



**U.S. GOVERNMENT
PRINTING OFFICE**

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**MARC A. NICHOLS
INSPECTOR GENERAL**

**PREPARED STATEMENT BEFORE THE
COMMITTEE ON HOUSE ADMINISTRATION
U.S. HOUSE OF REPRESENTATIVES**

FOR THE

**U.S. GOVERNMENT PRINTING OFFICE
OVERSIGHT HEARING**

**WEDNESDAY, 28 APRIL 2004
1310 LONGWORTH HOUSE OFFICE BLDG
10:00 A.M.**

Mr. Chairman and members of the Committee:

I appreciate the opportunity to appear before you today. As you know, GPO is on the threshold of transforming into a 21st century digital information processing facility under the leadership of Public Printer Bruce James. This transformation will enhance GPO's ability to meet the needs of Congress and the Federal Government for information products and to distribute those products to the American People and the world. GPO intends to fulfill its mission more efficiently and cost effectively by incorporating state-of-the-art technologies and best practice methodologies for producing, procuring and disseminating Government information products in a wide range of formats, including print, CD-ROM, and online. GPO's electronic and traditional technologies enable it to facilitate the re-engineering of information products to satisfy the Government's changing information requirements, and to preserve and protect public access to Government information.

The Office of the Inspector General is dedicated to facilitating this transformation. The mission of the OIG is to provide leadership and coordination, 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 Congress fully informed about problems and deficiencies relating to the administration and operations of the GPO. To meet these responsibilities, the OIG conducts audits, evaluations, investigations, and inspections. My office is dedicated to partnering with the Public Printer to help the GPO improve its efficiency and effectiveness as the GPO transforms into a 21st century digital information processing facility.

As the GPO becomes a more technology and content-driven agency, and increasingly partners with other agencies and new contractors, I expect the OIG universe to grow and the responsibilities associated therewith to increase significantly. As GPO's reliance on increasingly sophisticated and larger contractor support grows, the need for more advanced skill sets within a larger OIG staff will be necessary to ensure that public assets are protected and used effectively. OIG human and other resources are critical to adequately monitor this increasingly complex and technical universe.

SUMMARY OF IMMEDIATE ISSUES FACING GPO

I would like to take this opportunity to highlight some of the most pressing issues that the Public Printer and I agree are facing GPO. Addressing these issues will support GPO's mission and transformation operations and initiatives, to help GPO prepare for necessary budget and operational decisions related to programs and services, and ensure that GPO's funds and resources are utilized most effectively.

Headquarters Building

Our central office located on North Capitol Street is antiquated, too large, and too expensive to maintain for GPO's immediate and foreseeable needs. While the office originally housed nearly 10,000 employees, it now houses about 2,500 and this number is likely to decrease as GPO improves its efficiencies. Additionally, the GPO headquarters is significantly lacking in physical security, especially given post-September 11 security concerns. Costs for upgrading the physical security will be very expensive.

Workforce Needs and Training

It has become apparent that the transformation of GPO will require new skill-sets and experience to meet the challenges of 21st century technology. A greater emphasis on "change management" will be needed to achieve successful transformation; and, expanded training and developmental opportunities are needed for current employees.

Information Technology Vulnerabilities

Several systemic vulnerabilities in GPO's IT security systems were identified during a recent annual testing. IT issues have been a long-standing "reportable condition" in GPO's annual financial audit reports. The OIG is working in partnership with the IT department to address these issues. Moreover, planned IT upgrades are a critical part of GPO's 21st century transformation, and, will require monitoring and collaboration to ensure these developments are not vulnerabilities for the GPO.

Contracting Processes

Internal controls over GPO's contracting processes and systems need improvement to help reduce the opportunities for waste, fraud, abuse and mismanagement.

ROLE OF THE OFFICE OF THE INSPECTOR GENERAL

As GPO undergoes unprecedented changes, the OIG must adapt its resources to facilitate the transformation process while continuing to meet the current and evolving obligations. To that end, I have undertaken to transform the OIG. Through new management initiatives and an improved cooperative relationship with GPO management, my office has provided substantive recommendations and has identified more than \$19 million in audit, investigation, and inspection findings in the last reporting period. I attribute these results to a better focus on higher priority matters affecting GPO's programs, operations, and the financial bottom-line. Let me summarize some key programs and initiatives that my office has recently undertaken:

LIAISON PROGRAM

Through ongoing partnership with the Public Printer, the relationship between my office and GPO management has improved considerably. I have initiated a liaison program, wherein senior members of my staff have been assigned responsibility for major GPO divisions to enhance the relationship between my office and GPO management in order to identify cost savings and efficiency opportunities.

OFFICE OF AUDITS

The Office of Audits has shown increased cost savings to the GPO in the last reporting period. The Office of Audits conducted audit-related activities resulting in 14 recommendations for improvements that represent between \$1 million and \$2 million in potential cost savings per year, and identifying \$100,000 in funds put to better use. Management agreed with or is considering all of these recommendations. For example the Office of Audit completed an evaluation of GPO's Uniformed Police Branch and assessed options for contracting with a third-party vendor, or merging with the U.S. Capitol Police. My office concluded that contracting for uniformed security police with a commercial vendor could realize savings of at least \$1 million per year. Additionally, a white paper I issued suggested ways for GPO to improve its efficiency and effectiveness regarding the potential acquisition of a facility in St. Louis. GPO subsequently elected not to acquire the facility.

OFFICE OF INVESTIGATIONS

The Office of Investigations opened 19 new cases during the last reporting period in response to 38 new complaints received. Through diligent investigative efforts, the Office of Investigations closed or referred 56 matters resulting in a reduction in open cases of two-thirds, recoveries of \$20,187, cost savings of \$84,023, and amounts questioned or under questioning totaling more than \$8 million.

OFFICE OF ADMINISTRATION AND INSPECTIONS

During the past year, the Office of Administration and Inspections issued a report on GPO's network security, which identified several vulnerabilities (GPO has corrected a majority of these and is actively completing corrective actions the remaining identified problems); monitored security concerns in passport production; issued a report in response to a request by this Committee regarding the National Aeronautics and Space Administration Columbia Accident Investigation Board report which was not published by GPO; issued a "Revolving Funds" white paper; provided advice and assistance services to GPO's Chief Information Officer; is implementing a process to monitor

Executive Branch compliance with Title 44 requirements; and aided GPO in identifying persistent overdue accounts receivables in connection with Federal Register Billings, confirming approximately \$542,000 in outstanding receivables for Federal Register work and highlighted \$9.6 million in additional receivables past-due more than ninety days, recommending a new process and policy that should help GPO timely recover payment from its customer-agencies. GPO agreed to implement these recommendations. As a result of the Federal Register work, OIG will be performing reconciliation audits with all of its customer-agencies.

FUTURE PLANS

As Inspector General, I have spent much of the past year identifying the unique characteristics of the potential inspection, audit, and investigation jurisdiction over which I have responsibility at GPO. There are several examples that highlight the uniqueness of GPO's OIG:

- The OIG has a non-personnel audit universe (percent of real dollars of an agency's total budget subject to potential for waste, fraud, abuse, or mismanagements concerns) of nearly 75 percent of GPO's overall agency dollar responsibility.
- At the beginning of fiscal year 2004, the OIG had jurisdiction over more than 16,000 contractors, of which about 2250 are active at any given time, who together generate more than 100,000 contracts per year.

Additionally, there are considerable taxpayer dollars at stake. These include:

- External and internal printing contracts totaling more than \$650 million annually;
- Approximately \$75 million in open GPO procurements (internal procurements to support GPO's infrastructure that are separate and apart from printing procurements);
- GPO's workers' compensation liability estimate was \$89.5 million, over ten years, as of 30 September 2003; and,
- An investigation against one contractor has questioning costs of more than \$5 million was presented to and accepted by the U.S. Attorneys office for civil prosecution.

As a result of this work, I estimate that for fiscal year 2005, the OIG will have responsibility for monitoring a nearly \$800 million GPO financial universe, monies or

products resulting from those monies that at some point in the process GPO bears responsibility, and therefore accountability, for.

Let me also note that the Public Printer has requested annual funding for the OIG by direct appropriation for fiscal year 2005. Direct appropriation will provide the OIG with the necessary independence and flexibility to monitor and evaluate GPO's rapidly changing operations.

Additionally, it is my understanding from the Public Printer that OMB wants to hear from GPO and its OIG on all Title 44 violations by Executive Branch agencies.

CONCLUSION

The complexity and diversity of the OIG universe will increase as the Public Printer leads GPO through a period of unprecedented change and transformation. In response, the OIG must adapt and upgrade its operations, not only to meet current and evolving obligations, but also to facilitate this transformation process in a manner that ensures that the public is protected from waste, fraud, abuse, and mismanagement, and monitor the results to assure that changes are necessary, useful, and implemented in a cost-effective manner.

I believe the success of GPO depends not only on a clear vision and executable plan by the Public Printer, but also on a strong partnership between GPO and my office. This partnership depends on two-way communication based on mutual respect for the role that both the GPO and the OIG play. This communication will ensure that the current and future needs of Congress will be met, as well ensure the success and vitality of GPO. I am confident we are well on our way to achieving our goals.

Thank you again for the opportunity to speak with you today.

Respectfully submitted,

Marc A. Nichols
Inspector General
United States Government Printing Office