



Office of the Inspector General

Semiannual Report to the Congress

October 1, 2004 through March 31, 2005

GOVERNMENT PRINTING OFFICE



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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.

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Message from the Inspector General



This report highlights the activities of the GPO Office of the Inspector General (OIG) for the six-month period ending March 31, 2005. This period has been both challenging and productive for the OIG, resulting in significant benefits for both GPO and the American taxpayers. During the past six months, the OIG issued five audit and inspection reports, investigated 85 new administrative/civil/criminal cases, and otherwise assisted GPO management in myriad different ways as an agent for positive change.

When I was sworn in as Inspector General in October of 2004, I stated that my primary goal was to improve the GPO OIG while ensuring that our focus remained on our core mission, as defined by the Inspector General Act of 1978. I believe that we have achieved this goal during the past six months and that we will continue to improve and “add value” to GPO’s operations in the months to come.

Although I have had the opportunity to serve as the GPO Inspector General for only a very short time, I have been consistently impressed by the hard work and dedication of the outstanding auditors, investigators, and other professionals who make up the OIG team. I want to thank these dedicated men and women who work diligently on a daily basis to accomplish our critical mission. I also want to acknowledge the considerable effort by GPO management during this past reporting period to address and resolve the large number of open recommendations reported by this office in previous Semiannual Reports.

Finally, looking ahead, I see continuing challenges for the OIG as the GPO continues to make progress toward transforming itself into a state-of-the-art, 21st century, processor of digital information. The OIG can and must play a key role in this unprecedented transformation if it is to be successful.

A handwritten signature in black ink, appearing to read "GAB", written over a light gray rectangular background.

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



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Executive Summary

Highlights of this Semiannual Report

During this reporting period, the OIG successfully worked to improve its relationship with GPO management by enhancing communications between OIG personnel and GPO's management team. This improved working relationship has resulted in significant progress toward resolving a long list of open audit recommendations. The OIG has also continued to work closely with other Federal Government OIGs on a variety of fronts, including committee work with the Executive Council on Integrity and Efficiency (ECIE), peer reviews, and the President's Council on Integrity and Efficiency (PCIE)/ECIE annual awards ceremony. The accomplishments of the OIG's three operating divisions, Audits, Investigations, and Administration and Inspections, during this reporting period, are summarized below.

The *Office of Audits* issued three audit reports with a total of 16 recommendations for improvements, including efficiencies that represent approximately \$3.3 million in potential funds put to better use. The Office of Audits also conducted an internal quality review of a completed audit. In March, the office gained a new Assistant Inspector General for Audits who will be responsible for all OIG audit activity and audit-related liaison with GPO management.

The *Office of Investigations* opened 30 investigative cases in response to 85 new complaints, and closed six matters. A previously reported investigation into allegations of false claims involving approximately \$5 million in contracts over the past three years was settled by the U.S. Department of Justice through negotiations with the subject contractor. The Office of Investigations recovered a total of \$310,000 through its investigative efforts during this period, and helped GPO realize cost savings of \$120,000 in the reduction of workers' compensation leave taken by GPO employees. The Office of Investigations increased its ranks with the addition of one new junior investigator upon his completion of basic training at the Federal Law Enforcement Training Center, Glynco, GA. In addition, three of eight investigators were promoted based on meritorious performance.

The *Office of Administration and Inspections* issued two reports concerning the production of blank U.S. passports by GPO. The first report addressed serious product integrity concerns associated with the procurement of the Fortuna Systems passport design services, and the second report examined the GPO passport manufacturing process, identifying opportunities for improved passport product security and integrity. In addition, the Office of Administration and Inspections issued two draft reports as part of the first phase of a compliance review of the Public Key Infrastructure at GPO.

Management Initiatives

Annual Internal Control Report

GPO Instruction 825.18A prescribes the policies and standards and assigns responsibility for conducting vulnerability assessments and internal control reviews of programs and activities of the GPO. Pursuant to this directive, GPO's managers are responsible for continuously monitoring and improving the effectiveness of management controls associated with their programs, functions, and activities through the performance of vulnerability assessments and internal control reviews.

In a letter to management dated November 18, 2004, the OIG provided a summary GPO management's internal control review submissions for the fiscal year ending September 30, 2004. This letter contained six recommendations to improve the effectiveness of GPO's internal control program.



From right to left: GPO Inspector General Greg Brower with EPA Inspector General Nicki Tinsley, former FDIC Inspector General Gaston Gianni, and Federal Reserve Board Inspector General Barry Snyder

Executive Council on Integrity and Efficiency

The President's Council on Integrity and Efficiency (PCIE) and the Executive Council on Integrity and Efficiency (ECIE) were established by Executive Order 12805, May 11, 1992, to coordinate and enhance governmental efforts to promote integrity and efficiency and to detect and prevent fraud, waste, and abuse in Federal programs. The PCIE is primarily comprised of Inspectors General (IGs) appointed by the President and the ECIE is primarily comprised of IGs appointed by agency directors. The GPO OIG is a member of the ECIE.

On October 27, 2004, the GPO OIG co-hosted the 7th annual PCIE/ECIE awards ceremony. The ceremony was held at the Andrew Mellon Auditorium in Washington, D.C. and was attended by over 650 government employees and other guests. This ceremony is conducted yearly and recognizes the outstanding accomplishments of nearly 100 individuals or groups from the Federal Inspectors General community.

At the most recent ceremony, four GPO OIG professionals were recognized. David B. Schaub, Supervisory Auditor, and Allyson S. Brown, Auditor, each received an Award for Excellence for their work in finding that the GPO contractor mailings program lacked standard procedures, automation, and accountability. Jeffery W. McAboy, Special Agent-In-Charge, and Rodney A. Dahl, Supervisory Auditor, also received an Award for Excellence for their prompt action to improve the safety and security of GPO employees and the public. GPO Inspector General Gregory A. Brower provided the ceremony's closing remarks and Deputy Assistant Inspector General Kevin P. Kaporch served as master of ceremonies.

Management Team Update

On March 20, 2005, Kevin J. Carson joined the OIG as the Assistant Inspector General for Audits. Mr. Carson joined the GPO after serving for more than 15 years with the Office of Inspector General at the National Aeronautics and Space Administration (NASA). Mr. Carson held a variety of senior management positions at NASA including Deputy Assistant Inspector General for Audits, Special Assistant to the Assistant Inspector General, and Director of Audit Quality. His last position with the NASA OIG was as Director of Safety and Security Audits. In this position, Mr. Carson directed a geographically dispersed, diverse team of auditors, analysts, and technical professionals responsible for conducting reviews of safety and security issues within NASA. The team's work focused primarily on reviewing NASA's implementation of the recommendations made by the Columbia Accident Investigation Board in the aftermath of the Space Shuttle Columbia accident. Overall, Mr. Carson has 25 years of auditing experience in the Federal Government and has also worked for the U.S. Army Audit Agency and the Department of Transportation OIG. Mr. Carson is a graduate of Towson State University in Towson, Maryland with a Bachelor of Science degree in Business Administration and Accounting.

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.

For the current reporting period, the GPO OIG notes that legislation concerning the planned move of GPO facilities has been proposed; however, the GPO OIG has not yet reviewed the proposal. The OIG will continue to review this matter with GPO management and will make recommendations as appropriate. While the OIG has agreed in principle that GPO's current buildings are too large and antiquated and drain essential resources from GPO's evolving mission, the proposal to relocate to a new facility will require specific legislative authority, and the OIG will withhold additional comment until draft legislation may be reviewed.

In addition, the OIG notes that in order for GPO's new Security and Intelligent Documents business unit to fulfill its mission, new legislation may be required to allow GPO to provide services to state and local governments. Again, the OIG will continue to review this matter with GPO management and will make recommendations as appropriate.



Office of Audits

A. Summary of Audit Activity

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. 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 civil and criminal investigations. The OA also refers irregularities and other suspicious conduct detected during audits to the Office of Investigations for investigative consideration.

During this reporting period, the OA cooperatively worked with GPO management to make significant progress in closing a number of the open recommendations contained in audit reports issued during prior semiannual reporting periods. The OA also issued three final audit reports during this reporting period. These reports made a total of 16 recommendations, including efficiencies that represent approximately \$3.3 million in potential funds put to better use for GPO.

B. Audit Accomplishments – Audit Reports

1. Audit Report 05-01 (Issued December 20, 2004)

Report on the Review of Funds Electronically Taken Back by GPO's Customer Agencies

This report provided results from a review of funds electronically taken back (known as “chargebacks”) by GPO’s customer agencies using the Department of the Treasury’s Intra-government Payment and Collection (“IPAC”) system. Most of GPO’s billings to federal customer agencies for printing and binding work are automated using IPAC. IPAC contains multiple components which consist, in part, of the application that handles intra-governmental fund transfers between agencies. If a customer agency believes GPO has incorrectly taken its funds via IPAC, the customer can simply access IPAC and take back the funds.

Funds that are charged back are removed from GPO’s revolving fund. At the end of each month, IPAC provides a summary report to GPO detailing all chargeback amounts that have been removed from GPO’s accounts.

Results In Brief

The OIG identified several issues related to chargebacks that required GPO management’s attention.

- Total chargeback amounts greatly escalated during Fiscal Year (FY) 2004 – as of July 2004, net chargebacks were over \$10 million. One customer agency, the Department of Transportation (DOT), had charged back over \$3.5 million in FY 2004.
- Chargebacks were issued for printing that customer agencies had received and accepted, including printing jobs and funds from prior fiscal years.
- IPAC lacks adequate controls to prevent inappropriate chargebacks that, in turn, have caused waste and inefficiency due to duplicative processing of these charges.
- The 90-day limitation on allowable adjustments to IPAC payments prescribed by the Department of the Treasury is not being followed by customer agencies and no sanctions have been applied, causing some chargebacks to be made that date back three years or more
- These chargebacks have an adverse financial impact on GPO by reducing available cash.

To ensure remediation of these problems, the OIG recommended that the GPO Chief Financial Officer (CFO) instruct Finance & Administration (F&A) personnel to take the following corrective actions.

- The Accounts Receivable (A/R) Section should continue to work with appropriate DOT officials so that the accounts of both organizations are reconciled and repayment of the remaining chargebacks, including the \$3.3 million noted in FY 2004, can be made promptly.

- The A/R Section should contact other customer agencies as soon as possible after receiving notification of material (large-dollar) chargebacks, and likewise obtain repayments for those agencies' chargebacks.
- The Comptroller should consider the short-term reassignment of F&A staff to help address and correct the chargeback problem.
- The Comptroller should develop a procedure to ensure that both IPAC-related billing codes (Billing Address Codes and Agency Location Codes) are updated within A/R systems in a timely fashion.

In addition, the OIG recommended that the CFO take the following action.

- Initiate contact with appropriate Treasury IPAC officials to address control issues within that system, including the lack of compliance by GPO customer agencies with IPAC procedures and protocols, and the lack of sufficient internal controls over IPAC adjustments.
- Develop an "escalation procedure" to ensure that aged chargeback and other A/R balances owed to GPO by customer agencies receive adequate attention from senior GPO (and other appropriate) management. This procedure would require formal notification between different management levels as these balances age. For example, Comptroller-to-Comptroller contact on A/R balances beyond 60 days, CFO-to-CFO beyond 90 days, IG-to-IG beyond 120 days, and elevation to the Deputy Public Printer should the situation warrant it.

2. Audit Report 05-02 (Issued March 31, 2005)

Report on the Follow-up Audit of the Cash Management Services Concerning the Receipt and Deposit of Cash Transactions

The OIG completed a follow-up audit to determine whether the GPO's Cash Management Services (formerly known as the Cash Management Branch) implemented the seven recommendations that were made concerning the receipt and deposit of cash transactions in Audit Report No. 98-11, "Report on the Internal Controls over GPO's Pay Parking Program Assets and Transactions by the Office of the Comptroller," dated September 8, 1998.

Results In Brief

This follow-up audit was conducted from October 2004 through February 2005. The OIG found that the Chief, Cash Management Services, had taken corrective action to improve the policies and procedures in providing reasonable assurance and safeguards against waste, loss, and unauthorized access concerning the receipt and deposit of cash transactions. The OIG concluded that the Disbursing Officer and the Chief, Accounts Receivable, effectively provided services and support to both GPO and non-GPO employees.

However, the corrective action taken by the Chief, Cash Management Services, did not achieve the implementation of six of the seven OIG recommendations made in Audit Report 98-11 concerning the receipt and deposit of cash transactions. As a result, the OIG identified two internal control weaknesses requiring GPO management's attention.

- Policies and procedures have not been written to improve the internal controls concerning the receipt and deposit of cash transactions as required by Standard 8 of GPO Instruction 825.18A, "Internal Control Program."
- Annual internal control reviews have not been prepared since the October 31, 2002, vulnerability assessment on the Schedule of Collections to ensure internal controls were still in effect annually as required by paragraphs 9.a. and 9.b. of GPO Instruction 825.18A.



From left to right: Supervisory Auditor Rodney Dahl receives his PCIE/ECIE Award for Excellence from ECIE Vice Chairman and Federal Reserve Board Inspector General Barry Snyder

- Prepare annual internal control reviews on programs, functions, and activities concerning the receipt and deposit of cash transactions as required by GPO Instruction 825.18A.

3. Audit Report 05-03 (Issued March 31, 2005)

Follow-up Audit Report on Improving the Controls over GPO's SmartPay Program at the Central Office

The OIG completed a follow-up audit to determine whether GPO management took the agreed-upon actions based on the eight recommendations to ensure that adequate management controls were maintained over the GPO SmartPay Program in the areas of GPO outlined by Audit Report No. 02-09, "Improving the Controls over GPO's SmartPay Program at the Central Office," dated September 9, 2002.

Results In Brief

The OIG found that GPO management had taken corrective action to implement the eight previous audit recommendations and improve the policies and procedures in providing reasonable assurance and safeguards against waste, loss, and unauthorized access concerning GPO management and internal controls over the GPO SmartPay (purchase card) Program.

However, in the course of completing all the objectives of the follow-up audit, the OIG identified additional conditions needing improvement.

- Internal control reviews and supporting vulnerability assessments (and/or risk analysis) of two departments (Engineering Services and Workforce Development, Education and Training) need to be developed in order to allow for effective evaluation of the purchase card program in their respective areas;
- Written review procedures have not been established for governing the purchase card program and how it is to be administered in one department (Engineering Services).

To correct these weaknesses, the OIG recommended that the Comptroller ensure that the Chief, Cash Management Services take the following corrective actions.

- Develop written policies and procedures to ensure the timely deposits of cash as required by CH-2 of GPO Publication 435.1 and Section 8030.20 of the Treasury Financial Manual.
- Develop written policies and procedures to protect the cash kept in the lock box.
- Develop written policies and procedures to prepare a report after each cash deposit is made to document who prepared and verified each deposit.
- Develop written policies and procedures to restrict the amount of cash the Disbursing Window can accept at any one time.
- Develop written policies and procedures to separate the duties of preparing the deposit tickets and having custody of the cash received at the Disbursing Window.
- Develop written policies and procedures to reconcile the cash deposits with the pink receipts kept in the Disbursing Window's Receipt Books and reconcile any differences immediately.

- Employee return or surrender of assigned purchase card(s) was not being carefully monitored; GPO Form 2938, the form used for sign-off approval of relinquishing GPO-owned items when an employee retires (or is otherwise separated) can be amended to account for surrender of purchase cards.

To address these weaknesses, the OIG recommended the following corrective actions.

- The Managing Director, Plant Operations and the Chief Human Capital Officer should ensure that written internal control reviews and periodic vulnerability assessments or risk analysis of the SmartPay purchase card program are performed within their respective departments.
- The Managing Director, Plant Operations should ensure that written procedures and standard operating procedures are developed for Engineering Services and serve as an effective internal control measure.
- The Chief Human Capital Officer should take steps to amend GPO Form 2938, “Employee Checkout Sheet,” to allow for documented return and verification of purchase cards when a GPO employee retires, transfers, or is otherwise separated from the working area to which they were assigned when the card was issued.

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. During this reporting period, the OA completed one Quality Assurance Review of a completed audit.

D. Advice and Assistance

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

2004 Financial Statement Audit

The OIG provided support for the audit of GPO’s 2004 financial statements throughout this reporting period. Under 44 U.S.C. 309, an annual financial statement audit has been required since Fiscal Year 1997. 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. In addition, the OA provided administrative support and coordination with GPO management for the KPMG auditors.

Liaison with GPO Managers

The OA conducted liaison activities with GPO’s Chief Financial Officer, Comptroller, Customer Services Department, and Information Dissemination Department. The OIG conducts these liaison activities in order to improve GPO’s programs and operations, the OIG’s work product, and GPO/OIG communications.

E. Status of Open Recommendations

GPO management officials made 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 32 of the 35 recommendations that were reported as open at the end of the previous reporting period. As for the three recommendations which remain open, a synopsis of our audit findings and recommendations, along with the status of GPO management’s actions to implement them appear below.



From left to right: Supervisory Auditor David Schaub receives his PCIE/ECIE Award for Excellence from ECIE Vice Chairman and Federal Reserve Board Inspector General Barry Snyder

Phase I should be completed by June 2005. On Phase II, the development for additional enhancements is scheduled for completion by the end of September 2005.

OIG Comments

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

2. Audit Report 03-07 (Issued September 30, 2003)

Report on Improving the Controls over the Administering of GPO Transit Benefit (Metrochek) Program

Finding

The OIG found that management controls were not always effective over (a) the eligibility of GPO employees for participation in the Metrochek program and (b) the distribution of monthly farecards. Furthermore, the efficiency of the program as established in GPO Notice 450 series and GPO Instruction 825.18A could be improved.

Recommendation

The Comptroller should ensure that the Assistant Comptroller of the General Accounting Division or the Chief of the Cash Management Branch require all employees participating in the Metrochek program to submit an annual application to ensure that transit information is current (0307-08).

Management Comments

On February 17, 2005, the CFO stated that a draft of the revised Transit Benefit Program is being developed and should be finalized during the next reporting period.

OIG Comments

The OIG has determined that this recommendation will remain open until the draft instruction is finalized.

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 March 15, 2005, the Managing Director of Customer Services stated that the PPD's Systems Support Group is working on consolidating the two databases in two phases.

3. Audit Report 04-03
(Issued June 18, 2004)

Flash Report on Credit Card Charges to Customers for Modifications-Los Angeles RPPO

Finding

The OIG identified three examples of modifications of jobs charged to credit cards that had not been processed by the Office of the Comptroller. No attempt was made to identify such jobs in the other field offices or the Central Office.

Recommendation

The Chief Financial Officer should identify and process all other modifications for jobs charged to credit cards from field offices and the Central Office.

Management Comments

The Comptroller agreed with the finding and is working to identify credit card modifications that have not been charged.

OIG Comments

This recommendation will remain open until the OIG is notified by the Comptroller that the credit card modifications have been identified and processed.

**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	\$132,687	\$17,609	\$150,296
Reports issued during the reporting period	0	0	0
Subtotals	\$132,687	\$17,609	\$150,296
Reports for which a management decision was made during the reporting period			
1. Dollar value of disallowed costs	\$0	\$10,949	\$ 10,949
2. Dollar value of allowed costs	\$132,687	\$ 6,660	\$139,347
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	1	\$92,270
Reports issued during the reporting period	1	\$3,300,000
Subtotals	2	\$3,392,270
Reports for which a management decision was made during the reporting period		
• Dollar value of recommendations that were agreed to by management	2	\$3,392,270
• 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 Review of Funds Electronically Taken Back by GPO's Customer Agencies (Report Number 05-01, issued 12/20/04)	\$3,300,000
Report on the Follow-up Audit of the Cash Management Services Concerning the Receipt and Deposit of Cash Transactions (Report Number 05-02, issued 03/31/05)	
Follow-up Audit of the Report on Improving the Controls Over GPO's Smartpay Program at the Central Office (Report Number 05-03, issued 03/31/05)	
Total	\$3,300,000



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. These investigations may include contractors, program participants, GPO management, and other employees. Special Agents in the OI are also designated as Special Police Officers pursuant to 44 U.S.C. § 317.

The OI's investigations with federal or non-federal investigative agencies 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.

The OI continues an aggressive effort to detect, prevent, and investigate the loss of government assets. In addition, the OI seeks to recover monetary funds and investigative costs payable directly to the GPO as part of criminal and civil adjudication, or through administratively negotiated settlements.

A. Summary of Investigative Activity

During this reporting period, the OI opened 30 investigative cases in response to 85 new complaints or allegations, and closed six matters. Thirty-six investigative matters remain open in the OI. Two administrative subpoenas were issued during the reporting period.

B. Investigative Accomplishments

The OI remains active in liaison efforts with GPO offices located in various regions throughout the country. As a result, the OI has witnessed an increase in information or complaints received regarding allegations of fraudulent activities by GPO contractors. In addition, the OI has undertaken a proactive approach to identify GPO contractors engaged in fraudulent activity. The result of this new approach has resulted in a marked increase in the dollar value of contracts under question, agency funds saved, and monies recovered.

C. Types of Cases

The OI's investigative workload is categorized into four major areas based on the type of investigative cases:

Office of Workers' Compensation Program (OWCP)

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

Title 44, United States Code (U.S.C.) Violations

Federal agencies occasionally procure their printing needs from sources other than GPO. GPO believes this is in contravention of Title 44 which prescribes that all federal agencies must use GPO for those services. The OIG will continue to coordinate with GPO management and members of Congress concerning issues related to Title 44 violations.

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 13 open procurement fraud cases. A total of six investigative matters were referred to U. S. Department of Justice for prosecution during this period. Civil prosecution action is pending on one of the referrals.

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 seven 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 nine active miscellaneous matters.

D. Status of Action on Referrals

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

External

U.S. Attorney's Office (USAO) / State Attorney's Office (SAO):

One previously reported investigation into allegations of false claims, and false statements, was accepted for civil prosecution. The total amount of questioned over-billings is \$400,000.

One previously reported investigation into allegations of false claims, false statements, and product substitution was settled after negotiations between the subject company and the U.S. Department of Justice. As a result of the settlement, GPO recovered \$258,438 from the subject contractor.

Internal

GPO Management:

A total of 13 matters were referred to GPO management for action during this reporting period. Investigative findings were also forwarded to the appropriate agency officials for suspension, debarment, or other administrative actions against contractors. As a result, the agency debarred six contractors or contractor employees and issued 12 other actions against contractors and/or their employees. In addition, approximately \$120,000 in savings has been realized in the reduction of OWCP Sick Injured Administrative Leave (SIA) taken by GPO employees.

E. Investigative Case Dispositions

The following list depicts the type of matters handled by the OI during this reporting period.

- As a result of OI investigative efforts, \$258,438 was recovered from a GPO Region 6 contractor after settlement was reached with the U.S. Department of Justice.
- A previously reported investigation into alleged over-billing by a GPO contractor resulted in the recovery of \$12,092 and the issuance of a "Show Cause Letter" to the contractor.

- A previously reported investigation into alleged over-billing by a GPO contractor resulted in the recovery of \$11,779.
- As a result of an OI investigation into the possible misuse of employee Social Security numbers, the OI identified errors in employee records on file in the agency that were then corrected by agency personnel.
- A previously reported investigation into allegations of contract fraud, false statements, and over-billing resulted in the recovery of \$7,664 and a "Show Cause Letter" being sent to the contractor.
- A current investigation into alleged OWCP fraud was referred to the Labor and Employee Relations Service for adverse personnel action against two agency employees. The investigative results will also be provided to the Department of Labor for any action they deem necessary to recover payments an employee was not entitled.
- Two separate OI investigations resulted in two employees being suspended from duty. In one matter, the employee provided false time and attendance records to be paid overtime for which he was not entitled. The second matter involved an employee who was suspended for providing false information to receive transit benefits to which he was not entitled.
- In addition, six debarments and ten other administrative actions were issued to various GPO contractors by the GPO Chief Acquisitions Officer as a result of OI investigative activity.

F. Work-In-Progress

Several significant OI matters are currently pending. The disposition and results of these investigations will be detailed in future reports. The following is a summary of pending matters.

- During a previous reporting period, the OI initiated a proactive approach to reducing workers' compensation costs at GPO. The OI has collaborated with OWCP,

resulting in a reduction of Continuation of Pay (COP) costs and SIA leave. SIA costs were reduced by approximately \$20,000 per month during the reporting period. The OI is also reviewing the long-term periodic rolls of OWCP recipients. The OI is questioning \$2 million (out of a total of \$6.4 million) in long-term payments, and claims are being reviewed to verify the legitimacy of OWCP benefit payments.

- The OI is investigating the alleged over-billing of approximately \$400,000 in contracts by a GPO contractor. This matter was accepted by the U.S. Department of Justice for civil prosecution. Other allegations include the submission of false claims/false statements, and illegal sub-contracting.
- A previously reported investigation into alleged fraud by a GPO contractor is continuing. To date, the GPO has been able to recover \$20,373 in over-billing and product shortages from the contractor.

Statistical Table – Summary of Investigative Case Workload as of March 31, 2005

Workload Analysis	Number of Cases
Beginning Case Workload as of October 1, 2004	12
New Allegations Received	85
Matters Closed After Preliminary Investigation	<55>
Cases Opened	30
Cases Closed or Referred with No Further Action	<6>
Ending Case Workload as of March 31, 2005	36

Statistical Table – Office of Investigations Productivity Summary

Arrests	0	Amounts Recovered Through Investigative Efforts	\$310,346
Total Cases Presented to USAO's / SAO's	6	Total Agency Cost Savings Through Investigative Efforts	\$120,000
Criminal	5	Total Administrative Referrals	13
Criminal Declinations	5	Contractor Debarments	6
Convictions	0	Contractor Suspensions	0
Guilty Pleas	0	Contractor Other Actions	12
Probation (days)	0	Employee Suspensions	2
Restitutions	0	Employee Terminations	0
Civil	1	Employee Warned/Other Actions	0
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 two reports concerning the production of blank U.S. Passports by GPO. Additionally, AI issued two draft reports concerning the implementation of the Public Key Infrastructure (PKI) by GPO. In addition, during the current reporting period, the AI provided advice and assistance to GPO management as follows.

- AI continued to provide advice and assistance to the Chief Information Officer (CIO) concerning the reorganization of Information Technology (IT) services, IT security, and the OIG “trusted role” in the PKI project at GPO.
- 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.
- AI continued to provide advice and assistance to the Managing Director, Plant Operations concerning the security and product integrity of the biometric passport project.

B. Inspection Accomplishments – Inspection Reports

1. Inspection Report AI0501 (Issued October 22, 2004)

Passport Fortuna System Design Procurement

Purpose

To notify GPO management of serious product integrity concerns associated with the procurement of the Fortuna Systems Passport design services.

Objectives

- Review the procurement of the Fortuna Systems Passport design services.
- Recommend improvements to resolve security concerns.

Findings/Recommendations

- The OIG recommended that GPO management renegotiate a contract for services to require a more secure place for contract performance.
- The OIG recommended that the Director of Customer Services appoint a Contracting Officer’s Technical Representative in the Creative Services staff to manage the work of the contractor and enforce the security and product integrity protocols that are in place for the design process.
- The OIG recommended that GPO management designate a project manager to oversee the biometric passport program and monitor activities of the various stakeholders.

Management Comments

GPO management responded to the OIG inspection report and implemented the recommendations in a timely manner to the satisfaction of the OIG.

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.

Objectives

- Evaluate the effectiveness of GPO's approach to overall product security related to the production of blank passports, including security of product components and internal controls.
- Contrast the GPO passport product security environment to Federal Government best practices.
- Evaluate the need for an alternate/secondary passport production facility.
- Recommend improvements to the current internal controls, security posture, practices, and policy related to blank passport production that align with the needs of an expanded Security and Intelligent Document (SID) business unit.

Findings/Recommendations

The inspection revealed a number of weaknesses in the blank passport production business processes that will not sustain the long term development of the SID business unit. Specifically, the OIG found that there are 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 Comments

GPO management has generally concurred with the report's recommendations and has commenced the processes necessary for addressing the weaknesses identified.

C. Work-in-Progress

Information Technology

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.

AI 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.

GPO Enterprise Program

The GPO Enterprise Program is a project to migrate the current GPO business, operational, and financial systems, including associated work-in-progress, to an integrated system of Oracle enterprise software applications. The Enterprise Program includes implementation of remote systems, hosting, and disaster recovery administration and services. A contract was finalized with Oracle Corporation in May, 2004 that resulted in the purchase of approximately \$3.7 million of software licenses, software support/maintenance, and other services. The projected total capital and expenses for the GPO Enterprise Program through 2008 exceeds \$17 million.

The OIG's risk assessment of the Enterprise Program includes:

- development of a standard set of metrics to assist in establishing an overall performance baseline;
- review of documentation to determine compliance with project management processes, a high level assessment of the audit controls, availability of audit data and quality of work products;

- a stakeholder analysis to determine risk levels against a set of best practices and critical success factors, and
- identification of project-specific critical success factors.

Public Key Infrastructure

GPO has implemented a Public Key Infrastructure (PKI) and intends to seek cross-certification with the Federal Bridge Certification Authority (FBCA). Successful cross-certification will ensure that the GPO PKI operates in accordance with the standards, guidelines, and practices of the Federal PKI Policy Authority. In order for GPO to successfully complete cross-certification, the GPO PKI must undergo a compliance review. The OIG in its “trusted role” for the GPO PKI engaged an information security engineering firm to perform the GPO PKI review. This compliance review will encompass several phases, the first of which is a formal review of the Certification Practices Statements (CPS).

The first phase of the review has provided GPO with detailed findings and recommendations regarding the CPS which, if not corrected, could have an adverse impact upon the successful operation of the GPO PKI and preclude the Certificate Policy Working Group from recommending cross certification with the FBCA.

The OIG is working in cooperation with the CIO in conducting this review and will continue to work together to resolve any concerns that arise during the course of review. Upon completion of all phases of the compliance review, a final report will be issued by the OIG.

Disaster & Emergency Preparedness Review

The OIG is reviewing 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. The inspection will address sufficiency of planning, training, lines of authority, and direction and responsibilities of GPO management. The inspection will emphasize continuity of operations, planning for recovery and restoration, and administrative and logistic operations.

To meet this objective, the OIG will focus on the overall effectiveness of GPO’s disaster and emergency procedures related to continuity of operations planning and employee security, safety and preparedness. In addition, the OIG will make recommendations to GPO that focus on GPO’s Strategic Vision and Federal Government best practices.

Evaluation of Management’s FY 2004 Submissions Pursuant to GPO Instruction 825.18A Internal Control Program

The OIG has 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. The review will provide a description of the current internal control program and will evaluate GPO management’s submissions with program standards and requirements as prescribed by the GPO internal control instruction. In addition, the OIG will evaluate the overall effectiveness of GPO’s internal control program in achieving the objectives of government-wide standards and will recommend improvements to GPO’s internal control program.

By identifying Federal Government and private sector best practices, the OIG will enhance GPO management’s ability to achieve the objectives of its strategic plan entitled *A Strategic Vision for the 21st Century*. This review is intended to help GPO management fill critical gaps in its transformation plans, create performance measures to effectively monitor performance and results, establish an integrated internal control framework to provide GPO management with helpful, accurate, and timely information on which to base informed decisions and improve operations. The report will help GPO managers at all levels to better understand their internal control responsibilities and realize the increased benefits and added value of an effective internal control program that is fully integrated into GPO-wide systems and day-to-day operations. The OIG will also work to ensure that GPO does not overlook the opportunity to integrate appropriate internal control training into GPO’s Transformational Leadership Training Program.

D. Status of Previous Report Recommendations

1. Inspection Report AI0403 (Issued September 22, 2004)

Passport Product Cost Recovery

Purpose

This inspection was conducted to ensure that the cost recovery process for the production of blank passport books accounts for all relevant factors, including the new biometric passport redesign.

Findings/Recommendations

The OIG made recommendations to the Public Printer in a sensitive report and recommended that the cost accounting process for blank passports should be conducted on an annual basis and include relevant variables such as IT cost aspects of the passport inventory system and additional costs of security transport and product security services when relevant procurements are finalized.

Management Action

GPO management concurred with the report's findings. The Managing Director, Plant Operations worked closely with the OIG to implement the recommendations. The OIG considers the recommendations closed.

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

Blank Passport Transportation Security

Purpose

To review the effectiveness and security of the process for transporting blank U.S. passports from the GPO to the several U.S. Department of State (DOS) passport locations, and recommend improvements to ensure that transportation of blank U.S. passports is secure.

Findings/Recommendations

AI found that the delivery process does not meet the current needs of GPO for secure delivery of blank passport books to Department of State passport locations. Additionally, AI found that the current delivery service package tracking system cannot be relied upon for accurate information as to the status of a passport delivery. In addition, it was noted that passport agencies in commercial buildings present additional security concerns for blank passport delivery. AI made recommendations to the Public Printer in a sensitive report for improving the security of blank passport transportation.

Management Action

GPO officials have taken action to effect a more secure process for delivery of blank passports. The OIG considers the recommendations closed.

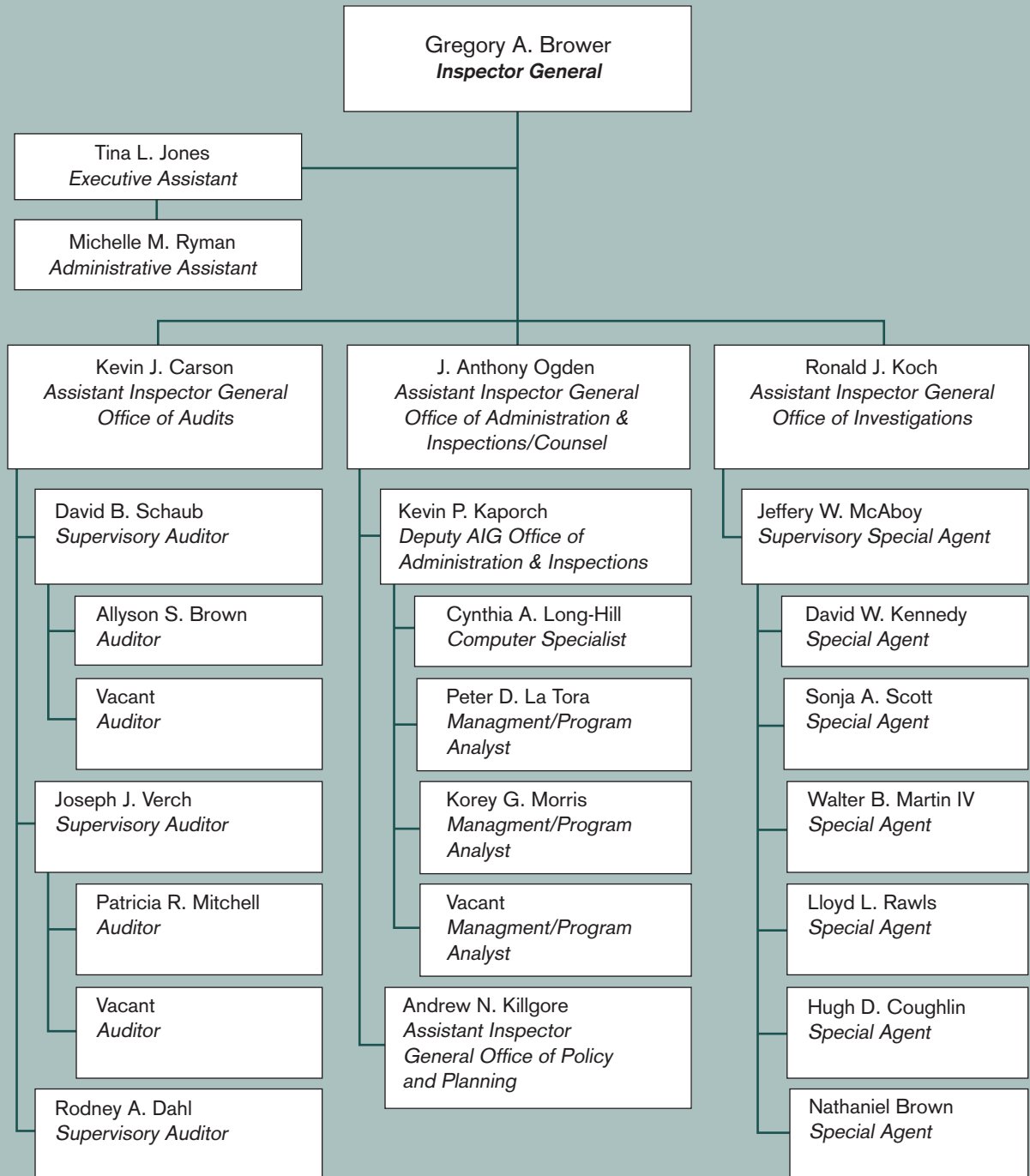
3. Network Vulnerability Testing – SeNet Recommendations

The CIO continues to make progress in mitigating or eliminating 34 GPO key vulnerabilities identified by the OIG during previous reporting periods. These were the result of testing the GPO internal network for potential vulnerabilities and exploiting them further to gain unauthorized and privileged access. The CIO has implemented a majority of the recommendations and those remaining are in the design, planning or development stage of implementation.

4. Financial Statement Audit – KPMG Recommendations

KPMG issued twenty 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. The CIO has taken action on all of the recommendations and has made substantial progress in resolving all of the issues. Of those recommendations that remain open, a resolution due date has been scheduled and monthly progress reports are provided to the OIG.

Office of the Inspector General





OIG Hotline 1.800.743.7574



U.S. GOVERNMENT PRINTING OFFICE

Office of the Inspector General

732 North Capitol Street, NW
Washington, D.C. 20401

202.512.0039
inspectorgeneral@gpo.gov