



U.S. GOVERNMENT PUBLISHING OFFICE

OFFICE OF INSPECTOR GENERAL

**AUDIT REPORT
REPORT NUMBER 16-06**

**Follow-up Audit of Contract Requirements:
Paper Specifications**

February 25, 2016



U.S. GOVERNMENT PUBLISHING OFFICE

OFFICE OF INSPECTOR GENERAL

Date

February 25, 2016

To

Managing Director, Customer Services

From

Inspector General

Subject:

Final Report—Follow-up Audit of Contract Requirements: Paper Specifications
Report Number 16-06

Enclosed please find the subject final report. Please refer to the “Results in Brief” for the overall audit results. Our evaluation of your response has been incorporated into the body of the report. We consider management’s comments responsive to the recommendations. The recommendations are resolved and will remain open for reporting purposes pending completion of the proposed actions.

We appreciate the courtesies extended to the audit staff during the course of our review. If you have any questions or comments about this report, please do not hesitate to contact Mr. Phillip M. Faller, Assistant Inspector General for Audits and Inspections at (202) 512-2009 or me at (202) 512-0039.

A handwritten signature in black ink that reads "Michael A. Raponi".

MICHAEL A. RAPONI
Inspector General

Attachment

cc:

Director, GPO
Deputy Director, GPO
General Counsel
Chief of Staff

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Office of Inspector General

Report Number 16-06

February 25, 2016

Follow-up Audit of Contract Requirements: Paper Specifications

Introduction

In June 2015, we reported¹ contract requirements were not always clear when GPO executed the one-time sealed bid procurement to print the 2015 *Medicare & You* handbook for the U.S. Department of Health and Human Services. We reported that while contracting documents state paper must be in accordance with the Joint Committee on Printing (JCP) paper specifications, several of the same contract documents identified text paper stock products on a Qualified Products List that did not meet all of the JCP specifications. Deviations included noncompliance with coating, caliper, gloss, and smoothness specifications.

To follow up, we reviewed the 20² one-time sealed bid procurements awarded between October 1, 2014, and March 31, 2015, in excess of \$100,000 to determine steps GPO took for ensuring compliance with JCP paper specifications. To accomplish our objective, we compared paper specifications stated in contracts to JCP requirements, reviewed contracting documents, Federal guidance, policies and procedures, interviewed key GPO officials, and tested paper stock for two contracts.

We conducted this audit from April 2015 through January 2016 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence that will provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Details of our objective, scope, and methodology are in Appendix A.

Results in Brief

GPO has established guidance³ for the procurement of printing, binding, and related services. However, the guidance did not provide clear or specific instructions for contracting officials or contractors regarding contract language pertaining to JCP paper specifications. Of the 20 one-time sealed bid procurements reviewed,

¹ Management Implication Report—2015 *Medicare & You* Handbook, OIG Case Number 14-0022-I, dated June 24, 2015.

² GPO awarded 21 one-time sealed bid contracts that exceeded \$100,000. We excluded one contract because it was terminated for convenience.

³ GPO Publication 305.3 (Rev. 4-14), *Printing Procurement Regulation*, dated April 2014.

contracting language for 8 (40 percent) contracts was not consistent with JCP paper specifications. Title 44 of the United States Code states that JCP is responsible for establishing standards and specifications for papers used in public printing and binding. Section 34-2 of JCP *Government Printing and Binding Regulations* states that the standards are mandatory and that types, grades, or weights other than those under these standards generally constitute waste in public printing.

We believe that clearly defined paper specifications would help GPO recover costs and/or enhance its ability to take appropriate disciplinary action when vendors do not comply with contract requirements. For example, of the eight contracts where the language proved to be unclear and inconsistent with guidance, two of the paper stock were tested in GPO's laboratory which, revealed weight, tear, or brightness specifications failed to meet JCP paper requirements.

As a result, for the eight contracts, approximately \$1.3 million worth of funds could have been put to better use.

Recommendations

We recommend the Managing Director, Customer Services: (1) develop and implement procedures to ensure contract language are in accordance with paper specification requirements, and (2) develop and implement procedures to address, if necessary, authorized deviations from JCP paper specification requirements.

Management's Response

Management concurred with the recommendations. The complete text of management's response is in Appendix D.

Background

Each year GPO's Customer Services procures print services from private sector vendors to satisfy print requirements for Federal agencies. GPO Publication 305.3 (Rev. 4-14), *Printing Procurement Regulation*, dated April 2014 (PPR), specifies that sealed bidding is the preferred method for procurements that cannot be made through the small purchase procedure. Small purchases consist of acquisition of supplies and nonpersonal services, from commercial sources, the aggregate amount of which does not exceed \$100,000. Sealed bidding is a method of contracting that employs competitive bids, public opening of bids, and awards. Sealed bids are kept under lock and key until the time specified for opening. They are typically awarded to responsive, responsible contractors on the basis of lowest cost to the Government after considering the contractor's past performance (both on-time delivery and product quality) on previous GPO contracts. GPO reports that one-time procurements are associated with large or complex projects using a formal bidding process. One-time bids typically require 20 invitations, if available, or more depending upon the dollar value of the procurement. The number may be increased for large volume contracts.

Management Control Guidelines

GPO Instruction 825.18A, *Internal Control Program*, dated May 28, 1997, requires that management controls provide reasonable assurance and safeguards for protecting assets against waste, loss, unauthorized use, and misappropriation. It also requires that GPO maintain effective systems of accounting and management control. The policy states that internal controls are the organization, policies, and procedures used to reasonably ensure that:

- Programs achieve intended results.
- Resources are used consistent with agency mission.
- Programs and resources are protected from waste, fraud, and mismanagement.
- Laws and regulations are followed.
- Reliable and timely information is obtained, maintained, reported, and used for decision making.

The policy further requires documentation of internal controls. Such documentation should include written policies, organization charts, procedural write-ups, manuals, memoranda, flowcharts, software, and related written materials describing the methods and measures for the internal controls and, as such, serve as a reference for individuals reviewing the internal controls and their functioning.

The Government Accountability Office (GAO) *Standards for Internal Controls in the Federal Government*, November 1999, require ongoing monitoring in the course of normal operation. Internal controls are performed continuously and ingrained in an agency's operations. GAO's standards include regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties. The GAO standards also require use of control activities described as the policies, procedures, techniques, and mechanisms that enforce management's directives, such as the process of adhering to requirements or budget development and execution. They help ensure that actions are taken to address risks. Control activities are an integral part of an entity's planning, implementing, reviewing, and accountability for stewardship of Government resources and achieving effective results.

Office of Management and Budget (OMB) Circular No. A-123, *Management's Responsibility for Internal Control*, December 21, 2004 (Circular A-123), requires that managers develop and maintain effective internal controls. Effective internal controls provide assurance that significant weaknesses in the design or operation of internal controls that could adversely affect an agency's ability to meet its objectives would be prevented or detected in a timely manner. As a legislative branch agency, GPO is not required to follow OMB Circulars, including Circular A-123. However, because the Circular provides a sound basis for internal controls for any organization, GPO has incorporated the major requirements of Circular A-123 in its directives.

Results and Recommendations

GPO's PPR prescribes policies and procedures for procuring printing, binding, related supplies, and related services. It sets forth procurement authority and responsibility for purchasing print products and describes roles of key staff. It also addresses procedures for achieving quality requirements in a consistent and a cost-effective manner. However, requirements pertaining to the inclusion of JCP paper specifications in contracts are not clear and can require interpretation.

From October 1, 2014, through March 31, 2015, contracting officials awarded 59 one-time sealed bid contracts for print procurement services valued at \$5.4 million. Of the contracts awarded, 20⁴ were valued at more than \$100,000—a total of \$3.8 million.

Of the 20 one-time sealed bid procurements, 8 (40 percent) had inconsistent language and specifications. The table below is a comparison of the JCP paper specifications to contract language.

⁴ GPO awarded 21 one-time sealed bid contracts that exceeded \$100,000. We excluded one contract because it was terminated for convenience.

Table 1. Details of Contract Language

Jacket Number	Contract Amount	Paper Code/ Specification	JCP Paper Specification (Relevant Section)	Contract Language (Inconsistencies Bolded)	
1	390261	\$126,621	JCP A91	Smooth and Fancy-Finish Text, White and Colored	Smooth and Fancy-Finish Text, Soft White
			Specification	Basis Weight: 25 by 38 inches, 500 sheets (pounds) 70, 80, & 100. A tolerance of ± 5% shall be allowed.	Basis Size 25" X 38", 100 lb., equal to Finch Fine Text. Note: Paper must match as closely as possible in color and weight to previous sample.
2	504409	\$129,921	JCP L50	Matte Coated Cover	
			Specification	Basis Weight: 20 by 26 inches, 500 sheets (pounds) 60/65, 80, & 100. A tolerance of ± 5% shall be allowed.	80# White Matte Coated Cover, equal to JCP L-50. Must meet Postal requirements for thickness.
3	390571	\$137,980	JCP A181	No. 1 Coated Text, Gloss-finish	White, Dull Coated Offset Book , Basis Size: 25" x 38"
			Specification	Basis Weight: 25 by 38 inches, 500 sheets (pounds) 60, 70, & 80. A tolerance of ± 5% shall be allowed.	Basis Weight: 70 lbs. per 500 sheets. All text paper must be of a uniform shade.
			JCP A260	Dull Coated Offset Book	White, Dull Coated Offset Book
			Specification	Basis Weight: 25 by 38 inches, 500 sheets (pounds) 60, 70, & 80. A tolerance of ± 5% shall be allowed.	Basis Size: 25" x 38", Basis Weight: 70 lbs. per 500 sheets. All text paper must be of a uniform shade.
3			JCP L60	Dull Coated Cover	White, Dull Coated Cover
			Specification	Basis Weight: 20 by 26 inches, 500 sheets (pounds) 60/65, 80, & 100. A tolerance of ± 5% shall be allowed.	Basis Size: 25 x 38 , Basis Weight: 80 lbs. per 500 sheets. All cover paper must have the grain parallel to the spine.
4	504407	\$143,341	JCP L50	Matte Coated Cover	White Matte Coated Cover
			Specification	Basis Weight: 20 by 26 inches, 500 sheets (pounds) 60/65, 80, & 100. A tolerance of ± 5% shall be allowed.	Basis weight: 80 lbs. per 500 sheets, 20" x 26", equal to JCP Code L50. Must meet Postal requirements for thickness.
5	504471	\$157,751	JCP L70	Coated One-side Cover (CIS)	
			Specification	8pt 10pt 12pt 15pt 24pt	Litho Coated Cover (CIS), White, 12 point.
6	577336	\$170,105	JCP A60	Government Paper Specification Standards March 2011 No. 12	Specifications of all paper furnished must be in accordance with those listed herein or listed for the corresponding JCP Code numbers in the "Paper Standards No. 10" dated July 1994
			Specification	Not less than 30% post-consumer fiber. Any percent over 30 percentage points are encouraged, provided that the requirements of this Standard are met.	Contractor has option to provide 60# Green, Gray, Yellow, Blue and Pink Offset Book that conforms to all JCP A63 standards except the requirement for 30% Postconsumer fiber content.
7	387921	\$213,000	JCP A10	Newsprint	White or Natural (MUST be light shade) Newsprint
			Specification	Basis Weight: 24 by 36 inches, 500 sheets (pounds) 25, 28, 30, & 32. A tolerance of ± 5% shall be allowed.	Basis weight: 28 lbs. per 500 sheets, 24" x 36", must be equal to JCP Code A10 per 500 sheets, 25" x 38" .

Jacket Number	Contract Amount	Paper Code/ Specification	JCP Paper Specification (Relevant Section)	Contract Language (Inconsistencies Bolded)	
8	504419	\$244,442	JCP L11 (Outer Envelope Carrier)	No. 1 Coated Cover, Gloss finish	White No. 1 Coated Cover, Gloss finish
		Specification	Basis Weight: 20 by 26, inches, 500 sheets (pounds) 60, 80, 100, & 120. A tolerance of ± 5% shall be allowed.	Grammage 215 g/m2 (basis weight: 80 lbs. per 500 sheets, 20" x 26"), equal to JCP L11, except brightness must not be less than 91, average gloss (each side) must not be less than 72 and average opacity must not be less than 98. Stora or equal.	
		JCP L11 (Business Reply Card)	No. 1 Coated Cover, Gloss finish	White No. 1 Coated Cover, Gloss finish	
		Specification	Basis Weight: 20 by 26 inches, 500 sheets (pounds) 60, 80, 100, & 120. A tolerance of ± 5% shall be allowed.	Grammage 215 g/m2 (basis weight: 80 lbs. per 500 sheets, 20" x 26"), equal to JCP L11, except brightness must not be less than 91, average gloss (each side) must not be less than 72 and average opacity must not be less than 98. Stora or equal.	
		JCP A181 (Insert Letter)	No. 1 Coated Cover Text, Gloss-finish	White No. 1 Coated Text, Gloss-finish	
		Specification	Basis Weight: 25 by 38 inches, 500 sheets (pounds) 70, 80, & 100. A tolerance of ± 5% shall be allowed.	Grammage 120 g/m2 (basis weight: 80 lbs per 500 sheets, 25" x 38") equal to JCP Code A181, except brightness must not be less than 91, average gloss (each side) must not be less than 72 and average opacity must not be less than 95. Stora or equal.	
Total		<u>\$1,323,161</u>			

Section 34-2 of the *Government Printing and Binding Regulations*⁵ requires that the *Government Paper Specification Standards* establish specification standards of paper for public printing and binding for the U.S. Government, including paper used on copying and duplicating devices. As of January 2016, Volume 12 of the *Government Paper Specification Standards*, dated March 2011, is the most recent official document for JCP Specification Standards. The *Government Paper Specification Standards* outline requirements for stock acidity, weight, bursting strength, opacity, thickness, color, finish and formation, cleanliness and any special requirements.

In coordination with GPO, we performed limited test of paper stock associated with Jacket Number 390261 and Jacket Number 387921. The test results below indicate noncompliance with Paper Standards. Ensuring paper specification are clearly defined could have a favorable effect on GPO's ability to recover costs and/or take appropriate disciplinary action where vendors did not comply with contract requirements.

⁵ *Government Printing and Binding Regulations*, JCP, S. Pub. 101-9, Feb. 1990, No. 26.

- Jacket Number 390261. On December 31, 2014, GPO awarded Monarch Litho, Inc., a contract to produce 3,500,040 Foil Emboss Seal, President’s Award Certificates for \$126,621. Quality Control and Inventory Management Department (QCIMD) tested two certificates for compliance with JCP Code A91 paper specifications and assessed a total of 36 demerits.

Table 2. Jacket Number 390261 Product Quality Test Results

Test Properties	Upper Reject	Target	Lower Reject	Average Results	Pass/Fail	Demerits	Score
Basis Weight –lb, 25” x 38”	105.0	100.0		105.8	Fail	36	
Fiber/groundwood (pen)	1			Yellow-pen	Pass	0	
Thickness		7.9	7.4	7.448	Pass	0	
Acidity-Coating-pH units			6.5	Purple-pen	Pass	0	
Tear – MD-gram			35	94	Pass	0	
Tear – CD-gram			35	90	Pass	0	
Opacity-percent		97.0		97.5	Pass	0	
Total Demerits						36	
Total Score							64

- Jacket Number 387921. On January 13, 2015, GPO awarded RR Donnelley (Carroll, SD Plant) a contract to produce 1,510,125 copies of a 104-page (Form 1040) tax instruction pamphlets for \$213,000. QCIMD tested one copy of the instructions pamphlet for compliance with JCP Code A10 paper specifications and assessed a total of 72 demerits.

Table 3. Jacket Number 387921 Product Quality Test Results

Test Properties	Upper Reject	Target	Lower Reject	Average Results	Pass/Fail	Demerits	Score
Basis Weight–lb, 24” x 36”	29.4		26.6	27.0	Pass	0	
Grammage-g/m2		45		45	Pass	0	
Tear – MD-grams			20	19	Fail	36	
Tear – CD-grams			20	30	Pass	0	
Opacity-percent		89.0	87.0	90.7	Pass	0	
CALIPER-mils	0.0035		0.0025	0.0031	Pass	0	
Tensile-MD-DRY-kg/in			4.5	6.16	Pass	0	
Brightness-percent		53		50	Fail	36	
DC CIELAB-DE vs. std	1.5	1.0		4.3	Pass	0	
CIELAB-L STD		83.63		83.63	Pass	0	
CIELAB-L SAMPLE				79.91	Pass	0	
CIEBLAB-a STD		-0.51		-0.51	Pass	0	
CIELAB-a SAMPLE				0.04	Pass	0	
CIELAB-b STD		6.14		6.14	Pass	0	
CIELAB-b SAMPLE				4.09	Pass	0	
Total Demerits						72	
Total Score							28

Applying the acceptance criteria stated in contract documents, both Jacket Number 390261 and Jacket Number 387921 “paper quality index,” or PQI scores, fall below 70 and, therefore, are considered critically defective.

Acceptance criteria establishes a system for judging a paper’s degree of defect from the specification values by the assignment of demerits, as well as the Government’s remedies when confronted with a nonconforming product. Specifically, the degree

to which a paper sample varies from each specified requirement determines both the designated degree of defect (minor, major, or critical) and the corresponding number of assigned demerits (4, 12, or 36)⁶. The total number of demerits are then added together and subtracted from 100, resulting in a paper's PQI score. Paper not meeting the specification values but having a PQI score of 70 or greater is considered as having met the intent and requirement of the specification, and accepted by the Government at the contract price. By contrast, paper having a PQI score below 70 is considered critically defective and subject to outright rejection.

For Jacket Number 387921, QCIMD officials acknowledged that based on test results the product would have been rejected. However, QCIMD noted that the paper was newsprint, which is not considered archival. Therefore, the brightness properties may have been acceptable at the time of delivery but could have been affected by time, temperature, and humidity since the delivery.

Recommendations

We recommend the Managing Director, Customer Services: (1) develop and implement procedures to ensure contract language are in accordance with paper specification requirements, and (2) develop and implement procedures to address, if necessary, authorized deviations from Joint Committee on Printing paper specification requirements.

Management's Response

Management concurred with the recommendations and stated that GPO plans to develop procedures to address supplemental contract language to ensure contract language is in the best interest of the Government.

Evaluation of Management's Response

Management's actions are responsive to the recommendation. We consider the recommendation resolved but will remain open pending our confirmation of the final actions.

⁶ The *Government Paper Specification Standards* acceptance criteria also included narrative definitions for the terms "minor defect," "major defect," and "critical defect."

Appendix A – Objective, Scope, and Methodology

We performed fieldwork from April 2015 through January 2016 at the GPO Central Office in Washington, D.C., and Philadelphia Regional Office. We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence that will provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Objective

OIG conducted a follow-up audit to evaluate the steps GPO took for ensuring that JCP paper specifications were adhered to as they pertain to one-time sealed bid procurements in excess of \$100,000 awarded between October 2014 and March 2015.

Scope and Methodology

To meet our objective we:

- Reviewed GPO PPR and Paper Standards (Government Paper Specification Standards).
- Reviewed policies and procedures for processing one-time sealed bid contracts.
- Interviewed GPO officials to gain an understanding of GPO's policies, procedures, systems, and processes related to print procurement.
- Obtained a list of contracts awarded from October 1, 2014, to March 31, 2015.
- Identified one-time sealed bid contracts awarded from October 1, 2014, to March 31, 2015.
- Reviewed 20 one-time sealed bid contracts that exceeded \$100,000.
- Compared the paper specifications listed in the contract to Paper Standards.
- Contacted GPO's customers for samples of the product provided by contractors.

Management Controls Reviewed

We determined that the following internal controls were relevant to our audit objective:

Program Operations – Policies and procedures GPO management implemented to reasonably ensure contracts are properly awarded.

Compliance with Laws and Regulations – Policies and procedures that management implemented to reasonably ensure that resource use is consistent with laws and regulations.

The details of our examination of management controls, the results of our examination, and noted management control deficiencies are contained in the report narrative. Implementing the recommendations in this report should improve those management control deficiencies.

Computer-Generated Data

Although we obtained a contract listing from the Customer Services Department that was pulled from the Procurement Information Control System, we did not use computer-processed information for the audit. The listing was used to simply identify a listing of one-time sealed bid contracts for review and was not relevant to our objectives. We then reviewed the contract files and any other available supporting documents for the purposes of our audit.

Appendix B - Acronyms and Abbreviations

GAO	Government Accountability Office
GPO	Government Publishing Office
JCP	Joint Committee on Printing
OIG	Office of Inspector General
OMB	Office of Management and Budget
PPR	Print Procurement Regulation
PQI	Paper Quality Index
QCIMD	Quality Control and Inventory Management Department

Appendix C – List of One-Time Sealed Bid Contracts Reviewed

	Contractor Name	Jacket Number	Contract Amount
1.	Gray Graphics Corp.	518390	\$107,450
2.	Monarch Litho, Inc.	390261	126,621
3.	Monarch Litho, Inc.	504409	129,921
4.	Freedom Graphic Systems, Inc.	390208	130,500
5.	Colonial Press International, Inc.	390571	137,980
6.	Monarch Litho, Inc.	504407	143,341
7.	Monarch Litho, Inc.	504471	157,751
8.	Elevation Ltd	570769	158,000
9.	BKR Printing	577336	170,105
10.	KDM Products	518329	173,430
11.	Colonial Press International, Inc.	390093	175,916
12.	KDM Products	387279	179,045
13.	NPC, Inc.	534655	201,529
14.	RR Donnelley (Carroll, South Dakota Plant)	387921	213,000
15.	RR Donnelley (Monroe, Wisconsin Plant)	387105	240,224
16.	Cenveo	504418	242,139
17.	Monarch Litho, Inc.	504419	244,442
18.	Monarch Litho, Inc.	504531	277,772
19.	OPSEC Security, Inc/DBA OPSEC	390126	311,800
20.	Gray Graphics Corp.	504623	<u>337,082</u>
	Total		<u>3,858,048</u>

Appendix D – Management’s Response

ANDREW M. SHERMAN
Chief of Staff



Date: February 22, 2016

To: Inspector General

Subj: Management Comments on OIG draft report 16-06, Follow-up Audit of Contract Requirements: Paper Specifications (January 27, 2016)

From: Chief of Staff

Management has reviewed the subject report and concurs with the recommendations to: (1) develop and implement procedures to ensure contract language [is] in accordance with paper specification requirements; and (2) develop and implement procedures to address, if necessary, authorized deviations from JCP paper specification requirements.

Implementing this recommendation will be carried out by Customer Services working with guidance from the Office of the General Counsel. The process is expected to take approximately 90 days. Such procedures will concern the development and use of uniform guidelines for the use of supplemental contract language that clarifies and ensures that specific GPO customer paper requirements are met whenever such language is in the interest of the Government. Longstanding experience has shown that, when executed properly, the addition of supplemental language addressing attributes such as consistency of color, grain direction, acceptability for mailing, or equivalency to a brand name paper stock will result in procuring products that meet the customer’s specific requirements while ensuring that JCP policy goals of economy and efficiency in Government paper utilization are not undermined. Experience has also demonstrated that the use of appropriate supplemental paper specification language does not limit competition or compromise GPO’s ability to take disciplinary action when vendors do not comply with contract requirements.

If you need additional information, please do not hesitate to contact me on 2-1100.

A handwritten signature in blue ink that reads "Andrew M. Sherman".

ANDREW M. SHERMAN

Appendix E - Status of Recommendations

Recommendation	Resolved	Unresolved	Open/ECD*	Closed
1	x		5/31/16	
2	x		5/31/16	

*Estimated Completion Date.

Appendix F - Report Distribution

Director, GPO
Deputy Director, GPO
General Counsel
Chief of Staff

Major Contributors to the Report

Freddie Hall – Lead Auditor