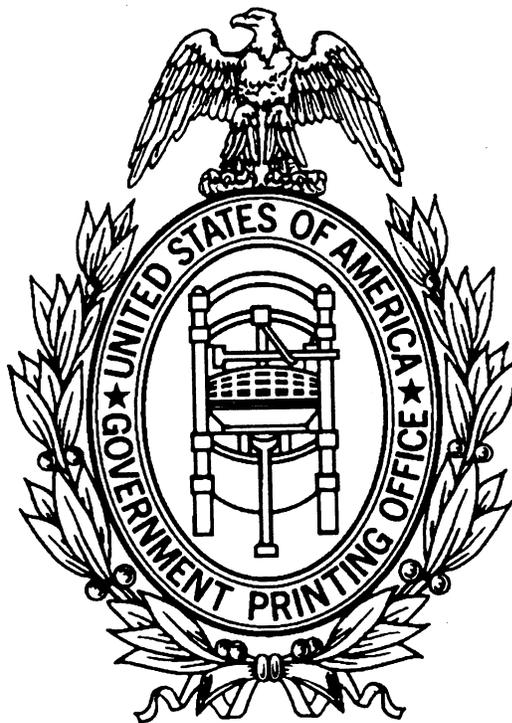

Office of the Inspector General

**SEMIANNUAL REPORT
TO THE CONGRESS**



April 1 - September 30, 1998

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

SEMIANNUAL REPORT TO THE CONGRESS

OCTOBER 31, 1998

**REPORTING PERIOD
April 1, 1998 - September 30, 1998**

**U.S. Government Printing Office
Office of Inspector General
Semiannual Report to the Congress**

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HIGHLIGHTS OF THE SEMIANNUAL REPORT

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

- Four OIG investigations were referred to various U.S. Attorneys for criminal/civil prosecution, with the potential for approximately \$442,600 in penalties, restitutions, recoveries, fines, and/or cost savings.
- The OIG issued four contract audit reports that questioned a total of \$91,251 claimed by GPO contractors.
- The OIG issued 2 audit reports pertaining to the GPO Pay Parking Program internal controls over assets and program administration. The first report identified weaknesses in cash controls. The second report contained recommendations to improve current policies and procedures and strengthening controls against waste and loss.
- The OIG completed an inquiry into a Hotline complaint that alleged: (a) first-class postage was used to distribute procured printing and (b) selected procured printing was not needed by the addressee. The inquiry indicated that had GPO controlled the distribution, a potential saving ranging from \$561 to \$2,579 could have been realized.
- The OI pursued a significant increase of false statement allegations involving the Office of Workers' Compensation Program (OWCP). Joint efforts with agency and Department of Labor offices resulted in five new investigations being developed and pursued by the OI. This increase is directly attributed to prior meetings with representatives of the Department of Labor, Federal Employee's Compensation Act (FECA) Program, and GPO's Office of Workers' Compensation Program (OWCP), in an effort to determine the manner in which future investigations into alleged violations of the FECA program will be conducted. New steps were initiated to improve the overall handling of the GPO's OWCP and subsequent investigations into alleged violations.
- Through a joint Office of Investigation (OI) and Office of Audits (OA) effort, a Quality Assurance Review was conducted of the OI's evidence handling procedures. The review did not find any major discrepancies in the gathering, documenting and storing of evidence. However, a recommendation to update the OI Handbook as a "control" mechanism for evidence handling is being implemented.
- The OIG also provided liaison and assistance in connection with an audit of GPO's FY 1997 financial statements. The OIG continues to serve as the Contracting Officer's Technical Representative (COTR) for GAO in a contract with KPMG Peat Marwick to audit the FY 1998 financial statements.

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 between 10 and 15 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 savings 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 \$191 million in revenue during Fiscal Year 1997.

B. 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 under the direction of the GPO Inspector General, Robert G. Andary, conducts audits and investigations through its Office of Audits (OA) and Office of Investigations (OI). In October 1996, Congress amended Title 44 U.S.C. §309 to require that OIG audits of the financial and operational activities of GPO be conducted under the direction of the Joint Committee on Printing (JCP).

In April 1998 the Inspector General issued a strategic audit plan for the period April 1, 1998, through September 30, 2000. The plan includes 14 non-recurring audits consisting of performance audits of major program areas within GPO. Three of these audits were initiated during this reporting period. The plan also sets forth the audit management and support activities conducted by the Office of Audits, and recurring audits such as audits of contractor claims and proposals submitted for our review by the GPO Printing Procurement Department.

As of September 30, 1998, the OIG was comprised of 31 budgeted positions, 24 of which were filled: 12 auditors, 6 investigators, 3 secretaries, the Inspector General, and 2 information systems support personnel. The OIG's FY 1998 budget was \$ 4,256,305. For FY 1999 Congress has imposed a ceiling of 3,383 Full Time Equivalent (FTEs) on GPO. This is a decrease from the ceiling of 3,550 FTEs imposed by Congress for FY 1998. GPO has proposed to delete 4 budgeted positions from the OIG. This decrease in FTEs will be an overall decrease of 13% in the FTE level for the Office of Inspector General.

Office of Investigations

The Office of Investigations conducts and/or coordinates investigations relating to 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's.

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 9 fraud-related matters, 1 complaint concerning illegal drug activity, and 22 calls for information, a total of 32 matters. Of that number:

- 4 complaints were referred to GPO management for resolution;
- 1 matter was documented in the OI Intelligence Files; and
- 27 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 September 30, 1998**

Workload Analysis	Number of Cases
Beginning Case Workload - 04/01/98	80
Add: New Cases Opened	38
Less: Cases Closed	35
Ending Case Workload - 09/30/98	83

The OI opened 38 investigative cases during this reporting period in response to new complaints or allegations. The 35 cases closed during the reporting period consisted of 14 cases from the current period and 21 cases from prior reporting periods. The 83 open investigative cases include 23 cases from the current period and 60 cases from prior reporting periods.

As a result of four separate OI investigations currently accepted by Offices of the U.S. Attorney at various locations in the U.S. for criminal/civil prosecution, and administrative action by GPO's Office of General Counsel (OGC), approximately \$ 442,600 dollars in penalties, restitutions, recoveries, fines, and/or cost savings may be realized in future reporting periods.

B. Investigative Accomplishments

1. Through a joint OI and OA effort, a Quality Assurance Review was conducted of the OI's evidence handling procedures. The review did not find any major discrepancies in the gathering, documenting and storing of evidence. However, a recommendation to update the OI Handbook as a "control" mechanism for evidence handling is being implemented.
2. The OI pursued a significant increase of false statement allegations involving the Office of Workers' Compensation Program (OWCP). Joint efforts with agency and Department of Labor offices resulted in five new investigations being developed and pursued by the OI. This increase is directly attributed to prior meetings with representatives of the Department of Labor, Federal Employees Compensation Act (FECA) Program, and GPO's OWCP, in an effort to determine the manner in which future investigations into alleged violations of the FECA program will be conducted. New steps were initiated to better address the overall handling of the GPO's OWCP and subsequent investigations into alleged violations.

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 17 open investigations involving alleged WCP fraud violations. Four are current and thirteen are from prior reporting periods and are awaiting additional information regarding the status of the claims or the claimant.

The OI referred one current and two prior reporting period investigations to the GPO's Labor and Employee Relations Service (LERS) for administrative action.

One current reporting period WCP investigation was closed during this reporting period.

As a result of discussions with the GPO's OWCP and Department of Labor representatives, new initiatives are underway to handle GPO WCP fraud matters.

2. 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 currently has twelve open Title 44 investigations from prior reporting periods awaiting the receipt of additional information from the agencies involved.

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.

Two prior reporting period Title 44 violations remain referred to other federal agencies for appropriate action. Prior reporting period referrals made to the Joint Committee on Printing staff and to the OGC are now considered closed.

The OIG will coordinate with GPO management and members of the Joint Committee on Printing as the direction of these and future alleged violations of Title 44.

3. 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 eleven open procurement fraud cases. Nine are from prior reporting periods and two are from the current reporting period.

Six fraud cases have been referred to U.S. Attorneys for prosecution, one from the current reporting period and five from previous reporting periods. One investigation referred to the U.S. Department of Energy during a prior reporting period remains pending.

One prior and one current reporting period investigations involving GPO contractors were referred to the OGC for administrative action by the GPO debaring official. These cases are pending final disposition.

The OI closed 7 contract fraud investigations from prior reporting periods, and 4 investigations from the current reporting period, for a total of 11 closed investigations.

4. 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 fifteen active misconduct investigations. Four are from prior reporting periods and eleven 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.

During the reporting period, 13 employee misconduct investigations were closed. Eight cases involved investigations from prior reporting periods and five were from the current reporting period.

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. Two current and one prior reporting period cases remain open.

The OI received twelve requests for Local Agency Checks from the agency Personnel Security Specialist (PSS) during the current reporting period. The results of all twelve cases were returned to the PSS for any necessary action.

The OI closed a total of ten miscellaneous cases: six from prior reporting periods; and four 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 fourteen investigations to USAO's and/or SAO's for criminal prosecution during this reporting period. The USAO's accepted one contract fraud case for prosecution. Prosecution was declined in thirteen cases.

A total of two OI investigations were presented to USAO's for civil prosecution. Both investigations were declined for civil prosecution.

Nine investigations, presented to USAO's during prior reporting periods, are still pending final action by those offices. Two of these cases involve alleged WCP related criminal violations, six are contract fraud cases, and one is related to allegations of bribes/gratuities.

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.

In a case pending in the District of Maryland, a civil complaint has been filed under the False Claims Act against a printing company for submitting false vouchers for payment, failing to comply with GPO contract terms, shipping or delivering less than the specified quantities of materials contracted for while billing GPO for the full amount of the contract, and subcontracting work out when expressly prohibited from doing so.

- Other Agencies:

Three OI investigations involving alleged violations of Title 44, U.S.C., have been referred to other Federal agencies for action. These were referred, during prior reporting periods, to the Department of Veterans Affairs, the Department of Health and Human Services, and the Joint Committee on Printing and remain pending.

The OI referred one investigation involving alleged contract fraud to the Department of Energy during a prior reporting period. The OI has not received a final disposition in connection with this referral.

2. Internal

- Executive Office:

The OI referred one investigation involving a non-agency recreation association program and related activities of a GPO employee, to the Office of the Public Printer during a prior reporting period. The OI has not received a final disposition in connection with this referral.

- Office of General Counsel:

The OI has referred two contractor fraud cases to the OGC for administrative action by the GPO debarring official. One of the referrals is inactive pending action on a related matter by an Assistant U.S. Attorney. A Title 44 violation referred to the OGC is now considered closed.

- Labor and Employee Relations Service:

Eleven matters have been referred to the GPO Labor and Employee Relations Service. Allegations referred included reported employee misconduct and OWCP fraud. Four referrals occurred during the current reporting period and seven occurred during prior reporting periods. The OI has not been notified of the final disposition or status of these referrals.

E. Investigative Case Dispositions

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

1. Pending Matters

- A prior reporting period investigation into the theft/embezzlement of approximately \$35,000 in Government funds by a GPO employee in a position of trust resulted in the employee pleading guilty in U.S. District Court to embezzling \$30,500, and agreeing to make restitution in that amount. Sentencing of the employee is scheduled for October 23, 1998. The employee was terminated from federal service.
- A prior reporting period investigation involving allegations of submission of false claims, false statements, and conspiracy to obtain GPO contracts through fraudulent means by two GPO Region 3 contractors remains pending action by the USAO, Northern District of Maryland. A trial date for civil action is pending. Seven corporate and private entities remain suspended pending the outcome of this matter.
- An investigation into allegations of false statements submitted for claims in the GPO's OWCP was referred to GPO officials and Department of Labor for action. This matter is pending. The USAO declined prosecution in favor of administrative action.
- An investigation in regard to the alleged submission of false claims/statements by a GPO Region 3 contractor for payment was presented and accepted by the USAO, District of Maryland for criminal prosecution.
- Three separate criminal investigations into the alleged submission of false statements for claims under the GPO's OWCP are pending.
- An investigation into the alleged submission of false shipping information by a GPO Region 2 contractor was referred to the GPO's Office of General Counsel. A Show Cause Notice was issued. Final action is pending.

- A prior reporting period investigation into the alleged submission of false statements in an employment application by a GPO employee was referred to agency officials for action. This action is pending, however, the job vacancy was canceled and re-advertised to be filled.
- Two separate prior reporting period investigations involving the alleged brokering of contracts, submission of false claims and statements by a GPO Region 5 contractor resulted in a preliminary settlement agreement between the U.S. Attorney's Office, the GPO, and the contractor. The agreement is pending finalization by the USAO. The contractor is currently suspended from doing business with the GPO pending the final USAO action.
- A prior reporting period investigation presented to the USAO regarding the alleged submission of false claims and subcontracting violations by a GPO Region 3 contractor remains pending action by the USAO. The total amount of contracts involved is over \$350,000. In addition, administrative action by the GPO is pending.
- A prior reporting period investigation into the alleged theft of \$6,000 in contractor payments by a former employee of a GPO Region 8 contractor is pending USAO prosecution. The OI continues to investigate a GPO employee for allegedly receiving illegal gratuities from the subject of the investigation.
- An investigation into the alleged missing funds from the GPO Apprenticeship Class was presented to the USAO for prosecution. The USAO declined prosecution in lieu of administrative action and the case was referred to agency management officials for action. The matter is pending.
- Prosecution by the USAO of allegations into the alleged attempted bribery of a GPO employee by a former GPO employee is pending.
- An investigation into allegations that a GPO employee submitted a false statement to receive advance pay was declined by the USAO for prosecution and referred to management. The matter is pending.

2. Closed Matters

- A prior reporting period investigation of a GPO Region 9 contractor regarding the alleged submissions of a false claim/statement resulted in GPO debarring the company and its former general manager.

- A prior reporting period investigation of a GPO Region 7 contractor involving the alleged submission of false claims/statements resulted in GPO debarring the company and owner.
- An investigation into the alleged submission of false claims/statements to the GPO by a GPO Region 3 contractor resulted in GPO taking administrative steps to recover approximately \$16,200 from the contractor and terminate the contract. In addition, the contractor was issued a Letter of Warning.
- A prior reporting period investigation into the alleged submission of false statements by a GPO employee for employment purposes resulted in the employee receiving an administrative Letter of Warning.
- An investigation into alleged theft and use of narcotics by a GPO employee resulted in the employee being reassigned to a different work area.
- An investigation of a GPO Region 3 contractor who allegedly failed to provide the government with adequate services and failed to comply with the U.S. Department of Labor's Service Contract Act, resulted in the contract being terminated for the convenience of the Government.
- A prior reporting period investigation of a GPO Region 4 contractor's violation of GPO Printing Regulations resulted in the contractor being issued a notice of proposed debarment.
- A GPO employee received a verbal warning as a result of an investigation into the alleged improper handling of a GPO's customers' payment for documents. The employee retired and no further action was taken.
- A prior reporting period investigation into the alleged misuse of Government property by a GPO employee resulted in a GPO employee being given a Letter of Warning and denied a promotion.

Productivity Statistics for the Office of Investigations

Complaints and Allegations Received	38
Cases Closed	35
Arrests	1
Cases Presented to U.S. Attorneys/State's Attorney	14

Criminal	12
Criminal Declinations	11
Civil	2
Civil Declinations	2

Criminal/Civil Matters:

Convictions	0
Guilty Pleas 1/	1
Acquittals	0
Jail Time (days)	0
Suspended Time (days).....	0
Probation (days).....	0
Public Service (hours).....	0
Restitution 2/.....	0
Recoveries 2/.....	\$ 16,200
Fines 2/	0
Cost Savings 2/	0

Total Administrative Referrals	20
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Contractor: Referrals	10
Suspensions.....	0
Debarments.....	2
Contract Terminations	2
Warned/Other Actions	12

Employees: Referrals	9
Suspensions	0
Terminations.....	1
Warned/Other Actions.....	3

Other Law Enforcement Agency Referrals... 1

1/ Final sentencing in next reporting period

2/ Settlements in four (4) cases, totaling \$442,600, are awaiting final adjudication

Office of Audits

A. Summary of Audit Activity

During the reporting period ending September 30, 1998, the Office of Audits conducted the following audits and audit-related activities:

1. Issued two audits on the GPO Parking Program (Administration and Enforcement and Receipt of parking payment fees).
2. Completed an inquiry into a Hotline complaint that alleged: (a) first-class postage was used to distribute procured printing and (b) selected procured printing was not needed by the addressee.
3. Prepared a report on the Office of Information Resources Management (OIRM) Management Control Program for issuance in the next reporting period.
4. Performed field work on audits of property accountability, physical security, price estimating, and contracting out.
5. Conducted semi-annual follow-up actions to monitor the progress of GPO's efforts to conduct Vulnerability Assessments and Internal Control Reviews in accordance with GPO Instruction 825.18A.
6. Continued efforts to update the OIG's *Audit Policy and Procedures Manual* for revisions made to the *Government Auditing Standards* (the Yellow Book), and incorporate applicable suggestions from the Peer Review Report of the OA, dated January 6, 1997.
7. Completed a Quality and Assurance Review of an OIG audit.
8. Completed a joint OI and QA Quality Assurance Review of the OI's evidence handling procedures.
9. 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.

10. The OIG is providing support for ongoing audits of the 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 Peat Marwick 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.

B. Audit Accomplishments

The OIG issued a total of seven audit reports to GPO officials during the six-month reporting period ending September 30, 1998. In addition, five audit reports for which field work is ongoing will be issued in the next reporting period.

Financial Audits

The OA issued a report on the internal controls over GPO's Pay Parking Program assets and transactions by the Office of the Comptroller.

The OA issued a report on an inquiry into a Hotline complaint that alleged: (a) first-class postage was used to distribute procured printing and (b) selected procured printing was not needed by the addressee.

Performance Audits

The OA issued a report on the internal controls over the administration and enforcement of regulations of the Pay Parking Program.

A report on the Office of Information Resources Management Control Program has been prepared for issuance.

Contract Audits

The OA issued four audit reports in response to contract audit requests from Contracting Officers within the GPO, Printing Procurement Department (PPD). 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 four contract audit reports questioned a total of approximately \$91,251 in proposed contractor costs, overhead, and profit. The questioned amounts were either unallowable, not allocable to the contract, or unsupported.

Investigative Support

Through a joint OI and OA effort, a Quality Assurance Review was conducted of the OI's evidence handling procedures. The review did not find any major discrepancies in the gathering, documenting and storing of evidence. However, a recommendation to update the OI Handbook as a "control" mechanism for evidence handling is being implemented.

When requested, the OA provides accounting and auditing assistance to the OIG Special Agents for both civil and criminal investigations. The OA also refers irregularities and other suspicious acts detected during audits to the OI for investigative consideration.

Significant Audit Reports

A synopsis of the three significant OIG audit reports issued during this reporting period follows.

(1) REPORT ON PROGRAM 717-S, JACKET 418-494, DISTRIBUTION PROCEDURES (Report Number 98-14)

The OIG completed an inquiry into a Hotline complaint that alleged: (1) first-class postage was used to distribute procured printing; and, (2) selected procured printing was not needed by the addressee.

The review of the program and initial results indicated that had GPO controlled the distribution, a potential saving ranging from \$560 to \$2,579 could have been realized.

Based on discussions with the Printing Procurement Department (PPD) Officials, the OIG recommended that immediate action be taken to: (1) ensure distribution of the publication is made in the most economical manner possible; and, (2) stop distribution to any user that expresses the publication is no longer needed or wanted.

PPD responded by writing new specifications for GPO's Transportation Management Section directing the contractors in the distribution of each order and directing personnel responsible for directing this program to pay closer attention to distribution instructions and publication inquiries. The actions taken by the PPD should show immediate savings in the distribution of publications for this program.

(2) REPORT ON THE INTERNAL CONTROLS OVER GPO'S PAY PARKING PROGRAM ASSETS AND TRANSACTIONS BY THE OFFICE OF THE COMPTROLLER (Report Number 98-11)

The OIG completed a review over GPO's Pay Parking Program assets and transactions by the Office of the Comptroller. During Fiscal Year 1997, the Office of the Comptroller collected \$1,004,560 in revenue and paid \$965,739 in expenses for the Program. However, weaknesses existed in the controls over the Program's assets and transactions. These weaknesses impeded the

Office of the Comptroller's ability to provide reasonable assurance and safeguards to protect the Program's assets against waste, loss, and unauthorized use as directed by GPO Instruction 825.18 *Internal Control Systems*, dated January 5, 1982, and GPO Instruction 825.18A *Internal Control Program*, dated May 28, 1997.

The review of the Program identified that cash deposits and collection schedules were not timely, separation of cash and check handling duties were not adequate, and program applications were not always being processed. Additionally, an \$11,000 adjusting error could not be properly explained. As a result, GPO could not: (1) realize any benefits from the revenue received; (2) prevent the theft of over \$35,000; and, (3) accurately report actual revenue received on their Statement of Revenue and Expense Report for May 1997. When the adjusting error was brought to his attention, the Comptroller took corrective action to explain the adjusting entry. The audit identified \$220 that could be put to better use and was agreed to by management.

This audit report is one of two reports issued on the Program. The other report addressed the administration of the Program by the Administrative Services Group and the enforcement of the Program's regulations by the Protective Services Group.

(3) REPORT ON THE INTERNAL CONTROLS ADMINISTRATIVE SERVICES GROUP AND PROTECTIVE SERVICES GROUP HAVE OVER GPO'S PAY PARKING PROGRAM (Report Number 98-13)

The OIG completed a review on the internal controls by the Administrative Services Group and the Protective Services Group over GPO's Pay Parking Program. The Administrative Services Group administers the \$1 million Program annually in providing ample parking satisfactorily and efficiently to approximately 1,770 GPO employees and 160 non-GPO employees. The Protective Services Group enforces the Program's regulations and provides safety and security. However, the Group could improve the internal controls over assets, transactions, timely management oversight, enforcing regulations, the conduct of members of the GPO Police, and the accountability of parking tickets, permits, and incident reports by following GPO Instruction 825.18 *Internal Control Systems*, dated January 5, 1982, and GPO Instruction 825.18A *Internal Control Program*, dated May 28, 1997.

The audit's recommendations to the Administrative Services Group should improve internal controls to provide reasonable assurance and safeguards over assets, to authorize transactions, and to provide timely management oversight of the program. The audit identified \$560 that could be put to better use and was agreed to by management.

The audit's recommendations to the Commander, Protective Services Group, should improve the internal controls over enforcing the Program's regulations, limiting the conduct of some members of the GPO police, and accounting for parking tickets, permits, incident reports, and compensatory time.

C. Work-In-Process

The OA has undertaken the following five audits:

- 1. Review of the Internal Control Environment for the Production of Secured Products** - This audit will assess the adequacy and effectiveness of physical security measures for selected GPO production facilities that handle and produce classified and other sensitive printing products for the Government. A report on the Personnel Security Program was issued during the prior reporting period.
- 2. Review of GPO Property Accountability and Control** – This audit will evaluate the adequacy, efficiency, and effectiveness of management controls over property and equipment at GPO.
- 3. Review of GPO’s Policies and Procedures in Procuring Congressional and Agency Printing Work In-House or to Contract-Out to Private Contractors** - This audit will determine whether the existing policies and procedures for procuring work in-house or contracting work to outside sources are effective, efficient, and provide quality work in a timely manner to GPO customers.
- 4. Survey of GPO Price Estimating System** - This survey will evaluate the accuracy, timeliness, and usefulness of GPO’s Price Estimating System for printing.
- 5. Review of Office of Information Resources Management Control Program** – A report on the Office of Information Resources Management Control Program is being prepared for issuance.

D. Advice and Assistance

The audit staff provides advice and assistance to GPO managers and others in an effort to:

1. Promote economy, efficiency, and effectiveness in agency programs, operations, and other activities;
2. Promote compliance with laws and regulations; and,
3. 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*. In March 1998 the OIG requested GPO managers to provide a copy of all Internal Control Reviews conducted within the last six months. The responses will be assessed by the OIG and consolidated in an annual letter of compliance to be forwarded to the Public Printer 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 OIG is providing continuous services to monitor and assess the GPO's response to the Year 2000 computer problem. Work is ongoing to validate the Year 2000 assessment and system renovation data which has been provided to the GPO Year 2000 program office by agency managers.

(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 Peat Marwick 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 FY 1997 audit report resulted in the opinion that: (1) "The GPO's consolidated financial statements as of and for the year ended September 30, 1997, 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, 1997, 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 previously been reported in financial statement audit reports.

E. Outstanding Audit Recommendations

A synopsis of management's action(s) to implement significant outstanding recommendations contained in audit reports issued during prior semiannual reporting periods follows.

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

FINDING

The GPO has been paying an annual administrative fee to the U.S. Department of Labor (DOL) to administer GPO's Workers' Compensation Program (WCP). The General Counsel determined that the GPO is not legally required to pay this administrative fee. The GPO legal opinion was supported by a decision of the Comptroller General of the United States.

RECOMMENDATIONS

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

MANAGEMENT ACTIONS

On May 13, 1997 the Chairman of the Joint Committee on Printing sent a letter to the Secretary of Labor requesting that immediate action be taken to: (1) refund GPO funds paid in error; and, (2) preclude future assessment of WCP charges. On August 5, 1997, the GPO Public Printer sent a letter to the Acting Comptroller General requesting assistance in obtaining the refund from DOL.

In June 1998, the FY 1999 legislative appropriations bill proposed by the Senate provided for the reimbursement of funds improperly transferred from the GPO revolving fund and clarifying that GPO is not subject to Section 8147 of Title 5. This bill stated that "\$3,110,611 shall be transferred from the Employees' Compensation Fund established under Section 8147 of Title 5, United States Code, to the Government Printing Office revolving fund as reimbursement for cost improperly transferred from the revolving fund pursuant to Section 8147(c) of such Title. However, the legislative appropriations bill as passed by Congress in October 1998 did not include any provision for reimbursing GPO. The Act did include the language clarifying that in the future, GPO does not have to pay the Labor Department for administering the Workers' Compensation Program. The OIG now considers this audit recommendation closed.

(2) 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.

On January 14, 1998, the Director OIRM stated that a capacity management program will be implemented if additional positions are approved.

(3) FINANCIAL STATEMENT AUDIT

The accounting firm of Arthur Andersen LLP conducted an audit of GPO's FY 1995 financial statement. In the report of that audit, Arthur Andersen made comments and suggestions for consideration by GPO management. The follow-up on GPO's subsequent actions was conducted as part of the KPMG Peat Marwick LLP audit of GPO's FY 1997 financial statements. The follow-up of the recommendations of the FY 1997 financial statements audit will be part of the FY 1998 financial statement audit now in progress.

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

	<u>Number of Reports</u>	<u>Questioned Costs</u>	<u>Unsupported Costs</u>
A. For which no management decision has been made by the commencement of the reporting period	4	\$ 544,088	0
B. Which were issued during the reporting period	4	<u>\$87,817</u>	<u>\$3,434</u>
C. Subtotals (A+B)	8	\$631,905	\$3,434
D. For which a management decision was made during the reporting period	3		
1. Dollar value of disallowed costs		\$330,417	\$3,434
2. Dollar value of allowed costs		\$199,584	0
E. For which no management decision has been made by the end of the reporting period	5	\$101,904	0
F. Reports for which no management decision has been made within six months of issuance	2	\$14,087	0

**G. Statistical Table on Audit Reports
With Recommendations
Involving Funds Put to Better Use**

	<u>Number of Reports</u>	<u>Funds Put to Better Use</u>
A. For which no management decision has been made by the commencement of the reporting period	0	0
B. Which were issued during the reporting period	3	\$1,341
Subtotals (A+B)	3	\$1,341
C. For which a management decision was made during the reporting period	2	\$780
1. Dollar value of recommendations that were agreed to by management	2	\$780
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	1	\$561
E. Report for which no management decision has been made within six months of issuance	0	0

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

A. Contract Audit Reports:

	<u>Questioned Costs</u>	<u>Unsupported Costs</u>
1. Contract Review (Report 98-08, Issued 07/31/98)		
2. Contract Review (Report 98-09, Issued 07/16/98)		
3. Contract Review (Report 98-10, Issued 05/19/98)		
4. Contract Review (Report 98-12, Issued 09/16/98)		
		<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>
Total	<u>\$87,817</u>	<u>\$3,434</u>

B. Other Audit Reports:

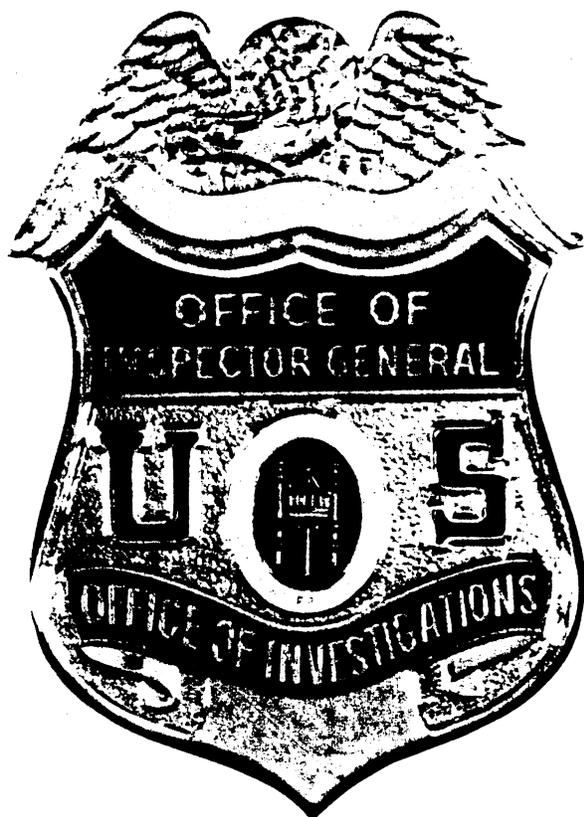
	<u>Funds Put to Better Use</u>
1. Audit Report on the Internal Controls over GPO's Pay Parking Program Assets and Transactions by the Office of the Comptroller (Report Number 98-11, Issued September 8, 1998)	\$220
2. Report on Program 717-S, Jacket 418-494, Distribution Procedures (Report Number 98-14, Issued August 7, 1998)	\$561
3. Audit Report on the Internal Controls Administrative Services Group and Protective Services Group have over GPO's Pay Parking Program (Report Number 98-13, Issued September 30, 1998)	\$560
Total	<u>\$1,341</u>

I. Index of Reporting Requirements

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

<u>IG Act Section</u>	<u>Description</u>	<u>Report Page(s)</u>
4(a)(2)	Review of Legislation and Regulations.....	none
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)(4)	Matters Referred to Prosecutive Authorities.....	9-10
5(a)(5)	Summary of Instances Where Information Was Refused	none
5(a)(6)	List of Audit Reports.....	25
5(a)(7)	Summary of Significant Reports.....	17-18
5(a)(8)	Statistical Table with Questioned Costs.....	23
5(a)(9)	Statistical Table with Recommendations That Funds Be Put to Better Use.....	24
5(a)(10)	Summary of Audit Reports Issued Before the Commencement of the Reporting Period for Which No Management Decision Has Been Made.....	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:
Office of Inspector General
Office of Investigations
P.O. Box 1790
Washington, DC 20013-1790**

