List of Audit Reports	25
5(a)(7)	Summary of Significant Reports	15-16 & 18-22
5(a)(8)	Statistical Table with Questioned Costs	23
5(a)(9)	Statistical Table with Recommendations That Funds Be Put to Better Use	24
5(a)(10)	Summary of Audit Reports Issued Before the Commencement of the Reporting Period for Which No Management Decision Has Been Made	N/A
5(a)(11)	Significant Revised Management Decisions Made During the Reporting Period	N/A
5(a)(12)	Management Decisions With Which the Inspector General Is In Disagreement	N/A

