U.S. GOVERNMENT PRINTING OFFICE
KEEPING AMERICA INFORMED

Robert C. Tapella
Public Printer

June 1, 2009

The Honorable Charles E. Schumer
Chairman
Joint Committee on Printing
305 Russell Senate Office Building
Washington, DC 20510

Dear Mr. Chairman:

In accordance with 44 U.S.C. 3903 and the relevant provisions of the Inspector General Act of 1978, as amended, I am transmitting to Congress the Semiannual Report of the Office of the Inspector General (OIG) for the U.S. Government Printing Office (GPO), covering the 6 month period of October 1, 2008, through March 31, 2009, along with the following information as required by law. This letter meets my statutory obligation to provide comments on the OIG's report and highlights management actions taken on the OIG's recommendations, which may relate to more than one reporting period.

General Comments

As provided for by law, this section offers my general comments on the OIG's semiannual report and operations.

I. **Management Challenges**. In my view, the organizational and technological transformation that GPO began implementing in 2003 remains critical to the future of GPO. To carry out that transformation successfully, in this and previous reports the OIG has identified several challenges facing GPO's management that we are various stages of addressing.

1. Sustainable Environmental Stewardship: Management has articulated a vision for sustainable environmental stewardship. This vision supplements longstanding environmental practices at GPO, including the use of printing papers that meet the requirements for recycled content contained in the Resource Conservation and Recovery Act of 1989, as amended, and corresponding Executive Orders; the use of printing inks that comply with the requirements of the Vegetable Ink Printing Act of 1994; and working with the Environmental Protection Agency and the District of Columbia to meet the standards for emissions of volatile organic compounds established by the Clean Air Act. New initiatives by management include

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planning for moving from web offset presses to digital equipment to reduce paper consumption; accelerating the re-engineering of business processes in production, procurement, documents dissemination, and administration to take advantage of the efficiencies offered by digital technology; conducting energy audits throughout GPO's facilities to reduce energy demand; using a greater variety of environmentally sustainable papers; reducing hazardous waste through solvent recovery systems, and reducing the total amount of waste generated by GPO operations; and installing a "green" roof on GPO's building, in targeted areas, to double the life expectancy of the roof and reduce heating demands in the building. Management has reviewed GAO's recently released study on its building initiative, including its recommendation for a cost-benefit analysis of a full range of options for obtaining a new facility. Management has also included a variety of energy-saving and sustainability building projects in GPO's FY 2010 appropriations request.

2. Management of Human Capital: Management has either planned or initiated actions that address each of OPM's required actions and recommendations. Human Capital (HC) has begun the necessary steps to fully partner with management in conducting workforce analysis. A project to review and validate all HC personnel data is planned for completion this fiscal year. HC has developed a database of all grade 15 and senior level service positions in the agency that includes updated and current position descriptions and information regarding retirement eligibility for succession planning purposes.

In addition, HC is working with GPO managing directors in identifying mission-critical occupations. To date, such operations have been identified in all but one GPO business unit, with agency-wide completion planned for June 2009. HC's Workforce Development, Education, and Training and the Organizational Effectiveness Group areas have established models for implementing targeted training to ensure critical workforce competencies.

To support comprehensive workforce management and provide strategic planning and direction, HC is developing a process that will provide a framework for managing all aspects of GPO's workforce, including recruitment, succession, and development. Additionally, HC recognizes the need to improve its data infrastructure to maximize strategic partnerships and to further HC planning and workforce analysis. To that end, current IT limitations are being overcome through a number of initiatives, including implementing the National Finance Center's

EmpowHR, USA Staffing, digitizing official personnel records, and a new Web-based time and attendance system (WebTA).

HC is currently on track to complete an agency-wide training needs assessment by June 30, 2009. HC has created a 2-step process to address training evaluations as well as measurements for GPO's supervisor training series to use in assessing the initial impact of training on the target metrics identified at the start of the training.

3. Improved Financial Management: Management successfully implemented the Oracle suite of business information systems, known as GBIS, on May 1, 2009, instead of the originally planned date of October 1, 2008. The delay was necessary to ensure that proper training, development, and testing were performed. The GBIS team also identified several new items required for proper functionality that needed to be developed and tested prior to going live. It is not anticipated that this delay will have a material affect on the financial statement audit. The KPMG audit team should be able to conclude fieldwork on GPO's legacy systems at interim, and complete the audit work covering May 1, 2009, through September 30, 2009, within the new Oracle system.

Management is developing new written procedures and updating some existing procedures in response to KPMG's FY 2008 audit findings. The May 1, 2009, implementation of Oracle will help alleviate issues that KPMG identified concerning GPO's reconciliation of subsidiary and general ledger accounts using legacy systems. Management and KPMG disagreed over the estimated GPO liability for passport warranty cost for FY 2008. KPMG said there should be no liability while management believed some exposure existed and maintained that a reserve against the exposure was proper and necessary. At that time, approximately one year's supply of the new electronic passports were in the distribution channel, not personalized, and not operationally tested. Management has stated that it will review the exposure on a regular basis and make adjustments as appropriate

4. Continuity of Operations. Development of GPO's continuity of operations (COOP) capabilities will continue as a top management priority.

A previous OIG review contained several recommendations designed to improve GPO's overall COOP posture, including a recommendation that GPO adopt the planning requirements and critical elements identified in Federal Preparedness Circular 65, "Federal Executive Branch Continuity

of Operations" (since then, Federal Continuity Directive 1, February 2008, has superceded FPC-65, and is now used as the guidance for GPO's COOP activities). GPO developed a comprehensive COOP plan based on the Federal Emergency Management Agency template of key COOP components. The plan discusses issues such as essential functions, interoperable communications, and delegations of authority as well as testing, training, and exercises. GPO also developed an Occupant Emergency Plan (OEP) as a companion to its COOP. The OEP presents appropriate responses for emergencies and discusses known or anticipated categories of emergencies.

GPO continues to take the necessary steps for enhancing its COOP posture, including planning and conducting exercises with scenarios that test alternate production facilities and procedures for notifying essential personnel. GPO's business continuity team has also continued to work directly with GPO's various business units in support of the COOP program. GPO's business units are developing individual COOP plans that support and further define GPO's overall COOP plan.

Accomplishments during the most recent period included defining requirements to develop or locate an alternate COOP site outside the Washington, DC, area to process and publish congressional documents. Various COOP exercises were completed, including an exercise of the passport production capabilities at the Stennis Space Center in Mississippi and an exercise in support of Congress. Also completed was a schedule of COOP exercises for 2009 as well as identification of the top issues impacting COOP.

5. Internal Controls: Management concurs with KPMG's recommendations regarding internal controls over financial information and is taking corrective actions on:

- Reporting of general property, plant, and equipment;
- Reporting of e-passport work-in-process inventory;
- Compilation and management review of the consolidated financial statements; and
- Certain reconciliation controls.

As noted above under Improved Financial Management, management does not fully concur with KPMG's recommendation regarding review and reporting of product warranty liability. Instead, management has reduced the warranty liability from $4.8 million at September 2007 to

$1.4 million at September 2008 and will continue to review the associated risk and adjust the warranty liability accordingly.

Management concurs with KPMG's recommendations over the processing of human resources information. The following corrective actions have been implemented or are being implemented by GPO:

- Conducted a review of all EPIC access rights and modified access for employees to match their role in the personnel action process.
- Implemented a procedure whereby each pay period HC prints a report from EPIC and reviews all actions processed for accuracy and reasonableness.
- Implemented a two-tiered management review to be performed on the 49 current employees whose pay rate determinant code (PRD) is 4. The two HC managers identified will not have access to make changes in EPIC. Additionally, during this review, GPO will determine whether the employee's PRD can be changed and the salary be placed in the appropriate table on the NFC database.

Management concurs with KPMG's recommendations over information technology general controls. GPO's Information Technology & Systems (IT&S) business unit developed a plan during the second quarter of FY 2009 to address the implementation of the recommendations. This plan includes the need for additional resources or investments to complete the implementation. Should the assessment determine that additional resources and/or investments are required for any of these recommendations, those needs will be coordinated with GPO's Planning and Strategy Board for investment review and approval.

6. Security and Intelligent Documents (SID): Management acknowledges that HSPD-12 offers guidelines, requirements, and prescribed practices that could benefit GPO in many ways. The initial steps of ensuring that proper and documented background suitability investigations have been performed on all new and current GPO employees were completed as of October 27, 2008. However, the full implementation of an HSPD-12 model at GPO would entail significant investments in capital equipment, facilities upgrades, IT servers and secure PII handling systems, enrollment hardware and dedicated card management system software, personnel to administer the program, and a dedicated project management team.

7. Protection of Sensitive Information: The Public Printer and GPO management are committed to safeguarding personally identifiable information (PII). The Public Printer has directed GPO's Office of

General Counsel to undertake an agency-wide review of all policies affecting PII to ensure GPO is in full compliance with the appropriate statutory, regulatory, and other requirements. Further, management is evaluating how best to ensure protection of PII through the assignment of oversight responsibilities to a single manager.

There is a significant amount of PII requiring protection in GPO's HC area. HC's use of the Agriculture Department's National Finance Center as its payroll provider requires that HC use employee social security numbers as the unique personal identifier. The Office of Personnel Management (OPM) has notified chief human capital officers Government-wide of regulatory requirements and recommended actions for protecting employee personal identifiers and combating identity theft; HC has implemented many of the recommended actions. In addition, HC will participate in available future training programs on information resources management provided by OPM, and will comply with applicable personnel security policies established by OPM.

Management recognizes that more can be done to provide regular training to HC employees on protecting PII and will work to ensure this training occurs. In addition, management will require employees who access social security numbers to sign privacy and confidentiality statements that describe accountability clearly and warn of possible disciplinary action for unauthorized release of any PII, as recommended by OPM. Management will look to OPM for guidance in developing a privacy and confidentiality statement.

GPO has for years maintained PII procedures within its Print Procurement business unit for its agency customers. These procedures consist of ensuring the inclusion of appropriate contract provisions and providing assistance to customer agencies as they assess their PII security requirements, providing customer agency review of vendor security plans, and completion of on-site surveys and inspections. Print Procurement management is committed to adopting the recommendations of the OIG to the fullest extent by reviewing its procedures and making any improvements such as the following:

- The security plan and security requirements for current PII sensitive procurements are being reviewed by GPO for compliance with the contract requirements and submitted to the customer for their approval. If potential vulnerabilities surface during the security review, GPO will assist the customer agency in the

development of a security action plan and will work with the agency and the contractor as necessary to resolve any issues.

- At the request of the customer agency, prior to contract award, Print Procurement—in conjunction with the agency—will conduct on-site surveys of the contractor. In addition, as several customer agencies have their own security teams that visit various contractors' plants to monitor PII-sensitive jobs, Print Procurement will encourage these agencies to take all appropriate measures in protecting their PII.

Management has also incorporated PII as a topic in monthly supervisor performance discussions within the Print Procurement business unit.

8. Information Technology and Systems Management. GPO continues to work to comply with the Federal Information Security Management Act (FISMA) of 2002. The OIG has identified gaps in GPO's systems that are then taken as high-priority action items within IS&T. As a result of these audits, compliance continues to improve.

GPO recently launched its Federal Digital System (FDsys), a world-class content management functionality for Federal publications, providing authentication, preservation, version control and permanent public access capabilities. Through this system, GPO is now able to offer a broader range of digitally signed, authenticated publications. Activities continue on this system to complete the migration of all *GPO Access* content to FDsys and establish a failover system in the legislative branch alternate computing facility, allowing GPO to sunset *GPO Access*. At this point, GPO will have a reliable, high-availability system capable of meeting its mission now and into the future to make authentic versions of Federal publications available permanently.

Additional capability is planned for FDsys to support GPO's Print Procurement business unit and interface with a new composition system that is about to enter the design phase. GPO's launch of GBIS represents a significant step forward in transitioning GPO's critical financial information systems onto new and sustainable technology. Each of these major system initiatives were supported with independent verification and validation (IV&V) activities coordinated with the OIG. Future IV&V activities are anticipated for the future activities on FDsys, but may not be required for GBIS since future development activities will consist of incremental enhancements.

9. Business Development and Customer Service: Management concurs with the OIG and continues to make progress is this area. Standard operating procedures (SOP's) will improve consistency and hence the quality of customer service regardless of what team or individual within GPO is providing it. Accordingly, GPO has developed a template for SOP's and is in the process of establishing collaboration sites for each business unit to develop SOP's for their business processes.

GPO has additional initiatives aimed at improving service for our customer agencies. These initiatives include improvements in the billing and invoicing processes as well as revising forms for submitting print procurement requests to GPO.

10. Acquisitions: Management concurs with the OIG and continues to make progress is this area. Following the model established in the Services Acquisition Reform Act of 2003, GPO's Acquisitions Services (AS) has adopted the training for acquisition professionals as offered by the Federal Acquisition Institute (FAI). This program was fully implemented in FY 2008. To date, all AS contracting officers are at least Level I certified. Approximately half of AS contracting officers are Level II certified, while nearly two-thirds of the Senior Acquisition staff is Level III certified. AS management has been working with HC to provide the FAI-equivalent training to GPO employees onsite. Currently, all classes are offered at GPO with both AS and Printing Procurement contracting officers enrolled in the training.

In an effort to retain talent in acquisitions, management has worked with HC to review contract specialist position descriptions and to fill jobs, when applicable, using a career ladder format, i.e. PG-9/11/12; PG-12/13; PG-13/14.

II. **Audits and Inspections**. During the reporting period, the OIG issued 8 new audit and assessment reports, 5 of them related to the ongoing Federal Digital System (FDsys) Independent Verification and Validation (IV&V) project, with recommendations to help improve operational performance:

- *Federal Digital System (FDsys) Independent Verification and Validation (IV&V) – Fourth Quarter Report on Risk Management, Issues, and Traceability (Assessment Report 09-01, November 4, 2008).* As the OIG's report notes, management has concurred with each of this report's recommendations and has proposed responsive corrective actions.

- *Audit of GPO's Passport Printing Costs (Audit Report 09-02, December 22, 2008).* Management concurred with this report's recommendations to amend its Memorandum of Understanding with the State Department to better account for excess cash form passport sales, document and explain the change in overhead allocated to passport production, and revise the passport pricing structure to be more reflective of passport costing and production.

- *Federal Digital System (FDsys) Independent Verification and Validation (IV&V) – Fifth Quarter Report on Risk Management, Issues, and Traceability (Assessment Report 09-03, December 24, 2008).* As the OIG's report notes, management proposed responsive corrective actions to 6 of the recommendations, and proposed alternative corrective actions to 4 other recommendations, which the OIG accepted.

- *Federal Digital System (FDsys) Independent Verification and Validation (IV&V) – Security Analysis Report (Assessment Report 09-04, December 24, 2008).* As the OIG's report notes, management concurred with each of the recommendations and proposed responsive corrective actions.

- *Federal Digital System (FDsys) Independent Verification and Validation (IV&V) – Release R1C.2 Pre-Deployment Status Report (Assessment Report 09-05, December 24, 2008).* As the OIG's report notes, a formal response was not requested from management. FDsys went live to the public in January 2009 and the response has been favorable.

- *Financial Statement Audit (Audit Report 09-06, January 15, 2009).* GPO's independent auditor, KPMG, issued an unqualified, or clean, opinion on GPO's FY 2008 consolidated financial statements, stating that GPO's financial statements were presented fairly, in all material respects, and in conformity with generally accepted accounting principles. However, the auditor identified 3 significant deficiencies regarding financial reporting controls, controls over processing human resource information, and IT general controls. These deficiencies, when viewed together, constitute a material weakness. KPMG made recommendations that GPO address each of these deficiencies. The OIG further recommended that management develop a comprehensive corrective action plan to address the material weakness. As noted above, management concurred with all the recommendations

except for one pertaining to product liability concerning passports, and has proposed an alternative product warranty estimate.

- *Federal Digital System (FDsys) Independent Verification and Validation (IV&V) – Sixth Quarter Report on Risk Management, Issues, and Traceability (Assessment Report 09-07, March 20, 2009).* As the OIG report notes, management has concurred with each of this report's recommendations and has proposed responsive corrective actions.

- *Oracle E-Business Suite Release 2 Independent Verification and Validation (IV&V) – Technical (Assessment Report 09-08, March 31, 2009).* As the OIG's report notes, management concurred with each of the report's recommendations and proposed responsive corrective actions. Oracle Release 2, renamed GBIS (GPO Business Information Systems), went live in early May 2009.

Other OIG Audits and Inspections. NA.

Prior Period Outstanding Recommendations. As required by law, this section summarizes management's planned action to address remaining OIG recommendations still outstanding from previous reporting periods.

- *GPO Network Vulnerability Assessment (Assessment Report 06-02, March 28, 2006).* Management continues to work on closing the remaining 2 open recommendations.

- *GPO Oracle Program Stakeholder Analysis (Assessment Report 06-03, March 31, 2006).* Management continued to work toward resolution of the remaining 6 open recommendations.

- *Report on Early Oracle Implementation: Independent Verification and Validation (Assessment Report 07-01, November 20, 2006).* Management resolved 1 of the outstanding recommendations and 8 open recommendations continue to be addressed.

- *Report on GPO's Compliance with the Federal Information Security Management Act (FISMA) (Assessment Report 07-09, September 27, 2007).* Management continued to address the remaining 7 remaining open recommendations.

- *Report on Perimeter Security Assessment of a GPO Building (Assessment Report 07-10, September 28, 2007).* One recommendation was closed and management continues to address the remaining 1 open recommendation.

- *GPO Network Vulnerability Assessment (Assessment Report 08-01, November 1, 2007).* Management continued to address the remaining 2 open recommendations.

- *Federal Digital System (FDsys) Independent Verification and Validation (IV&V) – First Quarter Observations and Recommendations (Assessment Report 08-04, March 28, 2008).* One of the remaining 3 open recommendations was closed and management continued to address the last 2 open recommendations.

- *Operating System Security for GPO's Passport Printing and Production System (Assessment Report 08-06, March 31, 2008).* Management continued to address the sole remaining open recommendation.

- *Diversity Management Programs at GPO (Audit Report 08-10, September 11, 2008).* Management continued to address the two recommendations that remain open.

- *Assessment of GPO's Transition Planning for Internet Protocol Version 6 (Assessment Report 08-12, September 30, 2008).* One recommendation remains open pending completion of GPO's ongoing infrastructure refresh and approval of funding to proceed with IPv6.

III. **Investigations**. During the reporting period, the OIG performed investigative work on workers' compensation fraud, procurement fraud, employee misconduct, and miscellaneous matters. As the OIG reports, highlights of this work resulted in the debarment of one contractor for submission of false delivery records; the possible inappropriate disclosure of PII by a contractor, leading to Management Implications Report containing a series of OIG recommendations for protecting against inappropriate disclosures of PII by contractors; the arrest of an individual for fraudulent GPO and other Government purchase card transactions; three presentations to the Department of Justice regarding procurement fraud; a forfeiture from a GPO employee for fraudulently claiming no earnings while receiving workers' compensation payments; guilty pleas

from 3 GPO employees for simple assault involving another GPO employee; the arrest of another GPO employee after the OIG learned of an outstanding warrant for his arrest on assault charges; and coordination with other Inspectors General and other law enforcement organizations on a variety of miscellaneous matters, including referral of 3 incidents of potential Title 44 violations to the appropriate Inspectors General for action; among other measures. These activities demonstrated the value of OIG investigators in protecting GPO from waste, fraud, and abuse.

IV. Statistical Tables.

Statistical tables as required by law are enclosed.

If you need additional information with respect to this report, please do not hesitate to contact Mr. Andrew M. Sherman, Director of Congressional Relations, on 202-512-1991, or by e-mail at asherman@gpo.gov.

Sincerely,

ROBERT C. TAPELLA
Public Printer

Enclosures

cc: The Honorable Robert Brady, Vice Chairman
The Honorable Dan Lungren, Ranking Minority Member
The Honorable Patty Murray
The Honorable Tom Udall
The Honorable Robert Bennett
The Honorable Saxby Chambliss
The Honorable Michael Capuano
The Honorable Susan Davis
The Honorable Kevin McCarthy

ENCLOSURE I

STATISTICAL TABLE FOR SECTION 5(b)(2) – DISALLOWED COSTS

		Number of Audit Reports	Disallowed Costs Questioned	Disallowed Costs Unsupported
A.	Audit reports for which final action[1] had not been taken by the commencement of the reporting period	0	0	0
	Audit reports issued during the period with potential disallowed costs	0	0	0
	Total Costs	0	0	0
B.	Audit reports on which management decisions[2] were made during the reporting period			
	(i.) Dollar value of disallowed costs	0	0	0
	(ii.) Dollar value of allowed costs	0	0	0
C.	Audit reports for which final action was taken during the period, including:			
	(i.) Dollar value of disallowed costs that were recovered by management through offsets against other contractor invoices or nonpayment	0	0	0
	(ii.) Dollar value of disallowed costs that were written off by management	0	0	0
D.	Audit reports for which no final action has been taken by the end of the reporting period	0	0	0

[1] As defined by law, the term "final action" means the completion of all actions that the management of an establishment has concluded, in its management decision, are necessary with respect to the findings and recommendations included in an audit report, and in the event that the management concludes no action is necessary, final action occurs when a management decision has been made.

[2] As defined by law, the term "management decision" means the evaluation by management of the findings and recommendations included in an audit report and the issuance of a final decision by management concerning its response to such findings and recommendations, including actions concluded to be necessary.

ENCLOSURE II

STATISTICAL TABLE FOR SECTION 5(b)(3) – FUNDS PUT TO BETTER USE AGREED TO IN A MANAGEMENT DECISION

		Number of Audit Reports	Dollar Value of Recommendations
A.	Audit reports for which final action[3] had not been taken by the commencement of the reporting period	1	$8,495
	Audit reports for which final action had not been taken for new reports issued during the reporting period with potential funds put to better use	0	0
B.	Audit reports on which management decisions[4] were made during the reporting period	1	$8,495
C.	Audit reports for which final action was taken during the reporting, including:		
	(i.) Dollar value of recommendations that were actually completed	0	0
	(ii.) Dollar value of recommendations that management has subsequently concluded should not or could not be implemented or completed	0	0
D.	Audit reports for which no final action has been taken by the end of the reporting period	0	0

[3] Same definition as in Enclosure I.
[4] Same definition as in Enclosure I.