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

Memorandum

OFFICE OF THE INSPECTOR GENERAL

DATE: September 30, 2004

REPLY TO
ATTN OF: Joseph J. Verch, Jr., Supervisory Auditor

SUBJECT: Report on Review of GPO's Regional Office Structure

TO: Public Printer

This report provides the Government Printing Office (GPO) Office of the Inspector General's (OIG) results of its review of GPO's regional office structure.

EXECUTIVE SUMMARY

In meeting its mission of printing government documents and disseminating official information for all three branches of the Federal government, GPO's Customer Services Division currently operates 20 field locations – 13 Regional Printing Procurement Offices (RPPOs), 6 Satellite Printing Procurement Offices (SPPOs),[1] and the Rapid Response Center in Washington, DC. (See map in Appendix I.)

In Fiscal Year (FY) 2003, GPO procured for its customers about 124,000 printing orders from private printing contractors (see Appendix II for a breakdown by individual field office) producing revenue of about $440 million. GPO's field offices procured the majority of these orders (90,000, or 73 percent), compared to the Central Office (33,000, or 27 percent). In FY 2003, the field offices' revenue totaled $204 million, and the Central Office's revenue was $235 million. (See Appendix III for each office's revenues.)

[1] This figure includes the Pittsburgh office, which was recently re-designated from a printing procurement office to a field marketing office.

GPO officials are planning to make policy decisions and take actions before the end of Calendar Year 2004 regarding the future of the field offices.

For this review, the OIG randomly selected: (a) four GPO field offices – Boston, Los Angeles, San Francisco, and San Diego; and (b) various customers (Federal agencies) and private printing contractors within these regional areas. The OIG Objectives, Scope, and Methodology are provided as Exhibit A.

This report provides the Public Printer with ten factors the OIG is recommending he and GPO senior managers consider in making near-term and long-term policy decisions regarding GPO's regional office structure:

1. Streamline and realign field structure;
2. Analyze field office rental costs;
3. Analyze affects associated with terminating field office rentals;
4. Analyze customers' relations with field offices;
5. Analyze contractors' relations with field offices;
6. Analyze field office revenues;
7. Analyze the volume of processed field office orders;
8. Allocate Central Office's costs (overhead) more equitably;
9. Adjust GPO's surcharge and other handling charges periodically to cover costs; and
10. Analyze the efficiencies or potential averted fraud that is provided by field staff conducting contractor site visits.

RECOMMENDED FACTORS FOR CONSIDERATION

Background

The original mission of the field offices was to "provide more expeditious service to customer agencies" in their particular areas. When the satellite offices were formed in the 1980s, the mission of all field offices was expanded to generate more work for GPO. However, the recent history of GPO's 20 field offices to serve its Federal customers nationwide has shown mixed results.

During this OIG review, we contacted 22 Federal agency customers, and they expressed a high-level of satisfaction with the service the GPO field staff provided. However, the combined field offices have shown continuing net losses over the last four

FYs (2000 – 2003), ranging from $1.7 million to $9.0 million per year. (See Appendix IV for combined field office revenue and expense data.)

The OIG notes that use of electronic means (i.e., email, fax, and telephones) to conduct business with customers and contractors has almost obviated the main reason for GPO having a large presence of field offices throughout the country. In fact, the OIG determined that all of the 22 Federal agency customers that were contacted stated that they used email, fax, and telephones to conduct business with GPO's field offices. Similarly, GPO field staff used printing contractors throughout the country and likewise conducted business using email, fax, and telephones.

Discussion

Opportunities exist to streamline GPO's presence in the field to provide more efficient operations while maintaining effectiveness. The OIG believes there are ten major factors GPO management should consider before a decision is made concerning the future of GPO's regional office structure.

1. Streamline and realign field structure.

The OIG believes that the Public Printer and GPO management officials should consider realigning their field structure and establish field offices (GPO "Printing Centers") where the largest amount of Federal printing work is obtained and produced by the private sector.

In FY 2003, Maryland and Pennsylvania ranked first and second in the amount of Federal printing work obtained and produced by the private sector.[2] Maryland companies produced over $60 million of Federal printing work, while Pennsylvania produced over $48 million. The next eight states receiving the most Federal printing dollars were, in order, California, Ohio, Missouri, New York, Illinois, Kentucky, Virginia, and Georgia. Presently, GPO has nine field offices in eight of the ten states. (See Appendix V for the states and respective GPO field offices.)

[2] From the web site "Whattheythink.com." Data source: ABC Advisors

A reduced, streamlined GPO field structure having a limited number of "Printing Centers" would provide economic efficiencies while providing a regional presence for (a) servicing customers plus (b) being available to work with private printing contractors.

For example, four of the five Boston contractors contacted stated that they could pick-up customers' proofs and any subsequent authors' alterations in person which, in turn, provides for faster turn-around of final products. For other problems, contractors would have a better opportunity to discuss these issues face-to-face with GPO printing specialists. Further, and equally important, GPO field staff can perform necessary press-sheet inspections, pre-award surveys, and site visits to ensure contractor compliance with GPO regulations.

The OIG analysis of field office's orders and revenues disclosed that in FY 2003 the majority of the four offices' orders (65 – 83%) and three of the four offices' revenues (52 – 83%) were generated by using contractors within their respective regions. And even the fourth field office (Boston) had 41 percent, almost one-half, of its revenues come from local contractors. (See Appendix VI for revenues and orders data on the four offices.)

The OIG recognizes that any revision or realignment to the regional structure must be in consonance with management's Headquarters "team" concept currently under development. GPO management should ensure that the revised field structure be closely coordinated and aligned with Headquarters' marketing and procurement teams.

It should be made clear to all involved parties (i.e., GPO staffs as well as customer agencies and printing contractors) that the field offices are not in competition with the GPO Headquarters teams. To the contrary, the field and Headquarters staffs should be reorganized to compliment each other for the express purpose of providing quality and timely printing products to customers as efficiently and effectively as possible. For example, if a Headquarters' team focuses on the Department of Defense, Department of Homeland Security, or other "security" agencies, a field team should be located where there is a concentration of business from those agencies.

2. Analyze field office rental costs.

The Public Printer and GPO management officials should analyze the rental costs of field office space. Presently the 20 field offices have a combined rental cost of $1.2 million annually for over 65,000 square feet of space. The average rental cost per square foot is about $20; however, the costs vary widely from office to office -- from a low of about $1.50 per square foot in Oklahoma City to a high of about $44 per square foot in New York. (See Appendix VII for rental costs and other related data on the field offices.)

The OIG believes the Public Printer and GPO management officials should consider and pursue alternatives to renting office space. Alternatives include co-locating with another Federal agency, such as is currently occurring with the Pittsburgh field office. GPO recently entered into an agreement with the Army Corps of Engineers in Pittsburgh whereby GPO was afforded no-cost office space while providing the Corps with priority, on-site customer service.

A similar arrangement has been offered to GPO regarding GPO's Boston office. The Department of Defense (DOD) has offered to have GPO co-locate with DOD personnel in vacant, available space in DOD's Boston office at no cost. Such an arrangement would put an estimated $44,000 annually in rental costs to better use.

3. Analyze affects associated with terminating field office rentals.

The Public Printer and GPO management officials should analyze the economic impact of the rental terms of potential office closures. The rentals of two offices (New Orleans and San Diego) expire on September 30, 2004. All rentals require some type of advance notifications (from 120 to 180 days) or negotiations prior to terminating the field office rentals. (See Appendix VII for information on the individual field office rental agreements.)

If GPO management officials decide to close any field offices, they should first assure that the closures occur pursuant to rental terms to prevent paying penalties.

For example, GPO management officials should consider the experience from last year's bookstore closures as a "lesson learned." In particular, the problems that arose when the Atlanta bookstore was closed in September 2003, but negotiations with the landlord to terminate the rental did not take place prior to, or even shortly after, the closure. As a result, GPO accumulated a debt of $88,000 to the landlord, and the rental costs are still unresolved.

Similarly in Pittsburgh, GPO gave the landlord the 120-day notice approximately nine months after vacating the space in January 2004. As a result, GPO has paid an additional $16,000 and still is liable for the next four months at a monthly payment of $1,805 for a total of $7,220.

4. Analyze customers' relations with field offices.

The Public Printer and GPO management officials should analyze the impact of potential office closures on customers' relations. GPO's Federal agency customers value service provided by GPO's nearby field offices. GPO's field offices have enhanced customer service by providing their customers with options of submitting printing jobs in person as well as of being able to ask questions face-to-face with knowledgeable GPO printing specialists.

For example, in Boston, 9 of the 12 customers contacted stated that, besides using email, fax, and telephones, they personally visited GPO's field office to conduct business. They commented that GPO's field staff was extremely helpful by answering questions and providing expert advice face-to-face. It is difficult not to conclude that this friendliness and expertise from a familiar GPO employee provided an enhanced and much valued working relationship between Federal customers and GPO.

Federal customers said that they also valued doing business with a nearby GPO field office because local printing contractors often were used to do their work. They valued such close working relationships because they resulted in efficiencies and timeliness of their finished products.

Customers located in different time zones from their GPO customer service representative is another very important factor GPO officials should consider. For example, 8 of the 11 customers that do business with the California field offices stated that they very much valued having GPO printing representatives in their area so they could conduct business within the same Pacific Coast Time zone. The three-hour time difference between customers on the West Coast and GPO staff at the Central Office in Washington, DC, would definitely have a negative effect on GPO's timeliness in procuring printing products and providing prompt service, especially in handling special customer requests for expedited service.

The other three customers are located in Washington, DC, and do business with the San Francisco field office. The customers stated they have to adjust their work schedule around the three-hour time difference on the West Coast. They were willing to adjust their work schedules around the time differences to continue to receive quality work.

5. Analyze contractors' interactions with field offices.

The Public Printer and GPO management officials should analyze the impact of potential office closures on contractors' relations. Similar to GPO's customers, local printing contractors used by GPO also valued having GPO staff and experts relatively close. Proximity of GPO staff close by provided contractors with the option of reviewing printing requests rapidly and in person. Contractors could also discuss particular print jobs with knowledgeable GPO personnel before submitting their quotations or bids.

In addition, local contractors can pick-up in person customers' original proofs and any subsequent alterations allowing for quick turn-arounds to meet the customers' ship dates and deadlines.

For example, four of the five contractors located in the Boston area stated they can pick-up and review the request for proposal immediately and if they have a problem they can show the Boston staff the problem, while asking the question. One contractor stated that if the Boston field office was closed, he would lose all the litigation work that needs copying because he would need to look at the folders being used to see what type of folding was needed in order to fully understand the specifications.

6. Analyze field office revenues.

The Public Printer and GPO management officials should analyze the 20 field offices' magnitude of revenues as well as the revenue trends.

For example, over the last four years, the Rapid Response Center has had the highest revenues of all field offices, ranging from $29 million to $39 million per year. However, the Center's revenue trend is down -- from $39 million in FY 2000 to $31 million in FY 2003 (a decrease of over 20 percent). San Diego's revenues, on the other hand, although relatively low in magnitude, are trending upward -- increasing 86 percent from $2.25 million in FY 2000 to $4.20 million in FY 2003. (See Appendix III for individual field office revenue figures for FYs 2000 - 2003.)

7. Analyze the volume of field office orders processed.

The Public Printer and GPO management officials should consider the volume of orders processed. In the last four years, combined orders handled by the field offices generally declined, from 102,000 in FY 2000 to 91,000 in FY 2003 (down about 11 percent).

On the other hand, some offices have maintained their volumes and a few (e.g., Atlanta, Boston, Columbus, Charleston, and Hampton) have actually shown increases over that period. (See Appendix VIII for the volume of orders processed by the individual field offices.)

8. Allocate Central Office's costs (overhead) more equitably.

The Public Printer and GPO management officials should analyze the impact of closings on the remaining offices' net incomes before Central Office's cost allocations (overhead).

GPO's current methodology for allocating overhead costs to all offices (field and headquarters) does not provide an accurate or fair picture of cost effectiveness of the individual field offices.

GPO employs three main factors in allocating overhead costs: (1) the number of personnel associated with a program area; (2) the percent of support services provided to the program area; and (3) the square footage. For the field offices, square footage is not used in allocating overhead because, the OIG was told, the field offices' rent and utilities are considered direct costs.

Over the last four years, the field offices had shown a profit with combined net incomes *before overhead allocations* (revenues minus direct costs) ranging from $2.8 million to $8.0 million per year. (See Appendix IV for field office combined revenue and expense figures for FYs 2000 - 2003.) However, over that same period, overhead charged to the field offices ranged from $9.7 million to $11.8 million. Thus, the offices showed net losses ranging from $1.7 million to $9.0 million per year.

It should be noted that closing any office(s) would transfer that office's overhead burden onto the remaining offices, including Headquarters operations.

9. Adjust GPO's surcharge and other handling charges periodically to cover costs.

The Public Printer and GPO management officials should adjust GPO's current surcharge and other handling charges periodically for procuring Federal agencies' printing to cover all costs. The net losses from the field offices during the past four years are also a direct result of the surcharge not being set at an appropriate level to cover costs. Since October 1999, GPO has assessed customers a surcharge of 7 percent for procurements totaling up to $285,715 and an additional handling charge of $7.50 per purchase order. These two charges are ostensibly to cover costs.

As mentioned above, over the past four years, the field offices' combined experienced income gains (before overhead allocations) ranging as high as $8.0 million.

However, after overhead allocations are deducted, they had net losses each year. Only 2 of the 20 field offices experienced an overall gain in the past four years (Chicago and Rapid Response Center). Obviously, the surcharge and handling charges were insufficient to cover all of the costs associated with GPO's print work for the other 18 field offices.

Had GPO raised its surcharge between 0.9 percent and 4.8 percent in the last four years, the combined field offices would have broken even. (See Appendix IX for the OIG's calculation of these surcharge increases.) In addition, four more individual offices would have shown a net gain (Dallas, Denver, Hampton, and Oklahoma City).

Further, the OIG interviews with 9 of 11 Federal agency customers disclosed that, if GPO would increase its surcharge by a reasonable amount, these agencies would continue to do business with GPO.

10. Analyzing the efficiencies or potential averted fraud that is provided by field staff conducting contractor site visits.

The Public Printer and GPO management officials should consider and analyze the efficiencies or potential averted fraud that is provided by field staff conducting contractor site visits. Such visits provide GPO with beneficial oversight and assurances regarding the integrity and quality of GPO's contracted printing procurements. These oversight visits also provide important managerial controls that are prerequisites for ensuring contractor compliance with basic GPO requirements.

The OIG, Office of Investigations, is aware of two specific instances where such visits would have likely prevented problems with private printers that had neither the capability nor capacity to produce particular quality levels of printing. For example, a printing contractor stated that he had the necessary equipment to produce "level 4" printing. However, upon inspection, the equipment was determined to be fake. In the other case, a contractor provided GPO with a bogus address as the location of his printing equipment.

Maintaining GPO representatives in the field is an efficient and effective alternative to having personnel from headquarters make various trips to verify contractors' compliance with GPO requirements.

RECOMMENDATIONS

In summary, the OIG recommends the Public Printer and GPO management officials consider:

1. Realigning their field structure and establish field offices (GPO "Printing Centers") where the largest amount of Federal printing work is obtained and produced by the private sector (0408-01);

2. And pursue alternatives to renting office space (0408-02);

3. Analyzing the economic impact of the rental terms of potential office closures (0408-03);

4. Analyzing customers' relations impact from potential office closures (0408-04);

5. Analyzing contractors' relations impact from potential office closures (0408-05);

6. Analyzing the 20 field offices' magnitude of revenues as well as the revenue trends (0408-06);

7. Analyzing the volume of field office orders processed (0408-07);

8. Allocating Central Office's cost allocations more equitably (0408-08);

9. Adjusting GPO's surcharge and other handling charges periodically to cover costs (0408-09); and

10. Analyzing the efficiencies or potential averted fraud that is provided by field staff conducting contractor site visits (0408-10).

MANAGEMENT RESPONSE

On September 24, 2004, a draft of this report was provided to the Managing Director of Customer Services for review and comment. In response to that draft, he concurred with nine and non-concurred with one of our recommendations. For the non-concurrence, he commented that realigning field offices to be closer to contractors is contrary to GPO's focus on customer service and ensuring the interests of GPO's customers. (See Exhibit B for the Managing Director's comments.)

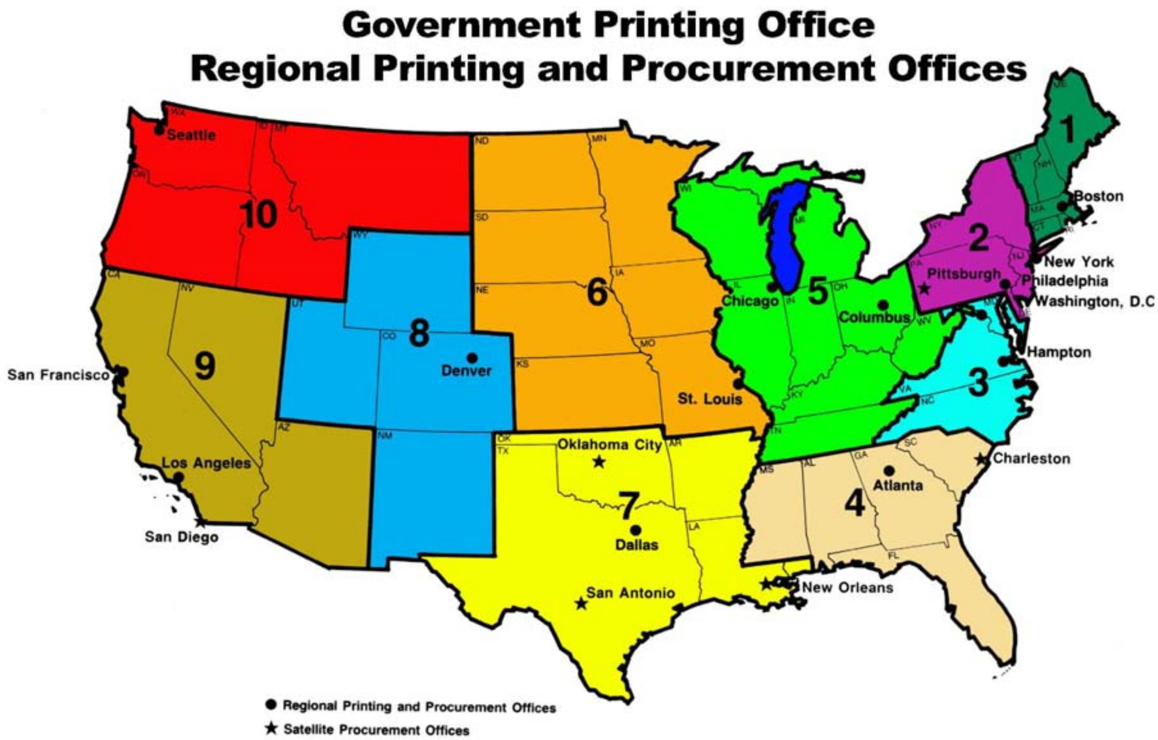
The OIG believes that the Public Printer should still consider this recommendation as another factor to consider in the review of the regional office structure.

Mr. Joseph Verch, Supervisory Auditor, Ms. Patricia Mitchell, Auditor, and Ms. Tracie Briggs, Auditor, conducted this review. The OIG appreciates the cooperation and courtesies extended during the review by the Customer Services officials and staff from the Boston, Los Angeles, San Diego, San Francisco field offices, and the Regional Operations Office. In addition, the OIG also appreciated the cooperation and information provided by personnel from the Offices of the Comptroller, Budget, and Information, Technology, and Systems.

JACKIE A. GOFF
ACTING INSPECTOR GENERAL

By: ________________________________
Joseph J. Verch, Jr., Supervisory Auditor

MAP



Source: Regional Operations Office

TABLE 1 – FIELD OFFICES' ORDERS PROCESSED
(FY 2003)

No.	Field Office	Orders	Percent of Total
1	Atlanta	10,961	12%
2	Seattle	7,719	8%
3	Columbus	7,552	8%
4	Hampton	7,501	8%
5	Rapid Response Center	6,901	8%
6	Denver	6,474	7%
7	Dallas	5,911	7%
8	St. Louis	4,495	5%
9	Chicago	4,368	5%
10	Boston	3,631	4%
11	San Francisco	3,561	4%
12	San Diego	3,370	4%
13	Charleston	3,243	4%
14	Philadelphia	3,079	3%
15	New York	2,996	3%
16	Oklahoma City	2,908	3%
17	Los Angeles	1,951	2%
18	San Antonio	1,811	2%
19	New Orleans	1,694	2%
20	Pittsburgh	751	1%
	Total Field Offices	**90,877**	**100%**

TABLE 2 – FIELD AND CENTRAL OFFICE'S ORDERS PROCESSED
(FY 2003)

No.	Central Office	Orders	Percent of Total
1	Field Offices	90,877	73%
2	Central Office	32,948	27%
	Total Central Offices	123,825	100%

Source: Printing Procurement's Regional Operations Web Site – Report of the Regional Printing Procurement Offices Number of Orders October 2002 thru September 2003 – FY03 (All Offices Combines)

TABLE 1 – FIELD OFFICES' REVENUES (FYs 2000 – 2003)

No	RPPO	FY2000	FY2001	FY2002	FY2003
1	Rapid Response	$39,229,344	$29,052,881	$32,587,584	$30,751,267
2	**Chicago***	$28,132,794	**$30,852,577**	**$34,139,335**	$28,106,304
3	**Atlanta***	$19,316,857	$17,816,265	**$21,515,509**	**$24,255,205**
4	**Columbus***	$18,290,233	**$18,551,107**	**$19,840,435**	$16,459,710
5	Denver	$15,655,274	$16,286,561	$15,000,965	$13,733,156
6	**Dallas***	$13,640,886	**$15,473,011**	$12,360,912	**$14,755,646**
7	**Hampton***	$10,533,869	**$12,184,516**	$9,945,364	**$12,511,952**
8	Seattle	$11,063,507	$10,611,762	$9,659,233	$10,001,030
9	Philadelphia	$12,603,472	$9,460,505	$8,094,989	$9,280,470
10	St. Louis	$9,991,255	$9,848,558	$8,869,542	$7,864,530
11	San Francisco	$10,968,200	$9,639,306	$8,724,802	$6,671,107
12	New York	$6,506,391	$6,462,371	$5,682,410	$5,428,209
13	**Los Angeles***	$4,471,918	**$4,793,176**	**$5,009,805**	**$5,053,140**
14	Charleston	$4,815,796	$5,025,046	$3,429,356	$2,192,244
15	Oklahoma City	$4,534,232	$3,643,607	$3,585,309	$3,424,237
16	San Antonio	$5,354,365	$3,920,328	$2,948,796	$2,595,435
17	Boston	$3,702,389	$2,840,622	$3,507,965	$3,070,002
18	**San Diego***	$2,254,374	**$2,754,125**	**$3,175,775**	**$4,202,308**
19	New Orleans	$3,516,503	$2,833,373	$2,091,954	$2,237,656
20	Pittsburgh	$2,410,882	$2,321,003	$2,139,029	$1,565,222
	Totals	$226,992,543	$214,370,700	$212,309,069	$204,158,830

*** Chicago, Atlanta, Columbus, Dallas, Hampton, Los Angeles, and San Diego were the seven field offices that showed an increase in at least 2 of the last 3 FYs (2001 - 2003).**

TABLE 2 – CENTRAL OFFICES' REVENUES (FYs 2000 – 2003)

No	Division	FY2000	FY2001	FY2002	FY2003
1	Term Contracts	$134,014,000	$134,926,000	$132,042,000	$117,330,000
2	Purchase	$194,674,000	$123,095,000	$125,745,000	$118,051,000
	Totals	$328,688,000	$258,021,000	$257,787,000	$235,381,000

Source: Comptroller's YTD Statement of Revenue & Expense by Cost Code (201.201) for FYs 2000 – 2003.

20 FIELD OFFICES' COMBINED REVENUE AND EXPENSE STATEMENTS (FYs 2000 – 2003)

	Description	FY2000	FY2001	FY2002	FY2003	4-year Totals
(a)	Revenue	$226,992,543	$214,370,700	$212,309,069	$204,158,830	$857,831,142
(b)	Total Expenses Before Allocations	$220,177,066	$206,396,472	$208,242,834	$201,377,215	$836,193,587
(c)	Net Income Before Allocations (a-b)	**$6,815,477**	**$7,974,228**	**$4,066,235**	**$2,781,615**	**$21,637,555**
(d)	Other Cost Allocations[3]	$9,696,837	$9,707,649	$10,355,314	$11,758,395	$41,518,195
(e)	Total Expenses (b+d)	$229,873,903	$216,104,121	$218,598,148	$213,135,610	$877,711,782
	Net Income (a-e)	**<$2,881,360>**	**<$1,733,421>**	**<$6,289,079>**	**<$8,976,780>**	**<$19,880,640>**

Source: Comptroller's YTD Statement of Revenue & Expense by Cost Code (201.201) for FYs 2000 – 2003.

[3] Central Office's costs (overhead)

FIELD OFFICES LOCATED IN THE TOP 10 STATES THAT OBTAINED THE MOST FEDERAL PRINTING WORK IN FY 2003

No.		Field Office	Region
1	Maryland	Rapid Response	3
2	Pennsylvania	Philadelphia	2
3	California	San Francisco, Los Angeles, San Diego	9
4	Ohio	Columbus	5
5	Missouri	St. Louis	6
6	New York	New York	2
7	Illinois	Chicago	5
8	Kentucky	Columbus	5
9	Virginia	Hampton	3
10	Georgia	Atlanta	4

Source: From the web site “Whattheythink.com”

ORDERS AND REVENUES FROM AWARDS TO CONTRACTORS BY THE FOUR FIELD OFFICES SAMPLED (FY 2003)

		Within Region				Outside Region			
No.	Field Office	Orders Awarded		Revenue		Orders Awarded		Revenue	
		No.	%	Amount	%	No.	%	Amt	%
1	Boston	2,454	66%	$1.4	41%	1,250	34%	$2.0	59%
2	Los Angeles	1,522	83%	$3.9	83%	414	21%	$0.8	17%
3	San Diego	2,194	65%	$2.0	53%	1,171	35%	$1.8	47%
4	San Francisco	2,558	65%	$3.2	52%	1,377	35%	$2.9	48%
	Average	2,182	70%	$2.6	57%	1,053	30%	$1.9	43%

Source: Procurement Information Control System – Report of Boston, Los Angeles, San Francisco, and San Diego Offices FY2003 Jobs by States October 2003 through September 2003.

FIELD OFFICES' RENTALS

No.	RPPO	Rental Expiration Date	Expire Notice[4] (days)	Annual Rental Costs	Square Footage	Cost/ Square Footage
1	**Denver**	07/31/07	120	$159,187	14,539	$10.95
2	**New York**	09/30/07	120	$146,950	3,345	$43.93
3	**Chicago**	10/08/05	Negot*	$115,902	4,000	$28.98
4	**Philadelphia**	11/30/06	Negot*	$97,213	5,000	$19.44
5	**Rapid Response****	09/30/03	120	$86,112	3,753	$22.94
6	**Columbus**	10/03/05	Negot*	$84,690	5,247	$16.14
7	**St. Louis**	05/31/06	120	$78,712	3,050	$25.81
8	**Dallas**	09/30/05	120	$75,902	3,377	$22.48
9	**San Francisco**	09/30/06	Negot*	$70,933	4,300	$16.50
10	**Seattle**	07/31/05	120	$58,791	2,743	$21.43
11	**Atlanta**	06/30/07	Negot*	$60,578	4,355	$13.91
12	**Boston**	11/30/07	Negot*	$44,737	2,175	$20.57
13	**Los Angeles**	06/30/05	Negot*	$42,593	1,878	$22.68
14	**Hampton**	10/31/05	Negot*	$36,506	2,500	$14.60
15	**San Diego**	09/30/04	120	$29,400	1,409	$20.87
16	**New Orleans**	09/30/04	120	$17,322	1,179	$14.69
17	**Charleston**	Indefinite	180	$13,980	1,500	$9.32
18	**San Antonio**	Indefinite	180	$3,872	1,100	$3.52
19	**Oklahoma City**	Indefinite	180	$3,000	1,958	$1.53
20	**Pittsburgh*****	12/01/09	120	$21,660	1,265	$17.12
	Totals			**$1,248,040**	**68,673**	**$18.17**

* Negotiate with the landlord.
** The rental has continued on a month to month basis.
*** The space has been empty since January.

Source: Customer Services' Regional Operations Office and Acquisition Office

[4] Advance notice needed to let the landlord that GPO will be terminating the rental.

VOLUME OF ORDERS PROCESSED IN THE INDIVIDUAL FIELD OFFICES (FYs 2000 – 2003)

No.	Field Office	FY2000	FY2001	FY2002	FY2003	Average (FY01-03)
1	**Atlanta ***	**10,436**	10,185	9,660	**10,961**	10,269
2	Seattle	9,465	8,817	7,074	7,719	7,870
3	Rapid Response	8,214	7,517	7,571	6,901	7,330
4	**Hampton ***	**7,278**	**6,524**	6,664	**7,501**	6,897
5	**Columbus ***	**6,996**	5,673	6,249	**7,552**	6,491
6	Dallas*	6,294	6,824	6,324	5,911	6,353
7	Denver	8,007	7,016	4,478	6,474	5,989
8	Chicago	6,225	6,460	4,639	4,368	5,156
9	St. Louis	6,193	4,407	4,273	4,495	4,392
10	San Francisco	3,720	3,625	3,452	3,561	3,546
11	**Boston ***	**3,487**	3,496	3,445	**3,631**	3,524
12	**Charleston ***	**3,026**	3,728	3,579	**3,243**	3,517
13	New York	3,856	3,518	2,580	2,996	3,031
14	Philadelphia	3,172	2,846	3,052	3,079	2,992
15	**San Diego ***	**3,491**	2,909	2,685	**3,370**	2,988
16	Oklahoma City	2,732	2,663	2,500	2,908	2,690
17	Los Angeles	2,852	2,408	2,366	1,951	2,241
18	New Orleans	2,571	2,412	1,460	1,694	1,855
19	San Antonio	2,554	1,638	1,600	1,811	1,683
20	Pittsburgh	1,393	1,328	1,340	751	1,140
	Totals	**101,962**	**93,994**	**84,991**	**90,877**	**89,954**
	% Drop Since FY2000		**7.8%**	**16.6%**	**10.9%**	

*** Atlanta, Hampton, Columbus, Boston, Charleston, and San Diego field offices showed an increase in processed orders between FYS 2000 and 2003.**

Source: Printing Procurement's Procurement Analysis & Review Staff's Report on the Statistics for the Printing Procurement Department FYS 2000 and 2003

INCREASE NEEDED IN GPO'S SURCHARGE TO OFFSET NET LOSSES (FYs 2000 – 2003)

Description	FY2000	FY2001	FY2002	FY2003
Paid to Contractors	$207,209,012	$193,615,984	$195,094,628	$187,755,739
Net Income	<$2,881,360>	<$1,733,421>	<$6,289,079>	<$8,976,780>
% to Cover Losses	**1.4%**	**0.9%**	**3.2%**	**4.8%**

Source: Comptroller's YTD Statement of Revenue & Expense by Cost Code (201.201) for FYs 2000 – 2003.

OBJECTIVES, SCOPE, AND METHODOLOGY

The primary objective of this OIG performance audit was to review the Printing Procurement's regional structure of the 20 Field Offices in maintaining GPO's printing procurement services closer to Federal agencies in accordance with GPO Publication 305.3 *Printing Procurement Regulation* and GPO Instruction 825.18A *Internal Control Program*.

The OIG randomly selected 4 field offices from 2 of the 10 Regions to determine what corrective action needs to be taken to rectify this economical downswing. We reviewed the records and visited with the personnel from the Boston RPPO in Region 1 and the three California Offices (Los Angeles RPPO, San Francisco RPPO, and the San Diego SPPO) in Region 9.

Audit fieldwork was conducted during the period of January through June 2004 in accordance with generally accepted Government auditing standards.

To meet the objectives of the audit, the OIG audit team:

- Interviewed Customer Services employees from the offices of the ROO, Boston, Los Angeles, San Diego, and San Francisco on maintaining GPO's printing procurement services closer to Federal agencies in Regions 1 and 9;
- Interviewed customer agencies in Regions 1 and 9;
- Interviewed contractors in Region 1;
- Reviewed and analyzed annual orders processed for the last 4 fiscal years in the 10 Regions;
- Reviewed and analyzed annual revenues and operating costs for the 4 fiscal years in the 10 Regions;
- Analyzed the number of full-time employees assigned to the number of employees on hand in the 5 SPPOs;
- Assessed the monitoring of the RPPO and reviewing management incentives to generate new business and reduce costs in Regions 1 and 9; and

- Determined the amount of business performed by printers in Regions 1 and 9 to the printers located in the other regions.

In the course of our work, we also assessed the susceptibility of various aspects of printing procurement services in Regions 1 and 9 to fraud, waste, and abuse. In addition, we reviewed the following publications and instructions that contained procedures and policies that ROO and Region 1 and 9 employees followed:

- GPO Instruction 825.18A *Internal Control Program* to identify policies, standards, and responsibilities for conducting internal control reviews of GPO programs; and

- GPO Publication 305.3 *Printing Procurement Regulation* revised April 2001 to identify the cost principles used by GPO's contracting officers and printing specialists.

MANAGEMENT'S COMMENTS

U.S. GOVERNMENT PRINTING OFFICE
KEEPING AMERICA INFORMED

Memorandum

DATE: September 30, 2004

REPLY TO ATTN OF: Managing Director, Customer Services

SUBJECT: Draft Report on Review of GPO's Regional Office Structure

TO: Joseph Verch, Supervisory Auditor, Office of Audits

This memorandum is in response to the draft "Report on Review of GPO's Regional Office Structure" that you made available to me on September 27, 2004. In addition to my specific comments below, I have attached the comments obtained from the Regional Operations Office.

Recommendation 1: Non-concur. The Public Printer's focus is on customer service and, as such, the former printing procurement function was moved under the Customer Services organization to ensure that the interests of GPO's customers are placed ahead of the those of the contractors'. There is also a long-held belief by some customers that GPO traditionally looks out for its contractors before it takes care of its customers. We are working hard to disspell this belief. Moving field offices to be nearer to contractors would simply not be in concert with that goal. Finally, there appears to be no economic benefit to be gained from such relocations.

Recommendation 2-7: Concur

Recommendation 8: Concur with Comment: The allocations to field locations were just revised to the benefit of the field offices during the past 6 months. Such allocations are controlled by the CFO and Customer Services has no input or participation in the process.

Recommendation 9-10: Concur

Also of significant note is your statement that we are paying $121.61 per square foot for 528 square feet of office space in Seattle, along with the subsequent discussion of this issue. These statements are incorrect and illogical as the 9 staff in this office could not possibly work in 528 square feet. As noted in the attached material, we are renting 3,059 square feet at $22.00 per square foot.

The space in the former Pittsburgh Satellite Printing Procurement Office could not be released until the staffer moved to space provided by the Corps of Engineers during the 2nd quarter of the fiscal year. Additionally we wanted to determine if the new arrangement in non-GPO space would support the developing sales and marketing activities. This leased space has now been released to GSA.

Thank you for the opportunity to respond to the draft report. If you have any questions, please call me on ext. 20111.

Jim Bradley

JIM BRADLEY

Attachment