



Date:

February 16, 2021

To:

Director, U.S. Government Publishing Office

From:

Inspector General

Subject:

Final Report - OIG Transmittal for KPMG - Evaluation of Product Billing Rates for the U.S. Government Publishing Office, Report No. 21-08.

This report presents the results of the U.S. Government Publishing Office (GPO) product billing rates, Project No. A-20-005. We contracted with the Independent Public Accounting firm, KPMG LLP (KPMG), to conduct this review. The objective was to determine if GPO's rate structure allows the agency to identify and recover total costs for products and services in accordance with 44 U.S.C. § 309(b)(1).

KPMG reported that GPO's rate structure allows the agency to identify and recover total costs for products and services. Management comments were responsive to all three recommendations in the report and has planned actions to address them. See Appendix A for management's comments in their entirety.

I appreciate the courtesies extended to KPMG and my staff. If you have any questions or comments about this report, please do not hesitate to contact Lori Lau Dillard, Assistant Inspector General for Audits, at llaudillard@gpo.gov or me at mleary@gpo.gov.

MICHAEL P. LEARY
Inspector General

Attachment

AUDIT REPORT
PROJECT NUMBER A-20-005

**Evaluation of Product Billing Rates for
the U.S. Government Publishing Office**

February 16, 2021

Questions, Copies, Suggestions

The Audits Division, Office of the Inspector General, GPO, reviewed this report. If you have questions about the report or want to obtain additional copies, contact the Office of Inspector General, GPO.

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Report violations of law, rules, or agency regulations, mismanagement, gross waste of funds, abuse of authority, danger to public health and safety related to the U.S. Government Publishing Office contracts, programs and/or employees.

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Evaluation of Product Billing Rates for the U.S. Government Publishing Office

February 16, 2021



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February 16, 2021

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Evaluation of Product Billing Rates for the U.S. Government Publishing Office

This report presents the results of our Evaluation of the U.S. Government Publishing Office (herein referred to as “GPO”) Product Billing Rates. We were tasked to analyze GPO’s cost capture methodology and product pricing rates to determine its effectiveness in establishing billing rates sufficient to result in effective recovery of total production expenses. The objective was to determine if GPO’s rate structure allows the agency to identify and recover total costs for products and services in accordance with 44 U.S.C. § 309(b)(1). The period under review are Fiscal Years 2018, 2019, and 2020 Quarters I-II.

Based on the tasks and analysis conducted, GPO’s rate structure does allow the agency to identify and recover total costs for products and services in accordance with 44 U.S.C. § 309(b)(1).

As our report further describes, the following recommendations for GPO’s consideration were identified.

- Update the set of Standard Operating Procedures (SOP) for standardization of content sections, summary of information or an overarching summary SOP, and individual(s) and/or business unit(s) roles and responsibilities
- Draft a detailed set of Desk Procedures for the Cost Accounting Tool
- Develop standardized fee input and calculation templates

The scope of our work was specific for determining the objective above. Our scope did not include a comparison of GPO billing rates due to uniqueness of the services offered and sensitivity of the information published by GPO, which would make an unbalanced comparison to rates of an outside entity’s product billing rates. Such a comparison could be considered unreasonable and could mislead users to incorrect conclusions about cost effectiveness.

As further described in Section 4.2., GPO’s Product Billings Rates are supported by cost data in order to provide a “fair” price to its customers; the costs included for each product appear to be comprehensive in nature and do not omit any costs. To better understand whether GPO Product Rates are the most competitive would require an internal operational efficiency and cost analysis.



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This work was performed in accordance with Statements on Standards for Consulting Services issued by the American Institute of Certified Public Accountants ("AICPA") Management Consulting Services Executive Committee.

This report is intended solely for the information and use of the Office of the Inspector General (OIG) and the management of the GPO. The report is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

KPMG LLP

Evaluation of Product Billing Rates for the U.S. Government Publishing Office

1. Introduction

1.1 Background

The GPO OIG requested consulting services from an Independent Public Accounting firm, to analyze cost capture methodology and product pricing rates to determine GPO's effectiveness in establishing billing rates sufficient to result in effective recovery of total production expenses. The periods under review are Fiscal Years (FY) 2018, 2019, and 2020 Quarters I-II. The OIG contracted to perform a review of the nine (9) GPO Product Billing rates. The objective was to determine if GPO's rate structure allows the agency to identify and recover total costs for products and services in accordance with 44 U.S.C. § 309(b)(1). Specifically, the law states "(b)The fund shall be — (1) reimbursed for the cost of all services and supplies furnished, including those furnished other appropriations of the Government Publishing Office, at rates which include charges for overhead and related expenses, depreciation of plant and building appurtenances, except building structures and land, and equipment, and accrued leave[.]"

1.2 Scope

The following product billing rates were in-scope of the engagement and provided as part of GPO OIG's memo of the contract award.¹

No.	Product	Fee Type	Fee Amount
1	Federal Register page rate M-Manuscript	Page Rate	\$522.00
2	Federal Register page rate C-Camera Copy	Page Rate	\$522.00
3	Federal Register page rate P-MS Word, diskette	Page Rate	\$453.00
4	Daily Congressional Record page rate M-Manuscript or E-electronically generated	Page Rate	\$803.00
5	Congressional Record Index	Page Rate	\$421.00
6	Code of Federal Regulations	Page Rate	\$85.00
7	House Daily Calendar of Business	Per Unit	\$110.00
8	Senate Daily Calendar of Business	Per Unit	\$154.00
9	Passports	Per Book	\$16.98

Table 1 - In-Scope Product Rates

¹ GPO OIG, *Audit Notification – GPO Product Billing Rates, Project # A-20-005*, 2020, 2

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1.3 Approach

As outlined in the Scope of Work (SOW), the following eight (8) task areas are in scope:

1. Review the *GPO FY18-22 Strategic Plan* and identify applicable GPO organizational goals with respect to cost recovery for products and services that could be applied for FY 2021 and FY 2022.
2. Discuss with GPO management and identify GPO Business Units that recover costs through billing rates.
3. Identify comparable federal entities to GPO for assessing comparability of cost recovery methodology.
4. Identify relevant industry (Government or Non-Government) best practice for developing cost recovery pricing systems.
5. Identify GPO Business Units that recover costs through billing rates.
6. Analyze the cost elements used by the agency to develop GPO billing rates.
7. Evaluate the agency's process for capturing and adjusting inputs for cost recovery profitability analyses.
8. Assess GPO's cost methodology for achieving strategic goals and/or profit goals.

For the tasks outlined above, the following procedures were designed and performed:

- Obtaining and reviewing all relevant Standard Operating Procedures (SOPs);
- Obtaining and reviewing all relevant flowcharts on the overall process of providing services for the in-scope rates;
- Performing walkthrough discussions with GPO management;
- Identifying a minimum of two comparable federal agencies or commercial entities and identifying points of contact of each agency or entity to discuss its cost methodology;²
- Obtaining and reviewing all relevant documentation, and documenting its cost methodology;
- Comparing the effectiveness of the different cost methodologies and product pricing to GPO's;
- Identifying printing industry (federal or commercial) cost recovery methodology best practices from comparable agencies and engagement team experience;
- Comparing the cost recovery methodologies employed by GPO vs industry best practices and identifying gaps; and
- Performing a cost allocation maturity assessment and evaluating the cost recovery process to organizational goals.

² This procedure was attempted for more than two entities and points of contact were identified; however, only discussions with KPMG's NDPPS group occurred. As an alternative, documentation on USPS's cost methodology was obtained from its public websites.

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2. GPO Organizational Goals

The *GPO FY18-22 Strategic Plan* was obtained from its public website and the following GPO organizational goals were identified:

01	Exceed our stakeholders' expectations <ul style="list-style-type: none">—Meet evolving stakeholder needs with a modern publishing portfolio of print and digital products and services—Provide the most trusted secure credentialing products and services in government—Use analytics to improve the customer experience—Streamline Customer-Facing Processes to Optimize the Customer Experience—Meet the evolving needs of Congress
02	Enhance access to Federal Government information <ul style="list-style-type: none">—Increase the amount of U.S. Government information available for free to the public and enhance access to information to meet evolving user needs—Support access and discoverability through the Federal Depository Library Program and the Cataloging and Indexing Program—Ensure security, authenticity, and accessibility of the nation's publications for future generations
03	Strengthen our position as the government-wide authority on publishing <ul style="list-style-type: none">—Provide best practices, standards, and training to support evolving Federal agency publishing needs—Provide products and services at every stage of the publishing lifecycle—Communicate our unique value and evolved portfolio of products and service
04	Promote collaboration and innovation within the government <ul style="list-style-type: none">—Provide shared services across government and connect Federal agencies with private sector businesses through procurement program—Form strategic partnerships where collaboration and innovation can flourish—Support government-wide innovation and interoperability
05	Engage employees and enhance internal operations <ul style="list-style-type: none">—Build and retain a workforce that is talented, diverse, motivated and committed—Reduce our environmental footprint—Modernize and streamline internal processes and systems

Figure 1 - GPO FY 2018-FY 2022 Strategic Goals and Strategies

In the *GPO FY18-22 Strategic Plan*, each organizational goal includes sub-goals and descriptions. Based on the inspection of these strategies and descriptions, all goals, except for “02 – Enhance access to Federal Government Information”, are applicable with respect to cost recovery for products and services that could be applied for FY 2021 and FY 2022. This was determined from the sub-goals and descriptions including cost analysis, monitoring product costs, availability of products, modernization of processes, and consideration of cost effectiveness within personnel.

Goals such as these are best served using the SMART or other comparable methodologies. Methodologies such as SMART enhance the goal-setting process by making each goal:

- **S**pecific – target a specific area for improvement
- **M**easurable – quantify or at least suggest an indicator of progress

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- **A**ssignable – specify who will do it
- **R**ealistic – state what results can realistically be achieved, given available resources
- **T**ime-related – specify when the result(s) can be achieved

GPO should consider evaluating all goals by applying SMART, or another comparable goal-setting methodology, for its organizational goals as a common business practice. For example, GPO's first organizational goal, "Exceed our stakeholders' expectations" has a sub-goal of "Use analytics to improve the customer experience" in which the description further documents the goal. The description could be enhanced if it were measurable (such as a percentage of surveys planned to be sent versus received) and assigned to a specific group within GPO to perform the analytics and the results. Additionally, the subsequent sub-goal "Streamline Customer-Facing Processes to Optimize the Customer Experience" discusses the modernization of systems to exceed customer expectations. This could be improved by providing a realistic, measurable, and time-based customer satisfaction metric such as identifying a specific percentage of customer satisfaction from FY20 to FY24 and onward.

3. Comparison to Other Entities and the Industry

3.1 Federal and Commercial Entity Comparison

GPO is a unique organization that is often the sole provider of specific products. As such, the most comparable Federal and Commercial entities accounting for size of the organization, available printing products and services, and output of printing products and services were considered. Multiple entities were identified to collect documentation on and have discussions with. Due to the limitations of these entities having detailed publicly available cost information or the lack of responses to the requests for a discussion, GPO was compared to the United States Postal Service (USPS), a Federal agency, and KPMG's National Design, Proposal, and Production Services (NDPPS) department, a commercial entity, as these were the entities from which a significant amount of data could be collected. The USPS is a large Federal logistics agency with costs and revenue primarily from delivering products and services. KPMG's NDPPS department is a printing department within U.S. KPMG that handles all printing products and services for U.S. operations.

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NDPPS	GPO	USPS
<ul style="list-style-type: none"> - No Government requirements for cost recovery - Rates are designed for cost recovery and not for profit - Bi-annual review of rates - Costs are segregated and accumulated for each product billing rate by relevant direct and indirect costs. This type of rate is commonly referred to as a variable rate or blended rate - Utilizes some off-shore Full Time Equivalents (FTEs) for services 	<ul style="list-style-type: none"> - Required Federal regulations for cost recovery (44 U.S.C. § 309(b)(1)) - Rates are designed for cost recovery and not for profit - Periodic review of product billing rates - Monthly monitoring of over/under recovery of costs - Costs are segregated and accumulated for each product billing rate by relevant direct and indirect costs. This type of rate is commonly referred to as a variable rate or blended rate 	<ul style="list-style-type: none"> - Required Federal regulations for cost recovery (Postal Accountability and Enhancement Act (PAEA)) - Product-specific cost information is not available; therefore, statistical sampling systems and special studies are performed to report compliance - Costs are not able to be captured by product or service and are spread from a top-down approach - Costs are either attributable (directly or indirectly allocable to a product or service) or institutional (residual costs that are not allocable to a product or service)

Figure 2 - Comparison of KPMG’s National Design, Proposal and Production Services³ and Government Publishing Office, and the United States Postal Service⁴

During the analysis, it was noted that each entity has documented policies and procedures established for its organization related to cost recovery based on discussions with NDPPS and inspection of a USPS audit report,⁵ Both GPO and NDPPS have established internal controls to ensure the accumulation of costs, accurate reporting of those costs, and monitoring to ensure costs are being managed appropriately. Although the USPS accumulates costs, it does not have the capacity to segregate and report costs at a product service level.⁶ Additionally, the USPS monitors costs related to products and services through a sampling of costs.⁷

3.2 Cost Recovery Methodologies Comparison

Figure 3 below provides a high-level summary of three (3) cost recovery allocation methodologies. GPO utilizes a Fixed Allocation cost methodology which is a common cost allocation methodology. There are other cost allocation methodologies for GPO’s consideration including a Periodic True Up or Usage Allocation as shown in Figure 3.

³ KPMG, *NDPPS Cost Documentation*, (2020), 3

⁴ USPS OIG, *Audit Report: Costing Best Practices Report Number CP-AR-19-004*, (2019), 1 and 4 through 6

⁵ USPS OIG, *Audit Report: Costing Best Practices Report Number CP-AR-19-004*, (2019), 12

⁶ USPS OIG, *Audit Report: Costing Best Practices Report Number CP-AR-19-004*, (2019), 1

⁷ USPS OIG, *Audit Report: Costing Best Practices Report Number CP-AR-19-004*, (2019), 1 and 4 through 6

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Periodic True Up	Usage Allocation	Fixed Allocation
<p>The Periodic True Up model allows for costs to be fully allocated back to the businesses that consume the services ensuring full cost recovery. This model uses a fixed charge rate for services with a defined true up period, typically quarterly, where the delta between actual costs and recoveries will be adjusted and charged or return to the business based on their consumption.</p> <p>This model maintains service feel and retains ability to differentiate services and delivery locations through differing published bill rates.</p>	<p>The Usage Allocation model removes the requirement for a billing rate to be established, rather the focus is on managing the expenses of the services and allocating the full cost back to the business units based on their consumption for an equitable share.</p> <p>Costs are typically allocated at the “top of the house” and allows business units to focus on requesting the services they need without the feeling of “spend avoidance” entering their decision-making process on service requests. This has a benefit of minimal administration.</p>	<p>A Fixed Allocation model allows costs to be allocated back to the business units with each absorbing a fixed, pre-defined share of the costs of the organization. This method would typically look at the usage prior period(s) and establish allocations based on consumption metrics.</p> <p>Fixed allocations typically are not changed often. The responsibility of managing the business effectively and controlling costs will reside within the organization and there will need to be accountability and defined reporting back to the business on deviations from planned spend, particularly for unplanned cost.</p>

Figure 3 – Alternate Cost Methodologies⁸

Based on the organizational structure discussed with GPO management and inspection of GPO policies and procedures during the engagement, GPO’s current use of the Fixed Allocation method is considered cost-effective in its cost recovery and product pricing for recovering direct and indirect costs.

Moving away from a pure Fixed Allocation implementation could lead to additional pricing accuracy and less month to month and year over year under/over recovery variances. The Usage Allocation cost methodology serves the best benefit for rates that are highly volatile or where the volume is challenging to anticipate year over year. If a complete change in GPO’s cost methodology does not appear feasible, GPO should consider a hybrid of the two cost methodologies. A hybrid approach would use the current Fixed Allocation on products and services that are consistent and stable, and the Usage Allocation for more inconsistent products and services. Furthermore, GPO could consider continuing with a Fixed Allocation methodology for their rates; however, the Usage Allocation methodology could be used when outsourcing to vendors for services. GPO does outsource some services to vendors which is called a Red Jacket. This is performed for some services for other Federal agencies, but typically not Congressional services. The total cost of Red Jackets could be spread to multiple business units in order to prevent any feeling of “spend avoidance” when outsourcing. GPO

⁸ KPMG, *NDPPS Cost Documentation*, (2020), 2

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would need to perform a “trade-off analysis” to determine whether the increased precision or possible lowering of overall costs would be worth a change in methodology.

4. GPO Business Units Cost Recovery and Product Cost Composition

4.1 Business Unit Cost Recovery

After reviewing GPO documentation and holding discussions with GPO employees, the following table was developed to show the Cost Recovering GPO Business Unit for each of the nine products reviewed. Other than passports, Plant Operations produces the products reviewed and therefore recovers the costs for all products.

No.	Product	Fee Amount	Cost Recovering GPO Business Unit
1	Federal Register page rate M-Manuscript	\$522.00	Plant Operations
2	Federal Register page rate C-Camera Copy	\$522.00	Plant Operations
3	Federal Register page rate P-MS Word, diskette	\$453.00	Plant Operations
4	Daily Congressional Record page rate M-Manuscript or E-electronically generated	\$803.00	Plant Operations
5	Congressional Record Index	\$421.00	Plant Operations
6	Code of Federal Regulations	\$85.00	Plant Operations
7	House Daily Calendar of Business	\$110.00	Plant Operations
8	Senate Daily Calendar of Business	\$154.00	Plant Operations
9	Passports	\$16.98	Security and Intelligent Documents

Table 2 - Product by GPO Business Unit

4.2 Product Direct and Indirect Cost Composition

The following table illustrates direct and indirect cost categories as utilized by GPO according to a sample “D-2 Statement of Revenue and Expense” report.

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Cost Category / Cost Type	Description
Direct Costs	
Personnel Compensation	Includes personnel salaries
Personnel Benefits	Includes transit, insurance, and other employee benefits
Travel	Includes official employee travel
Transportation	Includes freight and commercial mail/parcel services
Rent, Communication, & Utilities	Includes rental/lease of IT equipment
Other Contractual Services	Includes maintenance of IT and Non-IT equipment and other professional services
Materials & Supplies	Includes paper, general supplies, production materials, inventory adjustments, fuel, damage and obsolescence allowances
Shared Services	Includes processing all non-competitive personnel actions for sharing information between human capital, payroll, financial management, and related functions.
Depreciation / Amortization	Includes depreciation/amortization of equipment, software, and net book value at disposition
Indirect Costs	
Allocated Costs	Includes Capitalized Software Development, Building Expenses, Shared Service Overhead, and other internal and administrative charges

Table 3 - GPO Cost Types and Descriptions

Based on the full set of cost types and each respective description (derived from the Sub Accounts listed in the sample D-2 Statement of Revenue and Expense Report), the costs included for each product appear to be comprehensive in nature and do not omit any costs that would be included conceptually as part of best practice or 44 U.S.C. § 309(b)(1). The following table illustrates the direct and indirect cost composition of each Product reviewed.

Products	Cost Type									Indirect Allocated Costs
	Direct									
	Personnel Compensation	Personnel Benefits	Travel	Transportation	Rent, Utilities	Other Contractual Services	Materials & Supplies	Shared Services	Depreciation / Amortization	
Federal Register M-Manuscript	✓	✓					✓	✓		✓
Federal Register C-Camera Copy	✓	✓					✓	✓		✓
Federal Register P-MS Word, diskette	✓	✓					✓	✓		✓
Daily Congressional Record	✓	✓					✓			✓
Congressional Record Index	✓	✓					✓			✓
Code of Federal Regulations	✓	✓					✓			✓
House Daily Calendar of Business	✓	✓					✓			✓
Senate Daily Calendar of Business	✓	✓					✓			✓
Passports	✓	✓		✓	✓	✓	✓	✓	✓	✓

Table 4 - Cost Composition by GOP Product

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4.3 Policies and Procedures

Transparent common industry practices are meant to facilitate access to the same knowledge and understanding of the cost recovery methodology by both internal process owners and relevant external oversight. In order to facilitate this level of familiarity with the framework GPO is employing, the cost and performance information should be traceable from the cost detail through to Product Rate development and reporting. This traceability is typically created by developing documentation in the form of standard operating procedures (SOPs).

GPO accumulates and monitors costs being incurred through the cost accounting system and through internal controls. During the rate calculation process, it is common for entities to manually calculate rates from cost data; this is the approach used by GPO. In order to reduce risk of incorrectly calculating rates, detailed policies and procedures should be established in writing and reviewed and approved by management. The calculation of pricing rates should also be performed in a manner consistent with policies and procedures and they should be well documented and retained for review by management. During the analysis of the current rates, relevant SOPs were obtained for general rate development and those specific to the in-scope rates. During the inspection, it was noted the SOPs included relevant business units, process steps, and data sources. There is also evidence of management review and approval on some of these SOPs. The rate calculation documentation was also obtained, and the documentation was not consistently presented between the different rates. During discussions with GPO management, GPO noted they are performing a three-year review on all policies and procedures to ensure they are standardized for formatting and content. It is recommended that GPO continue to follow the plan and update any outdated SOPs to ensure they all have a designated section for review and approval from management as well as revision history. GPO should also consider documenting the rate calculation process in a standardized way in order to sufficiently reconcile all applicable rate-based SOPs with the standardized process. Alternatively, GPO could consider a specific rate calculation SOP in which detailed steps are performed for a rate calculation so that they are performed consistently from rate to rate, being mindful of any unique procedures for specific rates. Performing these updates can ensure rate calculations are performed and documented in a consistent manner.

GPO employees can answer questions about different SOP elements in detail; however, the ability to produce documentation with the institutional knowledge that exists is not readily apparent. Having documentation centralized reduces the risk of institutional knowledge not transferring among employees when changes in personnel occur. Since most of this information is contained in various documents, creating a centralized standard operating procedure document will not require rewriting all this information as if it did not exist. Documenting existing context and processes while referencing supplemental documents is common industry practice as well. A centralized document pulling all the pieces together is the goal for a mature organization following best practices. Additionally, GPO could benefit from creating an overarching SOP that summarizes different SOP sections acting as a navigation tool or summary document so that users can easily identify potential areas of interest.

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5. Cost Recovery and Allocation Methodology Maturity Assessment

5.1 Cost Recovery Assessment Criteria

When assessing the cost recovery maturity of GPO with respect to the products in scope, People, Process, Data, and Technology were considered. The People aspect delves into the organization’s desire and ability to focus on the competency at hand while also engaging and hiring the personnel with the appropriate skills, experience, and mindset. The review of Process was based on the flow of data from system to system and the respective documentation outlining these workflows. The workflows relating to labor engaged in publishing activities for information gathering purposes were reviewed. A separate time and motion study may be necessary to determine the maturity of the physical processes in place. The Data element covers the cost recovery system inputs and outputs. Finally, the Technology review was developed by understanding the tools used to build up the rates for the Products outlined in Table 1.

	Good	Better	Best
People	<ul style="list-style-type: none"> — No organizational focus on cost recovery — Unstaffed / Understaffed 	<ul style="list-style-type: none"> — Organization understands the need for cost recovery — Some roles and responsibilities established 	<ul style="list-style-type: none"> — Organization supports cost recovery and the continued improvement of personnel skills — Staffed appropriately to handle business operations
Process	<ul style="list-style-type: none"> — No direct links between cost and performance systems, the costing technology, and the reporting tool — Undocumented 	<ul style="list-style-type: none"> — Semi-automated process cost and performance systems, the costing technology, and the reporting tool — Quasi-documented 	<ul style="list-style-type: none"> — Fully automated process cost and performance systems, the costing technology, and the reporting tool — Fully documented
Data	<ul style="list-style-type: none"> — No governance — Lack of data integrity — Lack of all available core data sets — Data is refreshed ad-hoc 	<ul style="list-style-type: none"> — Recognized authoritative data sources — Data integrity exists sporadically — Lack of some core data sets — Data is refreshed more than ad-hoc 	<ul style="list-style-type: none"> — Authoritative data sets are comprehensive and maintained — Data integrity exists across systems — All core data sets are available and used

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			— Data is refreshed in coordination with business processes
Technology	— No formal tool — Unlinked spreadsheets	— No formal tool — Linked spreadsheets	— Costing Tool utilized

Table 5 - Cost Recovery Maturity Assessment Criteria⁹

5.2 Cost Recovery Assessment Ratings

The findings regarding the maturity of the current cost recovery elements in relation to the criteria outlined in Section 6.1 can be found below.

Element	Description	Rating
People	<ul style="list-style-type: none"> — GPO seems to have roles and responsibilities well established with an appropriate amount of capable personnel in place to meet its needs with respect to cost recovery execution — Since GPO is predominantly fee-funded, the organizational focus on cost recovery is present in its business processes and strategic goals 	Best
Process	<ul style="list-style-type: none"> — The end-to-end cost recovery process does not appear to be fully documented as noted previously — The end-to-end flow of information is not fully automated 	Better
Data	<ul style="list-style-type: none"> — Data is pulled from authoritative sources — Data does not appear to be managed and/or documented across systems — All necessary data sets to execute current costing processes are available — Data is available from the GPO Cost Accounting System in near real-time 	Better
Technology	<ul style="list-style-type: none"> — GPO uses a Cost Accounting Tool as part of its costing processes 	Best

Table 6 - Cost Recovery Maturity Assessment Ratings

5.3 Cost Allocation Assessment Criteria

Full Cost Recovery can take place using methodologies of an organization’s choosing; however, this does not necessarily mean subsidization is not occurring, nor does it mean business processes are reflected properly depending on the implementation. When looking to alleviate cross subsidization among departments and products produced, it is key to allocate costs with methods and data that reflect the activities performed and the systems used. The more consumption-based information incorporated into the allocation process the more accurate the

⁹ The Cost Recovery Maturity Assessment Criteria were developed utilizing KPMG’s industry experience and knowledge

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cost build-up becomes. The goal is creating a causal relationship between costs and the allocation methodology employed – a cost should be driven to the object it supports using information that relates to the level of cost being generated.

	Good	Better	Best
Allocation Methodologies	<ul style="list-style-type: none"> — Even split / “peanut butter spread” 	<ul style="list-style-type: none"> — Allocations based on surveys — Asking employees how much time they spend on activities — Estimating / Sampling / Correlation — FTE splits — Estimating the amount of material a task consumes — Allocating utilities based on square footage — Developing Overhead (OH) rates based on historical financial information 	<ul style="list-style-type: none"> — Allocations based on direct consumption / mapping mechanisms — Time and Attendance system tied to specific tasks — Time & Motion studies capturing labor and material usage — Isolating Utility consumption by Activity — Apportioning rent based on square footage associated with a department — Allocating OH based on direct cost proportions

Table 7 - Cost Allocation Maturity Assessment Criteria¹⁰

5.4 Cost Allocation Assessment Ratings

The findings regarding the maturity of the current cost allocation elements in relation to the criteria outlined in Section 6.3 can be found below.

¹⁰ The Cost Allocation Maturity Assessment Criteria was developed utilizing KPMG’s industry experience and knowledge

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	Description	Rating
Allocation Methodologies	<ul style="list-style-type: none"> — Depreciation and Crewing allocations are developed using underlying direct consumption information — Indirect personnel costs, benefits, and other material costs are developed using direct and indirect labor information — The general Corporate GPO Overhead uses total direct expenses as a means for allocating costs instead of more directly related mechanisms (e.g. building expenses could be allocated to specific machines and labor that require more space than machines and labor for smaller footprint or digital products) 	Better

Table 8 - Cost Allocation Maturity Assessment Ratings

6. Cost Recovery in support of Strategic Goals

6.1 Achieving Strategic Goals

As mentioned previously, all Strategic Goals apply to GPO’s Cost Recovery except Strategic Goal #2. Each section below will provide the analysis of how GPO’s methodology helps achieve its applicable Strategic Goals.

6.1.1 Strategic Goal 1: Exceed our stakeholders’ expectations

As part of achieving Strategic Goal #1, GPO sees the need to meet the modern needs of its customers including Congress, provide trusted intelligence products and services, and optimizing its user experiences with streamlined processes and a focus on analytics. It is imperative that GPO’s cost recovery capability provides the means for GPO to understand and recover the capital planning and implementation costs necessary to continue to evolve and transform into a data-driven customer-centric digital entity.

6.1.2 Strategic Goal 3: Strengthen our position as the government-wide authority on publishing and Strategic Goal 4: Promote collaboration and innovation within the government

Providing best practices and a set of products and services that GPO is uniquely able to market to its customers are important components of Strategic Goal #3. Providing shared services across the government, forming strategic partnerships, and supporting government-wide innovation and interoperability are the sub-goals for Strategic Goal #4. Executing a publishing operation driven by best practices and standards as well as understanding the end to end processes, cost inputs, and demand levers for each current product will allow GPO to effectively roadmap its future. This will allow strategizing which current product offerings to continue to generate, new products to pursue, shared services to deliver, strategic partnerships to engage in, and innovation to undertake. Ensuring GPO’s cost recovery capability can deliver this information is key to enabling GPO to achieve these goals.

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6.1.3 Strategic Goal 5: Engage employees and enhance internal operations

As part of Strategic Goal #5, the sub-goals relate to building and maintaining a talented and diverse workforce, reducing GPO’s environmental footprint, and modernizing and streamlining internal processes and systems. GPO has reduced its workforce by 74 percent since 1980;¹¹ this reduction was necessitated by a shift in demand to digital products along with process efficiencies. The ability to continue to hire and train high-caliber employees allows GPO to innovate and remain competitive with its product offerings. The more efficient its workforce is, the less rates are inflated to account for costs related to inefficient employees and processes and other non-process related costs. Additionally, as GPO moves to modernize and cut its carbon footprint, GPO will need to ensure its cost recovery methodology accounts for any capital expenditures for new systems designed to streamline its current processes, environmentally friendly equipment, and/or carbon offsetting technology. The current methodology will be used and adjusted accordingly to ensure continued cost recovery, but it can also be leveraged to forecast how these changes would impact product rates and the ability to offer competitive rates in order to maintain current customers and attract new ones.

7. Recommendations

Having cited the various degrees of documentation surrounding the major elements of the cost recovery methodology and process, the following are recommended:

Recommendations	Objectives and Benefits
<p>1. Update the set of SOPs covering the major People, Process, Data, and Technology elements involved in the delivery of GPO’s Products/Services to its customers to consider items such as, but not limited to:</p> <ul style="list-style-type: none"> — standardization of content sections — summary of information or an overarching summary SOP — individual(s) and/or business unit(s) roles and responsibilities 	<ul style="list-style-type: none"> — Efficient traceability of relevant policies and content — Consistent treatment of policies and procedures — Accountability of review, approval, and version control — Assignment of responsibility and traceability throughout process with multiple process owners
<p>2. Drafting a detailed set of Desk Procedures that detail the necessary steps an employee takes to input and validate the input, as well as running and reporting of cost and performance information in the Cost Accounting Tool</p>	<ul style="list-style-type: none"> — Consistent traceability of data year after year and individual after individual

¹¹ GPO FY18-22 Strategic Plan, 10

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Recommendations	Objectives and Benefits
<p>3. Development of a standardized Fee input and calculation template</p> <ul style="list-style-type: none">— Populate the Fee template with all current Products and use as a tool for developing future Product estimates	<ul style="list-style-type: none">— Traceability of rate calculation to both internal and external parties— Consistent documentation to evidence accurate calculation of rates

8. Appendix A: Management's Comments

HUGH NATHANIAL HALPERN
Director

GPO

MEMORANDUM

Date: January 27, 2021
To: Inspector General
From: Director, GPO
Subject: Response to Draft Report Project Number A-20-005 (Evaluation of Product Billing Rates for the USGPO)

This is in response to your request for comments and target implementation dates for recommendations in Draft Audit Report A-20-005, "Evaluation of Product Billing Rates for the USGPO."

Before addressing the specific recommendations in the report – with which we concur – it is necessary to address one point related to the matter preceding those recommendations.

The report contains a "pitch" that GPO begin using SMART goal¹ for implementation of its strategic goals. However, that discussion was never connected to the ostensible purpose of the report, evaluating the adequacy of GPO's rates charged its customers. While item 8 of the statement of work was to "[a]ssess GPO's cost methodology for achieving strategic goals and/or profit goals," (§ 1.3, p. 4) there was never any connection between the use of SMART goals and improving the quality of billing rates.

It also ignored the current work by the GPO management team to evaluate and implement measurement tools in support of the agency's goal setting activities. Our first goal for the agency for the FY2021 performance plan is that "the agency will utilize performance management tools * * * and focus on outcome based success." The agency has completed its initial evaluation of those tools and many business units will be using a KPI/Balanced Scorecard methodology for measuring success. We did not consider SMART goals (as they are commonly understood) because they did not incentivize "stretching" for higher achievement, instead relying on keeping goals "achievable" and "realistic."

Below are GPO's responses to the recommendations.

¹ It is also important to note that the formulation of SMART goals referenced in the draft report does not match the generally accepted description of SMART goals. SMART goals are commonly understood to be "Specific," "Measurable," "Achievable," "Realistic," and "Time-based." (See <https://www.mindtools.com/pages/article/newlmd71.htm> or https://en.wikipedia.org/wiki/SMART_criteria) In this draft, KPMG changed "Achievable" to "Assignable," making this a variation of SMART goals that appears to be unique to them.

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RECOMMENDATION 1

We recommend GPO update the set of SOPs covering the major People, Process, Data, and Technology elements involved in the delivery of GPO's Products/Services to its customers to consider items such as, but not limited to:

- *standardization of content sections;*
- *summary of information or an overarching summary SOP; and,*
- *individual(s) and/or business unit(s) roles and responsibilities.*

GPO concurs with this recommendation.

As part of GPO's ongoing document review and continuing efforts on multiple strategic programs (including POMS, G-Invoicing, Publish, and XPub), GPO will create new and update process diagrams and associated documents to capture the relevant information regarding people, processes, data, and systems involved in the production of key products. As part of this process, GPO will also establish an appropriate review schedule for each product. GPO targets completion of the initial set of documents by March 31, 2023.

RECOMMENDATION 2

We recommend GPO draft a detailed set of Desk Procedures that detail the necessary steps an employee takes to input and validate the input, as well as running and reporting of cost and performance information in the Cost Accounting Tool.

GPO concurs with this recommendation.

The agency has adopted the term "standard operating procedures (SOPs)." GPO would prefer that your recommendation use this term instead of desk procedures. To address this recommendation, Finance will update rate making SOPs and the Cost Accounting System user guide. The SOPs will cover the products in this audit and will include the steps necessary for validation of input. GPO targets completion of this task by August 31, 2021.

RECOMMENDATION 3

We recommend GPO develop a standardized fee input and calculation template. We further recommend GPO populate the fee template with all current products and use as a tool for developing future product estimates.

GPO concurs with this recommendation.

GPO will develop product code analysis, and develop an overall template for use in developing future estimates for products and revenue assessment. GPO targets completion of this task by September 30, 2021.

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If you have further questions about this matter, please contact Mr. Ric Davis, Acting Chief of Staff, at rdavis@gpo.gov, if there are any questions regarding this information.



HUGH NATHANIAL HALPERN
Director, U.S. Government Publishing Office

Digitally signed by Hugh N Halpern
Date: 2021.01.27 09:13:32 -05'00'

cc:
Deputy Director
Acting Chief of Staff