GATEWAY TO THE DOCUMENTS OF OUR DEMOCRACY

U.S. GOVERNMENT PRINTING OFFICE

2009 ANNUAL REPORT

GPO

AUTHENTICATED
U.S. GOVERNMENT
INFORMATION
GPO

The men and women of the U.S. Government Printing Office (GPO) have been fulfilling their historic mission of *Keeping America Informed* on the three branches of the Federal Government for nearly 150 years. GPO employees have embraced the various technological changes and methods that help to provide Americans an open and transparent view of the workings of their Government since the Presidency of Abraham Lincoln. Now, as another President from Illinois renews the call for the Government to be as open and transparent as possible with its citizens, GPO employees are once again leading American citizens in this goal.

In GPO's 2009 Annual Report, *Gateway to the Documents of our Democracy*, we will show how GPO has provided openness and transparency to the documents of our democracy since March 4, 1861. GPO is developing new methods in helping the Government answer President Barack Obama's call to be open and transparent with its citizens.

Several officials visited GPO in 2009 to learn about these new methods and the work that the men and women of GPO do every day for our Nation. These visitors included the Clerk for the U.S. House of Representatives, Secretary of the Senate, Office of Management and Budget Director, and the Director of the Federal Register. The Speaker of the U.S. House of Representatives also paid tribute to a GPO initiative.

As I conclude my second full year as Public Printer of the United States, it has been an honor to work with GPO's hardworking and dedicated employees in making this venerable agency thrive. For the Government Printing Office (GPO), FY 2009 began with a flood of activity associated with completing the necessary printing, binding, and related work supporting the impending transition of Administrations. For the Presidential inaugural, GPO completed a broad variety of printed materials, which for the first time included the production of secure credentials for law enforcement personnel involved with the event.

We issued the quadrennially popular *Plum Book*, known officially as *Policy and Supporting Positions*, which was printed on behalf of the Senate Committee on Homeland Security and Governmental Affairs, and following the inauguration GPO printed the official portraits of President Obama and Vice President Biden for placement by the General Services Administration (GSA) in more than 7,000 Federal Government installations across the globe. Rounding out this effort, during the year GPO produced the *Congressional Directory* for the 111th Congress, issued by the Joint Committee on Printing, which includes a comprehensive directory to both the Senate and House of Representatives as well as the officials of the incoming Administration.

Throughout the year, GPO worked to fulfill its pledge of support for President Obama's Open Government Initiative. In February we launched GPO's Federal Digital System (FDsys, at www.fdsys.gov), a world-class information management system developed to authenticate, preserve, and provide permanent public access to official Federal publications. I also offered a number of suggestions to the Administration to help implement the President's initiative, including providing public documents housed on FDsys in XML format to facilitate a greater range of user options. In partnership with the National Archives and Records Administration's Office of the Federal Register, we carried out this suggestion by offering the *Federal Register* in XML, and by the end of the year we were poised to follow up making the *Code of Federal Regulations* available in XML as well.

In addition to migrating the databases housed on *GPO Access* to FDsys, GPO worked with staff from the Library of Congress, the Congressional Research Service, the Secretary of the Senate, and the Clerk of the House to develop a report on bulk data downloads of legislative information. During the year we also worked toward a plan for digitizing printed documents within the Federal depository library collection for online public access.

To fully support the commitment to environmental sustainability announced by the President and Congress, GPO is developing its future based on environmental sustainability. This means more than just going green: it means expanding our digital operations and making changes in paper, inks, equipment configurations, and energy sources so that we can support our customers in Congress, Federal agencies, and the public in a more efficient and environmentally responsible way.

During the year, with the help of funding provided to the GSA through the American Recovery and Reinvestment Act, we upgraded GPO's vehicle fleet with more fuel efficient and environmentally friendly vehicles. We increased the post consumer waste content of the newsprint we use to print the *Congressional Record* and the *Federal Register* to 100 percent. I want to thank Speaker of the House Nancy Pelosi for recognizing GPO's commitment to sustainable environmental stewardship. We also began an evaluation of how digital printing technologies can help us meet our production needs in the 21st century.

GPO continued making progress in providing new options to meet the Government's secure credential needs. Along with the credentials supporting the presidential inauguration, we designed, printed, encoded, personalized, and shipped more than 700,000 Trusted Traveler Program cards (NEXUS, SENTRI, and FAST) for the Department of Homeland Security's Customs and Border Protection, and developed additional cards to support the Western Hemisphere Travel Initiative, the Medicare program, and other ID programs. Our smart card production operation is a rapidly growing segment of GPO's secure and intelligent documents business line, building on the expertise and capabilities we bring to our longstanding passport production operations.

Historically, the events dominating Congress and the Administration are reflected in the work produced by GPO, and 2009 was no exception. During the year, GPO recorded the debates and printed the legislation resulting in the American Recovery and Reinvestment Act, as well as the documents associated with consideration of health care reform and the various appropriations bills and other business before Congress. GPO worked through the year to produce the documents required for the upcoming decennial census, and also produced thousands of traveler cards providing information on the H1N1 (swine flu) virus on behalf of the Centers for Disease Control.

To help the public find access to these and other documents, we created a new email alert system that attracted thousands of subscribers, and we upgraded GPO's online Catalog of Government Publications to help users find documents in nearby depository libraries. We also carried on a longstanding GPO responsibility by issuing a new edition of the *GPO Style Manual*, a publication that has served as a guide to the form and style of Federal Government printing for more than a century.

I'm pleased to report that an audit of our financial reports and systems for FY 2009 conducted by KPMG LLP resulted in an "unqualified," or clean, opinion for GPO. GPO completed the year with income before other non-cash operating expenses of $1.2 million on total revenues of $934.1 million. Other Operating Expenses of $5.3 million were comprised of an increase in GPO's long-term workers' compensation actuarial liability of $4.2 million and $1.2 million for a capitalized software impairment loss.

The change in business from the previous year was attributable primarily to a reduction in overall passport production operations. The adjustment to workers' compensation liability and the capitalized impairment loss did not place GPO in an anti-deficiency position or require additional appropriations, as those were non-cash charges, and the state of GPO's finances remains sound, as the result of increased new business opportunities in the secure and intelligent documents arena and continuing efficiencies achieved through the sustained transformation GPO has undergone over the past decade.

As the pages of this Annual Report show, GPO made substantial progress forward in 2009. As the year drew to a close, we began developing plans for the observance of our 150th anniversary, dating to the enactment of the congressional resolution of June 23, 1860, which established the Government Printing Office, and to March 4, 1861, the day we first opened for business. I'm proud of what all of us at GPO were able to achieve in 2009, and I look forward to celebrating a century and a half of accomplishment in the coming year.

Robert C. Tapella
Public Printer of the United States

The year 2009 began with the inauguration of President Barack Obama as the 44th President of the United States. GPO played an important role in this inauguration by designing and printing the official materials for the Joint Congressional Committee on Inaugural Ceremonies (JCCIC) for the President's Inauguration. GPO's Creative Services' Chris Dunham was the sole designer for those official Inaugural materials.

One of the first speeches given by the newly sworn in President focused on the importance of our Government to provide the American people open and transparent methods to the workings of our democracy.

"The way to make Government responsible is to hold it accountable. And the way to make Government accountable is to make it transparent so that the American people can know exactly what decisions are being made, how they're being made, and whether their interests are being well served."

President Barack Obama
(Remarks to White House Staff January 21, 2009)

Public Printer Bob Tapella sent a letter to President Obama outlining the ways GPO had served as a gateway to the documents of our democracy for nearly the 150 years of its history and how GPO could help with the President's initiative.

The goals and actions GPO is prepared to take:

- Position GPO's Federal Digital System (FDsys) as the official repository for Federal Government publications;
- Enable and support Web2.0 functionality through FDsys to support comments on pending legislation;
- Establish a demonstration project to apply Web2.0 features to rulemaking documents;
- Participate in and lead efforts to standardize electronic publishing formats; and
- Link the White House Web site to FDsys for public searches of Government documents.

PROVIDING PUBLIC ACCESS TO GOVERNMENT INFORMATION

In 2009, GPO added another chapter in its storied history of being open and transparent to the workings of the Federal Government. After several years of research and development, the agency launched GPO's Federal Digital System (FDsys), www.fdsys.gov. FDsys will be the replacement for *GPOAccess*.

This system gives the American people a one-stop site to authentic, published Government information. FDsys allows GPO to receive information from Federal agencies in all three branches of Government and create a repository for permanent, public access. FDsys offers incredible search capabilities for users such as: searching by Congressional Committee, a Member of Congress, keyword or date.

The Office of the Federal Register's (OFR) new publication, *Daily Compilation of Presidential Documents*, was specifically engineered for FDsys. This publication contains information released by the White House Press Office regarding orders, statements and remarks made by President Obama. This daily online publication replaced the printed *Weekly Compilation of Presidential Documents*.

Additionally, GPO worked with The White House and OFR to make Government information more readily available and usable for the public. GPO converted the text of the *Federal Register* (2000–2009) into XML (extensible markup language) and placed it on FDsys, data.gov and the *Federal Register*'s Web site. This change supplements the official publishing formats with XML, a form of text that can be manipulated in virtually limitless ways with digital applications. For example, people who want to know about the workings of the executive branch of the Federal Government no longer need to sift through the *Federal Register* in its traditional Department-by-Department and Agency-by-Agency format. This new format will allow applications to be developed that will support user needs and can rearrange the *Federal Register*'s contents in personalized ways to match their particular interests. This project is another example of FDsys and GPO embracing President Obama's challenge to Federal agencies to create a more open and transparent Government.

FDsys received numerous accolades in its first few months of operation. *Government Computer News* named

COLLECTIONS CURRENTLY AVAILABLE ON FDsys

- Budget of the United States Government
- Code of Federal Regulations
- Compilation of Presidential Documents
- Congressional Bills
- Congressional Calendars
- Congressional Committee Prints
- Congressional Directory
- Congressional Documents
- Congressional Hearings
- Congressional Record (Bound)
- Congressional Record (Daily)
- Congressional Record Index (Daily)
- Congressional Reports
- Economic Indicators
- Economic Report of the President
- Federal Register
- GAO Reports and Comptroller General Decisions
- Government Manual
- History of Bills
- List of CFR Sections Affected
- Precedents of the U.S. House of Representatives
- Public and Private Laws
- Public Papers of the Presidents of the United States
- Statutes at Large
- XML Bulk Data Download of Code of Federal Regulations
- XML Bulk Data Download of Federal Register

REDUCING THE FEDERAL GOVERNMENT'S CARBON FOOTPRINT

FDsys one of the "10 great Government Web sites." Other recognized sites include: the Office of Management and Budget's Data.gov, the Department of State's public site and the U.S. Postal Service's public site. The publication named these Government Web sites the best for providing more interactive tools for the public and aiding the Obama Administration in their goal to increase Government transparency. *Government Computer News* said these sites "embrace the Web's full potential, and they can offer ideas for other agencies seeking to improve their own sites."

FDsys also received a Hermes Creative Award from the Association of Marketing and Communication Professionals for the Public Relations Plan for the launch of the system.

In addition to using the most current tools and practices in providing an electronic format for an open and transparent view on the documents of our democracy, employees provided Government documents in printed form since the creation of the agency. GPO continues its mission of putting ink to paper of some of the nation's most important documents. GPO employees set the text for the Emancipation Proclamation, the declarations of war sought by Woodrow Wilson and Franklin Roosevelt, the civil rights legislation of the 1960s and the current legislative initiatives of the Obama Administration. GPO's Plant and Official Journals of Government business units are responsible for print services in support of the U.S. Congress, Office of the Federal Register and other partners within the U.S. Federal Government. Employees print the *Congressional Record, House and Senate Calendars, Congressional Reports, Bills and Hearings*, the *Federal Register* and the *Code of Federal Regulations*.

Public Printer Bob Tapella set a goal in January 2008 of finding ways GPO would use more environmentally responsible paper in GPO's plant. After conversations with the paper industry, GPO ran tests on 100 percent recycled paper. Those tests showed no difference in printability or run-ability as compared to the 40 percent post consumer waste recycled paper GPO had been using for years.

GPO's plant has been printing the official debates of Congress since 1861 and has continued to update services to fulfill the needs of Congress, including making congressional printing more sustainable. GPO made history in 2009 by printing the *Congressional Record* on 100 percent recycled paper, an achievement recognized by Speaker of the House Nancy Pelosi. At a ceremony in The Speaker's Office, Pelosi complimented GPO for supporting her "Green the Capitol" initiative. The Secretary of the Senate Nancy Erickson and Clerk of the House Lorraine Miller came to GPO to inspect the printing of the first *Congressional Record* on 100 percent recycled paper. Printing the official record of the proceedings and debates of Congress on 100 percent recycled paper will reduce the Federal Government's carbon footprint and reduce the Nation's paper landfill waste across the country.

Along with the *Congressional Record*, GPO also began printing the *Federal Register* on 100 percent recycled paper. Ray Mosley, the Director of the Federal Register, visited GPO to watch the historic production of the publication come off the presses.

For the first time in the agency's history, GPO employees printed President Obama's official photograph. The White House took the President's photograph digitally and GPO used its digital capabilities to produce the photograph. Employees transferred the digital image from a computer to a printing plate and finally to one of GPO's four color presses which produced a high quality product. The President's photograph was printed on paper containing recycled content and fiber from a sustainably managed forest. GPO's Creative Services and Communications Offices received an American Business Award for the video showcasing the production of the President's photograph.

Plant employees also printed President Obama's first budget for the Federal Government. Office of Management and Budget (OMB) Director Peter Orszag visited GPO to inspect the production of President Barack Obama's Budget for Fiscal Year (FY) 2010. Public Printer Bob Tapella introduced Director Orszag to several of the GPO employees who had been working around the clock to

Counterclockwise: GPO's Andy Soldano presents a proof sheet of President Barack Obama's official photograph to Public Printer Bob Tapella and Deputy Public Printer Paul Erickson.

GPO's Steve Nunamaker shows Public Printer Bob Tapella, Secretary of the Senate Nancy Erickson and The Clerk of the House Lorraine Miller the *Congressional Record* on 100% recycled paper in GPO's plant.

Public Printer Bob Tapella presents Speaker of the House Nancy Pelosi a copy of the first Congressional Record printed on 100% recycled paper at the Speaker's Office.

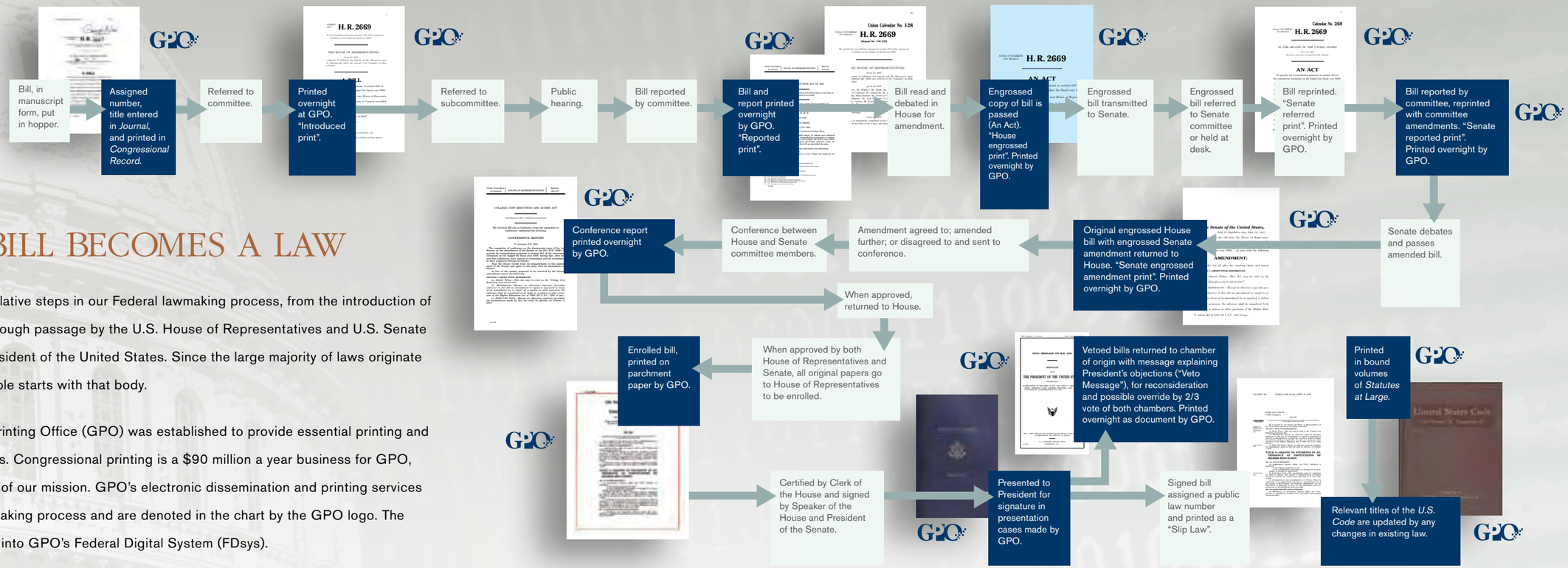
OMB Director Peter Orszag receives a copy of the *Federal Budget* from Public Printer Bob Tapella.

Public Printer Bob Tapella and Ray Mosley, the Director of the Federal Register, inspect the printing of the *Federal Register* on 100% recycled paper.

HOW A BILL BECOMES A LAW

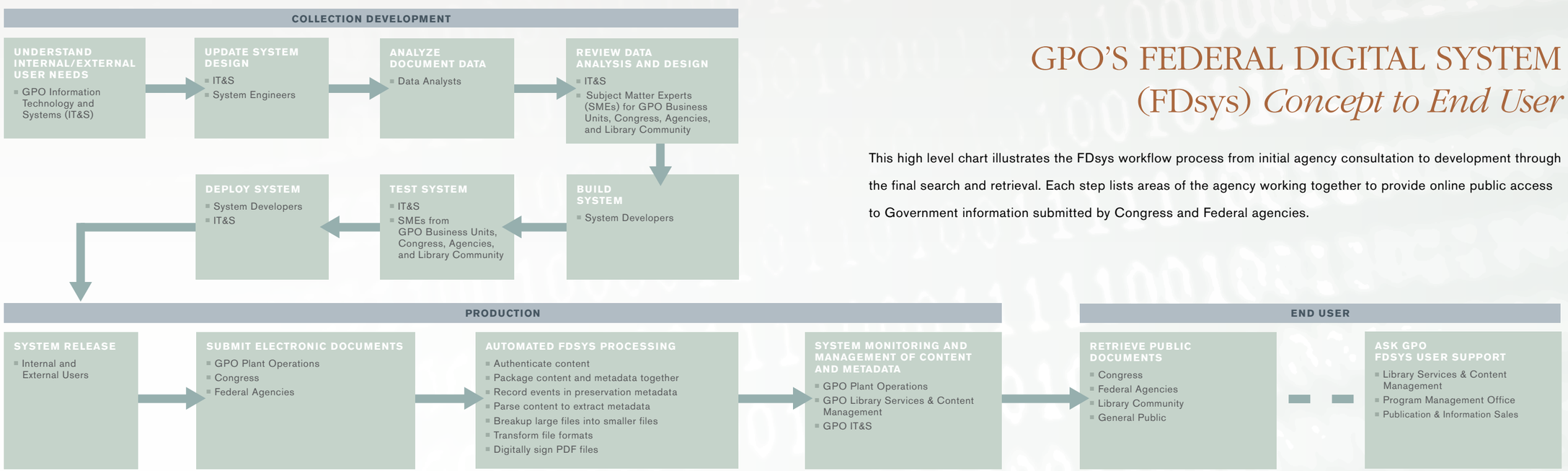
There are up to 27 legislative steps in our Federal lawmaking process, from the introduction of a bill by any Member through passage by the U.S. House of Representatives and U.S. Senate and approval by the President of the United States. Since the large majority of laws originate in the House, this example starts with that body.

The U.S. Government Printing Office (GPO) was established to provide essential printing and binding for the Congress. Congressional printing is a $90 million a year business for GPO, and it is a core function of our mission. GPO's electronic dissemination and printing services are required in the lawmaking process and are denoted in the chart by the GPO logo. The laws are also submitted into GPO's Federal Digital System (FDsys).

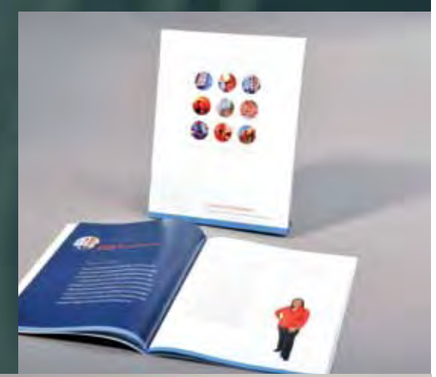


GPO'S FEDERAL DIGITAL SYSTEM (FDsys) *Concept to End User*

This high level chart illustrates the FDsys workflow process from initial agency consultation to development through the final search and retrieval. Each step lists areas of the agency working together to provide online public access to Government information submitted by Congress and Federal agencies.



All projects pictured here were designed and produced in GPO's Creative Services and the printing procured through GPO's Print Procurement. Counterclockwise: the Peace Corps HIV/Aids Presentation Kit and training guides, the District of Columbia Regulatory Affairs 2008 Annual Report, a National Historic Landmark Photo Event Planner for the National Park Service, the U.S. Election Assistance Commission's Voters Guide brochure series, and a promotional pamphlet for the National Museum of the American Indian.



- GPO buys printing for over 250 Federal executive branch agencies
- GPO procures over 100,000 unique publications each year by awarding contracts worth over $532 Million
- GPO works with more than 2,500 private-sector printing vendors

DIGITALLY SIGNED
GOVERNMENT INFORMATION

print the President's Budget. The Budget was distributed at GPO's Bookstore and made available on FDsys.

GPO's Print Procurement business unit works with Federal agencies to procure more than 78 percent of GPO's printing jobs to the private sector printing industry. The procurement of commercially obtainable federal printing by GPO on behalf of Federal agencies has been a staple of our operations since the 1940s.

GPO has a longstanding partnership with America's 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 taxpayers' printing dollar. More than 80 percent 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 this helps to ensure the enforcement of laws and policies concerning recycled paper, vegetable oil-based inks, and other requirements.

GPO's Agency Accounts & Marketing is charged with providing Federal customers with the services the agency's plant, print procurement and Creative Services can provide. The 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 region that facilitate the needs of the Federal agencies in the Washington, DC metropolitan area, as well as a nationwide team of NAMs that service the GPO regional offices across the U.S. Wherever a customer is located, GPO strategically and conveniently has a NAM available to assist.

GPO has a partnership with more than 1,200 depository libraries throughout the country to give Americans another avenue for an open and transparent view of the documents of our democracy. The Federal Depository Library Program (FDLP) was established by Congress to ensure that the American public has access to its Government's information. Since 1813, depository libraries have safeguarded the public's right to know by collecting, organizing, maintaining, preserving, and assisting users with information from the Federal Government. The FDLP provides Government information at no cost to designated depository libraries throughout the country and territories. These depository libraries, in turn, provide local, no-fee access to Government information in an impartial environment with professional assistance. Anyone can visit Federal depository libraries and use the Federal depository collections which are filled with information on careers, business opportunities, consumer information, health and nutrition, legal and regulatory information, demographics, and numerous other subjects.

GPO has been developing partnerships with Federal depository libraries and other Federal agencies to increase access to electronic Federal information since 1813. With an increasing amount of Federal information available electronically, partnerships ensure permanent public access to electronic content and provide services to assist depositories in providing access to electronic material and in managing their depository collections. These partnerships also allow GPO to take advantage of the expertise of Federal depository librarians and the services they have developed.

To help meet the challenge of the digital age, GPO began using digital signatures to certain electronic documents on FDsys. This not only establishes GPO as the trusted information disseminator, but also assures citizens that an electronic document has not been altered since GPO disseminated it.

AUTHENTICATED U.S. GOVERNMENT INFORMATION GPO

The visible digital signatures on online PDF documents serve the same purpose as handwritten signatures or traditional wax seals on printed documents. A digital signature, viewed through the GPO Seal of Authenticity, verifies document integrity and authenticity of GPO online Federal documents at no cost to the customer.

STATE-OF-THE ART
SECURE FEDERAL CREDENTIALS

The Catalog of U.S. Government Publications (CGP) is the finding tool for federal publications that includes descriptive records for historical and current publications and provides direct links to the publications that are available online. Users can search by authoring agency, title, subject, or general key word.

The Catalog offers you the option to find a nearby Federal Depository library that has a particular publication or that can provide expert assistance in finding and using related U.S. Government information. To use the Web site, http://catalog.gpo.gov, click on the title of interest from your search results list. Then click on the Locate in a Library link within the displayed record.

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.

In an effort to make publications available to the public, GPO partnered with 20 Federal agencies and launched an enhanced e-mail alert system to inform the public about new Government publications available for sale. Subscribers can select from more than 100 different subject areas. GPO provides this free notification service through GovDelivery, an e-mail service provider specializing in Government-to-citizen communications. This new system enables GPO to reach out to other agencies to get its alert service on their sites. For example, if someone is looking at NASA's Web site, he or she can sign up for the e-mail alert for NASA publications sold by GPO. Nearly 60,000 subscribers have signed up for the service.

GPO's Secure and Intelligent Documents (SID) business unit provides Federal agencies the expertise to provide secure credentials. Since the 1920s, GPO has produced the U.S. passport for the U.S. Department of State. Today, with embedded electronics and added security features, the passport is the gold standard of identity documents. In addition to passports, SID worked with the Department of Homeland Security's Customs and Border Protection (CBP) to launch the Trusted Traveler Program cards this past year. GPO designed, printed, encoded and personalized more than 700,000 Trusted Traveler Program cards (NEXUS, SENTRI and FAST) for the CBP.

These cards give the bearer faster service in crossing America's northern and southern borders. The card gives travelers the convenience of expedited CBP processing through specially marked lanes at border crossings, similar to the E-Z pass on toll roads. When the Western Hemisphere Travel Initiative (WHTI) rules required all citizens of the United States, Canada, Mexico and Bermuda to present a passport or another approved credential in 2009 to cross America's northern and southern borders by land, sea or air, GPO has produced two of the required credentials--the passport and a Trusted Traveler Program card. CNN invited GPO to discuss this important border crossing initiative and educate the Nation on the Trusted Traveler Program. GPO's Managing Director of SID, Steve LeBlanc, appeared on CNN's *Lou Dobbs Tonight* to discuss GPO's expertise in producing secure federal credentials.

GPO was honored at *Government Security News*' annual Homeland Security Awards. The agency won in the 'Most Effective Border Security Program, Project or Agency' category for its design, production and personalization of the Trusted Traveler Program cards.

The U.S. Capitol Police turned to GPO for credentials for President Obama's Inauguration. GPO produced credentials for law enforcement officers on the platform and on the parade route, making it easier to validate the identity of those closest to the President. The GPO credential design strengthened security with the use of visible and invisible features.

GPO introduced a new product line of non-electronic identity credentials in 2009. Designed for use by law enforcement officers, these identity badges have won favor with the Inspectors General of several Agencies, as well as with agents of the U.S. Treasury Department.

The success of these programs has made GPO the state-of-the-art provider for secure federal credentials.

GPO's Secure and Intelligent Documents (SID) business unit provides Federal agencies the expertise to provide secure credentials. Pictured counterclockwise; the Trusted Traveler Program cards, the Merchant Mariner credential, the Inspector General credential, and the 56th Presidential Inauguration credential for law enforcement.

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 presented on the accompanying CD/DVD.

For fiscal year 2009 (October 1, 2008 through September 30, 2009) GPO received a clean audit opinion on its consolidated financial statements from KPMG LLP.

For the sixth consecutive year, GPO achieved positive financial results before other operating expenses. In fiscal 2009, operating revenues, operating expenses, and net income, before other operating expenses, were less than fiscal 2008. These decreases were due primarily to a reduction in demand for U.S. Passports by the U.S. Department of State.

During fiscal 2009, operating revenues decreased by 10.4% to $934.1M from $1.042B. Operating expenses, before Other Operating Expenses, decreased by 6.3%, to $932.8M from $995.8M. Income before other operating expenses was approximately $1.2M in fiscal 2009 as compared to income before other operating expenses of $46.6M in fiscal 2008. Other operating expenses in fiscal 2009 included a $1.2M charge for an asset impairment, and a $4.1M charge to increase the Agency's long-term workers' compensation liability. The asset impairment charge relates to software that has been determined to be unsustainable. The long-term workers' compensation charge is required to record the adjustment to the U.S. Department of Labor actuarially determined liability as of September 30, 2009. As a result of the non-cash other operating expense charges, the GPO had a net loss of $4.1M in fiscal 2009 compared to net income of $46.3M in fiscal 2008.

Summary of Revenues, Expenses, and Net Income (in thousands)	2009	2008
Operating Revenues	$ 934,058	$ 1,042,425
Operating Expenses, before Other Operating Expenses	932,824	995,820
Income before other operating expenses	**1,234**	**46,605**
Other Operating Expenses		
Impairment loss	(1,189)	–
Increase in workers' compensation liability	(4,107)	(344)
Net Income (Loss)	$ (4,062)	$ 46,261

In 2009, GPO used $53,000 in operations compared to generating $44.5M in 2008. This is primarily due to a decrease in net income. At September 30, 2009, GPO was awaiting a cash transfer of $19.5M for accounts receivable from customer agencies via the U.S. Treasury's IPAC System. GPO also made investments for capital items of $30.0M in fiscal 2009 compared to $47.2M in fiscal 2008.

Summary Statements of Cash Flows (in thousands)	2009	2008
Cash Flows from Operating Activities		
Net Income (Loss)	**$ (4,062)**	**$ 46,261**
Provided by (used in) operating activities:		
Depreciation and other	17,175	10,412
Impairment loss	1,189	–
(Increase) decrease in current assets	(38,328)	(21,077)
Increase (decrease) in current liabilities	21,284	11,931
Workers' compensation liability	4,107	344
Warranty liability	(1,418)	(3,415)
Total adjustments	**4,009**	**(1,805)**
Net cash (used in) provided by operating activities	**(53)**	**44,456**
Cash flows (used in) Investing Activities	(30,029)	(47,151)
Cash flows provided by (used in) Financing Activities	20,957	(5,500)
Net (decrease) Increase in Cash Balance	**$ (9,125)**	**$ (8,195)**

GPO's Consolidated Balance Sheet continued to strengthen due to its positive operating performance. Working capital increased by $11.6M, to $267.0M as of September 30, 2009 from $255.4M as of September 30, 2008. This increase was a result of total current assets increasing by $29.2M, to $497.3M as of September 30, 2009 from $468.1M as of September 30, 2008, and current liabilities increasing by only $17.6M, from $212.8M at September 30, 2008 to $230.3M at September 30, 2009.

Total assets grew by $37.2M to $612.5M as of September 30, 2009 from $575.3M as of September 30, 2008. Accounts receivable increased to $210.6M as of September 30, 2009 from $153.7M as of September 30, 2008. The increase of $56.9M is due primarily to an increase in customer orders at the end of the fiscal year, including $27.7M from the U.S. Department of Commerce for the 2010 Decennial Census, $7.7M from the U.S. Department of State, and $5.9M from the U.S. Department of Treasury. Inventory decreased by $19.5M to $28.8M as of September 30, 2009 compared to $48.3M as of September 30, 2008, due primarily to a $14.9M decrease in passport chip inventories reflecting the reduced demand for passports.

GPO ended fiscal 2009 with retained earnings of $150.4M, compared to $154.4M at the end of fiscal 2008.

Summary Balance Sheets (in thousands)	As of September 30 2009	2008
Assets		
Current Assets		
Fund balance with Treasury	$ 256,126	$ 265,251
Accounts receivable, net	210,564	153,696
Inventory, net	28,831	48,291
Prepaid expenses	1,823	903
Total current assets	**497,344**	**468,141**
General property, plant and equipment, net	115,141	107,194
Total Assets	**$ 612,485**	**$ 575,335**
Liabilities and Net Position		
Current Liabilities		
Accounts payable and accrued expenses	$ 120,699	$ 112,858
Deferred revenues	98,634	89,376
Accrued annual leave	11,016	10,549
Total current liabilities	**230,349**	**212,783**
Other Liabilities		
Workers' compensation liability	71,174	67,067
Product warranty liability	–	1,418
Total Liabilities	**301,523**	**281,268**
Net position		
Cumulative Results of Operations		
Retained earnings	150,363	154,425
Invested capital	92,879	92,879
Unexpended Appropriations	67,720	46,763
Total Net Position	**310,962**	**294,067**
Total Liabilities and Net Position	**$ 612,485**	**$ 575,335**

Our past may well be a prologue to our future. GPO will make certain that the documents of our democracy are made widely available to the public and kept in perpetuity — whether in paper or digital formats. It's a responsibility we've had for more than a century and we're prepared to meet this challenge in an electronic era and continue to be a gateway to the documents of our democracy.

DVD ROM/VIDEO

Feature Running Time: Approx. 6 Minutes / Color / NTSC 16:9 / Region Free / Unrated

Not all technical specifications apply to all elements.
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GATEWAY TO THE DOCUMENTS OF OUR DEMOCRACY

U.S. GOVERNMENT PRINTING OFFICE

FINANCIAL YEAR IN REVIEW

Fiscal Years 2009 and 2008

(with Independent Auditors' Report Thereon)

GPO

I. Management's Discussion and Analysis (Unaudited) 2
Mission 3
Basis of Financial Reporting 3
Programs and Operations 3
Funding 3
Programs and Operations Overview 4
Management Initiatives to Improve Agency Operations 5
Financial Position and Results for Fiscal Year 2009 6
Consolidated Balance Sheets 6
Consolidated Statements of Revenues, Expenses, and Changes in Retained Earnings 6
Consolidated Revenues 6
Consolidated Expenses 8
Changes in Retained Earnings 9
Consolidated Statements of Cash Flows 9
Performance Measures 9
Operating Performance Measures 9
On-Time Delivery of *Congressional Record* 9
On-Time Delivery and Quality Acceptance of Procured Printing 9
Financial Performance Measures 10
Cash Management 10
Debt Management 10
Possible Future Effects of Existing Events and Conditions 11
Fiscal Year 2010 Financial Projections 11

II. Inspector General's Report 12

III. Independent Auditors' Report 18

IV. Consolidated Financial Statements 34
Consolidated Balance Sheets 35
Consolidated Statements of Revenues, Expenses, and Changes in Retained Earnings 36
Consolidated Statements of Cash Flows 37
Notes to Consolidated Financial Statements 38
1. Summary of Significant Accounting Policies 38
2. Fund Balance with Treasury 43
3. Accounts Receivable, Net 44
4. Inventory, Net 44
5. Prepaid Expenses 45
6. General Property, Plant and Equipment, Net 45
7. Accounts Payable and Accrued Expenses 46
8. Deferred Revenues 46
9. Workers' Compensation Liability 47
10. Commitments 47
11. Contingencies 48
12. Net Position 48
13. Appropriated Funds 50
14. Employee Benefit Plans 52
15. Major Customers 53
16. Impairment Loss 53
17. Fair Value Measurement 53
18. Subsequent Events 53

Acronym List 54

SECTION I

Management's Discussion and Analysis

(Unaudited)

As of September 30, 2009

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 on-line databases that are accessible through the Internet.

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 a liability is 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 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 noted in the annual financial statement audit. Additionally, 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 these audits, 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 producing congressional work and fulfilling statutory requirements to disseminate Federal Government information to the public, respectively. Congress has also 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,

and workforce retraining. Reimbursements to the Revolving Fund from the appropriations are recorded as revenue when related liabilities are incurred. Generally, unexpended annual appropriations are returned to the U.S. Department of the Treasury after five years.

Programs and Operations Overview

The Agency is organized into separate business units or segments, as described below, to assist management of 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, 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 IFPeP 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 layouts 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.

The Institute for Federal Printing & Electronic Publishing (IFPeP) provides training opportunities for Federal customers. The IFPeP provides these customers with classroom instruction on using information technology to meet their program objectives, printing requirements, and electronic dissemination initiatives.

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 1,240 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*, which provides 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,* and *Ben's Guide to the U.S. Government*.

Management Initiatives to Improve Agency Operations

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 of the 21st century. 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 the *Strategic Vision*.

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) During fiscal 2009, GPO launched FDsys, a world-class information management system developed to authenticate, preserve, maintain contents by version, and provide permanent public access to Government information. The system provides users a one-stop site to authentic, published government information, while offering users advanced search and retrieval capabilities.

In July 2009, Government Computer News (GCN) named FDsys one of the top 10 great government Web sites. The list highlighted Government Web sites that are best for providing more interactive tools for the public and aiding the White House in its goal to improve Government transparency. Inclusion in the GCN list, which also named sites such as Data.gov and the Department of State's Web site, was a major step for FDsys.

At fiscal year end, GPO and the Office of the Federal Register achieved a breakthrough in making Government information more transparent. GPO converted the text of the *Federal Register* (2000-2009) 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, the *Federal Register* Web site, and Data.gov. The XML version supplements official publishing formats.

Future plans for FDsys include completing the migration of content from the legacy site, *GPO Access*, as well as digitally signing many of the collections that are available on FDsys. At fiscal year end there were more than 178,000 documents available on FDsys, including Congressional Bills, the *Federal Register*, *United States Statues at Large*, and many more. The migration of content from *GPO Access* and the development of the backup facility for FDsys are both expected to be complete early in fiscal 2010. Other future enhancements that will further improve the transparency of Federal Government information include user notifications for content; delivery by Really Simple Syndication (RSS), email, and File Transfer Protocol (FTP); automatic harvesting of information from Federal Web sites; and automatically saved search preferences.

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 2009 by 18 percent from fiscal 2008.

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 2009 by 33 percent from fiscal 2008.

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 provides GPO with a solid base of financial application software on which to build more efficient, sustainable

processes. In fiscal 2010, GPO will focus on streamlining and revising back office administrative processes to conform to the new system, and adding functionality to the baseline system when cost effective.

International Organization for Standardization (ISO) 9001 Certification GPO is continuing to make progress toward ISO 9001 certification for total quality management. In fiscal 2010, the Agency expects to have one Secure and Intelligent Documents (SID) facility certified, while the other SID facility is expected to be progressing through the pre-certification stage. Obtaining certification provides a framework and systematic approach to managing the Agency's business processes to produce quality products and services that conform to manufacturing standards that are globally accepted.

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.

Financial Position and Results for Fiscal Year 2009

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, 2009.

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 $612.5 million as of September 30, 2009 from $575.3 million as of September 30, 2008. The increase of $37.2 million (6.5 percent) in total assets was primarily attributable to $56.9 million increase in accounts receivable and $19.5 million decrease in inventory. The increase in accounts receivable (unbilled work in process and unbilled finished work) was due to a higher volume of commercial work at the end of fiscal 2009 as compared to fiscal 2008. The increase is due primarily to an increase in customer orders, including $27.7 million for the U.S. Department of Commerce for the 2010 Decennial Census, $7.7 million for the U.S. Department of State, and $5.9 million for the U.S. Department of the Treasury. Inventory decreased to $28.8 million as of September 30, 2009 from $48.3 million as of September 30, 2008 reflecting a reduction in passport raw materials as a result of less demand for passports by the U.S. Department of State.

General Property, Plant and Equipment increased to $115.1 million as of September 30, 2009 from $107.2 million as of September 30, 2008. The increase of $7.9 million (7.4 percent) occurred mainly because of capital expenditures in fiscal 2009 for FDsys ($5 million), Trusted Traveler card production equipment ($3.3 million) and progress payments for GPO's roof replacement project ($1.4 million).

GPO's liabilities increased to $301.5 million as of September 30, 2009 from $281.3 million as of September 30, 2008. The increase of $20.2 million (7.2 percent) in total liabilities was due to an increase in accounts payable and accrued expenses of $7.8 million (7.0 percent), an increase in deferred revenues of $9.3 million (10.4 percent), an increase in the Federal Employees' Compensation Act (FECA) future liability of $4.1 million (6.1 percent), and a decrease in product warranty liabilities of $1.4 million.

The increase in accounts payable and accrued expenses of $7.8 million resulted from an increase in accounts payable to printing contractors of $13.5 million, offset by decreases in payables for capital assets and production materials of $3.7 million and $2.3 million, respectively.

The increase in deferred revenues resulted from a $9.0 million increase in customer deposit accounts for printing and binding. The product warranty liability was reduced to zero as of September 30, 2009 from $1.4 million as of September 30, 2008, because no significant warranty claims are expected based on past experience.

GPO's net position increased to $311.0 million as of September 30, 2009 from $294.1 million as of September 30, 2008. The increase of $16.9 million (5.7 percent) in GPO's net position is primarily the result of an increase in unexpended appropriations of $21.0 million. Agency unexpended appropriations increased due to increases in unliquidated obligations in the Congressional Printing and Binding Appropriations of $16.1 million ($38.3 million at year-end 2009 from $22.2 million at year-end 2008), and in the Salaries and Expenses Appropriations of $6.4 million ($24.5 million at year-end 2009 from $18.1 million at year end 2008). These increases were offset by a small decrease in unexpended Revolving Fund appropriations of about $1.5 million ($4.9 million at year-end 2009 from $6.4 million at year-end 2008).

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 revenue was $934.1 million in fiscal 2009 and $1.042 billion in fiscal 2008. This is a decrease of about $108.3 million (10.4 percent). Printing and Binding revenue decreased to $794.8 million in fiscal 2009 from $890.6 million in fiscal 2008, a

decrease of $95.8 million (10.8 percent). Appropriation revenue also decreased from $130.1 million in fiscal 2008 to $119.2 million in fiscal 2009. This is a $10.9 million (8.4 percent) decrease.

■ ***Printing and Binding Revenues***

The Agency earns revenue 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 revenue is based on a system of rates, prices, and surcharges designed to recover costs. The revenue 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 revenue earned from jobs produced by GPO employees is generally recognized on a value-added basis, as work is performed. Revenue from contracted jobs is 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 revenue of $156.9 million in fiscal 2009 compared with revenue of $157.6 million in fiscal 2008. This represents a decrease of $700,000 (0.4 percent). Revenue was 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*.

Official Journals of Government generated revenue of $10.0 million in fiscal 2009 compared to fiscal 2008 revenue of $9.2 million. This represents an $800,000 increase (8.7 percent). Revenue generated by providing administrative services to the U.S. Congress increased by $900,000 from $3.8 million in fiscal 2008 to $4.7 million in fiscal 2009, while revenue from employees (printing specialists) detailed to House and Senate Committees decreased by about $180,000 from $3.03 million in fiscal 2008 to $2.85 million in fiscal 2009.

Overall revenue for the Security and Intelligent Documents (SID) business unit decreased to $173.6 million in fiscal 2009 from $300.6 million in fiscal 2008, or $127.0 million (42.2 percent). SID's major product is the electronic passport, which was introduced in fiscal 2007. As a result of new travel regulations requiring the use of electronic passports, the U.S. Department of State ordered unprecedented quantities of electronic passports from GPO in fiscal years 2007 and 2008. Demand diminished in fiscal year 2009, which caused a steep decline in SID revenue. GPO produced 10.6 million electronic passports in fiscal 2009, compared to 23.6 million electronic passports in fiscal 2008, a reduction of 55 percent. The resulting electronic passport revenue dropped from $298.3 million in fiscal 2008 to $160.5 million in fiscal 2009, a decrease of $137.8 million (46.2 percent). SID revenue in fiscal 2009 for the new Trusted Traveler and other secure credentials for the U.S. Department of Homeland Security increased from $1.3 million in 2008 to about $9.8 million in 2009, an increase of $8.5 million.

Print Procurement revenue increased $20.3 million (3.9 percent) from $524.8 million in fiscal 2008 to $545.1 million in fiscal 2009. Procured printing and binding revenue increased approximately $25.2 million (5.3 percent) predominantly due to new orders placed by the U.S. Department of Defense, the U.S. Department of the Treasury, the U.S. Department of Health and Human Services, and the U.S. Department of Commerce. Revenue from the popular GPO*Express*℠ program increased $1 million, from $6.5 million to $7.5 million. The increase in revenue was offset by a decrease in the reimbursable postage program of $5.2 million, from $11.4 million to $6.2 million, caused by a reduction in agency orders for this service.

Creative and Digital Media Services revenue was $5.6 million in fiscal 2009 compared with $4.2 million in fiscal 2008, an increase of $1.4 million (33.3 percent). Revenue increased primarily due to several large Web site development projects during fiscal 2009.

■ ***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, 2009 (Public Law 111-8, March 11, 2009) made a total of $140.6 million in annual appropriations available to the Agency for fiscal 2009.

Revenue earned from appropriations provided to the Agency totaled $119.2 million for fiscal 2009 and $130.1 million for fiscal 2008. The decrease in appropriation revenue of $10.9 million (8.4 percent) is primarily due to a decrease in revenue from Revolving Fund and Congressional Printing and Binding Appropriations.

Revenue from appropriations to the Revolving Fund was $6.9 million in fiscal 2009 compared to $14.5 million in fiscal 2008, a decrease of $7.6 million (52.4 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 2009, fewer Revolving Fund appropriated funds were available than in fiscal 2008, so fewer reimbursable expenses qualified. In fiscal 2009, available funds were $6.4 million at the start of the year, compared to $19.7 million at the start of fiscal 2008. In fiscal 2009, the $6.9 million recognized as revenue 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. In fiscal 2008, the $14.5 million recognized as revenue related to qualifying expenses of $6.9 million for prior year appropriation shortfalls, $6.5 million for FDsys development, $700,000 for workforce retraining, and $400,000 for infrastructure improvements.

Revenue from the CP&B Appropriation was $80.8 million in fiscal 2009 compared to $83.9 million in fiscal 2008, a decrease of $3.1 million (3.7 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 revenue decrease was mainly due to a decline in the number of *Congressional Record* pages

produced (approximately 25,000 in fiscal 2009 versus 35,000 in fiscal 2008). As a result, revenue related to the *Congressional Record* decreased by about $3.7 million, to $20.2 million in fiscal 2009 from $23.9 million in fiscal 2008.

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. Despite the decrease in CP&B expenditures in fiscal 2009 (when compared to fiscal 2008), the fiscal 2009 CP&B appropriation was estimated to have a shortfall in funding of about $1.6 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.

The S&E Appropriation provided revenues of $31.9 million in fiscal 2009 and $31.7 million in fiscal 2008. 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 sale of publications totaled $14.1 million for fiscal 2009 and $15.9 million for fiscal 2008. The decline in publications revenue of $1.8 million (11.3 percent) reflects the general trend of a 10 to 15 percent decline in revenue experienced by publishers nationwide due to the recession.

■ ***Agency Distribution Revenues***

GPO earns revenue 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. Revenue from Agency Distributions totaled $5.9 million for fiscal 2009 and $5.8 million for fiscal 2008. This represents an increase in revenue of $100,000 (1.7 percent). Revenue for this program fluctuates 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 $932.8 million for fiscal 2009 and $995.8 million for fiscal 2008, a decrease of $63.0 million (6.3 percent). The decrease in operating expenses is due primarily to the reduction in the demand for electronic passports that resulted in a decrease in costs for supplies and materials. A similar increase in the printing and reproduction expenses of the Print Procurement business unit was realized to support the business unit's revenue growth. A brief description of the major expense categories for the Agency follows.

■ ***Printing and Reproduction Expenses***

GPO incurred expenses for printing and reproduction of $497.8 million for fiscal 2009 and $470.5 million for fiscal 2008. This represents an increase in printing and reproduction expenses of $27.3 million (5.8 percent). Of the increase, $26.7 million was attributable to increased purchases of printing from private sector contractors by the Print Procurement business unit. The Library Services and Content Management business unit purchases and distributes Government publications to the 1,240 Federal depository libraries located throughout the United States. Printing and reproduction expenses for this business unit decreased to $9.2 million in fiscal 2009 from $10.1 million in fiscal 2008, a decrease of $900,000 (8.9 percent).

■ ***Personnel Compensation and Benefits Expenses***

GPO incurred expenses for personnel compensation and benefits of $234.6 million during fiscal 2009 and $224.3 million during fiscal 2008. This represents an increase in personnel compensation and benefit expenses of $10.3 million (4.6 percent). The increase is mostly due to annual pay increases that typically occur in January.

■ ***Supplies and Materials Expenses***

The supplies and materials expense group 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 $110.8 million in fiscal 2009 and $214.8 million in fiscal 2008. This represents a decrease of $104.0 million (48.4 percent). The decrease corresponds to the 46.2 percent decrease in revenue 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 $34.1 million for fiscal 2009 and $29.7 million for fiscal 2008. This represents an increase of $4.4 million (14.8 percent). The increase was primarily due to a $2.6 million increase in maintenance expenses, a $700,000 increase in consulting and other professional services, and a $1.5 million decrease in bad debt expense. Fiscal 2009 also included a reduction of $1.4 million for warranty expense as compared to a warranty expense reduction of $3.4 million in fiscal 2008. These reductions are due to a write down of the future estimated warranty liability in both years as a result GPO no longer expecting future claims for passports produced as a result of not having any claims in FY2007 through FY2009.

■ *Depreciation and Amortization Expense*
Total depreciation and amortization expense for fiscal 2009 was $17.2 million compared with $10.4 million in fiscal 2008. The increase in depreciation and amortization expense is primarily the result of placing FDsys into service in January 2009, and placing the new Secure Passport Facility (SPF) into service in the middle of fiscal 2008. FDsys depreciation was $3.5 million in fiscal 2009 and SPF depreciation was $3.4 million in fiscal 2009 compared to $917,000 in fiscal 2008.

■ *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 $17.6 million for fiscal 2009 and $16.5 million for fiscal 2008. This represents an increase of $1.1 million (6.7 percent). The increase is due primarily to a $600,000 increase in the cost of electricity and a $600,000 increase in the cost of steam.

■ *Travel, Transportation, and Postage Expenses*
This expense category includes the cost of employee travel and relocation, commercial transportation and delivery services, and postage (including postage reimbursable from customer agencies), and commercial mailing services. GPO incurred expense for travel, transportation, and postage of $15.9 million for fiscal 2009 and $23.7 million for fiscal 2008. This represents a decrease of $7.8 million (32.9 percent). The decrease is primarily due to a decrease in reimbursable postage expenses of $4.6 million, and a decrease in other mailing expenses of $1.3 million. Both decreases are 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 $4.8 million in fiscal 2009 compared to $5.9 million in fiscal 2008. The decrease was the result of fewer publication sales.

Changes in Retained Earnings

GPO's retained earnings decreased by $4.0 million to $150.4 million at the end of fiscal 2009, compared to about $154.4 million at the end of fiscal 2008. The decrease results from GPO's net loss for fiscal 2009.

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) decreased by $9.1 million during fiscal 2009 compared with a decrease of $8.2 million in fiscal 2008. The decrease in cash during fiscal 2009 is primarily the result of the following.

- In fiscal 2009, GPO used $53,000 in operations compared to providing $44.5 million from operations in fiscal 2008. This is mainly attributable to a decrease in net income, as discussed in previous pages.
- Cash invested in capital assets was $30.0 million in fiscal 2009 compared with $47.2 million in fiscal 2008, a decrease of $17.2 million. Fiscal 2008 included substantial capital investments for the construction of facilities and the purchase of equipment for the SPF of $24.7 million. No projects of this magnitude occurred in fiscal 2009 when capital investments returned to previous levels.
- Financing activities provided $21.0 million in cash in fiscal 2009, compared with using $5.5 million in fiscal 2008. In fiscal 2009, GPO had cash provided from unexpended appropriations of $67.7 million compared to $46.8 million in fiscal 2008.

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 9 a.m. the following day when copy is received in GPO by midnight, regardless of whether the Senate or the House of Representatives is in session. The on-time delivery rate was 99.4 percent for fiscal 2009 and 96 percent for fiscal 2008. The Agency's goal of 95 percent or better was achieved for fiscal 2009. The goal will remain the same for fiscal 2010.

On-Time Delivery and Quality Acceptance of Procured Printing

Print Procurement contracted with commercial businesses to produce and ship 104,000 jobs for GPO customers in fiscal 2009. For fiscal 2009, 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 2009, with 96.7 percent of procured printing jobs delivered on time and a quality acceptance rate of 99.7 percent. In comparison, GPO contractors shipped 104,600 jobs in fiscal 2008, with 96.1 percent of the procured printing jobs delivered on time and a quality acceptance rate of 99.5 percent. The two goals will remain the same for fiscal 2010.

Orders placed at GPO have decreased over the last two years due, 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 2009, customers used GPO*Express*℠ to place 15,200 orders to purchase $7,534,000 in convenience printing jobs locally without going through GPO. In fiscal 2008, customers placed about 12,100 orders to purchase $6,454,000 in convenience printing jobs through this program.

Financial Performance Measures

Cash Management

Payment Performance

In fiscal 2009, 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 $6.1 million on purchased printing expense of $500.9 million. In comparison, GPO earned $6.4 million in discounts on $475.7 million in printing expenses last year. The average discount rate earned was 1.22 percent for fiscal 2009 and 1.35 percent for fiscal 2008. The average discount rate earned for fiscal 2009 was short of the goal of 1.4 percent. The goal will be the same for fiscal 2010.

Lost prompt payment discounts increased to $1,077,000 in fiscal 2009 from $363,000 in fiscal 2008. The percentage of discounts lost to discounts offered was 15.0 percent, as compared to 5.4 percent in 2008. The increase in discounts lost was a result of normal post-implementation issues experienced by the implementation of GBIS on May 1, 2009 that caused delayed contractor payments. The majority of payment issues were fully resolved by year-end. GPO did not meet its goal of 2.5 percent but will strive to achieve it in fiscal 2010.

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 $.89 to issue each check payment, the cost is only $.09 to issue an EFT payment. In fiscal 2009, 78.4 percent of all payments were made by EFT. In comparison, about 80.4 percent of all payments were made by EFT in fiscal 2008. While the Agency's EFT payments did not meet the goal of 90 percent for fiscal 2009, GPO will work closely with vendors to increase EFT participation rates and strive to achieve that goal for fiscal 2010.

Debt Management

Federal Receivables

GPO billed customers about $934.1 million for printing and binding services during fiscal 2009. The U.S. Department of the Treasury's Intra-governmental Payment and Collection (IPAC) System was used to collect about $673.3 million or 72.0 percent of this debt from customers. Additionally, about $64.7 million or 6.9 percent of this debt, was collected from funds held in customer Printing and Binding Deposit Accounts maintained by GPO. Furthermore, $13.4 million, or 1.4 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 $51.8 million at the end of fiscal 2009, compared with $47.4 million at the end of fiscal 2008. In comparison, the billed accounts receivable increased by $4.4 million. The fiscal year 2009 billed accounts receivable amount includes $19.5 million that was collected on the first Treasury IPAC cycle in October. At the end of fiscal 2008, this amount was $8.5 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 charge backs, included in accounts receivable, totaled approximately $16.4 million at the end of fiscal 2009 and $19.2 million at the end of fiscal 2008.

The U.S. Department of Defense (DoD) is GPO's second largest customer and largest debtor. Exclusive of IPAC charge backs, DoD owed GPO about $6.9 million at September 30, 2009, of which $6.4 million, or 92.8 percent, was past due in payment (i.e., over 30 days old). DoD owed $921,000 for invoices between 31 to 60 days old, $851,000 between 61 to 90 days old, and about $4.6 million over 90 days old. DoD's indebtedness to GPO of $4.6 million represents 13.3 percent of GPO's total billed accounts receivables of $34.7 million, over 90 days old, at year-end. At September 30, 2008, DoD owed $7.3 million to GPO.

At the end of the year, GPO maintained 937 Printing and Binding deposit accounts valued at $92.2 million. Additionally, GPO held $3.1 million in customer deposit accounts for the Publication and Information Sales Program. Combined, these customer deposit accounts totaled about $95.3 million as of September 30, 2009. At September 30, 2008, GPO maintained $86.3 million in these two customer deposit accounts ($82.9 million and $3.4 million, respectively). The $9.0 million increase is primarily attributable to new customers, more accounts, and existing customers increasing their account balances.

Customer agencies have the option of paying for their printing and binding needs by credit card. Credit card receipts in fiscal 2009 totaled $13.4 million for 11,294 printing jobs. In comparison, credit card receipts totaled $18.8 million for 24,654 printing jobs in fiscal 2008. This decrease in credit card receipts of $5.4 million and 13,360 printing jobs was mainly due to a revised business process that delays credit card charges until all job costs are collected.

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 11.0 million in 2010. GPO produced 10,553,400 electronic Passports in fiscal 2009 and 23,580,900 electronic passports in fiscal 2008.

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 on-line. However, the demand for documents printed to support the legislative business of Congress, such as Bills, Hearings, Reports, Committee Prints, remains strong.

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

After many years of revenue declines, the Publication and Information Sales Program business unit generated a positive contribution margin for a second 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 improve continuously to maintain positive operating margins.

Fiscal Year 2010 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 revenue 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 2009, the Agency realized a net gain of $1.2 million, before other operating expenses. Overall, including the long-term workers' compensation adjustment which is excluded from GPO's rate-setting process, and the one-time charge for an asset impairment, GPO lost $4.1 million. Achievement of the Agency's fiscal 2010 operating plan would result in net income of $1.5 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's recent overall positive trend in financial performance is expected to continue in fiscal 2010. Positive financial results help 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

January 8, 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, 2009 and 2008
Report Number 10-02

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, 2009 and 2008. 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, 2009, and 2008, 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 two 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 two deficiencies, which were in the areas of financial reporting, and information technology are as follows:

1. Financial Reporting Controls

KPMG identified the following significant deficiencies related to financial reporting controls.

- **Review and Reporting of General Property, Plant and Equipment.** GPO recorded additions to General Property, Plant and Equipment (PP&E) in its subsidiary ledger and general ledger based on when cash disbursements were made for the assets instead of recording the PP&E when it was received and accepted by GPO. In addition, GPO recorded two advance payments totaling approximately $4.6 million as PP&E instead of as an advance.

- **Certain Reconciliation Controls.** Certain key reconciliations in the areas of expenses, unbilled accounts receivable, accounts payable and deposit accounts were not always performed timely and when performed, differences noted were not consistently investigated and resolved in a timely manner.

- **Controls over Compilation of Statement of Cash Flows.** Cash flows from operating activities and investing activities in the draft statement of cash flows were each initially misstated by approximately $3.7 million as a result of GPO misclassifying certain investing cash flows as operating activities. This misclassification was corrected in the final statement of cash flows.

2. Information Technology (IT) General and Application Controls

During FY 2009, deficiencies in the design and/or operations of GPO's IT general and application controls were noted in security management, access controls, configuration management, and contingency planning. The details of these conditions, several of which have been reported to management in prior years' audit reports, are as follows:

- **Security Management.** GPO made progress in FY 2009 to formalize GPO's established information security objectives and high level policy. However, KPMG noted the following conditions:

    - GPO's Business Information System (GBIS) and General Support System (GSS) have not received full authority to

operate in GPO's production environment. During the certification and accreditation process, conditions were identified that resulted in the issuance of an Interim Authority to Operate (IATO). Those conditions were not remediated as of September 30, 2009. KPMG also observed that: (i) the security plan for GBIS contained information that did not adequately reflect current processes in the GBIS environment, (ii) a section of the security plans for both GBIS and the GSS was incomplete, and (iii) elements of the risk assessment for the GSS were incomplete.

- Security awareness policies and procedures were not consistently enforced.
- The Memorandum of Understanding (MOU) that governs the development, management, operation, and security of the connection between the National Finance Center (NFC), GPO's payroll processor, and GPO's hosted system at Oracle's data center expired in March 2009 and has not been extended or reaffirmed.
- GPO did not implement procedures to review and update its Plans of Action and Milestones (POA&M) for IT security weaknesses on a quarterly basis.
- GPO's process for identifying, recording, and maintaining its system inventory has not produced a comprehensive, current inventory of both minor and major systems as well as related hardware and peripherals.

- **Access Controls.** KPMG noted the following access controls deficiencies:
  - GPO management was not consistently following documented policies and procedures for granting and reviewing access to the data center.
  - Access to GBIS was not appropriately restricted and monitored.
  - GPO did not have adequate user identification controls to verify the identity of users during phone calls requesting password resets from the Information Technology and Support (IT&S) Help Desk.

  - Comprehensive policies and procedures for granting access to the Local Area Network (LAN) had not been developed and formally documented.

  - The GPO Computer Security Incident Response Team (CSIRT) Framework and Procedures did not fully address the elements outlined in National Institute of Standards and Technology (NIST) Special Publication (SP) 800-61, Computer Security Incident Handling Guide.

- **Configuration Management.** KPMG noted that the development and implementation of configuration changes for GBIS did not adhere to strict project management and configuration management practices. In addition, during FY 2009, GPO management continued the development of a desktop patch management plan which started in FY 2008. However, GPO has not been able to complete the implementation of the patch management plan and process.

- **Contingency Planning.** GPO did not have a completed contingency plan for its GSS that would allow the complete recovery of operations in the event of a major disaster or outage. The IT&S contingency plan and strategy for the GSS was in the process of development. Additionally, GPO IT&S lacked standard operating procedures for several of its routine and critical processes including media backup and off-site storage, and LAN configuration management.

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 January 8, 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
Chief Management Officer
Acting Chief of Staff
Acting General Counsel

SECTION III

Independent Auditors' Report

KPMG LLP
2001 M Street, NW
Washington, DC 20036

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, 2009 and 2008, 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 2009 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, 2009 and 2008, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles.

As discussed in our opinion on the consolidated financial statements, in fiscal year 2009, GPO adopted new accounting and reporting requirements for subsequent events and the measurement of financial assets and liabilities.

Our consideration of internal control over financial reporting resulted in identifying certain deficiencies that we consider to be significant deficiencies, as follows:

A. Financial Reporting Controls
B. 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 herein 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, 2009 and 2008 and the related consolidated statements of revenues, expenses, and changes in retained earnings and cash flows for the years then ended.

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, 2009 and 2008, and the results of its operations and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

As discussed in Notes 1-P and 1-R to the consolidated financial statements, GPO has adopted the provisions of Financial Accounting Standards Board Accounting Standards Codification (ASC) 820-10, *Fair Value Measurements and Disclosures*, and ASC 855-10, *Subsequent Events*, effective October 1, 2008 and September 30, 2009, respectively.

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

Our consideration of the 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 the internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses.

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 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. 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.

In our fiscal year 2009 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 that we consider to be significant deficiencies and that are described in Exhibit I. Exhibit II presents the status of the prior year material weakness and significant deficiencies.

We noted certain additional matters that we have reported to management of GPO in a separate letter dated January 8, 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 2009 and 2008 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 2009 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. The objective of our audit was not to express 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 2009 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

January 8, 2010

Exhibit I

Fiscal Year 2009 Significant Deficiencies

A. Financial Reporting Controls

During our fiscal year 2009 audit, we noted the following areas where the United States Government Printing Office (GPO) needs to improve its non-information technology (IT) internal controls over financial reporting.

1. Review and Reporting of General Property, Plant and Equipment

We noted that GPO recorded additions to General Property, Plant and Equipment (PP&E) in its subsidiary ledger and general ledger based on when cash disbursements were made for the assets instead of recording the PP&E when it was received and accepted by GPO. During our test work over 51 PP&E additions, we noted 20 instances where GPO had received and accepted the assets but had not recorded the total costs of the assets in the accounting systems. While this deficiency resulted in an understatement of PP&E and accounts payable of approximately $2.4 million as of the interim date of our test work, PP&E was not materially misstated at September 30, 2009 because GPO had either subsequently paid all amounts due to vendors related to such assets or accrued all significant unpaid balances at fiscal year end. However, because GPO does not consistently record the "in-service date" for its assets accurately in the PP&E subsidiary ledger, depreciation expense was overstated by approximately $171,000 in FY 2009. This uncorrected audit difference was posted to the Summary of Audit Differences, which was attached to the FY 2009 Management Representation Letter.

We also noted one incident where GPO recorded two advance payments totaling approximately $4.6 million as PP&E instead of as an advance. GPO made advance payments to a contractor to perform upgrades to its networks' infrastructure and cabling. As of September 30, 2009, only a portion of the contract had been fulfilled, but GPO had recorded the total advance, which is estimated to be the total cost of the project, as PP&E. As a result of our observation and recommendation, GPO adjusted its PP&E and advance balances at year end by approximately $1.5 million.

2. Certain Reconciliation Controls

During fiscal year 2009, certain key reconciliations in the areas of expenses, unbilled accounts receivable, accounts payable and deposit accounts were not always performed timely and when performed, differences noted were not consistently investigated and resolved in a timely manner. As of September 30, 2009, a difference of approximately $2 million existed between the deposit account subsidiary ledger and the general ledger and a difference of approximately $500 thousand existed between the unbilled accounts receivable subsidiary ledger and the general ledger; these differences were not timely investigated and resolved.

GPO management considered the identified differences to be immaterial to the fiscal year 2009 consolidated financial statements. As such, these differences were not corrected in the consolidated financial statements and were included in the FY 2009 Summary of Audit Differences, which was attached to the FY 2009 Management Representation Letter.

Fiscal Year 2009 Significant Deficiencies

3. Controls over Compilation of Statement of Cash Flows

During our 2009 audit, we noted that cash flows from operating activities and investing activities in the draft statement of cash flows were each initially misstated by approximately $3.7 million as a result of GPO misclassifying certain investing cash outflows as operating activities. This misclassification was corrected in the final statement of cash flows based on our observation and recommendation.

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

- Transactions be promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from the initiation and authorization through its final classification in summary records. In addition, control activities help to ensure that all transactions are completely and accurately recorded.

- That internal controls, such as comparisons and reconciliations, be designed to assure that ongoing monitoring occurs in the course of normal operations. Without proper controls timing differences within the monthly reconciliations may not be corrected timely.

In addition to the GAO criteria above, Statement of Financial Accounting Concepts (SFAC) No. 6, *Elements of Financial Statements*, states that assets are recorded when there is future economic benefit and the asset is controlled by the entity.

Recommendations:

We recommend that GPO strengthen its controls surrounding PP&E, the execution of account reconciliations and the preparation of the statement of cash flows, as follows:

1. Implement controls to ensure that GPO accountants are recording PP&E in the PP&E subsidiary ledger and general ledger at the full costs upon receiving title to the assets. GPO can accomplish this by using the asset receipt and acceptance document, together with the contract and applicable invoices, to record the asset in its subsidiary ledger and general ledger. Additionally, program managers and accountants should be provided additional guidance to ensure proper coding and recording of advance payments.

2. Validate the receipt and acceptance of an asset (through physical inspection, confirmation from program managers, and/or cross-checking the invoice to the receiving documents and purchase order) or validate GPO's title to an asset, whichever is applicable, before recording the asset in its records.

3. Enforce its existing policies that require monthly reconciliations to be performed and timely investigation and resolution of all differences identified.

4. 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.

Fiscal Year 2009 Significant Deficiencies

Management Response:

Management concurs with these recommendations. Finance will change the process to ensure proper asset accounting at the time title passes to GPO. During fiscal 2010, Finance will be reviewing, and will change the month-end closing process, to require reconciliations of significant accounts prior to the release of the monthly financial reports.

B. Information Technology General and Application Controls

During fiscal year 2009, deficiencies in the design and/or operations of GPO's IT general and application controls were noted in Security Management, Access Controls, Configuration Management, and Contingency Planning. The details of these conditions, several of which have been reported to management in prior years' audit reports, are as follows:

1. Security Management

GPO made progress in fiscal year 2009 to formalize GPO's established information security objectives and high level policy. However, we noted the following conditions:

a. Although GPO completed the certification and accreditation process for both the GPO Business Information System (GBIS) and the General Support System (GSS) in fiscal year 2009, GBIS and the GSS have not received full authority to operate in GPO's production environment. During the certification and accreditation process, conditions were identified that resulted in the issuance of an Interim Authority to Operate (IATO). Those conditions have not been remediated as of September 30, 2009. Also, the following exceptions were observed during our test work:

   i. The security plan for GBIS contained information that did not adequately reflect current processes in the GBIS environment.

   ii. A section of the security plans for both GBIS and the GSS was incomplete. A description of the required information was stated. However, information specific to GBIS or the GSS was not provided.

   iii. Elements of the risk assessment for the GSS were incomplete. Specifically, an understanding of the related risks and a determination of the acceptable level of risks have not been formulated.

b. Security awareness policies and procedures are not consistently enforced. Specifically, no adverse action was taken for employees who failed to complete the required annual security awareness training program. Although the program states that network access will be revoked for employees who fail to complete the annual IT security awareness training, the consequences for noncompliance were not enforced.

c. The Memorandum of Understanding (MOU) that governs the development, management, operation, and security of the connection between the National Finance Center (NFC),

GPO's payroll processor, and GPO's hosted system at Oracle's data center expired in March 2009 and has not been extended or reaffirmed as of September 30, 2009.

d. GPO has not implemented procedures to review and update its Plans of Action and Milestones (POA&M) for IT security weaknesses on a quarterly basis.

e. GPO's process for identifying, recording, and maintaining its system inventory has not produced a comprehensive, current inventory of both minor and major systems as well as related hardware and peripherals.

Without the completion of the certification and accreditation processes for GPO's major applications and systems, GPO management may not properly mitigate the security risks posed by the use of GPO's systems. As a result, systems may be operating in the production environment without appropriate controls or management oversight. Also, without the completion of annual security awareness training, employees may be unable to recognize and respond appropriately to real and potential security concerns, and they may be unaware of new risks that could compromise the integrity and availability of data. Additionally, without a formalized MOU with NFC, GPO may not have available remedies in the event of non-performance, the improper distribution of information, or other acts that may compromise the security of GPO's data or its network. Also, without periodic updates and reviews of POA&M activities, the risk is elevated that GPO may be unaware of the current status of security-related corrective actions. As a result, delays in the implementation of corrective actions may not be appropriately identified and resolved in a timely manner. Finally, without a complete and comprehensive system inventory, GPO is at elevated risk of not having an accurate accounting of its IT assets, including system interfaces and underlying data elements. Consequently, potential security risks may not be properly identified and mitigated, leading to negative impacts on operations.

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 management is not consistently following documented policies and procedures for granting and reviewing access to the data center. We noted one user who was granted access to the data center via the card reader system but was not identified as an authorized user. Additionally, three users who were authorized to access the data center had not been granted the necessary access permissions via the card reader system.

b. Access to GBIS is not appropriately restricted and monitored. Specifically, program development personnel continue to have system administration and special user privileges for the production of GBIS, yet their activities and the activities of other users with administrative or special privileges are not monitored. Also, access to the Oracle Rate Maintenance responsibility that controls the ability to modify the All Inclusive Hourly Rates (AIHR) is not properly restricted to only those individuals responsible for modifying rate information. Access to financial systems must be properly restricted to limit processing errors, protect the integrity of data, and prevent the submission of unauthorized transactions.

Fiscal Year 2009 Significant Deficiencies

c. GPO does not have adequate user identification controls to verify the identity of users during phone calls requesting password resets from the Information Technology and Support (IT&S) Help Desk. Additional user identification controls are needed to ensure that passwords are not improperly communicated to unauthorized individuals.

d. Comprehensive policies and procedures for granting access to the Local Area Network (LAN) have not been developed and formally documented. Of a sample of 25 current LAN user accounts that were created in FY 2009, access requests and the related approvals for nine LAN user accounts were not provided.

e. The GPO *Computer Security Incident Response Team (CSIRT) Framework and Procedures* does not fully address the elements outlined in National Institute of Standards and Technology (NIST) Special Publication (SP) 800-61, *Computer Security Incident Handling Guide*. Specifically, we noted that guidance was not provided in the *CSIRT Framework and Procedures* regarding the prioritization of incidents and timelines for reporting security incidents to US-CERT.

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. Without proper logical access restrictions and monitoring of user activities and verification of users identification, GPO may be unable to prevent or subsequently detect unauthorized user activities and the submission of invalid transactions in the production environment. As a result, the integrity and availability of data may be adversely affected. Additionally, failure to properly review and reconcile access to the data center may result in an inability to restrict access to authorized users only, which may lead to unauthorized access to valuable assets and sensitive information, which may result in the loss, damage, or theft of valuable information and/or resources. Also, authorized individuals who are not properly granted the necessary access permissions may be unable to adequately perform their job functions.

3. 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 that the development and implementation of configuration changes for GBIS does not adhere to strict project management and configuration management practices. Specifically, no controls are in place to logically restrict access from developers in the non-production instance of Oracle after the completion of configuration changes. In addition, the ability to request and approve changes through Oracle's service request process is not restricted to only those individuals who are responsible for the configuration management of business information systems at GPO. Also, the data conversion methodology used during the recent upgrade to the Oracle production environment did not adequately document the migration strategy, including a cost analysis and a long-term plan for maintaining and accessing historical data in the legacy systems.

During fiscal year 2009, 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.

Fiscal Year 2009 Significant Deficiencies

Without the proper management and use of a strictly controlled process for developing, testing, and implementing configuration changes to systems and applications in the production environment, configuration changes may be implemented that have not been properly evaluated. As a result, processing errors and system anomalies may occur. In addition, desktop computers without current security patches may not be properly safeguarded from security vulnerabilities.

4. Contingency Planning

During fiscal year 2009, GPO continued its efforts to minimize the risk of unplanned interruptions and recover critical operations should an interruption occur, including the performance of a Business Impact Analysis (BIA). However, GPO does not have a completed contingency plan for its GSS that would allow the complete recovery of operations in the event of a major disaster or outage. The IT&S contingency plan and strategy for the GSS is currently in the process of development. Additionally, GPO IT&S lacks standard operating procedures for several of its routine and critical processes including media backup and off-site storage.

Without an effective contingency plan, which includes periodic testing of the plan's reliability, GPO may be unable to access critical information and resources and perform mission critical business functions in the event of an extended outage and/or disaster. As a result, GPO may not be able to resume operations in an efficient and effective manner and meet its customers' demands for products and services.

NIST SP 800-37, *Guide for the Security Certification and Accreditation of Federal Information Systems*, states that the successful completion of the security certification and accreditation process provides agency officials with the necessary confidence that the information system has adequate security controls, that any vulnerabilities in the system have been considered in the risk-based decision to authorize processing, and that appropriate plans and funds have been identified to correct any deficiencies in the information system.

NIST SP 800-53, *Recommended Security Controls Information Systems*, states that the organization develops, disseminates, and periodically reviews/updates: (i) a formal, documented, security awareness and training policy that addresses purpose, scope, roles, responsibilities, and compliance; and (ii) formal, documented procedures to facilitate the implementation of the security awareness and training policy and associated security awareness and training controls. The organization ensures all users (including managers and senior executives) are exposed to basic information system security awareness materials before authorizing access to the system and thereafter (i.e., at least annually). The organization employs a formal sanctions process for personnel failing to comply with established information security policies and procedures.

NIST SP 800-53, *Recommended Security Controls Information Systems*, states that:

- "The organization develops, disseminates, and periodically reviews/updates: (i) a formal, document configuration management policy that addresses purpose, scope, roles responsibilities, management commitment, coordination among organization entities, and compliance; and (ii) formal, documented procedures to facilitate the implementation of the configuration management policy and associated configuration management controls.

- The organization manages configuration changes to the information system using an organizationally approved process (e.g., a chartered Configuration Control Board).

Fiscal Year 2009 Significant Deficiencies

Configuration change control involves the systematic proposal, justification, implementation, test/evaluation, review, and disposition of changes to the information system, including upgrades and modifications.

- The approvals to implement a change to the information system include successful results from the security analysis of the change. The organization audits activities associated with configuration changes to the information system."

NIST SP 800-35, *NIST Guide to Information Technology Security Services*, states that the organization should develop strong, specific service agreements that define the expectations of performance for each required security control, describe measurable outcomes, and identify remedies and response requirements for any identified instances of noncompliance.

NIST 800-53 states that the organization employs the concept of least privilege for specific duties and information systems (including specific ports, protocols, and services) in accordance with risk assessments as necessary to adequately mitigate risk to organizational operations, organizational assets, and individuals. The organization supervises and reviews the activities of users with respect to the enforcement and usage of information system access controls. The organization regularly reviews/analyzes audit records for indications of inappropriate or unusual activity, investigates suspicious activity or suspected violations, reports findings to appropriate officials, and takes necessary actions.

Office of Management and Budget (OMB) Circular No. A-130, *Management of Federal Information Resources*, states that agencies shall (i) protect government information commensurate with the risk and magnitude of harm that could result from the loss, misuse, or unauthorized access to or modification of such information; and (ii) establish a level of security for all information systems that is commensurate with the risk and magnitude of the harm resulting from the loss, misuse, or unauthorized access to or modification of the information contained in these information systems.

NIST SP 800-61, *Computer Security Incident Handling Guide*, requires agencies to establish incident reporting capabilities, including developing procedures for performing incident handling and reporting, based on incident response policy. It also requires agencies to report security incidents timely to US-CERT.

NIST SP 800-53, *Recommended Security Controls for Federal Information Systems*, states that the organization promptly installs newly released security relevant patches, service packs, and hot fixes, and tests patches, service packs, and hot fixes for effectiveness and potential side effects on the organization's information systems before installation.

NIST SP 800-34*, Contingency Planning Guide for Information Technology Systems*, states that it is critical that the services provided by systems are able to operate effectively without excessive interruption. Contingency planning supports this requirement by establishing thorough plans and procedures and technical measures that can enable a system to be recovered quickly and effectively following a service disruption or disaster.

NIST Special Publications series state that agency Chief Information Officers (CIO) should maintain, track and review IT security remediation plans on at least a quarterly basis. It also states that the head of agencies should develop and maintain an inventory of major information systems (including major national security systems) operated by or under the control of such agency.

Fiscal Year 2009 Significant Deficiencies

Additionally, it states that agencies should develop, document, and implement an agency-wide information security program to provide information security for the information and information systems that support the operations and assets of the agency.

Recommendations:

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

1. Security Management

a. We recommend that GPO management 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 life cycle activities of each major application and general support system (e.g., the stage of the certification and accreditation process for each system, the expected date of authorization, and the projected date of re-certification).

b. We recommend that GPO management enforce compliance with the security awareness training policies and procedures, including disciplinary actions for employees who fail to complete the required annual training.

c. We recommend that GPO management complete the development of the MOU with the NFC, revisit the agreement periodically to ensure that it continues to meet GPO's needs, and ensure that the agreement is maintained throughout the duration of its relationship with the 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.

2. 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. The activities of the user should be closely monitored and the user account should be deleted or inactivated immediately upon the completion of the required task(s). We further recommend that GPO financial 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 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 GPO management improves 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 GPO management ensure that such policies and procedures are consistently followed and all requests for access are documented and approved.

e. We recommend that GPO develops a complete and comprehensive process for identifying, reporting, and resolving computer security incidents. As part of this process, the incident response procedures should include clear and comprehensive guidance for the identification, prioritization, and notification of security incidents internally and externally and to the US-CERT. This guidance should also include criteria for the identification of security incidents, including internal and external network-based attacks on GPO's IT infrastructure, as well as physical theft or loss of IT assets.

3. Configuration Management

We recommend that GPO 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.

Fiscal Year 2009 Significant Deficiencies

4. Contingency Planning

We recommend that GPO management continue the development of its business resumption and contingency planning efforts to enable appropriate contingency support to mission critical business functions.

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, 2009
Material Weakness		
Review and reporting of General Property, Plant and Equipment (PP&E)	Record PP&E at full costs upon receiving title to the assets.	**Significant Deficiency**: This finding has been partially repeated in the current year; see Exhibit I, Item A.1.
Review and reporting of Product Warranty Liability	Review and properly apply historical information when recording contingent liability.	**Closed**
Reporting of passport Work-in-Process Inventory	Ensure that all revenue recognition criteria have been met before recording unbilled receivable.	**Closed**
Compilation and review of the consolidated financial statements	Perform thorough review of the financial statements and the related footnotes.	**Closed**
Certain reconciliations are not performed	Enforce existing policies that require monthly reconciliation to be performed timely.	**Significant Deficiency**: This finding has been partially repeated in the current year; see Exhibit I, Item A.2.
Significant Deficiencies		
Controls over processing of human resource information need to be improved	1. Reassess access rights of Human Capital employees to the Entry, Processing, Inquiry, and Correction System (EPIC) to ensure they are consistent with their roles and responsibilities. 2. Review edit/exception report from EPIC to track changes made to employee files 3. Implement system control to require management approval when National Finance Center edit checks are overridden.	**Closed**
Information technology (IT) general controls should be improved		
Entity-Wide Security Program	a. Complete the certification and accreditation of all major	**Significant Deficiency**: This finding has been

Status of Prior Year Findings

Prior Year Condition	Prior Year Recommendation	Status as of September 30, 2009
	applications, including key financial systems, and the General Support System (GSS).	repeated in the current year; see Exhibit I, Item B.1.
Access Controls	a. Enhance policies and procedures regarding the removal of access for terminated employees and contractors and provide oversight to ensure that access to GPO IT resources belonging to separated employees and contractors is removed timely. b. Enhance policies and procedures regarding the assignment, removal, and review of access to the Data Center. c. Review the current access privileges and modify those privileges for Oracle On-Demand users, such that the access privileges are properly segregated and granted with the least amount of privilege necessary. d. Enhance its policies and procedures for fulfilling requests for password resets to include the verbal verification of users.	**Significant Deficiency**: This finding has been partially repeated in the current year; see Exhibit I, Item B.2.
System Software	a. Continue to improve the patch management process by completing the desktop patch management plan that began in June 2008.	**Significant Deficiency**: This finding has been repeated in the current year; see Exhibit I, Item B.3.
Service Continuity	a. Finalize its contingency plans for all financial reporting systems and the GSS.	**Significant Deficiency**: This finding has been partially repeated in the current year; see Exhibit I, Item B.4.

SECTION IV

Consolidated Financial Statements

Consolidated Balance Sheets

As of September 30, 2009 and 2008

(Dollars in thousands)

	2009	2008
ASSETS		
Current assets		
Fund balance with Treasury (Note 2)	$ 256,126	$ 265,251
Accounts receivable, net (Note 3)	210,564	153,696
Inventory, net (Note 4)	28,831	48,291
Prepaid expenses (Note 5)	1,823	903
Total current assets	**497,344**	**468,141**
General property, plant and equipment, net (Note 6)	115,141	107,194
Total assets	**$ 612,485**	**$ 575,335**
LIABILITIES AND NET POSITION		
Current liabilities		
Accounts payable and accrued expenses (Note 7)	$ 120,699	$ 112,858
Deferred revenues (Note 8)	98,634	89,376
Accrued annual leave	11,016	10,549
Total current liabilities	**230,349**	**212,783**
Other liabilities		
Workers' compensation liability (Note 9)	71,174	67,067
Product warranty liabilities (Note 10)	—	1,418
Total liabilities	**301,523**	**281,268**
Commitments and contingencies (Notes 10 and 11)		
Net position (Note 12)		
Cumulative results of operations:		
Retained earnings	150,363	154,425
Invested capital	92,879	92,879
Unexpended appropriations	67,720	46,763
Total net position	**310,962**	**294,067**
Total liabilities and total net position	**$ 612,485**	**$ 575,335**

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, 2009 and 2008

(Dollars in thousands)

	2009	2008
OPERATING REVENUES		
Printing and binding	$ 794,801	$ 890,630
Appropriations	119,239	130,111
Sales of publications	14,101	15,866
Agency distributions	5,917	5,818
Total operating revenues	**934,058**	**1,042,425**
OPERATING EXPENSES		
Printing and reproduction	497,829	470,454
Personnel compensation and benefits	234,623	224,344
Supplies and materials	110,845	214,848
Other services	34,118	29,685
Depreciation and amortization	17,182	10,428
Rents, communications, and utilities	17,582	16,507
Travel, transportation, and postage	15,873	23,690
Publications sold	4,772	5,864
Subtotal	**932,824**	**995,820**
Income before other operating expenses	**1,234**	**46,605**
OTHER OPERATING EXPENSES		
Impairment loss (Note 16)	(1,189)	—
Increase in workers' compensation liability (Note 9)	(4,107)	(344)
Net Income (Loss)	**(4,062)**	**46,261**
Retained Earnings, beginning of year	**154,425**	**108,164**
Retained Earnings, end of year	**$ 150,363**	**$ 154,425**

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

Consolidated Statements of Cash Flows

For the Fiscal Years Ended September 30, 2009 and 2008

(Dollars in thousands)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	**$ (4,062)**	**$ 46,261**
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	17,182	10,428
Impairment loss	1,189	—
Gain on disposal of general property, plant and equipment	(7)	(16)
Changes in assets and liabilities:		
(Increase) decrease in assets-		
Accounts receivable	(56,868)	(7,578)
Inventory	19,460	(13,699)
Prepaid expenses	(920)	200
Increase (decrease) in liabilities-		
Accounts payable and accrued expenses	11,559	3,534
Deferred revenues	9,258	7,661
Accrued annual leave	467	736
Workers' compensation liability	4,107	344
Product warranty liabilities	(1,418)	(3,415)
Total adjustments	**4,009**	**(1,805)**
Net cash provided by (used in) operating activities	**(53)**	**44,456**
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital purchases	(30,036)	(47,167)
Proceeds from sale of general property, plant and equipment	7	16
Net cash used in investing activities	**(30,029)**	**(47,151)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in unexpended appropriations	20,957	(5,500)
Net cash provided by (used in) financing activities	**20,957**	**(5,500)**
Net decrease in fund balance with Treasury	**(9,125)**	**(8,195)**
Fund balance with Treasury, beginning of year	265,251	273,446
Fund balance with Treasury, end of year	**$ 256,126**	**$ 265,251**

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

Notes to Consolidated Financial Statements

September 30, 2009 and 2008

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, 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 *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.

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 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. Product Warranty Liabilities

Prior to fiscal 2009, product warranty liabilities were recognized for electronic passports manufactured by GPO for the U.S. Department of State. The estimate was based on the number of passports produced but not personalized by the U.S. Department of State, and an estimated percentage of potentially defective electronic passports. During the timeframe fiscal 2007 through 2009, no claims were made against the warranty. As a result, GPO ceased recording a liability in fiscal 2009.

L. Revenue Recognition

Printing and Binding – GPO must be reimbursed for the cost of printing and binding services furnished 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.

M. 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 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.

N. 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.

O. Use of Estimates

The preparation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles (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; the product warranty liability for the replacement of defective passport books; and the estimate for contingent liabilities.

P. 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.

Q. Reclassifications

Certain amounts in the Consolidated Statements of Revenues, Expenses, and Changes in Retained Earnings as of September 30, 2008, have been reclassified to conform to September 30, 2009 presentation. Specifically, the workers' compensation liability expenses in fiscal 2008 were reclassified to a separate line item from the personnel compensation and benefits expense line item.

R. Subsequent Events

Effective September 30, 2009, GPO adopted FASB Accounting Standards Codification, *Subsequent Events* (ASC 855-10). It establishes general standards of accounting and disclosure of events that occur after the balance sheet date but before the financial statements are issued.

S. 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, 2009 and 2008 follows.

(Dollars in thousands)

	2009	2008
Fund Balances:		
Revolving Fund:		
Unrestricted	$ 60,160	$ 103,783
Restricted:		
Customer deposit accounts	95,290	86,260
Other	31,021	26,520
Total revolving fund	**186,471**	**216,563**
General Funds:		
Congressional printing and binding	38,261	22,239
Salaries and expenses	26,451	20,035
Supplemental and other	4,943	6,414
Total general funds	**69,655**	**48,688**
Total	**$ 256,126**	**$ 265,251**
Status of Fund Balance with Treasury:		
Unobligated balance:		
Available	$ 42,556	$ 101,752
Unavailable	4,943	6,414
Total	**47,499**	**108,166**
Obligated balance not yet disbursed	208,627	157,085
Total	**$ 256,126**	**$ 265,251**

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 Retirement Separation Incentive Program (RSIP). 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, 2009 and 2008, consisted of the following.

	(Dollars in thousands)	
	2009	**2008**
Federal Agencies:		
Unbilled accounts receivable	$ 160,730	$ 110,031
Billed completed work	51,801	47,397
Subtotal	**212,531**	**157,428**
Other receivables:		
The public	4,340	2,571
GPO employees	1,125	1,008
Subtotal	**5,465**	**3,579**
Total accounts receivable	**217,996**	**161,007**
Less: Allowance for doubtful accounts	(7,432)	(7,311)
Total accounts receivable, net	**$ 210,564**	**$ 153,696**

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 result 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, 2009 and 2008.

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, 2009 and 2008, consisted of the following.

	(Dollars in thousands)	
	2009	**2008**
Publications for sale	$ 7,485	$ 6,199
Paper	4,539	4,324
Supplies and materials	16,920	32,518
Work in process	4,882	10,274
Total inventory	**33,826**	**53,315**
Less: Allowance for surplus and obsolete inventory	(4,995)	(5,024)
Inventory, net	**$ 28,831**	**$ 48,291**

The supplies and materials inventory included $10.2 million in electronic chips at September 30, 2009, compared to $25.1 million at September 30, 2008. The computer chips are used in the production of electronic passports.

5. Prepaid Expenses

Prepaid expenses totalled $1,823,000 as of September 30, 2009, and $903,000 as of September 30, 2008. The increase of $920,000 results primarily from a prepayment for computer infrastructure upgrades.

6. General Property, Plant and Equipment, Net

Net property, plant and equipment as of September 30, 2009 and 2008, consisted of the following.

(Dollars in thousands)

	2009	2008
Land	$ 9,971	$ 9,971
Buildings and improvements	78,181	77,886
Plant machinery and equipment	93,323	88,818
Computers and computer software	70,407	43,201
Furniture and fixtures	6,321	6,268
Motor vehicles	719	556
Leasehold improvements	10,191	10,162
Capitalized software in process	5,457	20,965
Capital improvements in process	4,776	13
Total	**279,346**	**257,840**
Less: Accumulated depreciation and amortization	(164,205)	(150,646)
General property, plant and equipment, net	**$ 115,141**	**$ 107,194**

General property, plant and equipment increased by $7.9 million in fiscal 2009 from fiscal 2008 due primarily to an increase in plant machinery and equipment of $4.5 million; an increase in computers and computer software of $27.2 million; a decrease in capitalized software in process of $15.5 million; an increase in capital improvements in process of $4.8 million; and an increase in accumulated depreciation and amortization of $13.6 million. The increase in plant machinery and equipment was primarily from the acquisition of a Trusted Traveler card manufacturing system for about $3.3 million in fiscal 2009. The increase in computers and computer software of $27.2 million was primarily due to FDsys software ($26.9 million) placed into service during fiscal 2009, $21.0 million of which was in capitalized software in process at September 30, 2008.

During fiscal 2009, GPO also made other capital expenditures including business information systems improvements for about $3.5 million, installing a fire alarm system for $1 million, and investing in infrastructure improvements for the Federal Depository Library Program for $479,000.

Capital improvements in process at September 30, 2009 are comprised of computer infrastructure upgrades (internal network and telephone system) of about $3 million, roof repairs of $1.4 million, and elevator overhauls of $400,000.

Depreciation expense was $17.2 million for fiscal 2009 and $10.4 million for fiscal 2008. The increases were largely the result of amortizing FDsys software ($3.5 million) in fiscal 2009 and a full year of SPF asset depreciation ($3.4 million) in fiscal 2009, versus a partial year of depreciation in fiscal 2008 ($917,000).

7. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses as of September 30, 2009 and 2008, were composed of the following.

	(Dollars in thousands)	
	2009	**2008**
Accounts payable:		
Commercial printing	$ 65,057	$ 51,619
U.S. Government agencies	12,596	14,305
Other	27,261	31,454
Total accounts payable	**104,914**	**97,378**
Accrued salaries and payroll taxes	15,785	15,480
Total accounts payable and accrued expenses	**$ 120,699**	**$ 112,858**

The increase in accounts payable and accrued expenses of $7.8 million was attributable to increased demand for printing procured from commercial sources near year end. The increase in accounts payable and accrued expenses resulted from an increase in accounts payable to printing contractors of $13.5 million, offset by decreases in payables for capital assets and production materials of $3.7 million and $2.3 million, respectively.

8. Deferred Revenues

As of September 30, 2009 and 2008, deferred revenues from customers consisted of the following.

	(Dollars in thousands)	
	2009	**2008**
Deposit accounts	$ 95,290	$ 86,260
Subscriptions	2,909	2,773
Unfilled orders	247	294
Advance billings	188	49
Total	**$ 98,634**	**$ 89,376**

GPO held $95.3 million and $86.3 million in customer deposit accounts as of September 30, 2009 and 2008, respectively. Of these amounts, Federal Government customers had advanced funds of $92.2 million and $82.9 million for printing and binding deposit accounts, and customers advanced $3.1 million and $3.4 million for publication and information sales program deposit accounts as of September 30, 2009 and 2008, respectively. Additionally, GPO held advanced funds from the Federal Government and other customers of $2.9 million and $2.8 million for subscriptions for the sales of publications as of September 30, 2009 and 2008, 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 customer cancels 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 $71,174,000 as of September 30, 2009, and $67,067,000 as of September 30, 2008.

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 2009 and 2008 follow.

	COLA		CPIM	
Fiscal Year	**2009**	**2008**	**2009**	**2008**
2009	N/A	3.87%	N/A	4.01%
2010	0.47%	2.73%	3.42%	3.86%
2011	1.40%	2.20%	3.29%	3.87%
2012	1.50%	2.23%	3.48%	3.93%
2013	1.80%	2.30%	3.71%	3.93%
2014 and beyond	2.00%	2.30%	3.71%	3.93%

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 2009, interest rate assumptions were 4.223 percent in Year 1, and 4.715 percent in Year 2 and thereafter. For 2008, interest rate assumptions were 4.368 percent in Year 1, and 4.770 percent in Year 2 and thereafter.

10. Commitments

10. A. Operating Leases

As of September 30, 2009, 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 $3.7 million and $4.1 million for fiscal 2009 and 2008, 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
2010	$ 993	$ 517	$ 1,510
2011	534	363	897
2012	381	336	717
2013	64	29	93
2014 and beyond	—	—	—
Total minimum lease payments	**$ 1,972**	**$ 1,245**	**$ 3,217**

10. B. Obligations

GPO had unliquidated obligations of $208.6 million and $157.1 million, at September 30, 2009 and 2008, respectively, of which $122.1 million and $125.9 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.

10. C. Product Warranty Liabilities

GPO and the U.S. Department of State have agreed that GPO is liable for warranty expenses that exceed 2-percent, per order, of electronic passport books deemed to have failed, before personalization by the U.S. Department of State, due to GPO production problems. Based on the lack of claims against this warranty during fiscal years 2007 through 2009, GPO estimates that the warranty liability should be zero at September 30, 2009. This liability was estimated at approximately $1.4 million as of September 30, 2008.

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, 2009 and 2008, GPO has recorded estimated liabilities of $33,500 and $155,000, 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 $366,000 and $67,000 on behalf of GPO for the years ended September 30, 2009 and 2008, 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, 2009 and 2008, 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 $599,000 as of September 30, 2009 and $580,000 as of September 30, 2008. These amounts are included in accounts payable and accrued expenses on the financial statements. The costs 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, 2007 through September 30, 2009, 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, 2007	**$ 19,715**	**$ 14,927**	**$ 17,621**	**$ 52,263**
2008 fiscal year appropriation activity:				
Received	—	34,913	89,775	124,688
Transferred	1,230	—	(1,230)	—
Expended	(14,531)	(31,730)	(83,927)	(130,188)
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**

As of September 30, 2009, GPO had obligated all the $38.3 million of the unexpended appropriations available for Congressional printing and binding, and all of the $24.5 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, 2009. At September 30, 2008, the obligations were $22.2 million in Congressional Printing and Binding Appropriations and $18.1 million in Salaries and Expenses Appropriations.

The Revolving Fund unexpended appropriations balances at September 30, 2009 and September 30, 2008 were $4.9 million and $6.4 million, respectively. The Revolving Fund unexpended appropriations balances are the result of the following appropriation activities:

- In fiscal 2001, Congress authorized the transfer of $9.5 million to the Revolving Fund from prior year Congressional Printing and Binding Appropriations to cover the cost of congressional work. At the end of fiscal 2008, the entire $9.5 million was expended.

- 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, 2009, GPO expended $2,350,000 from this appropriation. At the end of fiscal 2009 and 2008, balances of $951,000 and $1.3 million were available for future expenditures, respectively.

- In fiscal 2005, Congress authorized GPO to transfer $22 million to the GPO Revolving Fund from prior year appropriated funds to finance the development of the FDsys. These funds were also available for annual appropriation shortfalls. The $22 million transfer consisted of $14.6 million from Congressional Printing and Binding Appropriations and $7.4 million from Salaries and Expenses Appropriations. As of September 30, 2009, GPO expended the entire $22 million. At the end of fiscal 2008, a balance of $1.1 million was available for future expenditures.

- In fiscal 2005, GPO was authorized by Congress to transfer $2.5 million from the prior year's unexpended Salaries and Expenses Appropriation to the GPO Revolving Fund. The funds were advanced to the U.S. Department of the Interior (*GovWorks*) for improvements to *GPO Access* that were ordered in fiscal 2004. System enhancements included increased storage capacity, stronger security, and improved user performance. This project was completed during fiscal 2008. As a result, the entire $2.5 million was expended as of September 30, 2008.

- In fiscal 2006, Congress appropriated $2 million (before rescission of $20,000) to the Revolving Fund for workforce retraining. As of September 30, 2009, GPO had expended the entire $1,980,000. At the end of fiscal 2008, $573,000 was available for expenditure.

- In fiscal 2007, Congress appropriated an additional $1 million to the Revolving Fund for workforce retraining. As of September 30, 2009, GPO had expended $18,000. At the end of fiscal 2009 and 2008, balances of $982,000 and $1 million 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. At the end of fiscal 2008, a balance of $1.3 million was available for expenditure.

- 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. As of September 30, 2009, GPO expended $422,000 from this appropriation. At the end of fiscal 2009 and 2008, balances of $808,000 and $1.1 million were available for expenditure.

- In fiscal 2009, Congress appropriated $4.995 million to the Revolving Fund for information technology development and facilities repair. As of September 2009, GPO expended about $2.8 million from the appropriation. At the end of fiscal 2009, about $2.2 million was available for expenditure.

- 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.

13. Appropriated Funds

13. A. Available Appropriations

The total appropriations made available to GPO, net of rescissions, for fiscal 2009 and 2008 were as follows.

(Dollars in thousands)

	2009	2008
Congressional printing and binding	$ 96,828	$ 89,775
Salaries and expenses	38,744	34,913
Revolving fund	4,995	—
Total available appropriations	**$ 140,567**	**$ 124,688**

13. B. Expended Appropriations

The total appropriations expended by GPO during fiscal 2009 and 2008 were as follows.

(Dollars in thousands)

	2009	2008
Congressional printing and binding:		
Congressional Record products	$ 22,368	$ 23,615
Miscellaneous publications and printing and binding	22,016	20,177
Hearings	18,064	16,019
Bills, resolutions, and amendments	7,177	7,378
Details to Congress	2,567	2,619
Other	8,614	14,119
Total congressional printing and binding	**80,806**	**83,927**
Salaries and expenses:		
Depository library distribution	22,857	23,309
Cataloging and indexing	6,911	6,368
By-law distribution	704	705
International exchange	1,387	1,348
Total salaries and expenses	**31,859**	**31,730**
Revolving Fund:		
Infrastructure improvements and other	6,353	13,854
Workforce retraining	592	677
Total revolving fund	**6,945**	**14,531**
Total expended appropriations	**$ 119,610**	**$ 130,188**
Reconciliation of expended appropriations to the consolidated statements of revenues, expenses, and changes in retained earnings:		
Total expended appropriations	**$ 119,610**	**$ 130,188**
Eliminations (Intra-agency)	(371)	(77)
Consolidated revenues from appropriations	**$ 119,239**	**$ 130,111**

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 2009 and 2008 for investigators and law-enforcement officers, and 7 percent of basic pay in both years for all other employees. GPO contributions were $3.9 million and $4.1 million for the years ended September 30, 2009 and 2008, 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 2009 and 2008. The FERS contribution rate for all other employees was 11.2 percent in both years. GPO contributions to FERS totaled $12.6 million for fiscal 2009 and $11.6 million for fiscal 2008.

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 2009 and $15,500 for 2008. Employees, who were 50 years old or older, were allowed additional catch-up contributions of $5,500 in 2009 and $5,000 in 2008. 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 $4.2 million in fiscal 2009 and $3.6 million in fiscal 2008.

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 2009 and $102,000 in 2008) 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, 2009 and 2008 totaled $10.0 million and $9.4 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 2009 and 2008, billings to those customers representing 10 percent or more of GPO's total billings follow.

(Dollars in thousands)

	2009		2008	
	Amount	Percent	Amount	Percent
Department of State	$ 174,312	18.7%	$ 366,302	35.1%
Department of Defense	109,162	11.7%	162,506	15.6%

The decrease in billings to the U.S. Department of State in fiscal 2009 is attributable to the decreased demand for U.S. Passports.

16. Impairment Loss

In the 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 FDsys requirements. The scalability constraints negated the future economic benefit to GPO. The $1.19 million that was written off had been reported as software-in-progress at September 30, 2008.

17. Fair Value Measurement

GPO adopted *Fair Value Measurements and Disclosures* (ASC 820-10), on October 1, 2008. 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, 2009 and 2008. 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, 2009.

18. Subsequent Events

GPO has evaluated subsequent events through January 8, 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
RSIP	GPO Retirement Separation Incentive Program
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
U.S.C.	United States Code
XML	Extensible Markup Language