

FactSheet

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GPO OVER RECOVERS COSTS IN PASSPORT PRODUCTION

WASHINGTON--The U.S. Government Printing Office (GPO) returned \$51 million in over recovery costs to the Department of State (DOS) from passport production in FY2008. GPO would like to present the facts on this issue following inaccuracies in a *Washington Times* story.

By law, GPO operates on a cost recovery basis. GPO and DOS have a memorandum of understanding (MOU) for the production of the U.S. passport. The MOU includes setting the price per book for the passport. DOS gives GPO an estimate every year for the quantity of passports they will need to be produced. GPO and DOS then agree on the price per book. For FY2008, DOS estimated that 18 million passports would need to be produced by GPO and based on that estimate, the agreed upon price was \$14.80 per book. The price per book of the passport is determined by 66 line items including: materials, labor, equipment, overhead, required inventory and future capital investments.

To meet the unprecedented demand for passports, GPO produced more than 23 million passports for DOS in FY2008. Because the actual quantity of passports produced exceeded the original quantity used to determine the price, GPO over-recovered its costs. This over-recovery was reviewed by both internal auditors and external auditors and resulted in the amount of \$51 million. The over-recovery was returned to DOS on September 19, 2008. This is simple math. GPO estimated our cost recovery based on an estimate of 18 million passports plus inventory, capital investments and the secure production facility in Mississippi. When the demand went beyond 18 million passports, an over-recovery occurred.

The Washington Times states GPO overcharged DOS, that is not correct. An example of an overcharge would be if GPO charged \$15.00 per book rather than the agreed upon \$14.80 per book, which GPO did not do.

The Washington Times states GPO's Inspector General (IG) uncovered improper accounting practices by GPO financial managers, that is not correct. In November 2007, GPO managers and the IG agreed an audit on passport pricing and allocation would be beneficial. The audit, which is still ongoing, began in February 2008. The IG has not issued an official draft or final report that found any improper accounting practices by GPO.

FactSheet

The Washington Times states GPO exceeded the money authorized by Congress to construct a secure production facility in Stennis, Mississippi for passport production, that is not correct. Congress authorized a budget of \$41.3 million for GPO to construct this facility in Mississippi. GPO is proud the project came in at \$9.5 million under budget and opened the facility on time this past spring. GPO created more than 50 jobs and is contributing to the economic growth of the Gulf Coast region.

The Washington Times states GPO had unreasonable overhead expense reallocation and was an act to conceal passport profits, that is not correct. GPO reallocates overhead on an annual basis. As one would expect in the rapidly expanding business of passport production and with the construction of a new factory, considerable overhead resources would be consumed. Some examples include: Human Capital, Facilities, Information Technology, Finance, Acquisitions, and the Plant. Passport production was allocated its fair share of overhead. As FY2009 begins, GPO will revisit the allocation for overhead.

The men and women of GPO are proud to have been producing the passport since the 1920s. During the last several years, GPO employees have met the demand of the American people for passports. GPO will have produced approximately 10 million more passports in FY2008 than in FY2006. GPO and DOS have a legally binding MOU outlining costs, duties and expectations for the production of the passport. GPO wants to be sure the integrity of its employees and the process are not damaged due to an inaccurate story by *The Washington Times*.

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