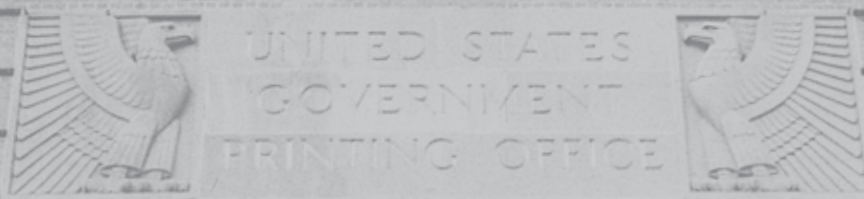


# Semiannual Report to the Congress

April 1, 2006 through September 30, 2006



U.S. GOVERNMENT PRINTING OFFICE | KEEPING AMERICA INFORMED  
OFFICE OF THE INSPECTOR GENERAL

## 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](http://www.gpoaccess.gov)).

Today about half of all Federal Government documents are born digital, published directly to the Web, and will never be printed by GPO. This evolution of document creation and dissemination has provided GPO with a significant challenge. 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 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, as well as positive developments, relating to the administration and operations of the GPO. To meet these responsibilities, the OIG conducts audits, evaluations, investigations, inspections, and other reviews. The OIG is dedicated to acting as an agent of positive change to help the GPO improve its efficiency and effectiveness as it undertakes its unprecedented transformation.

*The OIG offers an independent and objective means of keeping the Public Printer and the Congress fully informed about problems and deficiencies, as well as positive developments, relating to the administration and operations of the GPO.*

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## Message from the Inspector General



*The OIG must also make certain that the public is protected from all forms of fraud, waste, abuse, and mismanagement.*

This semiannual report of the United States Government Printing Office (GPO) Office of Inspector General (OIG) summarizes our work from April 1, 2006 through September 30, 2006. The audits, inspections, investigations, and other activities highlighted in this report demonstrate the ongoing commitment of the OIG to promote integrity, accountability, efficiency, and effectiveness in the programs and operations of the GPO.

During this reporting period, GPO made significant progress in its efforts to transform into a 21st century information processing and dissemination operation by selecting the Master Integrator for implementation of the Future Digital System (FDsys), as well as advancing efforts in the deployment of its Public Key Infrastructure (PKI) and electronic passport production. While such achievements are critical to a successful transformation, these and other technology-laden programs at GPO are subject to increasing scrutiny by Congress, which underscores the need for the OIG to remain focused on programs and operations that most impact GPO's transformation efforts. To that end, during the last six months the OIG worked to guarantee that Independent Verification and Validation of FDsys and ongoing Oracle financial management system implementation efforts are in place. In addition, the Office of Audits and Inspections (OAI) oversaw the WebTrust assessment of GPO's PKI which enhanced GPO's efforts to become a shared service provider for PKI – a critical development as the Agency embarks on the Federal HSPD-12 initiative.

While our involvement in the Agency's information technology efforts is essential, the OIG must also make certain that the public is protected from all forms of fraud, waste, abuse, and mismanagement. In this regard, the OAI completed a review of GPO's travel program which identified internal control and other issues that, when corrected, will improve the program's overall effectiveness. The OAI also conducted a review of a GPO contractor settlement proposal and presented valuable input to the Agency as it considers resolution options. Additionally, the Office of Investigations continued its efforts to expose workers' compensation fraud, and uncovered theft of more than \$100,000 of printer ink cartridges by two GPO employees resulting in felony convictions.

Our last several reports have highlighted what we believe to be significant GPO Management Challenges. In this report, we update the progress of GPO management and note steps forward in the areas of telework and the GPO Continuity of Operations Plan. However, we have increasing concern with the Agency's ability to efficiently acquire the information technology systems and services necessary to its transformation efforts. We also continue to encourage GPO Management to make certain that business unit strategic plans are in place before the current Public Printer departs the Agency. We will continue to monitor these and other matters, and will refresh our GPO Management Challenges in our next report.

Finally, this period also saw a significant personnel development. Former Inspector General, Gregory A. Brower, took over as GPO General Counsel effective October 1, 2006. Greg joined the GPO as Inspector General in 2004. He helped establish a new standard for the OIG and under his leadership developed strategic and work plans that aligned the OIG with the Agency's strategic vision. As Acting Inspector General, I will strive to advance the standards and programs that Greg established, and will work diligently to ensure that needs of GPO and Congress continue to be met.

I am encouraged by the cooperation between GPO managers and the OIG and trust that the spirit of cooperation will only improve in the months ahead. And, I remain humbled by the dedication and commitment of the OIG staff. Since joining the OIG, I am constantly reminded of the enormous contribution that these public servants make on a daily basis. I look forward to meeting the challenges ahead with this outstanding team of professionals.

A handwritten signature in black ink that reads "J. Anthony Ogden". The signature is written in a cursive, flowing style.

J. Anthony Ogden  
ACTING INSPECTOR GENERAL  
U.S. Government Printing Office



## Highlights of this Semiannual Report

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

*The Office of Audits and Inspections (OAI)* issued four reports with a total of 14 recommendations for improving GPO operations, including strengthening internal controls throughout the Agency. These reports also had an associated dollar impact of \$176,322. The OAI also continued to work jointly with GPO management to close open recommendations from previous reporting periods.

*The Office of Investigations (OI)* opened 18 new investigative cases in response to 305 new complaints or allegations, and closed 23 matters. The OI also began developing a proactive investigative plan to analyze, identify, and investigate allegations of fraud in GPO's printing procurement program. Through its investigative efforts during this period, the OI recovered a total of \$1,573 and helped GPO realize cost savings of approximately \$655,000 through the successful investigation of workers' compensation fraud.

*The Office of Administration/Legal Counsel (OALC)* managed the OIG's budget and human resources needs. In addition, the OALC provided legal advice and counsel on issues arising during the course of audits, inspections, and investigations, including opinions regarding legal accuracy and sufficiency of OIG reports. The OALC reviewed four administrative subpoenas issued during this reporting period and assisted the Office of Investigations with several matters accepted for civil and criminal prosecution by the U.S. Department of Justice. The OALC also served as the OIG's liaison to the GPO General Counsel and to the Office of the Chief of Staff on a variety of matters.

## OIG Management Initiatives

### Personnel Update

Gregory A. Brower, Inspector General, was appointed by the Public Printer to the position of General Counsel for GPO. Tony Ogden, Deputy Inspector General and Counsel, was appointed Acting Inspector General. Both appointments took effect on October 1, 2006.

### 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 and participates regularly in the activities of the ECIE.

During this period, the Senate Appropriations Committee acknowledged that a majority of Legislative branch agencies have either a statutory or administrative inspector general to conduct and supervise audits and investigations relating to the programs and operations of their entity.<sup>1</sup> Moreover, the Committee recognized the benefits of coordination and formal communication between and among the inspectors general through the PCIE and ECIE. In order to ensure similar benefits within the Legislative branch, "the Committee expects the Legislative branch inspectors general to communicate, cooperate, and coordinate with each other on an informal basis regarding their respective audit, inspection, and investigative activities, as appropriate." The Committee has requested to be kept informed of the progress of such communications, cooperation, and coordination. The GPO OIG will actively participate in coordinated events with the other Legislative branch inspectors general and will update the status of these activities in upcoming reports to Congress.

<sup>1</sup>See Senate Report 109-267, Legislative Branch Appropriations, 2007.



## 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 of programs and operations administered or financed by GPO. We will continue to play an active role in this area in an effort to assist the Agency in achieving its goals.

During this reporting period, the OIG commented on GPO directives related to the use of credit cards by agency personnel, and the resolution of audit and related OIG findings and recommendations. There were no legislative proposals relating to GPO programs and operations.

## GPO Management Challenges

As the GPO carries out its aggressive transformation efforts, Agency management will continue to confront substantial and difficult issues that will have an impact on a successful transformation. In our last semi-annual report, the OIG updated its list of what we believe to be GPO's top ten management challenges. As we noted, these are the issues which are most likely to hamper GPO's transformation efforts if not addressed with elevated levels of attention and resources. The Public Printer, in his last report to Congress, did not take exception to any of the challenges offered by the OIG, noting that they were all "vital to GPO's continuous transformation." The OIG concurs with the Public Printer that "it is critical that the next Public Printer incorporates all of these challenges and that the current progress being made on each of them continues. GPO cannot afford to reverse its course, if it expects to be at the cutting edge of new technology and an industry leader in the digital age."

While the OIG has identified the ten most important management challenges, we have also become increasingly concerned with the Agency's ability to efficiently and effectively acquire the high-technology goods and services necessary to transform to a 21st century information

processing and disseminating operation. Such acquisitions will require a professionally trained contracting workforce skilled at carrying out non-traditional acquisitions. Our concern in this area should be considered by GPO management as they review the organizational and staffing issues confronting the GPO.

Our update follows:

**1. Strategic Planning.** In order to realize and sustain GPO's Vision, each individual business unit within the Agency must develop and implement its own clear and succinct strategic plan that is fully aligned with *GPO's Strategic Vision for the 21st Century*. Business unit plans that cascade goals and objectives down from the Agency's plan will help achieve employee buy-in and ensure that that GPO's transformation efforts stay on track. Until each business unit within GPO has articulated a clear strategic plan of its own, it will be very difficult, if not impossible, for senior management to determine whether or not the various business units are working together toward a common strategic goal. We continue to encourage GPO management to make this a priority before the transition to a new Public Printer is completed.

**2. Management of Human Capital.** As GPO seeks to "rightsize" the overall Agency workforce while also attempting to attract new employees who possess the right skill-sets for the new GPO, the Agency's human capital operation will face unprecedented challenges. Led by the Chief Human Capital Officer, the Agency must develop and implement a comprehensive plan to effectively deal with the myriad issues that will likely arise as the GPO workforce evolves. One of these issues is telework. GPO has begun to develop its telework program and successfully completed an agreement with the American Federation of Government Employees/Printing Crafts Joint Council. A final Agency policy is still a necessary and critical component to successfully implement a telework program as GPO competes with other government agencies and the private sector for desired talent, and attempts to address critical continuity of operations issues. Human Capital has developed a comprehensive draft telework policy based



on the best aspects of other Federal telework policies. Currently, the draft policy has been submitted for final management review. Upon approval of the policy, telework training classes will be required for all Agency supervisors.

**3. Improved Financial Management.** GPO has been in the process of migrating current business, operational, and financial systems, including associated work processes, to an integrated system of Oracle enterprise software and applications. The new system will provide GPO with integrated and flexible tools to successfully support business growth and customer technology requirements for products and services. The GPO Oracle Program was created to oversee and support this complex effort. Investment in the integrated system presents both great opportunities for enhanced efficiency and cost savings, and significant risk in the event the system does not meet user requirements. GPO must ensure that the implementation is accomplished on time, within budget, and with a satisfactory result. The OIG contracted with a consultant to perform a stakeholder analysis of the Oracle Program. The analysis identified several vulnerabilities including (1) inadequate functional and technical staffing; (2) top management support not aligned with program execution; (3) lack of target performance metrics; (4) lack of methodology for organizational restructuring; and (5) lack of an effective method to manage program progress. Although GPO management concurred with each of the report's recommendations and has planned responsive corrective actions, progress has been slow due to the transfer of program responsibility from the Chief Information Officer to the Chief Financial Officer and delays involved in hiring a qualified program manager. In FY 2007, the OIG plans to lead continued Independent Verification and Validation (IV&V) activities associated with the ongoing Oracle implementation.

**4. Continuity of Operations (COOP).** An OIG review of GPO's COOP planning revealed that the Agency may not be adequately prepared to effectively deal with a significant event such as a natural or man-made disaster. Our report included several recommendations including, most fundamentally, that GPO adopt the planning requirements and critical elements identified in Federal Preparedness Circular (FPC) 65. GPO management must address this problem if it is to be able to continue its

essential functions and resume normal operations within a timeframe that is acceptable to its customers and business partners. GPO has developed a comprehensive draft COOP plan based on the Federal Emergency Management Agency (FEMA) template of key COOP components. The draft plan addresses issues such as essential functions, interoperable communications, delegations of authority, and testing, training, and exercises. The Agency has also developed an Occupant Emergency Plan (OEP) as a companion to COOP. The OEP establishes the appropriate response in the event of an emergency and addresses all known or anticipated categories of emergencies.

**5. Internal Controls.** GPO management is responsible for establishing and maintaining a system of internal controls to achieve the objectives of effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations. In addition, practically every OIG audit includes an assessment of a program, activity, or function's applicable control structure. OIG audits during this reporting period again addressed issues with internal controls. For example, an OIG audit of Centrally Charged Travel Expenditures found that controls were not effective over (1) travel fares being charged to GPO's agency MasterCard account, and (2) service fees charged directly to GPO. The OIG made recommendations to improve controls over this area of travel expenditures. The Close-out of GPO Travel Program audit report identified several additional issues in the GPO Travel Program, which, although not significant monetarily, are indicative of control weaknesses that if not addressed, could lead to more significant monetary losses. GPO management has recognized the need to improve the current internal control environment if the Agency is to successfully implement its strategic vision and has planned future initiatives in this area.

**6. Security and Intelligent Documents (SID).** SID is considered by management to be the most important business unit for the future of GPO. Since our last report, several significant developments have taken place. SID has established an ongoing business development program specifically addressing government credentials and has

issued an RFP for a production capability for smartcards. Business development has begun for PKI certifications and a pilot program is underway. Blank passport production and transportation issues, while a continuing concern to the OIG, have also shown progress. The passport production facility has undergone an external audit and new alarms and security access devices have been installed. Redesign of the production area is also underway to enhance security. Other concerns have received significant attention; however, these matters must remain a priority for GPO management. Among them, finalizing a Memorandum of Understanding with the U.S. Department of State, technology and security concerns related to the electronic passport, inventory volume and storage of blank passport books, and completion of a secondary passport production facility. Additionally, SID has advanced an aggressive plan to provide services to Federal agencies regarding the Federal HSPD-12 initiative. This presents considerable revenue potential to GPO. Management must ensure the necessary procurement and related support to SID in order to realize the benefits from this opportunity.

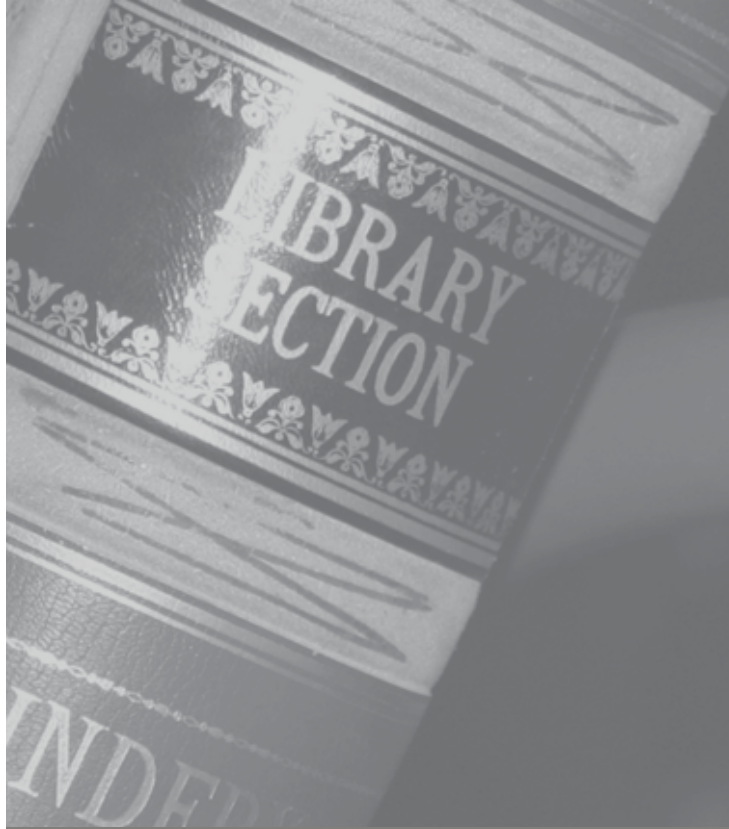
**7. New Facility.** GPO management believes that the current GPO facility is too large and antiquated, and requires an extraordinary amount of financial resources for operation and maintenance. The Agency envisions relocating to new facilities specifically sized and equipped for future requirements and to more effectively meet the needs of its customers. While the challenges attendant to such a move will be significant for the Agency, and must be successfully addressed, any relocation of GPO's operations must first be approved by Congress. GPO has retained a real estate services firm which prepared a Strategic Real Estate Plan that addresses the relocation of GPO's headquarters facility. GPO management has presented this plan to its oversight and appropriations committees and continues to discuss with those committees options for any legislative authorizations and/or committee approvals that might be necessary to move the relocation project forward. The Agency must continue with its efforts to work closely with Congress toward approval of this important initiative.

**8. Information Technology & Systems (IT&S) Management.** As GPO transforms from an ink-on-paper operation to a highly secure multi-media digital dissemination environment, management of the Agency's information technology resources becomes more critical to the success of the GPO vision and mission. The acquisition, implementation, and sustaining engineering issues associated with IT&S, including security issues, provide GPO with new and emerging management challenges.

Noteworthy challenges include establishing a top level Enterprise Architecture that encompasses a number of significant initiatives including the Digital Content Management System, E-passport support, GPO's Public Key Infrastructure (PKI) rollout, network security, and continued Oracle financial management system rollout. IT&S has initiated a legacy application and business impact analysis in order to create a plan to mitigate the risks to GPO from aging legacy systems. These legacy systems increasingly inhibit the ability to respond to customer needs and must be replaced or worked around. In addition, because GPO is a provider of services to Executive branch agencies who must comply with the Federal Information Security Management Act (FISMA), GPO has chosen to substantially comply with the principles of FISMA. This presents additional challenges to IT&S.

GPO has established a PKI designed to serve the needs of the Agency, its Legislative branch partners, and other Federal partners of GPO, as the Agency fulfills its mission in the vital arena of electronic information dissemination and e-government. GPO's PKI is cross-certified with the Federal Bridge Certificate Authority — a substantial and necessary step toward utilizing its PKI for the benefit of a variety of customers. The PKI will be an important contributor to future GPO revenue-generating activities. In order to partially meet PKI certification provisions, the OIG is leading a WebTrust<sup>2</sup> assessment to determine whether GPO's assertions related to the adequacy and effectiveness of controls over its PKI Certificate Authority operations are

<sup>2</sup>The WebTrust assessment is being conducted in accordance with the American Institute of Certified Public Accountants "WebTrust Principles and Criteria for Certificate Authorities."



fairly stated based on underlying principles and evaluation criteria. Additionally, in FY 2007, the OIG will lead an assessment of GPO's compliance with FISMA in order to identify gaps and deficiencies in the Agency's overall information security program as well as specific critical Agency systems. As identified in Management Challenges 3 and 10, the OIG will also lead IV&V activities associated with the ongoing implementation of the Oracle financial management system and the implementation of the Digital Content Management System.

**9. Customer Service.** As GPO transforms, its customer services must reflect and advance that transformation, and must have the appropriate focus, staffing and alignment with GPO's Strategic Vision to be assured of future success. The culture and focus of GPO's customer service efforts must reflect a new way of thinking. Specifically, GPO customers should come to GPO because they want to — not because they are required to do so by statute. This transformation of the traditional GPO customer relationship requires a continuing evolution toward state-of-the-art customer relations management.

**10. Acquisition of a Digital Content Management System.** GPO is currently in the implementation planning phase of its Future Digital System (FDsys), envisioned as a world-class system that will preserve and provide permanent public access to information published by all branches of the Federal Government. Current plans call for the development of a nearly \$29 million system through a series of procurements. During this period, an award was made for a Master Integrator and the first major product review has been completed. During FY 2007, the OIG will lead IV&V activities associated with the FDsys implementation. IV&V will be conducted for each system release, and will determine whether the system implementation is consistent with project and cost plans, and whether the delivered system meets GPO's requirements. System development and program management practices and processes will also be monitored during IV&V.

## GPO's Top 10 Management Challenges

1. Strategic Planning
2. Management of Human Capital
3. Improved Financial Management
4. Continuity of Operations (COOP)
5. Internal Controls
6. Security and Intelligent Documents (SID)
7. New Facility
8. Information Technology & Systems (IT&S) Management
9. Customer Service
10. Acquisition of a Digital Content Management System





GOVERNMENT PRINTING OFFICE

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# Office of Audits and Inspections

The Office of Audits and Inspections (OAI), as required by the Inspector General Act of 1978, as amended, conducts independent and objective performance and financial audits relating to GPO's operations and programs, and oversees the annual financial statement audit performed by an independent public accounting firm under contract. In addition, the OAI conducts short-term inspections and assessments of GPO activities that generally focus on issues which are limited in scope and time sensitive. All OIG audits are performed in accordance with Generally Accepted Government Auditing Standards (GAGAS) promulgated by the Comptroller General of the United States. When requested, the OAI provides accounting and auditing assistance to the OIG Office of Investigations (OI) for both civil and criminal investigations. Furthermore, the OAI refers irregularities and other suspicious conduct detected during audits, inspections, or assessments to the OI for investigative consideration.

## A. Summary of Audit and Inspection Activity

During this reporting period, the OAI issued four new audit and assessment reports. These reports made a total of 14 recommendations for improving GPO's operations, including strengthening of internal controls throughout the Agency, and had an associated dollar impact of \$176,322. The OAI also continued to work with GPO management to close open recommendations carrying over from prior reporting periods. As of the date of this report, 54 such recommendations remain open. While the number of open recommendations is substantially increased over our last reporting period, this increase is attributable to a variety of factors including, but not limited to, (1) delays in hiring an Oracle Program Manager, and (2) finalizing and testing a Continuity of Operations Plan and Occupant Emergency Plan. In addition, management initiated responsive corrective actions on a significant number of these recommendations, but these corrective actions were still in progress and not completed during this period. Based on our assessment of management's ongoing actions, we believe that the number of open recommendations will be substantially decreased during the next reporting period.

## B. Audit Accomplishments – Audit and Inspection Reports

### 1. Audit Report 06-05 (Issued May 16, 2006)

#### *Report on Audit of Centrally Charged Travel Expenditures*

The GPO has an agency account with MasterCard through the Bank of America (BoA) for the centralized charging and billing of various common travel expenditures. The agency also has contracted with National Travel Services, Inc. (NTS) to provide assistance to GPO travelers in making travel arrangements. Services provided by NTS include airline, rail, hotel, and rental car reservations. NTS receives a fee in return for each travel-related service provided to a GPO traveler. All costs for airline and rail tickets are charged directly to the agency MasterCard account and paid by GPO to BoA each month. In Fiscal Year (FY) 2005, NTS charged a total of \$389,036 to the agency MasterCard account for airline and rail tickets. The OIG conducted an audit to determine whether GPO has established effective controls to ensure that travel fares charged to GPO's agency MasterCard and service fees billed directly to GPO are for official GPO travel, and are supported by appropriate travel orders and vouchers.

The audit found that controls were not effective over (1) travel fares being charged to GPO's agency MasterCard account, and (2) service fees charged directly to GPO. OIG auditors identified approximately \$32,000 in travel fares and service fees associated with travel by GPO travelers during FY 2005 that could not be reconciled to official travel records. The OIG made recommendations to GPO's Chief Financial Officer to (1) eliminate the use of GPO's agency MasterCard account for airline and rail tickets and direct NTS to charge all tickets to either the individual GPO traveler's Government-issued MasterCard or personal credit card, and (2) direct NTS to charge all service fees to each individual GPO traveler's Government-issued MasterCard or personal credit card. GPO management concurred with each of the report's recommendations and planned to implement corrective actions that the OIG considered responsive.

## 2. Assessment Report 06-06 (Issued September 22, 2006)

### *Report on WebTrust Pre-Assessment of GPO Certificate Authorities*

GPO implemented a Public Key Infrastructure (PKI) to support its “born digital and published to the web” methodology to meet GPO customer expectations that documents are official and authentic. The GPO PKI also directly supports GPO’s mission related to electronic information dissemination and e-government. The GPO PKI recently became cross-certified with the Federal Bridge Certificate Authority (FBCA) whose certification provisions require that the GPO PKI undergo a compliance review. To satisfy this compliance requirement, the OIG tasked an independent public accounting firm to conduct a WebTrust assessment of its Certificate Authorities (CA). The assessment is being conducted in accordance with the American Institute of Certified Public Accountants (AICPA) “WebTrust Principles and Criteria for Certificate Authorities.” The assessment represents an evaluation of whether GPO’s assertions related to the adequacy and effectiveness of controls over its CA operations is fairly stated based on underlying principles and evaluation criteria.

The purpose of the WebTrust pre-assessment was to identify gaps and deficiencies between the current GPO PKI environment and the required criteria of the WebTrust Program for CA. During the pre-assessment phase, the contractor performed procedures, including testing where deemed appropriate, on GPO’s CA business processes, supporting applications, and technologies related to GPO’s assertions regarding CA operations. The pre-assessment report summarized gaps and deficiencies identified during the pre-assessment phase and made several recommendations requiring GPO’s attention prior to finalization of the WebTrust assessment. The GPO Chief Information Officer concurred with each of the pre-assessment recommendations and took corrective actions prior to the final WebTrust phase. During the final WebTrust phase, controls are tested to gather support for an opinion regarding compliance with applicable WebTrust principles and criteria for certification. As of September 30, 2006, the final WebTrust phase was near completion.

## 3. Audit Report 06-07 (Issued August 11, 2006)

### *Report on Close-out of GPO Travel Program Audit*

The OIG completed a series of audit reports related to GPO’s Travel Program. The three reports issued to date include (1) GPO’s Travel Program, (2) Payment of Pre-employment Interview Travel Expenses, and (3) Centrally Charged Travel Expenditures. These reports contained a series of recommendations intended to improve controls over GPO’s travel program. The purpose of this final in the series of Travel Program reports, “Report on Close-out of GPO Travel Program” was to provide GPO management with information on the remaining issues related to the OIG’s audit of GPO’s Travel Program.

The issues identified included:

1. Labor hours and travel expenses for press sheet inspections performed by GPO employees were not always submitted to the customer agency for reimbursement;
2. Employees received reimbursements in excess of Federal Travel Regulation (FTR) allowances;
3. Reimbursement for cancelled airline tickets was not always being received; and
4. Employees made use of the GPO travel contractor for personal travel reservations with associated fees charged to and paid by GPO.

While the issues identified did not represent a significantly large monetary amount, they are indicative of control weaknesses that if not addressed, could lead to more significant monetary losses. We therefore brought them to management’s attention for consideration and action as it deemed appropriate without making formal recommendations.

## 4. Audit Report 06-08 (Issued September 29, 2006)

### *Report on Audit of Settlement Proposal by [GPO Contractor]*

In accordance with Section 49.107 of the Materials Management Acquisition Regulation (MMAR), the OIG performed an audit of the settlement proposal submitted by

a GPO contractor for two GPO purchase orders to provide consulting services and support related to the passport inventory system required by the Department of State. The purchase orders were terminated for convenience by GPO. The total value of the two purchases orders exceeded \$700,000. As of July 31, 2006, GPO had paid the GPO contractor a total of \$493,868.50.

Although the audit found that a portion of the contractor's claim was allowable, the OIG questioned \$176,322 of the claim. This report, which was advisory in nature, was submitted to the GPO Contracting Officer for use in negotiating settlement or issuing a unilateral determination regarding the contractor's proposal.

### C. Quality Assurance Activity

The OAI maintains an internal quality assurance review program which assists the organization with ensuring compliance with Generally Accepted Government Auditing Standards. One of the primary components of the program is performing periodic Quality Assurance Reviews (QARs) of audits that were previously completed and issued as final reports of the OIG. During this reporting period, the OAI completed one QAR of a previously completed audit.

### D. Financial Statement Audit Activity

Section 309 of Title 44, United States Code, requires that GPO obtain an independent annual audit of its financial statements. KPMG LLP (KPMG) has been retained to conduct this audit under a multi-year contract for which the OAI provides oversight as the Contracting Officer's Technical Representative (COTR). The oversight provided ensures that the audit complies with all terms of the contract, including compliance with Government auditing standards. The OAI assists with facilitating the external auditor's work as well as reviewing the work performed. In addition, the OAI provides administrative support and coordination with GPO management for the KPMG auditors. (GPO again received an unqualified opinion on its financial statements for Fiscal Year (FY) 2005).

The audit for FY 2005 was the last audit covered under the current contract with KPMG. During this reporting period, KPMG, with OIG oversight, initiated work on the new contract. At the completion of this reporting period, KPMG was in the process of performing audit work for the FY 2006 GPO financial statements.

### E. Update of OAI Policy Manual

The Assistant Inspector General for Audits and Inspections lead an effort to thoroughly review, revise and update the OAI's policies and procedures. On July 1, 2006, OAI issued a streamlined, up-to-date policy and procedures manual that promises to enhance the quality and consistency of the OAI's work product.

### F. Status of Open Recommendations

GPO management officials continued to make significant progress during this reporting period in implementing and closing many of the recommendations contained in reports issued during previous semiannual reporting periods. Specifically, GPO management worked in cooperation with the OIG to close ten open recommendations. For the 54 previous period recommendations that remain open, a summary of the finding and recommendations, along with the status of GPO management's actions to implement the recommendation and OIG comments appears below.

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

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

#### Finding

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

#### Recommendation

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

#### Management Comments

Information Technology and Systems has targeted December, 2006 to implement the system enhancement.

## OIG Comments

This recommendation will remain open until Information Technology and Systems implements the system enhancement and the Managing Director of Customer Services accepts it.

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

### *Blank Passport Product Integrity and Security Review*

#### Finding

The inspection revealed a number of weaknesses in the blank passport production business processes, including missing critical core competencies, deficient processes, and infrastructure issues that require GPO management attention. In addition, the OIG found significant deficiencies regarding blank passport manufacturing, component product security, and related internal controls that require GPO management review and reengineering.

#### Recommendation

The OIG made several recommendations to GPO to improve the various weaknesses identified in blank passport production business processes that are relevant to all documents and operations within GPO's Security and Intelligent Documents (SID) operation. GPO's implementation of the recommendations should lead to improved security and integrity for the entire SID business line.

#### Management Comments

GPO management generally concurred with the report's recommendations and continues to implement actions necessary to correct the conditions identified.

#### OIG Comments

During this reporting period, GPO management continued to address the weaknesses identified. The OIG continues to work with GPO management to monitor implementation of the remaining eight open recommendations. Based on the actions taken to date by GPO management, we anticipate that several of the open recommendations will be closed during the next reporting period.

## 3. Financial Statement Audit – KPMG Recommendations

#### Finding

KPMG issued several IT security-related findings in the course of their 2005 Financial Statement Audit. The findings addressed certain weaknesses in GPO's security program planning and management, access controls, application software development and change control, controls over system software, and service continuity.

#### Recommendation

KPMG made 12 recommendations to GPO management, which if implemented, will help further improve the Agency's IT security program.

#### Management Actions

The Chief Information Officer (CIO) continues to take action on all of the recommendations and has made progress in resolving the issues.

#### OIG Comments

As of September 30, 2006, all recommendations remain open. However, the CIO's office is making progress in addressing them. The OIG continues to monitor progress in implementing these recommendations through monthly reports received from the CIO.

## 4. Assessment Report 06-02 (Issued March 28, 2006)

### *GPO Network Vulnerability Assessment*

#### Finding

While GPO has many enterprise network controls in place, improvements are needed to strengthen the network security posture. Specifically, several vulnerabilities were noted during internal testing that require strengthening of controls. No critical vulnerabilities were identified during external testing. *Due to the sensitive but unclassified nature of the assessment, we are limiting our discussion of findings for purposes of this report. Further details regarding assessment findings can be obtained by contacting the OIG.*



## Recommendation

The OIG made four specific recommendations to strengthen internal controls associated with GPO's enterprise network. These recommendations should reduce the risk of compromise to GPO data and systems. Based upon corrective action taken by management, the OIG closed one recommendation upon issuance of the final report.

## Management Comments

GPO management concurred with each of the report's recommendations and initiated responsive corrective actions.

## OIG Comments

Corrective actions for the three remaining recommendations are in progress as of the end of the reporting period. The OIG continues to work with GPO management to monitor implementation of the remaining three open recommendations.

## 5. Assessment Report 06-03 (Issued March 31, 2006)

### *GPO Oracle Program Stakeholder Analysis*

#### Finding

The assessment identified several vulnerabilities associated with GPO's Oracle Program and made recommendations to mitigate the risks associated with those vulnerabilities. The vulnerabilities identified included: (1) top management support not aligned with program execution; (2) inadequate functional and technical staffing; (3) lack of methodology for organizational restructuring; (4) lack of target performance metrics; and (5) lack of an effective method to manage program progress.

#### Recommendation

To help ensure the Oracle Program meets the expectations of its stakeholders, the OIG made a total of 13 recommendations in the areas of staffing, management alignment and organizational restructuring, use of performance metrics, and management of program progress.

## Management Comments

GPO management concurred with each of the report's recommendations and agreed to take corrective actions throughout the life of project implementation.

## OIG Comments

Due to the challenges facing GPO's Oracle Program, we acknowledged that disposition and closure of the recommendations made in the report will take time and would not meet the normal GPO standard of 120 days. As of the end of the reporting period, all 13 OIG recommendations remain open. GPO is in the process of hiring an Oracle Program Manager. Once this is finalized, we anticipate that the recommendations will be addressed. The OIG will continue to track GPO's progress in implementing the recommendations.

## 6. Inspection Report 06-04 (Issued March 31, 2006)

### *Inspection of GPO's Continuity of Operations Plan*

#### Finding

The objective of the inspection was to evaluate GPO's existing processes, procedures, and authorities against Federal Government best practices for maintaining essential functions in the event of a disaster or other significant adverse event. Specifically, we evaluated GPO's COOP plan against the Federal Emergency Management Agency's (FEMA) Federal Preparedness Circular (FPC) 65, "Federal Executive Branch Continuity of Operations." FPC 65 serves as the model for best practices within the Federal Government. *Due to the sensitive but unclassified nature of the inspection, we are limiting our discussion of findings for purposes of this report. Further details regarding the inspection's findings can be obtained by contacting the OIG.*

#### Recommendation

The OIG made 18 recommendations to improve GPO's plans and procedures to reasonably ensure a viable COOP capability in the event of a disaster or other significant adverse event. GPO management concurred with each of the report's recommendations.

## Management Comments

GPO management concurred with each of the report's recommendations and initiated responsive corrective actions. The actions planned by management generally provide the initial framework to establish and maintain a viable COOP plan in the event of a disaster or significant adverse event. During this reporting period, GPO developed a comprehensive draft COOP plan based on the FEMA template of key COOP components. The draft plan addresses essential functions, interoperable communications, delegations of authority, testing, training, and exercises. The Agency has also developed an Occupant Emergency Plan (OEP) as a companion to the COOP. The OEP establishes the appropriate response in the event of an emergency and addresses all known or anticipated categories of emergencies. GPO management plans to test each of the plans during the next reporting period.

## OIG Comments

Of the 18 recommendations, 17 remain open. The OIG continues to work with GPO management to monitor implementation of the open recommendations. Based on the actions taken to date, we anticipate closing a significant portion of the open recommendations during the next reporting period.

### **Definitions**

**Questioned Costs** – Costs that are unnecessary, unreasonable, unsupported, or an alleged violation of law, rule, regulation, contract, etc.

**Unsupported Costs** – Questioned costs that are not supported by adequate documentation.

**Funds Put to Better Use** – Funds that could be used more efficiently by implementing recommended actions.

**Disallowed Costs** – Costs that management agrees should not be charged to GPO.

## Statistical Table – Audit Reports with Questioned and Unsupported Costs

Description	Questioned Costs	Unsupported Costs	Total Costs
Reports for which no management decision has been made by the commencement of the reporting period	\$0	\$0	\$0
Reports issued during the reporting period	\$112,927	\$63,395	\$176,322
Subtotals	\$112,927	\$63,395	\$176,322
Reports for which a management decision was made during the reporting period			
1. Dollar value of disallowed costs	\$0	\$0	\$0
2. Dollar value of allowed costs	\$0	\$0	\$0
Reports for which no management decision has been made by the end of the reporting period	\$112,927	\$63,395	\$176,322
Reports for which no management decision has been made within six months of issuance	\$0	\$0	\$0

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

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

## Statistical Table – List of Audit Reports Issued During Reporting Period

Other Audit Reports	Funds Put to Better Use
Report on the Audit of Centrally Charged Travel Expenditures (Audit Report Number 06-05, issued 05/16/06)	\$0
Report on WebTrust Pre-Assessment of GPO Certificate Authorities (Assessment Report Number 06-06, issued 09/22/06)	\$0
Report on Close-out of GPO Travel Program Audit (Audit Report Number 06-07, issued 08/11/06)	\$0
Report on Audit of Settlement Proposal by [GPO Contractor] (Audit Report Number 06-08, issued 09/29/06)	\$176,322
Total	\$176,322



UNITED STATES OF AMERICA  
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# Office of Investigations

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

## A. Summary of Investigative Activity

During this reporting period, the OI opened 18 investigative cases in response to 305 new complaints or allegations, and closed 23 matters. Thirty-eight investigative matters are currently active. The OI remains active in liaison efforts with GPO offices located in various regions throughout the country.

The OI issued four administrative subpoenas and served two Grand Jury subpoenas during this reporting period.

## B. Types of Cases

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

### Office of Workers' Compensation Program (OWCP)

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

### Procurement Fraud

The OI investigates allegations of statutory violations involving GPO contract 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 ten open procurement fraud cases.

### Employee Misconduct

The OI investigates allegations involving GPO employee misconduct. These allegations include, but are not limited to, misuse of government computers, theft, assaults, drug violations, gambling, kickbacks, and travel voucher fraud. The OI has 14 active misconduct investigations.

### Miscellaneous

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

## C. Status of Action on Referrals

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

### External

A total of eight investigative matters were referred to U.S. Department of Justice (DOJ) for prosecution during this period. Prosecutorial actions are currently pending on two of these referrals:

- One current OWCP investigation was accepted by DOJ for criminal prosecution.
- One fraud matter accepted by DOJ for civil action in the prior reporting period is still pending.

## Internal

A total of seven investigative matters were referred to GPO management for action during this reporting period. In addition, five investigative cases that were referred in previous reporting periods were resolved by GPO management. Agency action in response to the investigation findings included seven suspensions, three verbal warnings, one “last chance agreement,”<sup>3</sup> and two resignations in lieu of adverse personnel action.

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

## D. Investigative Accomplishments

- An OI investigation into the theft of approximately 4,430 printer ink cartridges with a value of \$111,000 was accepted by the DOJ for criminal prosecution. Two GPO employees were arrested, pleaded guilty in U.S. District Court, and resigned from GPO. Both face up to ten years in Federal prison and are scheduled for sentencing in December 2006.
- An OI investigation into allegations of sexual harassment and abuse of a GPO contractor employee by a supervisory GPO employee was presented to DOJ for criminal prosecution. While originally accepted for prosecution, the matter was subsequently dismissed. The matter was then referred to agency management for administrative action. This investigation also resulted in the issuance of a Management Implication Report to GPO management which advised of potential deficiencies relating to compliance with the Agency’s sexual harassment policy.
- An OI investigation of a GPO contractor which was opened in a previous reporting period was accepted by DOJ for civil action. The contractor is alleged to have filed false claims and statements in connection with contracts valued at approximately \$438,000.
- Efforts in OWCP fraud investigations have led to an estimated cost savings of \$6.17 million (\$617,000 annually) over the next ten years. One OI investigation identified a former GPO employee who was deceased but still receiving OWCP benefits. This discovery resulted in \$36,000 in annual savings. An investigation into Federal Employee Compensation Act Fraud has been accepted for criminal prosecution by DOJ. This matter has already resulted in savings of \$2,250 per year. Final disposition could result in cost savings of \$60,000 per year.
- An investigation into alleged procurement fraud by a printing contractor, initiated during a previous reporting period, resulted in the recovery of \$1,573 to the Agency. The Agency previously recovered additional funds from the company as a result of the OI’s investigation. The investigation is ongoing and is expected to yield additional recoveries.
- An OI investigation into alleged travel voucher and overtime fraud identified approximately \$26,000 in fraudulent activity. This matter was declined by DOJ for prosecution in lieu of agency administrative action.
- As a result of OI investigative efforts, during this reporting period, the Agency debarred two contractor officials, issued four Notices of Proposed Debarments, and issued five Letters of Warning.

## E. Work-In-Progress

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

<sup>3</sup>A “last chance agreement” is similar to probation. Should the employee subsequently violate any Agency policy or regulation, adverse personnel action, up to and including removal, is taken.

## Statistical Table – Summary of Investigative Case Workload as of September 30, 2006

<b>Workload Analysis</b>	<b>Number of Cases</b>
Beginning Case Workload as of October 1, 2005	43
New Allegations Received	305
Cases Being Developed	6
Cases Opened	12
Matters Closed After Preliminary Investigation	<287>
Cases Closed or Referred with No Further Action	<23>
Ending Case Workload as of September 30, 2006	38

## Statistical Table – Office of Investigations Productivity Summary

Arrests	3	Amounts Recovered Through Investigative Efforts	\$1,573
Total Cases Presented to USAO's / SAO's	8	Total Agency Cost Savings Through Investigative Efforts	~\$655,000
Criminal	7	Total Administrative Referrals	12
Criminal Declinations	4	Contractor Debarments	2
Convictions	0	Contractor Suspensions	0
Guilty Pleas	2	Contractor Other Actions	9
Probation (days)	0	Employee Suspensions	7
Restitutions	0	Employee Terminations	0
Civil	1	Employee Warned/Other Actions	5
Civil Declinations	0	Other Law Enforcement Agency Referrals	0



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