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REDACTED**To**

Chief Financial Officer

From

Inspector General

SubjectManagement Implication Report
Vendor Invoice Processing: Printing
Report Number 12-01

Protecting GPO programs and operations from fraud, waste, and abuse is a priority for the Office of Inspector General (OIG). This Management Implication Report was prepared as part of our oversight responsibilities.

The OIG recently closed four investigations of vendors who falsified approximately 79 invoices and shipping documents spanning from 2006 to 2012, totaling approximately \$405,691.

As part of these investigations, the OIG discovered a vulnerability existed with the verification of shipments which allowed the vendors to obtain payment without fulfilling contract terms.

Current procedures require vendors to submit a receipt and/or shipping documents that equal the quantity ordered and the quantity billed of the jacket. Government bills of lading and commercial bills of lading must be signed by the carrier and indicate the actual pickup date. Straight bills of lading are not considered adequate shipping documentation. They must be commercial carrier airway or freight bills.

GPO has essentially relied on the honesty and integrity of vendors and pay the vendors upon receipt of the required documentation and GPO does not perform any online verification of Vendor invoices and/or shipping claims with the commercial carrier during invoice processing.

The OIG recommends working with the commercial carrier to determine if a feasible online verification process can be performed to reduce this vulnerability.

BACKGROUND

Title 44 of the United States Code, “Public Printing and Documents,” contains laws of a general and permanent nature relating to Public Printing and Documents and Operation of GPO. Section 308(a), title 44, United States Code requires that the Public Printer appoint a Disbursing Officer (DO) to disburse GPO funds certified by the Public Printer and examine vouchers for proper form, approval, and certification. The DO is accountable for funds disbursed, except in the case of any illegal, improper, or incorrect payments resulting from any false, inaccurate, or misleading certification.

Section 308(c) (1) of title 44 allows the Public Printer to designate in writing GPO officers and employees who can certify vouchers for payment. Certifiers are responsible for the existence and correctness of the facts as well as the legality of a proposed voucher payment. Certifiers are also responsible and accountable for the correctness of computations of certified vouchers. Certifiers would be required to make restitution for the amount of any illegal, improper, or incorrect payment resulting from any illegal, false, inaccurate, or misleading certifications they make, as well as for any payment that did not represent a legal obligation.

Internal controls serve as the first line of defense for safeguarding assets and preventing and detecting fraud. GPO Instruction 825.18A, “Internal Control Program,” May 28, 1997, requires that GPO maintain effective systems of accounting and management control. The instruction states that management is responsible for establishing and maintaining an effective internal control structure, which includes policies and procedures pertaining to an entity’s ability to record, process, summarize, and report financial data consistent with the assertions within either annual financial statements or interim financial statements, or both.

VENDOR INVOICE PROCESSING: PRINTING

Vendor invoice processing begins in the Office of the Chief Financial Officer (CFO), Examination and Billing branch (Examinations), Commercial examination Section. The GPO Billing Instructions require all vendors to submit invoices by mail or by using the GPO Barcode Cover Sheet program via the Gateway system. The vendor either uses the system online or downloads the form. The Barcode Cover Sheet input screen requires completion of the following six fields:

- Vendor Name
- Invoice Number
- Purchase Order Number
- Jacket Number

- Print Order Number¹
- Payment Terms²

Once the fields are completed by the vendor and the enter key is selected all of the information entered is translated into barcodes and the Barcode cover Sheet is ready to be printed.

The vendor assembles the supporting documentation in the order instructed by the GPO Billing Instructions and sends the completed invoice package to GPO via facsimile.

The facsimile goes to GPO's invoice processing system called AnyDoc which captures the image and stores it as a batch for verification by the appropriate staff member. Once the batch is verified, it goes through a validation process that checks the information on the barcode against the information in Print Procurement Information control System (PICS). Based on the outcome of this verification process the invoice is then routed to various workflow queues for processing.

Vendors can also submit their invoices to GPO via mail, regular fax, or email. When invoices are received through any of these sources, GPO creates the barcode cover sheet and scans the invoice package into OnBase.³

Voucher Processing and Payment System (now Oracle) pre-exam validation occurs automatically when OnBase receives the vendor invoice. The validation is a 3-way match between the purchase order, print order, and the jacket. This information has previously been entered into the Oracle database when GPO Customer Services receives the SF-1 (Printing and Binding Requisition) which then interfaces into the Oracle system. If the 3-way match is successful, the invoice is routed to the examination queue for processing. If not, it moves to Customer Service for resolution.

Examination consists of reviewing the invoice package to ensure it meets the requirements of the Print Order, Contract Modification, SPA work order, or contract specification. There are two groups of employees in the Commercial examination Section: Voucher Examiners and Printing Specialists. The Voucher examiners process invoices with values less than

¹ The Print Order number is only required when the contract is a simplified purchase agreement (SAP) or a term contract.

² Payment terms and number of days the terms apply. A term of 1 percent, 20 days means that GPO saves 1 percent of the invoice amount if they pay the bill within 20 days.

³ OnBase is a centralized database that stores all vendor invoices.

\$15,000 while the Specialists main function is to process complex invoices that require a detailed contract review and extensive invoice review.

The Voucher Examiner and/or Printing Specialist ensure that all of the required documentation has been submitted by verifying that they have received a complete invoice package to include:

- Invoice
- Print/Purchase Order
- Contract Modification (if applicable)
- Shipping and/or Delivery Receipts

The Voucher Examiner and/or Printing Specialist visually compare information from OnBase to Oracle such as the vendor name, purchase order number, print order number, jacket number, amount, obligation amount, and proof of delivery. Select information is entered and the examination is complete.

Evidence of Shipment Required

Evidence of shipment or delivery is required. Vendors submit receipts when delivery is required by a certain date, or copies of the shipping documents when shipping is required by a certain date. The receipts or shipping documents must show:

- GPO purchase order number
- GPO jacket number
- GPO print order number (if appropriate)
- Quantity represented by the receipt

The submitted receipt or shipping document must total to the quantity ordered and the quantity billed. Government bills of lading and commercial bills of lading must be signed by the carrier and indicate the actual pickup date. Straight bills of lading are not considered adequate shipping documentation. They must be commercial carrier airway or freight bills.

INVESTIGATIVE RESULTS

Our investigations have disclosed several instances where contractors have falsified shipping records in order to obtain payment from GPO.

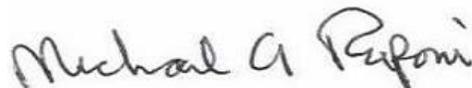
- Our investigation disclosed a contractor who submitted 126 invoices from 2006 through April 2008 totaling \$416,022, along with shipping documentation, requesting rapid compensation in exchange for a discount. We determined that on at least 50 invoices and shipping

documents, totaling \$368,093, the documents stated work was complete and shipped to the customer when in fact it was not. In 2009, This contractor received a three-year debarment from contracting with GPO.

- Our investigation disclosed a contractor who submitted a false claim to GPO for payment of a Jacket. A comparison between the actual U.S. Postal Service shipping receipt and the documentation the contractor submitted to GPO, disclosed the contractor altered the shipping receipt to reflect an additional \$1,271 of shipping costs over the actual shipping costs. Effective February 2012, this contractor received a three-year debarment from contracting with GPO.
- Our investigation disclosed in 2010, a contractor who submitted false shipping documents to GPO and was paid \$90,585, for the full amount of a Jacket. The contractor was required to produce, bind, and ship 23,600 handbooks to the Department of Defense (DoD), however, they only delivered 15,600 of the handbooks. This resulted in a loss to GPO of approximately \$30,681. Effective February 2012, this contractor received a three-year debarment from contracting with GPO.
- Our investigation disclosed from October 2008 through February 2011, a contractor submitted 130 invoices totaling \$24,100. On at least 27 invoices and FedEx receipts, totaling \$5,741, the contractor admitted to pre-billing GPO for several Jackets by submitting false FedEx shipping documents to GPO for payment before the required work was even completed. Effective November 2011, this contractor received a three-year debarment from contracting with GPO.

This Management Implication Report (for information only) makes the following recommendations and an official response by GPO management is not requested or required.

We recommend the Chief Financial Officer verify the authenticity of shipping documentation before payment is made, such as electronically validating a shippers tracking number.



Michael A. Raponi
Inspector General