

Date

March 27, 2013

To

Chief Financial Officer
Chief Human Capital Officer

From

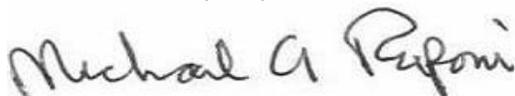
Inspector General

Subject

Audit Report – GPO Faces Challenges With Current and Former Employee
Indebtedness
Report Number 13-02

Enclosed please find the subject final report. Please refer to the “Results in Brief” for the overall audit results. Our evaluation of your response has been incorporated into the body of the report. We consider management’s comments responsive to all of the recommendations. The recommendations are resolved and will remain open pending our verification of the completion of the agreed upon corrective actions.

If you have any questions or comments about this report, please do not hesitate to contact me at (202) 512-0039.



MICHAEL A. RAPONI
Inspector General

Enclosure

cc:

Acting Public Printer
Assistant Public Printer, Operations
General Counsel



U.S. GOVERNMENT PRINTING OFFICE
OFFICE OF INSPECTOR GENERAL

**AUDIT REPORT
13-02**

**GPO Faces Challenges With
Current and Former Employee Indebtedness**

March 27, 2013

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Office of Inspector General

Report Number 13-02

March 27, 2013

GPO Faces Challenges With Current and Former Employee Indebtedness

Introduction

Concerned with employee indebtedness, the Acting Public Printer asked the Office of Inspector General (OIG) to determine whether GPO provided sufficient oversight of current and former employee indebtedness.

The debts of GPO employees generally result from events such as general time and attendance errors, Federal Employee Health Benefits premiums paid on behalf of an employee during periods of Leave Without Pay (LWOP), annual and/or sick leave taken but not earned, and salary advances taken without repaying GPO. GPO grants waivers for the health benefits debts of employees that retire on disability. As of November 30, 2012, there were 152 such accounts receivable/debts from current and former employees totaling \$245,104.95.¹

The Office of Finance and Administration is responsible for the Agency's daily financial management function. Its responsibility includes consolidation and reporting of Accounts Receivable. Accounts Receivable arise from claims to cash or other assets against another entity and include, but are not limited to, monies due for the sale of goods and services and monies due for indebtedness. The Office of Finance and Administration enters into an annual Interagency Agreement with the United States Department of Agriculture's National Finance Center (NFC) to be GPO's payroll service provider. That agreement includes providing debt management services such as monitoring and collecting receivables related to current and former employee indebtedness, providing cash reconciliation information, and providing debt problem resolution through the use of a call center.

The Office of the Chief Human Capital Officer is responsible for ensuring that appropriate officials are notified before the effective date of an employee's separation, so steps can be taken to minimize security risks and loss of property. GPO policy requires that all separating employees complete clearance procedures using GPO Form 2983, "Separation Clearance and Property Return Checklist," July 2011, (Form 2983) before termination, transfer, or separation from employment (see Appendix D).

¹ As of November 30, 2012, there were an additional 11 outstanding accounts receivable for \$28,519.91 incurred as a result of employee parking violations. We examined those debts as part of a previous OIG audit Report Number 12-14, "GPO Parking Program: Opportunities Exist to Further Strengthen Controls," July 25, 2012, and therefore were not included in our scope.

GPO has the right to withhold the final paycheck of any separating employee who is indebted to the Agency,

We conducted this audit to answer the following question: “Do opportunities exist to enhance controls over the prevention, establishment, and collection of debts owed GPO by current and former employees?”

To accomplish our audit objective, we reviewed policies and procedures in place as of November 2012. We sampled debts owed by current and former employees as of July 1, 2012, and reviewed monthly NFC debt reports from July through November 2012, to identify any significant process changes. To test controls over establishing, tracking, and collecting employee debts, we tested a random sample of 37 employee debts, which represented 25 percent of the population of debts as of July 1, 2012.

To gain an understanding of GPO’s processes related to employee indebtedness, we performed a walk-through of applicable processes with GPO staff. We also interviewed key management officials (from the GPO Offices of Finance and Administration, Human Capital, and General Counsel) responsible for establishing and monitoring the employee indebtedness process; and reviewing and approving employee debts.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence that provides a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. Our objective, scope, methodology, and criteria are detailed in Appendix A.

Results in Brief

The audit disclosed that generally GPO has worked toward developing policies that meet the objectives of the Debt Collection Improvement Act of 1996 (DCIA). However, several key areas existed where improvements would enhance controls over the prevention, establishment, and collection of debts owed GPO by current and former employees.

Of 37 sampled employee debts totaling \$86,971 management could not demonstrate that it followed proper procedures for 35, or 95 percent, totaling \$76,194, which resulted in the establishment of an employee debt. While several of the employee debts contained more than one instance, we identified the following key areas:

- **Administrative Oversight.** In 12 of 37 (32 percent) instances, employee debt resulted from errors such as an employee changing shifts without adjusting the shift pay differential, continuing to pay the salary of a former employee and a

summer intern who returned to school, processing a performance award several times, using an incorrect health insurance code, using the incorrect retirement system to calculate retirement benefits, and general time and attendance errors.

- **Advanced Leave.** In 11 of 37 (30 percent) instances, a GPO employee resigned, was terminated, or retired before repaying advanced annual and/or sick leave taken but not earned.
- **Health Benefits Paid by GPO During LWOP.** In 7 of 37 (19 percent) instances, GPO paid the employee's share of Federal Employee Health Benefits premiums during periods of LWOP and then the employee retired, resigned, or was terminated before repaying the debt.
- **Pay Advances Not Recouped.** In 5 of 37 (13 percent) instances, the employee received a salary advance but never had it offset from subsequent salary.

Our analysis also revealed that of 152 employee debts, 75 (40 percent) were delinquent more than 180 days and were either not transferred to the U.S. Department of Treasury (Treasury) for servicing or serviced by GPO using similar collection techniques.

Effective front-line supervision is the critical element for preventing employee debts as supervisors are responsible for reporting employee shift changes and other personnel actions, reviewing time and attendance, enforcing employee check-out procedures, and managing pay advances, leave and LWOP. However, as front-line supervision is subject to human error, sound internal controls should be in place to prevent or detect those errors in a timely manner. We found that improvement was needed in regard to those controls, specifically: (1) coordination between the GPO Offices of Finance and Administration and the Chief Human Capital Officer was not always present, (2) clearance procedures were not always followed in determining if employees had outstanding debts when terminated, transferred, or separated, (3) GPO did not maintain adequate records and reports of debts owed by employees, (4) collection procedures, including the withholding of an employee's final paycheck, were not always followed to ensure prompt and aggressive follow-up collection action on accounts, and (5) standard operating procedures for referring delinquent debt more than 180 days to Treasury or conduct debt servicing with similar collection techniques were not developed.

As a result, the risk for GPO of not collecting \$236,761 worth of current and former employee debts has increased.

Recommendations

We recommend that the Chief Human Capital Officer revise the GPO employee separation procedures by informing employees that the failure to complete and submit the employee checkout form may result in the withholding of any final payments due the employee.

We recommend that the Chief Financial Officer (1) establish and implement a process for periodically monitoring NFC's collection activities associated with employee indebtedness that will ensure collection activities are achieving the intended results, and (2) update all pertinent standard operating procedures and/or Directives to provide guidance to staff regarding the transfer of employee debt greater than 180 days to Treasury for debt servicing or develop a process to provide similar servicing activities by GPO, to maintain adequate supporting records for all employee debts, and to withhold the final paycheck of all departing employees who are in debt to the Agency.

Management's Response

Management concurred with the recommendations. The complete text of management's response is in Appendix B.

Background

Indebtedness for GPO employees was generally the result of:

- Administrative errors
- Unearned advanced leave
- Health Benefits paid by GPO during LWOP
- Pay advances not recouped

Concerns regarding non-tax delinquent debt owed to the Federal Government prompted Congress to enact DCIA, effective April 26, 1996. DCIA requires that agencies aggressively pursue collecting debt once it becomes delinquent beyond 30 days. In that regard, the agency may employ collection tools such as demand letters, negotiated repayment agreements, wage garnishment, and debt sales to collect non-tax delinquent debt. Also, DCIA requires that agencies reduce losses arising from debt management activities by requiring aggressive monitoring of accounts, and sharing of information among Federal agencies.

GPO Employee Debt Management Procedures

Employee debts can be identified by anyone such as an employee's co-worker, supervisor or new Federal employer; the Office of Human Capital during employee separation procedures; or the Office of Finance and Administration through periodic payroll and leave reconciliations along with the review of employee's status during the onboarding process and other actions initiated by the Office of Human Capital for employees.

Once identified, the debt is brought to the attention of the Office of Finance and Administration for collection. When that occurs, the debt is established by a representative from the GPO Payroll Office, who enters a command into the NFC GPO payroll system authorizing NFC to take collection action. Time and attendance corrections are handled solely by the GPO Payroll Office staff by entering the correction into GPO's automated time and attendance system. If a correction creates a bill, it is automatically set up by NFC as a bill. Payroll Office staff may also enter debts directly into the NFC system to be set up as bills to be collected.

Once the GPO Payroll Office directs that NFC establish the debt, NFC performs collection actions such as letters or salary offsets. There are also some occasions when the GPO Payroll Office also sends letters to debtors. If an employee leaves GPO and works for another Federal agency that NFC services, then NFC continues with its collection activities. For all other employees separating from GPO, NFC will take collection action only if GPO directs. For retiring employees, the bill for the debt should be forwarded to the Office of Personnel Management (OPM) for collection through annuity deductions if the Office of Finance and Administration requested that a bill be established.

NFC provides GPO with a monthly report of all debts that includes the debtor's name, original amount of the debt, age of debt, amount collected, last payment date, and debt balance.

Results and Recommendations

While GPO has established policies and procedures that address employee indebtedness, GPO could strengthen internal controls for preventing debts from occurring, establishing debts, and collecting debts timely. Specifically, we tested a random 25-percent sample of employee debts and found that procedures were not always followed for 95 percent of the debts sample. As of November 30, 2012, 75 of 152 employee debts (49 percent) were more than 180 days delinquent but were not transferred to Treasury or serviced by GPO with similar collection techniques.

Program Policies

GPO Directive 610.16, "Procedures for Employees Separating from the GPO," December 13, 2007, establishes controls for ensuring that all necessary GPO officials are notified before the effective date of separation so management can minimize security risks and loss of property. GPO policy requires that employees complete clearance procedures using Form 2983 before termination, transfer, or separation from employment.

GPO Directive 445.19, "Debt Collection Procedures," May 13, 1991, states: "it is the policy of GPO to take aggressive action, on a timely basis, with effective follow-up, to collect all claims of the United States for money or property, arising out of the activities of GPO."

With passage of DCIA, Congress provided Federal agencies with new and enhanced delinquent debt collection tools. Although not subject to the act, GPO adopted similar standards and operating procedures because it is consistent with GPO's mission and strategic goals. DCIA centralized delinquent debt collection at the U.S. Department of Treasury (Treasury) requires that it pursue those delinquent debts that are not actively being collected through a program referred to as cross-servicing. DCIA also established a centralized offset process at Treasury, known as the Treasury Offset Program, or TOP. TOP offsets Government payments due borrowers, such as income tax refunds and Social Security payments, and redirects them to Federal creditor agencies to which the borrower owes a delinquent debt. DCIA requires that related debt collection activities be consolidated within the Government, to the extent possible, to minimize the Government's delinquent debt collection costs. To achieve that, the agencies must refer to Treasury, debts that are delinquent more than 180 days for action. DCIA does, however, provide exceptions to the requirement.

Internal Control Requirements

The Government Accountability Office (GAO) *Standards for Internal Controls in the Federal Government*, November 1999, requires ongoing monitoring in the course of normal operation. Internal control is performed continually and ingrained in an

Agency's operations. GAO's standards include regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties. Those standards require the use of control activities described below:

- Control activities are the policies, procedures, techniques, and mechanisms that enforce management's directives, such as the process of adhering to requirements or budget development and execution. They help ensure that actions are taken to address risks. Control activities are an integral part of an entity's planning, implementing, reviewing, and accountability for stewardship of Government resources and achieving effective results.
- Control activities occur at all levels and functions of the entity. They include a wide range of diverse activities such as approvals, authorizations, verifications, reconciliations, performance reviews, maintenance of security, and the creation and maintenance of related records that provide evidence of execution of these activities as well as appropriate documentation. Control activities may be applied in a computerized information system environment or through manual processes.

Office of Management and Budget (OMB) Circular No. A-123, *Management's Responsibility for Internal Control*, dated December 21, 2004, requires that managers develop and maintain effective internal controls. Effective internal controls provide assurance that significant weaknesses in the design or operation of internal controls that could adversely affect an agency's ability to meet its objectives would be prevented or detected in a timely manner.

OMB Circular No. A-129, Revised, *Policies for Federal Credit Programs*, dated November 2000, states that "Federal receivables, whether from credit programs or other non-tax sources, must be serviced and collected in an efficient and effective manner to protect the value of the Federal Government's assets."

As a legislative branch agency GPO is not required to follow OMB Circulars, including Circulars A-123 and A-129. However, since those Circulars provide a sound basis for internal controls for any organization, GPO has incorporated the major requirements of Circulars A-123 and A-129 in its directives.

Finding 1. Controls Over Standard Operating Procedures should be Enforced to Minimize Employee Indebtedness

We performed tests of individual debts to assess actions taken by GPO and to determine why the debt was incurred. The results of our analysis are reflected in Table 1. See Appendix C for detailed results.

Table 1. Type and Frequency of Employee Debt from Sample

Reason for Debt	Number of Occurrences (Note 1)	Percent (Note 1)
Administrative Oversight	12	32%
Advanced Leave	12	32%
Health Benefits Paid During LWOP	7	19%
Salary Advance	5	14%
Employee Requested	2	5%
Unexplained by Management	2	5%

Note 1. Some of the debts contained more than one of the above attributes, which is why the totals exceed 37 and 100 percent. Percentages are rounded.

Administrative Oversight

Of the 37 debts in our sample, 12 were the result of administrative oversight. Examples of oversight include:

- Shift Change.* GPO is a 24-hour production facility with plant workers, support staff, and security working three shifts. As of October 2012, GPO had 410 employees working on night shifts. GPO guidelines require that employees working any hours between 6:00 p.m. and 6:00 a.m. (commonly referred to as second or third shifts) must receive a pay differential of 10 percent². On occasion, however, employees switch between shifts, which results in adjustments to pay. When that happens, it is the responsibility of the employee’s supervisor to initiate a Standard Form-52, “Request for Personnel Action” to effect the shift change, and the responsibility of the receiving supervisor to accurately record the hours and shift in the employee’s time and attendance record. We identified two instances in which employees transferred to day shift but continued to receive the 10-percent pay differential for an extended time period. This resulted in overpayments of \$11,917 and \$46,508.

² Specifically, GPO Directive 640.7d, “General Pay Administration” April 8, 2008, states, “Work performed at night will be paid for at the hourly day rate of basic pay plus 10 percent night differential...” and “Night work is any regularly scheduled or authorized tour of duty, 3 hours or more of which fall between 6 p.m. and 6 a.m.”

Because of the significance of those overpayments, we tested GPO's process for managing shift changes by obtaining a list of night-shift employees from the Office of the Chief Human Capital Officer. We then verified with each employee's supervisor whether the employees were actually working alternate shifts. Although we did not identify any additional employees incorrectly receiving the pay differential, we noted that GPO did not have the correct work shift on record for 10 employees.

- *Former Employee Continued to Receive Salary.* A former employee separated from GPO in 2008 and went to work for another Federal agency but continued to receive a salary from GPO, including a within-grade increase and a goal-sharing award. The error went undetected for 11 months, or about 23 pay periods until it was identified by coincidence. As of November 30, 2012, the former employee owed GPO more than \$24,000 and did not make any payment in nearly 3 years.
- *Performance Award Processed Multiple Times.* In 2011, an employee was processed for, and received, the same performance award three times. Each time the employee asked about the status of the performance award, another person initiated the award process resulting in an overpayment of \$4,500. The employee has been repaying the debt and as of November 30, 2012, had a remaining balance of \$888.
- *Former Summer Intern Continued Receiving Salary.* In 2003, a student intern left GPO to return to school but continued to receive a salary resulting in a debt of more than \$4,600. The former intern has been repaying the debt but as of November 30, 2012, 9 years later, still had a remaining balance of \$1,386.

Advanced Leave

At the beginning of each year, GPO advances annual leave and occasionally sick leave³ to employees meeting certain standards. An employee using leave in excess of what is earned and who subsequently leaves the Agency before earning the leave is indebted for the unearned portion of the leave. According to OPM policy, the employee is required to refund the amount of advanced leave or an agency may deduct that amount from any pay due the employee upon separation. Though no GPO-specific policy exists, GPO follows the OPM policy. Our examination of a sample of 37 debts disclosed 12 debts (32 percent) that were the result of the employees leaving GPO before earning and repaying leave the Agency advanced.

Health Benefits Paid During LWOP

GPO follows OPM policies for employees on long-term LWOP status. The Agency typically pays the employee's share of health benefits while in that status and the

³ GPO Directive 645.13, *GPO Leave Regulations*, states that a maximum of 30 days of sick leave may be advanced to an employee only in the event of serious and incapacitating illness, disability, or injury.

employee may choose between paying the Agency directly on a current basis, or having the premiums accumulate and withheld after returning to duty. If the employee leaves the Agency before repaying GPO, that employee is indebted to the Agency. Our examination additionally disclosed that seven debts (19 percent) were the result of seven employees leaving GPO before reimbursing their share of benefits cost. GPO Officials stated that employee debts incurred for health benefits during LWOP are often waived, if requested. We saw no evidence that GPO waived the seven noted debts.

Salary Advances

Of our sample of 37 debts, 5 were the result of outstanding salary advances. GPO policy allows employees to receive pay in advance in the cases of “personal emergencies involving the immediate and urgent necessities of life.” Requests for pay advances must be approved by the applicant’s supervisor using GPO Form 2005, “Application for Advance of Compensation” (Form 2005). The Office of Finance and Administration standard operating procedures require that advances must not be made to employees who have an open bill with the Agency and that employees must repay for pay advances within two pay periods. Those standard operating procedures further require that pay advances cannot be made for amounts greater than hours already worked or for more than the take home pay of the employee.

Our review of GPO salary advance data for the first half of 2012 showed that GPO was not following its policy for salary advances. Of the 33 salary advances through July 2012, 8 (24 percent) employees had not paid the advances back and owed the Agency more than \$6,900. In those cases, GPO handled the salary advances outside of NFC and relied on the receiving employee to repay the advance. Those employees did not, however, repay the advances on their own. Of the 33 advances, 12 did not have the required Form 2005 (request, approval and justification form), including 7 of the 8 who still owed GPO. One advance was given to an employee who already owed GPO \$100 from a previous debt.

Although the Office of Finance and Administration had standard operating procedures covering the salary advance process, the office did not apply adequate internal controls in the way of sufficient management attention and oversight of the process, to ensure that staff were following those procedures.

Employees Separating from the GPO

In 2011, OIG identified that management did not obtain and file a completed Form 2983 for 73 percent (143 of 194) of employees separating from GPO during Fiscal Year 2011. The pattern has continued. For the 23 employees in our sample who had separated from GPO, GPO could provide only 3 completed Form 2983s. Furthermore, of the three completed Form 2983s, only one noted the employee owing a debt. One employee’s Form 2983 specifically noted, “Employee Not Indebted.” That employee, however, actually owed more than \$1,300.

GPO Directive 610.16, “Procedures for Employees Separating from the GPO,” December 13, 2007, establishes controls for ensuring that all necessary GPO officials are notified prior to the effective date of separations so that the proper steps can be taken to minimize security risks and loss of property. GPO policy requires that employees complete clearance procedures using the Form 2983 before termination, transfer, or separation from employment (see Appendix D).

One of the steps in the process is to determine if there are any outstanding debts. Once departing employees with debts are identified, GPO then has the ability to hold an employee’s final paycheck to cover at least part of the debt. However, GPO did not follow that procedure for the debts in our sample.

Finding 2. Monitoring Debt Collection should be Enhanced

Of the 152 employee debts, 75 (49 percent) were more than 180 days delinquent. The table below contains an aging schedule for employee debts as of November 30, 2012.

Table 2. Aging of GPO Debts Owed by Current and Former Employees (as of November 30, 2012)

Age	< 30 Days	30-180 Days	6 Months – 1 Year	Over 1 Year
Debts	21	27	32	72
Amount	\$24,239.47	\$23,194.08	\$47,109.70	\$150,561.70
Debts Delinquent (note 1)	n/a	22 (81%)	26 (81%)	62 (86%)

Note 1. By delinquent, we mean debtor was not making regular payments.

As Table 2 shows, 72 percent of the debts (110 of 152 debts) of current or former employees owed were delinquent. Debts were delinquent from a range of 35 days to more than 9 years. DCIA authorizes two key tools for collecting referred delinquent debt: Government-wide cross-servicing and administrative offset. The first collection tool, Government-wide cross-servicing, requires debts more than 180 days delinquent must be referred to Treasury for centralized collection efforts. The provision also permits the voluntary transfer of debts less than 180 days delinquent. Treasury is managing this process and uses a variety of collection tools and strategies including private collection agencies, demand letters, administrative offset and negotiated repayment agreements. Through the TOP Program, Treasury has developed a process for matching Federal payments against debts owed to the Government. When a match occurs, the payment is offset up to the amount of the debt, less a pre-determined fee to cover operational expenses.

Employee Debt Records

GPO did not maintain files documenting outstanding debt and as a result, could not produce a report of current and former employee's debt. Our sample of 37 debts (25 percent) required a significant amount of research by GPO staff. After providing ample time to obtain documentation, GPO was still unable to provide it for 2 of the 37, and the documentation provided was incomplete.

NFC provides a monthly *Status of Debtor Accounts* report. That report did not, however, include all GPO debts such as those resulting from salary advances or from daily parking.

Furthermore, Office of Finance and Administration officials stated that much of the information in the report supporting the debts originated with the Office of the Chief Human Capital Officer. For those debts the Office of Finance and Administration was not familiar with the information and had to review records to determine the cause of the debt. Office of Finance and Administration personnel also stated that requests to NFC to make the report more useful to GPO had not been addressed.

GPO and Federal Government internal control standards require that all transactions and other significant events need to be clearly documented, and the documentation should be readily available for examination.

Over-Reliance on the Data Provided by NFC

GPO enters into an Annual Interagency Agreement with NFC for payroll and personnel processing. Under that agreement, NFC is required to "monitor and collect receivables related to current and former employee indebtedness." However, the Interagency Agreement does not alleviate GPO's responsibility to manage the debts.

Management relied on NFC with little oversight and monitoring. Although NFC provided the Office of Finance and Administration a monthly report of debts, NFC did not provide copies of letters it sent to debtors. Because NFC did not copy the Office of Finance and Administration, the Office of Finance and Administration did not know whether NFC was actively pursuing debtors identified in the report. For employees who had already left GPO, management relied solely on NFC to pursue collection and was not proactive in initiating collection action on those former employees.

Debts of Former Employees

Collection procedures were not always followed to ensure prompt and aggressive follow-up collection action on accounts of former GPO employees. GPO's payroll and personnel service provider for payments is NFC. Once an employee leaves GPO, however, NFC no longer takes any collection action unless the employee goes to

work for another Federal agency that NFC services. NFC can continue to try and collect debts from those other employees but only if directed to by GPO, which GPO has not done. Directive 445.19 allows GPO to pursue debts of former employees by requesting administrative offset either of the former employee's current agency or of the Civil Service or Federal Employee Retirement System.

As of November 30, 2012, 49 percent of the debts owed to GPO were from former employees.

Table 3. Debts Owed GPO—Employee Status (as of November 30, 2012)

Employee Status	Number of Debts	Amount
Current Employees	78	\$113,004.36
Former Employees	<u>74</u>	<u>\$132,100.59</u>
Total	152	\$245,104.95

Of the 74 former employees indebted to GPO, the average time since the last payment was more than 18 months. As of November 30, 2012, GPO had not received any payments in more than 6 months for 47 of those debts, totaling more than \$108,000. In our sample of 37 debts, GPO did not take collection action for 19 debts (51 percent), of which 13 were former employees.

Recommendations

We recommend that the Chief Human Capital Officer:

1. Revise GPO Directive 610.16, "Procedures for Employees Separating From the GPO", to inform employees that the failure to complete and submit the Separation Clearance and Property Return Checklist (GPO Form 2938) may result in the withholding of any final payments due the separating employee.

Management's Response

Concur. Management will draft a revised Directive 610.16 by April 15, 2013 (see Appendix B).

Evaluation of Management's Response

Management's planned action is responsive to the recommendation. The recommendation is resolved but will remain open pending completion of the corrective action.

We recommend that the Chief Financial Officer:

2. Periodically monitor of the National Finance Center's collection activities associated with employee indebtedness to ensure that all collection activities are achieving the intended results.

Management's Response

Concur. Management has begun to implement a number of actions. The Office of Finance and Administration is currently working with the Office of the Chief Human Capital Officer and NFC to review, research, and collect debts recorded in both GPO's and NFC records. The Agency is also revising its Debt Collection Directive.

Evaluation of Management's Response

Management's planned action is responsive to the recommendation. The recommendation is resolved but will remain open pending completion of all of the corrective actions.

3. Incorporate the requirements of transferring employee debt greater than 180 days to Treasury for debt servicing (or develop a process that will provide similar serving activities), maintaining sufficient supporting documentation for all debts, and withholding the final paycheck of all separating employees who are in debt to the Agency, into all pertinent standard operating procedures and/or Directives.

Management's Response

Concur. The Office of Finance and Administration has identified the delinquent debt and beginning in April, 2013 will work with NFC, the U.S. Office of Personnel Management, and the U.S. Department of Treasury to activate collection activities. The Office of Finance and Administration will also consider the use of private collection agencies. The Office of Finance and Administration is also working on enhancing its reporting of payables, and updating Standard Operating Procedures for debts monitoring and collections.

Evaluation of Management's Response

Management's planned action is responsive to the recommendation. The recommendation is resolved but will remain open pending completion of all of the corrective actions.

Appendix A - Objectives, Scope, and Methodology

We performed the audit from July through November 2012 at the GPO Central Office in Washington, D.C. We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence that will provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Objectives

We conducted this audit to answer the following question: “Do opportunities exist to enhance controls over the prevention, establishment, and collection of debts owed GPO by current and former employees?”

Scope and Methodology

To meet our objectives we performed the following:

- Reviewed Federal and GPO debt collection policies and procedures including the Federal Debt Collection Act of 1982; DCIA; GPO Directive 445.19; GPO Directive 610.16; and applicable Office of Finance and Administration standard operating procedures
- Discussed GPO debt management and collection procedures with personnel from GPO’s Office of Finance and Administration, the Office of the Chief Human Capital Officer, and General Counsel.
- To monitor debtor status and identify significant process changes, we reviewed monthly reports from July through November 2012, “Administrative Billings and Collections, Status of Debtor Accounts,” that NFC provided.
- Examined a random 25-percent sample of debts existing as of July 1, 2012, to determine why the debt was incurred and to assess management controls and all collection actions taken by GPO (see Sampling Methodology).
- Examined GPO’s pay advance process by requesting data of all pay advances issued through July 2012 and testing whether each advance met approval, documentation, and repayment requirements.
- Tested GPO’s management over shift changes by obtaining a list (for pay period 18) of all GPO employees on record of working night shift; confirming

the shift with those employee’s Business Unit Heads; and obtaining the earnings and leave statement for those employees in question.

Sampling Methodology

To test individual debts and determine why the debt was incurred and to assess management controls and all collection actions taken by GPO, we examined a random sample of those debts using the following steps:

1. Constructed a report of all debts owed GPO by current and former employees as of July 1, 2012, by obtaining the NFC report of Status of Debtor Accounts as of July 1, 2012, and added other debts not tracked by NFC from GPO’s offices of Cash Management, Parking, the Office of the Chief Human Capital Officer, OIG, and General Counsel to add other debts not tracked by NFC.
2. Totaled all debts, which equaled 161 debts totaling \$288,061.
3. Adjusted the 161 debts by removing 15 debts that were incurred as a result of employee parking violations. The debts were examined as part of a previous OIG audit and, therefore, further examination was not necessary. This left an audit population of 146 debts worth \$250,303.

We randomly selected a sample of 37 from a total of 146 employee debts. We used EZ Quant Statistical Analysis Software to support our statistical sampling. EZ Quant Statistical Analysis Software was developed by the Defense Contract Audit Agency and is used to generate sample sizes and random numbers and estimates.

<u>Parameters</u>	<u>Debts</u>	<u>Dollars</u>
Universe Size	146	\$250,303
Confidence Level	80 percent	
Sample Size	37	\$ 86,971
Number of Occurrences	35	\$ 76,194

<u>Precision Limits</u>	<u>Debts</u>	<u>Dollars</u>
Lower Limit: 87.3 percent	124	\$218,514
Point Estimate: 94.6 percent	138	\$236,761
Upper Limit: 99 percent	145	\$247,800

Appendix C details the sample results.

We used the results of our test to support our assessment of controls over the cause, establishment, recording, documenting, tracking, and collection of the debts.

Management Controls Reviewed

We determined that the following internal controls were relevant to our audit objective:

Program Operations – Policies and procedures management implemented to reasonably ensure that the debt management program met GPO’s objectives.

Validity and Reliability of Data – Policies and procedures management implemented to reasonably ensure that valid and reliable data are obtained, maintained, and fairly disclosed in reports (See Computer-generated Data below).

Compliance with Laws and Regulations – Policies and procedures management implemented to reasonably ensure that resource use is consistent with laws and regulations.

The details of our examination of management controls, the results of our examination, and noted management control deficiencies are in the report narrative. Implementing the recommendations in this report should improve those management control deficiencies.

Computer-generated Data

We relied on computer-generated data during this audit. Specifically, we relied on the NFC-generated *Status of Debtor Accounts* report provided to GPO each month. We assessed the reliability of the data but did not test general system and application controls as those controls existed within NFC in New Orleans, Louisiana. In order to test the reliability of the data on the report, we attempted to compare individual debt amounts in the report with corroborating documentation available through GPO. As a result of GPO’s lack of supporting documentation, for the most part we were unable to perform those tests. Therefore, we determined that the data were unreliable but nevertheless usable to meet our audit objectives and support our conclusions.

Appendix B – Management’s Response



MEMORANDUM

Revised Draft Report - Audit of GPO Employees' Debts 3-21-2013 03/26/13
SUBJECT DATE

Chief Human Capital Officer
REPLY TO ATTENTION OF

Assistant Inspector General for Audits
TO

Recommendations

We recommend that the Chief Human Capital Officer:

1. Revise GPO Directive 610.16, "Procedures for Employees Separating From the GPO", to inform employees that the failure to complete and submit the Separation Clearance and Property Return Checklist (GPO Form 2938) may result in the withholding of any final payments due the separating employee.

Human Capital concurs with this recommendation and we will draft a revised Directive 610.16A that will specifically address this issue no later than April 15, 2013.

A handwritten signature in cursive script that reads "Ginger T. Thomas".

GINGER T. THOMAS
Chief Human Capital Officer

Appendix B – Management’s Response



MEMORANDUM

Management's Response to the Findings in the Debt Audit Report

03/25/13

SUBJECT

DATE

Chief Financial Officer (CFO) 

REPLY TO ATTENTION OF

Inspector General (IG)

TO

Please find below the Finance and Administrations response to the Debt Collection Audit and findings. It was determined that we are in agreement with the issues that were reported in the audit and have outlined a course of action to correct the problems and develop a comprehensive collection plan.

Recommendation 1 - We recommend that the Chief Financial Officer:

- (1) Establish and implement a process for periodically monitoring NFC's collection activities associated with employee indebtedness that will ensure collection activities are achieving the intended results, and,
- (2) Update all pertinent standard operating procedures and/or Directives to provide guidance to staff regarding the transfer of employee debt greater than 180 days to Treasury for debt servicing or develop a process to provide similar servicing activities by GPO, to maintain adequate supporting records for all employee debts, and to withhold the final paycheck of all departing employees who are in debt to the Agency.

Management Response - Management concurs with this recommendation and is in the process of implementing corrective actions.

As of the date of this response, we are currently working with the Office of the Human Capital and the National Finance Center (NFC) to review, research, correct, and collect debts recorded in both the agency's records and those that are listed on the NFC monthly Administrative Billings Collections Office (ABCO) Status of Debtor report.

GPO's Personnel/Payroll IT Specialists are producing reports to show money returned to the agency from each bi-weekly payroll run. The receivables and payables are being automated in Disbursing, so that reports will be generated to add to the review of reports on outstanding debts which will occur as part of each normal pay processing cycle. We expect that the automation of the report writing capability in Disbursing to be completed by the end of the fiscal year.

As debt collection procedures are developed, Standard Operating Procedures (SOP's) will be prepared with each organization and cross organizations identified with their duties and responsibilities outlined. We plan to work with the office of Human Capital to determine the best course of action to ensure that employees do not leave the agency without paying their debts to GPO. We will be withholding final lump sum payments, setting up payment plans through NFC, along with the establishment of employee direct payment capabilities. We expect to complete these new processes by the end of the fiscal year.

Finance is currently reviewing the draft Debt Collection Directive. The revised directive is being prepared by the Office of the General Counsel. The directive will incorporate an overall agency-wide debt collection policy. Once the directive has been approved, procedures will be developed by Finance, when necessary, to document procedures related to collecting the agency's outstanding employee debts.

GPO Form 731A
(R 9-07)

Appendix B – Management’s Response



MEMORANDUM

Recommendation 2 - Periodically monitor the National Finance Center’s collection activities associated with employee indebtedness to ensure that all collection activities are achieving the intended results.

Management Response - Management concurs with this recommendation and has implemented corrective actions.

Beginning in March 2013, the Debt Manager has been reviewing the monthly ABCO report against the agency records and the information forwarded to the General Accounting Branch from NFC. This review ensures that funds collected through the Payroll bi-weekly pay run are reported properly. All scheduled pay reports are being reviewed for accuracy, along with system generated reports for collection.

Recommendation 3 - Incorporate the following requirements – transferring employee debt greater than 180 days to Treasury for debt servicing (or develop a process that will provide similar serving activities), maintaining sufficient supporting documentation for all debts, and withholding the final paycheck of all separating employees who are in debt to the Agency – into all pertinent standard operating procedures and/or Directives.

Management Response - Management concurs with this recommendation and has implemented corrective actions.

We have identified the delinquent debt. Beginning in April 2013 in conjunction with the NFC, OPM, and the Treasury, we will be activating the collection of all delinquent debts, through the named agencies. We will also be considering the advantages and or disadvantages of collecting through private agencies.

Appendix C –Details on Debts Sampled

Sample No.	Balance	Date Established	Last Payment	Reason for Debt/Explanations From GPO Management
1	\$1,643.83	June 12, 2012	none	Administrative Error. The only explanation provided by management was that it was a “T&A correction.” Management could provide no other explanation or supporting documentation.
2	\$1,048.02	Feb. 8, 2012	none	Administrative Error. Management explained that the Agency calculated the employee’s retirement based on the incorrect retirement system (Federal Employee Retirement System instead of Civil Service Retirement System) resulting in a debt which is yet to be resolved. Employee left the Agency in 12/11.
3	\$2,177.79	Nov. 16, 2011	none	Leave Not Earned. The debt was incurred as a result of annual and sick leave indebtedness when employee left Agency on 9/30/10 before earning back all leave used.
4	\$773.74	Oct. 16, 2003	10/24/06	Leave Not Earned. Employee was dismissed from GPO on 9/11/06 and was indebted to the Agency for the leave used but unearned at that point.
5	\$669.08	March 1, 2008	current	Leave Not Earned. Employee left the Agency on 12/31/07 and was indebted to the Agency for the leave used but unearned at that point. Former employee is making regular payments.
6	\$168.94	June 8, 2009	none	Health insurance indebtedness as a result of LWOP. Employee left the Agency on 6/1/09.
7	\$85.97	Nov.16, 2010	none	Leave Not Earned. Health insurance indebtedness as a result of LWOP. Employee retired on 10/8/10.
8	\$975.78	Oct. 24, 2011	none	Leave Not Earned. Employee was dismissed on 9/30/11 and was indebted as a result of annual and sick leave used but unearned at that point.
9	\$405.36	n/a	none	Administrative Error. The only explanation provided by management was that it was a “T&A correction.” Management could provide no other explanation or supporting documentation and could not provide date when the debt was incurred.
10	\$4,014.36	May 1, 2012	none	Leave Not Earned, Health insurance indebtedness as a result of LWOP. Former employee had debts due to Office of Workmen’s Compensation Program (OWCP) fraud, Health Insurance indebtedness, and leave indebtedness. Employee was dismissed for OWCP fraud. According to Associate General Counsel, employee currently has an active case against GPO but GPO’s case is difficult to defend due to lax documentation. Employee has five other debts to GPO.
11	\$24,251.21	July 1, 2009	6/5/11	Administrative Error. Employee left GPO on 4/11/08, to work for the Department of Defense but continued to receive pay from GPO. Also received a within-grade increase on his GPO salary and received a \$480 GPO goal-sharing award while working for Defense. Was discovered by chance over 1 year later.
12	\$959.90	Oct. 16, 2003	none	Health insurance indebtedness as a result of LWOP. Employee left the Agency on 12/1/03 with health insurance indebtedness as a result of LWOP.

Appendix C –Details on Debts Sampled

Sample No.	Balance	Date Established	Last Payment	Notes
13	\$8,453.78	May 16, 2012	current	Employee's Choice. Rehired as reemployed annuitant before lump sum retirement bonus period expired—but employee agreed to set up debt to pay it back as part of his rehire. Employee was making regular payments.
14	\$121.74	May 24, 2009	none	No Explanation. Management could provide no explanation or supporting documentation other than “salary overpayment.”
15	\$374.00	Not available	none	Pay Advance Not Recouped. Management could provide no other support.
16	\$131.17	June 16, 2012	Paid in full	Administrative Error. Debt due to T&A Correction.
17	\$1,193.52	June 29, 2012	none	Leave Not Earned. Debt incurred as a result of annual leave indebtedness when employee separated. Employee has two other outstanding debts.
18	\$1,069.66	Jan. 16, 2009	3/24/09	Health Insurance Indebtedness as a result of LWOP. Employee left the Agency on 5/4/09 and was indebted for health insurance debt as a result of LWOP.
19	\$2,706.09	May 24, 2008	none	No Explanation. Management could provide no explanation.
20	\$83.87	Oct. 24, 2008	current	Pay Advance Not Recouped. Debt incurred as a result of pay advance. Employee was making regular payments.
21	\$85.90	Sept. 16, 2009	n/a	Administrative Error. Employee is on long term LWOP, but Agency had not issued a corresponding SF 50, “Notification of Personnel Action,” and, therefore employee kept getting billed improperly for health insurance.
22	\$7,253.73	Jan. 16, 2012	none	Leave Not Earned. Employee left agency on 11/29/11 with annual and sick leave indebtedness.
23	\$11,632.50	Sept. 16, 2009	none	Administrative Error. Employee changed from night shift to day shift with no corresponding personnel action. Employee was dismissed from GPO on 1/11/10.
24	\$105.06	Sept. 8, 2011	current	Pay Advance Not Recouped. Debt incurred as a result of pay advance. Employee is making regular payments.
25	\$2,323.58	Jan. 24, 2012	current	Employee's Choice. Employee used up all leave for a medical emergency but wanted to restore his sick leave and therefore set up a debt for sick leave buy-back on his own. Employee was making regular payments.
26	\$59.64	June 16, 2010	none	Administrative Error. T&A correction. Time incorrectly charged to leave but should have been LWOP. Employee left Agency on 4/13/12.
27	\$863.03	Sept. 24, 2011	none	Pay Advance Not Recouped, Health Insurance indebtedness due to LWOP. Debt resulted from pay advance and paid leave for LWOP. Employee left on 10/30/09. Agency officials think employee may have left on disability but had no records.
28	\$1,166.79	May 24, 2011	current	Leave Not Earned. Employee had OWCP case and sick leave indebtedness. Employee separated from the agency on 4/30/11. Making regular payments.
29	\$280.70	Not available	Paid in full	Administrative Error. Employee overpaid as a result of duplication of travel payment. Employee re-paid in full. Date of claim not available.

Appendix C –Details on Debts Sampled

Sample No.	Balance	Date Established	Last Payment	Notes
30	\$1,300.00	Dec. 16, 2010	current	Administrative Error. Incorrect health insurance. Employee left on 8/22/12 after audit started while he still owed \$1,300. Separation checkout form stated, “employee not indebted” and signed by Office of Finance Administration employee.
31	\$1,417.08	June 8, 2011	none	Leave Not Earned. Employee left the Agency on 4/30/11 with annual leave indebtedness.
32	\$241.60	Not Available	none	Pay Advance Not Recouped. Debt due to pay advance not recouped. No dates provided.
33	\$113.15	June 8, 2009	2/22/10	Leave Not Earned. Employee had leave indebtedness and OWCP issues.
34	\$6,660.44	May 8, 2010	6/1/10	Administrative Error. Debt incurred as a result of incorrect health insurance code. Employee left the Agency on 4/28/10.
34	\$251.61	Feb. 8, 2012	current	Leave Not Earned. Employee left the Agency on 6/30/12 with annual and sick leave indebtedness.
36	\$1810.65	Oct. 1, 2003	current	Administrative Error. Was a student intern. Left to go back to school but continued to get paid. Making regular payments.
37	\$98.28	June 29, 2012	current	Administrative Error. Debt incurred as a result of overpayment on hazard pay.

Reason for Debt	Number of Occurrences ⁽¹⁾	Percent ⁽¹⁾
Administrative error	12	32
Advanced leave not earned	12	32
Health benefits paid by GPO during extended LWOP	7	19
Salary advance not repaid	5	14
Employee’s choice	2	5
No explanation	2	5
(1) Some of the debts contained more than one of the above attributes, which is why the totals exceed 37 and 100 percent. Percentages are rounded.		

Appendix D – Separation Clearance and Property Return Checklist



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Human Capital Office

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SEPARATION CLEARANCE AND PROPERTY RETURN CHECKLIST

Employee Name (print) _____ Business Unit _____ Shift _____ Section _____
 Effective Date of Separation _____ Payroll Number _____ Resignation Retirement Other _____

Employee: This form consists of two parts: Separation Clearance and Property Return. To complete the Separation Clearance section, you **must** go to each office listed. However, to complete the Property Return section, if you do not have items from a particular office (i.e. parking permit) then you do not have to go to that office. Please visit the offices listed between the hours of 7:30am and 4:00pm and plan to do so 2 days prior to your last day, if possible. Night employees may request 2 hours of Administrative Leave to complete this form. Return the completed form to Human Capital Shared Services in room A-731.

Note: Failure to obtain all clearances may cause delays in processing your separation pay.

SEPARATION CLEARANCE

1. EMPLOYEE RELATIONS (ROOM C-600)

Employee has no adverse action pending: Yes No

HC Specialist (print name) _____ Signature _____ Date _____

2. HUMAN CAPITAL CONSULTING (ROOM A-638) Employee has unfulfilled service agreement for:

Student Loan Repayment Recruitment Bonus Retention Bonus Relocation Payment

HC Specialist (print name) _____ Signature _____ Date _____

3. PAYROLL SECTION (ROOM A-636) Does employee have any indebtedness for:

Annual Leave Sick Leave Remarks: _____

Payroll Section Official (print name) _____ Signature _____ Date _____

4. SECURITY SERVICES (ROOM A-648)

Employee did not require a security debriefing
 Employee was debriefed and completed GPO Form 1497 (Security Termination/Debriefing statement)

Personnel Security Specialist (print name) _____ Signature _____ Date _____

KEYS

Employee had no door keys
 Employee has returned all issued door keys
 Employee cannot account for some/all door keys issued (Key # _____)

Key Control Officer (print name) _____ Signature _____ Date _____

5. GPO UNIVERSITY (ROOM C-565) Employee has unfulfilled service agreement for Tuition Reimbursement:

Yes No

HC Specialist (print name) _____ Signature _____ Date _____

GPO FORM 2983
7/2011

Appendix E - Status of Recommendations

Recommendation	Resolved	Unresolved	Open/ECD*	Closed
1	x		May 30, 2013	
2	x		September 30, 2013	
3	x		September 30, 2013	

*Estimated Completion Date.

Appendix F – Final Report Distribution

Acting Public Printer
Assistant Public Printer, Operations
General Counsel

Major Contributors to the Report

Karl Allen, Lead Auditor