

May 30, 2014

The Honorable Charles E. Schumer  
Chairman  
Joint Committee on Printing  
305 Russell Senate Office Building  
Washington, DC 20510

Dear Mr. Chairman:

In accordance with 44 U.S.C. 3903 and the relevant provisions of the Inspector General Act of 1978, as amended, I am transmitting to Congress the Semiannual Report of the Office of the Inspector General (OIG) for the U.S. Government Printing Office (GPO) covering the 6-month period of October 1, 2013, through March 31, 2014, along with the following information as required by law. This letter meets my statutory obligation to provide comments on the OIG's report and highlights management actions taken on the OIG's recommendations, which may relate to more than one reporting period.

**General Comments.** The OIG continues to provide valuable assistance to management in ensuring the integrity and efficiency of GPO programs and operations, safeguarding taxpayer investments in those programs, and investigating anyone allegedly abusing GPO programs.

As in previous reports, the Management Challenges identified by the OIG correspond to the strategic direction that GPO is following. In this report, the OIG has eliminated the challenge regarding uncertainties related to sequestration and future budgetary caps because current Government fiscal conditions reflect a more predictable environment, notwithstanding the fact that during the reporting period, GPO along with the rest of the Government endured a 2-week shutdown of all but essential operations. In the weeks following the close of the reporting period, the House Appropriations Committee filed a report on Legislative Branch Appropriations for FY 2015 that includes a recommendation to increase GPO's overall funding, the first since FY 2010.

In several recent Semiannual Reports to Congress, the OIG has discussed the impact on GPO's financial statements of the long term workers' compensation liability estimate, developed in accordance with the Federal Employees Compensation Act (FECA). I have appreciated this discussion for the very reason cited by the OIG: this estimate imposes a financial consequence on GPO's financial statements that is beyond the control of the agency, in spite of the requirement in 44 U.S.C. 309 that GPO fully recover the costs of its operations through the rates charged for products and services. As I have said before, since FY 1996 annual estimates of this liability have contributed significantly to the outcomes reported in GPO's annual financial statements, accounting for approximately 45% of the financial losses reported in FY 1995-2004 period, and in two cases—FY 2000 and FY 2009—turning what were reported operating gains

into financial losses. More recently, an operating gain of \$5.2 million for FY 2012 was reduced to \$2.9 million as the result of a \$2.3 million workers' compensation liability adjustment. For FY 2013, the operating gain was increased \$1.4 million by a reduction in long term liability. In all of these cases, the liability estimate had the effect of obscuring GPO's actual operating results. During the reporting period, GPO made a policy decision on accounting for this estimate that may help minimize its volatility and thus its impact on GPO's financial statements. As a result, the OIG has removed this issue from the list of Management Challenges. In my view, however, minimizing the impact of this estimate on GPO's financial statement is not the same as ensuring that this expense is adequately funded by recovering for it through our rates. For purposes of clarity, we will continue to separately identify the impact of this estimate in reporting on our annual financial performance.

**Current and Prior Period Outstanding Recommendations.** During the reporting period, the OIG issued 12 audit and other reports addressing different GPO programs and activities.

The audit reports addressed the security of financial and program data; compliance of certain programs with the Federal Information Security Management Act (FISMA); the development of GPO's enterprise architecture with respect to Oracle and Microsoft licensing; a material weakness identified in GPO's annual financial audit; oversight of the congressional billing process and billing rates for congressional hearings; paint branch inventory controls; and commercial printing and dissemination of Government information by the National Institutes of Health.

As noted by the OIG, the audit reports identified \$3.9 million in funds that could be put to better use (relating primarily from the audits of Oracle and NIH printing); and \$32.3 million in other monetary impact (relating primarily to the material weakness in financial reporting identified in the annual financial audit). The OIG also made 51 program improvement recommendations. Management concurred with the recommendations resulting from these reports and will take actions to implement them.

The OIG's investigative work identified approximately \$56,500 in funds at risk, referred two matters for suspension and/or debarment, and issued seven investigative reports.

During the reporting period, GPO management closed out 12 OIG recommendations. There are currently 92 open recommendations that GPO management continues working on implementing, including the 54 recommendations on which corrective action has not been completed for over 1 year. Management is also negotiating with the OIG on 1 unresolved recommendation resulting from audit report 12-01; since the last reporting period, the other previously unresolved recommendation has been resolved.

Two of the audits concluded during the reporting period dealt with reporting for billings on congressional work and identifying the costs associated with the production of congressional hearings. As with other reports issued during the reporting period, management has agreed with

the recommendations resulting from these audits. Management has initiated a review of the congressional billing and reporting process to identify additional opportunities for improvements, and this effort is involving consultations with congressional staff who receive information from GPO on billings associated with the work ordered by their committees or offices.

Concerning the costs of work on hearings, the OIG's report recommends, among other things, that management "conduct an analysis that will determine system requirements to further develop and implement a comprehensive management cost accounting system in support of the establishment of congressional billing rates for congressional hearings." Currently, these rates include a surcharge to recover the cost of overhead and other indirect costs, which as GPO has testified previously before Congress is approximately 33% (Legislative Branch Appropriations for 2012, Hearing before the House Subcommittee on Legislative Branch Appropriations, May 11, 2011, p. 158), in addition to an increment for investment in new technology. Longstanding practice at GPO has been to recover these costs in the aggregate in order to comply with the requirement in 44 U.S.C. 309 that GPO recover "the cost of all services and supplies furnished...at rates which include charges for overhead and related expenses..." A comprehensive management cost accounting system would permit GPO to allocate and track these expenses for specific types of work and potentially specific jobs.

Another OIG audit concluded during the reporting period focused on the cost of printing and dissemination by an agency that has the statutory authority to conduct operations without reference to the programs and activities established by the public printing and documents statutes of Title 44, U.S.C. Previous reviews of agency production of printing without using GPO have indicated that the work is generally more expensive to the taxpayer and that the availability of this work for dissemination to the public—through such long-established programs as the Federal Depository Library Program, GPO's Publication and Information Sales Program, and GPO's online site FDsys—is impaired.

Other than congressional and inherently governmental work such as the *Federal Register*, the annual *Budget of the United States*, and secure and intelligent documents, we produce virtually all other Federal agency information product requirements via contracts in partnership with the private sector printing and information product industry. In FY 2013, this work amounted to approximately \$300 million. Approximately 16,000 individual firms are registered to do business with GPO, the vast majority of whom are small businesses averaging 20 employees per firm. Contracts are awarded on a purely competitive basis; there are no set-asides or preferences in contracting other than what is specified in law and regulation, including a requirement for Buy American. This partnership provides great economic opportunity for the private sector.

GPO has long advocated that this partnership is the most cost-effective way of producing Federal agency printing. Recently, we were interested to see the results of a Government Accountability Office study, conducted at the request of the Joint Committee on Printing and completed in 2013, which identified approximately 80 Federal printing plants still in operation governmentwide.

Additional savings for taxpayers could occur if the work these plants are producing is transferred instead to GPO's partnership with the private sector printing and information product industry. I am pleased to see the OIG's work in this area, and anticipate that additional reviews will further support GPO's longstanding position on this issue.

**Statistical Tables.** Statistical tables as required by law are enclosed.

I deeply appreciate the efforts of the OIG's audits and investigative staffs to ensure the integrity and efficiency of GPO programs and operations, safeguard taxpayer assets in those programs, and investigate and bring to justice those who abuse the public's trust.

If you need additional information with respect to this report, please do not hesitate to contact Mr. Andrew M. Sherman, GPO's Chief of Staff, on 202-512-1991, or by e-mail at [asherman@gpo.gov](mailto:asherman@gpo.gov).

Sincerely,



DAVITA VANCE-COOKS  
Public Printer

Enclosures

cc: The Honorable Gregg Harper, Vice Chairman  
The Honorable Tom Udall  
The Honorable Mark Warner  
The Honorable Pat Roberts  
The Honorable Saxby Chambliss  
The Honorable Candice Miller  
The Honorable Richard Nugent  
The Honorable Robert Brady  
The Honorable Juan Vargas

ENCLOSURE I

**AUDIT REPORTS ISSUED DURING THE REPORTING PERIOD WITH  
QUESTIONED COSTS, FUNDS PUT TO BETTER USE, AND OTHER MONETARY  
IMPACT**

<u>Report Number</u>	<u>Number of Recommendations</u>	<u>Questioned Costs (\$)</u>	<u>Funds Put to Better Use (\$)</u>	<u>Other Monetary Impact (\$)</u>
14-01	3	0	\$ 29,830	\$ 55,830
14-02	4	0	1,077,000	0
14-03	1	0	0	1,338,752
14-07	3	0	0	4,030,600
14-08	4	0	2,760,000	0
14-09	15	0	0	26,482,271
14-10	2	0	250,000	0
14-11	9	0	0	409,576

**ENCLOSURE II**

**AUDIT REPORTS WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE, QUESTIONED COSTS, AND OTHER MONETARY IMPACT**

	<u>Number of Reports</u>	<u>Funds Put to Better Use and Other Monetary Impact</u>
Reports for which no management decisions were made by the beginning of the reporting period	0	0
Reports issued during reporting period:	8	
Audit Report No. 14-01		\$ 85,660
Audit Report No. 14-02		1,077,000
Audit Report No. 14-03		1,338,752
Audit Report No. 14-07		4,030,600
Audit Report No. 14-08		2,760,000
Audit Report No. 14-09		26,482,271
Audit Report No. 14-10		250,000
Audit Report No. 14-11		409,576
Reports for which a management decision was made during the reporting period:		
1. Dollar value of recommendations not agreed to by management		0
2. Dollar value of recommendations agreed to by management	1	\$ 36,433,859
Reports for which management decision was made by the end of the reporting period	0	0
Reports for which no management decision was made within 6 months of issuance	0	0