



U.S. GOVERNMENT PRINTING OFFICE  
OFFICE OF INSPECTOR GENERAL

**AUDIT REPORT  
14-07**

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**Changes Can Provide GPO Better Information on Establishing  
Billing Rates for Congressional Hearings (Product Code 83)  
Report Number 14-07**

**March 24, 2014**

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**Date**

March 24, 2014

**To**

Chief Financial Officer

**From**

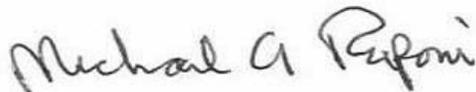
Inspector General

**Subject**

Audit Report—Changes Can Provide GPO Better Information on  
Establishing Billing Rates for Congressional Hearings (Product Code 83)  
Report Number 14-07

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 the recommendations. The recommendations are resolved but will remain open pending completion of the planned corrective actions.

We appreciate the courtesies extended to the audit staff during our review. If you have any questions or comments about this report, please do not hesitate to contact Mr. Jeffrey C. Womack, Assistant Inspector General for Audits and Inspections at (202) 512-2009 or me at (202) 512-0039.



MICHAEL A. RAPONI  
Inspector General

Enclosure

cc:

Public Printer

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# Office of Inspector General

Report Number 14-07

March 24, 2014

## Changes Can Provide GPO Better Information on Establishing Billing Rates for Congressional Hearings (Product Code 83)

### Introduction

At the request of the Committee on House Administration, the Office of Inspector General (OIG) conducted a performance audit to determine the steps GPO took in establishing the billing rates for congressional products. For the purpose of this audit, we reviewed congressional hearings (GPO Product Code 83) and did not draw a conclusion on other product codes. Congress creates many products for documenting its activities. A congressional hearing is a meeting or session of a Senate, House, joint, or special committee of Congress, usually open to the public for obtaining information and opinions on proposed legislation, conducting an investigation, or evaluating/overseeing the activities of a Government department or implementation of a Federal law.

For Fiscal Years (FYs) 2011 and 2012, GPO billed for approximately 150 congressional printing-related product codes for a total of \$146 million. Congressional hearings (Product Code 83) constituted approximately 21 percent of the total billings or \$33.9 million. Congressional printing operates on a cost-recovery basis and recovers funds from the Congressional Printing and Binding (CP&B) appropriation. GPO recovers funds based on the volume of work in terms of both the number of pages and copies produced. GPO charges the CP&B appropriation for printing based on the number of pages of the final printed product multiplied by pre-established page rates. GPO publishes per-page billing rates by the type of product printed (for example, the Daily Congressional Record and Hearings) and the format in which the product is received (such as electronic file, camera-ready copy, or manuscript copy).

The CP&B appropriation is, in effect, an appropriation by Congress to itself covering its costs for printing. For FY 2013, the CP&B appropriation totaled \$91.3 million. For FY 2014, GPO requested \$79.7 million—a decrease of \$11.5 million from FY 2013, as the result of funds remaining from FY 2012. The CP&B appropriation reimburses the GPO Revolving Fund for costs incurred to produce congressional work.

To gain an understanding of policies, procedures, systems, and processes related to establishing congressional billing rates, we performed walk-throughs of applicable processes with pertinent GPO staff. We interviewed management officials

responsible for establishing and monitoring congressional billing rates as well as reviewing and approving congressional billing rate changes. For congressional hearings—Product Code 83—which represented the greatest volume of GPO’s congressional printing, we identified the processes for: (1) establishing the various cost rates applicable to hearings, (2) printing the hearings, and (3) applying costs to the various stages of the print process. We then tested the cost accounting process and reviewed billing rates. Testing and reviewing were accomplished by a combination of analyzing a random sample of completed jackets for congressional hearings (Product Code 83) as well as tracing the cost accumulated in the process, validating the costs, and comparing billings to actual costs. We analyzed a statistical sample of 159 congressional hearing jackets for the 15-month period ending December 31, 2012. We analyzed 31 high-dollar jackets out of the 159 randomly selected items that totaled \$1,339,918 (23 percent of the high-dollar strata). The high-dollar stratum consisted of 83 jackets totaling \$5,925,682 or 29 percent of the universe of \$20,548,565.

We conducted this performance audit from March through December 2013, 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. Our objective, scope, methodology, and criteria are detailed in Appendix A.

## **Results in Brief**

Unlike most Federal agencies, GPO must fund the costs, in large part, of running the agency out of the rates it charges to Congress, agencies, and the public as required by chapter 3, title 44 of the United States Code, which states that GPO:

Shall be reimbursed for the cost of all services and supplies furnished, including those furnished other appropriations of the GPO, at rates which include charges for overhead and related expenses, depreciation of plant and building appurtenances, except building structures and land, and equipment, and accrued leave.

As a result, GPO analyzes rates on the aggregate (all product codes) annually and adjusts the pricing on the aggregate (based on an annual percentage) to adjust for the plant’s overall costs each year.

While we agree recovering costs is required, our audit disclosed that the framework for formulating and analyzing billing rates for congressional hearings (Product Code 83) could be strengthened, individual product rates should be analyzed more frequently, and data reliability used in support of establishing billing rates should be strengthened.

Federal guidelines state, in general, that cost information is important in calculating reimbursements for products and services provided by one Government agency to another. With such information, program managers can properly inform the public, Congress, and Federal executives about the costs of providing the goods or services. In addition, establishing effective billing rates helps control costs, measure performance, and make other important management decisions related to congressional products needed in times of fiscal challenges.

The Chief Financial Officer (CFO) stated that GPO meets its statutory requirements and recovers costs while not overcharging Congress. As part of the operating budget review, GPO analyzes page rates annually. Those rates are adjusted for all products, not simply individual products. The CFO acknowledged that, at this time, it is not possible to readily identify all of the actual costs of individual products following the current process and agreed that it would be desirable to have up-to-date, accurate, and detailed cost information on all of its congressional products. However, the CFO also stated that performing any product costing analysis would be time consuming and costly, and considering that GPO is meeting statutory requirements and has not overcharged Congress on the whole (as evidenced by the GPO plant losses over the past several years) such analyses should be gradual, cyclical, and performed under careful guidance and clear policy.

## **Recommendations**

We recommend that the Chief Financial Officer strengthen controls over establishing billing rates by taking the following actions:

1. Develop and maintain comprehensive guidance in the form of policies and procedures for establishing billing rates for congressional hearings (Product Code 83). Guidance should include policies and procedures for assigning and/or allocating both corporate and product overhead costs and idle time for inclusion in billing rates.
2. Analyze and update costing and billing rate documentation associated with congressional hearings (Product Code 83).
3. Conduct an analysis that will determine system requirements required to further develop and implement a comprehensive management cost accounting system in support of the establishment of congressional billing rates for congressional hearings (Product Code 83). The analysis should determine the feasibility of fully automating and integrating GPO's Plant Operations workflow systems and processes with GPO's financial systems.

## **Management's Response**

Management concurred with the recommendations. The CFO reiterated that GPO meets its statutory requirements and recovers costs while not overcharging Congress. The complete text of management's response is in Appendix C.

## Background

GPO publishes and disseminates official and authentic Federal Government publications. In addition, GPO performs almost all printing for Congress in-house. Each year, Congress creates thousands of products that document its activities. Publication of those documents is carried out pursuant to statute, or by resolution of the House or Senate, acting separately or jointly. Congressional products include, but are not limited to, the following.

- Congressional Record (daily edition). A substantially verbatim account capturing the proceedings of the House and Senate.
- Hearings. All published hearings held before committees.
- Miscellaneous Publications. Includes for example, the Congressional Directory, House and Senate Journals, memorial addresses, nominations, serial sets, and unnumbered publications.
- Envelopes and Franks. Franked (indicia) envelopes and perforated sheets with the signatures of Members for mailing documents.
- Calendars. House and Senate business and committee calendars.
- Bills, Resolutions, and Amendments. Printing of legislative measures, including prints as introduced, reported, and adopted or passed.
- Committee Reports. Documents of congressional committees on pending legislation that carry a congressional document number.
- Documents. House and Senate documents that carry a congressional number. Examples may include annual reports, engineers' reports made by Government agencies, or estimates of appropriations.
- Committee Prints. Documents on pending legislation printed for the internal use of committees.

### **Congressional Hearings—Product Code 83**

A congressional hearing is a meeting or session of a Senate, House, joint, or special committee of Congress, usually open to the public for obtaining information and opinions on proposed legislation, conducting an investigation, or evaluating/overseeing the activities of a Government department or the implementation of a Federal law. In addition, hearings may also be purely exploratory in nature, providing testimony and data about topics of current interest.

Most congressional hearings are published from 2 months to 2 years after they are held.

For FY 2013 through May 31, GPO published more than 1,000 congressional hearings for a cost exceeding \$11.2 million. The costs for printing each hearing during that time ranged from a scant \$179 to more than \$128,000 to print a single hearing. Examples of printed hearings are shown in Figure 1.

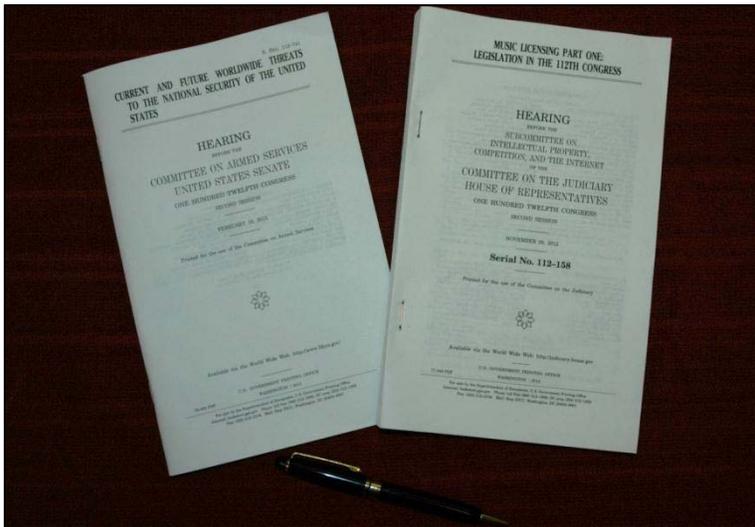


Figure 1: Samples of products—printed hearings.

## Responsible Office for Billing Rate Formulation

The Rates and Investigations Branch within the Office of Finance and Administration is responsible for establishing billing rates for GPO products and services. However, both the Office of Congressional Publishing Services and Plant Operations play an interdependent role in processing requests, producing products, and billing charges for services provided to Congress.

## Supporting Computer Applications

GPO captures and accumulates congressional product costs and tracks jobs using the following computer applications.

- **GPO's Business Information System (GBIS) (GPO's financial system).** In addition to producing the Agency's financial statements and other important tasks in the Office of Finance and Administration, GPO uses GPO's Business Information System, or GBIS, to support Business Units such as Plant Operations, Library Services and Content Management, Security and Intelligent Documents, and Customer Services. GBIS includes various modules such as the General Ledger, Fixed Assets, Public Sector Payables, Receivables, Purchasing, Inventory Management, Order Management, Oracle Project (Work-in-Progress).

- **Production Reporting for Operations, Budgeting, and Expenditures (PROBE).** The Production Reporting for Operations, Budgeting, and Expenditures, or PROBE, system captures the daily labor, machine, leave, and platemaking transactions for employees working in the plant. PROBE terminals are used each workday by employees, supervisors, or other designated personnel to record attendance and labor production transactions. Data are stored daily on a mainframe until PROBE is closed out.
- **Production Estimating and Planning System (PEPS).** The Production Estimating and Planning System, or PEPS, is used primarily to facilitate congressional print jobs as well as print jobs for other Federal agencies. GPO's plant operations rely on PEPS to provide production estimating, scheduling, and tracking functions as well as a centralized point for data collection and record keeping for in-house production. The application is used in part to create in-house work jackets and interfaces with various other non-major applications such as the bindery cost calculating application, GBIS project costing application, and the cost accounting system application.

### **Process for Accumulating Product Costs**

GPO uses the following step-by-step routine for processing requests for printing hearings, producing products, and providing Congress with an accounting for the services. A flowchart of the process is detailed in Appendix B.

1. *GPO Congressional Publishing Services.* GPO receives GPO Form 262, "Requisition for Printing," from Congress, and assigns a requisition and jacket number and records that information as well as other job information (for example, product code, Billing Address Code [BAC]) into PEPS, which interfaces with GBIS where the job transaction record is created. Congressional Publishing Services then hand carries the requisition in a folder to the GPO Plant Operations' Production Planning and Control Division.

2. *Production Planning and Control Division.* Upon receipt of the hard copy folder containing GPO Form 262, the Production Planning and Control Division estimates the time, materials, and tasks required for completing the job and then forwards the updated information in the hard copy jacket folder to the Plant Operations' Pre-Press Division.

3. *Pre-Press Division.* Upon receipt of the hard copy jacket folder and the file (either electronic, manuscript, or camera-ready copy) from the Production Planning and Control Division, the division performs proofreading and mark-up, text processing, video keyboarding, and platemaking as necessary. Labor is scanned into PROBE at the end of each shift and the jacket cost in GBIS is updated based on that PROBE data. The PROBE system captures the daily labor, machine, leave, and platemaking transactions for employees working in

the plant. PROBE terminals are used each workday by employees, supervisors, or other designated personnel to input attendance and labor production transactions. Upon completion, the updated hard copy jacket folder and finished plates are delivered to the Plant Operations' Press Division.

4. *Press Division*. Upon receipt of the plates and hard copy jacket folder from the Pre-Press Division, the division prints the hearing, typically using one of three Hantscho Offset Web presses. Sometimes Heidelberg Single color press is used for color. Upon completion, printed material as well as the hard copy jacket folder is moved to the Plant Operations' Binding Division. Labor is scanned into PROBE at the end of each shift, and the jacket cost in GBIS is updated.

5. *Binding Division*. Upon receipt of the printed material and hard copy jacket folder from the Press Division, the division binds the pages into the final document. Binding for hearings is usually performed using the gathering machine in the Press Division's Record Section (cost code 7400). Upon completion, the finished booklets are stacked and stored at various staging areas within GPO headquarters until they are delivered to Congress. Personnel closeout PEPS for the jacket and send the hard copy jacket folder to the Office of Finance and Administration's Plant Billing Branch. Labor is scanned into PROBE at the end of each shift, and the jacket cost in GBIS is updated.

6. *Office of Finance and Administration Plant Billings Branch*. Upon receipt of the final hard copy work jacket folder, personnel calculate the amount to be billed to Congress. An analyst retrieves the jacket/project in the financial accounting system; verifies the information in the financial accounting system to the jacket; and retrieves the labor costs, if any, from the financial accounting system. Using an Excel® spreadsheet, a financial analyst calculates the total costs to be billed using the number of billable pages multiplied by that fiscal year's rate per page. The Analyst manually enters the number of billable pages, BAC code, number of copies, product code for hearings (83), and billable costs into the financial accounting system. A GPO Source Report<sup>1</sup> is created and sent to the Office of Congressional Publishing Services for distribution to the individual congressional committees.

A congressional committee may request that its hearings be posted online and not printed. In such a case, GPO follows the same billing procedures, but does not request an estimated cost from Plant Operations because the job will be billed at a flat rate per file. When the committee sends hard copy documents or files requiring manipulation by GPO, additional processing is necessary to prepare it for posting online and the flat rate does not apply.

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<sup>1</sup> The Source Report lists by BAC, the billing date, class (product code), product title, number of copies, and billed amount for each individual jacket and corresponding requisition number.

GPO submits a monthly summary to the Disbursing Section in the Office of Finance and Administration to report to the U.S. Department of the Treasury the total amount of CP&B disbursements by way of a Standard Form (SF) 1219, "Statement of Accountability." GPO then records the monthly journal entry to transfer funds from the CP&B account to the GPO Revolving Fund.

### **Congressional Printing and Binding Appropriation**

Work performed for Congress is funded through the annual appropriation for CP&B. The CP&B is appropriated for authorized printing and binding required for the use of Congress, and for the printing, binding, and distribution of Government publications authorized by law to be distributed without charge to the recipient.

GPO's CP&B appropriation is used to reimburse the Revolving Fund for costs incurred in performing congressional work. Reimbursements from the appropriation are included in GPO's total revenue.

### **Revolving Fund**

Section 309 of title 44 of the United States Code establishes GPO's Revolving Fund. The Revolving Fund is available without fiscal year limitation, and, with the exception of the Office of the Superintendent of Documents' Salaries and Expenses Appropriation, is used for expenses necessary for the operation and maintenance of GPO. The Revolving Fund is reimbursed from payments from customer agencies, sales to the public, and transfers from the two annual appropriations—the CP&B Appropriation and Superintendent of Documents' Salaries and Expenses Appropriation.

### **Prior Audits Highlighted Risk Associated with Billing and Cost Accounting**

The OIG previously issued three audit reports related to GPO's costing processes. OIG Report Number 09-02, *GPO's Passport Printing Costs*, issued on December 22, 2008, assessed GPO's basis for establishing the price that it charged the U.S. Department of State for each blank passport book produced. OIG Report Number 12-16, *Operational Enhancements Could Further Improve the Congressional Billing Process*, issued on September 21, 2012, evaluated GPO's controls for ensuring accuracy of billing charges for congressional products. Recently, OIG Report Number 12-04, *GPO Strengthened Management Oversight of the Congressional Billing Process but Additional Steps Needed*, was issued on December 5, 2013, as a follow-up audit to assess the progress GPO made in implementing the corrective action plans it developed in response to recommendations made in OIG Audit 12-16.

### **Federal Guidelines**

While GPO is not a CFO Act agency, the CFO Act of 1990 was the beginning of a series of management reform laws intended to improve Federal financial

management and set the stage for other key reforms. Among other things, the CFO Act established a leadership structure for financial management, required audited financial statements, and strengthened accountability reporting. The Act contains several provisions related to managerial cost accounting, one of which states that an agency's CFO should develop and maintain an integrated accounting and financial management system that provides for the development of cost information and systematic performance measurement.

GPO is permitted and follows the Financial Accounting Standards Board (FASB) accounting standards which, sets financial reporting standards for privately owned entities in the United States. GPO follows FASB and may not be subject to standards set forth by the Federal Accounting Standards Advisory Board (FASAB). FASAB is responsible for promulgating accounting standards for the U.S. Government. The standards are recognized as GAAP for the Federal Government.

While GPO is not required to follow FASAB, Statement of Federal Financial Accounting Standards (SFFAS) No. 4, *Managerial Cost Accounting Concepts and Standards for the Federal Government*, effective July 31, 1995, is the standard that provides guidance on managerial cost accounting. It states that cost information is an important basis in setting fees and prices. Each reporting entity should accumulate and report the costs of its activities on a regular basis for management information purposes. Costs may be accumulated either through the use of cost accounting systems or through the use of cost-finding techniques. It goes on to state that setting prices is a policy matter, sometimes governed by statutory provisions and regulations and other times by managerial or public policies. Cost is an important consideration in setting Government prices. However, the price of goods or services does not necessarily equal the cost of goods or services determined under a particular set of principles.

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

With certain exceptions, the Office of Management and Budget (OMB) requires<sup>2</sup> with respect to goods and services that the Government provide to a particular group of individuals as a special benefit, user charges should be sufficient to recover the full cost of goods and services; and with respect to goods and services that the Government provides under business-like conditions, user charges for those goods and services need not be limited to the recovery of full cost and may yield a net revenue. Also, cost information is important in calculating reimbursements for products and services provided by one government agency to another. Even if fees or reimbursements do not recover the full cost due to policy or economic constraints, management needs to be aware of the difference between cost and

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<sup>2</sup> OMB Circular No. A-25, *User Charges* (Revised July 8, 1993).

price. With such information, program managers can properly inform the public, Congress, and Federal executives about the costs of providing the goods or services.

## Results and Recommendations

Our audit disclosed policies and procedures used to formulate congressional hearing billing rates could be strengthened, individual product rate charges could be analyzed more frequently, and more reliable product cost data are needed in support of establishing billing rates.

### **Policies and Procedures Used to Formulate Congressional Hearing (Product Code 83) Billing Rates**

A framework for analyzing and establishing how billing rates are to be implemented, documented, or reviewed could be improved. Without improvement, GPO cannot demonstrate that the process for establishing billing rates for individual congressional products provides sufficient information to use in making fully informed decisions in setting rates.

SFFAS No. 4, *Managerial Cost Accounting Concepts and Standards for the Federal Government*, states that managerial cost accounting activities, processes, and procedures should be documented in a manual, handbook, or guidebook for applicable accounting operations. Such guidelines should outline the applicable activities, provide instructions for procedures and practices to be followed, list the cost accounts and subsidiary accounts related to the standard general ledger, and contain examples of forms and other documents used.

We were provided and reviewed the following Standard Operating Procedures Numbers: (1) 329, titled "Updating and Reviewing Rates in Oracle Project," dated July 26, 2010, (2) 330, titled "Rate Development (Machine)," dated June 14, 2010, and (3) 332, titled "Product Pricing," dated June 22, 2010, to determine the extent to which the procedures provided support for the establishment and analysis of congressional hearings (Product Code 83). We were also provided and reviewed Accounting Procedure, Instruction Number 97 and GPO's Accounting Manual as it related to surcharges.

GPO guidance does not provide sufficient detail to establish billing rates for congressional hearings (Product Code 83). For example, in order to calculate actual costs, we first identified each organization involved in the Congressional Hearing print process. Those organizations were: 5100 – Proof and Copy Markup; 5200 – Video Keyboarding Section; 5300 – Text Processing Computer Section; 5500 – Digital prepress Section; 6900 – Offset Web Press Section; 7100 – Pamphlet Section; 7200 – Book Section; and 7400 – Record Room. Through walk-throughs and discussions with plant supervisors, we determined the usual crew size for each sub-process. Next, for each of the above organizations, we obtained: (1) pay rates for each employee, and (2) fiscal year-end cost data (Report *D2 – Statement of Revenue and Expense*). The *D2 – Statement of Revenue and Expense* contains actual cost data for direct labor, indirect labor, personnel benefits, overtime, direct overhead,

depreciation, and indirect overhead. Based on that data and for each of those organizations, we calculated rates for: direct labor (for certain processes such as press and bindery this was based on the average rate per employees times the usual crew size and makeup per process); indirect labor, personnel benefits, overtime, direct overhead, depreciation, and indirect overhead. We calculated the rates for indirect labor, personnel benefits, overtime, direct overhead, and depreciation as a percentage of direct labor. We calculated the rate for indirect overhead as a percentage of total costs. We then applied those rates to the number of hours charged by each organization for each separate print job (jacket) in our sample as recorded on the *Jacket Cost Summary* report. For direct materials, we used what was recorded on the *Jacket Cost Summary* report. We followed that process to obtain the total actual costs of each jacket in our sample.

This type or a similar method of analyses was not provided in the Standard Operating Procedures.

Furthermore, GPO's current practice for determining product cost includes adding a 35 percent surcharge to Product Code 83 in order to be reimbursed for idle time and certain overhead costs. Standard Operating Procedures do not provide a method for calculating the surcharge.

### **Analysis of Billing Rates**

GPO should analyze the individual product rate charges for hearings page rates more frequently. We noted GPO has not fully analyzed the individual product rate charges for hearings since page rates were first established on May 4, 2000. We did note that GPO's rates have increased by 41 percent since 2000 compared to the rate of inflation based on the Consumer Price Index which, has increased over 60 percent during that same time period.

Management stated that other rates had not been analyzed in some time as well. For example, the standard costing rates for three common processes—Press Group 86, Platemaking, and Electronic Photocomposition (for example, proofreading, manuscript markup, and scanning)—were last analyzed in 1981, 1998, and 1997 respectively. After we completed audit field work, GPO reported completing a review of the Group 86 presses in 2013. We did not verify the review was completed and have no reason to believe otherwise.

Before 2000, however, GPO billed Congress for printing hearings at cost. In 2000, GPO and Congress agreed to use a standard billing rate for printing congressional hearings to provide uniformity in billings and alleviate questions and uncertainties. Since that time, GPO has billed Congress at one of three standard rates per page depending on the format (manuscript, camera-ready copy, or electronic file). For hearings that are to be posted online, GPO bills congress a flat fee.

In 2000, while developing the page rate for the electronic submission of data for hearings, GPO established the rate based on calculations shown in Table 1. GPO determined the billing rate by dividing the total cost adjusted for an annual economic increase of 4 percent of \$36,851 by the 768 pages, which equaled \$48 per page.

**Table 1. GPO's Documentation to Establish Product Code 83 Billing Data**

Jacket No.	Summary Cost	No. of Pages	Total Copies	Copies	Page Rate Total	Additional Copies	Subtotal	Prepress Costs	Total
59-918	\$5,967	152	721	150	\$5,624	68	\$5,692	\$1,102	\$6,795
57-231	4,010	72	751	150	2,664	31	2,695	813	3,507
58-408	8,893	296	723	150	10,952	133	11,085	2,339	13,424
57-230	6,420	<u>248</u>	723	150	9,176	112	9,288	2,083	<u>11,371</u>
<b>Total</b>		768							\$35,096
								Increase:	<u>1.05</u>
								<b>Average Cost</b>	\$36,851

The rates were based on the type of material or data furnished to GPO for printing at that time. In the example in Table 1, an electronic file was provided; the page rate was calculated for the first 100 copies at \$48 per page. Copies of hearings in excess of 100 copies were billed at the rider rate for extra copies of hearings. The rider rate at the time was \$ .90 per page, per 100 copies.

A similar process was used if either camera-ready copy or manuscript copy was provided. GPO determined for camera-ready copy a page rate for the first 100 copies at \$52 per page and a manuscript copy resulted in a page rate of \$84 per page for the first 100 copies.

Since May 2000, GPO has revised the rates many times. Table 2 depicts those rate changes.

**Table 2. GPO Rate Changes FY 2000 to FY 2013**

<b>Fiscal Year</b>	<b>Amount of Change</b>	<b>Date of Change</b>
2000	+5%	January 1, 2000
2001	No Change	
2002	+5%	January 25, 2002
2003	+5%	February 1, 2003
2004	+4%	October 1, 2003
	+2%	March 1, 2004
2005	+5%	October 1, 2004
2006	+5%	October 1, 2005
2007	+2.6%	October 1, 2006
2008	+3.5%	October 1, 2007
	-10.4%	February 1, 2008
2009	+3.5%	October 1, 2008
2010	+2.7%	October 1, 2009
2011	+4.5%	October 1, 2010
2012	No Change	
2013	+3.5%	April 1, 2013

Since May 2000, the rates increased by 41 percent. Those rate changes were updated uniformly to all of the standard processes outlined in “The Schedule of Operations and Classes,” and “The Scale of Prices and Production Times.”

Although GPO did not analyze individual rates and processes as part of the rate increases, we were told that GPO did take much into account when performing its analysis— current year printing demands, projected future printing demands, revenue from other GPO Business Units (for example, passports, Salaries and Expense Appropriation of the Superintendent of Documents, public sales, reimbursable work for other agencies), and economic changes such as interest rates, wage rates, and inflation rates.

### **Cost Accounting Data Used in Support of Establishing Billing Rates for Congressional Hearings**

More reliable product cost data are needed for formulating billing rates. A comparison of GPO-maintained cost data against OIG’s calculated costs for 31 sampled jackets disclosed a 34-percent difference. We believe the data may not be reliable for the purpose of comparing billing rates for Product Code 83 to product costs.

Reliable information on the costs of Federal programs and activities is crucial for effective management of Government operations. The Statement of Federal Financial Accounting Concepts No. 1, *Objectives of Federal Financial Reporting*, issued in 1993, states that the objectives of Federal financial reporting are to provide useful information that will assist internal and external users in assessing the budget integrity, operating performance, stewardship, and systems and control.

We analyzed 31 of the highest-dollar volume completed jackets for congressional hearings, Product Code 83, for the period of October 1, 2011, through December 31, 2012. The 31 jackets were selected from a random sample of 159<sup>3</sup> jackets for that same period. We analyzed the sample by calculating the actual cost of each job and comparing that amount to what was reported on the Source Report and what was recorded by GPO as product cost. We sampled 31 items totaling \$1,339,918 (23 percent of the high dollar strata). The high-dollar stratum consisted of 83 jackets totaling \$5,925,682 or 29 percent of the universe of \$20,548,565. Table 3 depicts the following differences:

**Table 3. Summary of Comparison of Billed, Recorded, and Actual Costs**

<b>Sample Size</b>	<b>Amount Billed as Reported on Source Report</b>	<b>Cost Amount Recorded</b>	<b>Cost Amount Calculated by OIG</b>
31	\$2,908,733.00	\$1,339,917.68	\$886,077.65

Based on the information compiled in Table 3, we calculated the recorded cost data to be greater by 34 percent, or \$453,840, for our sample. By multiplying the sample result by the total cost amount reported by GPO for the 15-month period ended December 2102, cost data could be greater by \$4,030,600 (\$11,854,706 cost multiplied by 34 percent). The number of GPO jackets for congressional hearings (Product Code 83) billed for the time period October 2011 through December 2012 totaled 1,943 jackets billed for \$20,548,565, equaling \$11,854,706 in recorded costs. Those totals exclude adjustments and cancelled jobs.

#### OIG Methodology for Calculating Product Cost

We selected 31 jackets whose billing rate exceeded \$70,000 (14 percent of total billings for the review period). For each jacket, we pulled the jacket cost summary and applied our calculated actual cost rates to each line item in the Jacket Cost Summaries as applicable

As an example of determining the cost amount calculated by OIG for each jacket in our sample, we used the process below.

First, we identified each cost code involved by reviewing each associated *Jacket Cost Summary* report. The report lists the GPO codes involved in producing the hearing. In this example, the codes were 5100, 5200, 5300, 5500, 6900, 7100, 7200, and 7400. We then obtained the actual cost data for each of the cost codes from the GPO *Report "D-2" Statement of Revenue and Expense*, and obtained actual labor rates for each cost code from the GPO Office of Cash Management.

Using actual cost and rate data, we calculated cost rates for each cost code. For example, we calculated rates for indirect labor overtime, personnel benefits, direct

<sup>3</sup> We analyzed of a statistical sample of hearings billed to Congress for the 15-month period ending December 31, 2012, as shown in Appendix A.

overhead, and depreciation as a function of direct labor by taking the total actual costs from the *D2* report for each category and dividing by total direct labor hours. We then calculated the rates for indirect overhead by taking total indirect cost allocations from the *D2* report and dividing by the total of all of the costs above for each cost code. This process was repeated for each cost code.

Using the rates obtained above, we calculated actual costs for each jacket in our sample. We obtained materials costs directly from the *Jacket Cost Summary* reports (i.e. all charges labeled "Platemaking", "GPO Paper", and "Production Related Material"). To calculate the remaining costs we added up the number of hours worked on each jacket for each of the cost codes by adding up the "quantity" column for each cost code from the *Jacket Cost Summary* report. We calculated costs charged to each job/jacket by multiplying the overall cost code rate (determined above) by the hours charged for each code from the *Jacket Cost Summary*. We added the materials costs plus the other costs to get our estimate of total actual costs for each jacket in our sample.

#### Data Reliability Example

For the purpose of analyzing billing rates, the data may not be reliable for comparing billing rates for Product Code 83 to product costs. Our analysis below of cost data for Jacket Number 070656 illustrates this point.

**Table 4. Data Reliability Example**

(a)	(b)	(c)	(d)	(e)	(f)
<i>Source: Jacket Cost Summary Report</i>					
Expenditure Organization	Recorded Costs	Surcharge	Total GPO Recorded Cost (Columns b + c)	OIG Calculation (Explained Above)	Difference (Columns e -d)
Proof and Copy Markup (Cost Code 5100)	\$5,132.95	\$1,796.53	\$6,929.48	\$4,036.98	-\$2,892.50
Video Keyboarding (5200)	2,558.74	895.56	3,454.30	3,834.75	+ 380.45
Digital Prepress (5500)	5,796.08	2,028.62	7,824.70	9,753.94	-1,929.24
Press (6900)	14,965.77	5,238.02	20,203.79	7,143.04	-13,060.75
Pamphlet Section (7100)	45.42	15.90	61.32	270.10	- 208.78
Gathering (7400)	1,592.42	557.35	2,149.77	1,651.67	+ 498.1
Materials	<u>7,127.92</u>	<u>1,451.75</u>	<u>8,579.67</u>	<u>8,579.67</u>	<u>0</u>
Totals	<u>\$37,219.30</u>	<u>\$11,983.73</u>	<u>\$49,203.03</u>	<u>\$35,270.15</u>	<u>-\$13,932.88</u>

GPO managers stated that some of the reasons for the variance could be: PROBE transactions not being recorded for certain functions, corporate overhead that must be borne in part through congressional products, idle plant labor and machinery resulting from waiting for work to come in from Congress 24 hours a day, 365 days a year, and differences in the size and format of congressional hearing print jobs (that is, manuscript, camera-ready copy, or electronic file)—all of which may not be reflected in the billing and cost rates because they are not analyzed regularly. For those reasons, calculating an accurate actual cost for each product was not possible.

In our sample of congressional hearings, 25 percent of the hearings sampled were missing charges for paper, printing, binding, or a combination of all three. Also, in March 2013, GPO reported that 36 percent of corporate overhead was being allocated to congressional printing jobs. Furthermore, for August 2013, GPO reported that, on average, the core machines in the GPO plant were used only 10.7 percent of the time. Management stated that August is the slowest month of the year and that GPO does not have a second shift. The costs of idle time is absorbed in the Plant's direct overhead and is difficult to predict and work into GPO's annual rate adjustments because GPO has no control over the workload requirements of the CP&B appropriation. GPO could not provide data on idle workers.

### **Integrating the Cost Accounting Function for Product Code 83**

GPO's cost accounting process does not include the capability to accumulate, recognize, and distribute the cost of the agency's activities in the financial system for management information purposes. Because the Agency uses several computer applications as the platform for capturing and accumulating cost data, GPO did not establish and maintain a single integrated financial management system for this purpose. The CFO stated that GPO is using antiquated systems and the interface between the GPO plant systems and processes and the finance and billing systems and processes is manual, often resulting in errors.

As stated in the *Federal Financial Management System Requirements: Core Financial System Requirements (OFFM-NO-0106)*, OMB Circular No. A-127 requires that each agency establish and maintain a single integrated financial management system. The components of an integrated financial management system include the core financial system,<sup>4</sup> a managerial cost accounting system, and certain administrative and programmatic systems. The level of sophistication needed within the cost management function of the core financial system depends on an agency's requirements and the nature of the programs within the agency. As a legislative branch agency, GPO is not required to follow OMB circulars, including OMB Circular No. A-127 or its appendices.

GPO captures and accumulates congressional product costs and tracks jobs in various major computer applications. At GPO, the major computer applications include PROBE, PEPS, and GBIS. Each of those systems is fully integrated. GPO annually reports costs through the Agency's financial statements and monthly through the GPO monthly financial package distributed to senior managers.

While we recognize that GPO is a complex organization and operating, maintaining, and updating its current applications is a monumental economic and technical challenge, a fully integrated accounting process may provide relevant information in establishing congressional product billing rates.

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<sup>4</sup> Core financial systems, as defined by the Office of Federal Financial Management, include managing general ledger, funding, payments, receivables, and certain basic cost functions.

## Internal Control Requirements

GPO Instruction 825.18A, *Internal Control Program*, May 28, 1997, requires that GPO maintain effective systems of accounting and management control. The policy states that internal controls are the organization, policies, and procedures used to reasonably ensure that:

- programs achieve intended results
- resources are used consistent with agency mission
- programs and resources are protected from waste, fraud, and mismanagement
- laws and regulations are followed
- reliable and timely information is obtained, maintained, reported, and used for decision making

The policy further requires internal control documentation. Such documentation should include written policies, organization charts, procedural write-ups, manuals, memoranda, flowcharts, software, and related written materials that describe the internal control methods and measures and serve as a reference for individuals reviewing the internal controls and their functioning.

OMB Circular No. A-123, *Management's Responsibility for Internal Control*, December 21, 2004, requires that management controls provide reasonable assurance that assets are safeguarded against waste, loss, unauthorized use, and misappropriation. It also requires that an agency develop and maintain control activities that include policies, procedures, and mechanisms in place so that agency objectives are met. As a legislative branch agency, GPO is not required to follow OMB circulars, including OMB Circular No. A-123, or its appendices, but chooses to follow the objectives of the Circular due to its sound business practices.

The Government Accountability Office (GAO) *Standards for Internal Control in the Federal Government*, November 1999, describes internal control as a control built into an entity as part of its infrastructure designed to help managers operate the entity and achieve objectives on an ongoing basis. It is a major part of managing an organization and comprises plans, methods, and procedures used for meeting missions, goals, and objectives.

## Recommendations

We recommend the Chief Financial Officer strengthen controls over establishing billing rates by taking the following actions:

1. Develop and maintain comprehensive guidance in the form of policies and procedures for establishing billing rates for congressional hearings (Product Code 83). Guidance should include policies and procedures for assigning and/or allocating both corporate and product overhead costs and idle time for inclusion in billing rates.

**Management's Response.** The Office of the Plant Controller, Finance and Administration, will update and maintain existing policies for establishing billing rates, including rates for congressional hearings. Procedures will also be developed and maintained by the Office of the Plant Controller. The complete text of management's response is in Appendix C.

**Evaluation of Management's Response.** Management's actions are responsive to the recommendation. The recommendation is resolved but will remain open for reporting purposes pending completion of the actions.

2. Analyze and update costing and billing rate documentation associated with congressional hearings (Product Code 83).

**Management's Response.** The Rates and Investigations Branch, Office of the Plant Controller, Office of the Chief Financial Officer, will perform an analysis of the congressional hearings rates and will update the rate documentation associated with congressional hearings.

**Evaluation of Management's Response.** Management's actions are responsive to the recommendation. The recommendation is resolved but will remain open for reporting purposes pending completion of the actions.

3. Conduct an analysis that will determine system requirements required to further develop and implement a comprehensive management cost accounting system in support of the establishment of congressional billing rates for congressional hearings (Product Code 83). The analysis should determine the feasibility of fully automating and integrating GPO's Plant Operations workflow systems and processes with GPO's financial systems.

**Management's Response.** GPO commissioned an independent internal team to work with Congressional Committee Staff and relevant internal GPO departments to analyze the GPO's internal systems and processes and recommend improvements that could be made on a near-term, mid-term, and long-term basis.

**Evaluation of Management's Response.** Management's actions are responsive to the recommendation. The recommendation is resolved but will remain open for reporting purposes pending completion of the actions.

## **Appendix A – Objectives, Scope, and Methodology**

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We performed fieldwork from March through December 2013 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.

### **Objective**

The objective of our audit was to determine the steps GPO took in establishing the billing rates for congressional products.

### **Scope and Methodology**

To accomplish our audit objective, we

- Identified and reviewed Federal cost accounting standards and polices.
- Identified the laws and regulations governing how GPO establishes its billing rates for congressional products and procedures GPO uses to ensure congressional product billing rates are in accordance with the laws and regulations.
- Reviewed previous audit reports on GPO congressional products and product costing.
- Obtained and analyzed GPO data on the CP&B Appropriation, congressional products, and congressional product billings.
- Obtained and analyzed GPO's published standard costing rate documents: "The Schedule of Operations and Classes," and "The Scale of Prices and Production Times".
- Requested supporting documentation that went into developing "The Schedule of Operations and Classes," and "The Scale of Prices and Production Times."
- Interviewed key management officials from GPO's Office of Finance and Administration responsible for establishing and monitoring the congressional billing rates; and reviewing and approving congressional billing rate changes.

- Performed a walk-through of the congressional hearing printing and cost accumulation process from initial receipt of the print requisition, to scheduling, proof-reading, plate-making, press, bindings, and final storage and shipping. Observed all activities, machine usage, and products along the way.
- Tested actual billings for congressional hearings by analyzing a sample of jacket billings and comparing the costs billed to costs recorded and actual costs.

### Sampling Methodology

We tested a statistical random sample of hearing jackets billed from October 1, 2011, through December 31, 2012, using the following steps:

- A. Requested a report of all jackets for Congressional Hearings (Product Code 83) for the aforementioned time period from the GPO Plant Controller.
- B. Using EZ Quant sampling software available through the Defense Contract Audit Agency<sup>5</sup> analyzed a sample of jackets by comparing amounts billed to amounts recorded as costs in GBIS. Sample data follows:

#### Universe Description

**Sampling Unit:** GPO Jacket Costs Summary from GBIS

**Scope of the Sample:** All GPO jackets for Product Code 83 - Hearings billed for the time period October 2011 through December 2012. Excludes adjustments and cancelled jobs.

**Universe Quantity:** 1,943

**Universe Absolute Value:** \$20,548,565.42

#### Precision/Sample Size

**Desired Precision:** 5

**Desired Confidence:** 90%

**Sample Size:** 159 Items

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<sup>5</sup>The Defense Contract Audit Agency is under the authority, direction, and control of the Under Secretary of Defense (Comptroller)/Chief Financial Officer, Department of Defense. The Defense Contract Audit Agency performs all necessary contract audits for the Department of Defense and provides accounting and financial advisory services regarding contracts and subcontracts. The Defense Contract Audit Agency also provides contract audit services to other Federal agencies as appropriate.

Sampling Approach

Stratified Physical Unit Sampling as follows:

Stratum	Upper Limit	Lower Limit	Total Amount	Net Amount	Total Items	Review Items
<b>High Dollar</b>	128,188.00	83,014.00	2,279,272.00	2,279,272.00	23	23
<b>1</b>	82,800.00	41,674.00	3,646,410.00	3,646,410.00	60	27
<b>2</b>	41,003.00	15,925.00	3,710,268.61	3,710,268.61	158	28
<b>3</b>	15,893.00	9,237.00	3,640,364.01	3,640,364.01	304	27
<b>4</b>	9,230.00	5,938.00	3,636,761.65	3,636,761.65	497	27
<b>5</b>	5,937.00	172.97	3,635,489.15	3,635,489.15	901	27
<b>Combined</b>	128,188.00	172.97	20,548,565.42	20,548,565.42	1,943	159

Sampling Results

Stratum	Projection Method	Projected Amount (net)	Precision Amount	Lower Limit	Upper Limit
<b>High Dollar</b>		1,232,664	0	1,232,664	1,232,664
<b>1</b>	Difference	2,065,703	178,942	1,886,760	2,244,645
	Ratio	1,991,413	141,675	1,849,738	2,133,088
<b>2</b>	Difference	1,579,206	190,724	1,388,483	1,769,930
	Ratio	1,569,446	175,106	1,394,340	1,744,551
<b>3</b>	Difference	1,815,906	438,005	1,377,901	2,253,911
	Ratio	1,761,458	457,737	1,303,720	2,219,195
<b>4</b>	Difference	955,326	348,326	607,000	1,303,653
	Ratio	952,634	337,026	615,608	1,289,659
<b>5</b>	Difference	1,045,201	497,943	547,259	1,543,144
	Ratio	1,057,996	492,138	565,858	1,550,134
<b>Combined</b>	Difference	<b>8,694,007</b>	773,040	7,920,967	9,467,047
	Ratio	8,565,611	765,168	7,800,442	9,330,779

**Management Controls Reviewed**

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

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

Validity and Reliability of Data – Policies and procedures management has implemented designed to reasonably ensure that valid and reliable data are obtained, maintained, and fairly disclosed in reports.

Compliance with Laws and Regulations – Policies and procedures management has implemented that reasonably ensures 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 contained in the report narrative. Implementing the recommendations in this report should improve those management control deficiencies.

### **Computer-generated Data**

We used computer-processed data that was extracted from GPO's PROBE system as well as GBIS. Although we did not independently verify the reliability of all of the information in PROBE, we compared that information with other available supporting documents to determine data consistency and reasonableness. In addition, we reviewed and relied on data system assessments performed by GPO's Independent Public Accountant in performing GPO's annual financial statement audit. From those efforts, we believe the information we obtained was reliable to meet our audit objective with the exception of conducting an analysis of billing rates to GPO maintained product costs.

## Appendix B – Production and Cost Accumulation Flow

The congressional hearing work and cost assignment process flow is depicted below.

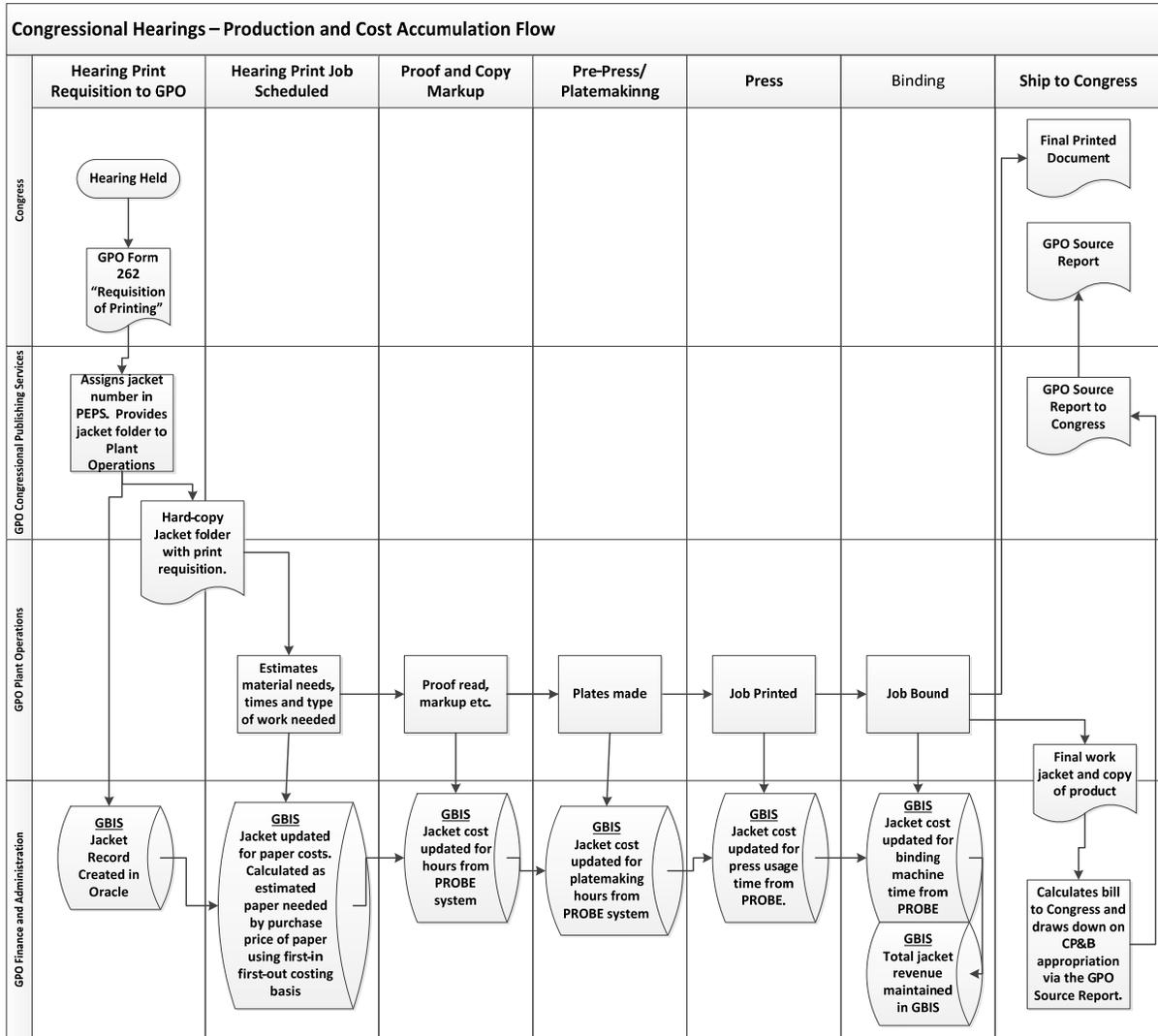


Figure 2. Congressional Hearings Production and Cost Accumulation Process.

When a job is complete, GBIS produces a Jacket Cost Summary listing each task that went into printing that hearing, the cost associated with that task, and the total costs and accrued revenue as shown below.

Jacket Cost Summary													
3/6/13 1:54 PM													
*** Query Name:Query 1 ***													
Enter value(s) for Project Number: (Optional)													
Enter Expenditure Date(Start): (Optional)													
Enter Expenditure Date(End): (Optional)													
Enter Jacket Number(Start): (Optional)													
Enter Jacket Number(End): (Optional)													
Enter value(s) for Product Code: (Optional)													
Enter value(s) for Jacket Number: (Optional)075203													
Enter GL Date(Start): (Optional)													
Enter GL Date(End): (Optional)													
***Surcharge Calculation***													
1. Expenditure Type = Purchased Printing for Plant Jackets XXX-XXX, Surcharge = 7.0% + \$7.50													
2. Expenditure Type = Purchased Printing for Congressional Jackets OXX-XXX, Surcharge = 14.0% + \$15.00													
3. Expenditure Type InList ("Direct Material, Paper","Direct Materials","Materials Handling Fee","PRODUCTION RELATED MATERIAL"), Surcharge = 0													
4. All others, Surcharge = 35%													
Expenditure Org	Project Number	Cost Code	Task Number	Expenditure Type	Item Date	GL Date	Pages	Qty	UOM	Prj Burden Cost	Accrued Revenue	Surcharge	Prod Code
Digital Print Unit	075203-00000-12	7800	PLATEMAKING	PLATEMAKING	7/26/12	7/26/12	0	8,496		\$465.58	\$465.58	\$162.95	83
<b>Digital Print Unit</b>										<b>Sum:</b>	<b>\$465.58</b>	<b>\$465.58</b>	<b>\$162.95</b>
Expenditure Org	Project Number	Cost Code	Task Number	Expenditure Type	Item Date	GL Date	Pages	Qty	UOM	Prj Burden Cost	Accrued Revenue	Surcharge	Prod Code
Pamphlet Section	075203-00000-12	7100	Other Direct Costs	PRODUCTION RELATED MATERIAL	7/31/12	7/31/12		1		\$1.06	\$1.06	\$0.00	83
<b>Pamphlet Section</b>										<b>Sum:</b>	<b>\$1.06</b>	<b>\$1.06</b>	<b>\$0.00</b>
Expenditure Org	Project Number	Cost Code	Task Number	Expenditure Type	Item Date	GL Date	Pages	Qty	UOM	Prj Burden Cost	Accrued Revenue	Surcharge	Prod Code
Text Processing Computer Section	075203-00000-12	5300	PLATEMAKING	PLATEMAKING	8/3/12	8/3/12	0	22		\$61.18	\$61.18	\$21.41	83
<b>Text Processing Computer Section</b>										<b>Sum:</b>	<b>\$61.18</b>	<b>\$61.18</b>	<b>\$21.41</b>
										<b>Sum:</b>	<b>\$527.82</b>	<b>\$527.82</b>	<b>\$184.37</b>

Figure 3. Example of a Jacket Cost Summary from GBIS.

GPO reports all costs annually through the Agency’s financial statements, as well as monthly through the GPO monthly financial package distributed to senior GPO managers.

## Appendix C – Management’s Response



U.S. GOVERNMENT  
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## Memorandum

OFFICE OF THE CHIEF FINANCIAL OFFICER

DATE: March 14, 2014

REPLY TO

ATTN OF: Chief Financial Officer

SUBJECT: OIG Draft Report Number 14-07, "Changes Can Provide GPO Better Information on Establishing Billing Rates for Congressional Hearings (Product Code 83)"

To: Inspector General

This is in response to the recommendations in your draft report, "Changes Can Provide GPO Better Information on Establishing Billing Rates for Congressional Hearings (Product Code 83)" (Report 14-07).

1. **Recommendation:** Develop and maintain comprehensive guidance in the form of policies and procedures for establishing billing rates for congressional hearings (Product 83). Guidance should include policies and procedures for assigning and /or allocating both corporate and product overhead costs and idle time for inclusion in billing rates.

**Response:** The Office of the Plant Controller, Finance and Administration will update and maintain existing policies for establishing billing rates, including rates for congressional hearings. Procedures will also be developed and maintained by Office of the Plant Controller, Finance and Administration. We anticipate completion by year-end.

2. **Recommendation:** Analyze and update costing and billing rate documentation associated with congressional hearings (Product Code 83).

**Response:** The Rates and Investigations Branch, Office of the Plant Controller , Office of the CFO will perform an analysis of the congressional hearings rates and will update the rate documentation associated with congressional hearings. We anticipate completion by year-end.

3. **Recommendation:** Conduct an analysis that will determine system requirements required to further develop and implement a comprehensive management cost accounting system in support of the establishment of congressional billing rates for congressional hearings (Product Code 83). The analysis should determine the feasibility of fully automating and integrating GPO's Plant Operations workflow systems and processes with GPO's financial systems.

**Response:** Effective July 1, 1953, Title 44 was amended and the method in which the GPO was to operate was changed. A revolving fund without fiscal year limitation was established to be reimbursed for the cost of all services and supplies furnished. An annual business-type budget was to be prepared and the accounting

method was specified as the accrual method similar to most private-industry, commercial organizations.

Since 1953, the GPO's accounting policies, systems and ratemaking processes have been developed to comply with the statute. In addition, for each of the past seventeen years the GPO has received a "clean" audit opinion from its independent external auditors. So from a legal and an accounting perspective, the GPO is in compliance with the statute in recovering its costs and operating under a business-type budget utilizing the accrual method of accounting.

The basis of this Congressional Billing review relates to the ability of the GPO to follow what might be considered the "best practices" of job costing analysis. This means to be able to track specific costs for specific jobs including non-specific costs that must be allocated such as "idle" time (which directly relates to ensuring that the GPO can respond to the unpredictable timing of congressional information needs) and overhead costs (which consists of support costs such as building, security, information technology, and finance to name a few and whose costs are shared between the Agency's "business" units). Additionally it means to be able to bill exact costs for each product as opposed to recovering costs on a page rate basis (which is an estimate of all costs) and ensure that the Agency recovers all of its costs and does not, on an overall basis, overcharge Congress for its work.

The GPO possesses the ability to identify specific job costs such as paper and direct labor use. However the internal systems and manual processes that have evolved since 1953 are not designed to use and/or capture the information necessary for "best practices" in an efficient, effective and user-friendly manner.

As a result of this Congressional Billing review and this recommendation (with which we agree), the GPO commissioned an independent internal team to work with Congressional Committee Staff and relevant internal GPO departments, to analyze the GPO's internal systems and processes and recommend improvements that could be made on a near-term, mid-term, and long-term basis. This is being done with the understanding that changes to culture, internal systems and manual processes that have been in place for over sixty years, could take a long time, be very costly and that the changes made to these internal systems and manual processes must be an effective use of taxpayer funds.

As of the date of this response, the independent internal team has provided a draft of their findings and recommendations which is currently being evaluated. A copy of this draft and a copy of the final findings and recommendations will be provided to the Inspector General to satisfy this recommendation.

Thank you for the opportunity to comment on this report.



Steve Shedd

## **Appendix D - Status of Recommendations**

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<b>Recommendation</b>	<b>Resolved</b>	<b>Unresolved</b>	<b>Open/ECD*</b>	<b>Closed</b>
1	x		12/31/14	
2	x		12/31/14	
3	x		12/31/14	

\*Estimated Completion Date.

## **Appendix E - Report Distribution**

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Public Printer  
Deputy Public Printer  
General Counsel  
Chief of Staff

## **Major Contributors to the Report**

Karl Allen, Lead Auditor