

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

SEMIANNUAL REPORT TO THE CONGRESS

**REPORTING PERIOD
APRIL 1, 2002 – SEPTEMBER 30, 2002**

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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 combining a comprehensive range of conventional production and electronic processing, procurement facilitation, and multi-format dissemination capabilities to support the needs of Congress, Federal agencies, and the public. For example:

- X 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.
- X 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.
- X GPO also disseminates a massive volume of information online via the Internet with GPO Access. Recent data show that more than 31 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 is one of the leading Federal sites on the Internet. The GPO home page, 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.

During this reporting period, GPO management made changes in its sales program to address the decline in book sales nationwide. Six of GPO's 24 bookstores have been closed due to significantly reduced sales resulting primarily from the public's increased ability to access government publications free of charge over the Internet, including the more than 200,000

government titles currently available on GPO's own web site, *GPO Access* (www.gpo.gov). In FY 2001, GPO closed the San Francisco, Boston, and Philadelphia bookstores, and the Washington DC bookstore at McPherson Square. In FY 2002 GPO closed the Chicago and the Birmingham, Alabama, bookstores. In FY 2003, GPO plans to close the bookstores in Columbus and Cleveland, Ohio.

Customers of those bookstores will not be deprived of access to government publications. Those wishing to buy government books can link to the U.S. Government Online Bookstore at <http://bookstore.gpo.gov>. The Online Bookstore's Sales Product Catalog includes all titles available for sale and can be searched by publication title, subject, or keywords. Residents in the cities where bookstores were closed can continue to locate and use U.S. Government books as well as online government information free of charge in any of their local Federal Depository libraries.

As of October 19, 2002, GPO has a workforce of 3017 skilled individuals in printing, procurement, electronic information technologies, documents dissemination, administrative, and related specialties. Most of the GPO workforce is located in Washington, DC. GPO also has 18 bookstores nationwide, 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 \$214 million in revenue during Fiscal Year 2001. GPO also operates a printing plant in Denver, Colorado, and a facility in Atlantic City, New Jersey, that provides printing services to the Federal Aviation Administration. A GPO distribution center in Pueblo, Colorado, distributes government information to the public.

On August 1, 2002, the President nominated Bruce R. James of Nevada to be the next Public Printer of the Government Printing Office. The Senate Committee on Rules and Administration held a confirmation hearing on the nomination on October 3, 2002.

THE OFFICE OF INSPECTOR GENERAL

The Office of Inspector General was created by the Government Printing Office Inspector General Act of 1988, Title II of Public Law 100-504 (October 18, 1988). Title I of that Public Law is known as the Inspector General Act Amendments of 1988, and created offices of Inspectors General in designated federal entities. Because GPO is a legislative branch agency, the GPO OIG was established separately. However, the GPO Inspector General shares the same duties, responsibilities, and authority as the Inspectors General in the designated Federal entities, except that there is no statutory prohibition against assigning program operating responsibilities to the GPO Office of Inspector General. Another exception is that Public Law 104-316, the General Accounting Office Act of 1996, provides that the GPO Inspector General conducts audits under the direction of the Joint Committee on Printing (JCP), and conducts annual audits of the GPO financial statement when requested by the JCP.

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). The Inspector General has been a member of and active in the

President's Executive Council on Integrity and Efficiency (ECIE) since the Council was established in 1992 by Executive Order 12805.

The OIG budget for FY 2002 was \$3.4 million. As of September 30, 2002, the OIG consisted of 24 employees on-board: 11 auditors, 6 investigators, 3 inspectors, 1 secretary, the Inspector General, and 2 information systems support personnel.

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, or GPO officials and other employees. Special Agents in the Office of Investigations are also designated as special police officers pursuant to 44 U.S.C. § 317, and have full law enforcement authority on premises occupied or under the control of GPO and adjacent areas.

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 adjudication, or through administratively negotiated settlements.

Office of Audits

The Office of Audits, as required by the Government Printing Office Inspector General Act of 1988: (1) conducts independent and objective audits relating to GPO; (2) provides leadership and coordination, and recommends 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.

Inspection Unit

The Inspection Unit assists the Inspector General in responding to Congressional and management requests for assistance. The Unit is staffed by an auditor, an investigator, and a chief. The work of the Unit is characterized by rapid turnaround on reviews which are normally limited to a single issue.

OFFICE OF INVESTIGATIONS

A. Summary of Investigations

During this reporting period, the GPO OIG Hotline program for Drug, Fraud, Waste, and Abuse received twelve fraud-related matters. Of that number:

- 4 fraud investigations were initiated;
- 1 matter was referred to the Inspections Unit;
- 1 matter was referred to the Labor and Employee Relations for action;
- 1 matter was referred to GPO Management; and,
- 5 telephone calls did not warrant any action.

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

**Summary of Investigative Case Workload
as of September 30, 2002**

| Workload Analysis | Number of Cases |
|------------------------------------|-----------------|
| Beginning Case Workload – 04/01/02 | 25 |
| Add: New Cases Opened | 20 |
| Less: Cases Closed | 25 |
| Ending Case Workload – 09/30/02 | 20 |

The OI opened 20 investigative cases during this reporting period in response to new complaints or allegations. The 25 cases closed during the reporting period consisted of 18 cases from prior reporting periods, and 7 cases from the current reporting period. The 20 open investigations include 12 cases from the current period, and 8 cases from prior reporting periods. One administrative subpoena was issued for documents. There was no instance of noncompliance with a subpoena.

B. Investigative Accomplishments

The OI has continued to provide assistance and support to the FBI in their investigations into the September 11, 2001 terrorist attacks on the Pentagon and World Trade Centers. They will continue to provide support into the next reporting period. In addition, the OI is assisting the GPO's Superintendent of Documents division in comparing the FBI Watch List with GPO files of individuals who purchased documents and publications. Any similarities are being provided back to the FBI for their use in the analysis of the attacks.

C. Types of Cases

The OI's investigative workload can be categorized into five major areas that are based on the types of investigations, 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 is currently investigating four matters involving alleged WCP fraud. One case is from a prior reporting period and three are from the current period.

One prior reporting period WCP investigation was closed during this reporting period due to 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 one previous reporting period fraud case pending prosecutive action by a U.S. Attorney's Office. Two current reporting period cases are active.

The OI closed two contract fraud investigations - one from a prior reporting period, and one from the current reporting period.

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 nine active misconduct investigations. Three are from prior reporting periods and six are from the current reporting period.

Three prior and one current reporting period misconduct investigations have been referred to GPO management, and are pending administrative action.

During the reporting period, eleven employee misconduct investigations were closed.

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

When specially requested, 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 because 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. No miscellaneous cases remain open.

The OI received seven requests for Local Agency Checks (LAC) from the agency Personnel Security Specialist (PSS) during the current reporting period. The results of all seven cases, and one previous reporting period case, were referred back to the PSS for any necessary administrative action.

The OI also closed ten miscellaneous cases 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. The following is a summary of outstanding referrals by the OI:

1. External

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

The OI presented nine investigations to USAO's and/or SAO's for criminal prosecution, and three investigations for civil prosecution during this reporting period. Prosecution was declined in eight of the nine criminal matters, and all three civil matters were declined for prosecution.

Two investigations are presently at USAO's for final action by those offices. One is a contract fraud case in the District of Columbia, in which a printing company is facing civil penalties under the False Claims Act for presenting false or fraudulent claims for payment in connection with illegally subcontracting the predominant production function of at least 100 GPO contracts.

The second matter pending in the U.S. Attorney's Office involves the alleged falsification of official Department of Justice documents by a GPO employee to receive time off for court duty.

2. Internal

- Office of General Counsel:

There are no investigations currently pending in the OGC for possible action.

- Labor and Employee Relations Service:

Four matters had been referred to the GPO Labor and Employee Relations Service. Allegations referred include employee misconduct and miscellaneous violations. The OI is awaiting the final disposition of the four referrals.

E. Investigative Case Dispositions

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

1. Pending Matters

- In a case pending in the District of Columbia, a GPO Region 3 contractor is facing civil penalties under the False Claims Act for presenting false or fraudulent claims to the United States for payment. This matter involved illegally subcontracting the predominant production function of at least 100 GPO contracts.
- A current reporting period investigation of a GPO Central Office employee resulted in the employee being arrested on two counts of indecent exposure. The employee pled guilty in D.C. Superior Court and was ordered to pay a fine of \$150.00. The matter is pending administrative action in the GPO Labor and Employee Relations Service (LERS).
- A current reporting period investigation into an alleged prohibited personnel practice was declined for prosecution by the U.S. Attorney's Office (USAO). The matter was forwarded to the GPO LERS and is pending action.
- A prior reporting period investigation into the alleged destruction of government property, declined for prosecution by the USAO, was forwarded to the GPO LERS for action. The matter is pending.
- The Department of Justice, Public Integrity Section, has accepted a current reporting period investigation for prosecution. The case involves the alleged falsification of official documents to receive time off for jury duty. An OI Special Agent is working directly with the DOJ attorney to prepare the case for prosecution.

- A current reporting period investigation into the alleged forging of GPO parking permits was forwarded to the GPO LERS for action. The matter is pending.
- A prior reporting period investigation into alleged time and attendance fraud was declined by the USAO for prosecution. The matter was forwarded to the GPO LERS for action, and is still pending.
- A current reporting period investigation into allegations of cheating on an OPM/GPO test was declined by the USAO for prosecution. The matter was forwarded to the GPO LERS for action, and is still pending.

2. Closed Matters

- The U.S. Attorney's Office, Greenbelt MD, declined civil prosecution of a prior reporting period investigation into the alleged submission of false claims/statements, and destruction of government property by a Region 3 contractor. The company went out of business and the matter was closed.
- A prior reporting period investigation of a GPO employee regarding Social Security Benefit Fraud was referred to the Director LERS for action. The employee received a verbal warning and was ordered by the SSA to repay \$18,748.10 in false benefits. Prosecution in the matter was previously declined by the U.S. Attorney's Office, and the matter is now closed.
- A prior reporting period investigation of a GPO lead Police Officer, which had been declined for prosecution by the U.S. Attorney's Office, and referred to the Director, Labor and Employee Relations Service (LERS) for action, resulted in the removal of the officer from the rolls of the GPO. This matter was closed.
- A prior reporting period investigation of a GPO employee for fraudulently obtaining a Thrift Savings Plan (TSP) loan was declined for prosecution by the USAO's in New Orleans, LA and Washington, DC. The matter was referred to the LERS for action and resulted in the employee receiving a 30-day suspension. The matter was closed.
- A prior reporting period investigation into allegations of "violence in the workplace" resulted in a GPO employee being given a 15-day suspension. The matter was closed.

Productivity Statistics for the Office of Investigations

| | | |
|--|-----------------------|---|
| A. Investigations Initiated | 20 | |
| B. Cases Closed | 25 | |
| C. Arrests | 0 | |
| D. Cases Presented to U.S. Attorneys/State's Attorney | 12 | |
| <i>Criminal</i> | 9 | |
| Criminal Declinations | 8 | |
| <i>Civil</i> | 3 | |
| Civil Declinations | 3 | |
| E. Criminal/Civil Matters: | | |
| Convictions | 1 | |
| Guilty Pleas | 1 | |
| Acquittals | 0 | |
| Jail Time (days) | 0 | |
| Suspended Time (days) | 0 | |
| Probation (days) | 0 | |
| Public Service (hours) | 0 | |
| Recoveries | \$ 18,748 | |
| Restitutions | \$0 | |
| Fines | \$150 | |
| Cost Savings | \$0 | |
| F. Total Administrative Referrals | | |
| 4 | | |
| Contractor | Referrals | 0 |
| | Suspensions | 0 |
| | Debarments | 0 |
| | Contract Terminations | 0 |
| | Warned/Other Actions | 0 |
| Employee | Referrals | 4 |
| | Suspensions | 2 |
| | Terminations | 1 |
| | Warned/Other Actions | 2 |
| G. Other Law Enforcement Agency Referrals | | |
| 0 | | |

OFFICE OF AUDITS

A. Summary of Audit Activity

During the reporting period ending September 30, 2002, the Office of Audits (OA) conducted the following audits and audit related activities:

- Issued an audit report on improving the controls over GPO's Smartpay Program in the Central Office.
- Issued an audit report on improving the controls over SuDocs Sales Order Program in the Central Office.
- Completed a quality assurance review of an OA audit.
- Continued to function as the Contracting Officer's Technical Representative to oversee the completion of the annual audit of GPO's fiscal year 2001 financial statements and initiation of the fiscal year 2002 audit by an independent public accounting firm.
- Issued a draft audit report on improving controls over operations at the Denver Regional Printing Procurement Office to management for comment.
- Issued a draft audit report on GPO's Workman's Compensation Program to management for comment.
- Initiated four new audits in accordance with the OIG five-year Strategic Audit Plan.
- Finalized and issued the five-year Strategic Audit Plan for fiscal years 2002 – 2006.
- Issued a report to Congress regarding GPO's payments to the District of Columbia for water and sewer services.

B. Audit Accomplishments

Four reports were issued during the six-month reporting period ended September 30, 2002. Four new audits were initiated during this reporting period.

Financial Audits

No financial audits were issued by the OA during this reporting period.

Performance Audits

The OA issued performance audit reports on:

- Central office sales order processing.
- GPO Smartpay credit card program in the central office.

These reports are being prepared for issuance in the next reporting period when management's comments, if any, are submitted.

Contract Audits

Two contract claim audit reports were issued during this six-month reporting period.

Investigative Support

OA provides accounting and auditing assistance to the OIG Special Agents for civil and criminal investigations when requested. Irregularities and other suspicious activities detected during audits are referred to the OI for investigative consideration. There was no formal support activity conducted during this reporting period.

DC WASA Quarterly Report to Congress

Pursuant to Public Law 106-54, a report analyzing the promptness of GPO's payment for water and sewer services was issued on April 15, 2002. GPO's payments are made via Treasury's Online Payment and Collection System (OPAC) and are based on estimates compiled by DC WASA and/or Treasury. As such, payments are automatic when billing is initiated by the billing agency.

Significant Audit Reports

A synopsis of significant audit reports issued during this reporting period follows:

1. REPORT ON IMPROVING THE CONTROLS OVER GPO'S SMARTPAY PROGRAM AT THE CENTRAL OFFICE
(Report Number 02-09)

Our audit found overall that adequate management controls over credit card use have been implemented. Opportunities for improvement exist over reconciling disputed items, procuring small purchases economically, splitting purchases to avoid individual transaction ceilings, authorizing training course payments, and exceeding annual budget limitations.

The OIG made eight recommendations to improve controls over the GPO SmartPay Program. Division management agreed with all but one of the recommendations and has, or will be, implementing them.

2. REPORT ON IMPROVING CONTROLS OVER SUDOCS CENTRAL OFFICE SALES ORDER PROGRAM (Report Number 02-10)

The audit determined overall that adequate management controls were in operation over the receipt and deposit of funds in the Superintendent of Documents Central Office Sales Orders Program. Seven areas for improvement were identified during the audit, resulting in eleven recommendations.

Management is implementing all recommendations.

C. Work-In-Progress

Two audits were completed during this reporting period and draft audit reports were submitted to management for comment. In each audit, management was given 30 days within which to comment on the draft reports, but management did not provide all of the comments to the OIG in a timely fashion. As a result, the two audit reports could not be issued before September 30, 2002. Nevertheless, the following is a brief summary of the findings and recommendations of these audits, which will be more fully discussed in the next semiannual report.

1. Report on Improving the Controls over the Procurement Process of the Denver Regional Printing and Procurement Office.

The OIG conducted a performance audit on the procurement controls over the Denver Regional Printing and Procurement Office (RPPO). The audit identified 10 findings and made 30 recommendations to the Printing Procurement Department to strengthen Denver's future procurement.

The OIG identified the following eight internal control weaknesses:

1. The prior direct-deal term contracts were not always reviewed for adherence, and direct-deal print orders were not always reviewed periodically to ensure that customer agencies issued completed print orders to contractors that complied with all contract specifications;
2. Appropriate oversight was not always exercised or separated among individuals on procurements awarded;
3. The certifying of abstracts on term contracts and the processing of "rush" procurements were not always timely and at a reasonable price;
4. The automated Requisition Worklog was not always updated, and the Procurement Information and Control System (PICS) did not always contain accurate procurement data for both systems to be used as effective management tools for GPO personnel;
5. The Daily Exception Report was not printed, nor were contractors telephoned daily to check shipping/delivering dates. Instead, the RPPO relied on customer agencies or contractors to notify GPO of delinquencies;
6. Competition to the maximum extent practical on term contracts was not always maintained when soliciting contractors, submitting for bids, and publicizing procurement opportunities;
7. The all-encompassing cost element "Timework" continued to be used in term contracts after the issue of potential collusion or abuse was raised from past procurements; and
8. An Internal Control Program has not been established.

A draft audit report was submitted to management for comment on August 21, 2002, and management was asked to provide comments within 30 days. However, more than two months later, no management comments have been received. The OIG was informed that the management official responsible for commenting on the draft report had taken an overseas vacation and would not return until the end of October.

2. Report On The Workers' Compensation Program – Phase II

The primary objective of this audit was to evaluate the most significant control issues in the current environment of the GPO Office of Workers' Compensation (OWC). These issues were identified by a detailed risk analysis that was prepared by the audit team during and after a follow-up audit of previous recommendations made to the OWC.

Our secondary objectives were to determine to what extent GPO complies with appropriate DOL laws and regulations, and to assess current internal controls throughout GPO's Workers' Compensation Program as it interacts with other GPO departments and DOL. In the course of our work, we also assessed the susceptibility of various aspects of the Workers' Compensation Program to fraud, waste, and abuse.

Problems were noted with the overall program. For example, breakdowns in communication, whether within OWC or between OWC and other departments, have hampered program effectiveness. Within OWC, the current structure and location of the office and its management impede effective administration. The lack of updated policy and procedures has led to information gaps and difficulties with program management between OWC and other GPO departments.

OWC lacks a comprehensive automated information system, causing OWC and related GPO sections to be uninformed or unaware of details in many OWC cases. Also, a large proportion of accidents are not being investigated promptly.

Training programs have been minimal regarding the workers' compensation program. Without sufficient training, both managers and line supervisors throughout GPO are at a disadvantage by not knowing when, where or how to complete and forward necessary documentation. The DOL chargeback billing list (CBL) reports contain a wealth of data regarding employee cases, but this data is not being utilized to spot trends.

As a result of these issues, and using improvement models provided from two other Federal agencies, the OIG has provided 29 audit recommendations intended to address and resolve OWC's deficiencies by focusing on solutions.

A draft report was furnished to management with a request for comments within 30 days. Timely comments were received from the GPO Office of Personnel and Office of Occupational Health and Environmental Services. However, the GPO OWC delayed its comments until October 16, 2002, so that the final audit report could not be issued during this reporting period.

The following audits were initiated during the later part of this reporting period:

1. **Audit of GPO's Contract Modifications** – to ensure that management controls in place over contract modifications are adequate to support printing purchasing missions and activities. Also, to ensure that contract modifications are monitored, reconciled with the original contract, and consistently and appropriately charged. A report is planned for the next reporting period.
2. **Audit of Sudocs Contractor Postage Rates** – to identify opportunities to improve economy and efficiency in the use of contractors' postage and distribution documents for GPO. Also to evaluate the adequacy of controls over the process and rates charged. A final report may be issued in the next reporting period.
3. **Audit of the Employee Relations and Programs Branch** – to evaluate the most significant control issues in the GPO Office of Labor and Employee Relations, and report their status. A report is planned for the next reporting period.
4. **Audit of the Depository Library Inspection Program** – to review the efficiency and effectiveness of this program, and develop recommendations as appropriate. A report is planned for the next reporting period.

D. Advice and Assistance

The OA continued to provide substantial advice and assistance during this reporting period to GPO officials, other Federal audit organizations and Congressional staff. The highlights of these activities are briefly described below.

1. 2002 Financial Statement Audit

Throughout this reporting period, the OA provided support for the audit of GPO's 2002 financial statements. Under 44 U.S.C. 309, an annual financial statement audit has been required since fiscal year 1997. KPMG LLP has been retained to conduct this audit under a multi-year contract for which the OA functions as the Contracting Officer's Technical Representative (COTR). In addition, the OIG provides administrative support and coordination with GPO management for the KPMG auditors. This is the second annual audit to be performed under the latest contract. KPMG LLP can be renewed for three more years on this contract.

2. 2001 Financial Statement Audit

The 2001 GPO financial statement audit was completed during this audit period. KPMG, LLP conducted this audit under the multi-year contract noted above. OA functioned as the Contracting Officer's Technical Representative (COTR) and provided administrative support and coordination with GPO management for the KPMG auditors. This was the first annual audit to be performed under the second multi-year contract with KPMG LLP.

3. GAO Building Security Report

GAO completed a government-wide survey of security for Federally owned and leased facilities and is currently finalizing their report. OA facilitated GPO's participation in this survey by coordinating with the appropriate GPO officials, and compiling GPO responses and comments.

E. Outstanding Audit Recommendations

During this period GPO management officials reported that implementation of several outstanding recommendations from prior periods had been completed. Management actions on four recommendations contained in three audit reports issued during prior periods have not been reported as complete. Synopsis of these findings, recommendations and the status of management's action follow:

(1) REPORT ON IMPROVING THE CONTROLS OVER EEO CONTRACT INVESTIGATIONS (Report Number 00-04, issued March 30, 2000)

FINDING

The Counseling and Complaints Processing of GPO's EEO was not fulfilling its duties in processing contract investigations in three areas: (1) assigning formal complaints to contract investigators timely; (2) monitoring the completion of investigations timely; and (3) verifying the contract investigators' invoices for accuracy before forwarding the invoices to the Comptroller for payment.

RECOMMENDATION

The Director, Office of Equal Employment Opportunity, should:

- Update and maintain the EEO Investigation Tracking System to inform the Complaints Officer of the correct status of investigations when authorizing payment on a contract investigator's invoice (0004-08).

MANAGEMENT ACTION

The Director advised the IG that efforts to implement an electronic complaints tracking system that had been procured free of charge had been abandoned. EEO is currently working with a potential contractor to develop a suitable tracking system in response to Recommendation Number 0004-08. A previous attempt to adapt a discrimination complaints tracking system from the Department of Veterans Affairs had also not been successful.

(2) REPORT ON IMPROVING THE CONTROLS OVER INVENTORIES IN THE GRAPHIC SUPPLIES SECTION (Report Number 00-05, issued April 3, 2000)

FINDING

Opportunities were identified to improve internal controls over operating and controlling Graphic Supplies Section's inventory that created over \$138,000 worth of inventory discrepancies, or 26 percent of the listed inventory value, that was detected during a cyclic inventory between February and March 1999.

In addition, based on current usage, a projected estimated savings of over \$1.1 million over the next five years can be obtained by purchasing Heatset ink from outside contractors instead of manufacturing the ink in-house.

RECOMMENDATIONS

- The Manager, Quality Control and Technical Department, should ensure that an assessment is performed on the feasibility of using any of the 78 inactive, unreported properties with inventory balances in the future and to document those properties (0005-11);

MANAGEMENT ACTION

On September 25, 2002, the Manager, Quality Control and Technical Department, responded that four of the five recommendations that remained open at the end of the last reporting period had been implemented and implementation of the above recommendation would be completed within six months.

(3) REPORT ON IMPROVING THE CONTROLS OVER GPO'S TRAVEL PROGRAM (Report Number 01-05, issued June 12, 2001)

FINDING

Opportunities exist to improve controls by issuing fewer and smaller travel advances, and by updating published travel regulations.

RECOMMENDATIONS

The Director, Administrative Support should:

- Not authorize travel advances for employees with Government credit cards (activated and not activated) and require the use of credit cards for all cash advances to these employees (0105-01).
- Update GPO Publication 815.1B *Travel Regulations* dated July 1989 with the current General Services Administration's guidelines and GPO Notices on travel advances for GPO employees with a Government credit card (0105-03).

MANAGEMENT COMMENTS

On September 25, 2002 the Director, Office of Administrative Support responded that corrective action has been taken on one of three recommendations still open from the last reporting period. The director disagrees with the first recommendation (0105-1). He reported that GPO Publication 815.1B is currently being revised.

INSPECTIONS UNIT

During this reporting period, the Unit undertook a variety of inspections and issued several reports to management as follows:

1. Report on the security and continuity of blank passport book production. Issued August 5, 2002.

As a result of the September 11, 2001 attacks, it has become incumbent on each Inspector General to review those functions within his or her agency that contribute to the critical infrastructure of the United States. The U.S. Government Passport is the single most important document for a citizen traveling for commerce, pleasure, and official governmental or diplomatic business. The production of blank passport books by GPO for the State Department is a critical function and should operate in a secure environment. Continuity of operations should be ensured, to include the supply of all component parts of the product.

The OIG inspectors examined the organizations and operations within the GPO who actually produce the passport product or support the production process through procurement, supply and quality assurance services. The inspectors also reviewed the component suppliers who are critical to the manufacture of the passport books. They also examined the security and disaster recovery capabilities of those companies who supply security paper, inks, and other security features for the product. The inspectors interviewed company officials to determine their disaster recovery capabilities and, where possible, examined the physical security of their operations.

The objective of the review was to measure any risk to the GPO and State Department in the continuity of passport operations. The inspection found that the GPO passport production environment is secure, and that strong management controls are in place and working for all GPO organizations that have any responsibilities either in the supply chain or actual production of the passport product line.

However, the inspection also found that some opportunities exist to further improve the program and reduce potential risks. The review further found that some risk remains in the supply and transportation aspects of the production cycle. Recommendations were made to the GPO Materials Management Service, to the Production Manager, and to the Director of Customer Service.

To protect the sensitive nature of the components and production processes of passport documents, the inspection report was designated as “Official Use Only” and will only be disseminated on a need to know basis.

2. Review of workers’ compensation for deceased employees.

This review was prompted by information derived from the ongoing audit of GPO’s workers’ compensation program. Information obtained indicated that the U.S. Department of Labor (DOL) may have continued to make payments after the deaths of certain GPO employees. The objective of the review was to determine whether the employees died of work related injuries, and if the surviving spouses and/or children were entitled to benefits.

The inspection found that there were no improper payments made to surviving spouses or dependents. In all but two of the cases reviewed, benefits ceased with the employee’s death. In two cases, the GPO employees died as a result of injuries sustained on the job and their spouses are receiving benefits. The review indicated that the U.S. Labor Department properly monitored these cases and made adjustments when warranted. The review also determined that the initial concerns of the OIG were partly due to the fact that the DOL uses a fiscal year ending on June 30, instead of September 30.

The results of this review will be an appendix to the upcoming audit report on the GPO’s workers’ compensation program.

3. Report on the review of certain refunds in the Documents Sales Program. Issued July 11, 2002.

During an audit of certain aspects of the Superintendent of Documents (SuDocs) sales program, the Office of Audits discovered what appeared to be an excessive amount of refunds by GPO to a particular commercial customer. The purpose of the inspection was to assess the impact of the refunds on the sales program, and to determine if the refunds to that customer were anomalous. In the course of the inspection we reviewed refund activity for a fourteen-month period, and the preponderance of our work involved analyzing records, interviewing key personnel, and observing the processes in the SuDocs Document Sales organization.

In Fiscal Year 2001, SuDocs made 7,353 refunds totaling \$765,000. The inspectors reviewed refund activity for a fourteen-month period, and identified \$263,216 as multiple refunds to customers. Over \$90,000 of that amount were multiple refunds to the commercial customer. The records also indicated that multiple refund checks were often issued to the same customer on the same date.

The inspection found that, in the current environment, processing refund/cancellation requests in the SOD sales program is highly labor intensive. The process is totally manual, and involves researching order documents and listings of subscription customers. The refund amount itself is calculated and documented by hand, and additional manual reviews are done to assure accuracy. This information is then entered into the appropriate support system to modify the records, record the cancellation and further process the request for a refund check back to the customer.

In FY 2001 GPO issued 7,353 refunds at the estimated administrative cost of \$30.00 per transaction; therefore, the total cost to the sales program for issuing refunds during that period was over \$220,000.

The inspection resulted in the following recommendations to the Superintendent of Documents to reduce the administrative cost of processing refunds: (1) Electronic commerce relationships should be developed with large volume/revenue customers of the Sales Program; (2) The number of refund checks issued to a single customer should be reduced by consolidating payments, and by eventually using IPS to make the payments electronically; (3) Refunds for orders placed using credit cards should be a system-generated credit to the card of record; and, (4) The charge for customer order cancellations should be increased to recover more of the administrative cost of processing the refunds.

4. Inspections in progress.

A. In 1994 a Writ of Garnishment in an amount in excess of \$20 thousand was issued by a state court against a GPO employee. Subsequent garnishments were also issued in 1998, 1999, 2000, and 2001 by the court against the same employee. GPO sent payroll withholdings of over \$40 thousand to the court and to the law firm representing the creditor. However, GPO records indicate \$9 thousand more in payments than is shown as received by the law firm. The GPO Office of General Counsel referred the matter to Office of Inspector General to attempt to reconcile the difference.

OIG inspectors determined that the law firm had no record of 36 checks totaling \$9,085.46. The checks in question are from 1996, 1997 and a couple in 1998. Other checks were sent and acknowledged by the law firm before, during, and after the period of missing checks. The list of missing checks was referred to the GPO Disbursing Office to obtain copies from the U.S. Treasury. If any copies of cashed checks can be recovered, further action will be taken to resolve this matter.

B. The Chief of the Inspection Unit was asked by management to visit the GPO facility at Pueblo, Colorado, and assess the suitability of the facility to house a stockpile of blank passports for the State Department as part of GPO's continuity of operations planning. An assessment was made and the results were reported to management and to the Public Printer.

C. The Chief of the Inspection Unit continued to assist the Production Department in tracking shipments of blank passports that are late or misdelivered by Federal Express (FedEx). This assistance began when the OIG prepared a report for Congress on the security of passport shipments using Federal Express, and the OIG developed contacts and a certain familiarity with FedEx shipping procedures. During this reporting period, the OIG assisted in tracking the location of three boxes of passports destined for the State Department in San Francisco that were misdelivered to an address in Oakland California. The OIG is continuing to work with FedEx and with the Production Department to eliminate shipping errors and to better track passport deliveries.

D. In August, 2002, the Inspections Unit contracted with an e-security firm to conduct a technical vulnerability analysis of those GPO network components accessible from outside the agency's network. The firm conducted external penetration testing to identify any security vulnerabilities in GPO's external network connections, including web servers, e-mail servers, and remote access mechanisms. A final report on the results of the external penetration testing is due in October, 2002.

OTHER INSPECTOR GENERAL ACTIVITIES

The Inspector General prepared a GPO notice to be issued by the Public Printer, reminding all employees of the prohibition on gambling on GPO premises. The notice was prompted by indications from OIG investigations that gambling activity at GPO was being used to support union activities, and that GPO managers were aware of the practice. The notice gave fair warning to all employees that the prohibition on gambling at GPO would be enforced. The notice was issued on August 5, 2002.

The Inspector General continued to participate in activities of the President's Executive Council on Integrity and Efficiency (ECIE), including attending monthly meetings held at the White House Conference Center in Washington DC. The Inspector General attended the annual PCIE/ECIE conference held at the FDIC facility in Arlington Virginia in April, 2002. The Inspector General, as an ECIE representative on the President's Council on Integrity and Efficiency's (PCIE) Investigations Committee, commented on a proposal by that committee regarding a policy for code of conduct violations at the IG criminal investigator academy.

The Inspector General commented, through the ECIE, on a draft GAO report on consolidating IG offices by moving smaller Designated Federal Entity (DFE) IG offices into larger Presidential IG offices. The ECIE opposed such consolidation, but the GAO report made no recommendations regarding the GPO OIG. Since GPO is a legislative branch agency, the GPO OIG cannot be consolidated with an OIG in an executive branch agency.

The Inspector General commented on three draft GPO instructions: an instruction on the physical security of GPO premises and personnel; an instruction on information technology security; and an instruction on the GPO workers' compensation program. The last draft instruction was the result of an OIG audit recommendation, in September 2001, that the current workers' compensation instruction be revised to reflect changes in the program since the instruction was issued in 1979. The Inspector General criticized the draft instruction as failing to set forth clearly the responsibilities of managers and employees under the program. To date, no revised draft of the instruction has been presented.

The Inspector General and his Special Assistant assisted management in coordinating with the EEOC, and with the OIG at the EEOC, who were conducting a security audit of the EEOC website that is hosted by GPO. The EEOC contracted with an outside consulting firm to conduct the study, which ultimately resulted in a positive report regarding the security of the GPO-hosted website.

The Inspector General continued to work with three other GPO offices as a member of a screening committee to review sexual harassment 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. During this reporting period, the Inspector General attended one meeting of the screening committee.

The Inspector General began work on his annual report to the Public Printer on the status of management's required annual internal control assessments and reviews. The Inspector General's annual compliance report for FY 2002 will be prepared for the Public Printer in November, 2002.

As a result of an incident in which a GPO Police Officer made an arrest for an offense that occurred at Massachusetts Avenue and North Capitol Street, NW, the Inspector General conducted a brief review of the exercise of law enforcement jurisdiction by the GPO police force. The Inspector General recommended that management work with police and union representatives to issue written guidelines clearly establishing the limits of the law enforcement authority of the GPO Police.

The Inspector General also handled a number of complaints that did not require an investigation by the Office of Investigations. A GPO employee complained that a candidate for a promotion had misstated her experience to obtain the promotion. Another GPO employee complained about the selection process for a position in the Production Department. A complaint was received through the GAO FraudNET regarding the failure of GPO to provide a refund for materials ordered but not received. A union representative complained about the actions of a GPO management official during negotiations with the union. And, a complaint was received that GPO had not responded to a Freedom of Information request.

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 | 2 | \$37,635 | \$49,542 |
| B. Which were issued during the reporting period | 2 | \$76,173 | \$3,511 |
| C. Subtotals (A+B) | 4 | \$113,808 | \$53,053 |
| D. For which a management decision was made during the reporting period | 3 | | |
| 1. Dollar value of disallowed costs | | \$14,328 | \$49,502 |
| 2. Dollar value of allowed costs | | \$23,307 | \$3,551 |
| E. For which no management decision has been made by the end of the reporting period | 1 | \$76,173 | 0 |
| F. Reports for which no management decision has been made within six months of issuance | 0 | 0 | 0 |

**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 | 3 | \$1,007,000 |
| B. Which were issued during the reporting period | 1 | \$512 |
| Subtotals (A+B) | 4 | \$1,007,512 |
| C. For which a management decision was made during the reporting period | 0 | |
| 1. Dollar value of recommendations that were agreed to by management | 2 | \$332,000 |
| 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 | 2 | \$675,512 |
| E. Report for which no management decision has been made within six months of issuance | 1 | \$675,000 |

C. List of Audit Reports Issued During This Reporting Period

| A. Contract Audit Reports: | Questioned Costs | Unsupported Costs |
|--|---|-------------------|
| <ol style="list-style-type: none"> 1. Contract Review (Report 02-08, issued 5/9/02) 2. Contract Review (Report 02-11, issued 8/3/02) | <div style="border: 1px dashed black; padding: 10px; margin: 10px auto; width: 80%;"> To protect the Government's negotiating position on claims which have not been settled, information identifying the contractor and the associated questioned costs has not been disclosed. </div> | |
| Totals | \$76,173 | \$3,511 |

| B. Other Audit Reports: | Funds Put to Better Use |
|--|-------------------------|
| <ol style="list-style-type: none"> 1. Report on Improving the Controls over GPO's SmartPay Program at the Central Office. (Report Number 02-09, issued 9/9/01) 2. Report on Improving the Controls over SuDocs Central Office Sales Program. (Report Number 02-10, issued 9/24/01) | 0 \$512 |
| Total | \$512 |

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 | 20 |
| 5(a)(1) | Significant problems, abuses, and deficiencies | 6-8 |
| 5(a)(2) | Recommendations with respect to significant problems, abuses, and deficiencies | 6-8 |
| 5(a)(3) | Significant recommendations included in previous reports on which corrective action has not been completed | 15-17 |
| 5(a)(4) | Matters referred to prosecutive authorities | 6-8 |
| 5(a)(5) | Summary of instances where information was refused | None |
| 5(a)(6) | List of audit reports | 24 |
| 5(a)(7) | Summary of significant reports | 11-13 |
| 5(a)(8) | Statistical table with questioned costs | 22 |
| 5(a)(9) | Statistical table with recommendations that funds be put to better use | 23 |
| 5(a)(10) | Summary of audit reports issued before the commencement of the reporting period for which no management decision has been made | 15-17 |
| 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 |