U.S. Agency for
INTERNATIONAL
DEVELOPMENT

Washington, D.C.

March 22, 2002

MEMORANDUM FOR M/AS, Roberto J. Miranda

FROM: IG/A/ITSA, Melinda G. Dempsey

SUBJECT: Audit of USAID's Printing and Graphic Services (Report No. A-000-02-002-P)

This memorandum is our report on the subject audit. In finalizing the report, we considered your comments on the draft report. Your comments are included in Appendix II.

This report contains one recommendation for your action. Based on the information provided by your office, a management decision has been reached on this recommendation. A determination of final action for this recommendation will be made by the Office of Management Planning and Innovation (M/MPI/MIC) when planned corrective actions are completed.

I appreciate the cooperation and courtesy extended to my staff during the audit.

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Summary of Results

The General Accounting Office's "Standards for Internal Controls in the Federal Government" (November 1999) state that internal control[1] is an integral component of an organization's management. Internal control should provide reasonable assurance that the objectives of an agency are being achieved in the effectiveness and efficiency of operations including the use of the entity's resources. [page 7] The Standards further provide several examples [page 7] of control activities that are common to all agencies including the following:

- reviews by management at the functional or organizational level,
- establishment and review of performance measures and indicators,
- segregation of duties,
- proper execution of transactions and events,
- accurate and timely recording of transactions and events, and
- appropriate documentation of transactions and internal control.

The audit was designed to determine whether the Office of Administrative Services had a management control system for monitoring and measuring the economy and efficiency of printing and other services provided to USAID offices. We determined that the Office did not have an adequate system for monitoring and measuring the economy and efficiency of its printing services. [page 5] Furthermore, the minimal records available were not reliable. A review of the task orders revealed incomplete information and/or inefficient operations. [page 8] In addition, the Office was operating its printing services without basic documented internal controls, such as those illustrated above by the General Accounting Office, thereby exposing itself to errors or other irregularities. [page 9] This audit report has one recommendation to establish a documented internal control system. [page 10]

The Office of Administrative Services agreed with the report, is planning to implement the recommendation, and has already started corrective actions. Based on the information provided by the Office, a management decision has been reached on Recommendation No. 1. [page 10]

Background

USAID's Automated Directives System, Chapter 512.3, states that the Bureau for Management, Office of Administrative Services is responsible for providing printing and other services to USAID/Washington and upon request to overseas missions. The fiscal year 2000 USAID operating expense budget for printing and other services was approximately $468,000.

[1] According to GAO's "Standards for Internal Control in the Federal Government" (page 4), the terms internal control and management control are synonymous. Both terms are used interchangeably in the report.

The Office of Administrative Services provides printing and graphics services through two direct-hire staff and contracts awarded to three contractors. One contractor provides in-house printing services, while the other two provide printing services that cannot be supplied by the in-house contractor. The in-house contractor manages and produces in-house printing and graphic services in the Ronald Reagan Building in Washington DC. This current contract was awarded in fiscal year 1998, with options for four additional years, for a total cost not to exceed $1.3 million. The fiscal year 2001 option provides services at a total cost not to exceed $272,168. Printing services that cannot be produced in-house are procured with task orders under two additional outside contracts. The cost of the two contracts could not exceed $428,656 for the most recent one-year period.

Facilities and equipment for in-house printing services at USAID/Washington

Audit Objective

As part of its fiscal year 2001 audit plan, the Information Technology and Special Audits Division performed an audit of printing and other services provided by the Office of Administrative Services to answer the following audit objective:

Did the Bureau for Management, Office of Administrative Services, have a management control system for monitoring and measuring the economy and efficiency of printing and other services provided to USAID offices?

Appendix I describes the audit's scope and methodology.

Audit Findings

Did the Bureau for Management, Office of Administrative Services, have a management control system for monitoring and measuring the economy and efficiency of printing and other services provided to USAID offices?

The Office of Administrative Services did not have an adequate management control system for monitoring and measuring the economy and efficiency of printing and other services. Furthermore, the Office of Administrative Services was not operating under written internal control procedures.

Monitoring and Measuring Systems Were Inadequate or Non-Existent

GAO standards for internal controls are intended to provide assurance that operations are effective and efficient. However, the Office of Administrative Services did not have adequate management control systems for monitoring and measuring the economy and efficiency of its printing and other services. As a consequence, the Office did not know if its printing and related services were operating economically and efficiently. The Office noted that these conditions had developed due, in great part, to a staffing shortage. Nevertheless, we also believe that management has not provided sufficient oversight of its printing operations for the period under audit.

The Office of Administrative Services had limited means to monitor and measure the economy and efficiency of its printing operations. Initially, requests for printing and other services came to the print shop by way of various job request forms (USAID forms, standard U.S. government forms, memorandums, emails, unofficial request forms, etc.) If the

printing or other service was to be completed by the in-house contractor, the job request was generally date-stamped when received and provided a control number, which was written on the job request form. If the printing or other service was to be completed by one of the two outside contractors, the job request was generally date-stamped when received and converted to a task order, which included a control number and cost data.

Prior to April 2000, the Office had used a computer-based information system to record job requests. Since April 2000, a record of these job requests had been maintained by writing only the control numbers consecutively on a tally sheet (see example below), which is attached to the inside wall of an unoccupied cubicle. When the printing or other service jobs were completed, the control number is crossed off, thereby indicating that the job was completed. After the printing or other service was completed, the job request forms were placed in stacks in an empty cubicle or in staff desk drawers, without an organized filing system. In regard to customer satisfaction, although all three printing contracts required customer surveys, customers were not systematically surveyed to obtain feedback of their satisfaction with the completed jobs. The Office did keep a file of unsolicited commendations for jobs that were completed, but there was no documentation of solicited customer satisfaction.

Tally sheet with control numbers for recording printing and other services

The General Accounting Office's "Standards for Internal Controls in the Federal Government" (November 1999) state that internal control should provide reasonable assurance that the objectives of an agency are being achieved in the effectiveness and efficiency of operations including the use of the entity's resources. The Standards provide several examples of control activities that are common to all agencies including the following:

- reviews by management at the functional or organizational level,
- establishment and review of performance measures and indicators,
- segregation of duties,
- proper execution of transactions and events,
- accurate and timely recording of transactions and events, and
- appropriate documentation of transactions and internal control.

In contrast to these standard control activities, the print shop's general operating arrangement provided a very limited and inadequate basis for

monitoring and no basis for measuring economy and efficiency. As a consequence, given the inadequate monitoring and measuring systems, the Office of Administrative Services did not know if its printing and related services were operating economically and efficiently. For example, the Office of Administrative Services did not:

- require regular operating reports for management review;
- compile data on status, workload, users, timeliness, cost, and/or performance;
- compile data on accountability;
- appropriately document transactions and internal control;
- file records allowing for retrieval; and
- survey users to determine satisfaction.

Furthermore, the minimal records maintained by the Print Shop were not reliable. Our review of the 40 task orders for the outside printing contractors (task orders were not prepared for the in-house contractor) during calendar year 2000 revealed incomplete information and/or inefficient operations. For example:

- 60 percent had no indication when the user had requested the services,
- 98 percent had no indication when the task order was completed,
- 23 percent were not approved for processing until after the date that the jobs were to have been completed,
- 87 percent of the task orders (13) that were also recorded in the discarded computer-based system had different data recorded in two data fields ("date received" and "date required") than the information on the original task order documents,
- 1 of the 4 task orders that were marked expedite took more than two months to complete, and
- 12 of the 16 task orders, which indicated when the task order had been initiated, were not officially approved for processing by the print shop manager until two weeks later or longer.

During our audit fieldwork, the Office agreed with our preliminary findings and noted that these conditions had developed due, in great part, to a staffing shortage. Nevertheless, we also believe that management has not provided sufficient oversight of its printing operations for the period under audit. As a consequence, the Office did not know if its printing and related services were operating economically and efficiently. Our recommendation to address the inadequate monitoring and measuring control systems is stated at the end of the following section of the audit report.

Basic Internal Controls Were Lacking

In addition to the inadequate monitoring and measuring systems, the Office was operating the Print Shop without written internal controls. Near the end of our audit fieldwork, we were provided a copy of standard operating procedures for printing and graphics services, dated 1994. However, the Office was neither operating under these procedures nor aware of their existence for much of our fieldwork.

The General Accounting Office's "Standards for Internal Controls in the Federal Government" (November 1999) state that internal control is an integral component of an organization's management. Internal control should provide reasonable assurance that the objectives of an agency are being achieved in the effectiveness and efficiency of operations including the use of the entity's resources. Furthermore, an internal control structure provides management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transaction are recorded properly. In addition, management implements controls to reasonably ensure that a program can meet its objectives; valid and reasonable data are obtained, maintained, and fairly disclosed in reports; and resource use is consistent with laws and regulations. Because of inherent limitations in any internal control structure, errors or irregularities may still occur and not be detected.

However, without an adequate set of documented internal controls, such as for printing services, we believe that the potential for errors or other irregularities are much greater. We did not discover specific cases of waste, loss, unauthorized use, or misappropriation for the items tested within our audit. Nonetheless, our review was not sufficiently comprehensive to provide assurance that such acts were not occurring. To provide such assurance, we would have been required to reconstruct the Office's disorganized printing job records for the period under audit. Nevertheless, we believe that the Office of Administrative Services lacks an adequate management control system to detect errors, fraud and mismanagement of USAID printing services.

During our audit fieldwork, the Office agreed with our preliminary findings and had started the process of developing an adequate set of internal controls. The Office further noted that these conditions had developed due, in great part, to a staffing shortage. Nevertheless, we also believe that management has not provided sufficient oversight of its printing operations for the period under audit. Accordingly, the Office needs to address these basic internal control weaknesses.

Recommendation No. 1: We recommend that the Bureau for Management, Office of Administrative Services, establish a documented internal control system for its printing and related services, including a management control system for monitoring and measuring its economy and efficiency.

Management Comments and Our Evaluation

The Office of Administrative Services agreed with the report, is planning to implement the recommendation, and has already started corrective actions. Based on the information provided by the Office, a management decision has been reached on Recommendation No. 1.

Scope and Methodology

Scope

The Office of the Inspector General, Information Technology and Special Audits Division, in Washington conducted an audit, in accordance with generally accepted government auditing standards, to determine if the Office of Administrative Services had a management control system for monitoring and measuring the economy and efficiency of printing and other services provided to USAID offices. Our audit reviewed operations for calendar year 2000 with the exception of credit card purchases for graphic arts services because these purchases were covered by a separate audit. The Office of Administrative Services was operating its printing services without documented internal controls. Thus, we could not review documented internal controls. Near the end of our audit fieldwork, we were provided a copy of standard operating procedures for printing and graphics services, dated 1994. However, the Office was neither operating under these procedures nor aware of their existence for much of our fieldwork. Because the Office was not operating under these procedures, we did not assess their applicability or adequacy. Nevertheless, we did receive, and subsequently review, oral descriptions of working procedures used by the print shop. The audit was conducted at USAID headquarters in Washington, D.C. from March 10, 2001, to July 31, 2001.

Methodology

We interviewed officials as well as reviewed and tested documentation of work performed by the print shop for calendar year 2000. These documents consisted of three contracts; job requests; task orders to contractors; and a computer generated listing of work performed from October 1, 1999, through April 25, 2000, when the computer information system was discontinued. We also reviewed 40 task orders for printing and other services provided by outside contractors during calendar year 2000. Given the absence of an organized filing system (forms stacked in an empty cubicle or in staff desk drawers), we had no basis to develop a universe from which to sample task orders for printing services provided by outside contractors. Consequently, we requested all the task orders for calendar year 2000. From the 72 task orders provided by Office of Administrative Services staff for calendar year 2000, we eliminated 32 that fell outside the period under audit, calendar year 2000. We reviewed 100 percent of the remaining 40 task orders. Although we intended to review customer service, we did not because no customer surveys had been conducted by the print shop.

Management Comments

MEMORANDUM

TO: Melinda Dempsey, IG/A/ITSA

FROM: Roberto J. Miranda, M/AS/OD

SUBJECT: Draft Report - Audit of USAID's Printing and Graphic Services (Report A-000-02-XXX-p)

INTRODUCTION

The Office of Administrative Services (M/AS) is in agreement with the IG audit findings that a good management control system for monitoring and measuring the efficiency of the printing services needs to be put in place.

DISCUSSION/PLAN OF IMPLEMENTATION

The Director of Administrative Services (M/AS/OD) is seeking to find a quick but reliable method for both maintaining records and establishing performance benchmarks. The Chief of the Consolidated Property Division (M/AS/CPD) will develop the required internal controls for the management of this section and provide more hands-on oversight of the printing operations.

M/AS has developed a customer survey to measure customer satisfaction in the property section of M/AS/CPD and will now focus on the development of one for the printing and graphics areas. Additionally, the Division Chief will focus on identifying a software system to remedy several other shortcomings. Specifically, a user-friendly system is needed for the following: to compile status of printing jobs and workload volume; to properly identify the customer base for follow-up; to develop benchmarks for measuring timeliness of the services provided; and to compile basic cost information and staff performance. A simple spreadsheet application can meet these expectations. This system

will allow for better control for monitoring and measuring efficiency. In 1999, M/AS/CPD explored various methods for strengthening the operations. M/AS/CPD worked closely with the Department of Commerce (DOC) to establish a shared system for printing and graphics services. M/AS/CPD developed a MOU for the DOC to provide these services to USAID. Unfortunately, subsequent organizational events within USAID prevented completion of this initiative, in particular the loss of the administrative clerk for the printing division.

The Chief of M/AS/CPD took several steps to address the internal control weaknesses as a result of the audit findings as discussed in para. 3 and per suggestions for improvement by the IG audit team. He met with the USAID M/OP Contracting Office to investigate all of the necessary requirements in order to acquire additional technical and administrative support through the current printing contract, Associated Management Services, Inc. (AMSI). Also, the Chief met with TOSS, a Fairfax, Virginia company that designs computer software used in the printing industry to track/monitor status of printing projects. Other federal agencies, including FBI, DOC, EPA, and Customs are successfully using this particular software. At the request of M/AS/CPD, TOSS is developing a cost proposal for our consideration. M/AS/OD will review this particular software and others that may be available on the market.

M/AS/CPD will meet with AMSI to discuss the current scope of work and requirements required to amend the contract. These steps include the following:

a) the development of a file system for easy and quick retrieval of printing records;

b) a method to record the project status and timeliness of completion;

c) the source of the printing project and the point of contact as part of the process to assign control numbers for better tracking.

Based on this analysis, M/AS/OD concludes AMSI or a similar vendor has the ability to quickly provide the additional services and install the standard controls required to eliminate errors and to improve efficiency of operations.

M/AS/OD plans to introduce the new program in early March. Once the program is in place, the Division Chief, the printing officer and the contractor will meet monthly to review the workload and project status. The printing officer will provide a written report to the Division Chief for management review. A customer survey will be developed and distributed by April to assess the level of customer satisfaction. M/AS/CPD will revise Standard Operating Procedures developed in 1994 for obtaining printing and graphic work within USAID.

CONCLUSION

In closing, M/AS/OD appreciates the professional assistance, courtesy and help of the IG staff, particularly as we work to implement your recommendation for improving the monitoring of the printing program. Additional suggestions can only benefit the program operations.