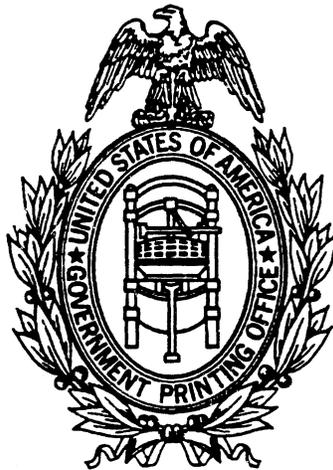


United States Government Printing Office

OFFICE OF INSPECTOR GENERAL

**SEMIANNUAL REPORT
TO THE CONGRESS**



October 1, 1998 through March 31, 1999

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

**SEMIANNUAL REPORT TO THE CONGRESS
APRIL 30, 1999**

**REPORTING PERIOD
OCTOBER 1, 1998 - MARCH 31, 1999**

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HIGHLIGHTS OF THE SEMIANNUAL REPORT

The Office of Inspector General (OIG) audit, investigative, and other activities during this reporting period resulted in the following accomplishments.

- Four OIG investigations conducted during the current and prior reporting periods resulted in approximately \$107,500 in restitution and recoveries. In addition, one subject received 180 days “in-house” detention and 1,825 days probation.
- An investigation of a Government Printing Office (GPO) regional employee involved in the embezzlement of government funds resulted in the employee being terminated from government employment. Criminal charges in the Los Angeles, California, District Court are pending.
- The OIG is working with the Department of Justice in a matter involving a prior Office of Investigations (OI) investigation into alleged brokering of contracts, and the submission of false claims/statements by a GPO Region 5 contractor. A settlement offer in the amount of \$300,000 is pending final resolution by the Office of the U.S. Attorney. The contractor remains suspended from doing business with the Government.
- The OIG issued three contract audit reports, questioning a total of \$89,665 claimed by GPO contractors.
- The OIG issued an audit report pertaining to the management practices of the McPherson Square Bookstore. The report identified several instances of noncompliance with the Bookstore Manual and deficiencies in the GPO inventory records resulting from insufficient internal inventory controls and procedures.
- The OIG continued to provide support for the required annual audits of GPO’s financial statements. The audits are conducted by KPMG LLP under a contract for which the Assistant Inspector General for Audits is the Contracting Officer’s Technical Representative (COTR). In addition to serving as COTR, the OIG provides office space, administrative support, and coordination with GPO management for the KPMG auditors. The audit of GPO’s FY1998 Financial Statements was completed during this reporting period.

INTRODUCTION

A. THE GOVERNMENT PRINTING OFFICE

For more than a century, GPO's mission under the public printing and documents statutes of Title 44, U.S. Code, has been to fulfill the needs of the Federal Government for information products and to distribute those products to the public.

Formerly, GPO's mission was accomplished through the production and procurement of traditional printing technologies. However, a generation ago GPO began migrating its processes to electronic technologies, and in 1993 Congress amended Title 44 with the GPO Electronic Information Access Enhancement Act (P.L. 103-40), which requires GPO to disseminate Government information products online. This Act is the basis of GPO Access, the GPO Internet information service.

Today, GPO is dedicated to producing, procuring and disseminating Government information products in a wide range of formats - print, CD-ROM, and online. In GPO the Government has a unique asset that combines a comprehensive range of conventional production and electronic processing, procurement facilitation, and multi-format dissemination capabilities to support life cycle needs of Congress, Federal agencies, and the public:

- GPO provides print and electronic information products and services to Congress and Federal agencies through in-plant processes and the purchase of information products from the private sector. For Congress, GPO maintains a capability to fully support the information products needs of the legislative process, working in close cooperation with leadership offices, committees, Members, and staffs in each Chamber.
- GPO disseminates Government information to the public in print and electronic formats through a low-priced sales program and a reimbursable program, and to Federal depository libraries nationwide where the information may be used by the public free of charge. GPO catalogs and indexes Government information products so they can be identified and retrieved by users.
- GPO also disseminates a massive volume of information online via the Internet with GPO Access. Recent data show that more than 19 million documents are retrieved by the public every month using this system. GPO strongly supports the increased dissemination of Government information in electronic formats, and GPO Access today is one of the leading Federal sites on the Internet. The GPO home page, at www.access.gpo.gov, provides free public access to more than 70 Federal databases from all three branches of the Government, a growing number of agency Government Information Locator Service (GILS) sites, and associated locator and Pathway aids.

GPO provides all of its services in a non-partisan, service-oriented environment that emphasizes the primacy of the customer's requirements for timeliness, quality, security, and economy. GPO

is committed to achieving the greatest access and equity in information dissemination through printed publications, CD-ROM, and online information technologies. GPO's electronic and traditional technologies simultaneously enable it to facilitate the re-engineering of information products to satisfy the Government's changing information requirements, and to preserve and protect public access to Government information for all citizens.

GPO programs reduce the need for duplicative production facilities throughout the Government, achieve significant taxpayer saving through a centralized production and procurement system, and enhance public access to Government information, which is increasingly valuable to all Americans in the Information Age.

The GPO has 14 Regional Printing Procurement Offices (RPPO's) and 6 satellite printing procurement offices. Each satellite office reports to a specific RPPO. The Regional Printing and Procurement Division, Central Office coordinates, reviews, and evaluates RPPO's. The regional offices generated about \$192.4 million in revenue during Fiscal Year 1998.

THE OFFICE OF INSPECTOR GENERAL

OIG Mission

The mission of the OIG is to prevent and detect fraud, waste, and abuse as well as to promote economy, efficiency, and effectiveness in GPO's programs and operations. To meet these responsibilities, the OIG conducts audits and investigations through its Office of Audits (OA) and Office of Investigations (OI).

As of March 31, 1999, the OIG consisted of 27 budgeted positions, with 28 employees on-board: 14 auditors, 8 investigators, 3 secretaries, the Inspector General, and 2 information systems support personnel. The OIG budget for FY 1999 is \$3,157,011.

Office of Investigations

The Office of Investigations conducts and coordinates investigations relating to employee misconduct and monetary or material losses occurring in U.S. Government Printing Office programs and operations. These investigations may include contractors, program participants, and/or GPO officials and other employees.

The OI's independent, or joint investigations with Federal or non-Federal investigative agencies, may result in criminal prosecution, civil proceedings and/or imposition of administrative sanctions. Prosecutions may result in court-imposed prison terms, probation, fines, and/or restitution.

The OI continues an aggressive effort to detect, prevent, and investigate the loss of Government assets. The OI reviews Federal and GPO programs susceptible to fraud, waste and abuse in coordination with the Office of Audits. In addition, the OI seeks to recover monetary funds and

investigative costs payable directly to the GPO as part of criminal and civil adjudications, or through administratively negotiated settlements.

During the reporting period, the OI's investigative resources were deployed in response to complaints, referrals, and hotline matters involving illegal drugs, fraud, waste, abuse and/or mismanagement. The OI also continued to conduct investigations initiated during previous reporting periods.

Office of Audits

The Office of Audits, as required by the Inspector General Act Amendments of 1988:

1. Conducts independent and objective audits relating to GPO;
2. Provides leadership and coordination, and recommend policies to promote the economy, efficiency, and effectiveness of GPO's programs, operations, and activities; and
3. Keeps 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 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.

Office of Investigations

A. Summary of Investigations

During this reporting period, the GPO OIG Hotline program for Drug, Fraud, Waste, and Abuse received 5 fraud-related allegations, 6 complaints concerning illegal drug activity, and 18 calls for information, for a total of 29 matters. Of that number:

- 2 complaints were referred to GPO management for resolution;
- 1 fraud investigation was initiated;
- 7 matters were documented in the OI Intelligence Files; and
- 19 telephone calls did not warrant any investigation.

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

**Summary of Investigative Case Workload
as of March 31, 1999**

| Workload Analysis | Number of Cases |
|------------------------------------|-----------------|
| Beginning Case Workload - 10/01/98 | 83 |
| Add: New Cases Opened | 24 |
| Less: Cases Closed | 61 |
| Ending Case Workload - 03/31/99 | 46 |

The OI opened 24 investigative cases during this reporting period in response to new complaints or allegations. The 61 cases closed during the reporting period consisted of 57 cases from prior periods and 4 cases from the current reporting period. The 46 open investigative cases include 19 cases from the current period and 27 cases from prior reporting periods. Administrative subpoenas were issued for documents in 8 cases. There was no instance of noncompliance with a subpoena.

B. Investigative Accomplishments

1. The OI is assisting the OA efforts in an audit of the GPO's ink usage and ink inventory system. Should information be developed indicating the possible theft or misuse of government property, the OI will initiate an investigation and draw upon the OA's resources to prove or disprove the allegations.

2. The OI continues to see an increase of false statement allegations involving the Office of Workers' Compensation Program (OWCP). New steps continue to be taken to better address the overall handling of the GPO's OWCP and subsequent investigations into alleged violations. This initiative results from prior meetings with representatives of the Department of Labor, Federal Employees Compensation Act (FECA) Program, and GPO's OWCP, to determine the most effective manner for conducting future investigations into alleged violations of the FECA program.

C. Types of Cases

The OI's investigative workload has been categorized into five major areas that are based on the types of investigative cases, as follows:

1. Workers' Compensation Program (WCP)

The OI investigates GPO employees who have allegedly submitted false claims and made false statements to facilitate receipt of workers' compensation benefits. The OI currently has 3 open investigations involving alleged WCP fraud. The OI has referred three prior reporting period investigations to the GPO's Labor and Employee Relations Service for administrative action.

Twenty prior reporting period WCP investigations were closed during this reporting period due to either resolution or insufficient evidence of wrongdoing.

2. Procurement Fraud

The OI investigates allegations of statutory violations involving GPO contractor service providers defrauding the Government in connection with GPO's procurement of printing, goods, and services. These violations include, but are not limited to, false claims, false statements, wire and mail fraud, product substitution, and Small Disadvantaged Business Program violations.

The OI currently has seven open procurement fraud cases. One is from a prior reporting period and six are from the current reporting period. Six fraud cases were referred to U.S. Attorneys for prosecution during previous reporting period. Prosecutive action on all matters is pending.

One prior and one current investigation involving GPO contractors have been referred to the Office of General Counsel (OGC) for administrative action by the GPO debarring official. These cases are pending final disposition.

The OI closed twelve contract fraud investigations from prior reporting periods, and one investigation from the current reporting period, for a total of 13 closed investigations.

3. Employee Misconduct

The OI investigates allegations involving GPO employee misconduct. These allegations include, but are not limited to, time and attendance fraud, theft, assaults, drug violations, gambling, kickbacks, and travel voucher fraud.

The OI currently has a total of nine active misconduct investigations. Three are from prior reporting periods and six are from the current reporting period.

Nine misconduct investigations have been referred for administrative action. Of this number, seven were from prior reporting periods and two are from the current reporting period.

One prior reporting period investigation was referred to the U.S. Attorney's Office for prosecutive evaluation.

During the reporting period, 15 employee misconduct investigations from prior reporting periods were closed.

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

The OI investigates allegations involving reported violations of Title 44 U.S.C. (*Public Printing and Documents*). These include federal agencies allegedly circumventing GPO by procuring printing services in violation of the law. The OI also investigates allegations of violations of Title 31 U.S.C. (*Money and Finance*) which may arise from violations of Title 44. 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. The OI currently has no open Title 44 investigations.

5. Miscellaneous Investigations

The OI also investigates matters of a miscellaneous nature. These matters include, but are not limited to, alleged violations of GPO rules, regulations, or policies. In addition, the OI conducts Local Agency Checks for the GPO's Personnel Security Specialist. One current and one prior reporting period case remain open.

The OI received two requests for Local Agency Checks from the agency Personnel Security Specialist (PSS) during the current reporting period. The results of these two cases were referred back to the PSS for any necessary administrative action.

The OI closed a total of four miscellaneous cases: one from a prior reporting period and three from the current reporting period.

D. Status of Action on Referrals

The OI's investigative efforts result in both external and internal referrals for action. A summary of outstanding referrals by the OI follows:

1. External

- U.S. Attorney's Office (USAO)/ State Attorney's Office (SAO):

The OI presented a total of nine investigations to USAO's and/or SAO's for criminal prosecution during this reporting period. Prosecution was declined in all nine cases.

Two OI investigations, which were presented for criminal prosecution during prior reporting periods and declined, were accepted by USAO's for civil prosecution.

A total of seven investigations presented to USAO's are still pending final action by those offices. Six are contract fraud cases, and one is related to allegations of bribery.

In a case pending in the Southern District of Ohio, a printing company is facing civil penalties under the False Claims Act for presenting false or fraudulent claims to the United States for payment in connection with illegally subcontracting the predominant production function of at least 607 GPO contracts.

- Other Agencies:

One OI investigation involving alleged Computer Crimes, has been referred to the Australian Federal Police for action. The OI will monitor this matter and provide any necessary assistance.

2. Internal

- Office of General Counsel:

The OI has referred two contractor fraud cases to the OGC for administrative action by the GPO debarring official.

- Labor and Employee Relations Service:

Thirteen matters have been referred to the GPO Labor and Employee Relations Service. Allegations referred included reported employee misconduct and OWCP fraud. Ten referrals occurred during the current reporting period and three occurred during prior reporting periods. The OI is awaiting the final disposition of these referrals.

E. Investigative Case Dispositions

The following are representative matters handled by the OI during this reporting period.

1. Pending Matters

- A current investigation into the alleged unauthorized entry and manipulation of government computer files (hacking), was referred to the Australian Federal Police (AFP) for investigation. This matter is being coordinated with the AFP and the Federal Bureau of Investigation.
- Two prior investigations into allegations of false claims, false statements, and conspiracy to obtain GPO contracts through fraud by two GPO Region 3 contractors, resulted in the U.S. Attorney's Office for the District of Maryland filing a civil action in U.S. District Court against the subject for violating the Civil False Claims Act. A negotiated settlement for restitution to the GPO in the amount of \$40,000 was reached between the subject and the USAO. This matter is pending the administrative action by the Office of General Counsel.
- A prior investigation into the alleged submission of false claims by a GPO Region 3 contractor is pending civil action by the USAO, Washington, DC. The company and the owner have been debarred from doing business with the government.
- A prior investigation involving a GPO Bookstore Manager resulted in the manager resigning her position in lieu of being terminated. In addition, administrative action was initiated to recoup \$1,214.55 from the employee for failure to perform duties and mishandling government funds.
- An OI investigation into the alleged violations of misrepresentation of employment and false verification of employment resulted in the matter being referred to the GPO's Employee Relations Branch for administrative action.
- A prior investigation into an allegation of the submission of false statements in a Office of Worker's Compensation Program claim was submitted to the GPO's Employee Relations Branch for administrative action to remove the subject. The employee's GPO employment has subsequently been terminated.
- Two prior investigations into the alleged brokering of contracts and submission of false claims/statements by a GPO Region 5 contractor resulted in a settlement offer being made in the amount of \$300,000. This matter is pending final USAO action. The contractor remains suspended from doing business with the Government.
- A prior investigation into the alleged bribery of a GPO employee, and the theft of a U.S. Treasury check by a former GPO Region 8 contractor is awaiting final action by

the USAO for the District of Colorado. The subject has agreed to plead guilty to misdemeanor charges.

- A current investigation into the alleged falsification of employment information and misrepresentation was forwarded to the GPO's Employee Relations Branch for administrative action.
- A current investigation of an unauthorized entry into restricted government computer files resulted in the employee's removal from the work area and reassignment to another section in GPO. Further administrative action is pending.
- As a result of a current investigation, a GPO Region 3 contractor received a Show Cause Notice for alleged violations of the Buy American Act. Further action of the Office of General Counsel is pending.
- A prior investigation of a GPO Region 3 contractor allegedly involved in the submission of false claims/statements, resulted in the issuance of proposed debarments of two companies and their owners.
- An OI investigation of a GPO regional employee involved in the embezzlement of government funds resulted in the employee being terminated from government employment. Criminal charges in the Los Angeles District Court, CA are pending.
- The results of an OI investigation into the submission of false claims/statements in an OWCP claim, by a GPO regional employee was referred to the GPO's Employee Relations Branch for administrative action.
- A prior investigation into the alleged unauthorized use of government equipment by a GPO employee was referred to the agency's Employee Relations Branch for administrative action.
- A prior investigation into the alleged submission of false claims/statements by a GPO Region 2 contractor resulted in debarment action being initiated by the Office of General Counsel.
- A current investigation into the alleged assault of a GPO employee by another employee resulted in a referral to the GPO Employment Relations Branch for possible administrative action.

2. Closed Matters

- A prior investigation into the embezzlement of approximately \$35,000 in Government funds by a GPO employee in a position of trust resulted in the employee being convicted in U.S. District Court of embezzling \$30,550, and agreeing to make

restitution in that amount. In addition, the employee was sentenced to six months “in-house” detention, and five years probation.

- As a result of a prior OI investigation into the false reporting of time and attendance information, a GPO employee was reassigned and management instituted organizational changes to correct reporting deficiencies.
- Two separate prior investigations into alleged false statements in the OWCP application process resulted in an employee receiving a 30-day “paper suspension.” The employee was advised that any future violations would result in a proposed removal from government employment.
- A prior investigation into allegations of the submission of false claims/statements by a GPO Region 3 contractor resulted in the contractor receiving a Letter of Warning and GPO recovering \$37,042 from the contractor.
- An OI investigation during the prior reporting period into allegations that a GPO regional employee submitted false claims/statements resulted in the employee resigning their position with the GPO in lieu of being terminated.
- A prior investigation into the alleged submission of false claims/statements by a GPO Region 3 contractor resulted in the contractor receiving a Show Cause Notice and a Letter of Warning.
- A previous investigation into the alleged theft of government funds resulted in a GPO employee reimbursing GPO in the amount of \$198.23.
- A prior OI investigation into allegations of favoritism, as well as Zero Violence in the Workplace and Standards of Conduct violations by a GPO manager, resulted in the employee’s early retirement in lieu of termination.
- An investigation into the alleged submission of false statements by a GPO employee on a job application resulted in the employee receiving a 15-day suspension without pay.
- A prior investigation of a GPO Region 4 contractor’s violation of GPO’s Contract Terms resulted in the company and owner receiving a Notice of Debarment.
- As a result of an OI investigation into a GPO Region 7 contractor’s alleged submission of false claims/statements and short shipments, the contractor was removed from the GPO list of contractors, and efforts are being made to recover \$2,656.60 in government funds.

- A GPO Region 3 contractor was deleted from the list of GPO contractors after submitting false claims/statements and making short shipments. Efforts are currently being made by the agency to recover \$728.88 from the contractor for over payments.
- A prior investigation into the alleged submission of false statements by a GPO employee to receive advance pay, resulted in the employee being removed from his position.

Productivity Statistics for the Office of Investigations

| | | |
|---|-----------------------|----------|
| A. Complaints and Allegations Received | | 24 |
| B. Cases Closed | | 61 |
| C. Arrests | | 0 |
| D. Cases Presented to U.S. Attorneys/State's Attorney | | 11 |
| Criminal | | 9 |
| | Criminal Declinations | 9 |
| Civil | | 2 |
| | Civil Declinations | 0 |
| E. Criminal/Civil Matters: | | |
| Convictions | | 0 |
| Guilty Pleas | | 0 |
| Acquittals | | 0 |
| Jail Time (days) ¹ | | 180 |
| Suspended Time (days) | | 0 |
| Probation (days) | | 1,825 |
| Public Service (hours) | | 0 |
| Recoveries | | \$37,042 |
| Restitutions | | \$70,550 |
| Fines | | 0 |
| Cost Savings | | 0 |
| F. Total Administrative Referrals | | 17 |
| Contractor | Referrals | 2 |
| | Suspensions | 0 |
| | Debarments | 6 |
| | Contract Terminations | 0 |
| | Warned/Other Actions | 15 |
| Employee | Referrals | 15 |
| | Suspensions | 4 |
| | Terminations | 2 |
| | Warned/Other Actions | 4 |
| G. Other Law Enforcement Agency Referrals | | 1 |

¹ Court Ordered "In-House" Detention

Office of Audits

A. Summary of Audit Activity

During the reporting period ending March 31, 1999, the Office of Audits conducted the following audits and audit-related activities:

1. Issued an audit report on the McPherson Square Bookstore.
2. Issued three audit reports in response to contract audit requests from Contracting Officers within the GPO, Printing Procurement Department (PPD).
3. Completed a review of the Effectiveness of the Physical Security Program for Secured Production Facilities at GPO. The final report was issued April 13, 1999.
4. Prepared a report on the Office of Information Resources Management (OIRM) Management Control Program for issuance in the next reporting period.
5. Performed field work and prepared a report on GPO's Policies and Procedures in Procuring Congressional and Agency Printing for issuance in the next reporting period.
6. Performed field work and prepared a report on the Property Accountability and Control over property and equipment at GPO for issuance in the next reporting period.
7. Performed field work and prepared a report on the GPO Retail Sales Outlet at Laurel for issuance in the next reporting period.
8. Performed field work on audits of GPO's Equal Employment Office Complaints Counseling and Processing Division and GPO's ink operations.
9. Performed field work on a follow-up audit of GPO warehouse space.
10. Completed a Quality and Assurance Review of an OIG audit.
11. Facilitated General Accounting Office efforts to assess the status of year 2000 readiness, following the direction of the Chairman of the Senate Subcommittee on Legislative Branch Appropriations dated October 30, 1997. The OIG has provided continuous advisory, assistance and monitoring services to assist GPO management in the direction and control of the Year 2000 compliance efforts within the Agency. The OIG is also providing liaison services to assist the

General Accounting Office in their audit of the Year 2000 compliance within the Legislative Branch.

12. The OIG is providing support for annual audits of GPO's financial statements. Under 44 U.S.C. §309, an annual financial statement audit has been required beginning with GPO's FY 1997 financial statement. The audits are being conducted by KPMG LLP under a contract for which the Assistant Inspector General for Audits is the Contracting Officer's Technical Representative (COTR). In addition to serving as COTR, the OIG is providing office space, administrative support, and coordination with GPO management for the KPMG auditors. The audit of GPO's FY1998 Financial Statements was completed during this reporting period.

B. Audit Accomplishments

The OIG issued a total of four audit reports to GPO officials during the six-month reporting period ending March 31, 1999. A fifth audit was completed, and the report was issued on April 13, 1999. Field work was conducted in four audits for which reports will be issued in the next reporting period.

Financial Audits

No financial audit reports were issued during this reporting period.

Performance Audits

The OA issued a report on the compliance with the Bookstore Manual and the internal controls over GPO property at the McPherson Square Bookstore.

The OA completed a report on improving the adequacy and effectiveness of security controls in effect for the secured production facilities at GPO. The report was issued on April 13, 1999.

A report on the Office of Information Resources Management Control Program has been prepared for issuance in the next reporting period. A draft has been disseminated to management for comment.

A report on GPO Policies and Procedures for Procuring Congressional and Agency Printing has been prepared for issuance in the next reporting period.

A report on the GPO Property Accountability and Control has been prepared for issuance in the next reporting period.

A report on the GPO Retail Sales Outlet at Laurel has been prepared for issuance in the next reporting period.

Contract Audits

The OA issued three audit reports in response to contract audit requests from Contracting Officers within the GPO Printing Procurement Department. Contract audits 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 three contract audit reports questioned a total of \$89,665 in proposed contractor costs, overhead, and profit. The questioned amounts were either unallowable, not allocable to the contract, or unsupported.

Investigative Support

When requested, the OA provides accounting and auditing assistance to the OIG Special Agents for both civil and criminal investigations. One audit was initiated in response to a complaint received by the Office of Investigations. The OA also refers irregularities and other suspicious acts detected during audits to the OI for investigative consideration. One such matter was referred for investigation during this reporting period.

Significant Audit Report

REPORT ON THE AUDIT OF THE MCPHERSON SQUARE BOOKSTORE (Report Number 99-03)

The OIG completed a review on the management practices of the McPherson Square Bookstore. McPherson Square is one of the more productive bookstores of the 23 bookstores in GPO's chain. The Bookstore Manager is directly responsible to the Chief, Field Operations Division, for the proper conduct of business and implementation of GPO and Superintendent of Documents policies and procedures.

The audit determined that the operations and administration of the McPherson Square Bookstore were generally satisfactory. It also identified several instances of noncompliance with the Bookstore Manual and deficiencies in the GPO inventory records resulting from insufficient internal inventory controls and procedures.

The audit recommendations to the Chief, Field Operations Division, through the Superintendent of Documents, should improve the current policies and procedures to provide effective and efficient service to customers and to provide reasonable assurance and safeguards against waste, loss, and theft over GPO's property at the McPherson Square Bookstore.

C. Work-In-Process

The OA has undertaken the following seven audits:

1. **Review of Office of Information Resources Management Control Program** - A report on the Office of Information Resources Management Control Program has been prepared for issuance in the next reporting period.
2. **Review of GPO's Policies and Procedures in Procuring Congressional and Agency Printing** - A report on GPO's policies and procedures regarding the decision to produce Congressional and Agency printing in-house or to contract-out the printing to private contractors has been prepared for issuance in the next reporting period.
3. **Review of GPO Property Accountability and Control** – A report on GPO Property Accountability and Control has been prepared for issuance in the next reporting period.
4. **Review of GPO's Retail Sales Outlet at Laurel** – This audit evaluated whether the Sales Outlet fulfilled its mission in serving the public on a self-sustaining basis by: (1) providing timely and quality service to customers in an effective and economical manner; (2) having an adequate and effective system of controls deter fraud, waste, abuse, and mismanagement; and (3) complying with the Bookstore Manual and other applicable written instructions or memoranda. A report on GPO's Retail Sales Outlet at Laurel has been prepared for issuance in the next reporting period.
5. **Review of GPO's Equal Employment Office Complaints Counseling and Processing Division** – This audit is examining the policies, activities, and procedures of GPO's EEO Counseling and Complaints Processing Division. In particular, the audit will determine whether the Division is fulfilling its mission in serving the needs of both the agency and employees in a timely manner.
6. **Review of GPO's Ink Operations** – This audit is reviewing the policies, activities, and procedures for GPO's ink operations. In particular, the audit will determine whether inventory procedures and controls are adequate to account for property and supplies and to deter fraud, waste, and abuse of government property.
7. **Follow-up Review of GPO's Warehouse Space Audit Report #96-08** – This follow-up audit is to determine the status of one recommendation with six suggestions made on improving the efficient and effective use of current office, production (industrial), and warehouse space in Central Office's buildings.

D. Advice and Assistance

The audit staff provides advice and assistance to GPO managers and others in an effort to: promote, economy, efficiency, and effectiveness in agency programs, operations, and other activities; promote compliance with laws and regulations; and, strengthen management control systems that deter, prevent, and detect fraud, waste, and abuse.

During this reporting period, the OA provided substantial advice and assistance to GPO officials and other Federal audit organizations. A brief description of each of these activities follows.

(1) GPO Internal Control Program

The OIG monitors the progress of GPO's efforts to implement and maintain an Internal Control Program under GPO Instruction 825.18A titled "*Internal Control Program.*" The OIG assessed all Internal Control Reviews conducted within the last six months of Fiscal Year 1998 and consolidated in an annual letter of compliance to the Public Printer on October 30, 1998, as required by the Instruction.

During this reporting period, the OIG also provided advice and assistance to several GPO managers with respect to implementing effective internal control programs.

(2) Computer Systems - Year 2000 Problem

The General Accounting Office is continuing its assessment of the GPO and the overall Legislative Branch preparedness for the Year 2000. The OIG is facilitating that effort and is providing advisory and assistance services to GPO management as needed. For example, the OIG is assisting the Office of Administrative Support in preparing comprehensive computer security guidelines for GPO.

(3) Financial Statement Audit

The OIG is providing support for ongoing audits of the GPO's financial statement. Under 44 U.S.C. §309, an annual financial statement audit has been required beginning with GPO's FY 1997 financial statement. The audits are being conducted by KPMG LLP under a contract for which the Assistant Inspector General for Audits is the Contracting Officer's Technical Representative (COTR). In addition to serving as COTR, the OIG provided office space, administrative support, and coordination with GPO management for the KPMG auditors. The OIG also reviewed the KPMG audit workpapers.

The FY 1998 audit report resulted in the opinion that: “ (1)The GPO's consolidated financial statements as of and for the year ended September 30, 1998, are presented fairly, in all material respects, in conformity with generally accepted accounting principles, and (2) GPO management has fairly stated, in all material aspects, its assertions that internal controls in place as of September 30, 1998, provide reasonable

assurance that assets were safeguarded against loss from unauthorized acquisition, use, or disposition; that controls were effective in assuring that transactions were executed in accordance with laws governing the use of budget authority and with other laws and regulations that have a direct and material effect on the financial statements; and, that transactions were properly recorded, processed, and summarized to permit the preparation of reliable financial statements and to maintain accountability for assets.”

The KPMG auditors also concluded that deficiencies in the design and/or operation of GPO’s EDP general controls continue to be a reportable condition. This condition had been reported in previous financial statement audit reports.

(4) Printing Procurement Department’s Draft Printing Procurement Regulation

The OIG provided comments to management officials on updating the Printing Procurement Department’s Printing procurement publications: GPO Publication 305.3 (Printing Procurement Regulation); and GPO Publication 310.2 (GPO Contract Terms).

E. Outstanding Audit Recommendations

Some significant recommendations contained in two audit reports issued during prior semiannual reporting periods remain open. A synopsis of our audit findings and recommendations, along with management’s action(s) to implement the outstanding recommendations follows.

(1) Report on Efforts to Implement a Capacity Management Program (Report Number 89-21, issued May 9, 1989)

FINDING

The GPO has not established a capacity management program for its Automated Data Processing (ADP) operations. 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 resources are utilized and forecasts future requirements.

RECOMMENDATION

GPO should establish and maintain a capacity management program.

MANAGEMENT ACTION

On September 19, 1997, the Director, OIRM, stated that the Fiscal Year 1998 budget request included new personnel needed to implement this recommendation. However, on January 14, 1998, the Director OIRM, stated that a capacity management program will be implemented if additional hires are approved.

(2) Financial Statement Audits

The accounting firm of Arthur Anderson LLP conducted an audit of GPO's FY 1995 financial statements. In the report of that audit, Arthur Anderson made comments and suggestions for consideration by GPO management. The follow-up on GPO's subsequent actions was conducted as part of the KPMG audit of GPO's FY 1997 financial statement.

The follow-up of the recommendations of the FY 1997 financial statements audit was included in the FY 1998 financial statement audit. Since the two financial statement audits were completed within less than a year of each other, GPO has not had a sufficient opportunity to implement corrective action on the recommendations in the FY 1997 financial statement audit. Also, since the recommendations primarily involve internal information technology controls at GPO, GPO has been distracted from implementing recommendations by the more immediate need to address Y2K issues.

OTHER INSPECTOR GENERAL ACTIVITIES

A. Comments on GPO Instructions and Assistance to Management

The Inspector General commented on a draft GPO instruction on the Prevention of Sexual Harassment in the Workplace. As a result of that instruction, the Inspector General drafted a Memorandum of Understanding (MOU) with three other GPO offices to establish procedures for handling allegations of sexual harassment under the GPO instruction. The MOU created a screening committee to review such allegations and to coordinate the agency's response, including determining what, if any, immediate action needs to be taken to minimize the harm and to protect the complainant, witnesses, and evidence.

The Inspector General commented on a draft GPO Computer Security Instruction and served as a special advisor to a GPO Information Systems Security Committee established to develop a comprehensive computer security policy for GPO.

The OIG assisted and coordinated the GPO's written comments on a draft audit report entitled "Review of the National Institutes of Health Printing Program." The audit was conducted by the Inspector General of the U.S. Department of Health and Human Services, and the final report was issued March 19, 1999.

The Inspector General commented on the draft FY 1998 GPO Annual Report, and the OIG provided comments to management officials on updating the Printing Procurement Department's Printing procurement publications: GPO Publication 305.3 (Printing Procurement Regulation); and GPO Publication 310.2 (GPO Contract Terms).

The OIG assisted in resolving matters involving the failure of a manager to follow GPO procedures for procuring a new copier machine, and an allegation that unopened mail, including

checks, was being discarded by an employee in the Superintendent of Documents Order Division.

At the request of the Public Printer the OIG reviewed the books and financial management of the GPO Recreation and Welfare Association and issued a report to the Public Printer critical of the financial management of the association. However, during the review new elections were held for the association, and a new slate of officers was elected. The new president of the association is committed to instituting reforms that will lead to sound financial management and has already taken steps to install adequate financial controls.

The OIG issued a warning letter to an employee of a library at a State university who without authorization accessed and created Permanent Uniform Resource Locators on a GPO listserv that serves Federal Depository Libraries.

The Inspector General assisted the Inspector General of another Federal agency with an investigation. The other OIG lacked investigative resources, and requested assistance in resolving an allegation of employee misconduct.

B. Legislation

Recently, questions have been raised in two separate forums regarding the independence of Inspectors General in the Designated Federal Entities (DFEs), and by implication, the Inspector General at GPO. Although Inspectors General have been debating for some time whether to seek legislation to enhance their statutory independence, the fact that these questions have now been raised outside of the Inspector General community indicates that additional attention needs to be given to independence issues.

The first recently to question the independence of the DFE IG's was the Professional Ethics Committee of the American Institute of Certified Public Accountants (AICPA). The Committee proposed a revision of its rules that would result in DFE IG's being deemed not sufficiently independent to issue audit reports under Generally Accepted Auditing Standards (GAAS). Under the proposed AICPA definition, the Presidentially appointed IG's would be treated as independent auditors, but the DFE IG's would be treated as "internal auditors" because they are appointed by their agency heads and, therefore, they are considered to be less independent. In response, 24 DFE IG's sent a letter challenging the AICPA's proposed revision, and asserting that the manner of an IG's appointment does not vest some (Presidentially appointed) IG's with more independence than others (agency-head appointed).

The second forum in which the independence of DFE IG's was raised was a hearing before an Administrative Law Judge (ALJ) of the Federal Labor Relations Authority (FLRA) on an Unfair Labor Practice charge against the Office of Inspector General of the National Labor Relations Board (NLRB). At issue was the alleged refusal of an investigator from the NLRB OIG to permit an employee to be represented by his union during an investigative interview. This very issue is pending a decision by the U.S. Supreme Court in *FLRA v. National Aeronautics and Space Administration and National Aeronautics and Space Administration Office of Inspector*

General, 120 F.3d 1208 (11th Cir.1997), *cert. granted*, 119 S.Ct. 401(1998). Oral argument was heard on March 23, 1999. The ALJ who decided the NLRB case, however, concluded that the NLRB OIG case was not necessarily dependent on the outcome of the NASA case in the Supreme Court. The ALJ found that since the NLRB case involved a DFE IG, and the pending NASA case involved a Presidentially appointed IG, the cases were sufficiently dissimilar to distinguish them even before the Supreme Court issues its decision. Specifically, the ALJ stated that:

Unlike the Inspector General in *NASA* and the Inspectors General of other agencies defined by section 11 of the IG Act as “establishments,” the Inspector General of the NLRB is appointed by its Chairman, who may also remove him or her. Although such removal must be explained to Congress, there are no formal limitations on the reasons on such action. The Inspector General, therefore, must rely solely on political considerations rather than legal standards with respect to the security of his or her position.

NLRB OIG and NLRBU, FLRA Case No. AT-CA-80026 (February 10, 1999), at 19. The ALJ went on to state that because a DFE IG serves at the pleasure of the agency head, and because of the agency’s role in establishing the OIG’s budget, a DFE IG also appears to have somewhat less independence than a Presidentially appointed Inspector General. *Id.* at 20.

Although the DFE IG’s have long believed that the intent of the Inspector General Act Amendments of 1988 was to establish IG’s in the Designated Federal Entities who have the same level of independence as Presidentially appointed IG’s, it is becoming increasingly apparent that there are significant perceived differences. Several legislative proposals pending or soon to be introduced in this Congress directly affect IG’s. In the coming months DFE IG’s will become more involved in working with Congress to address these independence issues.

A. Statistical Table on Audit Reports with Questioned Costs

| Description | Number of Reports | Questioned Costs | Unsupported Costs |
|---|-------------------|------------------|-------------------|
| A. For which no management decision has been made by the commencement of the reporting period | 5 | \$ 101,904 | \$ - |
| B. Which were issued during the reporting period | 3 | \$ 63,816 | \$ 25,849 |
| C. Subtotals (A+B) | 8 | \$ 165,720 | \$ 25,849 |
| D. For which a management decision was made during the reporting period | 7 | | |
| 1. Dollar value of disallowed costs | | \$ 7,008 | \$ - |
| 2. Dollar value of allowed costs | | \$ 158,712 | \$ - |
| E. For which no management decision has been made by the end of the reporting period | 1 | \$ - | \$ 25,849 |
| F. Reports for which no management decision has been made within six months of issuance | - | \$ - | \$ - |

**B. Statistical Table on Audit Reports with Recommendations
Involving Funds Put to Better Use**

| Description | Number of Reports | Funds Put To Better Use |
|---|-------------------|-------------------------|
| A. For which no management decision has been made by the commencement of the reporting period | 1 | \$ 561 |
| B. Which were issued during the reporting period | - | \$ - |
| Subtotals (A+B) | 1 | \$ 561 |
| C. For which a management decision was made during the reporting period 1. Dollar value of recommendations that were agreed to by management 2. Dollar value of recommendations that were not agreed to by management | 1 | \$ 561 |
| 1. Dollar value of recommendations that were agreed to by management | - | \$ - |
| 2. Dollar value of recommendations that were not agreed to by management | 1 | \$ 561 |
| D. For which no management decision has been made by the end of the reporting period | - | \$ - |
| E. For which no management decision has been made within six months of issuance | - | \$ - |

C. List of Audit Reports Issued During This Reporting Period

| A. Contract Audit Reports: | Questioned Costs | Unsupported Costs |
|--|---|-------------------|
| 1. Contract Review (Report 99-01, Issued 02/24/99) | <div style="border: 1px dashed black; padding: 5px;"> <p><i>Information identifying the contractor and the associated questioned costs has not been disclosed to protect the Government's negotiating position on claims, which have not been settled.</i></p> </div> | |
| 2. Contract Review (Report 99-02, Issued 10/22/98) | | |
| 3. Contract Review (Report 99-04, Issued 03/17/99) | | |
| Totals | \$ 63,816 | \$ 25,849 |

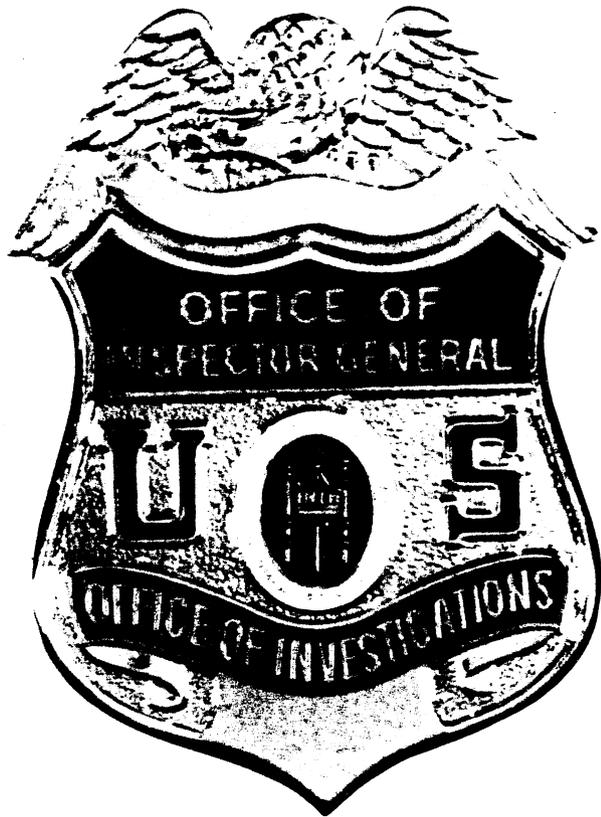
| B. Other Audit Reports: | Funds Put to Better Use |
|---|-------------------------|
| 1. Report on the Audit of the McPherson Square Bookstore (Report Number 99-03, Issued 03/19/99) | \$ - |
| 2. Report on the Effectiveness of the Physical Security Program For Secured Production Facilities at GPO (Report Number 99-05, Issued 04/13/99) | \$ - |
| Total | \$ - |

D. Index of Reporting Requirements

The specific reporting requirements of the Inspector General Act of 1978, as amended in 1988, are listed below with references to the pages on which they are addressed.

| IG Act Section | Description | Report Page(s) |
|-------------------|--|----------------|
| 4(a)(2) | Review of legislation and regulations | 21-23 |
| 5(a)(1) | Significant problems, abuses, and deficiencies | 11-12 |
| 5(a)(2) | Recommendations with respect to significant problems, abuses, and deficiencies | 11-12 |
| 5(a)(3) | Significant recommendations included in previous reports on which corrective action has not been completed | 20-21 |
| 5(a)(4) | Matters referred to prosecutive authorities | 10 |
| 5(a)(5) | Summary of instances where information was refused | None |
| 5(a)(6) | List of audit reports | 17-18 |
| 5(a)(7) | Summary of significant reports | 18-19 |
| 5(a)(8) | Statistical table with questioned costs | 26 |
| 5(a)(9) | Statistical table with recommendations that funds be put to better use | 27 |
| 5(a)(10) | Summary of audit reports issued before the commencement of the reporting period for which no management decision has been made | None |
| 5(a)(11) | Significant revised management decisions made during the reporting period | None |
| 5(a)(12) | Management decisions with which the Inspector General is in disagreement | None |

**Reports of
Drug Activity or
Fraud, Waste and
Abuse may be made
in strict confidence
to the GPO
Inspector
General**



**Call: The toll-free
National Hotline
1-800-743-7574**

**or Write to:
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Office of Investigations
P.O. Box 1790
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