Office of the Inspector General

Semiannual Report to the Congress

April 1, 2005 through September 30, 2005

GPO

The U.S. Government Printing Office

For well over a century, the mission of the U.S. Government Printing Office (GPO) under the Public Printing and Documents statutes of Title 44, U.S. Code, has been to fulfill the needs of the Federal Government for information products and to distribute those products to the public. The GPO is the Federal Government's primary centralized resource for gathering, cataloging, producing, providing, authenticating, and preserving published U.S. Government information in all its forms. GPO is responsible for the production and distribution of information products and services for all three branches of the Federal Government. Under the Federal Depository Library Program, GPO distributes a broad spectrum of Government publications in print and online formats to more than 1,250 public, academic, law, and other libraries across the country. In addition, GPO provides public access to official Federal Government information through public sales and other programs, and, most prominently, by posting more than a quarter of a million Government titles online through GPO Access (www.gpoaccess.gov).

Today, many documents no longer require typesetting, printing, or binding and there is no tangible document to make its way to library shelves or to be preserved for the future. This evolution of document creation and dissemination has provided GPO with a significant challenge to its future relevance and viability. GPO is meeting this challenge by transforming into an entity capable of delivering Federal information products and services from a flexible digital platform. While the introduction of digital technology may change the way GPO's products and services will be created and how they will look and function, GPO will continue to satisfy the Government's changing information requirements, and accomplish its mission of *Keeping America Informed*.

The Office of the Inspector General

The Office of the Inspector General (OIG) was created by the Government Printing Office Inspector General Act of 1988, Title II of Public Law 100-504 (October 18, 1988). The mission of the GPO OIG is to provide leadership and coordination, and to recommend policies to prevent and detect fraud, waste, abuse and mismanagement, as well as to promote economy, efficiency, and effectiveness in GPO's programs and operations. The OIG offers an independent and objective means of keeping the Public Printer and the Congress fully informed about problems and deficiencies relating to the administration and operations of the GPO. To meet these responsibilities, the OIG conducts audits, evaluations, investigations, inspections, and other reviews. The OIG is dedicated to acting as an agent of positive change to help the GPO improve its efficiency and effectiveness as it undertakes its unprecedented transformation.

"The OIG offers an independent and objective means of keeping the Public Printer and the Congress fully informed about problems and deficiencies relating to the administration and operations of the GPO."

Contents

Message from the Inspector General

"We have continued to focus our limited resources on the Agency's priority issues."

This semiannual report summarizes the work of the Government Printing Office (GPO) Office of Inspector General (OIG) from April 1, 2005 through September 30, 2005. The audits, investigations, inspections, and other activities highlighted in this report demonstrate our commitment to the promotion of integrity, accountability, efficiency, and effectiveness in the programs and operations of the GPO.

These past six months saw continued progress of our effort to more closely align the objectives, goals, and priorities of the OIG with those of the Agency. While ever careful to maintain our independence, we have worked hard to ensure that our work is in line with and supports the Agency's strategic vision. As part of that effort we recently developed our own strategic plan, the product of nearly three months of meetings, discussion, and strategic thinking about the Agency's vision for the future and how the OIG fits into that vision. This new plan will, among other things, serve as our guide in planning the audit and other work that we will undertake over the course of the next three years.

In addition to "big picture" thinking and long-term planning, the past six months also saw a number of significant audit, inspection, and investigative accomplishments which are described in the pages that follow. We have continued to focus our limited resources on the Agency's priority issues, including, most fundamentally, its transformation from a 19th Century "ink on paper" factory to a 21st Century state-of-the-art collector, processor and provider of government information. This unprecedented transformation presents a multitude of challenges for not only the Agency, but for the OIG as well. I am confident, however, that we can and will meet the challenges that lie ahead.

Finally, I am pleased to report continued improvement in the OIG's relationship and communication with key GPO leaders and managers. We have, during the past six months, conducted unprecedented liaison with all aspects of GPO management in an effort to better understand how the OIG can help the Agency achieve its strategic objectives. Only by working closely together can the OIG and GPO management realize their common goal of seeing GPO successfully transform.

Gregory A. Brower
INSPECTOR GENERAL
U.S. Government Printing Office

Executive Summary

Highlights of this Semiannual Report

During this reporting period, the OIG continued to direct its resources to address those areas of greatest risk within GPO. We provided a variety of services, including program and financial audits, inspections and evaluations of key operations, and investigative activity resulting in criminal and administrative actions. We also continued to provide general and professional assistance and reviews of proposed legislation and regulations. The work of each of the OIG's three offices is briefly highlighted below.

The *Office of Audits* (OA) issued two reports with a total of 11 recommendations for further improvements and efficiencies in GPO activities and operations. The OA also continued to work jointly with GPO management during this period to close open audit recommendations. In addition, the OA worked with management to develop the statement of work for a new financial statement audit contract.

The *Office of Investigations* (OI) opened 16 new investigative cases in response to 104 new complaints or allegations, and closed 17 matters. The OI also submitted a Management Implication Report to agency officials, concerning the agency's "web harvesting" activity. Through its investigative efforts during this period, the OI recovered a total of $36,000 and helped GPO realize cost savings of $69,000 through the successful investigation of workers compensation fraud.

The *Office of Administration and Inspections* (AI) issued three reports during this reporting period. Two of these reports concerned the implementation of a Public Key Infrastructure (PKI) by GPO. The third report, conducted in conjunction with the Office of Audits, reviewed GPO's internal control program.

OIG Management Initiatives

Outreach Efforts
Recognizing the increasingly important role that the federal OIGs are playing in our nation's overall law enforcement strategy, and in an effort to foster a closer working relationship with the U.S. Department of Justice (DOJ), senior OIG managers initiated meetings with various U.S. Attorneys offices and other DOJ officials to discuss important issues of mutual interest. These meetings have already resulted in closer cooperation between the OIG's investigators and DOJ attorneys. We also organized a series of meetings with Congressional staffs in an effort to solicit input as we developed a new strategic plan and work plan.

New Strategic Plan
The OIG recently unveiled its new Strategic Plan Fiscal Years for 2006-2008. This new three-year plan was developed in close consultation with a variety of stakeholders, both from within GPO and from outside the Agency, and is aimed at aligning the OIG's strategic vision with that of the Agency, while maintaining the OIG's statutory independence. The plan contains a new vision, mission statement, set of guiding principles, and list of goals to be achieved within the next three years. The entire plan can be found at www.gpo.gov/oig.

Updated Work Plan
After extensive meetings within the OIG and with a variety of external stakeholders, we developed a new work plan for Fiscal Years 2006-2007. This plan includes a list of those audits and inspections that we have determined to be priorities during the next 24 months. The plan will be available at www.gpo.gov/oig.

Review of Legislation and Regulations

The OIG, in fulfilling its obligations under the Inspector General Act of 1978, is responsible for reviewing existing and proposed legislation and regulations relating to programs and operations of the GPO and to make recommendations in its semiannual reports concerning the impact of such legislation or regulations on the economy and efficiency in the administration of programs and operations administered or financed by the GPO. We have continued to play an active role in this area in an effort to assist the Agency achieve its goals.

The OIG reported in its last semiannual report that it anticipated reviewing new legislation concerning GPO's proposal to relocate to a new facility. The OIG is reviewing a draft proposal and will continue to work with GPO management concerning this important matter.

GPO Management Challenges

As the Agency transforms, GPO management continues to confront a variety of substantial and difficult issues of great importance to a successful transformation. Chief among these issues is the need to transition from a "stovepipe" operational culture to one of effective collaboration, communication, and cooperation within the Agency. This will be necessary in order to achieve a more efficient delivery of mission critical results, foster vital information sharing, and improve customer service both internally and externally. The OIG has identified the following challenges which are likely to hamper GPO's transformation efforts if not dealt with aggressively:

1. *Management of Human Capital.* GPO, like other agencies, continues to be affected by budget constraints, changing technology, competitive market conditions, and an aging workforce. These realities will continue to impact staffing levels and maintenance of necessary workforce skills in the near term. GPO must have a plan to deal with these realities in the most economical and efficient way possible.

2. *Improved Financial Management.* GPO has begun the implementation of a new, Oracle-based, financial management system. This substantial investment presents both great opportunities for enhanced efficiency and cost savings, and significant risk in the event that the system does not operate as intended. GPO must ensure that this implementation is accomplished on time, on budget, and with a satisfactory result.

3. *Continuity of Operations/Disaster and Emergency Preparedness.* GPO is not adequately prepared to detect, identify and respond to a natural or man-made disaster. Management must address the various aspects of this problem, including training, lines of authority, direction and responsibilities of GPO officials.

4. *Internal Control.* GPO management is responsible for establishing and maintaining a system of internal control to achieve the objectives of effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations. GPO's current internal control environment must be improved if the Agency is to successfully implement its strategic vision.

5. *Secure and Intelligent Documents (SID) Business Opportunities.* SID is considered by GPO management to be the most important business unit for the future of the Agency. Significant risks have been identified within SID, including the potential loss of business opportunities, that must be effectively mitigated if GPO is to realize the full potential of this new revenue source.

6. *Passport Security.* Issues related to the production and transportation of blank passports continue to be a priority. Among the current issues are completion of the armored transportation procurement and successful implementation thereof, finalization of a new MOU with the Department of State, overall product security, privacy and security concerns related to the biometric passport, offsite storage of surplus books, and the need for a secondary production facility. Each of these issues must be adequately addressed if GPO is to maintain its role as *the* source for U.S. passport production.

7. *New Facility.* The GPO's current buildings are too large and antiquated, and continue to require an extraordinary amount of financial resources for operation and maintenance. The Agency envisions relocating to new facilities specifically sized and equipped for future requirements. The challenges attendant to such a move will be significant for the Agency, and must be successfully addressed.

8. *Information Technology Issues.* The Agency faces a long list of challenges in the IT area including the GPO Enterprise Program, PKI, network security, and compliance with the Federal Information Security Management Act (FISMA) as demanded by customer agencies. All of these issues are crucial to GPO's future success and must be managed accordingly.

9. *Customer Service.* As GPO transforms, its customer services must reflect and advance that transformation, and must have the appropriate focus, staffing and alignment with GPO's Strategic Vision to be assured of future success.

10. *Acquisition of a Digital Content Management System.* This system, currently in the planning phase, will be the core of GPO's future operations. Current plans call for the development of a $29 million system through a series of 24 different procurements. This substantial investment poses significant risk to the Agency if not managed properly.

"GPO management continues to confront a variety of substantial and difficult issues of great importance to a successful transformation."
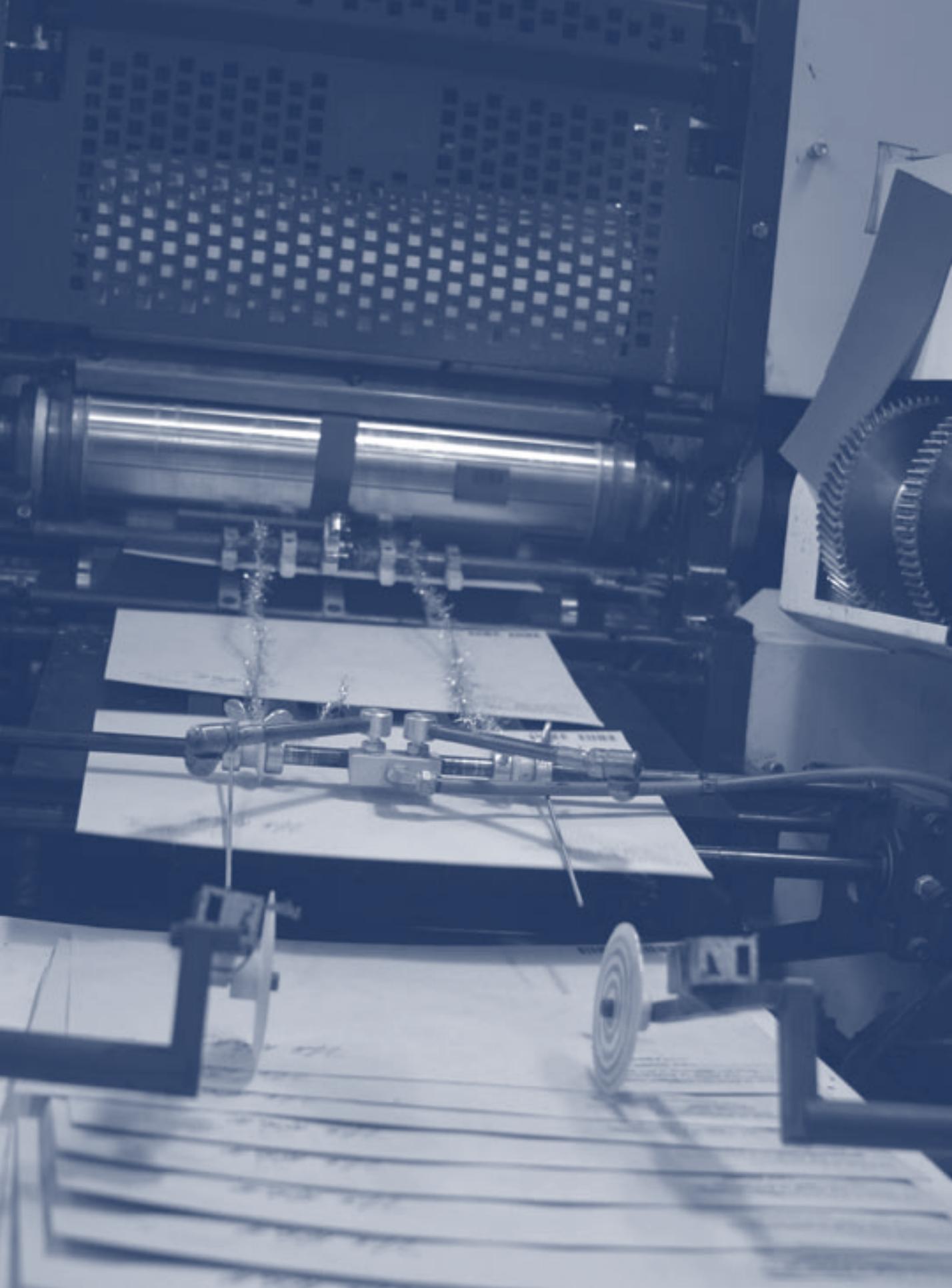
Office of Audits

The Office of Audits (OA), as required by the Inspector General Act Amendments of 1988, conducts independent and objective performance audits, financial audits, and special reviews relating to GPO's operations and programs. All OIG audits are performed in accordance with generally accepted government auditing standards promulgated by the Comptroller General of the United States. When requested, the OA also provides accounting and auditing assistance to the OIG Office of Investigations for both administrative and criminal investigations. The OA also refers irregularities and other suspicious conduct detected during audits to the Office of Investigations for investigative consideration.

A. Summary of Audit Activity

During this reporting period, the OA continued to work cooperatively with GPO management to close nearly all of the open recommendations carrying over from prior reporting periods. As of the date of this report, only one such recommendation remains open. The OA issued two new audit reports during this reporting period. These reports made a total of 11 recommendations for improving GPO's operations, including strengthening of internal control throughout the Agency.

B. Audit Accomplishments – Audit Reports

1. Audit Report 05-04
(Issued September 30, 2005)

Report on the Audit of GPO's Travel Program

The GPO Travel Program is administered by the Agency/ Organization Program Coordinator (A/OPC) who is assigned to the Cash Management Services Section in the Office of the Chief Financial Officer (CFO). The A/OPC is responsible for issuing and tracking travel orders as well as monitoring the usage of travel cards issued to GPO employees. The OIG performed an audit to evaluate the effectiveness of GPO's Travel Program. The objectives of the audit were to determine whether: (1) adequate controls exist over the issuance and processing of travel orders, travel advances, and travel cards; (2) travel card usage is monitored to ensure the cards are used only for official travel and that payments are timely; (3) only personnel with

a legitimate need have travel cards; and (4) travel claims and the repayment of travel advances are processed timely and accurately.

Results In Brief

The audit found that management controls over GPO's Travel Program can be strengthened. Specifically, the audit identified that: (1) travel cards were not always being used for purchases related to official travel; (2) some GPO employees in possession of travel cards did not timely pay their outstanding balances; (3) travel advances were not always necessary, properly controlled or paid back in a timely manner; and (4) travel claims submitted by some GPO employees were not reimbursed in accordance with the Federal Travel Regulations (FTR).

To improve management controls over the Travel Program and help ensure that official travel by GPO employees is accomplished in the most cost-effective manner and in accordance with applicable GPO and Federal travel policies and procedures, the OIG recommended the following corrective actions:

1. The CFO should direct the A/OPC to review, on a monthly basis, the Bank of America's (BoA) monthly management report of travel card activity to ensure that cards are being used exclusively for expenses related to official travel.

2. The CFO should coordinate with appropriate GPO officials to compile a monthly report of all GPO employees on official travel and provide the report to the A/OPC to compare the employees on official travel with the charges identified on the monthly management report of travel card usage provided by BoA to determine whether travel cards are being appropriately utilized.

3. The CFO should take appropriate action to suspend the travel cards for those employees using the cards for purposes other than official Government travel.

4. The CFO should direct the A/OPC to review, on a monthly basis, BoA's delinquency report on travel card activity to ensure that all delinquent employees are identified, and their supervisors promptly notified so that appropriate action can be taken.

5. The CFO should develop procedures concerning the issuing, monitoring, and collecting of outstanding travel advances to include, at a minimum (a) guidelines for whether employees with Government-issued travel cards are also eligible to receive travel advances; (b) timeframes for supervisory approval of travel advances related to actual travel dates; and (c) guidelines for identifying and notifying employees with outstanding travel advances.

6. The CFO should reinstitute preparation of the General Examination and Support Section's Travel Advance Subsidiary Record.

7. The CFO should consider eliminating travel advances for employees with travel cards and implementing the Automated Teller Machine feature of the travel cards for obtaining advances when needed.

8. The CFO should coordinate with the Managing Director, Customer Services, to expedite processing of travel vouchers with travel advances on press sheet inspections to allow for timelier billing of customer agencies for reimbursement.

9. The CFO should mandate appropriate training on the requirements of the FTR for personnel, including the A/OPC and voucher examiners, responsible for reviewing and approving travel claims.

10. The CFO should seek recovery of any funds improperly reimbursed.

   GPO Management concurred with each of the report's recommendations and has taken, or has planned to take, responsive corrective actions to implement appropriate controls to ensure that the GPO Travel Program, including the use of travel cards, is in compliance with GPO and Federal travel regulations, policies and procedures.

2. Audit Report 05-05 (Issued September 30, 2005)

Report on Payment of Pre-employment Interview Travel Expenses

During the audit of the GPO Travel Program, OIG auditors identified a situation where a candidate for a senior position with GPO submitted a claim for invitational travel and apparently received reimbursement for travel expenses incurred by his spouse related to a pre-employment interview with GPO officials in Washington, D.C.

Results In Brief

The Federal Travel Regulations (FTR), adopted by GPO in February 2005, generally governs official travel by employees and prospective employees of the federal government. The audit identified that the FTR does not specifically allow for the payment of travel expenses for spouses accompanying candidates on pre-employment interviews. Moreover, Section 301-75.3 of the FTR requires agencies to establish policies and procedures governing: (1) the criteria in which individuals or positions qualify for payment of pre-employment interview travel expenses; (2) who determines that a person qualifies; and (3) who determines what expenses are authorized for each interviewee. We further found that GPO does not have any specific policies and procedures governing pre-employment interview travel expenses.

   While the issue that brought this matter to our attention was subsequently resolved, we recommended that the Chief Financial Officer (CFO), in coordination with the Chief Human Capital Officer (CHCO), establish policies and procedures governing pre-employment interview travel expenses in accordance with Sections 301-75.3 of the FTR. The CFO and CHCO concurred with the recommendation and have agreed to take corrective action.

C. Quality Assurance Activity

The OA maintains an internal quality assurance review program which assists the organization with ensuring compliance with generally accepted government auditing standards. One of the primary components of the program is performing periodic Quality Assurance Reviews (QARs) of audits that were previously completed and issued as

final reports of the OIG. During this reporting period, the OA initiated (but did not complete) a QAR of a previously completed audit.

D. Advice and Assistance

During this reporting period, the OA provided advice and assistance to GPO management and other Federal audit organizations as follows:

Financial Statement Audit Activity

The OIG provided support for the audit of GPO's 2005 financial statements throughout this reporting period. Since 1997, Federal law, 44 U.S.C. 309, has required an annual audit of the Agency's financial statements. KPMG LLP (KPMG) has been retained to conduct this audit under a multi-year contract for which the OA is the Contracting Officer's Technical Representative (COTR). In addition, the OA provided administrative support and coordination with GPO management for the KPMG auditors. The audit for Fiscal Year (FY) 2005 will be the last audit covered under the current contract with KPMG. Consequently, also during this period, the OA coordinated with the GPO Chief Financial Officer, the Chief Information Officer, and other stakeholders to begin preparation of the statement-of-work for the follow-on procurement of audit services from qualified contractors for an audit of GPO's financial statements for the FY ending September 30, 2006 and subsequent years.

Liaison with GPO Managers

The OA met with the entire GPO senior management team during this period to address various audit issues, obtain feedback on audit products and services, and solicit input for the OIG's new work plan. These meetings resulted in communication that was critical to identifying and prioritizing future audits and reviews that will help improve GPO's programs and operations. Valuable feedback was also received that should improve the OIG's work product, and the quality and frequency of communications between the OIG and GPO management.

E. Update of OA Policy Manual

During this period, the Assistant Inspector General for Audits led an effort to thoroughly review, revise and update the OA's Audit Policy Manual. The result of this effort, to date, is a working draft of a streamlined, up-to-date manual that promises to enhance the quality and consistency of the OA's work product. We anticipate finalizing the manual and implementing its contents during the first quarter of FY 2006.

F. Work in Progress

During this reporting period, we also continued our work on an audit of GPO Purchase Card Activities. The overall objective of this audit is to evaluate the effectiveness of GPO's purchase card program. The specific audit objectives are to: (1) determine whether GPO has implemented appropriate management controls over the use of purchase cards; (2) determine whether purchase cards are being used efficiently and cost-effectively; (3) evaluate the effectiveness of the examination and payment process for purchase card transactions; and (4) determine whether purchase cards are being utilized in compliance with applicable laws, regulations, policies and procedures. We anticipate issuance of a final report on this audit during the first quarter of FY 2006.

G. Status of Open Recommendations

GPO management officials continued to make significant progress during this reporting period in implementing and closing many of the recommendations contained in audit reports issued during prior semiannual reporting periods. Specifically, GPO management worked in close cooperation with the OIG to close 18 open recommendations, including two of the three recommendations that were reported as open at the end of the previous reporting period. For the one prior recommendation that remains open, a summary of the audit finding and recommendation, along with the status of GPO management's actions to implement the recommendation appears below.

1. Audit Report 03-04
(Issued September 30, 2003)

Report on Improving Controls Over Printing Procurement Department's Contract Modifications at Central Office

Finding

Printing Specialists in the Printing Procurement Department (PPD) were entering contract modification data twice into PPD's two automated databases – a stand-alone personal computer (PC) system and the Procurement Information Control System (PICS) databases. Printing Specialists were entering data twice because the two systems were not interfaced, which is contrary to Standard 1 of GPO Instruction 825.18A, "Internal Control Program."

Recommendation

The Managing Director of Customer Services should implement an automatic interface between the PC database and PICS for entering future contract modifications data (0304-02).

Management Comments

On August 26, 2005, the Managing Director of Customer Services stated that the Customer Services Office of Development and Program Support has been monitoring Information Technology and Security's progress and reports that the projected date of completion has slipped. The revised schedule now calls for completion of Phase I by the end of December 2005 with Phase II scheduled for completion by March 2006.

OIG Comments

This recommendation will remain open until the Managing Director of Customer Services completes and implements the system enhancements described above.

Statistical Table –
Audit Reports with Questioned and Unsupported Costs

Description	Questioned Costs	Unsupported Costs	Total Costs
Reports for which no management decision has been made by the commencement of the reporting period	$0	$0	$0
Reports issued during the reporting period	0	0	0
Subtotals	$0	$0	$0
Reports for which a management decision was made during the reporting period			
1. Dollar value of disallowed costs	$0	$0	$0
2. Dollar value of allowed costs	$0	$ 0	$0
Reports for which no management decision has been made by the end of the reporting period	$0	$0	$0
Reports for which no management decision has been made within six months of issuance	$0	$0	$0

Statistical Table –
Audit Reports with Recommendations That Funds Be Put to Better Use

Description	Number of Reports	Funds Put to Better Use
Reports for which no management decision has been made by the commencement of the reporting period	0	$0
Reports issued during the reporting period	0	$0
Subtotals	0	$0
Reports for which a management decision was made during the reporting period		
• Dollar value of recommendations that were agreed to by management	0	$0
• Dollar value of recommendations that were not agreed to by management	0	$0
Reports for which no management decision has been made by the end of the reporting period	0	$0
Report for which no management decision has been made within six months of issuance	0	$0

Statistical Table –
List of Audit Reports Issued During Reporting Period

Other Audit Reports	Funds Put to Better Use
Report on the Audit of GPO's Travel Program (Report Number 05-04, issued 09/30/05)	$0
Report on Payment of Pre-employment Interview Travel Expenses (Report Number 05-05, issued 09/30/05)	$0
Total	$0

Office of Investigations

The Office of Investigations (OI) conducts and coordinates investigations relating to employee misconduct and monetary or material losses occurring in GPO programs and operations. The subjects of these investigations may include contractors, program participants, GPO management, and other employees. Special Agents in the OI are Federal Criminal Investigators (Job Series 1811), and are also designated as Special Police Officers pursuant to 44 U.S.C. § 317. The OI's investigations may result in criminal prosecution, civil proceedings, or imposition of administrative sanctions. Prosecutions may result in court-imposed prison terms, probation, fines, and/or restitution.

A. Summary of Investigative Activity

During this reporting period, the OI opened 16 investigative cases in response to 104 new complaints or allegations, and closed 17 matters. Thirty-five investigative matters remain open. The OI participated in the execution of two search warrants related to allegations of fraud under the Federal Employee Compensation Act. Fourteen administrative subpoenas were issued during the reporting period, and in one instance, the subject challenged the subpoena in U.S. District Court. The U.S. Department of Justice, on behalf of GPO, has requested that the Court enforce the subpoena. The OI also issued a Management Implication Report (MIR) following its investigation of a suspected computer hacking incident involving the Agency. The OI also remains active in liaison efforts with GPO offices located in various regions throughout the country. As a result, the OI continues to receive information or complaints regarding allegations of fraudulent activities by GPO contractors.

B. Types of Cases

The OI's investigative workload can be divided into the following major categories:

Office of Workers' Compensation Program (OWCP)

The OI investigates GPO employees who have allegedly submitted false claims and made false statements to facilitate their receipt of workers' compensation benefits. We currently have ten open investigations involving alleged OWCP fraud.

Procurement Fraud

The OI investigates allegations of statutory violations involving GPO contractor service providers defrauding the government in connection with GPO's procurement of printing goods and services. These violations include, but are not limited to, false claims, false statements, wire and mail fraud, product substitution, and Small Disadvantaged Business Program violations. The OI currently has eight open procurement fraud cases.

Employee Misconduct

The OI investigates allegations involving GPO employee misconduct. These allegations include, but are not limited to, misuse of government computers, theft, assaults, drug violations, gambling, kickbacks, and travel voucher fraud. The OI has five active misconduct investigations.

Miscellaneous

The OI investigates miscellaneous administrative allegations and other types of investigations that do not fall into one of the above four categories. The OI has two active miscellaneous matters.

C. Status of Action on Referrals

The OI's investigative efforts result in both external and internal referrals for action. A summary of the status of outstanding referrals by the OI follows:

External

A total of six investigative matters were referred to the U. S. Department of Justice (DOJ) for prosecution during this period. Civil and criminal actions are currently pending on three of these referrals:

- One current Office of Workers' Compensation Program (OWCP) investigation was accepted by DOJ for criminal prosecution.

- One previously reported investigation into allegations of false claims and false statements was accepted during this reporting period for civil action. The total amount of questioned over-billings in this matter is approximately $400,000.

In another matter, DOJ accepted a referral from the OI and assisted in the recovery of $24,355 from a GPO contractor who had erroneously received payment for work produced by a different company. The subject company initially refused to repay the Agency and after several attempts were made by GPO management to recover the funds, the OI investigated the matter and then worked with the U.S. Attorney in Kansas to secure repayment.

Internal

A total of five investigative matters were referred to GPO management for action during this reporting period. Seven investigative cases that were referred in previous reporting periods remain pending with agency officials for action.

OI investigative findings were also forwarded to the appropriate Agency officials for suspension, debarment, or other administrative actions against Agency contractors. As a result of OI investigative efforts during this reporting period, the Agency debarred 15 contractor companies and officials, and issued four Notices of Proposed Debarment, 15 Show Cause Notices, and 14 Letters of Warning.

D. Other Investigative Accomplishments

- The OI, in conjunction with the Office of Administration and Inspections, conducted an investigation into an alleged unauthorized access or "hacking" into the Agency's website. During the investigation, it was discovered that the Agency was involved in the harvesting of information from other Federal agency websites, and that no hacking had occurred. The results of the investigation were forwarded to Agency management via a Management Implication Report (MIR). The recommendations made in the MIR were accepted by GPO management and are currently being implemented.
- An investigation into alleged procurement fraud by a printing contractor, initiated during a previous reporting period and continued into this reporting period, resulted in the recovery of $7,359 to the Agency. The Agency had previously recovered additional funds from the company as a result of the OI's investigation which continues, and is expected to yield additional recoveries.

- An Executive Council on Integrity and Efficiency (ECIE) Investigative Peer Review of the OI was conducted by the Farm Credit Association, Office of Inspector General. The review found that the OI's internal safeguards and management procedures were in full compliance with the quality standards established by the ECIE.

- The OI's efforts in the workers compensation fraud area led to a recovery of $36,000 and additional cost savings of $69,000 to the Agency.

- The OI has been participating in a Federal Procurement Fraud Working Group formed by the U.S. Attorney for the Eastern District of Virginia (EDVA). Participants in the group include representatives of various Federal Offices of Inspector General, Department of Defense investigative services, and DOJ attorneys. The group meets regularly for the purpose of exchanging information concerning procurement fraud investigations and prosecutions, and to discuss current topics in the fight against fraud, waste, and abuse in federal government procurement programs.

E. Work-In-Progress

Several significant OI matters remain pending as of the end of this reporting period. The disposition and results of these investigations will be detailed in future reports. The following is a summary of pending matters.

- The OI continued its proactive approach to reducing workers' compensation costs at GPO. As a result of a collaborative effort with the GPO Office of Workers Compensation Program (OWCP), the Agency has realized a reduction of both Continuation of Pay (COP) costs and Sick Injured Administrative (SIA) leave. The OI is currently investigating/questioning $2.2 million dollars of the $6 million dollars in benefits paid annually by the GPO in long-term workers compensation payments. In addition, all new claims are being reviewed to verify the legitimacy of benefit payments.

- One GPO OWCP investigative case was accepted by DOJ for criminal prosecution. The U.S. Department of Labor OIG recently assisted the OI with the execution of two search warrants in the case, and several administrative subpoenas have been served. Results of this case will be detailed in a future report.

- The OI is investigating the alleged over-billing of approximately $400,000 in contracts by a GPO contractor. This matter is being evaluated by DOJ for civil action. Other allegations include the submission of false claims/false statements, and illegal sub-contracting.

- The OI investigated an allegation that five GPO employees obtained duplicate identification badges and misused those badges to commit Time and Attendance fraud over a long period of time. The duplicate badges were confiscated in the course of the investigation. The matter has been referred to GPO management for administrative action and remains pending.

Statistical Table – Summary of Investigative Case Workload as of September 30, 2005

Workload Analysis	Number of Cases
Beginning Case Workload as of October 1, 2004	36
New Allegations Received	104
Matters Closed After Preliminary Investigation	<88>
Cases Opened	16
Cases Closed or Referred with No Further Action	<17>
Ending Case Workload as of September 30, 2005	35

Statistical Table – Office of Investigations Productivity Summary

Arrests	0	Amounts Recovered Through Investigative Efforts	$36,000
Total Cases Presented to USAO's / SAO's	6	Total Agency Cost Savings Through Investigative Efforts	$69,000
Criminal	4	Total Administrative Referrals	5
Criminal Declinations	2	Contractor Debarments	15
Convictions	0	Contractor Suspensions	0
Guilty Pleas	0	Contractor Other Actions	33
Probation (days)	0	Employee Suspensions	0
Restitutions	0	Employee Terminations	0
Civil	2	Employee Warned/Other Actions	2
Civil Declinations	0	Other Law Enforcement Agency Referrals	0

Office of Administration and Inspections

The Office of Administration and Inspections (AI) provides the OIG with an alternative to traditional audit and investigative disciplines to assess GPO programs and activities. AI conducts short-term reviews and evaluations that generally focus on issues which are limited in scope and time sensitive. As with other offices within the OIG, the AI also assists the Inspector General in responding to Congressional and GPO management requests for assistance.

A. Summary of Inspection Activity

During the current reporting period, AI issued three reports. Two of these reports concerned the implementation of the Public Key Infrastructure (PKI) by GPO. In addition, AI, in conjunction with the Office of Audits, issued a review of GPO's internal control program.

During this reporting period, the AI also continued to provide advice and assistance to GPO management as follows.

Information Technology and Systems

AI provided ongoing advice and assistance to the Chief Information Officer (CIO) concerning Information Technology (IT) services, IT security, the OIG "trusted role" in the PKI project at GPO, and the implementation of the GPO Enterprise project.

In addition, AI continued to monitor work of the CIO to mitigate risks in the GPO IT environment that were reported by the KPMG financial statement audit and the OIG inspection of GPO network vulnerabilities.

Plant Operations

AI continued to provide advice and assistance to the Managing Director, Plant Operations concerning the security and product integrity of the electronic passport project.

Liaison with GPO Managers

AI met with GPO senior management team during this period to address various inspection issues, obtain feedback on products and services, and solicit input for the OIG's new work plan. These meetings resulted in communication that was critical to identifying and prioritizing future inspections that will help improve GPO's programs and operations. Valuable feedback was also received that should improve the OIG's work product, and the quality and frequency of communications between the OIG and GPO management.

B. Inspection Accomplishments – Inspection Reports

1. Inspection Report AI0503 (Issued September 12, 2005)

GPO Smart Card/PKI Business Case Analysis

Purpose

To notify the GPO management of concerns associated with the proposed "Smart Card/PKI" business strategy for the Security and Intelligent Documents business unit.

Findings/Recommendations

As GPO embarked on its transformation to a digital platform, it undertook the development "and stand up" of a Public Key Infrastructure (PKI). One potential use of GPO's PKI certificate authority is the production and sale of "smart cards."

Homeland Security Presidential Directive 12 (HSPD12) establishes the requirements for a common standard for identification credentialing for Federal employees and contracting staff. This standard is based on smart cards and PKI technologies, both of which are well-established commercially. While a number of initiatives to utilize Smart Card/PKI technologies for this purpose have been on-going in various Federal agencies, only a few are in wide-scale deployment. HSPD12 requirements mandate the use of Smart-Card/PKI technologies in a phased approach by October 2007. As a result, government agencies are in a race against time to find implementation solutions that fit their size, budget, and needs. While larger agencies may choose in-house solutions, smaller agencies will likely seek outsourced options, thus creating an opportunity for GPO to leverage its years of experience in secure document production, and add the necessary infrastructure to produce and deliver smart cards to other government agencies, and could lead to a potentially substantial revenue stream in the years ahead.

The business case analysis offered 13 advisory recommendations on which management must act quickly and decisively should GPO wish to establish itself as a provider of smart cards for the Federal government. The OIG urged GPO management to review the recommendations which provided an approach for determining the costs, benefits, and business risks of implementing this new GPO service offering.

2. Inspection Report AI0504 (Issued September 19, 2005)

Review of GPO's Internal Control Program

Purpose
The OIG initiated a review of GPO's internal control program to identify ways to enhance the effectiveness of the program, increase GPO management's performance and improve operational results, and facilitate implementation of GPO's transformational initiatives.

Findings/Recommendations
This review included a brief overview of the importance of internal control, a summary of internal control best practices, a critique of GPO's current internal control program, and a list of recommendations for improving GPO's internal control.

The review found that GPO has yet to fully develop and follow an internal control program that will allow it to effectively manage the formidable tasks that lay ahead. At the present time, GPO's primary internal control guidance is found in Instruction 825.18A. This instruction must be updated and improved. More importantly, an updated and improved internal control program, once implemented, must be strictly followed. GPO currently enjoys a unique window of opportunity to incorporate current Federal Government and private sector best practices in control and governance as part of its overall transformation. Without such improvements in internal control, GPO's ongoing effort to realize its *Strategic Vision for the 21st century* cannot be fully successful.

The review was advisory in nature. Accordingly, no formal response was requested of GPO management. The OIG will continue to monitor management's progress in this area.

3. Inspection Report AI0505 (Issued September 28, 2005)

GPO PKI Operating Procedures Compliance Audit Report

Purpose
Pursuant to request by the Chief Information Officer (CIO), the Office of the Inspector General conducted a compliance audit of the GPO Public Key Infrastructure (PKI) operating procedures for purposes of obtaining cross-certification with the Federal Bridge Certificate Authority. Specifically, the inspection included the following objectives:

1) Identify issues that may preclude smooth operation of the GPO PKI;
2) Identify issues which may hamper GPO's long term PKI goals; and
3) Recommend changes to correct any deficiencies discovered.

Findings/Recommendations
The OIG, through its contractor SeNet International, identified a number of deficiencies and recommended appropriate mitigating measures. The CIO undertook necessary corrective measures and SeNet re-inspected the areas of concern and issued a final report dated September 19, 2005. SeNet concluded that all areas of concern had been resolved. The OIG concurred with SeNet's conclusion. Accordingly, it was determined that GPO PKI operations conform to its Certificate Policy and Certificate Practices Statement and operates in accordance with the standards, guidelines and practices of the Federal PKI Policy Authority.

C. Work-in-Progress

Network Security Vulnerability Assessment
The objective of this inspection is to determine whether sufficient protection exists at the network and system levels, from both an external and internal perspective, to prevent deliberate or unintentional harm to GPO data and its resources. Initial findings indicate that the implementation and management of the security architecture supporting the GPO enterprise network requires strengthening to more effectively restrict unauthorized internal access to information resources. The network security assessment

revealed that GPO has implemented many effective controls for protecting information resources; however, several areas were identified where GPO can improve upon its security architecture to further enhance its overall security posture.

This review entails both an external and internal vulnerability assessment of GPO's enterprise network. Included in the internal vulnerability assessment were a wireless vulnerability scan and a review of previous audit findings. The internal vulnerability scans discovered a significant number of vulnerabilities that could lead to a compromise of the confidentiality, integrity, and/or availability of GPO systems and data. The results of the external scans show that GPO has taken significant steps to secure the perimeter network. No critical findings were discovered during the external phase. The inspection will be completed in the first quarter of FY 06 and results will be reported in the next semiannual report to Congress.

GPO's Information Technology Strategy

AI continues to provide advice and assistance to the CIO concerning the reorganization of IT services, IT security, and the process of migrating GPO legacy business systems to contemporary software and hardware platforms. AI will monitor the CIO's work in mitigating risks in the GPO IT environment and will continue to provide advice and assistance for the 2004 Financial Statement Audit activity. AI assigns staff as liaison and facilitator for IT security testing and other IT assurance work conducted by the external auditor KPMG to support their opinion on the GPO's financial statements.

Disaster & Emergency Preparedness Review

During this reporting period, the OIG commenced a review of the effectiveness of GPO's processes and procedures for implementing an emergency action plan in response to natural disasters, emergencies, incidents, and threats of varying degree and nature. This inspection specifically examines GPO's processes, procedures, and authorities against the Federal Government best practice standards. Data collection has been completed and a final comprehensive report will be issued in the next reporting period.

D. Status of Previous Report Recommendations

1. Inspection Report AI0404 (Issued September 28, 2004)

Blank Passport Transportation Security

Findings/Recommendations

Previously, AI reviewed the effectiveness and security of the process for transporting blank U.S. passports from GPO to the several U.S. Department of State (DOS) passport locations. This inspection included recommendations for improvement to ensure secure transportation of blank U.S. passports. More specifically, we found that the existing delivery process was seriously inadequate to afford the necessary protection for documents of this sensitivity. We made several recommendations to the Public Printer including a recommendation to change the current delivery process.

Management Action

GPO officials concurred with the recommendations and commenced action to facilitate the secure process for delivery of blank passports. However, the process has met with considerable obstacles. Accordingly, the recommendations have not yet been implemented. The delay poses serious concerns about the security of blank passport transportation. The OIG will continue to monitor progress and actively pursue with GPO management, effective strategies for resolving this significant ongoing issue.

2. Inspection Report AI0502 (Issued March 31, 2005)

Blank Passport Product Integrity and Security Review

Purpose

This evaluation completed a series of reviews concerning the passport product and specifically addressed the GPO passport manufacturing process to identify opportunities for improved passport product security.

Findings/Recommendations

The inspection revealed a number of weaknesses in the blank passport production business processes, including

missing critical core competencies, deficient processes, and infrastructure issues that require GPO management attention. In addition, the OIG found significant deficiencies regarding blank passport manufacturing, component product security, and related internal controls that require GPO management review and reengineering.

Management Action

GPO management generally concurred with the report's recommendations and has addressed some of the weaknesses identified. The OIG will work in collaboration with GPO management to monitor implementation of the remaining recommendations.

3. Financial Statement Audit – KPMG Reccomendations

Findings/Recommendations

KPMG issued several IT security related findings in the course of their 2004 Financial Statement Audit. The findings addressed concerns in the overall GPO IT security program, employee security awareness, segregation of duties, and other issues.

Management Action

The CIO continues to take action on all of the recommendations and has made substantial progress in resolving all of the issues. The OIG continues to monitor progress through monthly reports from the CIO.

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