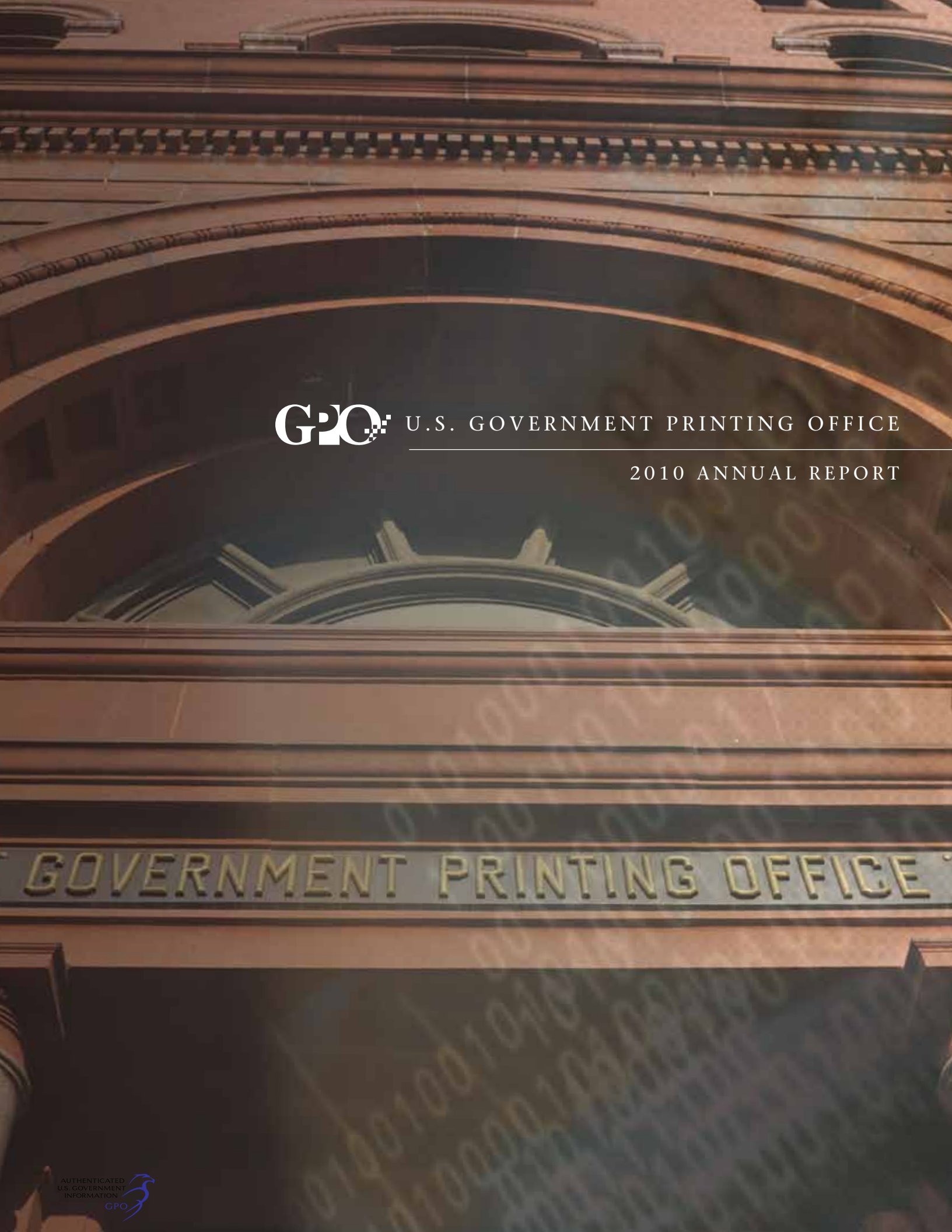

U.S. GOVERNMENT PRINTING OFFICE

2010 ANNUAL REPORT

AUTHENTICATED
U.S. GOVERNMENT
INFORMATION
GPO

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WILLIAM J. BOARMAN
Public Printer of the United States

March 16, 2011

The Honorable Joseph R. Biden
The President of the Senate

The Honorable John A. Boehner
The Speaker of the House of Representatives

Sirs:

I have the honor to transmit herewith the Annual Report of the U.S. Government Printing Office (GPO) for the fiscal year ending September 30, 2010. The report contains the results of an audit of GPO's financial statements conducted by an independent accounting firm.

Respectfully submitted,

Wm. J. Boarman

WILLIAM J. BOARMAN
Public Printer

732 North Capitol Street, NW, Washington, DC 20401-0001 | wboarman@gpo.gov

GPO and Open Government

GPO has embraced various technological changes and methods to provide the public an open and transparent view of the workings of their Government. GPO's Federal Digital System (FDsys) **www.fdsys.gov** is the one-stop site for authentic, published Government information. In 2010, as lawmakers passed historic health care and financial reform legislation, the public was able to view the bills and other legislative actions on FDsys. Since the early 1990s, GPO has maintained a depository of Federal Government information through *GPO Access*. The migration of information from *GPO Access* into FDsys has been completed.

In 2010, GPO and the Office of the Federal Register (OFR) accomplished a major milestone in open Government by launching Federal Register 2.0 (**www.federalregister.gov**), a user-friendly online version of the *Federal Register*. This daily journal of Government has provided the public with access to Federal regulations and other documents for the past 75 years. Federal Register 2.0 features a new layout that organizes the content by topics similar to a newspaper Web site. The site displays individual sections for Money, Environment, World, Science and Technology, Business and Industry, and Health and Public Welfare. The Web site has improved search and navigation tools to guide readers to the most popular topics and relevant documents. GPO coordinated the development aspects of the new Web site in collaboration with OFR. FDsys feeds content into Federal Register 2.0 and acts as the holder of official content and archived information. GPO partners with OFR to provide the information in the *Federal Register* to the American people in both print and electronic form.

GPO and OFR made another open Government achievement by converting *The Code of Federal Regulations* (CFR) into XML (extensible markup language) and placing it online on Federal Government sites, which include FDsys and the site for Government data (**www.data.gov**). CFR is the codification of the general and permanent rules published in the *Federal Register* by the executive departments and agencies of the Federal Government.

Plant Operations and Official Journals of Government

Employees in GPO's Plant and Official Journals of Government business units are responsible for print services in support of the Congress, OFR, and other Federal agencies. Employees print the *Congressional Record*, House and Senate business calendars, congressional reports, bills and hearings, the *Federal Register*, the *Code of Federal Regulations,* and the *Budget of the United States Government*, along with other essential documents.

The winter of 2010 showed the dedication of GPO's employees. The Washington, D.C., area was hit by two blizzards in a week during February, which caused the Federal Government to close for four days. As the region dug out from more than two feet of snow, 200 GPO employees braved the elements to produce materials for the White House and Congress, delivering *The Economic Report of the President*, the *Congressional Record,* and the *Federal Register* on time throughout the week.

Print Procurement

GPO's Print Procurement business unit works with Federal agencies to procure 75 percent of GPO's printing jobs from the private sector printing industry. The procurement of commercially obtainable

Above: Printing Plant workers Laurie Ridgley (left) and Bernell Brown (right) package a congressional bill.
Right: Second Web Pressperson Mark Zara (left) and Head Web Pressperson Williams Sands (right) operate a press in GPO's plant.

Federal printing has been a staple of our operations since the Second World War. GPO has a longstanding partnership with the printing industry to provide for the Government's printing needs.

GPO competitively buys products and services from thousands of private sector firms nationwide in one of the Government's most successful procurement programs, assuring the most cost-effective use of the taxpayer's printing dollar. The vast majority of the printing contracts GPO awards go to small businesses, supporting this vital sector of America's economy.

By working with GPO's Print Procurement business unit, Federal agencies ensure that Government publications and information products will be made available for dissemination to the public, and helps ensure compliance with laws and policies concerning recycled paper, vegetable oil-based inks, and other environmental requirements.

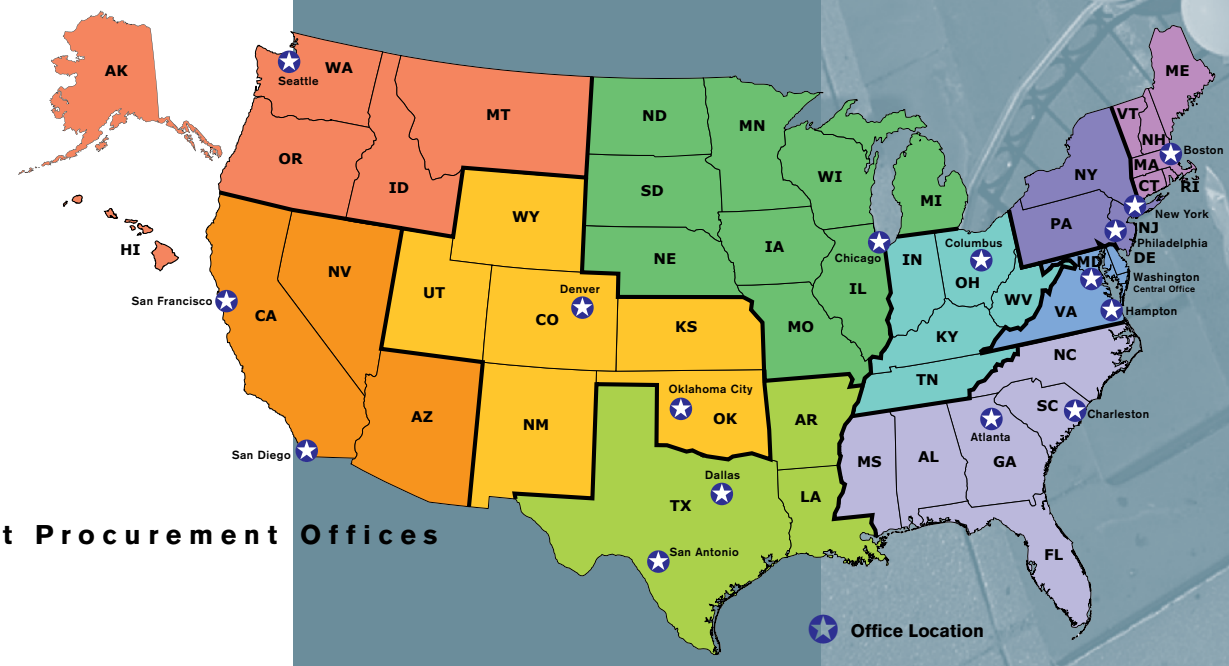
A variety of products are procured through GPO's Print Procurement.

One of GPO's largest procurements was the 2010 Census. GPO, the Census Bureau, the U.S. Postal Service (USPS), and the private sector printing industry worked together to print and deliver the 2010 Census to 120 million American households. GPO partnered with the Census Bureau to competitively procure nearly $110 million worth of Census materials to more than 120 printers throughout the country. Some of the contracts awarded include production of the main Census packages consisting of questionnaires, letters, and envelopes; advance letters and reminder postcards; and questionnaires that were used by enumerators going house to house. GPO participated with Census in a comprehensive quality control program to monitor the printing, addressing, inserting, and envelope manufacturing at contractor facilities.

Agency Accounts and Marketing

GPO's Agency Accounts and Marketing (AAM) business unit educates Federal customers about the services the agency's Plant, Print Procurement, and Creative Services can provide. The Marketing division works internally with the agency's business units to develop and analyze GPO's many services to thousands of Federal entities. Through

GPO's Creative Services has more than 13 full time designers on staff. Each award winning designer is versed in illustration, book/journal/report design, branding, corporate communications, promotional mediums, editorial design, multimedia (web, video and animation), photography, and top security design. With more than 80 Federal agency customers including Congress, GPO's design team services any Federal agency interested in obtaining top-of-the-line innovative and custom design applications.



GPO Print Procurement Offices

social media, direct mail, and inventive promotional outlets, GPO Marketing generates overall brand management, marketing strategy, and customer solutions.

National Account Managers (NAMs) are the sales force of GPO and the first stop for new customers. NAMs are an integral part of GPO's sales and marketing team and spend much of their time with GPO's Federal agency customers. GPO has NAMs in its central office that facilitate the needs of the Federal agencies in the Washington, D.C., metropolitan area, as well as a nationwide team of NAMs that service regional offices across the nation. Wherever a customer is located, GPO strategically and conveniently has a NAM available to assist.

During 2010, GPO's AAM team developed an educational series of national road shows targeted to educate agency customers. With over 60 events throughout the year, GPO trained more than 800 customers on *How to do Business with GPO* including insights to billing procedures, forms completion, procurement tips and tricks, and feature series on individual business solutions. Over 40 percent of the attendees were new agency customers to GPO.

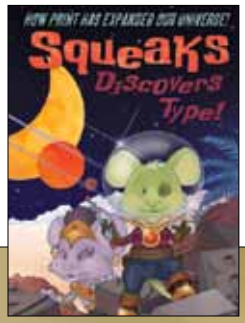
GPO's AAM team is also responsible for the management of the GPO*Express* program. With almost 4,000 individual Federal users, GPO*Express* partners the national network of FedEx Offices with GPO. This year saw the addition of the GPO*Express* DocStore Catalog solution, which is the premier application for print professionals allowing users to access online catalogs of publications for print and distribution through any FedEx Office location nationwide, thereby eliminating warehousing and shipping costs for Federal customers.

GPO installs banners advertising its renovated bookstore.

Publication and Information Sales

GPO's Publication and Information Sales business unit sells select Government print and electronic publications to the public. Some of the publications are available for sale through commercial sales channels, including chain and online bookstores and major book wholesalers. Throughout 2010, this business unit embraced a new kind of marketing through social media, but one of the biggest transformations was the renovation of GPO's bookstore in Washington, D.C.

In August 2010, GPO opened the doors to its renovated bookstore, the only bookstore in the Nation's capital that exclusively sells Federal Government publications. The renovation of the bookstore was done entirely by GPO employees. The agency's Creative Services department designed the new facility with a modern look and feel, similar to popular commercial bookstores. The designers incorporated a large mural depicting the history and evolution of printing. Employees in GPO's Facilities division renovated the bookstore from floor to ceiling. The public can use the new North Capitol Street facility to browse titles on military, history, health, and other subjects, even children's books. The shelves also contain congressional reports, hearings, bills, and the *Budget of the United States Government*. The new bookstore features a computer kiosk where customers can check an online catalog and order any book



Nick Crawford created illustrations and Jim Cameron wrote the story for GPO's first educational comic book.

on the inventory list. The public also can view titles at GPO's online bookstore: **http://bookstore.gpo.gov.**

In addition to using the social media sites YouTube and Twitter, GPO's Publication and Information Sales business unit launched an award winning Government book blog in 2010 to bring greater attention to Federal publications. *Government Book Talk* reviews new and popular publications, provides information about new publications, discusses some out-of-print classics, and updates readers on GPO's information dissemination activities.

GPO's Publications and Information Sales business unit won an award for using March Madness brackets as a way to promote government publications.

A page from GPO's *Government Book Talk*.

The blog includes information on everything from the health care reform legislation to older publications such as Department of Agriculture pamphlets from the 1920s. Nearly 1,000 subscribers are following *Government Book Talk*: **http://govbooktalk.gpo.gov/.**

One of the publications discussed on *Government Book Talk* was GPO's first comic book, *Squeaks Discovers Type!* The comic book was created by GPO employees as a teaching tool for children of all ages. The plot of the comic book takes a unique approach to educate readers on the important role printing has played from the beginnings of civilization to today's digital world. The story centers around a video game space mouse, Squeaks, who helps an elementary school student discover the invention of printing and its evolution through the ages so he can write a report.

The Publication and Information Sales business unit won awards for developing creative techniques in promoting Government publications. The group won a Silver Inkwell Award from the Washington, D.C., chapter of the International Association of Business Communicators (IABC) in the electronic and interactive materials category for the *Government Book Talk* blog.

GPO's Public Documents Distribution Center in Pueblo, CO also received accolades for its customer service. The American Customer Satisfaction Index (ACSI) measured the customer satisfaction of more than 200 companies and Government agencies. GPO's Pueblo facility achieved a score of 85 points for order processing with complaints of only one percent. The average Government score was 69 points. ACSI surveyed customers on their satisfaction with phone, Web, and mail orders.

Employees at Pueblo's Public Documents Distribution Center work with the General Services Administration's Federal Citizen Information Center to process customer orders. The center is responsible for processing and distributing orders for consumer publications.

Library Services and Content Management

GPO has a partnership with more than 1,200 depository libraries throughout the country to provide the public with access to Government publications. The Federal Depository Library Program (FDLP) was established by Congress to ensure the public has access to Government information. Depository libraries safeguard the public's right to know by collecting, organizing, maintaining, preserving, and assisting patrons with information from the Federal Government. As institutions committed to equity of access and dedicated to free and unrestricted public use, depository libraries serve as one of the vital links between "We the People" and our Government.

GPO is working with libraries around the country to meet President Obama's challenge to Federal agencies to create a more open and transparent Government. In 2010, GPO developed a partnership with Cornell University Law School to conduct a year long pilot project to evaluate the conversion process of the *Code of Federal Regulations* (CFR) into XML (extensible markup language) format. Cornell will convert various titles into XML and place them on the university's Web site for students to research. GPO and Cornell will apply lessons learned from this pilot project and share the information with members of FDLP to find ways of providing the public openness to Government documents. FDsys is instrumental in enabling this enhanced capability for the CFR.

GPO also entered a partnership with the Association of Schools of Public Health to provide electronic access to public health reports. More than 700

depository libraries now have electronic access to this journal.

Preservation has been a key component in the partnership between GPO and the library community. To further that partnership in 2010, GPO joined a worldwide digital preservation alliance to further collaborate with Federal depository libraries on preservation initiatives. LOCKSS (Lots of Copies Keep Stuff Safe) provides libraries with digital preservation tools and support so they can collect and preserve their own copies of authorized electronic content. GPO's participation in LOCKSS will support development efforts by libraries that utilize LOCKSS. GPO also established the agency's first preservation librarian position to update the FDLP collection management plan for the preservation of Federal Government documents.

AUTHENTICATED U.S. GOVERNMENT INFORMATION GPO

To help meet the challenge of the digital age, GPO has been implementing digital signatures to electronic documents on *GPO Access* and FDsys that provide the assurance that an electronic document has not been altered since GPO disseminated it. A digital signature, viewed through the GPO Seal of Authenticity, verifies document integrity and authenticity on GPO online Federal documents. FDsys is continuing with the essential work of authenticating U.S. Government online publications. GPO continues to be a leader within the Federal Government for document authentication.

Security and Intelligent Documents

GPO's Security and Intelligent Documents business unit combines security printing with secure electronics to provide Federal agencies with the most trusted credentials in Government. The gold standard of secure Federal credentials is the U.S. passport.

GPO manufactures passports in conjunction with the DOS at two locations in the United States: GPO's secure plant in Washington, D.C., and GPO's secure production facility on the grounds of the Stennis Space Center in Mississippi. The Stennis facility achieved a milestone in 2010 by earning an ISO 9001 certification, a global manufacturing and quality certification. ISO is the International Organization for Standardization and the world's largest developer of international standards used by Government, business, and new information technology companies and agencies. These globally recognized standards of excellence for production and quality processes assure customers that the agency or company meets their expectations. Since 2008, when

Today, the passport includes an electronic chip that contains the same information that is printed in the passport: name, date of birth, gender, place of birth, dates of passport issuance and expiration, passport number, and photo image of the traveler. The passport contains security features to prevent the chips from being read, cloned, or changed. GPO has manufactured more than 52 million passports with these electronics, which is the standard issued by DOS. The passport of the 21st century illustrates how GPO connects precision printing with secure electronics.

the secure production facility began implementing ISO procedures and process improvements, the average of material waste dropped from 5.9 percent to 0.5 percent today. One example of an ISO process that was implemented is the installation of digital access to the standard operating procedures on touch pad laptops to provide quick and easy access on the production room floor. Organizations and companies in 176 countries have attained this status. GPO's Washington, D.C., passport facility is on track to attain the ISO 9001 certification in FY 2011.

Building on the success of the passport, GPO has developed a broad product line of electronic and non-electronic credentials. GPO teams design, print, personalize, and deliver credentials that are tough to counterfeit but easy to authenticate. GPO has become the place to produce secure credentials for Federal agencies. GPO works with the Department of Homeland Security (DHS) Customs and Border Protection (CBP) to produce Trusted Traveler Program cards. GPO is responsible for designing, printing, personalizing, and mailing the cards, which give pre-approved travelers faster service at America's northern and southern borders. GPO produces three types of Trusted Traveler Program cards: NEXUS cards for the northern border, SENTRI cards for the southern border, and FAST cards for approved commercial truck drivers. The Trusted Traveler Program is part of the Western Hemisphere Travel Initiative (WHTI). In the last two years GPO has delivered nearly 900,000 of these cards.

GPO has produced nearly 100,000 Puerto Rican Medicare health insurance cards for the Department of Health

Passport Manager David Spiers and Foreman Dio Enterline inspect a print sheet at GPO's secure production facility in Stennis, Mississippi.

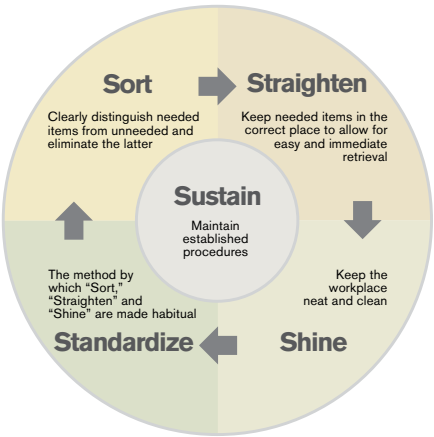
and Human Services. These are the first plastic cards used in the Medicare system to provide reliable and accurate access to their infrastructure, significantly reducing fraud. GPO also produced a credential for the U.S. Coast Guard. It verifies the identity, training, and qualifications of crew members aboard merchant ships.

The employees in this business unit meet the customers' strategic requirement with effective secure credentials. GPO has produced secure credentials that contribute to national security in an environment controlled by the Government. Control extends to the full material supply chain, all personal data used, the production process, and delivery of the secure credential to the customer. The success of these programs has made GPO the state-of-the-art provider for secure Federal credentials.

Workplace Efficiency

GPO used the 5S methodology throughout the agency in 2010 to improve the office environment for employees and to organize and standardize business processes. '5S' is the name of a workplace organization methodology that uses a list of five Japanese words which are *seiri, seiton, seiso, seiketsu,* and *shitsuke*. Translated into English, they are Sort, Straighten, Shine, Standardize, and Sustain. The list describes how items are stored and how the new order is maintained. The decision-making process usually comes from a dialogue about standardization which builds a clear understanding among employees of how work should be done. It also instills ownership of the process in each employee.

Many GPO Business Units during the year successfully applied the 5S methodology to improve business processes and overall efficiency. In addition, office environmental improvements refresh the office space, using low VOC paint, improving overhead and natural lighting, and balancing air flow to improve ventilation. 5S improvements create a better work environment and more positive employee work place, with results measured in increased efficiency, service, and safety.



The following summary tables are excerpts from the full audited consolidated financial statements and are not intended to substitute for the full audited financial statements.

For fiscal year 2010 (October 1, 2009 – September 30, 2010) GPO received a clean audit opinion on its consolidated financial statements from KPMG LLP.

Net income before other operating expenses was approximately $9.0M in fiscal 2010 compared to net income before other operating expenses of $1.2M in fiscal 2009. In fiscal 2010, both operating revenue and operating expenses were less than fiscal 2009. Comparing 2010 to 2009, operating revenues decreased $5.8M, or .6% (to $928.3M from $934.1M), while operating expenses decreased $13.5M, or 1.5% (to $919.3M from $932.8M). The decreases in both revenue and expenses were primarily due to workload decreases in the Printing Procurement business unit.

Other operating expenses in 2010 included a credit of $290,000 from a decrease to the agency's long-term workers' compensation liability. The long-term worker's compensation charge is required to record the adjustment to the actuarially determined liability at September 30, 2010. Inclusive of other operating expenses, GPO had a net income of $9.3M in 2010 compared to a net loss of $4.1M in 2009.

Summary of Revenues, Expenses, and Net Income (in thousands)	2010	2009
Operating Revenues	$ 928,338	$ 934,058
Operating Expenses	919,340	932,824
Income before other operating expenses	**8,998**	**1,234**
Other Operating Expenses		
Impairment loss	–	(1,189)
Decrease (Increase) in workers' compensation liability	290	(4,107)
Net Income (Loss)	$ 9,288	$ (4,062)

Operations provided $86.0 million in cash in 2010 compared to using $53,000 in cash in 2009. In 2010, funds were provided by reducing the balance of accounts receivable by $38.9M (to $171.7M in 2010 from $210.6M in 2009), and by increasing deferred revenues (primarily customer agency deposit accounts) by $28.7M (to $127.3M in 2010 from $98.6M in 2009). GPO also made investments for capital items of $14.4M in 2010 compared to $30.0M in 2009.

Summary Statements of Cash Flows (in thousands)	2010	2009
Cash Flows from Operating Activities		
Net Income (Loss)	**$ 9,288**	**$ (4,062)**
Provided by (used in) operating activities:		
Depreciation and other	19,911	17,175
Impairment loss	–	1,189
Decrease (Increase) in current assets	36,727	(38,328)
Increase in liabilities	20,380	21,284
Workers' compensation liability	(290)	4,107
Warranty liability	–	(1,418)
Total adjustments	**76,728**	**4,009**
Net cash provided by (used in) operating activities	**86,016**	**(53)**
Cash flows (used in) Investing Activities	**(14,447)**	**(30,029)**
Cash flows from Financing Activities	**12,470**	**20,957**
Net Increase (Decrease) in Cash Balance	**$ 84,039**	**$ (9,125)**

GPO's Balance Sheet continued strengthening from improved operating performance. Working capital increased by $25.7M, to $297.3M in 2010 from $271.6M in 2009, and total current assets increased by $47.4M, to $544.7M in 2010 from $497.3M in 2009.

Total assets grew by $43.0M to $655.5M in 2010 from $612.5M in 2009. Cash increased to $340.2M in 2010 from $256.1M in 2009, due to the decrease in accounts receivable, the increase in deferred revenues, and a $12.5M increase in unexpended appropriations. Inventory increased by $3.8M to $32.6M in fiscal 2010 compared to $28.8M in fiscal 2009. The increase is attributable to a greater number of passport chips held in inventory at the end of fiscal 2010.

GPO ended fiscal 2010 with retained earnings of $159.7M, compared to $150.4M at the end of fiscal 2009.

Summary Balance Sheets (in thousands)	2010	2009
Assets		
Current Assets		
Fund balance with Treasury	$ 340,165	$ 256,126
Accounts receivable, net	171,677	210,564
Inventory, net	32,570	28,831
Prepaid expenses	244	1,823
Total current assets	**544,656**	**497,344**
General property, plant and equipment, net	110,891	115,141
Total Assets	**$ 655,547**	**$ 612,485**
Liabilities and Net Position		
Current Liabilities		
Accounts payable and accrued expenses	$ 108,942	$ 116,137
Deferred revenues	127,286	98,634
Accrued annual leave	11,153	11,016
Total current liabilities	**247,381**	**225,787**
Other Liabilities		
Workers' compensation liability	70,884	71,174
Voluntary separation incentive payment liability	4,562	4,562
Total Liabilities	**322,827**	**301,523**
Net position		
Cumulative results of operations		
Retained earnings	159,651	150,363
Invested capital	92,879	92,879
Unexpended Appropriations	80,190	67,720
Total Net Position	**332,720**	**310,962**
Total Liabilities and Total Net Position	**$ 655,547**	**$ 612,485**

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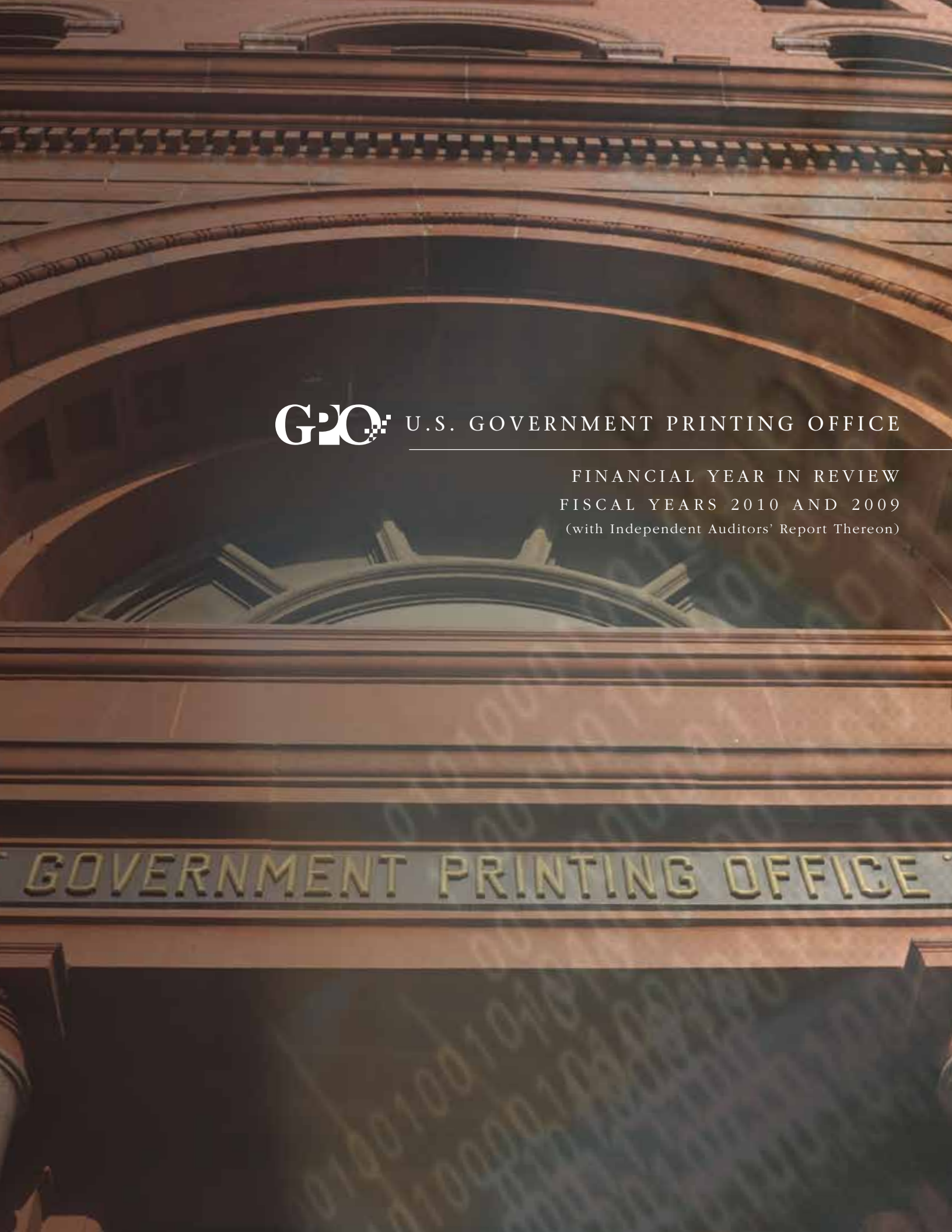
150 YEARS
1861-2011



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FINANCIAL YEAR IN REVIEW

FISCAL YEARS 2010 AND 2009

(with Independent Auditors' Report Thereon)

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SECTION I

Management's Discussion and Analysis

(Unaudited)

As of September 30, 2010

Mission

The mission of the U.S. Government Printing Office (GPO or Agency) is *Keeping America Informed*, by providing excellent publishing and dissemination services for official and authentic Government publications to its customers: the Congress, Federal agencies, Judiciary, Federal Depository Libraries, and the American public.

The GPO accomplishes this mission by working in close partnership with all three branches of the Federal Government in the creation, collecting, cataloging and indexing, reproduction, dissemination, authentication, and preservation of Federal Government information. GPO utilizes conventional and digital technology, and state-of-the-art methods, to produce and distribute Federal Government information. To ensure that Federal Government information is readily available to all citizens, GPO makes information accessible in an array of communication mediums from traditional printed products to digital documents and online databases that are accessible through the Internet.

The GPO was created when President James Buchanan signed Joint Resolution 25 on June 23, 1860. GPO opened its doors for business on March 4, 1861. GPO has begun a year-long celebration marking its 150 years of *Keeping America Informed*.

Basis of Financial Reporting

The consolidated financial statements of the GPO are prepared pursuant to the requirements of United States Code (U.S.C.) Title 31, *Money and Finance,* § 3515, *Financial Statements of Agencies.* The consolidated financial statements have been audited by an independent external auditor selected by the Public Printer in accordance with U.S.C. Title 44, *Public Printing and Documents,* § 309, *Revolving Fund for Operation and Maintenance of Government Printing Office.*

The consolidated financial statements of the GPO are prepared from GPO's financial system on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles (GAAP). Under the accrual basis, revenues are recognized (recorded) when earned, and expenses are recognized when incurred, without regard to the receipt or the payment of cash. GAAP also requires that accounting principles be applied in a manner consistent with the previous year.

GPO's consolidated financial statements and accompanying notes provide information on the Agency's financial position, results of operations, changes in net position, and cash flows, and disclose all significant financial events and economic affairs controlled by GPO, in conformity with applicable laws, regulations, standards, and policies relevant to financial reporting. GPO is committed to maintaining strong financial systems and internal controls to ensure accountability, integrity, and reliability. GPO's internal controls are designed to provide reasonable assurance that obligations and costs comply with applicable laws and regulations and are within budgetary limits; that funds, property, and other assets are safeguarded against loss from unauthorized acquisition, use, or disposition; and that transactions are properly recorded.

GPO Instruction 825.18A, *Internal Control Program*, established the internal control standards and assessment methodology employed by GPO to ensure adequate and effective systems of management control and compliance with applicable laws and regulations. Management monitors the internal control systems and regularly conducts vulnerability assessments and internal control reviews of GPO's programs, operations, and other activities.

The Office of the Inspector General (OIG) monitors the Internal Control Program at GPO and keeps the Public Printer informed of management's progress in addressing internal control deficiencies identified in audits, reviews, and investigations. Occasionally, the OIG and the U.S. Government Accountability Office (GAO) conduct audits of GPO's programs and operations, and as such, evaluate management controls. The Internal Control Program, along with recommendations from audits, reviews, and investigations, have strengthened management controls and improved the economy, efficiency, and effectiveness of GPO's programs, operations, and other activities.

Programs and Operations

The Government-wide programs and operations managed by GPO are based on various public laws codified in U.S.C. Title 44. GPO's statutory responsibilities include fulfilling the printing needs of the Federal Government and distributing Federal Government information products to the public.

Funding

The Agency's programs and operations are funded through a business-type revolving fund, authorized by U.S.C. Title 44, and by annual and certain no-year and multi-year appropriations provided by Congress. The GPO Revolving Fund is authorized to be self-sustaining, without fiscal year limitations applicable to most annual appropriations. Accordingly, the Revolving Fund pays for the cost of the Agency's programs and operations and is reimbursed at rates and prices that are intended to recover the full cost of goods and services delivered to customers. GPO's rates and prices for products and services are developed using estimates of direct labor and direct material expenses, overhead expenses, and anticipated volumes.

The major sources of reimbursement to the GPO Revolving Fund are:

- Payments from Federal customers for printing and binding, blank paper and paper products, and information products and design services;
- Sales of Government publications and information products to the general public, bookstores, book dealers, and businesses; and,
- Fund transfers from the Congressional Printing and Binding (CP&B) Appropriation and the Salaries and Expenses (S&E) Appropriation.

The CP&B and S&E appropriations reimburse the GPO Revolving Fund for costs incurred to produce congressional work and fulfilling statutory requirements to disseminate Federal Government information to the public, respectively. Occasionally unexpended CP&B and S&E appropriations are authorized to be transferred to the Revolving Fund for these purposes with the approval of the House and Senate Appropriations Committees. Generally, unexpended annual appropriations are returned to the U.S. Department of the Treasury after five years. Also, Congress has occasionally made no-year and multi-year appropriations available to the Agency for special purposes. For example, appropriations have been made for building improvements, security enhancements, information systems, and workforce retraining. Reimbursements to the Revolving Fund from the appropriations are recorded as revenue when related liabilities are incurred.

Programs and Operations Overview

The Agency is organized into separate business units or segments, as described below, to assist management in the various programs and operations of the Agency.

Plant Operations The Plant Operations unit publishes, conventionally and digitally, the important journals of the Federal Government, along with many other Federal Government documents that are available to the public. The Plant provides Congress with all legislative printing and binding services, including overnight production of the *Congressional Record*, and Congressional bills, reports, and hearings. GPO also publishes the daily *Federal Register* and produces the *Code of Federal Regulations* for the Executive Branch.

Official Journals of Government The need for traditional printed versions of the official records of government (for example, the *Congressional Record* and the *Federal Register*) will remain until practicable alternatives are developed and accepted. The Official Journals of Government business unit continues to meet Congressional and agency needs for these types of traditional products, while at the same time, ensuring the proper coordination of their digital versions with other GPO business operations and the compliance with GPO's electronic information dissemination mandate.

Security and Intelligent Documents This business unit works with other Federal agencies to assist in the safe and secure design, production, and distribution of security and intelligent documents, credentials, forms, and tickets. These security products incorporate electronic technologies and other fraud and counterfeit protection security features. This unit's principal products are electronic Passport books for the U.S. Department of State and electronically enabled secure credentials for the U.S. Department of Homeland Security, Customs and Border Protection, and Trusted Traveler Program.

Print Procurement The majority of the Government's printing needs are satisfied through Print Procurement's partnership with industry that takes advantage of the vast resources, expertise, and specialization in the private sector. This business unit receives printing requisitions from Federal customers and acquires the information products competitively from the private sector through various types of procurement vehicles tailored to the specific needs of customers. Thousands of pre-qualified businesses, small to large in size, openly compete for printing jobs. GPO's performance measures for on-time delivery and quality acceptance underscore the effectiveness of this partnership between industry and government.

GPO assigns print procurement teams to provide print brokerage, contract administration, and other related services to Federal customers. The teams work diligently to become authorities on the mission of their respective agencies to anticipate and exceed customer expectations. The teams are assisted by GPO's sales force of national account managers. Both team members and national account managers meet regularly with customer agency program managers to ensure high levels of satisfaction.

Creative Services, Digital Media, and GPO University GPO provides Congress and Federal customers with many products and services to assist in the creation and dissemination of information.

Creative Services is comprised of a team of professional designers that provides branding and identity design, Web graphics, and multi-media presentations. The team consults with customers to develop appropriate solutions based on audience, budget, and delivery schedule requirements. Their work includes designing annual reports, magazines, brochures, books, posters, and Web layout and pages. They also create specialized security designs for passports, credentials, and other secure documents.

The Digital Media team creates complex Web applications and rich media. They support Web site hosting and Web site maintenance services for other Federal agencies, including content management, Web statistics reporting, database management, and administration. In addition, they offer Web application development and digital consulting services to ensure compliance with Federal mandates.

GPO University was formed by combining GPO's Institute for Federal Printing & Electronic Publishing (IFPeP) and Office of Workforce Development and Training in 2010. The change reflects GPO's dedication to meeting the growing need of Federal employees to advance their technical skills in the digital work environment. GPO University offers a unique combination of courses that integrate GPO printing process knowledge with cutting-edge digital applications for print and online publishing.

Publication and Information Sales Program The Publication and Information Sales business unit increases public access to U.S. Government information through sales of Government information products. The public purchases copies of Federal Government publications and subscriptions via GPO's Online Bookstore, as well as by e-mail, phone, fax, and mail. This business unit also works with commercial sales channels, including major bookstore chains and leading book distributors nationwide, to enhance Government information distribution. In addition to traditional sales activities, Publication and Information Sales provides Government agencies

with expert advice on how to make their publications more user-friendly and commercially viable.

Reimbursable Services Program
This business unit provides a variety of global order fulfillment, inventory, and list management services to Federal agencies through two distribution centers located in Pueblo, Colorado, and Laurel, Maryland. The business unit supports the U.S. General Services Administration's popular Federal Citizen Information Center.

Library Services and Content Management This business unit supports and manages the Federal Depository Library Program (FDLP), the Cataloging and Indexing Program, the By-Law Program, and the distribution component of the International Exchange Service of the Library of Congress. The FDLP, under the direction of Congress, ensures equitable, secure, convenient, and permanent no-fee access to published U.S. Government information. The FDLP includes 1,224 designated Federal depository libraries throughout the United States and its territories that provide the American public access to U.S. Government publications in tangible collections, and *GPO Access* and its successor service, the Federal Digital System (FDsys), which provide direct online access to Federal Government publications from all three branches of Government. Other popular online services managed by this business unit include the *Catalog of U.S. Government Publications*, the *FDLP Desktop*, the *FDLP Community Site*, and *Ben's Guide to the U.S. Government*.

Management Initiatives to Improve Agency Operations

The GPO is the Federal Government's primary centralized resource for gathering, cataloging, producing, providing, authenticating, and preserving published U.S. Government information in all its forms. GPO is responsible for the production and distribution of information products and services for all three branches of the Federal Government. In addition to publication sales, GPO makes government information available at no cost to the public through GPO's Federal Digital System and through partnerships with 1,224 libraries nationwide participating in the Federal Depository Library Program.

The transformation program underway at GPO places emphasis on the effective and efficient accomplishment of GPO's mission, while at the same time maintaining the Agency's core values of integrity, teamwork, commitment, and dependability. The *Strategic Vision for the 21st Century* continues to keep GPO on track to embrace sustainable, environmentally friendly technology. Policy decisions, budgeting and capital investment decisions, workforce development plans, industry partnerships, customer relations, operational decision-making, and other actions are based on or tied to GPO's strategic plan.

The following is an overview of some of the major agency initiatives transforming GPO. These efforts will enable GPO to better satisfy the existing and future needs of the U.S. Congress, Federal agencies, the library and information communities, and the public.

GPO's Federal Digital System (FDsys)
In fiscal 2009, GPO launched FDsys (www.gpo.gov/fdsys/), a world-class information management system developed to authenticate, preserve, maintain contents by version, and provide permanent public access to Federal Government information. The system provides users a one-stop site to authentic, published government information, while offering users advanced search and retrieval capabilities.

In fiscal 2010, GPO converted the text of the *Federal Register* and the *Code of Federal Regulations* into extensible markup language (XML), a form of text that allows manipulation in virtually limitless ways with digital applications, and placed it online in numerous Federal Government portals, including FDsys and Data.gov. The XML version supplements official publishing formats.

At fiscal year-end there were more than 178,000 publications available on FDsys, including Congressional Bills, the *Federal Register*, and the *United States Statutes at Large*. Additionally, a backup site has been developed and deployed, providing nearly uninterrupted availability to publications in FDsys.

In fiscal 2011, GPO will complete the migration of content to FDsys from *GPO Access* (the legacy site), as well as authenticate many of the collections that are available on FDsys. Future enhancements to FDsys that will further improve the transparency of Federal Government information are being developed and include user notifications for content; delivery by Really Simple Syndication (RSS), e-mail, and File Transfer Protocol (FTP); automatic harvesting of information from Federal websites; and automatically saved search preferences. Additionally, the structure to support mobile applications utilizing data in FDsys is being developed to address the ever-expanding market of e-readers and smart phone users.

Federal Register Website In addition to converting *Federal Register* and *Code of Federal Register* files to XML as part of FDsys, GPO and the Office of the Federal Register collaborated to give the *Federal Register* (www.federalregister.gov) a fresh new look to mark its 75th anniversary (Federal Register Act, July 26, 1935). With Federal Register 2.0, the process of submitting documents is the same as before. However, there is a major difference in the ease of navigation and searching. For example, the site redesign follows the layout of popular online newspapers, and high-interest documents are displayed on the front page for more than one day. The search engine allows users to limit results by date, agency, topic, or location. Another major difference is that the open source code now in use allows other Web applications to pull data from the site. This enhances Federal transparency by enabling *Federal Register* content to be displayed on a virtually unlimited number of websites.

Mapping the Future of the FDLP
The Agency, with input from the Depository Library Council and the depository community, is charting a future course for the Federal Depository Library Program. Based upon collaboration and flexibility, the program will continue to support the public with free and permanent access to official and authentic Federal Government content that will be available at the user's fingertips through FDsys. Recognizing the role of online information, the future focuses on collaboration with the depository community to make Government more transparent by freely providing its information to all users.

Customer-Friendly Print Procurement Vehicles The Agency has established two programs that allow GPO customers to work directly with GPO vendors. These programs generally handle small value or short turnaround requirements. Annual growth in these programs increases GPO and customer agency efficiency and effectiveness in delivering services to agency clients.

The GPO*Express*℠ Program allows Federal Government personnel to order from any FedEx Office℠ print center, day or night, at any of the more than 1,800 locations throughout the United States and around the world. Agencies receive significant discounts on printing and finishing needs at any store location when they use the new GPO*Express*℠ card. GPO*Express*℠ continues to grow in use by Federal customers. Program sales increased in fiscal 2010 by 16 percent from fiscal 2009.

The GPO Online Paper Store allows Federal Government organizations to purchase, at significant savings, environmentally safe, xerographic copier paper using a Web-based system. GPO teamed with Unisource® Worldwide, Inc., a global paper distributor, to develop the online store. Unisource® Worldwide, Inc. has approximately 75 domestic distribution centers that quickly fill customer orders. Program sales increased in fiscal 2010 by 21 percent from fiscal 2009.

Modernizing Agency Information Systems GPO launched the GPO Enterprise Program in 2004 to replace unsustainable legacy systems. This major program has been progressively implementing modern application systems to support GPO business units. Phase 2 of this modernization program became operational on May 1, 2009. The applications, known collectively as the Government Printing Office Business Information System (GBIS), replaced in-house developed mainframe software placed into operation more than 30 years ago. The launch provided GPO with a solid base of financial application software on which to build more efficient, sustainable processes. In fiscal 2010, GPO continued to streamline, revise, and automate within the baseline system, several back office administrative processes to conform to the new system.

International Organization for Standardization (ISO) 9001:2008 Certification In fiscal 2010, GPO's secure passport production facility at Stennis Space Center in Mississippi achieved ISO 9001:2008 certification. ISO, the International Organization for Standardization, is the world's largest developer of international standards used by government, business, and new information technology companies and agencies. Achieving this certification assures the Agency and the customer that products or services are manufactured or performed with business operating procedures that conform to globally accepted production and service standards.

Redesign and Renovation of the GPO Bookstore In fiscal 2010, the GPO Bookstore underwent a drastic overhaul, utilizing 5S (an acclaimed workplace organization methodology) principles. Both the redesign and the renovation of the GPO Bookstore was accomplished by GPO designers, skilled craftworkers, and marketing staff. GPO changed the displays, retail counter, signage, and inventory stock; created power aisles that lead customers throughout the store; developed impulse buying opportunities; built a kiosk for online book searches; and built a reading area that also displays educational videos about GPO. GPO also created a "GPO and Printing" educational experience featuring a mural that describes the history of printing, exhibit panels that show how the Agency's technology has evolved since its founding, and current and past photos of GPO employees working to *Keep America Informed*.

Process Improvement Methodology The Agency continues to emphasize process study and improvement methodologies. GPO is analyzing and re-engineering programs and processes to be less costly, faster, and more effective. This program includes adopting appropriate characteristics and capabilities of high-performing organizations; developing and identifying best practices to assess organizational transformation, structure, and management; and conducting targeted reviews and assessments of management practices in industry and applying best practices and lessons learned.

Environmental Stewardship Initiatives In fiscal 2010, GPO began printing both the *Congressional Record* and the *Federal Register* on 100 percent recycled newsprint. These achievements, made with the cooperation and assistance of the U.S. Congress and the National Archives and Records Administration, respectively, will help reduce landfill waste.

Additionally, GPO is offering to customer agencies 30-percent post consumer fiber waste (PCW) recycled paper as required by Executive Order 13423 – *Strengthening Federal Environmental, Energy, and Transportation Management* through the GPO Online Paper Store.

GPO recently completed the installation of a new, highly reflective roofing system. This new roof includes several bio-based layers and reflective coating that increases the efficiency and life expectancy of the roof. The agency also updated its vehicle fleet used to deliver printed products to Congress and Federal agencies with alternative flex-fuel and hybrid vehicles.

Financial Position and Results for Fiscal Year 2010

The following is an overview of the financial position and operating results reflected in GPO's basic consolidated financial statements as of and for the fiscal year ended September 30, 2010.

Consolidated Balance Sheets

The consolidated balance sheets present the combined amounts the Agency had available to use (assets) versus the amounts the Agency owed (liabilities), and the residual amounts (net position) after liabilities were subtracted from assets.

GPO's total assets increased to $655.5 million as of September 30, 2010 from $612.5 million as of September 30, 2009. The increase of $43.0 million (7.0 percent) in total assets was primarily attributable to $84.1 million increase in cash in the U.S. Treasury and $38.9 million decrease in accounts receivable. The increase in cash in the U.S. Treasury was due to faster collections and issue resolution through the billing system and an increase in de-

posit accounts. The decrease in accounts receivable is primarily due to a decrease in unbilled accounts receivable. Unbilled accounts receivable balance at September 2009 was greater in comparison with the balance at September 2010 because of a billing lag as a result of the conversion to GBIS in fiscal 2009.

Net value of Property, Plant and Equipment decreased to $110.9 million as of September 30, 2010 from $115.1 million as of September 30, 2009. The decrease of $4.2 million (3.6 percent) during fiscal year 2010 occurred primarily from the net effect of $15.7 million in capital purchases (which increased the net value), offset by $19.9 million in depreciation expense recorded in fiscal 2010 (which reduced net value). Comparable figures in fiscal 2009 were an increase of $7.9 million in net value, $30.0 million in capital purchases, and $17.2 million in depreciation expense.

GPO's liabilities increased to $322.8 million as of September 30, 2010 from $301.5 million as of September 30, 2009. The increase of $21.3 million (7.1 percent) in total liabilities was primarily due to an increase in deferred revenues of approximately $29.0 million (29.4 percent) and a decrease in accounts payable and accrued expenses of $7.2 million (6.2 percent).

The increase in deferred revenues was primarily due to a $26.0 million increase in customer deposit accounts for printing and binding and a $3.0 million increase in advance billings. The decrease in accounts payable and accrued expenses of $7.2 million resulted from a decrease in accounts payable to printing contractors of $11.4 million, offset by increases in payables for capital assets and production materials of $1.2 million and $3.0 million, respectively.

GPO's net position increased to $332.7 million as of September 30, 2010 from $311.0 million as of September 30, 2009. The increase of $21.7 million (7.0 percent) in GPO's net position was primarily the result of an increase in unexpended appropriations of $12.5 million and an increase in retained earnings of $9.3 million. Agency unexpended appropriations increased due to increases in unliquidated obligations in the Congressional Printing and Binding Appropriations of $4.6 million ($42.9 million at year-end 2010 from $38.3 million at year-end 2009), in the Salaries and Expenses Appropriations of $4.6 million ($29.1 million at year-end 2010 from $24.5 million at year-end 2009), and in unexpended Revolving Fund appropriations of about $3.3 million ($8.2 million at year-end 2010 from $4.9 million at year-end 2009).

Consolidated Statements of Revenues, Expenses, and Changes in Retained Earnings

The consolidated statements of revenues, expenses, and changes in retained earnings present the accrued reimbursements for goods sold and services provided (revenues), the accrued cost of assets and services used (expenses) in the creation of revenues, and the change, within the period presented, of the accumulated net income of the Agency (changes in retained earnings).

Consolidated Revenues

GPO's consolidated revenues are derived from four major sources: Printing and Binding; Appropriations; Sales of Publications; and Agency Distributions. Consolidated revenues were $928.3 million in fiscal 2010 and $934.1 million in fiscal 2009. This is a decrease of about $5.8 million (0.6 percent). Printing and binding revenues decreased to $774.0 million in fiscal 2010 from $794.8 million in fiscal 2009, a decrease of $20.8 million (2.6 percent). Appropriation revenues increased from $119.2 million in fiscal 2009 to $134.9 million in fiscal 2010. This is a $15.7 million (13.2 percent) increase.

■ *Printing and Binding Revenues*

The Agency earns revenues from Federal Government customers for printing, binding, and other related services performed by GPO business units and from work performed by commercial contractors. The printing and binding revenues were based on a system of rates, prices, and surcharges designed to recover costs. The revenues for printing and binding originate from the programs and operations of five business units at GPO: Plant Operations, Official Journals of Government, Security and Intelligent Documents, Print Procurement, and Creative and Digital Media Services. The revenues earned from jobs produced by GPO employees are generally recognized on a value-added basis, as work is performed. Revenues from contracted jobs are generally recognized on the date that contract requirements are fulfilled, i.e., the date finished products are shipped by the contractor to the customer agency. Revenues from the production of passports for the State Department are recognized at negotiated rates per passport at the time that the manufacturing process is completed.

Plant Operations generated revenues of $148.1 million in fiscal 2010 compared with revenues of $145.7 million in fiscal 2009. This represents an increase of $2.4 million (1.6 percent). Revenues were generated from the production of paper and electronic versions of the *Congressional Record* and all other legislative materials, as well as other documents including the *Federal Register* and the *Code of Federal Regulations*. Plant Operations revenues in fiscal 2010 include approximately $89.1 million from the Congressional Printing and Binding Appropriations.

Official Journals of Government generated revenues of $10.0 million in both fiscal 2010 and fiscal 2009. Revenues generated by providing administrative services to the U.S. Congress were $4.3 million in fiscal 2010 compared to $4.7 million in fiscal 2009. Revenue from employees (printing specialists) detailed to House and Senate Committees increased by about $700,000 from $2.8 million in fiscal 2009 to $3.5 million in fiscal 2010.

Overall revenues for the Security and Intelligent Documents (SID) business unit increased to $202.5 million in fiscal 2010 from $173.6 million in fiscal 2009, or $28.9 million (16.6 percent). SID's major product is the electronic Passport, which was introduced in fiscal 2007. GPO produced 13.2 million electronic Passports in fiscal 2010, compared to 10.6 million electronic Passports in fiscal 2009, an increase of 24.5 percent. The resulting electronic Passport revenues increased from $160.5 million in fiscal 2009 to $196.4 million in fiscal 2010, an increase of $35.9 million (22.4 percent). SID revenues in fiscal 2010 for the new Trusted Traveler and other secure credentials for the U.S. Department of Homeland Security decreased from $9.8 million in 2009 to $4.9 million in 2010, a decrease of $4.9 million.

Print Procurement revenues decreased $44.4 million (8.2 percent) from $540.5 million in fiscal 2009 to $496.1 million in fiscal 2010. Procured printing and binding revenues decreased approximately $40.1 million (8.1 percent) predominantly due to fewer new orders placed by the U.S. Department of Defense and the U.S. Department of Homeland Security. Revenues from the popular GPO*Express*℠ program increased $1.4 million, from $7.5 million in fiscal 2009 to $8.9 million. The increase in revenue was offset by a decrease in the reimbursable postage program of $3.6 million, from $6.2 million in fiscal 2009 to $2.6 million, caused by a reduction in agency orders for this service.

Creative and Digital Media Services revenues were $3.8 million in fiscal 2010 compared with $5.6 million in fiscal 2009, a decrease of $1.8 million (32.1 percent). Revenues decreased primarily due to loss of a few large customers during fiscal 2010.

■ *Appropriation Revenues*
The GPO receives annual, no-year, and multi-year appropriations from Congress to finance certain costs in accordance with the underlying appropriation act and enabling legislation. The Legislative Branch Appropriations Act, 2010 (Public Law 111-68, October 1, 2009) made a total of $147.5 million in annual appropriations available to the Agency for fiscal 2010.

Revenues earned from appropriations provided to the Agency totaled $134.9 million for fiscal 2010 and $119.2 million for fiscal 2009. The increase in appropriation revenue of $15.7 million (13.2 percent) was primarily due to increases in revenues from Revolving Fund, Congressional CP&B, and S&E. Revenue from appropriations to the Revolving Fund was $11.8 million in fiscal 2010 compared to $6.9 million in fiscal 2009, an increase of $4.9 million (71.0 percent). This revenue is a reimbursement of qualifying expenses and is recognized when the appropriated funds are made available and the qualifying expenses are incurred. In fiscal 2010, more Revolving Fund appropriated funds ($12.8 million) were available than in fiscal 2009 ($5.0 million), so more reimbursable expenses qualified. In fiscal 2010, the $11.8 million recognized as revenues related to qualifying expenses of $982,000 for prior year appropriation shortfalls; $4.2 million for roof, elevator repairs, infrastructure improvements and information technology development; $6.1 million for FDsys development; and $548,000 for workforce retraining. In fiscal 2009, the $6.9 million recognized as revenues related to qualifying expenses of $3.0 million for prior year appropriation shortfalls; $2.3 million for roof, elevator repairs and infrastructure improvements; $1.0 million for FDsys development; and $600,000 for workforce retraining.

Revenues from the CP&B Appropriation were $89.1 million in fiscal 2010 compared to $80.8 million in fiscal 2009, an increase of $8.3 million (10.3 percent). The annual CP&B Appropriation is used to fund printing and binding provided to Congress by the Plant Operations business unit and services provided by the Official Journals of Government business unit. The increase in revenues was mainly due to increases in the Congressional Record products ($2.8 million increase), Hearings ($1.7 million increase), Public Document Envelopes ($2.3 million increase), and Committee Prints ($1.4 million increase).

The requirements of Congress for printing and other services requisitioned from GPO fluctuate because of many variables and cannot be precisely forecasted for budgeting purposes. At the end of fiscal 2010, the CP&B Appropriation was estimated to have a cumulative shortfall in funding of about $1.5 million. Generally, the CP&B Appropriation has been adequate to cover the costs of GPO services to Congress. However, in years when the Congressional printing requirements exceed the annual funding provided by Congress, GPO uses the Revolving Fund to temporarily fund the shortfall until sufficient appropriated funds are available as authorized by Congress.

The S&E Appropriation provided revenues of $34.1 million in fiscal 2010 and $31.9 million in fiscal 2009. The S&E Appropriation is provided annually by Congress to fund the dissemination of Federal Government information to the public by GPO's Library Services and Content Management business unit.

■ *Sales of Publications Revenues*
GPO earns revenues from the sales of publications to the public and others. The Publication and Information Sales Program sells publications, subscriptions, and other Federal Government information products at prices designed to recover costs. The demand for printed products continues to decline due to expansion in the availability of free information from the Federal Government on the Internet. Revenue from the sales of publications totaled $13.2 million for fiscal 2010 and $14.1 million for fiscal 2009, a decrease of about $900,000 (6.4 percent).

■ *Agency Distribution Revenues*
GPO earns revenues from Federal agencies for the storage, packaging, and distribution of Federal Government publications to the public and others. Agency Distributions provides these services on a cost reimbursement basis, at rates and prices designed to recover costs. Revenues from Agency Distributions totaled $6.2 million for fiscal 2010 and $5.9 million for fiscal 2009. This represents an increase of about $300,000 (5.1 percent). Revenues for this program fluctuate because of the varying level of demand for services from customers over time.

Consolidated Expenses

GPO incurred total consolidated operating expenses, before other operating expenses, of $919.3 million for fiscal 2010 and $932.8 million for fiscal 2009, a decrease of $13.5 million (1.4 percent). The decrease in operating expenses was due primarily to a decrease in printing and reproduction expenses, especially decreased purchases of printing from private sector contractors by the Print Procurement business unit, partially offset by increases in other expense categories. A brief description of the major expense categories for the Agency follows.

■ *Printing and Reproduction Expenses*
GPO incurred expenses for printing and reproduction of $459.0 million for fiscal 2010 and $497.8 million for fiscal 2009. This represents a decrease in printing and reproduction expenses of $38.8 million (7.8 percent), which was attributable to decreased purchases of printing from private

sector contractors by the Print Procurement business unit. Expenses for purchased printing decreased to about $458.4 million in fiscal 2010 from $497.1 million in fiscal 2009.

- *Personnel Compensation and Benefits Expenses*

GPO incurred expenses for personnel compensation and benefits of $242.5 million during fiscal 2010 and $234.6 million during fiscal 2009. This represents an increase in personnel compensation and benefit expenses of $7.9 million (3.4 percent). The increase was mostly due to annual pay increases that typically occur in January.

- *Supplies and Materials Expenses*

The supplies and materials expense category includes production related paper and materials, general office supplies, and equipment, furniture, and vehicle purchases that were expensed because they did not meet the Agency's capitalization threshold. The Security and Intelligent Documents and Plant Operations business units operate production facilities that incur significant costs for supplies, materials, and paper. Agency expenses for supplies and materials were $128.4 million in fiscal 2010 and $110.8 million in fiscal 2009. This represents an increase of $17.6 million (15.9 percent). The increase corresponds to the 24.5 percent volume increase from electronic Passports.

- *Other Services Expenses*

This expense category includes the cost of professional services provided by contractors for consulting, system development, maintenance of equipment, audits, investigations, and employee training. These expenses are recognized when services ordered have been performed. GPO incurred expenses for these services of $36.5 million for fiscal 2010 and $34.1 million for fiscal 2009. This represents an increase of $2.4 million (7.0 percent). The increase was primarily due to a $2.6 million increase in professional services expenses, offset by a $788,000 decrease in maintenance expenses, and a $534,000 decrease in bad debt expense. In addition, fiscal 2009 included a credit of $1.4 million for warranty expense. There was no such expense in fiscal 2010.

- *Depreciation and Amortization Expense*

Total depreciation and amortization expense for fiscal 2010 was $19.9 million compared with $17.2 million in fiscal 2009. The increase in depreciation and amortization expense was primarily the result of placing FDsys into service in January 2009, and placing new computer infrastructure systems into service in fiscal 2010. FDsys amortization in fiscal 2010 includes $1.7 million for amortizing the FDsys placed in service in fiscal 2009 and new IT systems depreciation was $1.0 million in fiscal 2010.

- *Rents, Communications, and Utilities Expenses*

This expense group includes rents for building space outside of Washington, DC, leased equipment and vehicles, and utilities. GPO incurred expenses for rents, communications, and utilities of $16.6 million for fiscal 2010 and $17.6 million for fiscal 2009. This represents a decrease of $1.0 million (5.7 percent). The decrease was due primarily to a $1.7 million decrease in the cost of steam, offset by a $224,000 increase in the cost of water and a $216,000 increase in lease expense.

- *Travel, Transportation, and Postage Expenses*

This expense category includes the cost of employee travel and relocation, commercial transportation and delivery services, postage (including postage reimbursable from customer agencies), and commercial mailing services. GPO incurred expense for travel, transportation, and postage of $12.4 million for fiscal 2010 and $15.9 million for fiscal 2009. This represents a decrease of $3.5 million (22.0 percent). The decrease was primarily due to a decrease in reimbursable postage expenses of $3.0 million, and a decrease in other mailing expenses of $500,000. Both decreases were the result of a decline in orders that utilize these methods of shipping.

- *Publications Sold Expenses*

This expense is incurred when GPO's Publication and Information Sales business unit sells publications, subscriptions, and other Federal Government information products to customers. This expense totaled $4.0 million in fiscal 2010 compared to $4.8 million in fiscal 2009. The decrease was the result of fewer publication sales.

Changes in Retained Earnings

GPO's retained earnings increased by $9.3 million to $159.7 million at the end of fiscal 2010, compared to $150.4 million at the end of fiscal 2009. The increase resulted from GPO's net income for fiscal 2010.

Consolidated Statements of Cash Flows

The consolidated statements of cash flows present the Agency's cash position at the beginning and end of the reporting period, and the sources and uses of cash for all operating, investing, and financing activities.

Fund Balance with Treasury (cash) increased by $84.0 million during fiscal 2010 compared with a decrease of $9.1 million in fiscal 2009. The increase in cash during fiscal 2010 was primarily the result of the following.

- In fiscal 2010, GPO generated $86.0 million from operations compared to using $53,000 in operations in fiscal 2009. This was mainly attributable to the increase in net income, an increase in deferred revenue, and a decrease in accounts receivable.
- Cash invested in capital assets was $14.4 million in fiscal 2010 compared with $30.0 million in fiscal 2009, a decrease of $15.6 million. In fiscal 2009, several large investments were made, including FDsys software development and business information systems improvements. In fiscal 2010, the nature of the investments were similar, but of a smaller dollar value.
- Financing activities provided $12.5 million cash inflow in fiscal 2010, compared with $21.0 million cash inflow in fiscal 2009. In fiscal 2010, GPO had cash provided from unexpended appropriations of $80.2 million compared to $67.7 million in fiscal 2009.

Performance Measures

GPO gauges its overall efficiency and effectiveness using certain performance measures. Generally, these performance measures are based on established standards, goals, or objectives that are compared against actual performance or results for each fiscal year. The following sections discuss the major operating performance measures and financial performance measures used by the Agency.

Operating Performance Measures

On-Time Delivery of *Congressional Record*

The *Congressional Record* is the official record of the proceedings and debates of the U.S. Congress. This important Federal information product is published daily when Congress is in session. GPO uses a performance measure to evaluate the timeliness of the delivery of this core product to Congress. To measure GPO's success in delivering the *Congressional Record* to Congress on-time, GPO established a deadline of delivery to the House and Senate chambers before the start of the next day's session when 100 percent of copy is received by midnight. The on-time delivery rate was 97.9 percent for fiscal 2010 and 99.4 percent for fiscal 2009. The Agency's goal of 95 percent or better was achieved for fiscal 2010. The goal will remain the same for fiscal 2011.

On-Time Delivery and Quality Acceptance of Procured Printing

Print Procurement contracted with commercial businesses to produce and ship 95,100 jobs for GPO customers in fiscal 2010. For fiscal 2010, the goals were to have at least 95 percent of procured printing orders delivered on schedule and a quality acceptance rate of at least 99 percent. Print Procurement met both of these goals for fiscal 2010, with 96.8 percent of procured printing jobs delivered on time and a quality acceptance rate of 99.9 percent. In comparison, GPO contractors shipped 104,000 jobs in fiscal 2009, with 96.7 percent of the procured printing jobs delivered on time and a quality acceptance rate of 99.7 percent. The two goals will remain the same for fiscal 2011.

Orders placed at GPO have decreased, in part, to the success of the GPO*Express*℠ Program. This program enables Federal customers to purchase small printing jobs directly from a nationwide contractor, without sending the order to GPO. For fiscal 2010, customers used GPO*Express*℠ to place about 18,800 orders to purchase $8.9 million in convenience printing jobs locally without going through GPO. In fiscal 2009, customers placed about 15,200 orders to purchase $7.5 million in convenience printing jobs through this program.

Financial Performance Measures

Cash Management

Payment Performance

In fiscal 2010, GPO continued to save millions of dollars by taking favorable prompt payment discounts offered by contractors for the payment of invoices within the discount period. GPO earned prompt payment discounts of $4.4 million on purchased printing expense of $458.6 million. In comparison, GPO earned $6.1 million in discounts on $500.9 million in printing expenses last year. The average discount rate earned was 0.96 percent for fiscal 2010 and 1.22 percent for fiscal 2009. The average discount rate earned for fiscal 2010 was short of the goal of 1.4 percent. The goal will be the same for fiscal 2011.

Lost prompt payment discounts decreased to $994,000 in fiscal 2010 from $1.1 million in fiscal 2009. The percentage of discounts lost to discounts offered was 18.4 percent, as compared to 15.0 percent in 2009. The increase in discounts lost ratio was a result of the fact that fiscal 2010 saw a decrease in total discounts available compared to fiscal 2009 ($5.4 million total discounts available in fiscal 2010 compared to $7.2 million the prior year). GPO did not meet its goal of 2.5 percent but will strive to achieve it in fiscal 2011.

Electronic Payments

Electronic Funds Transfer (EFT) is the most secure, efficient, and economical method of making payments to GPO contractors, employees, and other non-Federal entities. While it costs the U.S. Government $1.03 to issue each check payment, the cost is only $0.11 to issue an EFT payment[1]. In fiscal 2010, 69.7 percent of all payments were made by EFT. In comparison, about 78.4 percent of all payments were made by EFT in fiscal 2009. While the Agency's EFT payments did not meet the goal of 90 percent for fiscal 2010, GPO will work closely with vendors to increase EFT participation rates and strive to achieve that goal for fiscal 2011.

Debt Management

Federal Receivables

GPO billed customers about $958.0 million for printing and binding services, including Congressional services funded by appropriations, during fiscal 2010. The U.S. Department of the Treasury's Intragovernmental Payment and Collection (IPAC) System was used to collect about $741.5 million or 77.4 percent of this debt from customers. Additionally, about $77.4 million or 8.1 percent of this debt, was collected from funds held in customer Printing and Binding Deposit Accounts maintained by GPO. Furthermore, $17.2 million, or 1.8 percent of this debt, was collected via credit card. These electronic-based methods allow the prompt collection of funds, as opposed to the more traditional methods of collection that require the creation and exchange of paper documents and checks through the mail.

GPO's billed accounts receivable from Federal Government customers totaled approximately $57.8 million at the end of fiscal 2010, compared with $51.8 million at the end of fiscal 2009. This represents an increase in billed accounts receivable of approximately $6.0 million.

IPAC collections initiated by GPO are sometimes charged back by Federal agencies, the customers, for various reasons. In these instances, GPO contacts the customer and inquires about the reason(s) for non-payment of the indebtedness.

In most instances, the customer's financial representative requires additional information and supporting documentation on the billing before the IPAC collection is allowed. IPAC chargebacks, included in accounts receivable, totaled approximately $26.4 million at the end of fiscal 2010 and $16.4 million at the end of fiscal 2009.

1. Source: U.S. Department of the Treasury, http://www.fms.treas.gov/eft.index.html

The U.S. Department of Defense (DoD) is GPO's third largest customer and largest debtor. Exclusive of IPAC chargebacks, DoD owed GPO about $7.9 million at September 30, 2010, of which $7.8 million, or 98.7 percent, was past due in payment (i.e., over 30 days old). DoD owed $3.3 million for invoices between 31 to 60 days old, $303,000 between 61 to 90 days old, and about $4.2 million over 90 days old. DoD's indebtedness to GPO of $4.2 million represents 14.1 percent of GPO's total billed accounts receivables of $29.7 million, over 90 days old, at year-end. At September 30, 2009, DoD owed $6.9 million to GPO.

At the end of the year, GPO maintained 1,046 Printing and Binding deposit accounts valued at $118.6 million. Additionally, GPO held $3.0 million in customer deposit accounts for the Publication and Information Sales Program. Combined, these customer deposit accounts totaled about $121.6 million as of September 30, 2010. At September 30, 2009, GPO maintained $95.3 million in these two customer deposit accounts ($92.2 million and $3.1 million, respectively). The $26.4 million increase was primarily attributable to new customers, more accounts, and existing customers increasing their account balances.

Customer agencies have the option of paying GPO by credit card. Credit card receipts in fiscal 2010 totaled $17.2 million, for approximately 20,300 printing jobs. In comparison, credit card receipts totaled $13.4 million, for approximately 11,300 printing jobs, in fiscal 2009. The increase in credit card receipts of $3.8 million was due to the 9,000 increase in jobs paid by credit card.

Possible Future Effects of Existing Events and Conditions

Several events and conditions may have an impact on the Agency's programs and operations in the future. A synopsis of each of these conditions follows.

Demand for Security and Intelligent Documents

The continued production of security and intelligent documents, such as electronic Passports, and the development of new security documents such as Federal identification cards will be vital to GPO's success. Demand for electronic Passports is estimated at 13.0 million in fiscal 2011. GPO produced 13.2 million electronic Passports in fiscal 2010 and 10.6 million electronic Passports in fiscal 2009.

Demand growth is expected for sensitive documents, such as smartcards, immigration forms, Public Key Infrastructure (PKI) electronic certificates for credentialing, and traditional and embedded electronics security documents.

Possible Federal Appropriation Reductions

Printing and duplicating are generally considered a discretionary cost for Federal customers. Possible future budget reductions and restrictions on growth may impact the availability of funds for Federal Government printing and duplicating.

Decline in Ink-on-Paper Products

GPO continues to manufacture and sell a sizable array of Federal Government information products. The upward trend in Government electronic documents available on the Internet, and a subsequent downward trend in customer demand for printed documents will continue to place downward pressure on in-plant revenues and publication sales.

Some Plant Operations core ink-on-paper products, such as the *Congressional Record* or the *Federal Register*, have shorter production runs than in the past because these products are now available online. However, the demand for documents printed to support the legislative business of Congress, such as Bills, Hearings, Reports, and Committee Prints, remains strong.

Plant Operations is committed to capitalizing on efficiencies in operations, advanced printing technologies, and the ability to satisfy requirements unique to Federal customers in order to provide best value.

The Publication and Information Sales Program business unit generated a positive operating margin for a third consecutive year. The major management focus in this business unit has been to identify market segments for the program's vast product offerings, to employ focused advertising, and to provide better customer service to a niche customer base. This effort has stabilized the revenue decline and, when combined with further operating expense reductions, has created a turnaround for the program. However, operational efficiencies will need to continuously improve in order to maintain positive operating margins.

Fiscal Year 2011 Financial Projections

Congress established the GPO Revolving Fund to finance the operations of the Agency on July 1, 1953. The receipts and disbursements from the Agency's continuing cycle of business-type operations are recorded in the GPO Revolving Fund that was established to be financially self-sustaining.

The Agency's overall financial objective has been to earn revenues sufficient to recover all costs, including depreciation and overhead, in accordance with Section 309 of U.S.C. Title 44. This is accomplished through a system of rates, prices, and surcharges used to bill customers for goods delivered and services performed by the Agency.

In fiscal 2010, the Agency realized a net gain of $9.0 million, before other operating expenses. Overall, including the long-term workers' compensation adjustment which is excluded from GPO's rate-setting process GPO realized a net gain of $9.3 million. Achievement of the Agency's fiscal 2011 operating plan would result in net income of $0.5 million.

The Agency's continued transformation, customer demand for secure and intelligent documents, and other management initiatives completed and underway have put GPO's operations back on sound footing, both organizationally and financially. The Agency expects fiscal 2011 to be a difficult year and has made provisions in its operating budget to ensure continued financial stability. Risks to be managed include unpredictable fluctuations in customer demand and changes in appropriations levels. Achieving positive financial results help to ensure that the GPO Revolving Fund remains financially self-sustaining as Congress intended and that GPO can continue *Keeping America Informed*.

SECTION II

Inspector General's Report

MEMORANDUM

U.S. GOVERNMENT PRINTING OFFICE

OFFICE OF INSPECTOR GENERAL

Date

December 21, 2010

To

Public Printer

From

Inspector General

Subject

Report on the Consolidated Financial Statement Audit of the Government Printing Office for Fiscal Years Ended September 30, 2010 and 2009
Report Number 11-04

This report contains the audit of the annual consolidated financial statements of the Government Printing Office (GPO) as of the fiscal years (FY) ended September 30, 2010 and 2009. We contracted with the independent public accounting firm of KPMG LLP (KPMG) to audit the consolidated balance sheet, statement of revenue and expenses, and statement of cash flows for the years then ended. The audits were conducted in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS) issued by the Comptroller General of the United States.

Results of Independent Audit

KPMG expressed an unqualified opinion on the GPO consolidated financial statements as of the FYs ended September 30, 2010, and 2009, by concluding that the GPO financial statements were fairly presented, in all material respects, in conformity with generally accepted accounting principles (GAAP). KPMG's consideration of internal control over financial reporting resulted in three significant deficiencies,[1] which KPMG did not

[1] A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

consider to be material weaknesses. Details on these three deficiencies, which were in the areas of controls over special journal entries, controls over human resource data, and information technology are as follows:

1. Controls over Preparation, Review and Approval of Special Journal Entries

KPMG identified that internal controls over the preparation, review and approval of special journal entries need to be strengthened. Specifically, it was noted that 27 of 85 (32%) special journal entries tested had been recorded in the wrong general ledger account and/or recorded in the wrong amount. Of the 27 erroneous entries, 23 were subsequently detected and corrected by GPO. Of the four entries not detected by GPO's internal controls, two were subsequently corrected by management to adjust for net overstatements of assets and operating income of approximately $250 thousand. The remaining two were not corrected as the errors were considered to be immaterial to the financial statements.

2. Controls over Processing and Maintenance of Human Resource Data

During 2010, KPMG noted the following areas where GPO needs to improve its internal controls over processing and maintenance of human resource data in the areas of goal sharing, annual leave balances and discrepancies on personnel actions. The details of these deficiencies are as follows:

- **Controls over GPO Goal Sharing Payments.** The lack of adequate controls over the calculation and distribution of goal sharing incentive resulted in goal sharing payments to ineligible employees. GPO annual goal sharing incentivizes employees to pay attention to specific areas of GPO operations in order to lower expenses and reduce accidents. During payroll test work, it was noted that the methodology used to determine eligible employees resulted in goal sharing payments to ineligible employees for amounts inconsequential to the financial statements.

- **Discrepancies with Employee Annual Leave Balances.** KPMG noted that for 22 of 86 balances tested, the annual leave balance reflected in WebTA (GPO's web-based time and attendance program which employees use to enter and keep track of their hours worked and leave used) did not agree with the annual leave balance reflected by the National Finance Center (NFC), GPO's payroll/personnel service provider.

- **Discrepancies on Personnel Actions.** During payroll test work, KPMG noted that for six of 86 employee personnel files reviewed, the GPO payment plan reflected on the Standard Form 50, *Notification of Personnel Action*, did not agree to the GPO payment plan reflected on the SF-52, *Request for Personnel Action*, maintained in the employees' file. However, it was noted that in each of these instances, the amount of the employee's rate of pay reflected on the SF-50 and SF-52 was in agreement with the amount being processed by NFC for the pay period tested. In addition, 2 of 86 instances were noted where an employee's service date in WebTA did not agree with the employee's service date reflected in NFC's records (Statement of Earnings and Leave) or to the SF-52 in the employee's personnel file.

3. Information Technology General and Application Controls. During fiscal year 2010, deficiencies in the design and/or operations of GPO's information technology (IT) general and application controls were noted in Security Management, Access Controls, Segregation of Duties, Configuration Management and Contingency Planning. Details of these conditions are as follows:

- **Security Management.** GPO made progress in fiscal year 2010 to formalize GPO's established information security objectives and high level policy. However, KPMG noted the following conditions:

    - GPO performs the security authorization process only for major applications and high risk and new systems. GPO's minor applications, such as PROBE, are generally not included in the security authorization process. Although GPO had previously completed the security authorization process for both the GPO Business Information System (GBIS) and the General Support System (GSS), the GSS has operated without a current security authorization since February 2010 when the Interim Authorization to Operate (IATO) for the GSS expired.

    - GPO has not implemented a process to ensure that employees and contractors with significant information security responsibilities (SISR) receive role-based IT security training.

    - The Oracle On-Demand Statement on Auditing Standards No. 70, *Service Organizations* (SAS-70) report provided by Oracle to GPO only partially covered GBIS. Oracle hosts GBIS within the Federal Zone of its Austin, Texas data center. The SAS-70 report for Oracle's Austin Data Center (ADC) only partially

applied to GBIS and did not include logical access or configuration management controls applicable to the Federal Zone. The SAS-70 report's applicability to GBIS was limited to such data-center-wide controls as physical access and environmental controls. However, management did not realize that the SAS-70 did not cover the Federal Zone and inadvertently relied on the report.

- **Access Controls.** KPMG noted that overall, access controls at GPO continue to require strengthening in order to provide a more secure financial processing and computing environment. GPO management made progress in addressing the access control deficiencies noted in prior years. However, we noted the following access controls deficiencies that need improvement:
    - GPO does not consistently follow required policies and procedures for granting access and reviewing access to the financial systems or GPO network. Users were granted access to systems without documented approval.
    - User access was not consistently removed after users left GPO or changed job duties.
    - GPO does not have effective policies and procedures to revoke the physical and logical access of contractors after they leave GPO.
    - Periodic reviews of user access were not consistently documented.
    - Access to the GBIS rate maintenance responsibility that controls the ability to modify the All Inclusive Hourly Rate (AIHR) is not properly restricted to only those users responsible for modifying rate information.
    - Audit logs at the application level for GBIS are not reviewed.
    - Of 3,903 network user access accounts, 315 enabled accounts had passwords that were set to never expire.
    - Information Technology and Systems was unable to provide evidence of the quarterly data center access review for one of two quarters selected for testing.

- **Segregation of Duties.** KPMG noted that the lack of adequate controls to prevent the assignment of incompatible functions within GBIS exposes GPO to the risk that certain users may be assigned the ability to perform multiple critical system transactions. As a result, users may be able to initiate and approve an erroneous transaction.

- **Configuration Management.** KPMG noted that implementation of configuration changes for GBIS did not adhere to strict configuration management practices. Specifically, they identified that one of fifteen changes to the GBIS application closed in fiscal year 2010 that was tested did not have the documented approval or evidence of testing for the change. The change where testing and approval was undocumented was an emergency change. Due to the urgency of the change, approval appears to have been communicated informally.

- **Contingency Planning.** KPMG noted that a continuity of operations plan for GPO's general support system has not been finalized and is still in draft form. Furthermore, GPO did not provide evidence of periodic testing of the continuity of operations plan.

KPMG disclosed no instances of noncompliance with certain provisions of laws, regulations and contracts or other matters that are required to be reported under GAS.

Evaluation and Monitoring of Audit Performance

We reviewed the KPMG audit of the GPO consolidated financial statements by:

- Evaluating the independence, objectivity, and qualifications of the auditors and specialists;
- Reviewing the approach of and planning for the audit;
- Attending key meetings with auditors and GPO officials;
- Monitoring the audit progress;
- Examining audit documentation;
- Reviewing the auditors' reports; and
- Reviewing the financial statements and associated footnotes.

KPMG is responsible for the attached reports dated December 20, 2010, and the conclusions expressed in the reports. Our review, as differentiated from an audit in accordance with GAS, was not intended to enable us to express, and accordingly we do not express, an opinion on GPO's financial statements, the effectiveness of internal controls, or compliance with laws

and regulations. However, our monitoring review, as limited to the procedures listed above, disclosed no instances in which KPMG did not comply, in all material respects, with GAS.

If you have any questions or comments about this report, please do not hesitate to contact me, or Mr. Kevin Carson, Assistant Inspector General for Audits and Inspections, at (202) 512-2009 or through email at kcarson@gpo.gov.

J. Anthony Ogden
Inspector General

Attachment

cc:
Deputy Public Printer
Acting Chief Management Officer
Acting General Counsel
Chief Financial Officer
Chief Technology Officer

SECTION III

Independent Auditors' Report

KPMG LLP
2001 M Street, NW
Washington, DC 20036-3389

Independent Auditors' Report

The Public Printer
United States Government Printing Office:

We have audited the accompanying consolidated balance sheets of the United States Government Printing Office (GPO) as of September 30, 2010 and 2009, and the related consolidated statements of revenues, expenses, and changes in retained earnings and cash flows (hereinafter referred to as "consolidated financial statements") for the years then ended. The objective of our audits was to express an opinion on the fair presentation of these consolidated financial statements. In connection with our fiscal year 2010 audit, we also considered GPO's internal control over financial reporting and tested GPO's compliance with certain provisions of applicable laws, regulations, and contracts that could have a direct and material effect on these consolidated financial statements.

Summary

As stated in our opinion on the consolidated financial statements, we concluded that GPO's consolidated financial statements as of and for the years ended September 30, 2010 and 2009, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles.

Our consideration of internal control over financial reporting resulted in identifying certain deficiencies that we consider to be significant deficiencies, as defined in the Internal Control over Financial Reporting section of this report, as follows:

A. Controls over Preparation, Review and Approval of Special Journal Entries
B. Controls over Processing and Maintenance of Human Resource Data
C. Information Technology General and Application Controls

We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined in the Internal Control over Financial Reporting section of this report.

The results of our tests of compliance with certain provisions of laws, regulations and contracts disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards,* issued by the Comptroller General of the United States.

The following sections discuss our opinion on GPO's consolidated financial statements; our consideration of GPO's internal control over financial reporting; our tests of GPO's compliance with certain provisions of applicable laws, regulations, and contracts; and management's and our responsibilities.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of the United States Government Printing Office as of September 30, 2010 and 2009 and the related consolidated statements of revenues, expenses, and changes in retained earnings and cash flows for the years then ended.

KPMG LLP is a Delaware limited liability partnership, the U.S. member firm of KPMG International Cooperative ("KPMG International"), a Swiss entity.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the United States Government Printing Office as of September 30, 2010 and 2009, and the results of its operations and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The information in the Management's Discussion and Analysis section is presented for purposes of additional analysis and is not required as part of the consolidated financial statements. This information has not been subjected to auditing procedures and, accordingly, we express no opinion on it.

Internal Control over Financial Reporting

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the Responsibilities section of this report and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. In our fiscal year 2010 audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting described in Exhibit I that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Exhibit II presents the status of prior year significant deficiencies.

We noted certain additional matters that we have reported to management of GPO in a separate letter dated December 21, 2010.

Compliance and Other Matters

The results of our tests of compliance as described in the Responsibilities section of this report disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards.*

* * * * * * *

Responsibilities

Management's Responsibilities. Management is responsible for the consolidated financial statements; establishing and maintaining effective internal control; and complying with laws, regulations, and contracts applicable to GPO.

Auditors' Responsibilities. Our responsibility is to express an opinion on the fiscal year 2010 and 2009 consolidated financial statements of GPO based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are

appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of GPO's internal control over financial reporting. Accordingly, we express no such opinion.

An audit also includes:

- Examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements;
- Assessing the accounting principles used and significant estimates made by management; and
- Evaluating the overall consolidated financial statement presentation.

We believe that our audits provide a reasonable basis for our opinion.

In planning and performing our fiscal year 2010 audit, we considered GPO's internal control over financial reporting by obtaining an understanding of GPO's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of GPO's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of GPO's internal control over financial reporting.

As part of obtaining reasonable assurance about whether GPO's fiscal year 2010 consolidated financial statements are free of material misstatement, we performed tests of GPO's compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of the consolidated financial statement amounts. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations, and contracts applicable to GPO. However, providing an opinion on compliance with laws, regulations, and contracts was not an objective of our audit and, accordingly, we do not express such an opinion.

GPO's responses to the findings identified in our audit are presented in Exhibit I. We did not audit GPO's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of GPO's management, GPO's Office of Inspector General, the U.S. Government Accountability Office, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

December 21, 2010

Exhibit I

Fiscal Year 2010 Significant Deficiencies

A. Controls over Preparation, Review and Approval of Special Journal Entries

We noted that internal controls over the preparation, review and approval of special journal entries need to be strengthened. Specifically, we noted 27 of 85 special journal entries tested that had been recorded in the wrong general ledger account and/or recorded in the wrong amount. 23 of the 27 erroneous entries were subsequently detected and corrected by GPO. However, four of the 27 erroneous entries were not detected by GPO's internal controls, of which two were subsequently corrected by management to adjust for net overstatements of assets and operating income of approximately $250 thousand, and two that were not corrected as the errors were considered to be immaterial to the financial statements.

The Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government* requires the following:

- Control activities are the policies, procedures, techniques, and mechanisms that enforce management's directives, such as the process of adhering to requirements or budget development and execution. They help ensure that actions are taken to address risks. Control activities are an integral part of an entity's planning, implementing, reviewing, and accountability for stewardship of government resources and achieving effective results.

- Control activities occur at all levels and functions of the entity. They include a wide range of diverse activities such as approvals, authorizations, verifications, reconciliations, performance reviews, maintenance of security, and the creation and maintenance of related records which provide evidence of execution of these activities as well as appropriate documentation. Control activities may be applied in a computerized information system environment or through manual processes.

The causes of the conditions noted above were deficiencies in GPO's internal control over the preparation, review and approval of special journal entries. Additionally, GPO personnel responsible for preparing special journal entries sometimes lacked the knowledge and understanding behind the purpose for the entry being recorded. In addition, GPO supervisors responsible for reviewing and approving the journal entry did not always have the requisite knowledge or understanding behind either the transaction at hand or the typical accounting related to the overall process or program area in general to perform an effective review of the special journal entries before they were recorded.

Recommendations:

We recommend that GPO strengthen its internal control over the preparation, review and approval of special journal entries by:

1. Requiring that the GPO personnel responsible for preparing an entry should (1) gather the necessary facts and supporting documentation to fully understand the entry that they are preparing; and (2) perform a self-review over the entry prior to submitting it for approval to ensure that the proper accounts, cost codes, function codes, and amounts are used for the journal entries; and

Fiscal Year 2010 Significant Deficiencies

2. Developing standard operating procedures documenting the requirements and instructions for supervisors reviewing journal entries, including: 1) which supervisors are qualified to review certain types of special journal entries that impact certain areas (i.e., for all entries that impact fixed assets, the Chief of Property and Accounting must approve); 2) what information should be verified before the entry can be approved; and 3) the type of documentation that is considered to be sufficient to support/justify the basis for the entry.

Management Response:

Management concurs with these recommendations.

B. Controls over Processing and Maintenance of Human Resource Data

We noted the following areas where GPO needs to improve its internal controls over processing and maintenance of human resource data:

a. GPO annual goal sharing incentivizes employees to pay attention to specific areas of GPO operations in order to lower expenses and reduce accidents. According to GPO Directive 665.22, *Goal Sharing,* Human Capital calculates the share amount and payout for each eligible employee. Pursuant to the Directive, all employees who work at least 500 hours during the year and who are part of the Central and Field Offices are eligible to receive annual goal sharing, with the exception of the Public Printer, Deputy Public Printer, Senior Level Service employees, and any employee who is appointed as an Expert or Consultant. Annual goal sharing is accrued as of fiscal year end but is not usually paid out until February of the following fiscal year. During our fiscal year 2010 payroll test work, we noted that the methodology used to determine eligible employees resulted in goal sharing payments to ineligible employees for amounts inconsequential to the financial statements.

b. In addition, we noted for 22 of 86 balances tested the annual leave balance reflected in WebTA (GPO's web-based time and attendance program which employees use to enter and keep track of their hours worked and leave used) did not agree to the annual leave balance reflected by the National Finance Center (NFC), GPO's payroll/personnel service provider.

c. During our test work over payroll, we also noted for six of 86 employee personnel files reviewed that the GPO payment plan reflected on the Standard Form 50, *Notification of Personnel Action*, did not agree to the GPO payment plan reflected on the SF-52, *Request for Personnel Action*, maintained in the employees' file. However, we noted that in each of these instances the amount of the employee's rate of pay reflected on the SF-50 and SF-52 was in agreement with the amount being processed by NFC for the pay period tested. We also noted two of 86 instances where an employee's service date in WebTA did not agree with the employee's service date reflected in NFC's records (Statement of Earnings and Leave) or the SF-52 in the employee's personnel file.

GAO's *Standards for Internal Control in the Federal Government* requires the following:

- Control activities are the policies, procedures, techniques, and mechanisms that enforce management's directives, such as the process of adhering to requirements or budget development and execution. They help ensure that actions are taken to address risks. Control

activities are an integral part of an entity's planning, implementing, reviewing, and accountability for stewardship of government resources and achieving effective results.

- Control activities occur at all levels and functions of the entity. They include a wide range of diverse activities such as approvals, authorizations, verifications, reconciliations, performance reviews, maintenance of security, and the creation and maintenance of related records which provide evidence of execution of these activities as well as appropriate documentation. Control activities may be applied in a computerized information system environment or through manual processes.

The causes of the conditions above were due to deficiencies in internal controls to ensure all information processed is properly reviewed for accuracy and reasonableness.

Recommendations:

We recommend that GPO strengthen its controls over the processing and maintenance of human resource and payroll information as follows:

1. Improve controls within the Human Capital Office and the Finance Department to ensure that only employees who are eligible to participate in GPO's annual goal sharing program pursuant to GPO Directive 665.22 receive annual goal sharing payments.

2. Improve its internal controls to ensure that the GPO payment plan information reflected on the SF-50's maintained in employee personnel files are accurate; and employee service dates reflected in WebTA agree with employee service dates reflected in NFC records and the SF-52 maintained in the employee's personnel file.

3. Develop Standard Operating Procedures detailing how to correctly enter leave adjustments in the WebTA system and the NFC mainframe.

4. Develop a report based on information from NFC that can be run bi-weekly that will identify any change made to an employee's record subsequent to the initial interface with NFC.

5. Implement a control where payroll personnel reconcile the annual leave balances per WebTA to NFC ensuring that the proper numbers of hours are being accrued per pay period and that the annual leave balance is correct.

Management Response:

Management concurs with these recommendations.

C. Information Technology General and Application Controls

During fiscal year 2010, deficiencies in the design and/or operations of GPO's information technology (IT) general and application controls were noted in Security Management, Access Controls, Segregation of Duties, Configuration Management and Contingency Planning. These conditions were generally due to resource constraints and competing priorities at GPO. The details of these conditions, several of which have been reported to management in prior years' audit reports, are as follows:

Fiscal Year 2010 Significant Deficiencies

1. Security Management

GPO made progress in fiscal year 2010 to formalize GPO's established information security objectives and high level policy. However, we noted the following conditions:

a. GPO performs the security authorization process only for major applications and high risk and new systems. GPO's minor applications, such as PROBE, are generally not included in the security authorization process. Although GPO had previously completed the security authorization process for both the GPO Business Information System (GBIS) and the General Support System (GSS), the GSS has operated without a current security authorization since February 2010 when the Interim Authorization to Operate (IATO) for the GSS expired. Also, the following exceptions were observed during our test work:

   i. System Security Plans for the GPO GSS and GBIS did not describe how GPO's IT security controls addressed the high impact control baseline from the National Institute of Standards and Technology (NIST) Special Publication (SP) 800-53.

   ii. Risk Assessment reports for the GSS and GBIS did not identify threats, identify vulnerabilities, determine risks, or sufficiently document the results of security assessment testing. Although GPO indicated within the risk assessment reports that security assessment testing had been performed, documentation was not available to evidence that all IT security controls had been tested. Documentation of security assessment testing was limited to a matrix in the GSS's risk assessment report and a summarized security assessment report that described findings identified by GPO's testing of the GSS controls, but did not describe the procedures performed or the results obtained from individual tests. In addition, security assessment testing was performed by the Information Security division at GPO and not by independent assessors. A security assessment report was not available for GBIS.

b. GPO has not implemented a process to ensure that employees and contractors with significant information security responsibilities (SISR) receive role-based IT security training.

c. The Oracle On-Demand Statement on Auditing Standards No. 70, *Service Organizations* (SAS-70) report provided by Oracle to GPO only partially covered GBIS. Oracle hosts GBIS within the Federal Zone of its Austin, Texas data center. The SAS-70 report for Oracle's Austin Data Center (ADC) only partially applied to GBIS and did not include logical access or configuration management controls applicable to the Federal Zone. The SAS-70 report's applicability to GBIS was limited to such data-center-wide controls as physical access and environmental controls. However, management did not realize that the SAS-70 did not cover the Federal Zone and inadvertently relied on the report.

The security authorization process is intended to drive the adoption of necessary IT security controls. Performing the security authorization process with incomplete information can lead to an incomplete assessment of the GPO's security posture and to slow progress in adopting necessary IT security controls.

Also, operating an application in production without a security authorization increases the risk that security control gaps or weaknesses can remain undetected. Not updating a system's security authorization at a minimum of every three years, increases the risk that since the previous security authorization, the current state of the system, its controls or the environment it operates in will

have changed to the point that the system security plan no longer describes the system's current controls and the risk assessment no longer considers the full range of significant risks to which the system is subject. This may result in security control gaps remaining undetected.

Incomplete system security plans may lead to incomplete security assessment testing that does not include all necessary IT security controls and does not document test procedures and results for all necessary IT security controls. Not performing security assessment testing of all necessary IT security controls, increases the risk that control gaps or weaknesses will not be detected and corrected or be mitigated with compensating controls. Also, incomplete security assessment testing limits GPO's ability to perform risk assessments that consider a full range of relevant vulnerabilities and risks. Incomplete risk assessments are of limited use for tailoring and scoping system security plans. This may lead to necessary controls not being included in system security plans. The resulting control gaps may subject data and resources to unauthorized use, loss, or disclosure.

Additionally, not documenting system security plans in detail sufficient to plan IT controls that are identical or equivalent to the applicable NIST SP 800-53 baseline controls may lead to gaps in system security planning, and more specifically, may lead to the GPO not planning and implementing IT security controls that are equivalent or identical to those recommended by NIST SP 800-53.

When management does not identify all employees that have significant information security responsibilities and monitor their compliance with training requirements, it increases the risk that employees with significant information security responsibilities will not be provided the IT security training necessary for them to effectively perform their information security functions.

Although GPO has exercised oversight of Oracle On-Demand through other means, the Oracle On-Demand SAS-70 report provided to GPO was only minimally applicable to GBIS. This limited GPO's options for exercising effective oversight of Oracle On-Demand.

2. Access Controls

Overall, access controls at GPO continue to require strengthening in order to provide a more secure financial processing and computing environment. GPO management made progress in addressing the access control deficiencies noted in prior years. However, we noted the following access controls deficiencies that need improvement:

a. GPO does not consistently follow required policies and procedures for granting access and reviewing access to the financial systems or GPO network. Users were granted access to systems without documented approval:

    i. Of a selection of 15 users, one Procurement Information and Control System (PICS) user was granted access without documented request and approval evidencing the need for the access.

    ii. Of a selection of 25 network user access accounts created in fiscal year 2010, the appropriate request forms and related approvals were not provided for six of the accounts, all of which were created by the Infrastructure Support Group. Two of the accounts were for users with domain administrator access.

Fiscal Year 2010 Significant Deficiencies

b. User access was not consistently removed after users left GPO or changed job duties:

   i. Of a list of 120 employees separated in fiscal year 2010, four separated employees retained GBIS access and four separated employees retained network access. Additionally, for separations in the July to August 2010 timeframe, we identified an additional five separated employees who retained GBIS access for an average of 55 days after their separation dates and two separated employees who retained network access for 59 days after their separation dates.

   ii. Two of twelve users with privileged super user access to PICS no longer required such access. The two users no longer required access because one user had recently retired and the other user's job duties had changed.

c. GPO does not have effective policies and procedures to revoke the physical and logical access of contractors after they leave GPO. To help ensure that the physical and logical access for contractors is revoked after they leave, GPO relies on the Contracting Officer's Technical Representatives (COTRs) to report when contractors leave GPO, and also relies on contractor badges and network accounts that are set to expire to automatically remove the access of inactive contractors. However, from a list of 108 contractors with enabled network access accounts, we identified 12 contractor accounts set to never expire. Furthermore, GPO relies on a periodic contractor network access review to remove access from contractors who have left GPO or otherwise no longer need access. However, evidence of this review was not provided for one of the three groups participating in the review.

d. Periodic reviews of user access were not consistently documented:

   i. The GPO Finance Office lacks documented evidence of a monthly GBIS user review and recertification. On a monthly basis, IT Security sent user access lists to the Finance Office for review. However, the Finance Office did not retain evidence of its reviews.

   ii. Of the eight major groups that take part in the Virtual Private Network recertification process, evidence of recertification for three of the groups was not provided.

e. Access to the GBIS rate maintenance responsibility that controls the ability to modify the All Inclusive Hourly Rate (AIHR) is not properly restricted to only those users responsible for modifying rate information.

f. Audit logs at the application level for GBIS are not reviewed.

g. Of 3,903 network user access accounts, 315 enabled accounts had passwords that were set to never expire. A network account without a password expiration is generally appropriate for only system service accounts. Of the 25 network access accounts tested where the passwords were set never to expire, eight were not system service accounts, but instead belonged to employees or contractors.

h. Information Technology and Systems (IT&S) was unable to provide evidence of the quarterly data center access review for one of two quarters selected for testing.

Fiscal Year 2010 Significant Deficiencies

Access controls should provide reasonable assurance that computer resources (data files, application programs, and computer-related facilities and equipment) are protected against unauthorized access, modification, disclosure, loss, or impairment. Granting access to users without documented approval increases the risk that unauthorized users will gain access to information systems. Not timely removing accounts for separated users increases the risk that unauthorized users will gain access to information systems. The effect of inconsistent operation of the employee separation process was partially mitigated by a monthly control to review separations and remove the system access of any separated employees whose access may have been missed by the sign out process. However, undue reliance on this secondary control to review and remove system access led to instances where separated employees retained system access for a number of weeks after their separation.

Not consistently documenting periodic reviews of user access increases the risk that users who no longer require access will retain access. Also, allowing a user to retain unnecessary privileged access to a financially relevant application, such as PICS or GBIS, may result in unauthorized changes being made to GPO data. Additionally, not consistently performing and documenting a periodic review of the data center physical access list may lead to individuals who do need access to the data center retaining such access.

With no audit log reviews done at the application level for GBIS, events within the application that may represent attempts to gain unauthorized access or otherwise circumvent controls may not be detected and responded to.

Setting a password to not expire gives an attacker an unlimited amount of time to try to obtain a user's password and have unauthorized access to network resources. If a password is disclosed in any way, a user's account could be indefinitely compromised.

3. Segregation of Duties

Effective segregation of duties starts with effective entity-wide policies and procedures that are implemented at the system and application levels. The Finance Office has not documented conflicting access privileges within GBIS. Instead, the Finance Office relies on the approver's knowledge of GBIS responsibilities to avoid assigning conflicting access privileges to the same user. Lack of adequate controls to prevent the assignment of incompatible functions within GBIS exposes GPO to the risk that certain users may be assigned the ability to perform multiple critical system transactions. As a result, users may be able to initiate and approve an erroneous transaction.

4. Configuration Management

Establishing controls over the modification of application software programs helps to ensure that only authorized programs and authorized modifications are implemented. This is accomplished by instituting policies, procedures, and techniques that help ensure that program modifications are properly authorized, tested, and approved and that access to and distribution of programs is carefully controlled.

During our test work, we noted implementation of configuration changes for GBIS did not adhere to strict configuration management practices. Specifically, we noted that one of fifteen changes to the GBIS application closed in fiscal year 2010 that we tested did not have the documented

approval or evidence of testing for the change. The change where testing and approval was undocumented was an emergency change. Due to the urgency of the change, approval appears to have been communicated informally.

During fiscal year 2010, GPO management continued the development of a desktop patch management plan which started in fiscal year 2008. However, GPO has not been able to complete the implementation of the patch management plan and process. Although in fiscal year 2010, GPO had implemented a centralized patch management process for Windows servers, it had not yet implemented centrally managed security patching of Windows desktops and laptops.

Failing to test and approve emergency changes before or as soon as possible after migration into production could result in errors in programs or data which could cause data to be inaccurate or incomplete. Additionally, desktop and laptop computers without current security patches may not be properly safeguarded from security vulnerabilities. As a result, vulnerabilities may be exploited and data and resources may be subject to unauthorized use, loss, or disclosure.

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5. Contingency Planning

During fiscal year 2010, GPO continued its efforts to minimize the risk of unplanned interruptions and recover critical operations. However, a continuity of operations plan for GPO's general support system has not been finalized and is still in draft form. Furthermore, GPO did not provide evidence of periodic testing of the continuity of operations plan, although GPO informed us that the plan was periodically tested in fiscal year 2010.

Having a contingency plan that is not approved by management and finalized may lead to the plan not being distributed within the GPO. This could limit the plan's usefulness in the event of a disaster.

Without documentation of contingency plan test results, the effectiveness of management's oversight of contingency plan testing is diminished. Specifically, a lack of documented results diminishes management's ability to verify that the scope of testing and test procedures were performed consistent with their intent, which could lead to ineffective testing. Also, without documented results, management may be unaware of any weaknesses in disaster recovery capabilities that may have been revealed by disaster recovery testing.

Criteria:

Federal Information Processing Standards (FIPS) Publication 200, *Minimum Security Requirements for Federal Information and Information Systems,* requires organizations to authorize the operation of organizational information systems. Appendix III to OMB Circular No. A-130, *Security of Federal Automated Information Resources*, requires that major applications be authorized "at least every three years".

FIPS Publication 200, *Minimum Security Requirements for Federal Information and Information Systems,* requires that organizations ensure that personnel are adequately trained to carry out their assigned information security-related duties and responsibilities.

NIST Special Publication 800-35, *NIST Guide to Information Technology Security Services,* states that IT security managers need to ensure service providers are complying with IT security

policy and processes and that compliance reports (such as SAS-70 reports) are a means to monitor service providers.

NIST Special Publication 800-53 Revision 3, *Recommended Security Controls for Federal Information Systems*, states that organizations should exercise oversight of external service providers.

NIST Special Publication 800-53 Revision 3, *Recommended Security Controls for Federal Information Systems*, provides more detailed guidance for the security authorization process and directs organizations to:

- Develop security plans for information systems that describe the security controls in place or planned for meeting the control requirements from SP 800-53 including rationale for control tailoring and supplementation decisions, and

- Assess the planned security controls to determine the extent to which the controls are implemented correctly, operating as intended, and producing the desired outcome and to document the results of the assessment to provide to the authorizing official.

NIST Special Publication 800-30, *Risk Management Guide for Information Technology Systems*, contains best practices regarding performing risk assessments and directs that risk assessments should identify threats, identify vulnerabilities and determine risks.

NIST Special Publication 800-53 Revision 3, *Recommended Security Controls for Federal Information Systems*, provides guidance for managing access controls and directs organizations to:

- Require appropriate approvals for requests to establish accounts;

- Operate procedures for disabling and removing access when users are terminated, transferred, or information system usage or need-to-know/need-to-share changes;

- Periodically review accounts;

- Employ the concept of least privilege, by allowing only authorized accesses for users which are necessary to accomplish assigned tasks in accordance with organizational missions and business functions;

- Implement separation of duties through assigned information system access authorizations;

- Enforce password minimum and maximum lifetime restrictions, and

- Review and keep current a list of personnel with authorized access to the facility where the information system resides.

NIST Special Publication 800-53 Revision 3, *Recommended Security Controls for Federal Information Systems*, states that organizations should remediate vulnerabilities by maintaining a process to install security patches.

Fiscal Year 2010 Significant Deficiencies

NIST Special Publication 800-53 Revision 3, *Recommended Security Controls for Federal Information Systems*, states that organizations should review and analyze information system audit records for indications of inappropriate or unusual activity and report findings to designated organizational officials.

NIST Special Publication 800-53 Revision 3, *Recommended Security Controls for Federal Information Systems*, states that organizations should approve and test configuration-controlled changes to the system.

NIST Special Publication 800-53 Revision 3, *Recommended Security Controls for Federal Information Systems*, states that organizations should develop contingency plans for their information systems that are reviewed and approved by designated officials, should test to determine the plans' effectiveness, should review the contingency plan test results and initiate corrective actions.

Recommendations:

We recommend that GPO continue to strengthen its IT general and application controls in each of the five identified domains, as follows:

1. Security Management

We recommend that GPO management documents system security plans in detail sufficient to plan system security controls for general support systems and major applications that are identical or equivalent to the applicable NIST SP 800-53 baseline controls. In addition, we recommend the following:

a. GPO management documents its risk assessments and considers a full range of significant risks to be consistent with risk assessment requirements from NIST SP 800-30. Also, we recommend that when creating a security authorization package, GPO documents procedures performed and results obtained for security assessment testing of all planned IT security controls. Additionally, we recommend that GPO updates the security authorization package for the GSS and, after planning and successfully testing the necessary IT security controls, re-authorizes it for operation.

b. GPO management documents and implements procedures to identify all personnel with significant information security responsibilities and ensures that they receive periodic role-based IT security training.

c. GPO requests that Oracle amends the scope of the SAS-70 report for Oracle On-Demand to include the Federal Zone where the servers for GBIS are hosted.

2. Access Controls

We recommend that GPO management:

a. Evaluates, revises as necessary, and formally documents procedures for approving access to the GSS and GBIS to help ensure that approvals are documented prior to granting users access.

Fiscal Year 2010 Significant Deficiencies

b. Evaluates, revises as necessary, and formally documents procedures for removing system access from separated employees to help ensure that system access is removed timely when employees leave GPO.

c. Ensures that controls for removing system access from separated contractors, including the periodic contractor network access review and setting contractor network user accounts to expire, are consistently operated for all contractors with access to GPO's network.

d. Evaluates, revises as necessary and formally documents procedures for periodically reviewing and recertifying access to GPO systems to help ensure that access that users do not need is removed timely.

e. Restricts access to applications and systems, including the GBIS rate maintenance responsibility, to personnel based on defined roles and responsibilities. Access should be removed from user access accounts that do not require such access.

f. Enhances its policies and procedures over password settings. With the exception of system service accounts, management should ensure that password expiration settings are applied to all users' network accounts.

g. Designs and implements a risk-based approach to reviewing application audit log events for GBIS.

h. Consistently performs and documents a periodic review and recertification of the data center physical access list. The review and certification should be performed and documented, at a minimum, on a quarterly basis.

3. Segregation of Duties

We recommend that GPO management documents the permissions used within GBIS, identifies which permissions conflict, and ensures that conflicting permissions are not assigned to the same user.

4. Configuration Management

We recommend that GPO management:

a. Takes steps to ensure that emergency changes to GBIS are approved and are tested as soon as possible after implementation into production.

b. Completes the development of centrally managed desktop and laptop patch management procedures to help ensure that security patches are deployed to desktop and laptop computers in a timely manner. We also recommend that GPO documents its standard operating procedures for patch management.

Fiscal Year 2010 Significant Deficiencies

5. Contingency Planning

We recommend that GPO management:

a. Finalizes and approves the contingency plan for GPO General Support System Number 1.

b. Periodically performs contingency plan testing and documents the test plans and the results for GPO General Support System Number 1.

Management Response:

Management concurs with these recommendations.

Exhibit II

Status of Prior Year Findings

Prior Year Condition	Prior Year Recommendation	Status as of September 30, 2010
	Significant Deficiencies	
Review and Reporting of General Property, Plant and Equipment	**1.** We recommend that GPO implement controls to ensure that GPO accountants are recording PP&E in the PP&E subsidiary ledger and general ledger at full costs upon receiving title to the assets. Additionally, program managers and accountants should be provided additional guidance to ensure proper coding and recording of advanced payments. **2.** We recommend that GPO validate the receipt and acceptance of an asset (through physical inspection, confirmation from program managers, and cross-checking the invoice to the receiving documents) or validate GPO's title to an asset, whichever is applicable before recording the asset in its books.	**Closed**
Certain Reconciliation Controls	We recommend that GPO enforce its existing policies that require monthly reconciliations to be performed and timely investigate and resolve all differences identified.	**Control Deficiency** Significant progress has been made and this condition is no longer considered to be a significant deficiency. The FY 2010 control deficiency will be reported to management of GPO in a separate letter dated December 21, 2010.
Controls over Compilation of the Statement of Cash Flows	We recommend that GPO implement controls to ensure that changes in accounts payable are properly classified in arriving at cash flows from operating and investing activities in the statement of cash flows.	**Closed**

Status of Prior Year Findings

Prior Year Condition	Prior Year Recommendation	Status as of September 30, 2010
Information Technology General and Application Controls		
Security Management	a. We recommend that GPO continue its efforts to implement security controls that address the identified risks such that GPO may properly certify and accredit its major applications and systems, including GBIS and the GSS. We further recommend that GPO maintain a schedule to track the certification and accreditation process for each system, the expected date of authorization, and the projected date of re-certification. b. We recommend GPO enforce compliance with security awareness training policies and procedures, including disciplinary actions for employees who fail to complete the required annual training. c. We recommend that GPO complete the development of the Memorandum of Understanding with NFC, re-visit the agreement periodically to ensure that it continues to meet GPO's needs, and ensure that the agreement is maintained through the duration of its relationship with NFC. d. We recommend that GPO include procedures for tracking and monitoring the status of system-specific weaknesses in its POA&M process and develop executive-level summaries for the POA&Ms. The tracking and review should be done at least quarterly. e. We recommend that GPO enhances the existing system inventory to ensure it contains all major agency systems and supporting interfaces and peripheral equipments.	**Significant Deficiency** This finding has been partially repeated in the current year; see Exhibit I, Item C.1.

Status of Prior Year Findings

Prior Year Condition	Prior Year Recommendation	Status as of September 30, 2010
Access Controls	a. We recommend that GPO management review and refine its procedures for the performance of periodic reviews of access to the data center. Such procedures should include i) examining the list of users who have been granted access to the data center to ensure that all users are properly authorized, ii) comparing the list of authorized users to the system-generated list of users to ensure that access permissions are properly granted for authorized users, and iii) updating access permissions to reconcile noted exceptions. b. We recommend that access to applications and systems in the production environment, including GBIS, is restricted to personnel based upon defined roles and responsibilities. In the event that non-routine access is needed, we recommend that the minimum level of access necessary to perform the required task(s) be granted temporarily. We further recommend that GPO management monitor and review for appropriateness the activities of users with administrative or special user privileges. We recommend that GPO management further develop its policies and procedures for requesting and authorizing access to the GPO information technology resources to include requests for non-standard system accounts. c. We recommend that GPO management enhance its policies and procedures for fulfilling requests for password resets. d. We recommend that management improve its policies and procedures for requesting and authorizing access to GPO IT resources to include requests for non-standard system accounts. We further recommend that management ensure that such policies and procedures are consistently followed and all requests for access are documented and approved. e. We recommend that GPO develop a complete and comprehensive process for identifying, reporting, and resolving computer security incidents.	**Significant Deficiency** This finding has been partially repeated in the current year; see Exhibit I, Item C.2.

Status of Prior Year Findings

Prior Year Condition	Prior Year Recommendation	Status as of September 30, 2010
Configuration Management	We recommend that management develop and implement the following controls to ensure that configuration changes are properly developed, tested, and implemented: a. Develop detailed descriptions of required deliverables for each phase of the System development Life Cycle as stated in the GPO Instruction 705.28, *GPO Information Technology System Development Life Cycle Policy*. b. Continue to develop new and refine existing configuration management policies, procedures, and guidance. c. Logically restrict access to configuration changes from developers in the non-production instance of Oracle after the configuration changes are scheduled for testing to ensure that no additional changes are made. d. Restrict the ability to request and approve changes to GBIS through Oracle's service request process to only those individuals who are responsible for the configuration management of GBIS. e. Complete the development of the desktop patch management procedures and process to ensure that security patches are deployed to desktop computers in a timely and controlled manner.	**Significant Deficiency** This finding has been partially repeated in the current year; see Exhibit I, Item C.4.
Contingency Planning	We recommend that management continue the development of its business resumption and contingency planning efforts to enable appropriate contingency support to mission critical business functions.	**Significant Deficiency** This finding has been repeated in the current year; see Exhibit I, Item C.5.

SECTION IV

Consolidated Financial Statements

Consolidated Balance Sheets

As of September 30, 2010 and 2009

(Dollars in thousands)

	2010	2009
ASSETS		
Current assets		
Fund balance with Treasury (Note 2)	$ 340,165	$ 256,126
Accounts receivable, net (Note 3)	171,677	210,564
Inventory, net (Note 4)	32,570	28,831
Prepaid expenses (Note 5)	244	1,823
Total current assets	**544,656**	**497,344**
General property, plant and equipment, net (Note 6)	110,891	115,141
Total assets	**$ 655,547**	**$ 612,485**
LIABILITIES AND NET POSITION		
Current liabilities		
Accounts payable and accrued expenses (Note 7)	$ 108,942	$ 116,137
Deferred revenues (Note 8)	127,286	98,634
Accrued annual leave	11,153	11,016
Total current liabilities	**247,381**	**225,787**
Other liabilities		
Workers' compensation liability (Note 9)	70,884	71,174
Voluntary separation incentive program	4,562	4,562
Total liabilities	**322,827**	**301,523**
Commitments and contingencies (Notes 10 and 11)		
Net position (Note 12)		
Cumulative results of operations:		
Retained earnings	159,651	150,363
Invested capital	92,879	92,879
Unexpended appropriations	80,190	67,720
Total net position	**332,720**	**310,962**
Total liabilities and total net position	**$ 655,547**	**$ 612,485**

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Revenues, Expenses, and Changes in Retained Earnings

For the Fiscal Years Ended September 30, 2010 and 2009

(Dollars in thousands)

	2010	2009
OPERATING REVENUES		
Printing and binding	$ 774,031	$ 794,801
Appropriations	134,894	119,239
Sales of publications	13,244	14,101
Agency distributions	6,169	5,917
Total operating revenues	**928,338**	**934,058**
OPERATING EXPENSES		
Printing and reproduction	459,027	497,829
Personnel compensation and benefits	242,477	234,623
Supplies and materials	128,377	110,845
Other services	36,497	34,118
Depreciation and amortization	19,913	17,182
Rents, communications, and utilities	16,610	17,582
Travel, transportation, and postage	12,393	15,873
Publications sold	4,046	4,772
Subtotal	**919,340**	**932,824**
Income before other operating expenses	**8,998**	**1,234**
OTHER OPERATING EXPENSES		
Impairment loss (Note 16)	—	(1,189)
Decrease (increase) in workers' compensation liability (Note 9)	290	(4,107)
Net Income (Loss)	**9,288**	**(4,062)**
Retained Earnings, beginning of year	**150,363**	**154,425**
Retained Earnings, end of year	**$ 159,651**	**$ 150,363**

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Cash Flows

For the Fiscal Years Ended September 30, 2010 and 2009

(Dollars in thousands)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	**$ 9,288**	**$ (4,062)**
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	19,913	17,182
Impairment loss	—	1,189
Gain on disposal of general property, plant and equipment	(2)	(7)
Changes in assets and liabilities:		
(Increase) decrease in assets-		
Accounts receivable	38,887	(56,868)
Inventory	(3,739)	19,460
Prepaid expenses	1,579	(920)
Increase (decrease) in liabilities-		
Accounts payable and accrued expenses	(8,409)	11,559
Deferred revenues	28,652	9,258
Accrued annual leave	137	467
Workers' compensation liability	(290)	4,107
Product warranty liabilities	—	(1,418)
Total adjustments	**76,728**	**4,009**
Net cash provided by (used in) operating activities	**86,016**	**(53)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital purchases	(14,449)	(30,036)
Proceeds from sale of general property, plant and equipment	2	7
Net cash used in investing activities	**(14,447)**	**(30,029)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in unexpended appropriations	12,470	20,957
Net cash provided by financing activities	**12,470**	**20,957**
Net Increase (decrease) in fund balance with Treasury	**84,039**	**(9,125)**
Fund balance with Treasury, beginning of year	256,126	265,251
Fund balance with Treasury, end of year	**$ 340,165**	**$ 256,126**

The accompanying notes are an integral part of these financial statements.

Notes to Consolidated Financial Statements

September 30, 2010 and 2009

1. Summary of Significant Accounting Policies

A. Reporting Entity

The U.S. Government Printing Office (GPO or Agency) is a Legislative Branch agency of the Federal Government. The Agency's mission and authority are derived from various statutes codified in Title 44, *Public Printing and Documents, of the United States Code* (U.S.C.). The Congress established GPO to provide the Federal Government with an efficient and effective means for the production, procurement, and dissemination of Federal Government information to the Nation.

The Public Printer of the United States, appointed by the President of the United States with the advice and consent of the U.S. Senate, serves as the Agency head and oversees GPO's programs and operations. These programs and operations are funded through a business-type revolving fund, authorized by 44 U.S.C. § 309, and annual and special appropriations provided by Congress. The GPO Revolving Fund maintains a system of accounts and records transactions to comply with the requirements of Section 309 of U.S.C. Title 44.

The Joint Committee on Printing (JCP) has primary responsibility for Congressional oversight of GPO's programs and operations. The JCP is comprised of five members of the U.S. House of Representatives and five members of the U.S. Senate. Every two years the JCP chairmanship and vice-chairmanship rotate between the House and the Senate.

B. Accounting Environment

Basis of Accounting

As allowed by the Federal Accounting Standards Advisory Board (FASAB), the consolidated financial statements of GPO have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as promulgated by the Financial Accounting Standards Board (FASB). Under GAAP, revenues are recognized when earned, and expenses are recognized when incurred, without regard to the timing of the receipt or disbursement of cash.

Basis of Presentation and Consolidation

GPO prepares annual financial statements that reflect the overall financial position and results of operations to meet the requirements of GAAP and 31 U.S.C. § 3515(b) mandated by 44 U.S.C. § 309(e). The accompanying consolidated financial statements include all funds under GPO's control that have been established and maintained to account for the resources of the Agency. All significant intra-agency balances and transactions have been eliminated in the preparation of the consolidated financial statements. The GPO consolidated financial statements do not include the effects of centrally administered assets and liabilities of the Federal Government, as a whole, such as interest on the public debt, which may in part be attributable to GPO. Other Federal agencies make financial decisions and report certain financial matters on behalf of the entire Federal Government, including matters in which individual agencies may be an indirect party. Financial matters maintained or reported by other Federal agencies in which GPO is indirectly involved include employee benefit plans and certain legal settlements.

Funds

GPO maintains a revolving fund and a general fund to account for its various programs and operations. Each of these funds is a distinct fiscal and accounting entity that accounts for cash and other financial resources together with all related liabilities and equities.

Revolving Fund – The GPO Revolving Fund is an inter-governmental fund established by Congress on July 1, 1953. This business-type revolving fund is available without fiscal limitation for financing the operation and maintenance of GPO, except for those information dissemination programs of the Agency that are funded by annual appropriations.

The GPO Revolving Fund is a self-sustaining financial entity used primarily to finance and account for GPO's Printing and Binding Operations and Publication and Information Sales Program. Accordingly, the two major sources of revenue to the Revolving Fund are reimbursements from the Congressional Printing and Binding Appropriations and other Federal customers for providing printing, binding and distribution services, including U.S. Passport production, and publication and subscription sales to the public.

The Printing and Binding Operations account for the revenues and expenses associated with services provided by in-plant printing and purchased printing. The costs of these services are recovered through a system of rates used to bill customers. These rates include direct costs, depreciation, overhead, and related expenses permitted under 44 U.S.C. § 309.

The Publication and Information Sales Program sells Federal Government information products to the public. The price of Federal Government publications sold through this program is established in accordance with 44 U.S.C. § 1708.

General Fund – The General Fund is financed by two annual Congressional appropriations to the Agency. These appropriated funds finance the cost of GPO's support of the Congress, and the Government information dissemination services provided to the public without charge to the recipients.

The Congressional Printing and Binding (CP&B) Appropriation is used to pay the cost of the printing and binding requirements of the Congress, and the printing, binding, and distribution of publications authorized by law to be distributed to others without charge to the recipient.

The Salaries and Expenses (S&E) Appropriation is used by the Library Services and Content Management, a GPO business unit, to fund four information dissemination programs: the Federal Depository Library Program (FDLP) that includes FDsys and *GPO Access*; the Cataloging and Indexing Program; the By-Law Distribution Program; and the International Exchange Program. The majority of this annual appropriation is used to finance the FDLP.

Expenditures from these appropriations are used to reimburse the GPO Revolving Fund for printing and binding, and other services and supplies furnished by GPO in accordance with U.S.C. Title 44.

C. Fund Balance with Treasury

Fund balance with Treasury represents all balances in GPO accounts with the U.S. Department of the Treasury (Treasury). Treasury processes cash receipts and disbursements for GPO.

D. Accounts Receivable

Accounts receivable consist of intra-governmental amounts due to GPO, as well as amounts due from the public. Accounts receivable are shown net of a provision for uncollectible accounts. The allowance for doubtful accounts is based on GPO's recent debt collection experience.

E. Inventories

Inventories of publications held for sale are valued at the lower of cost, using the weighted average cost method, or market. The publication inventories are shown net of a provision for excess inventory that may be disposed of by the Agency in the future. The allowance for surplus publications is based on life cycle studies of product sales that provide a historical basis for determining the percentage of potential excess inventory stock items on hand. Inventories of paper, supplies and materials include the cost of production material (e.g., computer chips, ink, book cloth), as well as the cost of administrative-use supplies. These inventories are valued at the lower of cost, using the weighted moving average cost method, or market. Inventories of supplies and materials are shown net of a provision for obsolescence. The allowance for obsolescence is determined based on historical usage of paper, supplies and materials.

F. Property, Plant and Equipment

Property, plant and equipment purchases are generally valued at their acquisition cost. The Agency capitalizes the cost of the property as an asset when the cost is $25,000 or more, and the estimated useful life is two years or more. The costs of major alterations and renovations to the GPO facility are capitalized and depreciated, while the costs of maintenance and repairs are expensed when incurred. The depreciation of property, plant and equipment is calculated on a straight-line basis over the estimated useful life of the asset. The depreciation of an asset commences the month after the asset is first placed in service.

The table at right reflects the standard estimated useful life of each major asset category. Exceptions to these standard estimated asset lives are authorized when justified.

Estimated Useful Life Of Capitalized Assets

Asset Category	Estimated Useful Life (Years)
Land	N/A
Building Improvements	20
Building Appurtenances	20
Other Structures and Facilities	20
Furniture and Fixtures	20
Leasehold Improvements	10
Plant Machinery and Equipment	10
Office Machinery and Equipment	5
Motor Vehicles	5
Computer Software	3

Land has an indefinite life and is not subject to depreciation. Leasehold improvements are generally depreciated over 10 years or the remaining duration of the lease for real property, whichever is shorter.

Printing equipment transferred to GPO from other Federal agencies under the provisions of 44 U.S.C. § 312 is valued in accordance with JCP Regulation Number 26, *Government Printing and Binding Regulations*. This valuation approximates fair market value at the time of the property transfer.

G. Deferred Revenues

Deferred revenues are funds received in advance from customers for the future delivery of goods and services. The Agency records these advances as revenue when the goods are delivered or the services are performed.

H. Accrued Annual Leave

Annual leave is accrued as a liability when earned. The liability is reduced when leave is used. The annual leave liability is calculated using the current hourly salary or wage of employees multiplied by their total hours of unused annual leave. Employees will receive a lump-sum payment for any unused annual leave when they separate from Federal service or enter active military service.

Sick leave and other types of non-vested leave are expensed when used. Employees are not entitled to a lump-sum payment for their unused sick leave.

I. Workers' Compensation Liability

The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to covered Federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose deaths are attributable to job-related injuries or occupational diseases.

The U.S. Department of Labor (DOL) administers the FECA Program, which provides workers' compensation benefits to GPO employees and others through the Special Benefit Fund. GPO annually reimburses DOL for the cost of FECA benefits paid on GPO's behalf. Unreimbursed balances due to DOL at year end are included in accounts payable and accrued expenses in the accompanying consolidated balances sheets.

Future workers' compensation estimates are generated from the application of actuarial procedures developed by DOL to estimate the liability for FECA benefits. The liability for future workers' compensation benefits includes the expected liability for death, disability, medical, and miscellaneous costs for approved compensation cases, and a component related to injuries incurred but not reported. The liability is determined by utilizing historic benefit payment patterns related to a particular period to estimate the ultimate payments related to that period.

J. Commitments and Contingencies

FASB Accounting Standards Codification, *Asset Retirement Obligations* (ASC 410-20), requires a reporting entity to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can reasonably be estimated. Accordingly, GPO has estimated and recorded the asset retirement obligations. Liabilities from loss contingencies, including environmental remediation costs not within the scope of ASC 410-20, arising from claims, assessments, litigation, fines and penalties, and other sources, are recorded when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated. Loss contingencies that do not meet these criteria are not accrued.

K. Revenue Recognition

Printing and Binding – GPO must be reimbursed for the cost of printing and binding services furnished to customers at rates set by the Public Printer in accordance with 44 U.S.C. §309. Revenues from in-house printing and binding work are recognized on a value-added basis, as work is performed, while revenues from commercially procured printing and binding are recognized on the date the contract requirements are fulfilled, which is generally the date of shipment by the commercial printer to the customer agency. Revenues related to the manufacture of passports by GPO for the U.S. Department of the State are recognized at annually negotiated rates per passport at the time that the printing and binding process is complete.

Appropriations – Appropriation revenues are recorded when a liability is incurred for purposes permitted by the appropriations act and program legislation. Unexpended appropriations are recorded as a component of net position. Unexpended appropriation balances are generally canceled after 5 years.

Sales of Publications – Revenues from the sale of publications and subscriptions to customers are recognized when shipped by the Publication and Information Sales Program.

Agency Distributions – Revenues from the storage, packaging, and distribution of publications for other Federal agencies are recorded when services have been performed.

L. Expense Recognition

Printing and Reproduction – This expense includes the cost of printing, duplicating, and reproduction orders that are procured by GPO from the private sector to satisfy the needs of the Federal Government. The expense is generally recorded on the date of shipment by the contractor, and is shown net of vendor prompt payment discounts earned by the Agency.

Personnel Compensation and Benefits – Personnel compensation consists of the wages and salaries, including overtime premium and night differential, paid to GPO employees on a biweekly cycle. Personnel benefits include the Agency's share of contributions towards Federal Employees Health Benefits (FEHB), Federal Employees' Group Life Insurance (FEGLI) and two Federal Government civilian employee retirement programs. The two retirement programs are the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS) that includes the related Thrift Savings Plan (TSP). Personnel benefits also include the current cost of workers' compensation expense, transit benefits provided by GPO to employees, and the cost of incentive and performance awards to employees. Personnel compensation and benefits are recorded as expenses when earned by employees.

Supplies and Materials – Computer chips required for passport production are the most significant cost component within the category of supplies and materials. Passport supplies and materials are recorded as an expense when used in production operations. The second most significant component is paper and paper products that are commercially procured to satisfy GPO's in-plant printing requirements and customer orders for blank paper. The expense is recorded when paper is drawn from inventory to fulfill an order or delivered to the customer, in the case of direct mill-to-customer shipments. This expense category also includes all other supplies and materials that are not capitalized as property, such as personal computers, furniture, and office supplies.

Other Services – This expense category includes the costs of professional services by contractors and the expenses related to a provision for uncollectible accounts receivable. The expenses for professional services are recognized when the contracted services have been performed. The expenses for uncollectible accounts receivable are recognized when receivables are deemed as potentially uncollectible, based on GPO's collection experience.

Depreciation and Amortization – GPO uses the straight-line method of depreciation and amortization to allocate a portion of the acquisition cost of property, plant and equipment to each accounting period. The acquisition cost of each capitalized asset is depreciated, or amortized, over the asset's estimated useful life which is generally measured in years. The monthly depreciation, or amortization, of a capitalized asset commences at the beginning of the first full-month after the date that the capitalized asset was placed in service.

Rents, Communications, and Utilities – Rent and lease costs are incurred for the use of building space, equipment, and motor vehicles. GPO leases office and warehouse space from the U.S. General Services Administration (GSA) and commercial landlords. GPO also rents automobiles and other motor vehicles. Communications costs include data, voice, video, and wireless services. Utilities include electricity, gas, steam, and water. Expenses are recorded as services are provided and energy resources are used.

Travel, Transportation, and Postage – This category includes travel and transportation costs of persons or things, including employee relocation costs, and postage expenses. Travel costs are incurred by persons on official business for audits, attendance at conferences, inspections, investigations, training, or other authorized business of the Agency. Transportation includes shipping costs for printing and reproduction products from GPO or contractors to customer agencies, depository libraries, or other GPO locations. Incurred travel expenses are accrued when they are estimable, while transportation costs are generally recorded on the date of shipment. Postage and commercial mail services are recorded as expenses when the delivery services are provided by the U.S. Postal Service and commercial carriers.

Publications Sold – Publications sold expense represents the cost of publications sold to customers and the cost of subscriptions issued to subscribers. Expenses are recorded at the time of publication sale or subscription issuance. Additionally, this expense includes any change in the estimated cost of the publications held in inventory for sale to the public that are potentially obsolete, damaged, or surplus. The allowance for surplus publications is based on life cycle studies of product sales that provide a historical basis for the determination of potential excess inventory on hand.

M. Consolidated Statements of Cash Flows

The consolidated statements of cash flows identify cash receipts and disbursements and classify each into operating, investing, and financing activity categories. This statement assesses the ability of GPO to generate funds from current operations, to identify financing acquired from outside sources, and to identify the major non-operating (investing) uses of funds.

N. Use of Estimates

The preparation of the consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as the disclosure of contingent liabilities at the date of the consolidated financial statements, and the amount of revenues and expenses reported during the reporting period. Actual results could differ from these estimates.

The estimates that most significantly impact assets, liabilities, revenues, and expenses reflected in the accompanying consolidated financial statements are: the allowance for inventory obsolescence for supplies, materials, and publications held for sale; the allowance for doubtful accounts related to accounts receivable; the estimated useful lives of capitalized assets; the actuarial estimated liability for future workers' compensation benefits; and the estimate for contingent liabilities.

O. Fair Value Measurement

GPO adopted FASB Accounting Standards Codification, *Fair Value Measurements and Disclosures* (ASC 820-10), on October 1, 2008 for fair value measurements of financial assets and financial liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. ASC 820-10 defines "fair value" as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. This standard also establishes a framework for measurement of fair value and expands disclosure about fair value measurements.

P. Reclassifications

Certain amounts in the Consolidated Balance Sheet as of and for the year ended September 30, 2009, have been reclassified to conform to September 30, 2010 presentation. Specifically, the long-term obligation to the Office of Personnel Management (OPM) for the Voluntary Separation Incentive Program in fiscal 2009 was reclassified to a separate line item from the accounts payable and accrued expense line item on the Consolidated Balance Sheets.

Q. Tax Status

GPO is a legislative branch agency within the Federal Government, and therefore, is not subject to federal, state, or local income taxes. Accordingly, no provisions for income taxes are recorded by the Agency.

2. Fund Balance with Treasury

A table of items included in GPO's funds with Treasury, including funds on-hand or in-transit to the Treasury, as of September 30, 2010 and 2009 follows.

(Dollars in thousands)

	2010	2009
Fund Balances:		
Revolving Fund:		
Unrestricted	$ 101,016	$ 60,160
Restricted:		
Customer deposit accounts	121,623	95,290
Other	34,205	31,021
Total revolving fund	**256,844**	**186,471**
General Funds:		
Congressional printing and binding	42,922	38,261
Salaries and expenses	32,183	26,451
Supplemental and other	8,216	4,943
Total general funds	**83,321**	**69,655**
Total	**$ 340,165**	**$ 256,126**
Status of Fund Balance with Treasury:		
Unobligated balance:		
Available	$ 111,989	$ 42,556
Unavailable	8,216	4,943
Total	**120,205**	**47,499**
Obligated balance not yet disbursed	219,960	208,627
Total	**$ 340,165**	**$ 256,126**

Unrestricted funds are available to meet the financial obligations of the Revolving Fund. Restricted funds are comprised of customer deposit accounts, other deferred revenues, and restrictions for accrued wages and salaries, payroll taxes and other withholdings, earned annual leave not used by employees, and amounts due to the Office of Personnel Management (OPM) from the GPO Voluntary Separation Incentive Program. These funds can only be used for the purpose specified.

Supplemental and other general funds include unexpended appropriations made to the GPO for specific purposes as discussed in Net Position, Unexpended Appropriations (Note 12B).

3. Accounts Receivable, Net

Accounts receivable, net of an allowance for doubtful accounts, as of September 30, 2010 and 2009, consisted of the following.

	(Dollars in thousands)	
	2010	**2009**
Federal Agencies:		
Unbilled accounts receivable	$ 117,608	$ 160,730
Billed completed work	57,755	51,801
Subtotal	**175,363**	**212,531**
Other receivables:		
The public	1,795	4,340
GPO employees	1,255	1,125
Subtotal	**3,050**	**5,465**
Total accounts receivable	**178,413**	**217,996**
Less: Allowance for doubtful accounts	(6,736)	(7,432)
Total accounts receivable, net	**$ 171,677**	**$ 210,564**

The majority of accounts receivable are due from other Federal agencies that ordered goods and services from GPO. By law, these customers are required to reimburse the GPO Revolving Fund for the cost of their orders.

Unbilled accounts receivable results from the delivery of the goods and performance of services for which bills have not been presented to the customer for payment yet. Accordingly, unbilled accounts receivable includes the value of work in process and completed work for customer orders as of September 30, 2010 and 2009.

Employee accounts receivable includes amounts owed by current and former employees who were advanced leave. Employees generally repay their leave indebtedness through biweekly installments from their earned leave or from leave donations from other employees under the GPO Leave Donation Program.

4. Inventory, Net

Inventories, net of an allowance for surplus and obsolete stock, as of September 30, 2010 and 2009, consisted of the following.

	(Dollars in thousands)	
	2010	**2009**
Publications for sale	$ 7,859	$ 7,485
Paper	5,172	4,539
Supplies and materials	20,714	16,920
Work in process	3,977	4,882
Total inventory	**37,722**	**33,826**
Less: Allowance for surplus and obsolete inventory	(5,152)	(4,995)
Inventory, net	**$ 32,570**	**$ 28,831**

The supplies and materials inventory included $14.1 million in electronic chips at September 30, 2010, compared to $10.2 million at September 30, 2009. The computer chips are used in the production of electronic Passports.

5. Prepaid Expenses

Prepaid expenses were $244,000 as of September 30, 2010, and $1.8 million as of September 30, 2009. The decrease of $1.6 million prepaid expenses in the fiscal 2010 was due to a prepayment for computer infrastructure upgrades made in fiscal 2009.

6. General Property, Plant and Equipment, Net

Net property, plant and equipment as of September 30, 2010 and 2009, consisted of the following.

(Dollars in thousands)

	2010	2009
Land	$ 9,971	$ 9,971
Buildings and improvements	82,629	78,181
Plant machinery and equipment	93,121	93,323
Computers and computer software	85,703	70,407
Furniture and fixtures	6,113	6,321
Motor vehicles	719	719
Leasehold improvements	10,115	10,191
Capitalized software in process	3,103	5,457
Capital improvements in process	1,523	4,776
Total	**292,997**	**279,346**
Less: Accumulated depreciation and amortization	(182,106)	(164,205)
General property, plant and equipment, net	**$ 110,891**	**$ 115,141**

General property, plant and equipment decreased by $4.2 million in fiscal 2010 from fiscal 2009 due primarily to capital additions of approximately $15.7 million and offset by annual depreciation of approximately $19.9 million. The majority of the capital additions were for computers and computer software of $15.3 million. The increase in computers and computer software was primarily due to FDsys software ($10.9 million) placed into service during fiscal 2010, $5.5 million of which was in capitalized software in process at September 30, 2009.

During fiscal 2010, GPO also made other capital expenditures including printing production equipment for about $1.1 million, and renovating the GPO bookstore for $460,000.

Capital improvements in process at September 30, 2010 were mainly comprised of the Heidelberg Press of about $884,000, the uninterruptible power supply (UPS) to the data center of about $388,000, and a card punching and die cutting system of $189,000.

Depreciation expense was $19.9 million for fiscal 2010 and $17.2 million for fiscal 2009. The increase of $2.7 million in fiscal 2010 was largely the result of amortizing FDsys (placed into service in fiscal 2009) for the entire year, and amortizing new FDsys software modules placed into service in fiscal 2010.

7. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses as of September 30, 2010 and 2009, were composed of the following.

	(Dollars in thousands)	
	2010	**2009**
Accounts payable:		
Commercial printing	$ 53,687	$ 65,057
U.S. Government agencies	8,213	12,596
Other	34,453	27,261
Total accounts payable	**96,353**	**104,914**
Accrued salaries and payroll taxes	12,589	11,223
Total accounts payable and accrued expenses	**$ 108,942**	**$ 116,137**

The decrease in accounts payable and accrued expenses of $7.2 million resulted from a decrease in accounts payable to printing contractors of $11.4 million, offset by increases in payables for capital assets and production materials of $1.2 million and $3.0 million, respectively. At September 30, 2010 and 2009, accounts payable U.S. Government agencies includes amounts due to DOL for unreimbursed FECA benefits paid by DOL on GPO's behalf of $7.2 million and $7.8 million, respectively.

8. Deferred Revenues

As of September 30, 2010 and 2009, deferred revenues from customers consisted of the following.

	(Dollars in thousands)	
	2010	**2009**
Deposit accounts	$ 121,623	$ 95,290
Subscriptions	2,308	2,909
Unfilled orders	208	247
Advance billings	3,147	188
Total	**$ 127,286**	**$ 98,634**

GPO held $121.6 million and $95.3 million in customer deposit accounts as of September 30, 2010 and 2009, respectively. Of these amounts, Federal Government customers had advanced funds of $118.7 million and $92.2 million for printing and binding deposit accounts, and customers advanced $2.9 million and $3.1 million for publication and information sales program deposit accounts as of September 30, 2010 and 2009, respectively. Additionally, GPO held advanced funds from the Federal Government and other customers of $2.3 million and $2.9 million for subscriptions for the sales of publications as of September 30, 2010 and 2009, respectively. The restricted funds in these deposit accounts will generally be applied to future orders placed by customers or refunded on request.

GPO defers the recognition of revenues for subscription services that will be provided to customers in the future. Customers pay for ink-on-paper subscriptions to the *Congressional Record*, the *Federal Register*, and other publications in advance of delivery. The revenues from subscriptions are recognized as the periodicals are published and distributed to subscribers. The unfilled subscription balance will be refunded in instances where the subscription is no longer available for sale, or the customers cancel their subscription.

The Agency also defers the recognition of revenues for unfilled customer orders of publications and other information products until the orders are shipped.

GPO defers the recognition of revenues for advance billings to Federal Government customers. Advance billings are occasionally used to finance the cost of producing certain large printing and binding jobs. GPO will recognize the revenue as work is completed.

9. Workers' Compensation Liability

The DOL develops an actuarial estimate of future workers' compensation benefits for each Federal entity to use for financial reporting each year. The U.S. Department of the Treasury requires Federal entities to use DOL's estimates for intra-governmental accounting of this liability. The workers' compensation liability estimate for GPO was $70.9 million as of September 30, 2010, and $71.2 million as of September 30, 2009.

The DOL liability estimate includes the expected payments for death, disability, medical, and miscellaneous costs for approved compensation cases, as well as a component for incurred but not reported claims. The liability is determined using historical benefit payment patterns related to specific incurred periods to predict the ultimate payments related to those periods. The methodology provides for the effects of inflation and adjusts historical payments to current year constant dollars by applying wage inflation factors (cost of living adjustments or COLAs) and medical inflation factors (consumer price index medical or CPIMs) to the calculation of projected benefits. The COLAs and CPIMs used in the compensation projections for 2010 and 2009 follow.

	COLA		CPIM	
Fiscal Year	**2010**	**2009**	**2010**	**2009**
2010	N/A	0.47%	N/A	3.42%
2011	2.23%	1.40%	3.45%	3.29%
2012	1.13%	1.50%	3.43%	3.48%
2013	1.70%	1.80%	3.64%	3.71%
2014	1.90%	2.00%	3.66%	3.71%
2015 and beyond	1.93%	2.00%	3.73%	3.71%

Projected annual payments were discounted to the present value based on the Office of Management and Budget's (OMB) economic assumptions for 10-year Treasury notes and bonds. For fiscal 2010, interest rate assumptions were 3.653 percent in Year 1, and 4.300 percent in Year 2 and thereafter. For fiscal 2009, interest rate assumptions were 4.223 percent in Year 1, and 4.715 percent in Year 2 and thereafter.

10. Commitments

10. A. Operating Leases

As of September 30, 2010, GPO was committed to various non-cancelable operating leases, primarily covering warehouse and office space. Some of these leases contain escalation clauses and renewal options. Lease and rental expenses for real and personal property were $3.9 million and $3.7 million for fiscal 2010 and 2009, respectively.

A schedule of future minimum rental payments required under operating leases by type, which have initial or remaining non-cancelable lease terms in excess of one year, follows.

Future Minimum Rental Payments Required Under Operating Leases

(Dollars in thousands)

Fiscal Year	Warehouse	Office	Total
2011	$ 993	$ 517	$ 1,510
2012	1,002	502	1,504
2013	697	197	894
2014	159	111	270
2015	—	113	113
2016 and beyond	—	9	9
Total minimum lease payments	**$ 2,851**	**$ 1,449**	**$ 4,300**

10. B. Obligations

GPO had unliquidated obligations of $220.0 million and $208.6 million, at September 30, 2010 and 2009, respectively, of which $117.1 million and $122.1 million, respectively, are undelivered orders related to commercial printing. These obligations include purchase orders and contractual obligations by GPO to acquire goods and services from the private sector and other sources. Some of these orders are scheduled for delivery or performance in the next fiscal year.

11. Contingencies

11. A. Administrative Proceedings, Legal Actions, and Claims

GPO is a party in various administrative proceedings, legal actions, and claims brought against the Federal Government by employees, contractors, and other parties. The uncertainty involving the outcome of these pending matters will be resolved when future events occur or fail to occur. In some cases, legal matters relate to contractual arrangements GPO has entered into for goods and services procured on behalf of other Federal entities. The costs of administering, litigating, and resolving these actions are borne by the GPO Revolving Fund unless the costs are recovered from another Federal entity. As of September 30, 2010 and 2009, GPO has recorded estimated liabilities of $2,290 and $33,500, respectively, related to claims that management believes the likelihood of an adverse result against GPO is probable. Such amounts are included in accounts payable and accrued expenses in the financial statements. Certain legal matters in which GPO is a named party may be administered and litigated on behalf of GPO by the U.S. Department of Justice. In these cases, amounts paid under any judgment, compromise settlement, or award are funded from the Judgment Fund administered by the U.S. Department of the Treasury (31 U.S.C. § 1304). The Judgment Fund paid a total of $81,000 and $366,000 on behalf of GPO for the years ended September 30, 2010 and 2009, respectively. These amounts are not reflected in GPO's consolidated financial statements.

There were no litigation contingencies involving GPO where the risk of loss was reasonably possible as of September 30, 2010 and 2009, respectively.

11. B. Environmental Liabilities

The GPO Central Office in Washington, DC, is located in an industrial facility comprised of four older buildings that contain asbestos building materials. When they were constructed, asbestos was a common building material used as flame retardant, thermal system insulation, and in a variety of building materials (e.g., wall, floor, and ceiling tiles). GPO asbestos abatement efforts have been successful in the removal, enclosure, and encapsulation of friable asbestos to comply with applicable laws and regulations. GPO routinely performs asbestos abatement when unexposed asbestos is detected during building renovation projects.

The estimated costs to remove exposed asbestos within the GPO facility, mainly encapsulated pipe insulation, were $604,000 as of September 30, 2010 and $599,000 as of September 30, 2009. These amounts are included in accounts payable and accrued expenses on the financial statements. The cost to remediate all non-visible asbestos is not reasonably estimable and accordingly has not been accrued in the financial statements due to the uncertainty surrounding the date and manner in which the liability will be settled.

12. Net Position

12. A. Cumulative Results of Operations

Retained Earnings – Retained earnings include the net operating results of the GPO Revolving Fund, since inception, less certain required transfers to other Federal agencies.

Invested Capital – Invested capital represents the resources of the Federal Government that were directly appropriated to the Agency by Congress for investment in GPO assets (land, buildings, equipment, and capital).

12. B. Unexpended Appropriations

The following table presents unexpended appropriation balances from September 30, 2008 through September 30, 2010, for appropriations made available to GPO.

(Dollars in thousands)

Appropriations	Revolving Fund Appropriation	Salaries and Expenses Appropriation	Congressional Printing and Binding Appropriation	Total
Unexpended balance at September 30, 2008	**$ 6,414**	**$ 18,110**	**$ 22,239**	**$ 46,763**
2009 fiscal year appropriation activity:				
Received	4,995	38,744	96,828	140,567
Transferred	479	(479)	—	—
Expended	(6,945)	(31,859)	(80,806)	(119,610)
Unexpended balance at September 30, 2009	**4,943**	**24,516**	**38,261**	**67,720**
2010 fiscal year appropriation activity:				
Received	12,782	40,911	93,768	147,461
Transferred	2,231	(2,231)	—	—
Expended	(11,840)	(34,144)	(89,107)	(135,091)
Appropriation restoration from previous year	100	—	—	100
Unexpended balance at September 30, 2010	**$ 8,216**	**$ 29,052**	**$ 42,922**	**$ 80,190**

As of September 30, 2010, GPO had obligated all the $42.9 million of the unexpended appropriations available for Congressional printing and binding, and all of the $29.1 million of the unexpended appropriations available for Salaries and Expenses. The obligations are based on the estimated cost of open orders as of September 30, 2010. At September 30, 2009, the obligations were $38.3 million in Congressional Printing and Binding Appropriations and $24.5 million in Salaries and Expenses Appropriations.

The Revolving Fund unexpended appropriations balances at September 30, 2010 and September 30, 2009 were $8.2 million and $4.9 million, respectively. The Revolving Fund unexpended appropriations balances are the result of the following appropriation activities:

- In fiscal 2001, Congress authorized the transfer of $3.3 million to the Revolving Fund from prior year Salaries and Expenses Appropriations to pay for the printing and distribution of publications to depository libraries. As of September 30, 2010, GPO expended $2.4 million from this appropriation. At the end of fiscal 2010 and 2009, balances of $877,000 and $951,000 were available for future expenditures, respectively.

- In fiscal 2006, Congress appropriated $2 million (before rescission of $20,000) to the Revolving Fund for workforce retraining. In fiscal 2010 there was no expenditure. As of September 30, 2009, GPO had expended the entire $1,980,000.

- In fiscal 2007, Congress appropriated an additional $1 million to the Revolving Fund for workforce retraining. As of September 30, 2010, GPO had expended $567,000. At the end of fiscal 2010 and 2009, balances of $433,000 and $982,000 were available for future expenditures, respectively.

- In fiscal 2007, Congress authorized the transfer of $5.7 million to the GPO Revolving Fund from prior year Congressional Printing and Binding Appropriations to help cover appropriation shortfalls. As of September 30, 2009, the entire $5.7 million of this appropriation was expended.

- In fiscal 2008, Congress authorized the transfer of $1.23 million to the GPO Revolving Fund from prior year Congressional Printing and Binding Appropriations to help cover appropriation shortfalls. GPO fully expended this appropriation as of September 2010. At the end of fiscal 2009, $808,000 was available for expenditure.

- In fiscal 2009, Congress appropriated $4.995 million to the Revolving Fund for information technology development and facilities repair. GPO expended about $4.8 million from this appropriation as of September 2010. At the end of fiscal 2010, $183,000 was available for future expenditures. At the end of fiscal 2009, $2.2 million was available for future expenditures.

- In fiscal 2009, GPO transferred $479,000 from the Salaries and Expenses Appropriation to the Revolving Fund for infrastructure improvements for the Federal Depository Library Program. In fiscal 2010, GPO transferred $460,000 from the Salaries and Expenses Appropriation to the Revolving Fund for additional infrastructure improvements for the Federal Depository Library Program.

- In fiscal 2010, Congress appropriated $12.8 million to the Revolving Fund. As of September 2010, GPO expended about $7.6 million from the appropriation. At the end of fiscal 2010, balance of $5.2 million was available for expenditure.

- In fiscal 2010, GPO transferred $228,000 from the Salaries and Expenses Appropriation to the Revolving Fund for information technology infrastructure projects.

- In fiscal 2010, GPO transferred $1.5 million from prior year Salaries and Expenses Appropriation to the Revolving Fund to help cover appropriation shortfalls. As of September 30, 2010, the balance of $1.5 million was available for future expenditure.

13. Appropriated Funds

13. A. Total Appropriations Made Available

The total appropriations made available to GPO, net of rescissions, for fiscal 2010 and 2009 were as follows.

(Dollars in thousands)

	2010	2009
Congressional printing and binding	$ 93,768	$ 96,828
Salaries and expenses	40,911	38,744
Revolving fund	12,782	4,995
Total available appropriations	**$ 147,461**	**$ 140,567**

13. B. Expended Appropriations

The total appropriations expended by GPO during fiscal 2010 and 2009 were as follows.

(Dollars in thousands)

	2010	2009
Congressional printing and binding:		
Congressional Record products	$ 25,154	$ 22,368
Miscellaneous publications and printing and binding	21,015	22,016
Hearings	19,748	18,064
Bills, resolutions, and amendments	6,009	7,177
Business and committee calendars	3,777	2,517
Committee reports	3,263	2,153
Public document envelopes	2,946	650
Committee prints	2,901	1,517
Details to Congress	2,493	2,567
Other	1,801	1,777
Total congressional printing and binding	**89,107**	**80,806**
Salaries and expenses:		
Depository library distribution	24,414	22,857
Cataloging and indexing	7,547	6,911
By-law distribution	582	704
International exchange	1,601	1,387
Total salaries and expenses	**34,144**	**31,859**
Revolving Fund:		
Infrastructure improvements and other	11,292	6,353
Workforce retraining	548	592
Total revolving fund	**11,840**	**6,945**
Total expended appropriations	**$ 135,091**	**$ 119,610**
Reconciliation of expended appropriations to the consolidated statements of revenues, expenses, and changes in retained earnings:		
Total expended appropriations	**$ 135,091**	**$ 119,610**
Eliminations (Intra-agency)	(197)	(371)
Consolidated revenues from appropriations	**$ 134,894**	**$ 119,239**

14. Employee Benefit Plans

GPO funds a portion of pension contributions for its employees under the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS), and makes payroll deductions from employees for their pension contributions. OPM determines the employer contributions for these defined benefit plans that are required to be paid by GPO. OPM is responsible for Government-wide reporting of CSRS and FERS assets, accumulated plan benefits, and unfunded liabilities. In accordance with FASB, and consistent with multi-employer pension plans, GPO has reflected only the required contribution to these programs in its financial statements. OPM is responsible for funding any other costs. Therefore, GPO is not required to disclose the unfunded pension liability and post-employment benefits relative to its employees.

Civil Service Retirement System

The CSRS is a defined benefit plan. Generally, it covers Agency employees first hired before 1984. Total GPO (employer) contributions to CSRS for employees covered under this retirement program were 7.5 percent of basic pay in both 2010 and 2009 for investigators and law-enforcement officers, and 7.0 percent of basic pay in both years for all other employees. GPO contributions were $3.8 million and $3.9 million for the years ended September 30, 2010 and 2009, respectively.

Federal Employees Retirement System

Using Social Security benefits as a base, FERS provides a defined benefit plan (Basic Benefit Plan) and a voluntary defined contribution plan. Employees first hired after December 31, 1983 were automatically covered by FERS and Social Security, while employees hired prior to January 1, 1984 were able to choose between joining this plan or remaining in CSRS.

The employer contribution rate to FERS for GPO law enforcement officers was 24.9 percent of basic pay in fiscal 2010 and 2009. The FERS contribution rate for all other employees was 11.2 percent in both years. GPO contributions to FERS totaled $13.8 million for fiscal 2010 and $12.6 million for fiscal 2009.

Thrift Savings Plan

The Thrift Savings Plan (TSP) allows employees to defer the recognition of income tax on contributions made to the plan. The TSP elective deferral limit for employees was $16,500 for 2010 and 2009. Employees, who were 50 years old or older, were allowed additional catch-up contributions of $5,500 in 2010 and 2009. For FERS employees, the employer is required to contribute 1 percent of the employee's base pay to the TSP, and to match voluntary employee contributions dollar-for-dollar for the first 3 percent of pay, and 50 cents on the dollar for the next 2 percent of pay. Thus, the employer contribution to the TSP can be up to 5 percent for FERS employees. Employees participating in CSRS may contribute to the TSP, but they do not receive any matching contributions from the employer. GPO made employer contributions to the TSP of $4.8 million in fiscal 2010 and $4.2 million in fiscal 2009.

Social Security System

As an employer, GPO matches employee contributions to the U.S. Social Security Administration (SSA) under the Federal Insurance Contributions Act (FICA) for employees in the FERS. GPO contributes matching amounts of 6.2 percent of gross pay (up to $106,800 in 2010 and 2009) to SSA's Old Age, Survivors, and Disability Insurance (OASDI) Program. Additionally, GPO makes matching contributions for all employees of 1.45 percent of gross pay, without limit, to SSA's Medicare Hospital Insurance Program. Contributions to these SSA programs for the years ended September 30, 2010 and 2009 totaled $10.8 million and $10.0 million, respectively.

Employment, Pension, and Other Post-Employment Benefits Provided by Others

OPM is responsible for the management, administration, and funding of certain Government-wide programs that provide pension and other post-employment benefits to retired employees of the Federal Government. These OPM administered programs provide benefits to former employees of GPO. OPM administered pension programs include the CSRS and the FERS. Other OPM administered programs provide health, life, and long-term care insurance benefits to active, inactive, and retired employees. Permanent employees of GPO may participate in the Federal Employees Health Benefit Program (FEHBP), Federal Employee Group Life Insurance Program (FEGLIP), and/or Federal Long Term Care Insurance Program (FLTCIP) before and after their retirement from the Agency.

15. Major Customers

GPO's primary customers are the Congress and large Federal agencies in the Executive Branch of the Federal Government. In fiscal 2010 and 2009, billings to those customers representing approximately 10 percent or more of GPO's total billings follow.

(Dollars in thousands)

	2010		2009	
	Amount	Percent	Amount	Percent
Department of State	$ 201,024	21.7%	$ 174,312	18.7%
Department of Health & Human Services	105,689	11.4%	95,827	10.3%
Department of Defense	91,336	9.8%	109,162	11.7%
Congress of the United States	90,824	9.8%	84,114	9.0%

The increase in billings to the U.S. Department of State in fiscal 2010 is attributable to the increased demand for U.S. Passports.

16. Impairment Loss

There was no impairment loss in fiscal 2010. In fiscal 2009, GPO wrote off $1.19 million of capitalized costs of a module of FDsys as an impairment loss. The decision was made because the software code that was developed had scalability constraints that rendered the code unable to meet requirements. The scalability constraints negated the future economic benefit of the module to GPO.

17. Fair Value Measurement

The fair values in GPO's financial instruments represent GPO's best estimates of the amounts that would be received to sell those assets, or that would be paid to transfer those liabilities, in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects GPO's own judgments about the assumptions that market participants would use in pricing the asset or liability. GPO developed those judgments based on the best information available in the circumstances.

ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted price quote in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

GPO's financial instruments are comprised of cash, accounts receivable, accounts payable, and accrued liabilities as of September 30, 2010 and 2009. The carrying amounts of these financial instruments approximate fair value because of the short-term nature of these instruments. GPO holds no financial instruments that are measured at fair value on a recurring basis or for which the fair value option has been elected at September 30, 2010.

18. Subsequent Events

GPO has evaluated subsequent events through December 21, 2010, the date which the financial statements were available to be issued. There were no material events that required adjustment, accrual, or disclosure.

ACRONYM LIST

ASC	Accounting Standards Codification
COLA	Cost of Living Adjustments
CP&B	Congressional Printing and Binding
CPIM	Consumer Price Index Medical
CSRS	Civil Service Retirement System
DoD	U.S. Department of Defense
DOL	U.S. Department of Labor
EFT	Electronic Funds Transfer
FASAB	Federal Accounting Standards Advisory Board
FASB	Financial Accounting Standards Board
FDLP	Federal Depository Library Program
FDsys	GPO's Federal Digital System
FECA	Federal Employees' Compensation Act
FEGLI	Federal Employees' Group Life Insurance
FEGLIP	Federal Employee Group Life Insurance Program
FEHB	Federal Employees Health Benefits
FEHBP	Federal Employees Health Benefit Program
FERS	Federal Employees Retirement System
FICA	Federal Insurance Contributions Act
FLTCIP	Federal Long Term Care Insurance Program
FTP	File Transfer Protocol
GAAP	U.S. Generally Accepted Accounting Principles
GAO	U.S. Government Accountability Office
GBIS	U.S. Government Printing Office Business Information System
GCN	Government Computer News
GPO or Agency	U.S. Government Printing Office
GSA	U.S. General Services Administration
IPAC	Intra-governmental Payment and Collection
ISO	International Organization for Standardization
JCP	Joint Committee on Printing
OASDI	Old Age, Survivors, and Disability Insurance
OIG	Office of the Inspector General
OMB	Office of Management and Budget
OPM	Office of Personnel Management
PKI	Public Key Infrastructure
RSS	Really Simple Syndication
S&E	Salaries and Expenses
SID	Secure and Intelligent Documents
SPF	Secure Passport Facility
SSA	U.S. Social Security Administration
Treasury	U.S. Department of the Treasury
TSP	Thrift Savings Plan
UPS	Uninterruptible Power Supply
U.S.C.	United States Code
VSIP	GPO Voluntary Separation Incentive Program
XML	Extensible Markup Language

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