



U.S. GOVERNMENT PUBLISHING OFFICE

OFFICE OF INSPECTOR GENERAL

**AUDIT REPORT
REPORT NUMBER 15-09**

**Improved Contract Administration Needed for the
Acquisition of U.S. Passport Paper (Visa)**

March 27, 2015



U.S. GOVERNMENT PUBLISHING OFFICE

OFFICE OF INSPECTOR GENERAL

Date

March 27, 2015

To

Chief Administrative Officer

From

Inspector General

Subject

Audit Report—Improved Contract Administration Needed for the Acquisition of U.S. Passport Paper (Visa)
Report Number 15-09

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 and will remain open for reporting purposes pending completion of the proposed actions.

We appreciate the courtesies extended to the staff during our review. If you have any questions or comments about this report, please do not hesitate to contact me at (202) 512-0039.

A handwritten signature in black ink that reads "Michael A. Raponi".

MICHAEL A. RAPONI
Inspector General

Attachment

cc:

Director, GPO

Deputy Director, GPO

General Counsel

Chief of Staff

Managing Director, Security and Intelligent Documents

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Office of Inspector General

Report Number 15-09

March 27, 2015

Improved Contract Administration Needed for the Acquisition of U.S. Passport Paper (Visa)

Introduction

This report is one of a series of audits related to ongoing efforts to identify duplication, overlap, and fragmentation—that is, those circumstances in which more than one Business Unit is involved in the same broad area, as well as other cost savings opportunities related to acquisitions. This particular report provides the results of our review of the acquisition of paper for U.S. Passports (Visa).

By agreement with the Department of State (State), GPO manufactures blank U.S. Passport books. Among the many components used to manufacture the books is paper. Several types of paper are used to include the Visa paper. In October 2012, GPO issued two purchase orders to Crane & Company, Inc. (Crane) of Dalton, Massachusetts to provide paper for U.S. Passports (Visa) for the period January 1, 2013, through September 30, 2015. The purchase totaled approximately \$4.3 million.

We conducted this audit from November 2014 through March 2015 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 and limited scope. See Appendix A for details of our objective, scope, and methodology.

Results in Brief

Although GPO established acquisitions guidance¹ that addresses in part obtaining the best value product, most key documents demonstrating that required procedures were followed were missing. Examples of key missing documents included a complete and comprehensive GPO developed Statement of Work (SOW), an acquisition plan, an approved sole source procurement justification, evidence of availability of funds, a list of sources, and a Government estimate of the contract price.

¹ GPO Publication 805.33, *Materials Management Acquisition Regulation*, dated May 15, 2003.

Acquisition Services could not provide an explanation for the absence of the documents. Missing documentation creates uncertainties, including whether proper contracting procedures were followed and whether the \$4.3 million purchase resulted in the best value to the Government.

While working with acquisition officials, we noted GPO did not have guidance in place that would ensure contract files are accounted for and complete.

Recommendations

To ensure the integrity of the procurement process, we recommend the Chief Administrative Officer:

1. Provide guidance that clearly states which documents must be in the contract award files to demonstrate that requirements were met.
2. Establish a mechanism for ensuring guidance is implemented.
3. Provide guidance for ensuring accountability for contract files both within Acquisition Services and other business units.

Management's Response

Management concurred with the recommendations and has planned corrective actions. The complete text of management's response is in Appendix C.

Background

By a Memorandum of Understanding (MOU) between GPO and the Department of State (State), GPO produces blank U.S. Passport books and is the sole provider of the product. The production of blank books is a complex process involving many components by numerous entities. One component of the blank books is the paper.

GPO reported that for over 20 years Crane has supplied paper for U.S. Passports. It currently supplies five types of paper used in the production of U.S. Passports. The five papers include the Endsheets, Datapage, Visa, Label, and Test paper. The paper incorporates several unique security features. Those features are a unique registered watermark, chemical sensitivity to a wide range of fluid chemicals, an embedded security thread in a registered position that may vary or be eliminated depending on which grade of paper is being produced, and security fibers that will change depending on which grade of paper is being produced.

In December 2012, GPO issued two sole-source purchase orders to Crane for paper (Visa)—Purchase Order Number 3015930 for \$2.7 million and Purchase Order Number 3015931 for \$1.6 million. The paper was to be delivered to GPO facilities in Washington, D.C., and at the Stennis Space Center (Stennis) in Mississippi.

Responsibilities

The SID business unit is responsible for producing secure Government documents for a wide variety of applications, including blank U.S. Passport books.

While administering the U.S. Passport paper contract is interdependent with SID, acquisition authority is centralized. GPO policy² requires that the Chief Acquisition Officer is responsible for assuring that all contracts, including interagency agreements, are in accordance with applicable laws, regulations, and directives. In addition, GPO Publication 805.33, *Materials Management Acquisition Regulation*, dated May 15, 2003 (MMAR), establishes uniform policies and procedures covering all aspects of acquisitions that GPO uses.

Related Audit Work

OIG issued Report Number 14-14, *Acquisition of U.S. Passport eCovers*, on August 1, 2014. The audit, in part, disclosed that GPO could not demonstrate through documented actions that key evaluation factors were always performed.

OIG issued Report Number 14-08, *Information Technology Professional Services—Oracle Software*, on March 25, 2014. The audit revealed, in part, that GPO's contract files did not contain key planning documents that would support an overall strategy

² GPO Instruction 110.5D, *Acquisition Authority, Policies, and Responsibilities*, dated March 19, 2004.

for managing the acquisition such as addressing the technical, business, management, and other significant considerations that control the acquisition.

Results and Recommendations

GPO established the MMAR. The objective of GPO's MMAR is to deliver, on a timely basis, the best value product or service to the customer, while maintaining the public's trust and fulfilling public policy objectives. The MMAR addresses key areas such as the roles and responsibilities of the acquisition team, maintenance of contract files, and timing and content of the acquisition plan.

While GPO requires extensive documentation to support an acquisition, officials acknowledged that files and key documentation related to the acquisition of paper for U.S. Passports (Visa) were missing.

Acquisition Services represented to us that all available documentation consisted of Crane's original response to GPO's solicitation. Crane's response included the following documents:

- Cover Letter, Exceptions and Pricing
- Solicitation, Offer and Award, Amendments
- SOW
- Paper Specifications
- Special Contract Requirements
- Contract Clauses
- Representation and Certifications
- Instructions, Conditions and Notices
- Security Plan
- Quality Assurance and Accountability Plan

We noted that within the notebook containing Crane's response, GPO's original Solicitation, Offer and Award to Crane, several copies of the Amendment of Solicitation, and copies of two purchase orders were present.

Also, SID provided us an unsigned copy of a sole source justification, however, they were unable to say if it was used to justify this sole-source procurement.

According to *Standards for Internal Control in the Federal Government*,³ internal control and all transactions and other significant events must be clearly documented, and that documentation should be readily available for examination. The standards further state that documentation and records should be properly managed and maintained. Internal controls help the Government effectively manage and safeguard resources.

³ Government Accountability Office, *Internal Control: Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1 (November 1999).

GPO policy requires⁴ that management controls must provide reasonable assurance and safeguards for protecting assets against waste, loss, unauthorized use, and misappropriation. It 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 OMB Circular No. A-123, *Management's Responsibility for Internal Control*, December 21, 2004 (Circular A-123), 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. As a legislative branch agency, GPO is not required to follow OMB Circulars, including Circular A-123. However, because the Circular provides a sound basis for internal controls for any organization, GPO has incorporated the major requirements of Circular A-123 in its directives.

According to Subpart 4.801 (b) of the MMAR, documentation in files must be sufficient to constitute a complete history of the transactions for the purpose of—

- (1) Providing a complete background as a basis for informed decisions at each step of the acquisition process;
- (2) Supporting actions taken;
- (3) Providing information for reviews and investigations; and
- (4) Furnishing essential facts in the event of litigation or congressional inquiries.

Examples of key documents that would provide evidence the required procedures were being followed, but were missing, included:

- Purchase request
- Complete and comprehensive GPO developed SOW
- Acquisition plan
- Justifications and approvals of a sole source procurement
- Evidence of availability of funds
- List of sources
- Government estimate of the contract price
- Security requirements

⁴ GPO Instruction 825.18A, *Internal Control Program*, dated May 28, 1997.

- Copy of the offer
- The original signed copy of a Purchase Order

A complete and comprehensive SOW document should define requirements in clear, concise language identifying specific work to be accomplished.

An acquisition plan provides the overall strategy for managing an acquisition. The plan must address the technical, business, management, and other significant considerations for controlling the acquisition. Acquisition planning identifies impediments that could delay the acquisition or lead to increased cost or technical risk.

A justification for other than full and open competition is prepared to reference the specific authority under which it was awarded. The Contracting Officer certifies that it is accurate and complete. The justification also includes a demonstration that the proposed contractor has unique qualifications.

While working with acquisition officials, the then Director, Acquisition Services, stated Acquisition Services did not have procedures for the accountability and completeness of files. However, they developing a checklist to use to address the completeness of files. However, at the time of our review, checklist had not been formally implemented.

We were also told by acquisition officials that files are generally maintained in a filing room. However, because some of the equipment was broken, files had been relocated to a conference room. The officials also stated that not all acquisition officials use the storage room and files are often maintained in and on filing cabinets, bookshelves, and various other places throughout Acquisition Services.

Recommendations

We recommend the Chief Administrative Officer:

1. Provide guidance that clearly states which documents must be in the contract award files to demonstrate that requirements were met.

Management's Response

Concur. Acquisition Services will develop Standard Operating Procedures to address what content shall be included in each contract file.

2. Establish a mechanism for ensuring guidance is implemented.

Management's Response

Concur. Guidance will be implemented by holding internal meetings with all staff to discuss contract file documentation requirements and each staff member will be given a copy of the SOP as part of a desk manual.

3. Provide guidance for ensuring accountability for contract files both within Acquisition Services and other business units.

Management's Response

Concur. Acquisition Services will develop Standard Operating Procedures to address how contract award files shall be maintained.

Evaluation of Management's Response

Management's planned actions are responsive to the recommendations. We consider the recommendations resolved but will remain open pending our confirmation of the final actions.

Appendix A – Objective, Scope, and Methodology

We performed the review from November 2014 through March 2015 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 review was to identify duplication, overlap, and fragmentation, as well as other cost savings opportunities related to acquisition of paper for U.S. Passports.

Scope and Methodology

To meet our objective, we assessed relevant policies and procedures, analyzed available documentation, and interviewed key officials from the Office of Acquisitions and Security and Intelligent Documentation responsible for the acquisition.

Management Controls Reviewed

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

Program Operations – Policies and procedures GPO management implemented to reasonably ensure mail is properly accounted for and timely delivered.

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

The details of our examination of management controls, 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 did not rely on any computer-generated data in conducting our audit.

Appendix B - Acronyms Used

GPO	Government Publishing Office
OIG	Office of Inspector General
OMB	Office of Management and Budget
MOU	Memorandum of Understanding
MMAR	Materials Management Acquisition Regulation
SOW	Statement of Work

Appendix C – Management’s Response

Date: March 26, 2015
To: Inspector General
From: Chief of Staff
Subj: Management Response to the IG Report #15-09, “Improved Contract Administration Needed for the Acquisition of U.S. Passport Paper” (March 17, 2015)

This provides management’s comments on the subject report. The report resulted from an OIG audit of the procurement of paper for U.S. passports that was initiated in December 2012. The procurement was valued at \$4.3 million. The OIG audit was conducted from November 2014 through March 2015.

The OIG audit disclosed that although GPO has established acquisitions guidance in GPO Publication 805.33, Materials Management Acquisition Regulation (May 15, 2003), key documents for this procurement that demonstrate required procedures were followed are missing. The audit also disclosed that GPO did not have guidance in place that would ensure contract files are accounted for and complete. While the subject report does not find that any wrongdoing was involved in this procurement, it states that missing documentation creates uncertainties, including whether proper contracting procedures were followed and whether the procurement resulted in the best value to the Government. The audit report contains 3 recommendations to ensure the integrity of the procurement process. GPO management concurs with the recommendations and will implement them.

1. Provide guidance that clearly states which documents must be in the contract award files to demonstrate that requirements were met.

Acquisition Services will develop new Standard Operating Procedures to address how contract award files shall be maintained and what contents shall be included in each contract file.

2. Establish a mechanism for ensuring guidance is implemented.

Guidance will be implemented by holding internal meetings with all staff to discuss contract file documentation requirements and each staff member will be given a copy of the SOP as part of a desk manual.

3. Provide guidance for ensuring accountability for contract files both within Acquisition Services and other business units.

In addition to meetings with acquisition staff; meetings will also be held within Acquisitions and other business units to discuss contract documentation. Samples and templates will be developed to provide guidance and assistance to business units in developing contract file documentation.

Thank you for the opportunity to provide management’s response to this OIG report. If you need additional information, please do not hesitate to contact me.


ANDREW M. SHERMAN

cc: Director, GPO
Deputy Director, GPO
Chief Administrative Officer
Managing Director, Security and Intelligent Documents
Chief, Acquisitions Service

Appendix D - Status of Recommendations

Recommendation	Resolved	Unresolved	Open/ECD*	Closed
1	x		TBD	
2	x		TBD	
3	x		TBD	

*Estimated Completion Date.

Appendix E – Report Distribution

Director, GPO

Deputy Director, GPO

General Counsel

Chief of Staff

Managing Director, Security and Intelligent Documents

Major Contributors to the Report

Patricia M. Bach, Senior Auditor