



**U.S. GOVERNMENT
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**AUDIT
REPORT
08-03**

**GOVERNMENT PRINTING OFFICE (GPO)
GENERAL LEDGER ACCOUNT 6612,
GENERAL EXPENSE - SUPPLIES**

January 28, 2008

OFFICE OF INSPECTOR GENERAL



U.S. GOVERNMENT
PRINTING OFFICE
KEEPING AMERICA INFORMED
WASHINGTON, DC 20401

Memorandum

OFFICE OF INSPECTOR GENERAL

DATE: January 28, 2008

REPLY TO

ATTN OF: Assistant Inspector General for Audits and Inspections

SUBJECT: Final Report on Audit of GPO General Ledger Account 6612,
General Expense - Supplies
Report Number 08-03

TO: Chief Financial Officer

Enclosed please find the subject final report. Please refer to the Executive Summary for the overall assessment results. Our evaluation of your response has been incorporated into the body of the report and is included in its entirety as Appendix G. We consider management's proposed actions responsive to each of the report recommendations. The recommendations will remain open for reporting purposes until corrective actions are complete. Please notify us when actions have been completed on the remaining recommendations. The status of each recommendation upon issuance of this report is included in the chart in Appendix H. The final report distribution is in Appendix I.

We appreciate the courtesies extended to the audit staff. If you have any questions concerning the report, please contact Mr. Joseph Verch, Supervisory Auditor at (202) 512-0065, or myself at (202) 512-2009.

Kevin J. Carson
Assistant Inspector General for Audits and Inspections

cc:
Chief of Staff
Comptroller

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GPO Office of Inspector General

Report Number 08-03

January 28, 2008

GPO General Ledger Account 6612, General Expense - Supplies

Executive Summary

Background. The Government Printing Office (GPO) Office of Inspector General (OIG) has completed an audit of General Ledger Account 6612, General Expense – Supplies. The purpose of the account is to classify expenditure transactions for general and administrative supplies and materials such as administrative and general office supplies, furniture, uniforms, and other supplies and materials not used in the production process.¹ Between fiscal years (FYs) 2002 and 2006, charges to Account 6612 ranged from \$4.7 million to \$7.2 million.

Objectives. The overall audit objective was to evaluate the appropriateness of transactions within General Ledger Account 6612 for General Expense – Supplies. The specific audit objectives were to: (1) determine whether GPO has implemented appropriate management controls over transactions charged to the account; (2) evaluate the effectiveness of the procedures used to reconcile the account; and (3) determine whether the account is being utilized in compliance with applicable laws and regulations.

See Appendix A for details on the audit objectives, scope, and methodology.

Results of Audit. Controls were not always effective over the purchase transactions within GPO's General Supplies and Expenses Account 6612 made in the first six months of FY 2006. Controls over transactions charged to Account 6612 can be improved to include prompt and timely posting and proper reconciling of transactions and ensuring that charges to the account are for items such as supplies and materials as described in GPO's Object Class Instruction. The audit specifically identified that:

- (1) Regardless of object class, all GPO purchase card transactions are being classified as General Ledger Account 6612 for General Expense – Supplies, without reconciling individual transactions to a specific department or object class (Finding A);

¹ Account 6612 excludes microcomputer hardware and accessories, other automated data processing hardware and accessories, and software.

- (2) Items such as materials, supplies, equipment and services procured through the Materials Management Procurement Control System II were often incorrectly classified as General Ledger Account 6612 (Finding B);
- (3) The Office of Workforce Development, Education and Training acquired training for some GPO departments that was not being charged back to the using organization (Finding C); and
- (4) The posting of purchases charged to GPO's General Ledger Account 6612 was not consistently performed throughout the fiscal year (Finding D).

Recommendations. We made four recommendations to GPO management, which, if implemented, should not only improve management controls over the appropriateness of purchase transactions posted to Account 6612, but also ensure proper classification, reconciliation, and posting of future purchase transactions, as well as compliance with applicable GPO instructions and procedures.

Management's Response. GPO Management concurred with each of the report's four recommendations. Management has proposed corrective actions that should not only help strengthen controls over Account 6612, but also ensure that future purchase transactions are properly classified, reconciled, and posted.

Evaluation of Management's Response. We consider management's proposed actions responsive to each of the report's recommendations.

Introduction

GPO Instruction 435.4D, "Classifying Expenditures by Object Class," September 30, 1994, requires that all GPO expenditure transactions be classified by categories in a classification system known as "object class." The instruction implements Office of Management and Budget (OMB) Circular No. A-11² and prescribes specific object classes and subclasses for GPO use. In order for GPO management officials to effectively monitor the costs of their respective organization's purchases, this instruction also provides a cross-reference table between the object classes and the general ledger account numbers used in GPO's financial and budget reports.

GPO General Ledger Account 6612, General Expense – Supplies (Account 6612) is cross-referenced with Object Class 26.11, "General and Administrative Supplies and Materials." This object class is used by department officials to purchase general supplies and expenses on purchase requests and includes administrative and general office supplies, furniture, uniforms, and other supplies and materials not used in the production process.

Purchases classified as Account 6612 are made with either a GPO purchase card or through GPO's Materials Management Procurement and Control System II (MMPCS II) using Object Class 26.11. Beginning in FY 2002, the balance for Account 6612 has fluctuated from a total of \$6.2 million to a high of \$7.2 million in FY 2004 and decreased to a total of \$4.7 million in both FYs 2005 and 2006. The yearly account totals are listed in the table below.

Table 1. Account 6612 General Expense – Supplies (in millions)

FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
\$6.2	\$6.8	\$7.2	\$4.7	\$4.7

Prior to FY 2005, all purchases made with a GPO purchase card were reviewed by the cardholder, reconciled with Bank of America's (BoA)³ monthly statements, and then approved by department officials before the monthly statements were forwarded to the GPO Comptroller for payment. This review process however, caused delays in timely payment to the BoA, and resulted in more than \$500,000 in disputed purchases and the threatened suspension of purchase cards.

² OMB Circular A-11, "Preparation, Submission, and Execution of the Budget," June 2006, provides details on development and preparation of the President's annual budget for the U.S. Government. See Section 83 for information on object classification.

³ The General Services Administration, through a contract with BoA, provides the GPO with commercial charge cards (purchase cards) for employees to make purchases under the single purchase threshold of \$2,500 for official Government use. GPO uses the purchase cards for various purposes including purchasing supplies and services, emergency requirements, or to support production and field activities. Use of the purchase card is intended to benefit the Government through (among other factors) administrative cost savings, refunds paid to agencies based upon the dollar value of transactions, availability of electronic access to transaction data by agencies, and worldwide acceptance.

As a result of these problems, the GPO Comptroller changed the policy in FY 2005 by issuing one purchase order for all purchase card purchases. In addition to using one purchase order, the new policy allowed department officials to reconcile monthly statements later in the process, thus making it easier to make timely payments to BoA. As explained in detail in the body of the report, since FY 2005, all purchase card transactions, regardless of what the transaction was for, have been classified as Account 6612 without reconciling the purchases to a specific department or object class, as required by GPO Instruction 435.4D.

Findings and Recommendations

Finding A. Purchase Card Transactions Classified as Account 6612

Regardless of object class, all GPO purchase card transactions are being classified as General Ledger Account 6612 for General Expense - Supplies. Specifically, because of delays encountered in paying the Bank of America prior to FY 2005, all purchase card transactions since FY 2005 have been classified as Account 6612, without reconciling individual transactions to a specific department or object class. Classifying all purchase card transactions as Account 6612 is occurring because plans have not materialized to establish a suspense account specifically for purchase card transactions that would subsequently be reconciled to the appropriate general ledger accounts. During the first six months of FY 2006, various GPO cost codes posted over \$478,000 in charges to Account 6612 that did not appear to be for supplies. As a result, the uniform structure outlined in GPO Instruction 435.4D to classify GPO expenditures by object class and to provide a link between object class and the general ledger account numbers used in the GPO's financial and budget reports was not followed, thus making the accuracy of monthly financial reports for monitoring costs of various department purchases questionable.

Proper Classification of Accounting Transactions

GPO Instruction 435.4D updates the uniform structure used to classify GPO expenditure transactions by object class. The instruction implements OMB Circular No. A-11 and prescribes specific object classes and subclasses for use at the GPO. The instruction also provides links between object classes and the general ledger account numbers that GPO uses in financial and budget reports.

Object classes and subclasses in GPO Instruction 435.4D apply to all activities of the GPO and are used for submitting budget estimates to the OMB and in reporting data whenever an analysis by object class is required. Finally, the instruction states that all purchase requests, purchase orders, interagency agreements, and disbursement vouchers will be coded by the document initiator in accordance with the instruction. In addition to the object class and subclass code, documents must contain the appropriate code for cost distribution purposes in accordance with GPO Instruction 435.2, "Government Printing Office Cost Center Codes," as amended. The approving official of the purchase request is responsible for reviewing each source document to ensure that it is coded correctly prior to forwarding the request to Acquisition Services (if less than \$5,000) or the Office of Budget (if \$5,000 or more).

GPO Instruction 825.18A, "Internal Control Program," May 28, 1997, prescribes policies and standards and assigns responsibilities for conducting vulnerability assessments and internal control reviews of programs and activities of the GPO. The instruction states that effective business practice dictates that management is responsible for establishing and maintaining an effective internal control structure. According to the instruction, an internal control structure over financial reporting includes those policies and procedures

that pertain to an entity's ability to record, process, summarize, and report financial data consistent with the assertions embodied in either annual financial statements or interim financial statements, or both. Section 8 (g) of the instruction, referred to as Standard 7, states that transactions should be promptly recorded, properly classified, and accounted for in order to prepare timely accounts and reliable financial and other reports. The instruction also requires that documentation for transactions, management controls, and other significant events must be clear and readily available for examination.

Items Other Than Supplies Classified as Account 6612

Between October 1, 2005 and March 31, 2006, purchase cards from 100 separate cost codes in GPO were used to purchase general supplies and expenses totaling approximately \$1.2 million. We found that regardless of their object class, all GPO purchase card transactions were being classified as Account 6612. From a universe of all GPO cost codes, we selected a sample of 72 cost codes for which we reviewed all purchase card transactions for the first six months of FY 2006. Of those 72 cost codes, 32 charged \$478,979 for a variety of items and services. Of the 32 cost codes, 29 made a total of 500 charges classified to Account 6612 for a total of \$478,400, for items that did not appear to be supplies. See Appendix B for a listing of the 29 cost codes and 500 items (Of these items, we reviewed in detail, transactions for 10 of the 29 cost codes with a total of 312 transactions with a dollar value of \$293,684). Some examples of cost codes with a large number of items classified as Account 6612 that may not have been supplies are as follows:

- For Cost Code 0011, Office of General Counsel, we identified a total of 20 purchase card transactions with a value of \$20,167 that were classified as Account 6612 despite not being for supplies. The transactions were for various magazines, publications, and subscription services used in the General Counsel's office. The transactions should have been classified as Object Class 2640, Account 6618 – Subscriptions and Publications.
- For Cost Code 0711, Infrastructure Branch, we identified a total of 58 purchase card transactions with a value of \$41,088 that were classified as Account 6612 despite not being supplies. The transactions were for assorted computer hardware, software and accessories and should have been classified as Object Class 26.51, Account 6651 – Computer Hardware and Accessories.
- For Cost Code 0862, Office of Workforce Development, Education and Training (WDET), we identified 213 purchase card transactions with a value of \$188,138 that were classified as Account 6612. We identified that 143 of the transactions for \$94,282 were for training courses sponsored by external organizations for GPO personnel in various organizations. Each of these items were classified as Account 6612 for WDET when they should have been classified as Object Class 25.92, Other, Account 6516 – Tuition and Registration Fees, and charged to the cost codes of the personnel attending the training. In addition, 38 transactions for \$84,048 were for internal training conducted at GPO on behalf of WDET for

various GPO personnel but were classified as Account 6612. These transactions should have been charged to WDET's Cost Code (0862) and classified as Object Class 25.92, Other, Account 6516 – Tuition and Registration Fees.

Of the remaining 32 purchases valued at \$9,808, a total of 16 valued at \$6,677 were for various office supplies for WDET and were correctly classified as Account 6612. The other 16 transactions valued at \$3,131 were for safety shoes that although correctly classified as Account 6612, were incorrectly charged to WDET's Cost Code (0862). The shoes were incorrectly charged because the individual purchase card cardholder had transferred to WDET from another GPO organization. Another individual in the cardholder's former organization used the card to acquire the shoes but the charges were inadvertently made to WDET's Cost Code. The purchase card in question was subsequently terminated.

Special Purchase Card Suspense Account Not Created

In each of the examples detailed above, the individual purchase card transactions were routinely classified as Account 6612, regardless of the object class or type of transaction. As such, individual transactions were not reconciled to a specific object class. In April 2005, the GPO Comptroller realized that while all purchase card transactions were classified as Account 6612, some purchases were for items other than supplies and materials. To ensure that all purchases made with a GPO purchase card were properly classified to the specific general ledger accounts, the Chief Financial Officer decided that a special purchase card suspense account would be created beginning in FY 2006. At that time, all purchases made with the purchase card would be charged to the purchase card suspense account rather than Account 6612. It was further planned that each month, the three GPO Controllers (Customer Services, Finance and Administration, and Plant) would be tasked to remove the costs from the purchase card suspense account and allocate them to the appropriate object classes and general ledger accounts.

At the time of the audit, the special purchase card suspense account had not been established. The Controllers were therefore not always removing the costs of other expenditures made with GPO's purchase cards from Account 6612 on a monthly basis. The Controllers were also hampered in identifying whether the proper general ledger account was used without having access to supporting documentation such as a copy of the purchase request in order to determine the correct object class to charge. Prompt action should be taken to establish the purchase card suspense account.

Financial Reports Were Potentially Inaccurate

Because all purchase card transactions were being classified as Account 6612 and not reconciled, financial reports for GPO were potentially inaccurate. During the first six months of FY 2006, we identified over \$478,000 in charges posted to Account 6612 by various GPO cost codes they may not have been supplies. We identified that many of these charges were for items other than supplies, which is what Account 6612 is intended to report. Classifying all charges as Account 6612 further results in not complying with

the uniform structure outlined in GPO Instruction 435.4D to classify GPO expenditures by object class and to provide a link between object class and the general ledger account numbers used in the GPO's financial and budget reports. As a result, the accuracy of monthly financial reports for monitoring costs of various departments' purchases is questionable.

Recommendation

1. The Chief Financial Officer should establish the special purchase card suspense account and ensure that each month the three GPO Controllers promptly allocate all costs in the suspense account to the appropriate object classes and general ledger accounts.

Management's Response. Concur. Finance has established Account 6620, "Credit Card Purchases Suspense." Credit card payments are posted to this account monthly. The responsible Business Unit Controller reviews the transactions to properly classify them. The complete text of management's response is in Appendix G.

Evaluation of Management's Response. Management's planned actions are responsive to the recommendation. The recommendation is resolved but undispositioned, and will remain open for reporting purposes until corrective actions are completed.

Finding B. Procurement System Charges Incorrectly Classified as Account 6612

Materials, supplies, equipment and services procured through GPO's MMPCS II were incorrectly classified as General Ledger Account 6612. Specifically, from a limited sample of various GPO departments (cost codes), we identified over \$238,000 in expenditures during the first six months of FY 2006 that were incorrectly classified as Object Class 26.11, General and Administrative Supplies and Materials, and subsequently placed in Account 6612. This situation occurred because officials in various departments with responsibility for monitoring their organization's respective budget and expenditures were not properly classifying expenditures by object class as GPO guidance requires. Further complicating this issue was conflicting guidance that was provided to GPO department's concerning budget monitoring. As a result, the uniform structure outlined in GPO Instruction 435.4D to classify GPO expenditures by object class and to provide a link between object class and the general ledger account numbers used in the GPO's financial and budget reports was not followed, thus making the accuracy of monthly financial reports for monitoring costs of various department's purchases questionable.

Classification of Accounting Transactions

The MMPCS II is a legacy system maintained by GPO to procure miscellaneous materials, supplies, equipment and services. The system also controls the GPO materials and paper inventory. Purchases are charged to Account 6612 through the MMPCS II using Object Class 26.11, General and Administrative Supplies and Materials.

GPO Instruction 435.4D, "Classifying Expenditures by Object Class," September 30, 1994, updates the uniform structure used to classify GPO expenditure transactions by object class. The instruction also implements OMB Circular No. A-11 and prescribes specific object classes and subclasses for use at the GPO. The instruction states that all purchase requests, purchase orders, interagency agreements, and disbursement vouchers will be coded by the document initiator. In addition to the object class and subclass code, each document must also be coded for cost distribution purposes in accordance with GPO Instruction 435.2. The approving official of the purchase request is responsible for reviewing each source document to ensure that it is coded correctly prior to forwarding the request to Acquisition Services if under \$5,000 or the Office of Budget if \$5,000 or over.

Items Incorrectly Classified as Account 6612

Expenditures made through the MMPCS II were being incorrectly classified as Object Class 26.11, General and Administrative Supplies and Materials, and subsequently placed in Account 6612. Between October 1, 2005 and March 31, 2006, department officials from 168 cost codes purchased more than \$2 million in general supplies and expenses through the MMPCS II, which also includes purchases made through GPO's Self-Service Store and all replenishments of inventory on hand. From a sample of 49 of the 168 cost

codes, the audit found that 12 cost codes potentially had 30 incorrectly classified expenditures totaling more than \$270,000 charged to Object Class 26.11. See Appendix C for details on the 30 expenditures that were potentially incorrectly classified.

We reviewed 9 of the 12 cost codes in detail which potentially had a total of 18 incorrectly classified expenditures totaling \$247,989. Based on our review, we identified 7 cost codes and 15 items totaling \$238,171 that were incorrectly classified as Object Class 26.11 and placed in General Ledger Account 6612 as general supplies and expenses. These items, as detailed in the chart below, included among others: (1) \$155,092 in die plates, tape, and adhesives used in the production process; (2) a \$35,500 renewal fee for membership to an Executive Board; (3) \$23,134 for a water cooling system and a replacement air end for air compressors; (4) \$13,225 for assorted mailing lists; (5) \$6,490 for two electric pallet trucks; (6) \$2,530 in computer chips; and (7) a \$2,200 automatic sewing machine.

Table 2. Items Incorrectly Classified From Cost Codes Reviewed

No.	Cost Code	Questionable Items	Incorrectly Classified Items	Correct Object Class	Account Description	Amount Incorrectly Classified
1	0701	1	1	26.40	Subscriptions, Memberships	\$35,500
2	0711	1	0	n/a	n/a	0
3	4340	2	0	n/a	n/a	0
4	5600	1	1	26.51	Computer Hardware and Accessories	2,530
5	7000	1	1	26.15	Supplies/Materials Production Process	6,490
6	7200	1	1	26.15	Supplies/Materials Production Process	2,200
7	7600	5	5	26.15	Supplies/Materials Production Process	155,092
8	9260	4	4	25.84	Other	13,225
9	9912	2	2	25.11	Repairs to Equipment	23,134
Totals		18	15			\$238,171

As shown in Table 2, a total of 15 items in the sample were incorrectly classified as Object Class 26.11 and placed in General Ledger Account 6612 as general supplies and expenses. The Table also identifies the correct object class based on our discussions with personnel in each of the respective GPO cost codes and as determined from GPO Instruction 435.4D.

Incorrect Classification of Expenditures by Object Class

As detailed in Table 2, officials in the various GPO departments with responsibility for monitoring their organization’s respective budget and expenditures were not correctly

classifying expenditures. Specifically, department officials responsible for monitoring their cost codes' expenditures were not correctly classifying expenditures by object class as required by GPO Instruction 435.4D. Further complicating this issue was conflicting guidance that was provided to GPO department's concerning budget monitoring. We identified that the GPO Controllers and the Office of Budget had instructed department officials in the May 22, 2006, Budget 2007 Assumptions that "managers are not being held to individual line items." We were further informed by GPO Budget officials that departments would be held responsible for only the bottom line of their cost code's budget and that individual accounts are an aid in planning and controlling expenditures. The part of the instruction concerning individual accounts and their use for planning and controlling expenditures was not conveyed to individual department officials responsible for the budget who only followed the assumptions by placing most of their "other" expenditures into Object Class 26.11.

Financial Reports were Potentially Inaccurate

Incorrect classification of expenditures made through the MMPCS II could potentially make the accuracy of monthly financial reports for monitoring costs of various departments' purchases questionable. Based on a very limited sample, we identified more than \$238,000 in expenditures during a six-month period in FY 2006 that were incorrectly classified as Object Class 26.11, General and Administrative Supplies and Materials, and placed in Account 6612. By not complying with the uniform structure outlined in GPO Instruction 435.4D for classifying expenditures by object class and providing a link between object class and the general ledger account numbers used in the GPO's financial and budget reports, the accuracy of monthly financial reports for monitoring costs of various department's purchases is questionable.

Recommendation

2. The Chief Financial Officer should direct the Budget Officer to ensure that all responsible department budget officials are instructed as part of the annual Budget Assumptions Guidance that all expenditures must be correctly classified into individual accounts in accordance with GPO Instruction 435.4D and that individual accounts are to be used as an aid for planning and controlling expenditures.

Management's Response. Concur. Guidance on classifying transactions has been issued with the annual "Purchases and Annual Plan Guidance" but has not been issued with the "Budget Assumptions Guidance." The Budget Officer will include this guidance with the "Budget Assumptions Guidance" in the future (see Appendix G).

Evaluation of Management's Response. Management's planned actions are responsive to the recommendation. The recommendation is resolved but undispositioned, and will remain open for reporting purposes until corrective actions are completed.

Finding C. Acquisition of Training by WDET

The Office of Workforce Development, Education and Training (WDET), Cost Code 0862 was acquiring training for various GPO departments that was not being charged back to the using organization. The training was being charged to Account 6612 for WDET when it should have been classified as Object Class 25.92, Other, Account 6516 – Tuition and Registration Fees, and charged to the cost codes for the GPO organization of the personnel attending the training. For the first six months of FY 2006, this resulted in WDET's Account 6612 being overstated by approximately \$175,000 and the corresponding training accounts of various GPO department's being understated.

Proper Classification of Accounting Transactions

GPO Instruction 435.4D updates the uniform structure used to classify GPO expenditure transactions by object class. The instruction also implements OMB Circular No.A-11 and prescribes specific object classes and subclasses for GPO.

Agency Training Costs were Incorrectly Classified and Charged

WDET's General Expense – Supplies Account 6612 has been used to capture all agency charges for training under \$2,500. For example, in the first 6 months of FY 2006, WDET's Account 6612 included a total of 213⁴ purchase card charges totaling \$188,138⁵ even though the budgeted amount for the account for the year was \$12,000. Of this activity, 181 of the charges for a total of \$178,830 were for various training courses sponsored by external organizations for personnel in various GPO organizations and for internal training conducted at GPO on behalf of WDET for GPO personnel. The specific breakdown of the 181 purchase card transactions for training was as follows:

- 136 external training courses totaling \$91,371 that were attended by GPO personnel from 44 other cost codes;
- 5 external training courses totaling \$2,016 that were attended by WDET personnel;
- 2 external training courses totaling \$895 that were disputed by WDET officials; and
- 38 internal training courses totaling \$84,048 that were attended by GPO personnel.

⁴ WDET officials made 203 charges totaling \$108,344 with their GPO purchase card, and the Office of Acquisitions made another 10 purchase card charges totaling \$79,794.

⁵ As discussed in Finding A, 16 purchases totaling \$6,677 were for various office supplies for WDET and were correctly charged to Account 6612. The remaining 16 purchases totaling \$3,131 were for safety shoes that although correctly charged to Account 6612, were erroneously placed in Cost Code 0862 (WDET).

External Training Courses

We identified 136 purchases for external training courses that were incorrectly charged to Account 6612 for WDET when the training should have been classified as Object Class 25.92, Other, Account 6516 – Tuition and Registration Fees, and charged to the organizational cost codes of the personnel attending the training. In the first 6 months of FY 2006, WDET officials used purchase cards for 135 external training courses while an Acquisitions Services' contracting officer used the purchase card for another external training course for a combined total of \$91,371. Because purchase cards were used, the training costs were subsequently reported in WDET's Cost Code 0862, General Supplies and Expense Account 6612, when the charges should have been allocated to the organizational cost code of the individual attending the training. As a result, the training account (6516) for 44 separate cost codes⁶ (representing the organization of the personnel attending the 136 courses) was understated by \$91,371 for the first six months of FY 2006. In contrast, Account 6612 for WDET was overstated by the same amount.

Internal Training Courses

We also identified that 38 purchases totaling \$84,048 were for internal training conducted at GPO on behalf of WDET for various GPO personnel but were incorrectly charged to WDET's Account 6612. Each of these 38 training purchases should have been charged to WDET's Cost Code 0862 and classified as Object Class 25.92, Other, Account 6516 – Tuition and Registration Fees. For the first six months of FY 2006, WDET officials used the GPO purchase card to pay for 29 internal training courses while contracting officers in Acquisitions Services used the card for an additional 9 internal training courses. The total for those training courses was \$84,048. Because purchase cards were used, the training costs were reported in Account 6612 for WDET. As a result, WDET's Cost Code 0862, Account 6612 was overstated by \$84,048.

Improved Oversight of Account 6612 Transactions Needed

To improve the accountability of WDET's Account 6612, the appropriate GPO Controller for WDET, in conjunction with WDET officials needs to ensure that Agency training costs are being appropriately allocated to the correct cost code and general ledger accounts. For the first six months of FY 2006, Account 6612 for WDET was overstated by approximately \$175,000 while the corresponding training accounts of various GPO departments were being understated. Such incorrect classification of training expenditures could potentially make the accuracy of monthly financial reports for monitoring costs of various departments' purchases questionable.

Recommendation

3. The Chief Financial Officer should direct the appropriate Controller to coordinate with WDET to review on a monthly basis, all transactions in WDET's Account

⁶ Details on each of the 44 cost codes are in Appendix D of the report.

6612 that are for training or any other category not appropriate for the account and allocate the transaction amounts to the appropriate cost code and general ledger account.

Management's Response. Concur. In accordance with the response in Recommendation 1, the responsible Business Unit Controller reviews the transactions to properly classify them (see Appendix G).

Evaluation of Management's Response. Management's planned actions are responsive to the recommendation. The recommendation is resolved but undispositioned, and will remain open for reporting purposes until corrective actions are completed.

Finding D. Year-End Purchases not Posted Timely

The posting of purchases charged to GPO's General Ledger Account 6612 was not consistently performed throughout the fiscal year. Specifically, purchases made through GPO's MMPCS II are posted in the general ledger the month a transaction takes place while purchases made with a GPO purchase card are typically not posted until a month or two after the transaction takes place. As a result, end-of year purchase card transactions in August and September 2005 totaling \$131,915 were not posted to the general ledger until October and November 2005, thus impacting the accuracy of the FY 2005 and 2006 budgets as well as financial reports for 23 GPO cost codes.

Transactions Should be Promptly Recorded

GPO Instruction 825.18A, "Internal Control Program," May 28, 1997, prescribes policies and standards and assigns responsibilities for conducting vulnerability assessments and internal control reviews of programs and activities of the GPO. Section 8 (g) of the instruction, "Standard 7," states that transactions should be promptly recorded, properly classified, and accounted for in order to prepare timely accounts and reliable financial and other reports. The documentation for transactions, management controls, and other significant events must be clear and readily available for examination.

Year-End Purchases Recorded in Next Fiscal Year

Of 46 cost codes that had budgeted amounts for supplies in Account 6612 in their FY 2005 budgets, 23 made purchases with purchase cards totaling \$131,915⁷ during August and September 2005 that were not recorded until the following fiscal year (FY 2006). See Appendix E for details on each cost code. The purchases ranged from \$55 to \$62,857 and impacted the FY 2006 Account 6612 budget for the 23 cost codes.

Timely Posting of End-of-Year Purchases Needed

Using funds budgeted for the current year to pay for the previous year's expenses could affect an organization's ability to accomplish its goals and objectives for the current year. Such an action could also affect the accuracy of the Agency's financial reports. To improve the reliability of financial and budget reports, end-of-year charges made with GPO purchase cards and charged to Account 6612 should be posted timely as Standard 7 of GPO Instruction 825.18A requires.

⁷ This included \$33,653 in purchases made in August 2005 and \$98,262 in purchases made in September 2005.

Recommendation

4. The Chief Financial Officer should ensure that all year-end charges of supplies made with GPO purchase cards and charged to Account 6612 are promptly recorded in the same fiscal year as which the purchases were made.

Management's Response. Concur. An accrual entry is now made every month to ensure that credit card transactions are recorded in the proper year. These are charged to new Account 6620 (see Appendix G).

Evaluation of Management's Response. Management's planned actions are responsive to the recommendation. The recommendation is resolved but undispositioned, and will remain open for reporting purposes until corrective actions are completed.

Appendix A. Objectives, Scope, and Methodology

Objectives

The overall objective of the audit was to evaluate the appropriateness of transactions within GPO's General Ledger Account 6612, General Expense - Supplies. The specific audit objectives were to: (1) determine whether GPO has implemented appropriate management controls over transactions charged to the account; (2) evaluate the effectiveness of the procedures used to reconcile the account; and (3) determine whether the account is being utilized in compliance with applicable laws and regulations.

Scope and Methodology

To accomplish our audit objectives, we selected a sample of 72 cost codes from the 258 cost codes listed in GPO's FY 2006 Budget Report. We arrived at the 72 cost codes from (1) randomly selecting 20 percent or 52 of the 258 cost codes and (2) judgmentally selecting another 20 cost codes that had large variances in their budget estimates in FY 2005 for Account 6612. The scope of the audit included purchases made to Object Class 26.11 in the first 6 months of FY 2006 (October 1, 2005 through March 31, 2006). This included:

- (1) purchases totaling more than \$478,000 that were charged to 31 of the 72 sampled cost codes using either the cost code's purchase card or Acquisition Services purchase card from the Customer Service Controller's Monthly Purchase Card Listings; and
- (2) purchases totaling more than \$600,000 that were charged to 49 of the 72 sampled cost codes through the MMPCS II from the Comptroller's Report of Monthly Charges to Object Class 26.11.

We reviewed in detail the actual purchases from the 72 sampled cost codes made with purchase cards or through the MMPCS II and identified any charges that could have been incorrectly classified as general supplies and expenses. We then followed up with the representatives of the cost codes and officials from Acquisitions Services to determine whether the charges were correctly classified.

We also interviewed the three GPO Controllers to determine whether policies and procedures related to expenditure transactions were being implemented and followed.

Management Controls Reviewed

We reviewed management controls related to the purchasing and the reporting of expenditure transactions to Agency financial and budget reports. The significant management controls related to expenditure transactions are contained in GPO Instructions 435.2, 435.4D and 825.18A.

Appendix A

Audit Field Work

We performed field work from January 2006 through June 2007 at the GPO Central Office in Washington, D.C. We performed the audit in accordance with generally accepted government auditing standards.

**Appendix B. Potentially Misclassified Charges to Account 6612 from
October 1, 2005 through March 31, 2006**

No.	Cost Code	Office Title	Potentially Misclassified Charges		Selected for Detailed Review	
			Amount	Items	Amount	Items
1	0001	Office of the Public Printer	\$8,534.44	37		
2	0006	Office of Public Relations	8,583.42	14		
3	0007	Office of Congressional Relations	50.00	1	\$50.00	1
4	0011	Office of the General Counsel	20,166.79	20	20,166.79	20
5	0050	Office of the Inspector General	38,400.00	3	38,400.00	3
6	0073	Controller, Information Dissemination	20,277.78	2		
7	0502	Uniformed Police Branch	4,373.70	6		
8	0504	Physical Security Branch	5,723.13	8		
9	0711	Infrastructure Branch	41,088.51	58	41,088.51	58
10	0771	Special Project – PKI	553.58	1		
11	0850	Office of the Chief Human Capitol Officer	13,468.74	12		
12	0862	Office of Workforce Development	188,138.61	213	188,138.61	213
13	1000	Managing Director of Plant Operations	4,026.99	13		
14	1270	Dallas Printing Procurement Office	2,286.85	2		
15	2000	Security and Intelligent Documents	9,669.26	6		
16	3400	Service Section – Central Office	31,475.85	6		
17	4000	Office of the Production Manager	348.00	2		
18	4140	Stores Division	5,563.33	21		
19	4320	Sales Marketing Office	33,424.12	22		
20	4330	Creative Services	11,781.34	27		
21	4333	Technical Review	158.95	1		
22	4340	Congressional Publishing Services	231.00	2	231.00	2
23	5600	Electronic Job Section	3,784.74	2		
24	6900	Offset Press Section	15,449.41	3		
25	7000	Superintendent, Binding Division	475.00	1	475.00	1
26	7200	Book Section	3,423.72	5	3,423.72	5
27	7400	Record Room	5,232.25	3		
28	7600	Passport Unit	762.24	1	762.24	1
29	9260	Sales Planning and Development	948.42	8	948.42	8
		Totals	\$478,400.17	500	\$293,684.29	312

**Appendix C. Incorrectly Classified Charges to Object Class 26.11 from
October 1, 2005 through March 31, 2006**

No.	Cost Code	Office Title	Incorrectly Classified Charges		Selected for Detailed Review	
			Amount	Items	Amount	Items
1	0006	Office of Public Relations	\$8,583.42	10		
2	0701	Office of CIO	35,500.00	1	\$35,500.00	1
3	0711	Infrastructure Branch	8,972.00	1	8,972.00	1
4	4340	Congressional Publishing Services	846.55	2	846.55	2
5	5600	Electronic Job Section	2,530.00	1	2,530.00	1
6	6900	Offset Press Section	2,100.00	1		
7	7000	Superintendent, Binding Division	6,490.00	1	6,490.00	1
8	7200	Book Section	2,200.00	1	2,200.00	1
9	7500	Library Binding Unit	7,696.25	1		
10	7600	Passport Unit	155,091.63	5	155,091.63	5
11	9260	Sales Planning and Development	13,225.00	4	13,225.00	4
12	9912	General Building Expenses	23,134.00	2	23,134.00	2
		Totals	\$270,495.83	30	\$247,989.18	18

**Appendix D. WDET Account 6612 External Training Costs by
Cost Code from October 1, 2005 through March 31, 2006**

No.	Cost Code	Office Title	Amount
1	0001	Office of the Public Printer	\$99.00
2	0002	Office of the Chief of Staff	350.00
3	0006	Office of Public Relations	795.00
4	0007	Office of Congressional Relations	350.00
5	0050	Office of Inspector General	9,818.00
6	0060	Office of Innovation and New Technology	4,683.00
7	0070	Office of Chief Financial Officer	3,861.00
8	0072	Controller, Customer Services	345.00
9	0075	Office of Budget	2,850.00
10	0080	Office of Equal Employment Opportunity	1,695.00
11	0502	Uniformed Police Branch	475.00
12	0671	Information Technology/Human Capital	595.00
13	0700	Office of Chief Information	754.00
14	0710	IT&S Business Systems Support	467.00
15	0714	Product Support Branch	1,095.00
16	0720	Systems Architecture Division	1,440.00
17	0721	Legacy Applications Branch	476.00
18	0724	Web Management Branch	1,200.00
19	0731	Program Support Branch	1,230.00
20	0740	Systems Engineering Branch	2,000.00
21	0743	Systems Meta Data Branch	895.00
22	0750	IT Security Division	3,044.00
23	0751	IT Security Division Staff	1,619.00

Appendix D

No.	Cost Code	Office Title	Amount
24	0850	Office of the Chief Human Capital Officer	945.00
25	0852	Human Capital Special Projects	219.00
26	0860	Office of Employee Communications	6,850.00
27	0872	Customer Services Human Capital Department	985.50
28	0873	Plant Operations Human Capital Department	3,975.00
29	0880	Occupational Health and Environment	3,065.00
30	1000	Managing Director of Plant Operations	3,300.00
31	1136	Contract Management Division	1,590.00
32	1280	Denver Printing Procurement Office	99.00
33	2000	Security and Intelligent Documents	5,064.00
34	3200	Engineering Branch	1,215.00
35	4300	Managing Director, Customer Services	1,050.00
36	4310	Agency Publishing Services	7,808.75
37	4320	Sales Marketing Office	5,660.00
38	4325	Institute for Federal Printing	1,380.00
39	4326	Electronic Publishing Office	5,565.00
40	4391	Acquisition Policy and Planning	800.00
41	9140	Collection Management and Preset	185.00
42	9160	Library Partner Services	900.00
43	9170	Digital Archives	85.00
44	9400	Director, Library Services	755.00
		Totals	\$91,371.25

Appendix E. Account 6612 Year-End Purchases

A	B	C	D	E	F	G
		FY 2005 Purchases				% of
	Cost	Recorded	Recorded	Totals	FY 2006	Budget
No	Code	Oct. 2005	Nov. 2005	(C = D)	Budget	(E/F)
1	0001	\$378	\$2,577	\$2,955	\$40,000	7%
2	0004				\$5,000	0%
3	0006	2,695		2,695	\$15,000	18%
4	0007	972		972	\$2,500	39%
5	0011	2,822		2,822	\$20,000	14%
6	0050	5,274		5,274	\$50,000	11%
7	0502	2,164		2,164	\$175,000	1%
8	0504	1,481	1,288	2,769	\$312,810	1%
9	0701				\$5,000	0%
10	0711	12,577	2,516	15,093	\$324,100	5%
11	0850	1,449	119	1,568	\$10,000	16%
12	0862	58,600	4,257	62,857	\$12,000	524%
13	0875				\$10,000	0%
14	1000	399		399	\$35,000	1%
15	1270	617		617	\$7,000	9%
16	2000				\$15,000	0%
17	3400	12,118	580	12,698	\$93,443	14%
18	4000				\$20,000	0%
19	4110				\$12,000	0%
20	4130				\$3,000	0%
21	4140	1,205		1,205	\$16,000	8%
22	4170				\$3,000	0%
23	4230				\$10,000	0%
24	4240				\$1,000	0%
25	4310	160		160	\$100,000	0%
26	4320	0			\$13,000	0%
27	4330	290		290	\$40,000	1%
28	4333	55		55	\$3,000	2%
29	4340		108	108	\$30,000	0%
30	4900				\$2,000	0%
31	5000				\$5,000	0%
32	5600				\$5,000	0%
33	6900	9,312	4,144	13,456	\$82,205	16%
34	7000	937		937	\$53,000	2%
35	7200		617	617	\$15,229	4%
36	7400				\$17,323	0%

Appendix E

A	B	C	D	E	F	G
		FY 2005 Purchases				% of
	Cost	Recorded	Recorded	Totals	FY 2006	Budget
No.	Code	Oct. 2005	Nov. 2005	(C = D)	Budget	(E/F)
37	7500	\$341		\$341	-\$3,504	-10%
38	7600				\$88,996	0%
39	9120				\$16,000	0%
40	9250				\$20,000	0%
41	9260	\$1,863		\$1,863	\$16,000	12%
42	9280				\$2,000	0%
43	9902				\$5,000	0%
44	9904				\$1,894	0%
45	9908				\$1,000	0%
46	9912				\$43,140	0%
	Totals	\$115,709	\$16,206	\$131,915		

Appendix F. Acronyms Used in the Report

BoA	Bank of America
FY	Fiscal Year
GPO	Government Printing Office
MMPCS II	Materials Management Procurement and Control System II
OIG	Office of Inspector General
OMB	Office of Management and Budget
WDET	Office of Workforce Development, Education and Training

Appendix G. Management's Response



U.S. GOVERNMENT
PRINTING OFFICE
KEEPING AMERICA INFORMED
WASHINGTON, DC 20401

Memorandum

OFFICE OF THE CHIEF FINANCIAL OFFICER

DATE: September 21, 2007

REPLY TO

ATTN OF: Chief Financial Officer (CFO)

SUBJECT: Audit Response on Draft Report "Audit of GPO General Ledger Account 6612, General Expenses – Supplies"

TO: Inspector General (Attn: Kevin Carson)
THRU: Deputy Chief Of Staff

This is in response to your September 6, 2007 memo for comments on the draft audit report titled "Audit of GPO General Ledger Account 6612, General Expenses – Supplies." The audit report contained four draft recommendations:

1. **Recommendation:** The Chief Financial Officer should established the special purchase card suspense account and ensure that each month the three GPO Controllers promptly allocate all costs in the suspense account to the appropriate object classes and general ledger accounts.

Response: Concur. Finance has established account 6620 "Credit Card Purchases Suspense." Credit card payments are posted to this account monthly. The responsible Business Unit Controller reviews the transactions to properly classify them.

2. **Recommendation:** The Chief Financial Officer should direct the Budget Officer to ensure that all responsible department budget officials are instructed as part of the annual Budget Assumptions Guidance that all expenditures must be properly classified into individual accounts in accordance with GPO Instruction 435.4D and that individual accounts are to be used as an aid for planning and controlling expenditures.

Response: Concur. Guidance on classifying transactions has been issued with the annual "Purchases and Annual Plan Guidance" but has not been issued with the "Budget Assumptions Guidance." The Budget Officer will include this guidance in the "Budget Assumptions Guidance" in the future.

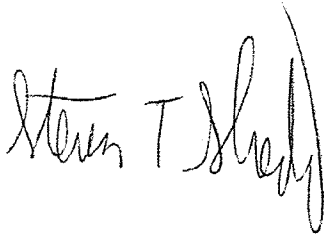
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INSPECTOR GENERAL

3. Recommendation: The Chief Financial Officer should direct the appropriate Controller to coordinate with WDET to review on a monthly basis, all transactions in WDET's Account 6612 that are for training or any other category not appropriate for the account and allocate the transaction amounts to the appropriate cost code and general ledger account.

Response: Concur. In accordance with the response in Recommendation 1, the responsible Business Unit Controller reviews the transactions to properly classify them.

4. Recommendation: The Chief Financial Officer should ensure that all year-end charges of supplies made with GPO purchase cards and charged to Account 6612 are promptly recorded in the same fiscal year as which the purchases were made.

Response: Concur. An accrual entry is now made every month to ensure that credit card transactions are recorded in the proper year. These are charged to new account 6620.



STEVEN T. SHEDD

Appendix H. Status of Recommendations

Recommendation No.	Resolved	Unresolved	Open/ECD*	Closed
1	X			
2	X			
3	X			
4	X			

*Estimated Completion Date.

Appendix I. Report Distribution

Government Printing Office

Public Printer
Deputy Public Printer
Chief Financial Officer
Chief Human Capital Officer
Chief Information Officer
Chief Technical Officer
Chief of Staff
Director, Congressional Relations
Director, Equal Employment Opportunity
Director, Library Services and Content Management
Director, Public Relations
Director, Publication and Information Sales
General Counsel
Managing Director, Customer Services
Managing Director, Plant Operations
Managing Director, Security and Intelligent Documents

Major Contributors to the Report

Joseph J. Verch Jr., Supervisory Auditor

Patricia Mitchell, Auditor-in-Charge