

GPO OFFICIAL DIGITAL SECURE

FY2013 ANNUAL REPORT



May 1, 2014

The Honorable Joseph R. Biden
The President of the Senate

The Honorable John A. Boehner
The Speaker of the House of Representatives

Sirs:

I have the honor to transmit herewith the Annual Report of the U.S. Government Printing Office (GPO) for the fiscal year ending September 30, 2013. The report contains the results of an audit of GPO's financial statements conducted by an independent accounting firm.

Respectfully submitted,

A handwritten signature in black ink that reads 'Davita Vance-Cooks'.

DAVITA VANCE-COOKS
Public Printer



FY 2013 was a year of unusual challenges as GPO, like other Federal agencies, confronted the fiscal limits imposed by sequestration and, at year's end, began preparations for a shutdown of Government operations. **As the 27th Public Printer of the United States, I am pleased to report that in spite of those challenges, by the end of the year we emerged with our finances sound, our digital transformation validated, and our record of providing continuing improvements for Congress, Federal agencies, and the public intact.** And as if those results weren't satisfying enough, in 2013 GPO was designated by our employees — through participation in the **Office of Personnel Management's Employee Viewpoint Survey** — as one of the best places to work among Federal agencies. Our sustained transformation during the year also laid the groundwork for another, important development: a legislative proposal to change our name to the Government *Publishing* Office.

Managing our finances was the most immediate and pressing task we faced in FY 2013. Our appropriated funding for the year was reduced by \$8.7 million, or 6.9 percent, from the previous year, including application of the sequester. Although passport production continued unchanged during the year, we were greatly concerned that reduced funding across the Government would result in a significant decline in work, potentially requiring us to activate furloughs for our employees. In response, we made a concerted effort to control spending, reprioritize capital investment plans, and closely monitor costs.

These efforts paid off. We were able to continue fulfilling the information product requirements of Congress, Federal agencies, and the public without any interruption in service and without having to implement furloughs due to sequestration. At the end of the year, we posted an operating gain of \$7.3 million, net of revenues for passport-related capital investments and a decrease in long-term workers' compensation liability. In part this achievement was due to savings from the buyout we conducted in 2011-12 and the aggressive measures we've taken to reduce discretionary spending since then. These measures, which in 2013 included negotiating new long-term wage contracts for GPO's employees that set future increases at the rate provided by the President and Congress to all other Civil Service employees, will improve GPO's financial position in the coming years.

In addition to our financial position, our digital transformation is now strongly supported by the findings of an independent study commissioned by Congress in 2011 and released in January 2013 by the highly respected National Academy of Public Administration. The Academy's report, *Rebooting the Government Printing Office: Keeping America Informed in the Digital Age* (<http://www.napawash.org/2013/1437-rebooting-the-government-printing-office.html>) affirms that "GPO's core mission of authenticating, preserving, and distributing Federal information remains critically important to American democracy" in the digital age. The report makes recommendations designed to help position GPO and the Federal Government to continue meeting the challenges of an increasingly digital world. These recommendations now form part of our strategic planning process, guiding our decision-making and resource allocation for the future.

Our digital transformation points to a profound change in the way GPO operates today. We provide value to Congress, Federal agencies, and the public because we have a diversified product and services portfolio that focuses on digital. We support openness and transparency in Government by providing permanent public access to Federal Government information at no charge through our Federal Digital System, FDSys, which has nearly 1 million titles available online with more than 38 million documents downloaded on the average each month in 2013. Along with printing, we build databases, create bulk data



downloads, produce e-passports and secure credentials, offer eBooks, develop mobile apps, provide Web site design and hosting, engage in e-commerce activity, offer electronic content services, utilize digital equipment, develop digital products, and implement digital workflow processes.

In 2013, the results of our continuing transformation were on full display. For Congress we released a version of the 113th Congress *Mobile Member Guide* app and, right after the 2012 Presidential election, made the popular



(Above) Then-Acting Public Printer Davita Vance-Cooks holds a town hall meeting to discuss sequestration and its potential impacts on GPO. (Below) GPO managers convene to review the results of the 2013 Federal Employee Viewpoint Survey.

Plum Book available as an app. We worked with the Library of Congress to make House bill summaries prepared by the Congressional Research Service available in XML bulk data format, and to develop a Web publication that makes the analysis and interpretation of constitutional case law by Library experts accessible online in concert with the issuance of the centennial edition of *The Constitution of the United States of America: Analysis and Interpretation*. The work we began last year in support of the Joint Congressional Committee on Inaugural Ceremonies was used throughout the 2013 Presidential inauguration, including the secure law enforcement credentials we produced at the request of the U.S. Capitol Police.

For Federal agencies, we made the FY 2014 *Budget of the U.S. Government* available as a mobile web app, which in the first few days had nearly 62,000 users. Our *GPOExpress* program, operated in partnership with FedExOffice, achieved a milestone of 100,000 orders since it began operation in 2005. We began work on the development of the next generation passport, and we completed the installation of a continuity-of-operations (COOP) capability for secure card production at our facility in Mississippi on time and under budget. We were interested to see that a 2013 Government Accountability Office report, which was conducted at the request of the Joint Committee on Printing, identified approximately 80 Federal printing plants still in operation government-wide. We strongly believe that additional savings for taxpayers could occur if the procurable work these plants may be producing is transferred instead to GPO's partnership with the private sector printing and information product industry.



Then-Acting Public Printer Davita Vance-Cooks appeared before the Senate Committee on Rules and Administration in June 2013 to testify at the hearing on her nomination to be Public Printer.

For the public, we continued expanding collections on FDsys, adding content from the Department of Treasury's library in addition to other information, and began development of the next generation of FDsys, which will provide improved search and retrieval, expanded storage, and a mobile capability. We launched the Federal Depository Library Community Training Program to meet the education needs of Government information librarians across the Nation. We now have more than 300 titles available as eBooks for sale, and we launched an upgraded version of the U.S. Government Online Bookstore that provides improved search capabilities and usability. Our social media presence on Facebook, Twitter, YouTube, and our Government Book Blog continued to grow, and we launched a presence on Pinterest, which we use to share historic photos, videos, products, and Government publications with the public.

Throughout FY 2013, our achievements were the direct result of the expertise and professional dedication of the men and women who make up the GPO, and who are integral to the successful operation of legislative operations in Congress, the work of Federal agencies, and the provision of public access to Government information every day. The greatest part of my job is to be part of GPO's extraordinary staff, and I am committed to listening to employees and acting on their concerns to make GPO a better place for all of us to work. In that respect, we made significant progress this past year when GPO was rated among the top ten best places to work among medium-sized Federal agencies, based on rankings produced by Partnership for Public Service from data provided by GPO employees participating in the Office of Personnel Management's 2013 Federal Employee Viewpoint

Survey. Some of the key areas in which we received high rankings included leadership's practice of communicating and listening to employees and using feedback to make changes, embracing of teleworking and alternative work schedules, and assuring emergency preparedness. We have a lot more work to do to cement this finding in place, but I am very happy that we are moving in this direction.

With so much of the Government's information being published digitally, and with GPO's products, services, processes, and employees now so heavily invested in digital technology, I firmly



GPO's 2013 observance of Fitness Day drew an enthusiastic crowd.



believe the time has come for our name to change. Our current name reflects a century and a half of proud tradition and history that I respectfully embrace. But I also acknowledge that it is limiting. Our current name does not adequately describe who we are. It does not adequately describe what we do. We are so much more than that. It is time for GPO's name to catch up with who we are. We are no longer the Government *Printing* Office. We are the Government *Publishing* Office. Early in FY 2014, I was extremely pleased to see that legislation was introduced in the Senate make this change.

I am truly humbled by President Obama's nomination of me as Public Printer in 2013, and by my confirmation by the Senate, and I pledge to continue following the transformation to which we have committed ourselves as the Nation's Publisher. I am proud to lead a workforce that believes our future lies in providing Government information to the American people in the forms and formats they want and need, and I fully expect the men and women of GPO will be able to repeat if not exceed the

achievements of the past year in FY 2014. We deeply appreciate all the support we were given this past year, and together we look forward to carrying out the mission we have been given on behalf of the Congress, the agencies, and the public we serve.

Davita Vance-Cooks

DAVITA VANCE-COOKS
Public Printer

The U.S. Government Printing Office (GPO)

GPO is the **OFFICIAL, DIGITAL, SECURE** resource for publishing the official information products of the Federal Government. Under Title 44 of the U.S. Code, GPO is responsible for the production and distribution of information products for all three branches of the Government, including the official publications of Congress and the White House, U.S. passports for the Department of State, and the official publications of other Federal agencies and the courts. **Once primarily a printing operation, we are now an integrated publishing organization and carry out our mission using an expanding range of digital as well as conventional formats.** Total GPO employment today is 1,879.

Along with sales of publications in digital and tangible formats to the public, GPO supports openness and transparency in Government by providing permanent public access to Federal Government information at no charge through our Federal Digital System (FDsys, at www.fdsys.gov), which today makes nearly 1 million Federal titles available online from both GPO's servers and links to servers in other agencies, and in 2013

averaged 38.7 million downloads per month (with a spike of up to 47.5 million retrievals during the October 2013 Government shutdown). We also provide public access to Government information through partnerships with approximately 1,200 libraries nationwide participating in the Federal Depository Library Program.

In addition to GPO's Web site, www.gpo.gov, we communicate with the public routinely via Twitter [twitter](https://twitter.com/gpo).

com/USGPO, YouTube youtube.com/user/gpoprinter, Facebook facebook.com/USGPO, and most recently Pinterest pinterest.com/usgpo/. Our Government Book Blog is at govbooktalk.gpo.gov/.

History From the Mayflower Compact to the Declaration of Independence and the papers leading to the creation and ratification of the Constitution, America is a Nation based on documents. Our governmental tradition reflects that fact. Article I, section 5 of the Constitution requires that "each House shall keep a journal of its proceedings and from time to time publish the same." After years of struggling with various systems of contracting for printed documents that were beset with scandal and corruption, in 1860 Congress created the Government Printing Office as its official printer. GPO first opened its doors for business on March 4, 1861, the same day Abraham Lincoln was inaugurated as the 16th President.

Since that time, GPO has produced and distributed the official version of every great American state paper — and an uncounted number of other Government publications, documents, and forms — including the Emancipation Proclamation, the legislative publications and acts of Congress, Social Security cards, Medicare and Medicaid information, census forms, tax forms, citizenship forms, passports, military histories ranging from the *Official Records of the War of the Rebellion* to the latest accounts of our forces in Afghanistan, the 9/11 Commission Report, Presidential inaugural addresses, and Supreme Court opinions. All these as well as millions of other documents from the historic to the humble have been published by GPO for the use of Congress, Federal agencies, and the public. This work goes on today, in both digital and print forms.



The War of the Rebellion: A Compilation of the Official Records of the Union and Confederate Armies was printed by GPO over twenty years beginning in 1880. Consisting of 138,000 pages and more than 1,000 maps assembled in 128 volumes, it was GPO's largest single printing job ever.



Technology Transformation GPO has continually transformed itself throughout its history by adapting to changing technologies. In the ink-on-paper era, this meant moving from hand-set to machine typesetting, from slower to high-speed presses, and from hand to automated bookbinding. These changes were significant for their time.

Yet they pale by comparison with the transformation that accompanied our incorporation of electronic information technologies, which began over 50 years ago in 1962 when the Joint Committee on Printing directed the agency to develop a new system of computer-based composition. That order led to the development of GPO's first electronic photocomposition system, which by the early 1980's had completely supplanted machine-based hot metal typesetting. Following the enactment of the GPO Electronic Information Access Enhancement Act in 1993, the databases generated by our composition system were uploaded to the Internet via GPO's first Web site, *GPO Access*, vastly expanding the agency's information dissemination capabilities. Those functions continue today with FDsys on a more complex and comprehensive scale.

While transforming to an increasingly digital footing, GPO continues to provide an array of printing services to support the needs of Congress, Federal agencies, and the public. GPO is retooling its print operations to utilize a smaller, more flexible, more digitally-based equipment profile than previously. In FY 2013, we began preparing space for the delivery of a new high efficiency shaftless press to support both congressional and agency printing requirements. The new press will replace two aging presses that have been in place since 1979. Our annual spending plan for the coming year includes the acquisition of a new digital binding line to replace our automated binding line that has been in place since 1983. Likewise, we are continually reviewing other product and equipment options to ensure that printing is produced with the most efficient, effective technologies available.

GPO is now fundamentally different from what it was as recently as a generation ago: smaller, leaner, and equipped with digital production capabilities that are the bedrock of the information systems relied upon daily by Congress, Federal agencies, and the public to ensure open and transparent Government in the digital era. As we

prepare GPO for the Government information environment and technology challenges of the future, our transformation is continuing with the development of new ways of delivering Government information, including apps and bulk data download files.

Strategic Vision and Plan GPO is transforming from a print-centric to a content-centric publishing operation. Our implementation of a digital transformation is consistent with the goals outlined in President Obama's Roadmap for a Digital Government (*Digital Government: Building a 21st Century Platform to Better Serve the American People*, May 2012). In the years ahead, GPO will continue to develop an integrated, diversified product and services portfolio that primarily focuses on digital. Although industry experts predict tangible print will continue to be required because of official use, archival purposes, authenticity, specific industry requirements, and segments of the population that either have limited or no access to digital formats, we recognize that the volume of tangible print that is requisitioned from GPO will continue to decline.

GPO's strategic plan, available for public review at <http://www.gpo.gov/about/>, is built around four continuing strategic goals: satisfying our stakeholders, offering products and services, strengthening our organizational foundation, and engaging our workforce. The plan provides the blueprint for how GPO will continue to achieve its mission of *Keeping America Informed* with an emphasis on being **OFFICIAL, DIGITAL, SECURE**. GPO's senior managers convene at the beginning of the fiscal year to review the plan and approve it before it is issued.

GPO's customers are involved in the digital world and understand technological change. Accordingly, it is important that GPO fosters an environment that embraces change and innovation, which leads to new products and services, new methods, and new ways of thinking. While tangible printing still continues today at GPO, the demand for printed publications is declining. At the same time, there has been an exponential growth in digital requirements by Congress and Federal agencies. Moreover, the public – including the library and Government information user communities – has signaled its strong desire for increased access to Government information digitally.

GPO has changed to anticipate and accommodate those requirements. The content received from Congress and Federal agencies is managed by GPO through a life cycle process that supports the primary requirement to make the digital version of publications permanently available online, and to print only when required. This policy is consistent with the President's executive order of November 2011 dealing with printing.

In transforming its business model, GPO is focusing on managing content for customer and public use both

today and tomorrow. GPO uses its extensive experience and expertise with digital systems to provide both permanent public access to Government information in a variety of formats and the most efficient and effective means for printing when required, all within a secure setting that is responsive to the customer's needs.

National Academy of Public Administration Report GPO's ongoing technology transformation and strategic vision were validated by the National Academy of Public Administration in a January 2013 report that had been commissioned by Congress.

The report, *Rebooting the Government Printing Office: Keeping America Informed in the Digital Age*, affirms that "GPO's core mission of authenticating, preserving, and distributing Federal information remains critically important to American democracy" in the digital age while recommending measures to strengthen the agency's business model for the future. The study was overseen by a panel of distinguished Academy fellows and conducted by a team of Academy professionals. The 10-month study involved extensive data analysis and review supplemented by interviews with GPO management, employees, and labor representatives as well as stakeholders from the congressional, Federal agency, library, and printing communities. The resulting report contains 27 findings and 15 recommendations.

The focus of the Academy's report is the need for GPO—and the rest of the Federal Government—to continue "rebooting" for the digital age. While pointing out that "GPO's leaders have made considerable progress in transforming the agency into an efficient, future-oriented organization," and that the agency has "expanded products and services for the digital age and made difficult decisions to ensure that



revenues are in line with expenditures," the report makes recommendations designed to help position GPO and the Federal Government to continue meeting the challenges of an increasingly digital world.

The report calls for GPO to "serve as a critical player in the collaborative development of a government-wide strategy" for managing the lifecycle of Government information. To strengthen GPO for the future, it recommends that the agency continue offering an expanded set of services for the digital age, preserve the viability of the Federal depository library program, retain the production of executive branch printing, improve strategic and staffing planning, further consolidate operations, automate more agency functions, and related measures. It also recommends expanding the sales of publications into new markets, and increasing the leasing of underutilized GPO building space.

GPO History Exhibit In 2013, GPO's history exhibit, which was originally opened on our 150th anniversary in 2011, was refreshed with a new display. Titled *Lincoln and His Printers: GPO in the Civil War*, the exhibit focuses on the prominent role the agency played in the preparation

Lincoln and His Printers GPO in the Civil War

When the doors of the newly-created Government Printing Office swung open on March 4, 1861, the first shots of the Civil War were but a few weeks from being fired.

The years 1861-1865 saw an epic struggle for the nation and were the early seasons of success for the printshop Congress created to end nearly decades of waste and corruption.



In this exhibit we look at GPO's first years and its involvement in the Civil War through the eyes of two prominent figures: the first head of GPO John Defrees and the President who appointed him, Abraham Lincoln.

Defrees was an eloquent and experienced newspaperman from Indiana who eventually served GPO for nearly a decade. His close ties to President Lincoln and the wartime surge in demand for printed documents set GPO on a path of growth and expansion that would continue well into the next century.

The documents in this case, from the Abraham Lincoln Papers in the Manuscripts Division of the Library of Congress, illuminate John Defrees' relationship with the Sixteenth President.

Just two days after Lincoln's election in 1860, Defrees wrote the first of his "A Message from the President of the United States" to Congress, a document that would be a precedent for all subsequent presidential messages. Defrees carefully prepared the text of the message in type and set it in the GPO's first printing press. The message was printed on November 4, 1860, and is the first of many documents that Defrees prepared for Lincoln during his presidency.

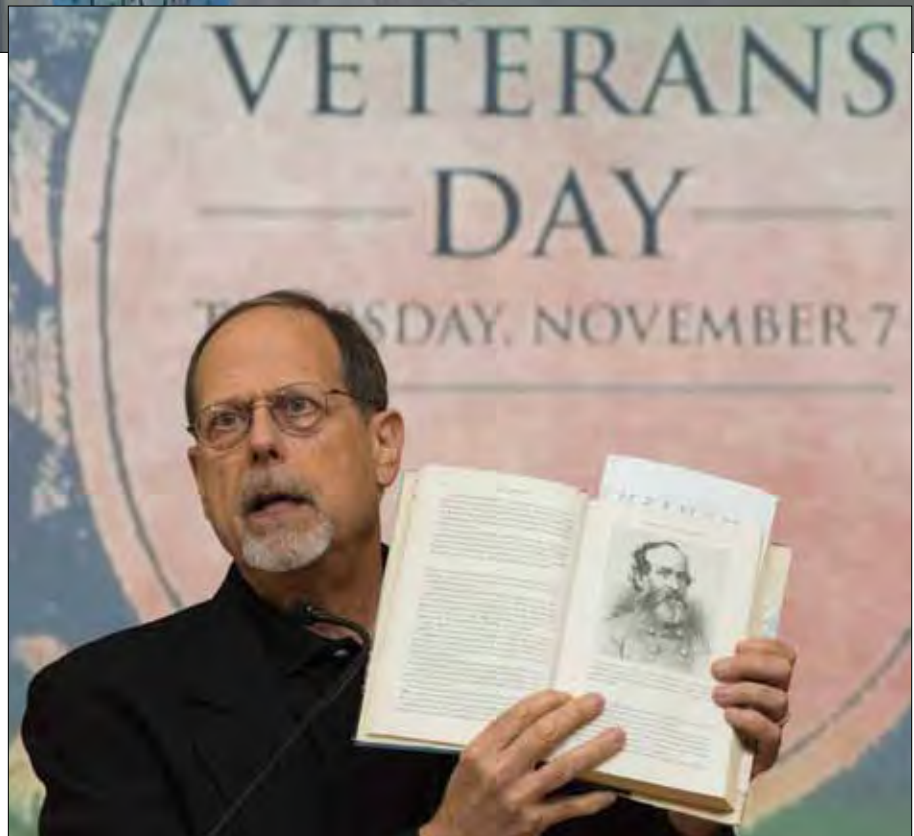
In 1861, Defrees was appointed head of the GPO and immediately began to organize the office. He was responsible for the printing of the first issue of the GPO's first newspaper, the *Government Printer*, which was published on January 1, 1861. The newspaper was the first of many documents that Defrees prepared for Lincoln during his presidency.

The GPO's first newspaper was the *Government Printer*, which was published on January 1, 1861. The newspaper was the first of many documents that Defrees prepared for Lincoln during his presidency.

Defrees was a close friend of Lincoln and was responsible for the printing of many of his most important documents. He was also responsible for the printing of the first issue of the GPO's first newspaper, the *Government Printer*, which was published on January 1, 1861.

of documents for President Lincoln, the close relationship between Lincoln and the head of the GPO, John D. Defrees, and the role GPO employees played in defending Washington from Confederate attack in the summer of 1864.

The display features authentic documents from the Library of Congress showing the close working relationship between President Lincoln and Defrees. One document is President Lincoln's message to Congress of July 4, 1861, detailing the executive actions taken in the early weeks of the Civil War and setting forth his views on the aims of the war. The exhibit details how GPO printers set the text of the President's message in type as he prepared his message. The exhibit also tells the story of GPO's first veterans, the employees who formed two companies of the Interior Department Regiment and helped to defend Washington, DC, from imminent attack in 1864. Additionally, on October 24, 1863, President Lincoln visited GPO where he toured the plant and spoke to employees. He remains the only sitting President to have visited the agency.



Historian Marc Leepson, author of *Desperate Engagement* (2007), speaks to GPO employees about his account of the 1864 battle at Fort Stevens that saved Washington, DC, from invasion by Confederate forces. During that battle, GPO typesetters, pressmen, and bookbinders helped man local defenses of the city.

Information is the lifeblood of the congressional process. Bills, amendments, resolutions, hearings, committee reports, committee prints, and the record of floor proceedings contained in the *Congressional Record* – all these are essential to the conduct of legislative business on Capitol Hill. Without them, there would be no record of business and the legislative process would grind to a halt. **To produce congressional products under the close guidance and control of the House of Representatives and the Senate is why GPO was originally established, and this work continues as the agency's primary mission.**

For the Clerk of the House, the Secretary of the Senate, and the committees of the House and the Senate, we produce the documents and publications required by the legislative and oversight processes of Congress. This includes the daily *Congressional Record*, bills, reports, legislative calendars, hearings, committee prints, and documents, as well as stationery, franked envelopes, memorials and condolence books, programs and invitations, phone books, and other products needed to conduct the business of Congress. We also detail expert staff to support the publishing requirements

of House and Senate committees and congressional offices such as the House and Senate Offices of Legislative Counsel. We work with Congress to ensure the provision of these services under any circumstances through continuity-of-operations (COOP) planning.

Today the activities associated with creating congressional information databases comprise the vast majority of the work we do for Congress. In addition to using these databases to produce printed products as required by Congress, GPO makes them available to the Internet via FDsys, and they

are the source of the apps we build for congressional information. Our advanced digital authentication system, supported by public key infrastructure (PKI), is an essential component for assuring the digital security of congressional documents.

GPO's congressional information systems also form the building blocks of other information systems supporting Congress. Our congressional information databases are provided directly to the Library of Congress to support its new Congress.gov system as well as the legislative information systems the Library makes available to House and Senate offices. We are collaborating with the Library on the digitization of previously printed documents, such as the *Congressional Record* dating from 1873 to 1998, to make them more broadly available to Congress and the public.

GPO's Official Journals of Government business unit acts as the liaison between the offices of the Clerk of the House of Representatives and the Secretary of the Senate as well as the committees and other offices of each chamber for their information product requirements. Our Plant Operations business unit provides in-plant production services for those requirements to meet the quick turnaround needs of the legislative process in Congress.

GPO Cuts the Cost of Congressional Work The use of electronic information technologies by GPO has been a principal contributor to lowering the cost, in real economic terms, of congressional information products. In FY 1980, as we began replacing hot metal typesetting with electronic photocomposition, our appropriation for congressional work was \$91.6 million, the equivalent in today's dollars





Then-Acting Public Printer Davita Vance-Cooks testifies before the House Subcommittee on Legislative Branch Appropriations about GPO's FY 2014 budget request.

of \$259 million. By comparison, our approved funding for FY 2013 was \$83.6 million, a reduction of more than two-thirds in constant dollar terms.

Productivity increases resulting from technology have enabled us to make substantial reductions in staffing requirements while continuing to improve services for Congress. In 1980, GPO employment was 6,450. Today, we have 1,879 employees on board, representing a reduction of 4,571, or more than 70%. This is the smallest GPO workforce of any time in the past century. Yet output for Congress has expanded to include both print and multiple digital formats, with a vastly superior ability to reach a larger portion of the public than ever before.

Highlights of Work for Congress

In 2013, we released a version of the 113th Congress *Mobile Member Guide* app, containing data equivalent to the *Congressional Pictorial Directory*, with further updates to be completed this year.

As we reported previously, following the Presidential election in early FY 2013, we made the *United States Policy and Supporting Positions*, popularly known as the "Plum Book," issued by the House of Representatives Committee on



Oversight and Government Reform, available as an app. The Plum Book app allows users to view the publication, containing listings of

more than 8,000 Federal civil service leadership and support positions in the executive and legislative branches that may be subject to noncompetitive appointment, in an easy to use mobile format. The publication can be searched by agency, position title, location, appointment type, pay plan and level, tenure and term expiration, and vacancy.

At the direction of the House Appropriations Committee, and in support of the House's task force on bulk data, in 2013 we worked with the Library of Congress to make House bill summaries prepared by the Congressional Research Service available in XML bulk data format. This follows the work we did last year to make House bills available in XML bulk data format.

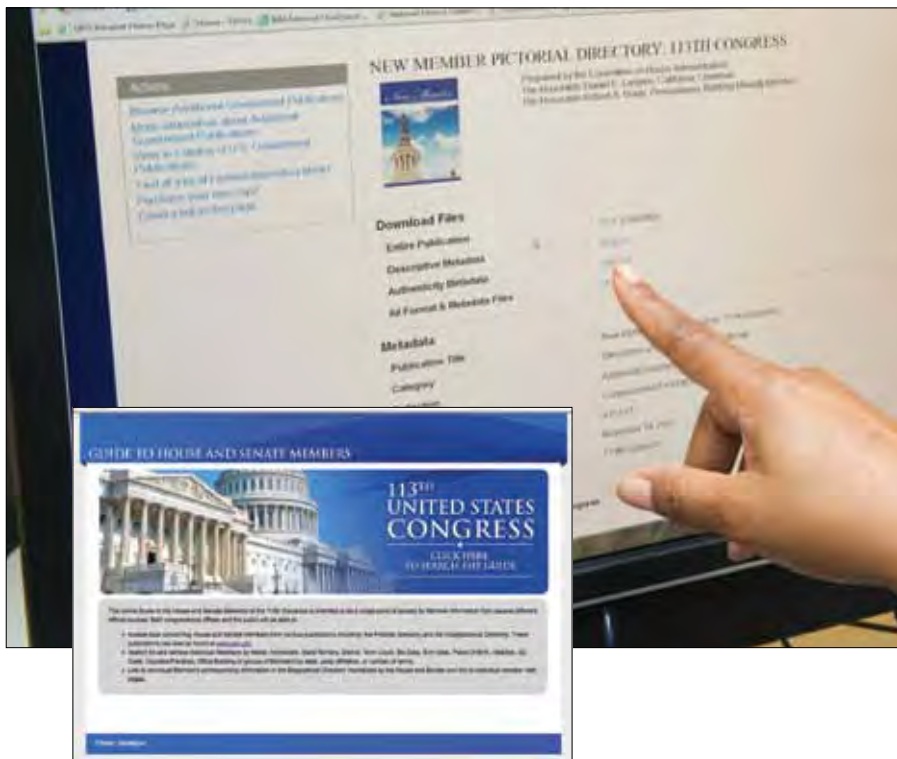
For the last two years, GPO has been a participant and presenter at the House Legislative Data and Transparency

Conference, along with staff from other legislative branch agencies, data users, and transparency advocates. In 2013, we discussed preservation objectives, practices, and strategies that ensure legislative content is permanently available in electronic format. We also presented information on a committee vote utility initiative that will record and organize the votes of each committee Member in an XML format into the committee report. This will take the place of users having to type in the Member names and vote results for commonly taken votes.

GPO worked with the Senate Committee on Rules and Administration and the Library of Congress in 2013 to develop a Web publication making analysis and interpretation of constitutional case law by Library experts accessible in concert with the issuance of the centennial edition of *The Constitution of the United States of America: Analysis and Interpretation* as well as an app prepared by the Library. Popularly known as the *Constitution Annotated*, or CONAN, this authoritative volume previously was published as a bound edition every 10 years, with updates addressing new constitutional law cases issued every two years. The new resources, which include analysis of Supreme Court cases through June 26, 2013, will be updated multiple times each year as new court decisions are issued. Legal professionals, teachers, students and anyone researching the constitutional implications of a particular topic can easily locate constitutional amendments and Federal and state laws that were



High-speed digital printing equipment is readied for use in GPO's newly relocated Digital Print Center.



held unconstitutional, and tables of recent cases with corresponding topics and constitutional implications. The improved Web publication as well as the app will make the nearly 3,000-page CONAN more accessible to more people and enable updates of new case analyses three or four times each year.

As of the end of 2013, GPO had produced the first 21 volumes of the 2012 main edition of the U.S. Code. The balance of the 2012 main edition volumes will be delivered by the end of FY 2014.

As we reported last year, GPO was involved in preparations for the 2013 Presidential inauguration through work we produced under the direction of the Joint Congressional Committee on Inaugural Ceremonies. We designed and produced approximately 80 different products for this event, including invitations, tickets, signs, pins, and other items that supported



GPO staff prepare tickets and other materials for the 2013 Presidential Inauguration.

the organization and conduct of the inaugural ceremonies. We also produced secure credentials for the event at the request of the U.S. Capitol Police.

Sequester and Shutdown: Impact on Congressional Work The sequester implemented during 2013 reduced funding for the Congressional Printing

and Binding Appropriation. In response, we implemented increased controls on spending, reprioritized capital investment plans, and closely monitored costs. We also developed furlough plans that fortunately did not have to be activated. GPO was able to continue its support of Congress' information product

requirements throughout the sequester period without any interruption or reduction in service. In preparation for the Government shutdown in October 2013, we excepted a small workforce from being furloughed in order to produce the essential information products that would be required by Congress and provide public access to digital congressional information.

GPO and Federal Agencies

Federal agencies are major generators of information in the United States, and access to Government information is vital to our economy and society. **The business and financial communities, agricultural workers, scientists and engineers, first responders, students, teachers, health care workers – these and a wide range of occupations and professions rely every day on information generated by Federal agencies with a diverse range of missions.** So, too, do Federal agencies and the public rely on a growing variety of secure credentials produced by GPO for Federal agencies, from travelers holding U.S. passports to frequent U.S. border crossers, Medicare beneficiaries in Puerto Rico, and other users.

GPO's digital systems support key Federal agency publications, including the annual *Budget of the U.S. Government*, the *Federal Register*, and associated products. As it does for congressional documents, our digital authentication system, supported by public key infrastructure (PKI), assures the digital security of agency documents.

GPO's Official Journals of Government business unit acts as the liaison between the Office of the Federal Register and the agency, while our Plant Operations business unit provides in-plant production services for those requirements. The agency's Customer Services business unit maintains liaison with Federal agencies and arranges for the production of their requirements primarily by contracting out to the private sector printing and information product industry from Washington, DC, as well as from 15 regional offices around the United States.

Highlights of Operations for Federal Agencies For the second consecutive year, GPO made the *Budget of the U.S. Government* available as a mobile web app. The app provides users with access to the text and images of the *FY 2014 Budget*, including the Budget Message of the President, information on the



(Upper right) Release of the FY 2014 Budget at GPO in March 2013.

(Above) GPO prepares covers for the FY 2014 Budget of the United States.

President's priorities, and budget overviews organized by agency. The app provides links to GPO's Federal Digital System (FDsys) where summary tables and additional books of the Budget, including the Analytical Perspectives, Appendix, and Historical Tables are available. The *FY 2014 Budget* on FDsys had nearly 122,000 users in the first few days of availability, and our mobile Web app had approximately 62,000 users.

One of GPO's major agency customers is the Office of the Federal Register (OFR), which produces the daily *Federal Register* and related publications such as the *Code of Federal Regulations*, and other key information products like the *Daily Compilation of Presidential Documents* and the *Public Papers of the President*. GPO produces these publications in both digital and print formats. In preparation for the Government shutdown that occurred in October 2013, GPO excepted a small



(Left) The mobile Web app for the FY 2014 Budget. (Above) More than 95 representatives of Federal agencies attended GPO's 2013 Open House to learn about GPO's products and services.



workforce from being furloughed in order to continue producing the *Federal Register* and provide public access to it via FDsys.

GPO's plant produced the 2013 *Trafficking in Persons Report* for the Department of State. At a reception at the Department, then-Acting Public Printer Davita Vance-Cooks presented

Secretary of State John Kerry with a bound copy of the report.

In 2013, the GPOExpress program, operated in partnership with FedExOffice, achieved a milestone of 100,000 orders since it began operation in 2005. GPOExpress provides Federal agencies with discounted services to meet their small and short turnaround printing and binding needs. By enrolling in the program, Federal agency employees receive a GPOExpress card that allows them to take advantage of pre-negotiated prices that are up to 80 percent below retail rates. GPOExpress currently has 4,000 Federal Government employees enrolled. The program utilizes the FedEx Office network of more than 1,800 locations nationwide to provide Federal agencies with convenient, low-cost professional services, including printing, binding, and finishing; banner and sign production; direct mail services; and digital content management through the FedEx Office DocStore system.

Passports and Secure Credentials

A major document that GPO produces is the U.S. passport for the Department of State, which we have been responsible for since 1926. At one time no more than a conventionally printed document, the U.S. passport since 2007 has incorporated a digital chip and antenna array capable of carrying biometric identification data. With other security printing features, this document — produced in Washington, DC, as well as a secure remote facility in Mississippi — is now the most secure identification credential obtainable. In 2013, we were directed by the Department of State to begin work on development of the next generation passport, a project that is now underway.

Since 2008, we have served as an integrator of secure identification smart cards to support the credentialing requirements of Federal agencies and other Government entities that requisition them from us. Our secure credential unit has been certified by the General Services Administration (GSA)



as the only government-to-government provider of credentials meeting the requirements of Homeland Security Presidential Directive 12 (HSPD-12). In 2013, following the approval of the Joint Committee on Printing, we completed the installation of a COOP facility for card production at our facility in Mississippi on time and under budget.

GPO in Partnership with Industry

Other than congressional and inherently governmental work such as the *Federal Register*, the *Budget*, and security and intelligent documents, we produce virtually all other Federal agency information product requirements via contracts in partnership with the private sector printing and information product industry. This work amounts to more than \$300 million annually. Approximately 16,000 individual firms are registered to do business with GPO, the vast majority of whom are small businesses averaging 20 employees per firm. Contracts are awarded on a purely competitive basis; there are no set-asides or preferences in contracting other than what is specified in law and regulation, including a requirement for Buy American. This partnership provides great economic opportunity for the private sector.

The decline in printing government-wide has reduced the amount of work we produce through this partnership,



the result of the ongoing transformation of Federal agency information requirements from print to digital, the President's initiative to reduce Federal printing, and to some extent funding reductions for overall Federal spending including sequestration. However, this partnership achieves significant savings and efficiencies for the printing that it continues to produce, and in the process generates private sector jobs nationwide.

We have long advocated that where Federal agency printing is required, this partnership is the most cost-effective way of producing it. In 2013, the Government Accountability Office issued the results of a study conducted at the request of the Joint Committee on Printing that identified approximately 80 Federal printing plants still in operation government-wide. Additional savings for taxpayers could occur if the procurable work these plants may be producing is transferred instead to GPO's partnership with the private sector printing and information product industry.

Sequester and Shutdown The sequester implemented during 2013 reduced funding for Federal agencies. As with our congressional publishing operations, we implemented increased cost controls to prepare for a possible reduction in Federal agency printing



(Above) Then-Acting Public Printer Davita Vance-Cooks is briefed on secure credentials production by staff of GPO's Stennis, MS, Secure Production Facility.

and other information product orders to GPO, and we developed furlough plans that fortunately did not have to be activated. We were able to continue our support of Federal agency printing and information product requirements throughout the sequester period without any interruption or reduction in service. The sequester did not affect the planned production of passports. In preparation for the Government shutdown that occurred in October 2013, we scaled back support of Federal agency requirements, including cessation of passport operations, consistent with Office of Management and Budget and related requirements for a lapse in funding.

GPO and **Open, Transparent Government**

Producing and distributing the official publications and information products of the Government fulfills an informing role originally envisioned by the Founders, as James Madison once said:

A popular Government without popular information, or the means of acquiring it, is but a Prologue to a Farce or a Tragedy, or perhaps both. Knowledge will forever govern ignorance, and a people who mean to be their own Governors, must arm themselves with the power which knowledge gives.

GPO operates a variety of programs that provide the public with “the means of acquiring” Government information that Madison spoke of. These programs include the Federal Depository Library program (FDLP), Federal Digital System (FDsys), Publications Sales, and Social Media.



(Upper right) Superintendent of Documents Mary Alice Baish opens the annual Federal Depository Library Council Conference in October 2012. (Above) Public Printer Davita Vance-Cooks with the management and staff of GPO's cataloging operation. GPO was named one of the top 10 catalogers in the world in 2013.

Federal Depository Library Program

The FDLP has legislative antecedents that date back 200 years, to 1813. Across those years, Federal depository libraries have served as critical links between “We the People” and the information made available by the Federal Government.

GPO provides the libraries with information products in digital and, in some cases, tangible formats, and the libraries in turn make these available to the public at no charge while providing additional help and assistance to



depository library users. The program today serves millions of Americans through a network of approximately 1,200 public, academic, law, and other libraries located across the Nation, averaging nearly three per congressional district. Once limited to the distribution of printed and microfiche products, the FDLP today is primarily digital, supported by FDsys and other digital resources.

In 2013, GPO continued work on our FDLP Forecast Study, a collaborative research project between GPO and depository libraries, which has surveyed all depository libraries to assess the current conditions of the program and their needs for the future. Primary needs identified by libraries and States that participated in the study include improved online access, enhanced catalog records, easily discoverable information, digitized historical content, flexibility in managing library collections, more educational opportunities, and preservation. The results from this initiative will serve as a blueprint for developing a new national plan for the future of the FDLP.

In 2013, the FDLP Community Training Program was launched to meet the education needs of Government information librarians across the Nation. During the year, GPO offered 11 FDLP

educational webinars that reached more than 1,100 individuals. GPO also conducted its first all-virtual multi-day meeting in April 2013 for the FDLP community. Held during Preservation Week, 115 registrants participated in presentations and discussions from GPO and other FDLP community members.

To provide permanent public access to Federal agency Web-based dissemination products, GPO is harvesting, cataloging, and archiving Federal agency Web content. Following a successful pilot program in 2012, GPO expanded its existing Web harvesting and archiving efforts using the automated harvesting and hosting service, Archive-It. In 2013, Web content from 19 Federal agencies was harvested and cataloged in the *Catalog of U.S. Government Publications* with live links to the harvested sites.

GPO was named one of the top 10 original catalogers in 2013 by the Online Computer Library Center, Inc. (OCLC) – the world’s largest library cooperative. During the year, GPO implemented Resource Description and Access (RDA), a cataloging/metadata standard developed by the international library community to better describe and enhance access to resources in all media.

In 2013, GPO administered the Biennial Survey of Federal Depository Libraries. The survey provides important information about conditions in individual depository libraries and the FDLP as a whole. The results of the survey will be finalized and reported to the depository library community in the Spring of 2014.

During the year, approximately 15,400 new Government titles in tangible and intangible formats were acquired for the FDLP, 15,200 titles were cataloged, and more than 1.8 million copies of Government publications in tangible formats were distributed to Federal depository libraries across the Nation. While the number of titles



cataloged decreased temporarily from the previous year as GPO implemented RDA, the number of copies of tangible formats distributed increased by more than 386,000.

Federal Digital System GPO has been providing online access to congressional and Federal agency documents since 1994. Today, FDsys provides the majority of congressional and Federal agency content to the FDLP as well as other online users. This system has reduced the cost of providing public access to Government information significantly when compared with print, while expanding public access dramatically through the Internet. Public utilization of FDsys has increased substantially. In 2013, FDsys recorded its 500 millionth document retrieval since replacing our original online Web site, GPO Access. Currently, FDsys serves as a secure preservation repository for nearly 1 million individual titles from all three branches of the Government, the only system of its kind in operation today. FDsys averaged 38.7 million downloads per month during 2013, with a spike up to 47.5 million retrievals during the recent Government shutdown.

GPO is continually adding collections to FDsys to provide increased public access to Government information. In 2013, we partnered with the Treasury Department and completed a pilot project to make historical, digitized content from the Treasury library available on FDsys. Through the project, the *Treasury Reporting Rates of Exchange, 1956-2005*, which list the exchange rates of foreign currencies based on the dollar, are now available on FDsys. GPO also added these historical Treasury titles: the *Official Register of the United States*; an *Account of the Receipts and Expenditures of the United States*; the *Combined Statement of the Receipts and Expenditures of the United States, 1872-1983*; and *Internal Revenue Cumulative Bulletins, 1919-2008*. Also in 2013, GPO began development of the next generation of FDsys, which will provide improved search and retrieval, expanded storage, and a mobile capability.

Digital Information Dissemination

Achieves Savings Since 1995, the first full year of our online operations, the cost of printing and distributing millions of copies of printed publications to Federal depository libraries nationwide was funded at \$17.6 million, the equivalent of \$26.9 million in constant dollars. For

Representatives of multiple Federal agencies attended GPO's seminar on eBook publishing in 2013.

FY 2013, we funded this function at \$8.5 million, a reduction of more than 67% in constant dollar terms. Along with occasional appropriations to GPO's Revolving Fund, we have used the savings from reduced printing and distribution costs to pay for the establishment and operation of our digital information dissemination operations, achieving additional savings for the taxpayers and vastly expanding public access to Government information.

Sequester and Shutdown FDsys operations continued without being impacted by the sequester. In preparation for the Government shutdown that occurred in October 2013, GPO excepted a small workforce from being furloughed to ensure that the FDsys congressional and regulatory information collections were continually updated to provide public access to this information. The other collections on FDsys were not updated but were still accessible.

Publication and Information Sales Program Along with the FDLP and FDsys, which are no-fee public access programs, GPO's Publication and Information Sales business unit provides public access to Government information through a retail and online bookstore making Federal agency publications available to the public. GPO has more than 4,000 Federal titles available in print and more than 300 titles available as eBooks for sale. In 2013, we launched an upgraded version of the U.S. Government Online Bookstore. The new website includes improved search capabilities and usability, option to browse for products by topic or by Government agency, enhanced product detail page that includes product image and description, suggested related items, reviews, author information and links to other available formats, and option to



sort products alphabetically, by date of publication, popularity, or price.

As a one-stop shop for eBook design, conversion, and dissemination, our presence in the eBook market continues to grow. We now have agreements with Apple, Google's eBookstore, Barnes & Noble, OverDrive, Ingram, Zinio, and other online vendors to make popular Government titles such as the *Public Papers of the President-Barack Obama*, the *Financial Crisis Inquiry Report*, and *Ponzimonium: How Scam Artists are Ripping Off America* available as eBooks. Additionally, we are working with Congress to make various publications, including *Women in Congress*, *Black Americans in Congress*, and the upcoming *Hispanic Americans in Congress*, available as eBooks.

Reimbursable Distribution Program

We operate distribution programs for the information products of other Federal agencies on a reimbursable basis, including General Services Administration (GSA) Consumer Information Center publications, from our facilities in Pueblo, CO, and Laurel, MD.

GPO's Congressman Frank Evans Document Distribution Center in Pueblo, CO, has achieved the milestone of distributing more than one billion consumer publications since it opened in 1971. The one billionth publication distributed was the GSA's Consumer Information Catalog, which lists approximately 200 free and low-



cost publications available to the public from Federal agencies on topics related to money, health,

employment, housing, Federal programs, education and travel. The Center started distributing the catalog in 1973. The Center has a reputation for excellent customer service and consistently scores high on customer satisfaction surveys.

GPO and Social Media We use Facebook, Twitter, YouTube, Pinterest, and a book blog to share information about GPO news and events and to promote specific publications and products. By the end of 2013, we had 2,731 likes on our Facebook page, 5,000 followers on Twitter, 93,700 views across nearly 53 videos on YouTube, and 288 followers pinning on 15 boards of Federal Government information. Connecting people through things they find interesting is the founding principle of Pinterest and a natural fit with GPO's core mission of *Keeping America Informed*. GPO uses Pinterest to share historic photos, videos, products, and Government publications with the public. Our book blog, Government Book Talk, focuses on increasing the awareness of new and classic Federal publications through reviews and discussions.

Revolving Fund Unlike most Federal agencies, GPO operates like a business, providing products and services for Congress, Federal agencies, and the public and receiving payment in return.

All GPO activities are financed through a business-like Revolving Fund, established by section 309 of Title 44, U.S.C. The Fund is used to pay all of GPO's costs in performing congressional and agency publishing activities. It is reimbursed from payments from customer agencies, sales to the public, and transfers from GPO's two annual appropriations: the Congressional Printing and Binding Appropriation and the Salaries and Expenses Appropriation of the Superintendent of Documents.

The Revolving Fund functions as GPO's checking account with the U.S. Treasury. GPO pays its expenses from this account either with a check or electronic transfer. The fund is reimbursed when the Treasury Department transfers money from agency appropriations accounts to the fund when agencies pay GPO invoices. This procedure also applies to the payment of transfers from the Congressional Printing and Binding and Salaries and Expenses Appropriations, and to deposits of funds collected from sales to the public.

GPO maintains a cash balance in the Revolving Fund that is used to pay all expenses. The cash balance fluctuates daily as payments are received from agency reimbursements, customer payments, and transfers from GPO appropriations.

Under GPO's system of accrual accounting, annual earnings generated since the inception of the Revolving Fund have been accumulated as retained earnings. Retained earnings make it possible for GPO to finance many of its capital requirements. However, appropriations for essential investments

in technology and plant upgrades are also requested annually.

Appropriated Funds GPO's Congressional Printing and Binding Appropriation is used to reimburse the Revolving Fund for costs of publishing the documents required for the use of Congress in digital and print formats, as authorized by the provisions of chapters 7 and 9 of Title 44, U.S.C. The Salaries and Expenses Appropriation of the Superintendent of Documents is used to pay for costs associated with depository distribution, cataloging and indexing, statutory distribution, and international exchange distribution. The reimbursements from these appropriations are included in GPO's Revolving Fund as revenue for work performed. Appropriations are also made to GPO's Revolving Fund for specified purposes, to remain available until expended.

Unlike most appropriations to other Federal agencies, GPO's appropriations generally are for work that GPO itself does not control. The Congressional Printing and Binding Appropriation in effect is an appropriation by Congress to cover the costs of its own printing and information product requirements. The appropriation is not available for expenditure for any purposes other than congressional printing. Congress plays a major role in controlling the rate of spending of the Congressional Printing and Binding Appropriation. While GPO does its best to estimate the volume of congressional printing in any given year, that volume can change due to circumstances beyond GPO's control. However, GPO can and does affect the rate of spending under this appropriation by ensuring the efficiency of its operations.

Like the Congressional Printing and Binding Appropriation, the Salaries and Expenses Appropriation is available only for specific programs: depository distribution, cataloging and indexing, statutory distribution, and international exchange. The publishing activities of the Government determine the workload handled by these programs, not GPO. However, GPO can affect the level of funding by ensuring the efficiency of its information dissemination operations.

For FY 2013, GPO received total appropriations (after application of the sequester) of \$117.5 million, including \$82.1 million for Congressional Printing and Binding, \$31.5 million for the Salaries and Expenses of the Superintendent of Documents, and \$3.9 million for the Revolving Fund for information technology and facilities repairs. This represented a reduction of \$8.7 million overall from the previous year's total of \$126.2 million in appropriated funding.

In early FY 2013, before the sequester, GPO requested a budget of \$128.5 million for FY 2014, including \$79.7 million for Congressional Printing and Binding, \$35.8 million for the Salaries and Expenses of the Superintendent of Documents, and \$12.9 million for the Revolving Fund for information technology and facilities repairs. GPO was able to reduce the requirements for new funding for the congressional and Superintendent of Documents accounts by the transfer of unexpended balances of prior year appropriations forward. Final funding for FY 2014 was approved in Public Law 113-76 at \$119.3 million, including \$79.7 million for Congressional Printing and Binding, \$31.5 million for the Salaries and Expenses of the Superintendent of Documents, and \$8.1 million for the Revolving Fund.



FY 2013 Financial Results Revenue totaled \$718.9 million while total expenses were \$690.9 million. In addition, there was a \$1.4 million beneficial adjustment reflecting a decrease in the GPO long term liability for workers' compensation. Before that adjustment and net of the accumulation of \$20.7 million in reimbursements from the State Department reserved for capital investment supporting passport production, GPO's operating net income was \$7.3 million. In addition to increased revenues over the previous year, FY 2013 was the first year in which the reduction in costs due to

the 2011-2012 buyout was fully realized. Additionally, management strengthened the agency's cost-containment program in anticipation of the government-wide impact of sequestration on Federal agency orders for printing and information product work.

Funds appropriated directly by Congress provided nearly \$110.4 million (including funds from the Congressional Printing and Binding and Salaries and Expenses appropriations, along with appropriations to the Revolving Fund), or about 15% of total revenue. All other GPO activities, including inplant printing (which includes the production

of passports), procured printing, sales of publications, agency distribution services, and all administrative support functions, were financed through the Revolving Fund by revenues generated by payments from agencies and sales to the public.

The largest single component of GPO's annual expenses is procured printing. In FY 2013, the cost of procured printing totaled \$277.2 million, or about 40% of total expenses. The second largest component was personnel compensation and benefits. These totaled \$202.7 million, or about 29% of all expenses.

2013 U.S. Government Printing Office **Financial Statements**

The following summary tables are excerpts from the full audited consolidated financial statements and are not intended to substitute for the full audited financial statements presented at http://www.gpo.gov/pdfs/congressional/archives/2013_AnnualReport.pdf.

For fiscal year 2013 (October 1, 2012 - September 30, 2013) the GPO received a clean audit opinion on its consolidated financial statements from KPMG LLP.

GPO achieved positive financial results before other operating expenses and Passport Capital Reserve. Net income was \$29.5 million in fiscal 2013 compared to net income of \$2.9 million in fiscal 2012.

GPO's fiscal 2013 operating income included \$20.7 million in reserved funds for planned capital investments for increasing production capacity for the next generation U.S. passport as arranged and agreed between the Department of State and GPO. Similar type funds totaled \$4.2 million for fiscal year 2012. In both years, this resulted in revenues without corresponding expenses in the income statements. The expenses associated with these revenues will be reflected in future financial statements as these SID capital projects are completed and put into use.

Other operating expenses in 2013 included a credit of \$1.4 million to reflect a reduction to the Agency's future workers' compensation liability. This long-term workers' compensation credit adjustment is required to accurately record the actuarially determined liability at September 30, 2013. After adjusting for these two unique transactions, GPO had a net income after capital projects reserve and workers' compensation liability adjustment of \$7.3 million in fiscal 2013 compared to a net income after capital projects reserve and workers' compensation liability adjustment of about \$1 million in fiscal 2012.

Summary of Net Income (in thousands)	2013	2012
Net Income	\$ 29,458	\$ 2,858
Less Passport Capital Projects Reserve	(20,740)	(4,200)
Increase (Decrease) in Workers' Compensation Liability	(1,418)	2,380
Net Income After Capital Projects Reserve and Workers' Compensation Liability Adjustment	\$ 7,300	\$ 1,038

In fiscal 2013, operating revenue increased while operating expenses decreased from fiscal 2012. Operating revenue was up \$5.1 million, or less than 1 percent (to \$718.9 million from \$713.8 million), while operating expenses dropped \$17.7 million, or 2.5 percent (to \$690.9 million from \$708.6 million). The moderate increase in revenue was primarily due to an increase in Printing and Binding revenue partially offset by decreases in Appropriation, Sales of Publications, and Agency Distribution revenues.

The Security and Intelligent Documents (SID) business unit drove the increase in revenue as a result of strong demand for U.S. passports. Passport production grew by 30 percent to 13 million passport books in fiscal 2013 from 10 million units in fiscal 2012. In addition, SID recorded increases in other high-value products including the Trusted Traveler card and other smart card secure credential products in the year-on-year comparison.

Cash provided by operations decreased by \$44 million from the prior year due primarily to a reduction in customer deposit collections (deferred revenues). Operations provided approximately \$56.8 million in cash in fiscal 2013 compared to \$100.8 million in cash in fiscal 2012. The GPO invested \$36.3 million for capital items in fiscal 2013 compared to about \$18.7 million in fiscal 2012.

Summary Statements of Cash Flows (in thousands)	2013	2012
Cash Flows from Operating Activities		
Net Income	\$ 29,458	\$ 2,858
Provided by (used in) operating activities		
Depreciation and other	21,896	21,463
(Increase) decrease in assets	21,155	30,066
(Increase) decrease in liabilities	(14,259)	44,070
(Increase) decrease in workers' compensation liability	(1,418)	2,380
Total adjustments	27,374	97,979
Net cash provided by operating activities	56,832	100,837
Cash flows used in investing activities	(36,289)	(18,655)
Cash flows provided by financing activities	7,117	11,571
Net Increase in cash balance	\$ 27,660	\$ 93,753

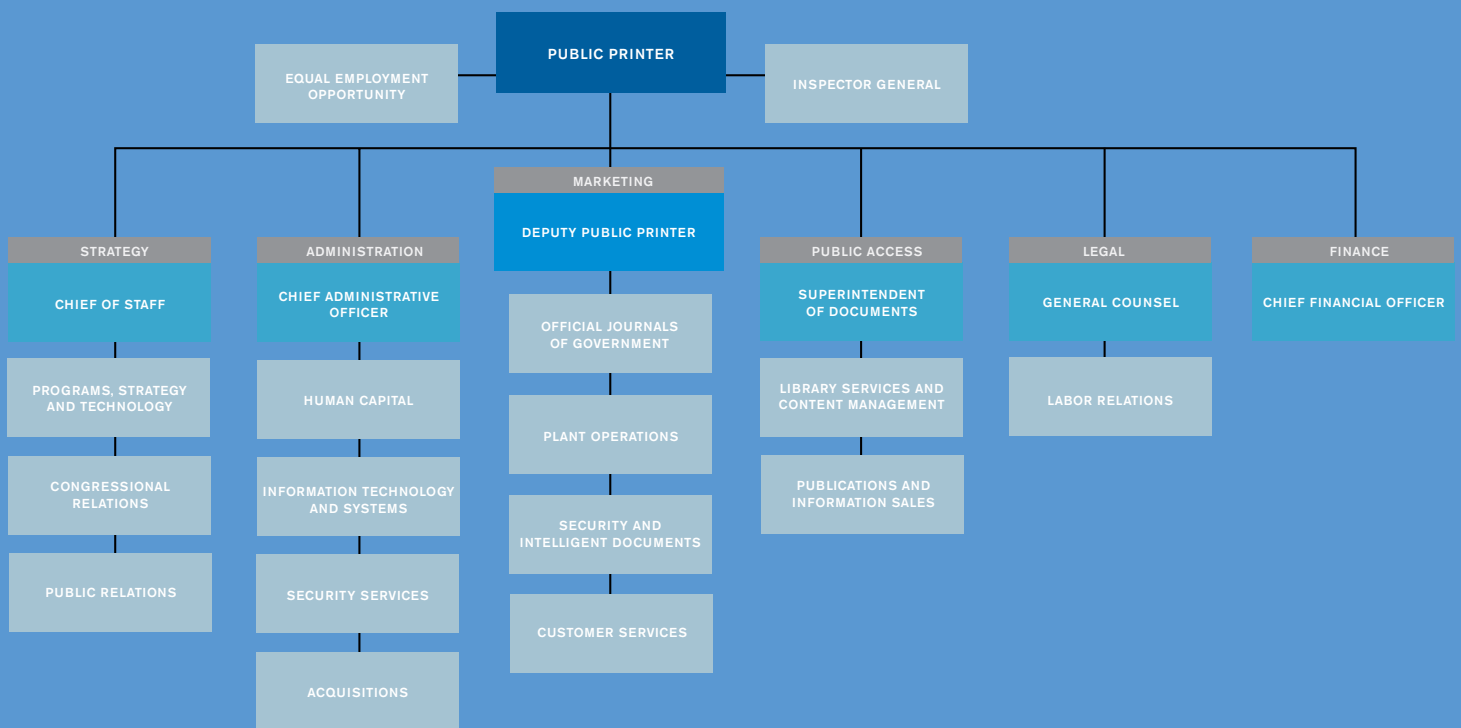
The GPO's Balance Sheet continued to strengthen as a result of the operating performance. Working capital increased by \$20.7 million, to \$356.5 million in fiscal 2013 from \$335.8 million in fiscal 2012, and total current assets increased by \$6.5 million, to \$661.3 million in fiscal 2013 from \$654.8 million in fiscal 2012.

Total assets grew by \$20.9 million to \$776.2 million in 2013 from \$755.3 million in 2012. Cash increased to \$508.3 million in fiscal 2013 from \$480.6 million in fiscal 2012, due primarily to a decrease in accounts receivable combined with an increase in unrestricted cash. Also contributing to the increase in cash in fiscal 2013 was an increase of \$7.1 million in unexpended appropriations from fiscal 2012.

GPO ended fiscal 2013 with retained earnings of \$197.6 million, compared to \$168.1 million at the end of fiscal 2012.

Summary Balance Sheets (in thousands)	2013	2012
Assets		
Current Assets		
Fund balance with Treasury	\$ 508,267	\$ 480,607
Accounts receivable, net	123,224	141,176
Inventory, net	28,804	31,891
Prepaid expenses	1,040	1,156
Total current assets	661,335	654,830
General property, plant and equipment, net	114,900	100,473
Total Assets	\$ 776,235	\$ 755,303
Liabilities and Net Position		
Current Liabilities		
Accounts payable and accrued expenses	\$ 96,155	\$ 109,188
Deferred revenues	198,947	200,429
Accrued annual leave	9,707	9,417
Total current liabilities	304,809	319,034
Noncurrent Liabilities		
Workers' compensation liability	69,106	70,524
Total Liabilities	373,915	389,558
Net position		
Cumulative results of operations		
Retained earnings	197,604	168,146
Invested capital	92,879	92,879
Unexpended appropriations	111,837	104,720
Total Net Position	402,320	365,745
Total Liabilities and Net Position	\$ 776,235	\$ 755,303

U.S. Government Printing Office **Organizational Chart**



GPO's main Web site: www.gpo.gov

GPO's Federal Digital System: www.fdsys.gov

Facebook: <http://www.facebook.com/USGPO>

Twitter: <http://twitter.com/USGPO>

Pinterest: <http://pinterest.com/usgpo>

YouTube: <http://www.youtube.com/user/gpoprinter>

Government Book Talk blog: <http://govbooktalk.gpo.gov/>



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GPO OFFICIAL DIGITAL SECURE

FINANCIAL YEAR IN REVIEW

FY 2013 AND 2012

I. Management Discussion and Analysis (Unaudited)	2
Mission	3
Basis of Financial Reporting	3
Programs and Operations	4
Funding	4
Programs and Operations Overview	5
Management Initiatives to Improve GPO Operations	7
Financial Position and Results for Fiscal Year 2013	10
Consolidated Balance Sheets	10
Consolidated Statements of Revenues, Expenses, and Changes in Retained Earnings	10
Consolidated Revenues	11
Consolidated Expenses	13
Changes in Retained Earnings	15
Consolidated Statements of Cash Flows	16
Performance Measures	16
Operating Performance Measures	16
Financial Performance Measures	17
Possible Future Effects of Existing Events and Conditions	18
Fiscal Year 2014 Financial Projections	20
II. Inspector General’s Report	21
III. Independent Auditors’ Report	26
IV. Financial Statements	38
Consolidated Balance Sheets	39
Consolidated Statements of Revenues, Expenses, and Changes in Retained Earnings	40
Consolidated Statements of Cash Flows	41
Notes to the Financial Statements	42
1. Summary of Significant Accounting Policies	42
2. Fund Balance with Treasury	43
3. Accounts Receivable, Net	51
4. Inventory, Net	52
5. Prepaid Expenses	53
6. General Property, Plant and Equipment, Net	53
7. Accounts Payable and Accrued Expenses	54
8. Deferred Revenues	54
9. Workers’ Compensation Liability	55
10. Commitments	56
11. Contingencies	56
12. Net Position	57
13. Appropriated Funds	60
14. Employee Benefit Plans	62
15. Major Customers	63
16. Subsequent Events	63
Acronym List	64

SECTION I

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

U.S. Government Printing Office Management Discussion and Analysis As of September 30, 2013

Mission

The core mission of the U.S. Government Printing Office (GPO or Agency) is *Keeping America Informed*, by producing, protecting, preserving, and distributing the official information products and publications of the Federal Government. To ensure Federal information is readily available to citizens, GPO makes information accessible in an array of communication mediums from secure digital documents, databases, and mobile web applications that are accessible through the Internet to traditional printed ink-on-paper products. GPO was created on June 23, 1860, with the enactment of Congressional Joint Resolution 25. GPO's first day of operations was March 4, 1861.

Basis of Financial Reporting

GPO's consolidated financial statements are prepared pursuant to the requirements of Title 31 *United States Code* (U.S.C.), *Money and Finance*, § 3515, Financial Statements of Agencies. The consolidated financial statements have been audited by an independent external auditor in accordance with Title 44 U.S.C., *Public Printing and Documents*, § 309, Revolving Fund for Operation and Maintenance of Government Printing Office.

The consolidated financial statements are prepared from GPO's financial system on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles (GAAP). Under the accrual basis, revenues are recognized (recorded) when earned, and expenses are recognized when incurred, without regard to the receipt or the payment of cash.

GPO's consolidated financial statements and accompanying notes provide information on the Agency's financial position, results of operations, changes in net position, and cash flows, and disclose significant financial and economic events that may impact GPO, in conformity with applicable laws, regulations, standards, and policies relevant to financial reporting. GPO is committed to maintaining strong financial systems and internal controls to ensure accountability, integrity, and reliability. GPO's internal controls are designed to provide reasonable assurance that obligations and costs comply with applicable laws and regulations and are within budgetary limits; that funds, property, and other assets are safeguarded against loss from unauthorized acquisition, use, or disposition; and that transactions are properly recorded.

GPO Instruction 825.18A, *Internal Control Program*, establishes the internal control standards and assessment methodology employed by GPO to ensure adequate and effective systems of management control and compliance with applicable laws and regulations. Management monitors the internal control systems and regularly conducts vulnerability assessments and internal control reviews of GPO's programs, operations, and other activities.

GPO's Office of the Inspector General (OIG) monitors the Internal Control Program at GPO and keeps the Public Printer informed of management's progress in addressing internal control deficiencies identified in audits, reviews, and investigations. The OIG and occasionally the

Section I: Management Discussion and Analysis

Government Accountability Office (GAO) conduct audits of GPO's programs and operations, and as such, evaluate management controls. GPO's Internal Control Program, along with recommendations from audits, reviews, and investigations, has strengthened management controls and improved the economy, efficiency, and effectiveness of GPO's programs, operations, and other activities.

Programs and Operations

The programs and operations managed by GPO are based on various public laws codified in Title 44 U.S.C. GPO's statutory responsibilities include fulfilling the printing and information product needs of the Federal Government and distributing official Federal publications to the public.

Funding

GPO's programs and operations are funded through a business-type Revolving Fund, authorized by Title 44 U.S.C. and by annual and certain no-year and multi-year appropriations provided by the U.S. Congress. GPO's Revolving Fund is authorized to be self-sustaining, without fiscal year limitations applicable to most annual appropriations. The Revolving Fund pays for the cost of the Agency's programs and operations and is reimbursed at rates and prices that are intended to recover the full cost of goods and services delivered to customers. GPO's rates and prices for products and services are developed using estimates of direct labor and direct material expenses, overhead expenses, and anticipated volumes.

The major sources of reimbursement to GPO's Revolving Fund are:

- Payments from Federal customers for printing and binding, including U.S. passports and other secure credential documents and cards, blank paper and paper products, and information products and design services;
- Sales of Government publications and information products to the general public, bookstores, bookdealers, and businesses; and
- Fund transfers from the Congressional Printing and Binding (CP&B) Appropriation and the Salaries and Expenses (S&E) Appropriation of the Superintendent of Documents for work performed and authorized to be billed to these appropriations.

The CP&B and S&E appropriations reimburse GPO's Revolving Fund for costs incurred to produce congressional work and fulfill statutory requirements to disseminate Federal Government information to the public, respectively. Reimbursements to the Revolving Fund from the CP&B and S&E appropriations are recorded as revenue when related liabilities are incurred. Unexpended CP&B and S&E appropriation balances may be authorized to be transferred to the Revolving Fund for these purposes with the approval of the House and Senate Appropriations Committees. Otherwise, unexpended annual appropriations are returned to the Department of the Treasury after five years.

Congress has also made no-year and multi-year appropriations available to GPO's Revolving Fund for specific purposes. For example, appropriations have been made for building repairs and improvements, security enhancements, information systems, and workforce retraining.

Programs and Operations Overview

GPO is organized into separate business units to carry out the various programs and operations of the Agency. An overview of these business units follows.

Official Journals of Government – The Official Journals of Government business unit provides support services to the U.S. Senate and U.S. House of Representatives and their committees regarding the printing, binding, and electronic provision of information products required to carry out the legislative schedule and daily operations. This support includes the production of the *Congressional Record*, bills, reports, hearings, committee prints, and other authorized documents.

This business unit also works in close partnership with the Office of the Federal Register (OFR) to coordinate the timely production of the official documents of the OFR including the daily *Federal Register*, *Code of Federal Regulations*, *List of CFR Sections Affected (LSA)*, and the *Public Papers of the Presidents of the United States*.

Plant Operations – The Plant Operations business unit publishes, in print and online, the important official journals of the Federal Government, along with many other Federal Government documents that are available to the public. This business unit provides Congress with all legislative printing and binding services, including overnight production of the *Congressional Record*, and congressional bills, reports, hearings, and other documents. GPO also produces the daily *Federal Register* and the *Code of Federal Regulations* for the Executive Branch. Congressional and *Federal Register* documents created in digital formats are posted on GPO's Federal Digital System (FDsys) (www.fdsys.gov).

Security and Intelligent Documents – This business unit prints, manufactures, and distributes secure credentials, documents, forms, tickets, and smartcards for other Federal agency customers. These security products and services incorporate advanced electronic technologies and integrated security features to prevent fraud and counterfeit activities. Security and Intelligent Documents (SID) products and services include the production of all passports, secure diplomatic drivers licenses, and protocol cards for the U.S. Department of State. Additionally, SID supports the U.S. Department of Homeland Security's Trusted Traveler border crossing smartcard program as well as the Homeland Security Presidential Directive Personal Identity Verification (HSPD-12 PIV) card program used for access to Federal facilities and systems. SID also provides secure products and services for the U.S. Department of Health and Human Services, the U.S. Department of Defense, and the District of Columbia (DC) government.

SID operates within a certified International Organization for Standardization (ISO) 9001 production and quality control environment. SID protects the Personally Identifiable Information (PII) data of customers used in the personalization of credentials, and is certified by the General Services Administration (GSA) as the only Government entity capable of graphically personalizing the Nation's HSPD-12 PIV smart cards now used in all agencies for physical access to Federal Government facilities and logical access to Federal Government computer systems. SID accomplishes all this by leveraging GPO's long and successful security printing tradition with expertise in biometrics, advanced chip and antenna technologies, and state-of-the-art security features found in inks, threads, holograms, paper, and plastic substrates.

Section I: Management Discussion and Analysis

Customer Services – The vast majority of the Federal Government’s printing needs requisitioned through GPO are contracted out to the private sector using Customer Service’s partnerships with commercial printers and the overall information industry. This business model enables the Federal Government to take full advantage of the vast resources, expertise, and specialization within the private sector, and ensures open market competition for printing contracts among thousands of businesses, large and small.

The Customer Services business unit provides pre-procurement consulting, print procurement (including specification writing, bid and solicitation management, and contract awarding), as well as life cycle contract administration to Federal customers. Customer Service teams are assigned to service specific customer agencies, and are in continuous contact with customer agency printing officers and program managers to maintain high levels of satisfaction and to expand their expertise on each agency’s specific mission, needs, and challenges. Customer Service’s performance measures for on-time delivery and quality acceptance (see Performance Measures section) underscore the effectiveness of this partnership between industry and Government.

Creative and Digital Media Services – GPO’s Creative and Digital Media Services provides graphic design solutions, multimedia and Web services to Congress, the White House, and Federal agencies and commissions. This business unit assists customer agencies by creating effective visual communications solutions for their projects using the latest technology. The team is comprised of graphic designers who specialize in art, graphic design, web design and development, e-book design, illustration, photography, and multi-media. This business unit’s work includes designs for Presidential Inauguration materials, the U.S. passport and numerous other security design efforts. Other examples of recent Web design and development projects for agency clients include the National Interagency Fire Center, U.S. Department of Commerce, Federal Mine Safety and Health Review Commission, Open World Leadership Center, and the Federal Housing Finance Agency Office of the Inspector General, among others. This business unit also offers hosting services for Federal agency customers looking for in-government web-hosting solutions.

Publication and Information Sales – This business unit increases public access to U.S. Government information through the sale of Government information products, primarily through GPO’s U.S. Government Bookstore website (<http://bookstore.gpo.gov/>). This site allows the public to purchase hard-copy and e-book copies of Federal Government publications and subscriptions. This business unit also works with commercial sales channels, including book distributors nationwide, to enhance Government information distribution. Publication and Information Sales also provides customer agencies with expert advice on how to make their publications more user-friendly and commercially viable.

Reimbursable Services – This business unit provides a variety of global order fulfillment, inventory, and list management services to Federal agencies through distribution centers in Pueblo, CO, and Laurel, MD. This business unit also supports the GSA’s popular Federal Citizen Information Center in Pueblo.

Library Services and Content Management – This business unit supports and manages the Federal Depository Library Program (FDLP), the Cataloging and Indexing Program, the By-Law Program, and the distribution component of the International Exchange Service of the Library of

Section I: Management Discussion and Analysis

Congress (LOC). The FDLP ensures equitable, secure, convenient, and permanent no-fee access to published U.S. Government information.

The FDLP includes 1,190 designated Federal depository libraries throughout the United States and its territories and provides the American public free access to U.S. Government publications in tangible and electronic collections. Library Services and Content Management's major operational functions include cataloging, acquiring new tangible and electronic publications for the FDLP, program planning, distributing publications to libraries, education and outreach, library technical services, and archival management. Working with other GPO units, this business unit also supports the enhancement and promotion of, and education about GPO's FDsys (www.fdsys.gov), which provides direct online access to Federal Government publications. Other online services managed by this business unit include the *Catalog of U.S. Government Publications* (<http://catalog.gpo.gov>), the FDLP Desktop (www.fdlp.gov), the FDLP Community Site (<http://community.fdlp.gov>), and Ben's Guide to the U.S. Government (<http://bensguide.gpo.gov>).

Management Initiatives to Improve GPO Operations

GPO's Strategic Plan for Fiscal Years 2014 through 2018 outlines goals the Agency will work toward in order to carry out its mission of *Keeping America Informed* in the evolving Digital Age. *Keeping America Informed* in this age requires that the information products and publications of the Federal Government offered are official, digital, and secure. The GPO Strategic Plan promotes the Agency's core values of commitment, customer service, dependability, diversity, integrity, and teamwork. The document serves as a roadmap for the Agency in satisfying its stakeholders, strengthening GPO's organizational foundation, offering benchmark products and service to its customers and pro-actively engaging its workforce. All Agency policy decisions, budgeting and capital investment decisions, workforce development, industry partnerships, customer relations, and operational decision-making are based on this strategic plan. The complete version of GPO's Fiscal Years 2014 through 2018 Strategic Plan and previous plans are available online at http://www.gpo.gov/pdfs/about/2014-2018_GPO_Strategic_Plan.pdf. The following are some of the strategic accomplishments GPO achieved in fiscal 2013:

FDsys Achievements

GPO's FDsys is the content management, preservation repository, and advanced search engine system that allows users to search, browse, access, and download Federal information. Titles include the official versions of the: *Congressional Record*, *Federal Register*, *Budget of the U.S. Government*, *Compilation of Presidential Documents*, *U.S. Code*, *Code of Federal Regulations*, and many others. In fiscal 2013, GPO implemented the following improvements for FDsys users:

Provided Bulk Data Download Support for House Bills in XML – GPO made House bills available in XML format through the FDsys Bulk Data repository, beginning with the 113th Congress.

Developed Code to Support the Digitized Bound *Congressional Record* – GPO provided access through FDsys to digitized historical content included analysis, design, and development as well as collaboration with the Library of Congress on descriptive metadata creation. The Library of Congress is currently digitizing the historic Bound *Congressional*

Section I: Management Discussion and Analysis

Record for ingest by GPO into FDsys in fiscal 2014.

Published the Annotated Constitution – GPO published on the Web, and also made available as a new app, *The Constitution of the United States of America (Analysis and Interpretation)*, in collaboration with the Library of Congress. This publication allows analysis and interpretation of Constitutional case law accessible for free to anyone with a computer or mobile device.

Published Department of the Treasury Content – GPO added free, permanent, public access to five titles of digitized historical content from the Treasury Library. Titles include: *Treasury Reporting Rates of Exchange*, *The Official Register of the United States*, *An Account of the Receipts and Expenditures of the United States*, *The Combined Statement of the Receipts and Expenditures of the United States*, and *The IRS Bulletins (1919-2008)*.

Next Generation FDsys – GPO has started working on the next generation of FDsys which will include four interrelated initiatives: search engine refresh, responsive user interface design, usability testing and user interface improvements, and publication linking.

TIFF to JPEG 2000 Transformation – This effort enabled TIFF files conversion into compressed JPEG 2000 files via FDsys to save storage space for large digitized collections.

United States Courts Opinions Collection – The number of courts available on FDsys was expanded from the initial 29 courts in fiscal 2012 to 64 courts in fiscal 2013. This includes U.S. District, Appellate, and Bankruptcy Court opinions from April 16, 2005, forward, per the E-Government Act of 2002.

Publishing Achievements

In addition to printing the daily versions of the *Congressional Record*, *Federal Register*, and other previously mentioned titles, GPO accomplished the following initiatives in fiscal 2013 that advanced the Agency's publishing role:

Secure Document Materials Testing Laboratory SDMT – GPO's Plant Operations purchased and installed a laboratory information management system that will allow the Plant to support SID and the Department of State in the development of the next generation passport and other secure documents.

FDLP Desktop Replacement – GPO finalized implementation of the FDLP Desktop replacement, "beta.FDLP.gov," that launched November 2012. The website was developed for viewing on multiple platforms, including mobile devices.

Security Achievements

The Nation's security program is supported by GPO's role in producing secure credentials for Federal agencies. In addition to producing electronic U.S. passports for the U.S. Department of State GPO's portfolio of secure credentials includes Trusted Traveler cards for Customs and Border Protection, HSPD-12 cards for the Department of Homeland Security, contractor IDs for

Section I: Management Discussion and Analysis

the Pentagon, and badges for visitors to the White House.

Secure Federal Credentials – GPO plays a vital role in the security programs of our customers and our Nation. Over the last four years, GPO has produced more than 47 million of the latest-generation electronic passports for the Department of State. Proven passport capabilities are built into a family of secure credential products for our Agency customers. They acquire secure credential design, printing, manufacturing, personalization, and delivery—all from GPO. Work is performed in Government facilities by Government employees with proper clearances.

Smart Card and Credential Customers – SID worked closely with several Federal customers on the design, printing, personalization, and fulfillment of several product lines. These include U.S. Capitol Police (Inauguration Identification Documents), Department of State (United Nations Card), Homeland Security (Asian-Pacific Economic Cooperation Identification Documents), Transportation Security Administration (Transportation Worker Identification Card), Department of State (Border Crossing Card), and CIA (leather bound credentials).

Card Personalization – SID successfully coordinated the GPO team that built-out, equipped and staffed a new Stennis Secure Credential Center and completed the project under budget. The site is live and operates every day to personalize Trusted Traveler Program cards.

Other Notable Achievements

The Agency measures its production performance against commercial industry benchmarks and standards. In fiscal 2013, GPO received certifications and awards including the following.

Industry Certifications – GPO Plant Operations secured and sustained the following best-in-class certifications: G7 Master Printer certification for GRACoL Proof, Digital Offset and Sheet-fed Offset Printing; Graphic Arts Industry Color Viewing Standard ISO 3664:2009; and certification as an Institutional Member of the Library Binding Institute demonstrating compliance with ANSI/NISO/LBI Library Binding Standard Z39.78-2000.

Green Initiatives – GPO Plant Operations secured Sustainable Green Printer (SGP) certification and completed a number of "green" projects to sustain this certification. This includes a chemistry neutralizing system to mitigate plate making environmental impact; new solvent recovery system to reduce Volatile Organic Compounds (VOC) emissions; and an upgrade of baler systems with Programmable Logic Controller (PLC)-equipped Variable-Frequency Drives (VFD) to reduce electrical consumption.

Optimization of GPO Office Space – GPO Plant Operations completed the build out of new spaces for tenants including the United States Commission for International Religious Freedom and the Architect of the Capitol.

Financial Position and Results for Fiscal Year 2013

The following is an overview of the financial position and operating results reflected in GPO's basic financial statements as of and for the fiscal year ended September 30, 2013.

Consolidated Balance Sheets

The consolidated balance sheets present the combined amounts that GPO had available to use (assets) versus the amounts the Agency owed (liabilities), and the residual amounts (net position) after liabilities were subtracted from assets.

GPO's total assets, consisting of current assets and general property, plant and equipment, increased by \$20.9 million (2.8 percent), to \$776.2 million as of September 30, 2013, from \$755.3 million as of September 30, 2012. Current assets increased by \$6.6 million, primarily due to a \$27.7 million increase in fund balance with Treasury, an \$18 million decrease in accounts receivable, and a \$3.1 million decrease in inventory. The remaining increase in GPO's total assets resulted from an increase in the value of general property, plant and equipment (PP&E) of \$14.4 million (14.3 percent) during fiscal 2013 (to \$114.9 million as of September 30, 2013 from \$100.5 million as of September 30, 2012). The increase in the value of PP&E during fiscal 2013 was primarily due to the net effect of \$36.3 million in capital acquisitions, which increased the value, offset by approximately \$21.9 million in depreciation expense, which decreased the net value.

GPO's total liabilities (current and long-term) decreased by \$15.6 million (4 percent), to \$374 million as of September 30, 2013, from \$389.6 million as of September 30, 2012. The total decrease was primarily due to a decrease in current accounts payable and accrued expenses of approximately \$13 million (11.9 percent) and a decrease in the long-term workers' compensation liability of \$1.4 million (2 percent).

GPO's net position increased to \$402.3 million as of September 30, 2013 from \$365.7 million as of September 30, 2012. The increase of \$36.5 million (10 percent) in GPO's net position was primarily the result of increases in unexpended appropriations of \$7.1 million and retained earnings of \$29.4 million. Unexpended appropriations increased as a result of the net of an increase in unexpended Revolving Fund appropriations of \$2.6 million (\$22.5 million at year-end 2013 from \$19.9 million at year-end 2012), and an increase in unexpended CP&B appropriations of \$6 million (\$63.8 million at year-end 2013 from \$57.8 million at year-end 2012), which was offset by decreases in S&E appropriations of \$1.4 million (\$25.6 million at year-end 2013 from \$27 million at year-end 2012).

Consolidated Statements of Revenues, Expenses, and Changes in Retained Earnings

The consolidated statements of revenues, expenses, and changes in retained earnings present the accrued reimbursements for goods sold and services provided (revenues), the accrued cost of assets and services used (expenses) in the creation of revenues, and the changes, within the periods presented, of the accumulated net income of the Agency (changes in retained earnings).

Consolidated Revenues – GPO’s consolidated revenues (net of eliminations) are derived from four major sources: Printing & Binding; Appropriations; Sales of Publications; and Agency Distributions. Consolidated revenues were \$718.9 million in fiscal 2013 and \$713.8 million in fiscal 2012. The increase of \$5.1 million (less than 1 percent) was attributable to an increase in Printing and Binding revenue and decreases in Appropriations, Sales of Publications, and Agency Distribution revenues. Printing and Binding revenues increased to \$595.5 million in fiscal 2013 from \$584.3 million in fiscal 2012, an increase of \$11.2 million (1.9 percent). Appropriations revenues decreased to \$110.4 million in fiscal 2013 from \$114.5 million in fiscal 2012, a \$4.1 million (3.6 percent) decrease. Sales of Publications revenue decreased by \$1.8 million, to \$7.8 million in fiscal 2013 from \$9.6 million in fiscal 2012. Agency Distributions revenues decreased to \$5.3 million in fiscal 2013, down slightly from \$5.4 million in fiscal 2012.

■ Printing and Binding Revenues

GPO earns revenues from Federal Government customers for printing, binding, and related services performed by GPO business units and from work performed by commercial contractors. Printing and binding revenues were based on a system of rates, prices, and surcharges designed to recover costs. The revenues for printing and binding originate from the programs and operations of five business units at GPO: Plant Operations, Official Journals of Government, Security and Intelligent Documents, Customer Services, and Creative and Digital Media Services. The revenues earned from jobs produced by GPO employees are generally recognized on a value-added basis, as work is performed. Revenues from contracted jobs are generally recognized on the date that contract requirements are fulfilled, i.e., the date finished products are shipped by the contractor to the customer agency. Revenues from the production of passports for the U.S. Department of State are recognized at negotiated rates per passport at the time that the manufacturing process is completed.

Plant Operations generated revenues of \$52.5 million in fiscal 2013, compared with revenues of \$51.4 million in fiscal 2012. This represents a moderate increase in work of \$1.1 million (2.1 percent). Revenues were generated from the production of paper and digital versions of the *Congressional Record* and all other legislative materials, as well as other documents including the *Federal Register* and the *Code of Federal Regulations*. Plant Operations revenues in fiscal 2013 included \$76.2 million from the CP&B Appropriations, compared to \$80.2 million in fiscal 2012.

Official Journals of Government generated revenues of \$11.9 million in fiscal 2013, compared with revenues of \$11.3 million in fiscal 2012. Revenues generated by providing administrative services to the U.S. Congress were approximately \$5 million in fiscal 2013, compared to \$4.8 million in fiscal 2012. Revenue from employees (printing specialists) detailed to House and Senate Committees was \$4.5 million in each of the fiscal years 2013 and 2012.

Overall revenues for the Security and Intelligent Documents (SID) business unit increased to \$230.8 million in fiscal 2013 from \$179.3 million in fiscal 2012, or \$51.5 million (28.7 percent). SID’s major product is the U.S. passport. GPO produced about 13 million passports in fiscal 2013, compared to about 10 million in fiscal 2012. As a result, passport revenues

Section I: Management Discussion and Analysis

increased to \$214.9 in fiscal 2013 from \$168.8 million in fiscal 2012, an increase of \$46.1 million (27.3 percent). SID revenues in fiscal 2013 for the Trusted Traveler card and other smart card secure credentials for the U.S. Department of Homeland Security, other agencies, and the District of Columbia increased from \$10.5 million in 2012 to \$15.7 million in 2013, an increase of \$5.2 million (50 percent). GPO manufactured 1.2 million smart cards in fiscal 2013 compared to 849,000 in fiscal 2012, a 41.3 percent increase.

Customer Services revenues decreased \$41 million (12.1 percent) to \$298.7 million in fiscal 2013 from \$339.7 million in fiscal 2012. Fiscal 2013 revenue decreased due to fewer customer orders from Defense Logistics Agency, U.S. Department of Health and Human Services, U.S. Department of the Treasury, U.S. Social Security Administration and U.S. Department of Commerce. Revenues from the GPOExpressSM program decreased \$1 million to \$6.1 million in fiscal 2013 from \$7.1 million in fiscal 2012. The GPOExpressSM attained a milestone of its 100,000th order during fiscal year 2013 since program inception in 2005.

Creative and Digital Media Services revenues were \$1.6 million in fiscal 2013 compared with \$2.6 million in fiscal 2012, a decrease of \$1 million (38.5 percent). The decrease results from fewer requests from customer agencies for these services.

■ Appropriation Revenues

GPO receives annual, no-year, and multi-year appropriations from Congress to finance certain costs in accordance with the underlying appropriation act and enabling legislation. The Consolidated and Further Continuing Appropriations Act, 2013 (Public Law 113-6, March 17, 2013) made a total of \$117.5 million in annual appropriations available to the Agency for fiscal 2013.

Revenues earned from appropriations provided to GPO totaled \$110.4 million for fiscal 2013 and \$114.6 million for fiscal 2012. The decrease in appropriation revenue of \$4.1 million (3.6 percent) was primarily due to decreases in appropriation revenues from the CP&B and S&E appropriations. Revenue from appropriations made directly to the Revolving Fund was \$4.6 million in fiscal 2013, which included \$4 million from fiscal 2013 appropriations. In comparison, direct Revolving Fund appropriation revenue was \$1.5 million in fiscal 2012, an increase of \$3.1 million. Revolving Fund appropriation revenue is a reimbursement of qualifying expenses and is recognized when the qualifying expenses are incurred. The \$4.6 million recognized as revenues in fiscal 2013 included \$3.4 million for FDsys implementation and approximately \$712,000 for GPO's composition system replacement software development project. In fiscal 2012, the \$1.5 million recognized as revenues related to qualifying expenses of \$500,000 for FDsys development and \$1 million for roof and elevator repairs and infrastructure improvements.

Revenues from the CP&B Appropriation were \$76.2 million in fiscal 2013 compared to \$80.2 million in fiscal 2012, a decrease of approximately \$4 million (5 percent). The annual CP&B Appropriation is used to fund printing and binding and related information product services provided to Congress by the Plant Operations business unit and services provided by the Official Journals of Government business unit.

The S&E Appropriation provided revenues of \$29.6 million in fiscal 2013 and \$32.9 million in fiscal 2012, a decrease of \$3.3 million (10 percent). The S&E Appropriation is provided annually by Congress to fund the dissemination of Federal Government information to the public by GPO's Library Services and Content Management business unit.

■ Sales of Publications Revenues

GPO earns revenues from the sales of publications in print and digital formats to the public and others. The Publication and Information Sales Program sells publications, subscriptions, and other Federal Government information products, including e-books, at prices designed to recover costs. Revenue from the sales of publications totaled \$7.8 million for fiscal 2013 and \$9.6 million for fiscal 2012, a decrease of \$1.8 million (18 percent). The number of publications sold decreased from 171,000 in fiscal 2012 to 161,000 (5.8 percent decline) in fiscal 2013. Publication and subscription revenues have been declining as agencies publish in digital format and cancel subscriptions for traditional printed periodicals and other paper-based documents.

■ Agency Distribution Revenues

GPO earns revenues from Federal agencies for the storage, packaging, and distribution of Federal Government publications to the public and others. Agency Distributions provides these services on a cost reimbursement basis, at rates and prices designed to recover costs. Revenues from Agency Distributions totaled \$5.3 million for fiscal 2013 and \$5.4 million for fiscal 2012. Although the revenue decreased \$100,000 (1.9 percent), the quantity of items processed increased from 27.5 million units in fiscal 2012 to 32.9 million units in fiscal 2013. Revenue and the number of items distributed do not have a one to one correlation. GPO and customer agencies have varying distribution requirements and varying reimbursement rates.

Consolidated Expenses – GPO incurred total consolidated operating expenses, before other operating expenses, of \$690.9 million for fiscal 2013 and \$708.6 million for fiscal 2012, a decrease of \$17.7 million (2.5 percent). The decrease in operating expenses was due primarily to a decrease in printing and reproduction, and personnel compensation expenses partially offset by an increase in supplies and materials expenses. A brief description of the major expense categories for the Agency follows:

■ Printing and Reproduction Expenses

GPO incurred expenses for printing and reproduction of \$277.2 million for fiscal 2013 and \$314.2 million for fiscal 2012. This represents a decrease of \$37 million (11.8 percent). The decrease was attributable to a reduction in purchases of printed products from private sector contractors by the Customer Services business unit on behalf of customer agencies. The decrease was driven by a reduction in the number of customer agency orders shipped. In fiscal 2013, GPO shipped about 68,000 customer agency orders, compared to about 80,200 orders in fiscal 2012, a 15.2 percent decrease.

■ Personnel Compensation and Benefits Expenses

GPO incurred expenses for personnel compensation and benefits of \$202.7 million during fiscal 2013 and \$207 million during fiscal 2012. This represents a decrease in personnel compensation and benefit expense of \$4.3 million (2.1 percent). The decrease in this category of expense is attributable to a decrease in full-time equivalents over the course of fiscal 2013 compared to fiscal 2012. Full-time equivalents, which are computed using the number of regular hours worked to determine the effective workforce size over a period of time, were 1,824 compared to 1,916 in fiscal 2012. This is a decrease of 92 full-time equivalents (4.8 percent). GPO had 1,879 employees on the rolls at September 30, 2013, compared to 1,881 a year earlier.

■ Supplies and Materials Expenses

The supplies and materials expense category includes production-related paper and materials, general office supplies, and equipment, furniture, and vehicle purchases that were expensed because they did not meet GPO's capitalization threshold. GPO expenses for supplies and materials were \$132 million in fiscal 2013 and \$103.6 million in fiscal 2012. This represents an increase of \$28.4 million (27.4 percent). The high cost of materials consumed in passport and smart card production were the primary reason for the increase. Passport volumes increased by 30 percent to 13 million passports in fiscal 2013 from about 10 million passports in fiscal 2012, while smart card production increased by 41.3 percent to about 1.2 million cards in fiscal 2013, compared to about 849,000 cards in fiscal 2012.

■ Other Services Expenses

This expense category includes the cost of professional services provided by contractors for building security, consulting, system development, equipment maintenance, audits, investigations, and employee training. These expenses are recognized when services ordered have been performed. GPO incurred expenses for these services of \$31.3 million in fiscal 2013 and \$33.4 million in fiscal 2012. This represents a decrease of \$2.1 million (6.3 percent). The reduction in expenses were due primarily to decreases in FDsys support charges, miscellaneous services, maintenance, and training.

■ Depreciation and Amortization Expenses

Total depreciation and amortization expenses increased to \$21.9 million or \$400,000 (1.9 percent) in fiscal 2013 from \$21.5 million in fiscal 2012.

■ Rents, Communications, and Utilities Expenses

This expense group includes rents for building space outside of the immediate Washington, DC area, leased equipment and vehicles, and utilities. GPO incurred expenses for rents, communications, and utilities of \$15.1 million for fiscal 2013 and \$15.5 million for fiscal 2012. This decrease of \$400,000 (2.6 percent) was mainly due to reduced digital reproduction equipment leasing expenses.

■ Travel, Transportation, and Postage Expenses

This expense category includes the cost of employee travel and relocation, commercial

Section I: Management Discussion and Analysis

transportation and delivery services, postage (including postage reimbursable from customer agencies), and commercial mailing services. GPO incurred expense for travel, transportation, and postage of \$8.1 million for fiscal 2013 and \$8.8 million for fiscal 2012. This represents a decrease of \$700,000 (8 percent). The decrease was primarily due to a reduction in postage and commercial mailing expense of about \$800,000.

■ Publications Sold Expenses

This expense is incurred when GPO's Publication and Information Sales business unit sells publications, subscriptions, and other Federal Government information products to customers. This expense totaled \$2.6 million in fiscal 2013, compared to \$4.6 million in fiscal 2012, a decrease of \$2 million (43.5 percent). This significant decrease in expenses correlates with the decline in the volume of publications sold (161,000 publications in fiscal 2013 compared to 171,400 in fiscal 2012) and subscriptions sold (244,700 subscriptions in fiscal 2013 compared to 387,000 in fiscal 2012), along with a significant decrease in the expenses related to obsolete books.

Changes in Retained Earnings – GPO's retained earnings increased by \$29.5 million to \$197.6 million at the end of fiscal 2013, compared to \$168.1 million at the end of fiscal 2012.

As presented on the table below, GPO's retained earnings include the planned uses of net income that is authorized by the responsible parties. The GPO and the Department of State annually agree to a price to be charged per passport, as well as a plan of capital investments required to produce future U.S. passports. As a result, a portion of the agreed upon price includes funding for these capital investments.

GPO also includes in consolidated net income the net change in the long-term workers' compensation liability. This unfunded liability is required to be included in GPO's consolidated financial statements; however, GPO's rates and prices are established only to recover the current fiscal year actual cost of workers' compensation, and not the long-term liability estimate. Adjusting GPO financial results for these two items allows GPO's management to better gauge the actual results of GPO operations.

(Dollars in thousands)			
	2013		2012
Income before Other Expenses	\$ 28,040	\$	5,238
Less: Passport Capital Projects Reserve	(20,740)		(4,200)
Increase/(Decrease) in Workers' Compensation Liability	(1,418)		2,380
Net Income/(Loss) After Capital Projects Reserve			
and Workers' Compensation Liability Adjustment	\$ 8,718	\$	(1,342)

Excluding income required to be invested in capital projects to support the production of U.S. passports, and the Workers' Compensation Liability adjustment, GPO had net income of about \$8.7 million in fiscal 2013, compared to \$1.3 million loss in the prior year.

Consolidated Statements of Cash Flows

The consolidated statements of cash flows present GPO's cash position at the beginning and end of the reporting period, and the sources and uses of cash for all operating, investing, and financing activities.

Fund Balance with Treasury (cash) increased by \$27.7 million during fiscal 2013, compared with an increase of \$93.8 million in fiscal 2012. The increase in cash during fiscal 2013 was primarily the result of the following:

- In fiscal 2013, GPO generated approximately \$56.8 million from operations. The cash inflow was mainly attributed to net income from operations of about \$29.5 million, depreciation expense (a non-cash expense) of about \$21.9 million, and about \$4.9 million from a net reduction in accounts receivable and accounts payable.
- Cash invested in capital assets was \$36.3 million in fiscal 2013. In fiscal 2013, investments were made primarily in new passport production equipment, information technology upgrades, and facilities improvements.
- In fiscal 2013, GPO's unexpended appropriations increased by \$7.1 million, due primarily to increases in the unexpended year-end balances in the Revolving Fund and CP&B appropriations of \$2.6 million and \$6 million, respectively. Contributing to the Revolving Fund increase was a \$3.2 million transfer from the S&E appropriation to the Revolving Fund.

Performance Measures

GPO gauges its overall efficiency and effectiveness using certain performance measures. Generally, these performance measures are based on established standards, goals, or objectives that are compared against actual performance or results for each fiscal year. The following sections discuss the major operating performance measures and financial performance measures used by the Agency.

Operating Performance Measures

On-Time Delivery of *Congressional Record*

The *Congressional Record* is the official record of the proceedings and debates of the U.S. Congress. This important information product is published daily when Congress is in session. GPO uses a performance measure to evaluate the timeliness of the delivery of this core product to Congress. To measure GPO's success in delivering the *Congressional Record* to Congress on-time, GPO established a deadline of delivery to the House and Senate chambers before the start of the next day's session when 100 percent of copy is received by midnight. The on-time delivery rate was 97.1 percent for fiscal 2013 and 89.2 percent for fiscal 2012. The Agency's goal of 95 percent or better was met for fiscal 2013. The goal will remain the same for fiscal 2014.

On-Time Delivery and Quality Acceptance of Procured Printing

Customer Services contracted with commercial businesses to produce and ship approximately 68,000 orders for GPO customers in fiscal 2013. For fiscal 2013, the goals were to have at least 95 percent of procured printing orders delivered on schedule and a quality acceptance rate of at least 99 percent. Customer Services met both of these goals for fiscal 2013, with 97.4 percent of procured printing orders delivered on time and a quality acceptance rate of 99.8 percent. In comparison, GPO contractors shipped approximately 80,000 orders in fiscal 2012, with 97.3 percent of the procured printing orders delivered on time and a quality acceptance rate of 99.8 percent. The two goals will remain the same for fiscal 2014.

Financial Performance Measures

Cash Management

Payment Discounts Earned — In fiscal 2013, GPO continued to save millions of dollars by taking favorable prompt payment discounts offered by contractors for the payment of invoices within the discount period. GPO earned prompt payment discounts of \$3.4 million on purchased printing expense of \$277.2 million. In comparison, GPO earned \$3.6 million in discounts on \$314.2 million in printing expenses last year. The average discount rate earned was 1.2 percent and 1.1 percent for fiscal years 2013 and 2012, respectively. The average discount rate earned for fiscal 2013 met the targeted goal of 1.2 percent. The goal for fiscal 2014 will again be 1.2 percent.

Lost prompt payment discounts decreased to \$426,000 in fiscal 2013 from \$661,000 in fiscal 2012. As a result, the percentage of discounts lost to discounts offered was 11.1 percent, compared to 15.4 percent in 2012. GPO will strive to equal or improve the percentage of discounts lost to total printing expense in fiscal 2014.

Electronic Payments — Electronic Funds Transfer (EFT) is the most secure, efficient, and economical method of making payments to GPO contractors, employees, and other non-Federal entities. While it costs the U.S. Government \$1.03 to issue each check payment, the cost is only 10.5 cents to issue an EFT payment¹. In fiscal 2013, 89.1 percent of all payments were made by EFT. In comparison, about 89.5 percent of all payments were made by EFT in fiscal 2012. While the Agency's EFT payments fell just shy of the target of 90 percent for fiscal 2013, GPO will continue to work with vendors to increase EFT participation rates and strive to achieve that goal for fiscal 2014.

1. Source: U.S. Department of the Treasury, http://www.fms.treas.gov/eft_index.html

Possible Future Effects of Existing Events and Conditions

Several events and conditions may materially impact GPO's programs and operations in the future. A synopsis of each of these conditions follows.

Funding Lapse and Future Budget Uncertainties – On October 1, 2013, the Federal government shut down operations, except for exempt activities, due to a lapse in appropriations. The funding lapse lasted 16 calendar days. GPO's Revolving Fund was adversely impacted by the shutdown, because the normal inflow of customer agency orders was interrupted. In addition, retroactive payment of GPO employee wages of approximately \$10.6 million caused an outflow of financial resources without productivity and resultant revenue. Because GPO could only make-up a fraction of lost productivity, overall GPO estimates that the shutdown will have a negative financial impact on the Agency in fiscal 2014.

Other Federal Appropriation Reductions – Printing and duplicating are considered a discretionary cost for Federal customers, generally. The potential for possible budget reductions and restrictions in the future may have an adverse effect on the availability of funds for Federal printing and duplicating provided by GPO.

Shift in Demand from Ink-on-Paper Products to Expanding Digital Requirements – GPO continues to manufacture and sell a sizable array of Federal information products. The increase in Government documents on the Internet and a downward trend in customer demand for printed documents will continue to place downward pressure on printing revenues, both in-plant and purchased from the commercial sector, and publication sales.

GPO's customer base of Federal agencies will continue to need printed copies, albeit reduced quantities, to accomplish their respective missions. GPO is working with agencies to educate and assist them in effectively accomplishing the communications aspect of their missions. GPO will continue outreach efforts for Federal agencies to adapt to the future of Federal Government communications. In transforming its business model, GPO is focusing on managing digital content for agency and public use, both today and tomorrow. The content received from Congress and Federal agencies will be managed through a life-cycle process that supports the primary requirement to make the digital version of publications permanently available online, and to print only when required or otherwise necessary. GPO's transformation is continuing with the development of new ways of delivering Government information, including apps and bulk data download files.

Some Plant Operations core ink-on-paper products, such as the *Congressional Record* and *Federal Register*, have shorter production runs than in past years because these products are available online. Production runs are expected to further decline as customers opt-out of paper copies and opt-into digital access. To offset potential decreases in revenue from lessening demand for printed products, GPO has committed to capitalizing on efficiencies in operations, implementing improved printing technologies, and utilizing digital print methods to satisfy requirements unique to Federal customers in order to provide best value.

Section I: Management Discussion and Analysis

The Publication and Information Sales Program business unit is still very much dependent on hard-copy sales for funding its operations. GPO has entered into e-book sales partnerships, as more people turn toward electronic publications. This business unit will continue to identify market segments for the program's offerings, employ focused advertising, and provide world-class customer service to a niche customer base. However, operational efficiencies will need to continue to improve in order to achieve positive operating margins.

Rapid Changes in Technology – GPO has successfully adapted to changes in printing and information technology over the course of its history. In the last few years, the rate of change in technology has increased dramatically. Faced with a forecast of decreasing revenues and limited funds to invest in infrastructure improvements in fiscal 2013 and possibly beyond, GPO established an internal committee with the responsibility of identifying strategic capital investments and melding the opportunities into a short-term to long-term investment plan for the Public Printer's endorsement. The committee places emphasis on adapting GPO to satisfy current and future congressional and other key customer needs and GPO sustainability, including improving efficiency and economy.

Fiscal Year 2014 Financial Projections

On July 1, 1953, Congress established the GPO Revolving Fund to finance GPO's operations on a self-sustaining basis. The Agency's overall long-term financial objective has been to earn revenues through a system of rates, prices, and surcharges used to bill customers for goods delivered and services performed that are sufficient to recover all Agency costs, including depreciation and overhead, in accordance with Section 309 of Title 44 U.S.C. The receipts and disbursements from the continuous cycle of business-type operations are recorded in the GPO Revolving Fund.

GPO's fiscal 2014 operating budget plans for the Agency to achieve break-even, before the long-term Federal Employees' Compensation Act (FECA) adjustment from the U.S. Department of Labor, and after adjusting for income from capital investments related to passport production. These capital investments for the U.S. Department of State are mutually agreed to and allow GPO to invest in state-of-the-art passport manufacturing technology. The GPO operating budget also provides sufficient cash to allow continued capital investment to achieve more efficient operations and better meet customer needs. The budget for 2014 will require that the Agency continue with the strict cost containment program implemented in fiscal 2011.

The GPO's focus on satisfying customers, producing authentic and secure products vital to customers, and managing through change are essential to maintaining Agency operations on sound footing, both organizationally and financially. Achieving adequate financial results will help ensure that the GPO Revolving Fund remains financially self-sustaining as Congress intended and that GPO can continue *Keeping America Informed*, as it has for over 150 years.

SECTION II

INSPECTOR GENERAL'S REPORT



U.S. GOVERNMENT PRINTING OFFICE
OFFICE OF INSPECTOR GENERAL

AUDIT REPORT

14-09

U.S. Government Printing Office FY 2013 Independent Auditor's Report

February 14, 2014



Date

February 14, 2014

To

Public Printer

From

Inspector General

Subject

FY 2013 Independent Auditor's Report

Report Number 14-09

Attached is the Independent Auditor's Report on the U.S. Government Printing Office's (GPO's) FY 2013 financial statements. We contracted with the independent certified public accounting firm of KPMG LLP (KPMG) to audit the financial statements of GPO as of and for the years ending September 30, 2013, and 2012. The contract required that the audit be conducted in accordance with generally accepted government auditing standards (GAGAS).

KPMG's opinion on GPO's financial statements was unqualified. KPMG's consideration of internal control over financial reporting resulted in a material weakness. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected in a timely basis. In addition, KPMG identified one significant deficiency related to Information Technology General and Application Controls. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. KPMG made recommendations that GPO address each of the deficiencies.

OIG further recommends that management develop a comprehensive corrective action plan (CAP) that addresses the material weakness identified during the audit. Specifically, reconciliations or comparisons of material data should be addressed separately as part of the CAP.

Appendix A, "Internal Control over Financial Reporting," of the Chief Financial Officer's Council's Implementation Guide for OMB Circular No. A-123, "Management's Responsibility for Internal Control," explains that a comprehensive CAP lists the detailed actions that



agency personnel must perform to resolve a material weakness. The Guide also describes the basic elements of a comprehensive CAP as including:

- A summary description of the deficiency.
- The year the deficiency was first identified.
- The targeted corrective action date (the date of management follow-up).
- The agency official responsible for monitoring progress.
 - The indicators, statistics, or metrics used to gauge resolution progress (in advance of audit follow-up) to validate the resolution of the deficiency.
 - The quantifiable target or otherwise qualitative characteristic (for example, milestone) that reports how resolution activities are progressing.

While GPO is not required to follow OMB Circular No. A-123, the Circular is considered to contain policy related to internal controls that we consider best practices for the Federal Government. CAPs are the mechanism whereby management presents the procedures the agency will follow to resolve deficiencies.

Recommendation

We recommend the Chief Financial Officer prepare a comprehensive CAP that addresses the material weakness identified in the consolidated financial statement audit. Specifically, reconciliations or comparisons of material data should be addressed separately as part of CAP. The CAP should include measurable indicators of compliance and resolution to assess and validate progress throughout the resolution cycle. Management should closely monitor and update the CAP periodically.

KPMG is responsible for the attached auditor's report and the conclusions expressed in the report. However, in connection with the contract, we reviewed KPMG's report and related documentation and inquired of its representatives. Our review, as differentiated from an audit in accordance with GAGAS, was not intended to enable us to express, and we do not express, an opinion on GPO's financial statements; or conclusions about the effectiveness of



any internal control; or on GPO's compliance with laws and regulations. Our review did not disclose any instances where KPMG did not comply, in all material respects, with GAGAS requirements.

We appreciate the courtesies extended to KPMG and to our audit staff. If you have any questions or comments about this report, please do not hesitate to contact me at (202) 512-0039.

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

MICHAEL A. RAPONI
Inspector General

Attachment

cc:

Deputy Public Printer

General Counsel

Chief Financial Officer

Chief of Staff

SECTION III

INDEPENDENT AUDITORS' REPORT



KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

The Public Printer
United States Government Printing Office

Office of the Inspector General
United States Government Printing Office:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the United States Government Printing Office (GPO), which comprise the consolidated balance sheets as of September 30, 2013 and 2012, and the related consolidated statements of revenues, expenses, and changes in retained earnings, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Financial Statements

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the United States Government Printing Office as of September 30, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements as a whole. The information in the Management's Discussion and Analysis section is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the GPO's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the GPO's internal control. Accordingly, we do not express an opinion on the effectiveness of the GPO's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in controls over financial reporting described in the accompanying Schedule of Findings as item 2013-01 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in controls over information technology described in the accompanying Schedule of Findings as item 2013-02 to be a significant deficiency.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether GPO's consolidated financial statements are free from material misstatement, we performed tests of GPO's compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of the consolidated financial statement amounts. However, providing an opinion on compliance with these provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests of compliance as described above disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards*.

GPO's Responses to Findings

GPO's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. GPO's responses were not subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on the responses.

Purpose of the Other Reporting Required by Government Auditing Standards

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* section is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of GPO's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

February 7, 2014

Fiscal Year 2013 Schedule of Findings

Material Weakness

2013-01 Controls over Financial Reporting

During fiscal year (FY) 2013, we noted several matters that highlighted the need for improved internal controls over financial reporting in several key process areas relating to the preparation, review and posting of journal entries and the review and approval of account reconciliations. We also noted several instances where supervisory reviews were not performed timely or at a precision level that would detect and correct a material misstatement. Collectively, these matters are considered to be a material weakness in internal controls over financial reporting. Specifically, we identified the following:

- The billings to revenue reconciliations for two of three months tested were not properly reviewed by management, which resulted in multiple errors in the reconciliations. For example, amounts in the reconciliations did not agree to the balances recorded in the general ledger; mathematical errors occurred in calculating sum totals; and some of the amounts identified as reconciling items were not true reconciling items. (13-NFR-03)
- We noted that GPO used a report titled “Accounts Receivable and Cash Management Report” to monitor its government-related accounts receivables. However, periodic reconciliations of this report to the general ledger were not performed. As a result of our requests for such reconciliations, we were provided multiple versions of the reconciliations containing material errors. (13-NFR-03) For example:
 - The September 2013 reconciliation reviewed by management listed a reconciling item of approximately \$16.8 million. However, when we tested the reconciliation, we determined it was not a reconciling item but rather an item related to FY 2014 invoices.
 - The second version of the September 2013 reconciliation reviewed by management listed a reconciling item of approximately \$2.5 million. However, when we tested the reconciliation, we determined it was not a reconciling item due to a clerical error. In addition, all reconciling items on the amended version of the September 2013 reconciliation were incorrectly identified as negative numbers when they should have been positive numbers, increasing the balance.
- Our testing of deposit account reconciliations identified mathematical errors and items incorrectly identified as reconciling items, and the monthly journal entry to accrue for unapplied receipts was not posted to the general ledger. (13-NFR-03)
- For the “Annual Allowance for Doubtful Accounts Calculation” as of September 30, 2013, we identified a difference between the FY 2013 “4 Bucket Report” and the general ledger where the general ledger was approximately \$1 million less than the “4 Bucket Report.” We also noted that the balance of the accounts over 18 months old from the FY 2012 “4 Bucket Report” used in the FY 2013 allowance calculation was less than the amount from FY 2012 “4 Bucket Report” and resulted in an understatement of the Allowance for Doubtful Accounts and the Bad Debt Expense as of and for the year ended September 30, 2013. As this was considered immaterial by GPO, management did not correct the error. (13-NFR-03)
- Commercial and government accounts payable reconciliations as of September 30, 2013 were reviewed subsequently to GPO closing the month of September 2013 financial records. We also found that the March 2013 accounts payable reconciliations were not performed because the process owner was on leave and GPO had not assigned this responsibility to another individual in the owner’s absence. (13-NFR-03)

- We identified journal entries that did not agree to the supporting documentation and an amount was recorded to an incorrect account. (13-NFR-03)
- We found that the lag factor accrual schedule did not take into account the last 3 months of the fiscal year, which resulted in an understatement of revenue and expense by approximately \$1.4 million. We also found that the lag factor accrual schedule contained mathematical errors, which understated the accrual by approximately \$37 thousand. As this was considered immaterial by GPO, management did not correct the error. (13-NFR-03)
- We identified a commercial printing job for which GPO had paid the expense during the year but had not invoiced the customer as of September 30, 2013 resulting in \$13,271 of revenue not being billed as of September 30, 2013. GPO subsequently billed for this amount. (13-NFR-07)
- During our testwork over a sample of unbilled accounts receivable items totaling approximately \$2.7 million, we identified the following:
 - Because of an error in coding one sample item in the amount of approximately \$97 thousand, the item was erroneously not billed to the customer although the contractor had fulfilled the requirements of the contract as of September 30, 2013. As this was considered immaterial by GPO, management did not correct the error. (13-NFR-07)
 - Two sample items related to projects completed in the prior year and no further billings were anticipated. Therefore, the billing variance related to these projects should have been recorded in a previous fiscal year and not in FY 2013. Because of the errors we identified, management performed an analysis over the unbilled accounts receivable account and determined the errors were isolated to (1) monthly jackets (a production and billing mechanism for print jobs) and (2) jackets prior to FY 2009 that had not been closed out even though no further billings were anticipated. As a result of this analysis, management determined that 585 jackets totaling \$2.1 million should have been closed out prior to FY 2013 as no further billings were anticipated. Management corrected this error. (13-NFR-10)
- We performed test work on the advanced billings detail and identified projects that were still recorded in advance billings for which GPO had not properly recognized the revenue. The total balance related to these advanced billings was approximately \$935 thousand as of September 30, 2013. GPO subsequently recorded an adjustment to remove these balances from advanced billings as of September 30, 2013. (13-NFR-09)
- We performed a statistical sample of commercial printing revenue and found that GPO had inadvertently invoiced a commercial printing project, resulting in an overstatement of advanced billings. The projected revenue overstatement as a result of this error is approximately \$1.6 million, which includes the known overstatement of approximately \$167 thousand. As this was considered immaterial by GPO, management did not correct the error. (13-NFR-09)

The Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government* requires the following:

- Control activities are 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.
- Control activities occur at all levels and functions of the entity. They include a wide range of diverse activities such as approvals, authorizations, verifications, reconciliations, performance reviews,

maintenance of security, and the creation and maintenance of related records which provide evidence of execution of these activities as well as appropriate documentation. Control activities may be applied in a computerized information system environment or through manual processes.

Management reviews are considered a key aspect of control monitoring. Examples of control activities include reviews by management at the functional or activity level. Specifically, the *Standards for Internal Control in the Federal Government* state:

Internal control should generally be designed to assure that ongoing monitoring occurs in the course of normal operations. It is performed continually and is ingrained in the agency's operations. It includes regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties.

Recommendations:

We recommend that GPO strengthen its controls over the timely and accurate preparation and review of reconciliations, journal entries, and other adjustments as follows:

1. Establish a level of precision and timeframe for completion of account reconciliations in monthly financial information packages and year-end financial statements. We also recommend GPO management establish a policy for completion of timely reviews of account reconciliations to include evaluation of supporting schedules and reports for completeness and accuracy.
2. Strengthen policies and procedures over the preparation and review of customer bills prior to sending them to customers to ensure completeness and accuracy of each bill and its components.
3. Develop and implement policies and procedures to ensure all commercial bills from the contractors are reviewed and ensure that the customer invoices are generated once the final bill from the contractor is received.
4. Develop and implement policies and procedures to ensure that advanced billing related transactions and balances are properly recorded and evaluated throughout the year.
5. Develop and implement policies and procedures to ensure that balances recorded in unbilled accounts receivable are proper throughout the year and all final billed jackets are properly recorded.
6. Ensure that supervisors are properly reviewing reconciliations, journal entries and any supporting schedules used by GPO to determine final account balances, which includes tracing inputs to underlying data and testing the mathematical accuracy any schedules or calculations used.

Management Response:

Management concurs with the finding. GPO will revise and implement the revised SOPs for reconciliation review and journal entry reviews by June 30, 2014. The revisions will include a realistic timeline for completing reconciliations before the monthly performance information packages are published and completing the year-end reconciliations before the fiscal year is closed and provide guidance for cross footing supporting spreadsheets to eliminate the identified footing errors. The journal entry review SOP will provide guidance and review documentation procedures to establish the appropriate level of review and proofing based on the potential misstatement that could arise from an error in the entry.

Unbilled items will be reviewed on a weekly basis using the Partial Payment Report. Accounts Payable will check weekly all code 8 items when they reach 60 days old to determine if they should be moved to Code 9 (ready to bill).

Significant Deficiency

2013-02 Internal Controls over Information Technology General and Application Controls

During FY 2013, we identified deficiencies in the design and/or operations of GPO's information technology (IT) general controls in the areas of Security Management, Access Controls, Segregation of Duties, and Contingency Planning. These conditions were generally due to resource constraints and competing priorities at GPO. The details of these conditions, several of which have been reported to management in prior years' audit reports, are as follows:

Security Management

We found that GPO major applications did not have finalized Certification and Accreditation (C&A) packages, including Authority to Operate Letters and System Security Plans.

GPO management stated that IT Security did not have the resources to perform a security certification review of two of its major applications due to the workload of other, higher priority application C&A activities and IT Security operational activities.

The lack of completed C&A packages increases the likelihood of unidentified threats compromising the integrity and confidentiality of GPO financial information because system security risks and requirements have not been documented and assessed. GPO Directive 825.33B *Information Technology (IT) Security Program Statement of Policy*, dated May 24, 2011, states systems will undergo C&A before they process any data. Additionally, systems will be re-accredited at least every 3 years. (NFR-IT-2013-06)

Federal Information Processing Standards (FIPS) Publication 200, *Minimum Security Requirements for Federal Information and Information Systems*, requires organizations to authorize the operation of organizational information systems.

The National Institute of Standards and Technology (NIST) Special Publication (SP) 800-53, Revision 3, *Recommended Security Controls for Federal Information Systems and Organizations*, provides more detailed guidance for the security authorization process and directs organizations to:

- Develop security plans for information systems that describe the security controls in place or planned for meeting the control requirements from NIST SP 800-53 including rationale for control tailoring and supplementation decisions, and
- Assess the planned security controls to determine the extent to which the controls are implemented correctly, operating as intended, and producing the desired outcome and to document the results of the assessment to provide to the authorizing official.
- Ensure the final, agreed-upon set of security controls is documented with appropriate rationale in the security plan for the information system. The authorizing official or designated representative, by accepting the security plan, agrees to the set of security controls proposed to meet the security requirements for the information system.

Recommendation:

We recommend that the Chief Information Officer (CIO) allocate the appropriate resources to complete the C&A package documents and process for both application systems and obtain an Authority to Operate.

Access Controls

Overall, access controls at GPO continue to require strengthening in order to provide a more secure financial processing and computing environment. GPO management made progress in addressing the access control deficiencies noted in prior years. However, we noted the following access controls deficiencies that need improvement:

- User access was granted without the appropriate documented authorization (NFR-IT-2013-05):
 - One of 15 new GPO IT General Support System (GSS) users selected was granted access to the system before the user's access was authorized by the supervisor.
 - GPO was unable to provide documented evidence that three of four new GSS operating system administrators were appropriately authorized prior to obtaining system administrator access.

GPO did not consistently ensure that proper access authorization was documented and accounted for prior to granting new users access to the GPO GSS. Although general policies for restricting unauthorized access were documented, clear and defined procedures for authorizing and granting access to new users were not adequately documented.

Creating user accounts without the proper documented authorization increases the likelihood that unauthorized users will gain access to information systems, increasing the risk that the confidentiality and integrity of information systems will be compromised.

- User access was not consistently removed after users left GPO or changed job duties (NFR-IT-2013-02). Specifically, we found the following:
 - Four of 99 separated employees retained active GPO Financial System accounts for a period ranging from 114 to 139 days after their separation date as of our test work on September 13, 2013.
 - One of 99 separated employees retained an active account for 136 days after their separation date as of our test work on September 13, 2013.
 - Three of 99 separated employees retained an active account for a period ranging from 51 to 326 days after their separation date as of our test work on September 23, 2013.

Supervisors did not consistently follow the account termination policies and procedures for separated users. In addition, GPO management did not actively monitor the systems to ensure that separated user accounts were disabled from the systems in a timely manner.

Failure to disable user access immediately upon termination increases the likelihood of unauthorized access to GPO systems, which increases the risk of a compromise of the confidentiality and integrity of GPO financial data and other sensitive information.

- Periodic reviews of user access were not consistently documented (NFR-IT-2013-03). Specifically, we found the following:
 - There is no process in place to perform and document a periodic review of personnel with access to the system's Platform to determine whether user access is appropriate.
 - GPO's Finance Department was unable to provide evidence of a completed user account review for the application during the current fiscal year.
 - Through inquiry, GPO management identified that user account reviews occur on a monthly basis. However, GPO was unable to provide evidence of user account reviews for one of the two months selected.

GPO management had not formally documented and defined the frequency with which user accounts should be reviewed and the procedures involved with reviewing the accounts. Therefore, GPO management cannot properly monitor and consistently ensure that user accounts were reviewed appropriately and documentation retained.

Failure to formally document the frequency and procedures involved with reviewing accounts and the failure to appropriately and timely recertify accounts on the network and applications increase the likelihood of unauthorized or inappropriate access. This increases the risk that the confidentiality and integrity of information and information systems will be compromised.

GPO Directive 825.33B *Information Technology (IT) Security Program Statement of Policy*, dated May 24, 2011, states:

- Users and administrators of IT resources are accountable for all activity performed under their unique User ID.
- Each system will have a process in place that ensures individuals are denied access to the system when employment is terminated.
- User lists and privileges will be periodically reviewed. The review will be the basis for modifying access levels, including denying access to individuals as a result of task changes or changes in employment status.
- Access control lists will be reviewed and updated on a periodic basis. Access will be denied to individuals who have been terminated or, at the discretion of management, to those that are the subject of adverse personnel actions.

NIST SP 800-53, Revision 3, *Recommended Security Controls for Federal Information Systems and Organizations*, provides guidance for managing access controls and directs organizations to:

- Grant access to the system based on a valid access authorization;
- Operate procedures for disabling and removing access when users are terminated, transferred, or information system usage or need-to-know/need-to-share changes;
- Periodically review accounts.

Recommendation:

We recommend that the CIO:

1. Evaluate, revise as necessary and formally document GPO's procedures for authorizing and granting new users access to the GPO system to help ensure that system access is not granted without the proper authorization.
2. Evaluate, revise as necessary, and enforce policies and procedures regarding timely removal of system access for separated personnel to help ensure that system access is removed immediately at the time personnel leave GPO.
3. Evaluate, revise as necessary and formally document policies and procedures for periodically reviewing access to GPO systems to help ensure that access is reviewed on a defined frequency and that the review is documented.
4. Establish and implement controls to monitor compliance with such policies.

Segregation of Duties

Effective segregation of duties starts with effective entity-wide policies and procedures that are implemented at the system and application levels. Although Finance Office segregation of duties procedures document conflicting activities within the financial system, the procedures are not sufficiently detailed to identify which roles within the system are considered to be conflicting. Not identifying conflicting roles within the system may lead to system users having conflicting access to this key financial system, which could result in a user having end-to-end control over a transaction such that they could both initiate and approve an erroneous transaction (NFR-IT-2013-04).

GPO management stated that in an effort to mitigate the disconnect between the segregation of duties procedures and the system user listing they are in the process of implementing an Oracle Government, Risk, and Compliance module. However, due to resource constraints and other priorities, this issue is not scheduled to be mitigated until February 2014.

Without the proper alignment of the segregation of duties procedures and the system user listing, it makes it difficult for management to identify and monitor users with conflicting roles and responsibilities. This increases the likelihood that users with conflicting roles and responsibilities can go undetected.

GPO Directive 825.33B: *Information Technology (IT) Security Program Statement of Policy*, dated May 2011, states the CIO is responsible for "(11) Ensuring that appropriate senior GPO officials are: (e) Maintaining appropriate segregation of duties and the periodic review of access levels for programs and systems over which they have control."

NIST SP 800-53, Revision 3, *Recommended Security Controls for Federal Information Systems and Organizations*, provides guidance for managing access controls and directs organizations to:

- Implement separation of duties through assigned information system access authorizations.

Recommendation:

We recommend that the CIO:

1. Continue to implement the Oracle Government, Risk, and Compliance module in order to link the responsibilities of GBIS to user roles to ensure that users do not have conflicting responsibilities.
2. Revise and update GPO's procedures for maintaining segregation of duties within the system so that the procedures include sufficient detail to identify conflicting roles within the system.

Contingency Planning

The contingency plan for GPO's GSS had not been finalized, approved or tested, and was still in draft form. GPO may not be able to successfully recover critical applications and systems to maintain business functions during the event of a service disruption without an effective contingency plan and testing process in place. Without documented contingency plan test results, management may be unaware of any weaknesses in disaster recovery capabilities that could have been revealed by disaster recovery testing. (NFR-IT-2013-01)

GPO management stated that it had not finalized, approved, or fully tested the contingency plan for the GSS due to limited resources and the scope of the project.

NIST SP 800-53, Revision 3, *Recommended Security Controls for Federal Information Systems and Organizations*, states that organizations should develop contingency plans for their information systems that are reviewed and approved by designated officials, should test to determine the plans' effectiveness, should review the contingency plan test results, and initiate corrective actions.

Recommendation:

We recommend that the CIO ensure that:

1. GPO management finalize and approve the contingency plans for GPO's GSS.
2. GPO management periodically perform contingency plan testing and document the test plans and the results for GPO's GSS.

Management Response:

Management concurs with these recommendations and is in the process of implementing a corrective action plan.

SECTION IV

FINANCIAL STATEMENTS

Section IV: Financial Statements

U.S. Government Printing Office Consolidated Balance Sheets As of September 30, 2013 and 2012 (Dollars in Thousands)

	2013	2012
ASSETS		
Current assets		
Fund balance with Treasury (Note 2)	\$ 508,267	\$ 480,607
Accounts receivable, net (Note 3)	123,224	141,176
Inventory, net (Note 4)	28,804	31,891
Prepaid expenses (Note 5)	1,040	1,156
Total current assets	661,335	654,830
General property, plant and equipment, net (Note 6)	114,900	100,473
Total assets	\$ 776,235	\$ 755,303
LIABILITIES AND NET POSITION		
Current liabilities		
Accounts payable and accrued expenses (Note 7)	\$ 96,155	\$ 109,188
Deferred revenues (Note 8)	198,947	200,429
Accrued annual leave	9,707	9,417
Total current liabilities	304,809	319,034
Noncurrent liabilities		
Workers' compensation liability (Note 9)	69,106	70,524
Total liabilities	373,915	389,558
Commitments and contingencies (Notes 10 and 11)		
Net position (Note 12)		
Cumulative results of operations:		
Retained earnings	197,604	168,146
Invested capital	92,879	92,879
Unexpended appropriations	111,837	104,720
Total net position	402,320	365,745
Total liabilities and net position	\$ 776,235	\$ 755,303

The accompanying notes are an integral part of these financial statements.

Section IV: Financial Statements

U.S. Government Printing Office
Consolidated Statements of Revenues, Expenses,
and Changes in Retained Earnings
For the Fiscal Years Ended September 30, 2013 and 2012
(Dollars in Thousands)

	2013	2012
OPERATING REVENUES		
Printing and binding	\$ 595,492	\$ 584,328
Appropriations	110,350	114,512
Sales of publications	7,836	9,564
Agency distributions	5,260	5,427
Total operating revenues	718,938	713,831
OPERATING EXPENSES		
Printing and reproduction	277,200	314,225
Personnel compensation and benefits	202,698	206,952
Supplies and materials	132,005	103,632
Other services	31,320	33,375
Depreciation and amortization	21,896	21,463
Rents, communications, and utilities	15,051	15,546
Travel, transportation, and postage	8,110	8,838
Publications sold	2,618	4,562
Subtotal	690,898	708,593
Income before other expenses	28,040	5,238
OTHER EXPENSES		
(Increase)/decrease in workers' compensation liability	1,418	(2,380)
Net Income	\$ 29,458	\$ 2,858
Retained Earnings, beginning of year	168,146	165,288
Retained Earnings, end of year	\$ 197,604	\$ 168,146

The accompanying notes are an integral part of these financial statements.

Section IV: Financial Statements

U.S. Government Printing Office
Consolidated Statements of Cash Flows
For the Fiscal Years Ended September 30, 2013 and 2012
(Dollars in Thousands)

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 29,458	\$ 2,858
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	21,896	21,463
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	17,952	31,095
Inventory	3,087	28
Prepaid expenses	116	(1,057)
Increase (decrease) in liabilities:		
Accounts payable, accrued expenses, and other	(13,067)	(11,789)
Deferred revenues	(1,482)	57,285
Accrued annual leave	290	(1,426)
Workers' compensation liabilities	(1,418)	2,380
Total adjustments	27,374	97,979
Net cash provided by operating activities	56,832	100,837
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital purchases	(36,324)	(18,692)
Proceeds from sale of general property, plant and equipment	35	37
Net cash used in investing activities	(36,289)	(18,655)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in unexpended appropriations	7,117	11,571
Net cash provided by financing activities	7,117	11,571
Net increase in fund balance with Treasury	27,660	93,753
Fund balance with Treasury, beginning of year	480,607	386,854
Fund balance with Treasury, end of year	\$ 508,267	\$ 480,607

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

U.S. Government Printing Office
Notes to the Financial Statements
September 30, 2013 and 2012

1. Summary of Significant Accounting Policies

A. Reporting Entity

The U.S. Government Printing Office (GPO or Agency) is a Legislative Branch agency of the Federal Government. The Agency's mission and authority are derived from various statutes codified in Title 44, *Public Printing and Documents*, of the *United States Code* (U.S.C.). Congress established GPO to provide the Federal Government with an efficient and effective means for the production, procurement, and dissemination of Federal Government information to the Nation in traditional and electronics formats

The Public Printer of the United States, appointed by the President of the United States with the advice and consent of the U.S. Senate, serves as the Agency head and oversees GPO's programs and operations. These programs and operations are funded through a business-type Revolving Fund, authorized by 44 U.S.C. Section 309, and annual and special appropriations provided by Congress. The GPO Revolving Fund maintains a system of accounts and records transactions to comply with the requirements of § 309 of Title 44 U.S.C.

The Joint Committee on Printing (JCP) has primary responsibility for congressional oversight of GPO's programs and operations. The JCP is composed of five members of the U.S. House of Representatives and five members of the U.S. Senate. Every two years the JCP chairmanship and vice-chairmanship rotate between the House and the Senate.

B. Accounting Environment

Basis of Accounting

The Government Printing Office (GPO) has historically prepared its financial statements in conformity with U.S. generally accepted accounting principles (GAAP), based on accounting standards issued by the Financial Accounting Standards Board (FASB), the private-sector standards-setting body.

Under such standards, the GPO prepares its financial statements using the full accrual basis of accounting under which revenues are recognized (recorded or accrued) when earned and expenses are recognized as incurred, regardless of when cash is exchanged.

The Federal Accounting Standards Advisory Board (FASAB) has been designated by the American Institute of Certified Public Accountants as the standards-setting body for financial statements of Federal Government entities, with respect to the establishment of GAAP. FASAB has indicated that financial statements prepared based upon accounting standards published by the FASB may also be regarded as in conformity with GAAP for those Federal agencies, such as the GPO, that have issued financial statements based upon FASB accounting standards in the past. Accordingly, consistent with historical reporting, the GPO's

Section IV (con't.): Notes to the Financial Statements

financial statements are presented in accordance with accounting standards published by FASB.

Basis of Presentation and Consolidation

GPO prepares annual financial statements that reflect the overall financial position and results of operations to meet the requirements of GAAP and 31 U.S.C. § 3515(b) as mandated by 44 U.S.C. § 309(e). The accompanying consolidated financial statements include all funds under GPO's control that have been established and maintained to account for the resources of the Agency. All significant intra-agency balances and transactions have been eliminated in the preparation of the consolidated financial statements. GPO's consolidated financial statements do not include the effects of centrally administered assets and liabilities of the Federal Government, as a whole, such as interest on the public debt, which may in part be attributable to GPO. Other Federal agencies make financial decisions and report certain financial matters on behalf of the entire Federal Government, including matters in which individual agencies may be an indirect party. Financial matters maintained or reported by other Federal agencies in which GPO is indirectly involved include employee benefit plans and certain legal settlements.

Funds

GPO maintains a Revolving Fund and a general fund to account for its various programs and operations. Each of these funds is a distinct fiscal and accounting entity that accounts for cash and other financial resources together with all related liabilities and equities.

Revolving Fund – The GPO Revolving Fund is an inter-governmental fund established by Congress on July 1, 1953. This business-type Revolving Fund is available without fiscal limitation for financing the operation and maintenance of GPO, except for those information dissemination programs of the Agency that are funded by annual appropriations.

The GPO Revolving Fund is a self-sustaining financial entity used primarily to finance and account for GPO's Printing and Binding Operations and Publication and Information Sales Program. Accordingly, the two major sources of revenue to the Revolving Fund are reimbursements from the Congressional Printing and Binding Appropriations and other Federal customers for providing printing, binding and distribution services, including U.S. passport production, and publication and subscription sales to the public.

The Printing and Binding Operations account for the revenues and expenses associated with services provided by in-plant printing and purchased printing. The costs of these services are recovered through a system of rates used to bill customers. These rates include direct costs, depreciation, overhead, and related expenses permitted under 44 U.S.C. § 309.

The Publication and Information Sales Program sells Federal Government information products to the public. The prices of Federal Government publications and subscriptions sold through this program are established in accordance with 44 U.S.C. § 1708.

General Fund – The General Fund is financed by two annual congressional appropriations to the Agency. These appropriated funds finance the cost of GPO's support of the Congress,

Section IV (con't.): Notes to the Financial Statements

and the Government information dissemination services provided to the public without charge to the recipients.

The Congressional Printing and Binding (CP&B) Appropriation is used to pay the cost of the printing and binding requirements of the Congress, and the printing, binding, and distribution of publications authorized by law to be distributed to others without charge to the recipient.

The Salaries and Expenses (S&E) Appropriation is used by the Library Services and Content Management, a GPO business unit, to fund four information dissemination programs: the Federal Depository Library Program (FDLP); the Cataloging and Indexing Program; the By-Law Distribution Program; and the International Exchange Program. The majority of this annual appropriation is used to finance the FDLP. Expenditures from these appropriations are used to reimburse the GPO Revolving Fund for printing and binding, and other services and supplies furnished by GPO in accordance with Title 44 U.S.C.

C. Fund Balance with Treasury

Fund Balance with Treasury represents all balances in GPO accounts with the U.S. Department of the Treasury (Treasury). Treasury processes cash receipts and disbursements for GPO.

D. Accounts Receivable

Accounts receivable consist of intra-governmental amounts due to GPO, as well as amounts due from the public. Accounts receivable are shown net of a provision for uncollectible accounts. The allowance for doubtful accounts is based on GPO's recent debt collection experience.

E. Inventories

Inventories of paper, supplies and materials are shown net of a provision for obsolescence. Inventories of paper, supplies, and materials include the cost of production material (e.g., computer chips, ink, book cloth), as well as the cost of administrative-use supplies. These inventories are valued at the lower of cost, using the weighted moving average cost method, or market. The allowance for obsolescence is determined based on historical usage of paper, supplies, and materials.

Inventories of publications held for sale are valued at the lower of cost, using the weighted average cost method, or market. The publication inventories are shown net of a provision for excess inventory that may be disposed of by the Agency in the future. The allowance for surplus publications is based on life cycle studies of product sales that provide a historical basis for determining the percentage of potential excess inventory stock items on hand.

F. Property, Plant, and Equipment

Property, plant and equipment purchases are generally valued at their acquisition cost. GPO capitalizes the cost of the property as an asset when the cost is \$25,000 or more, and the estimated useful life is two years or more. The costs of major alterations and renovations to the GPO facility are capitalized and depreciated, while the costs of maintenance and repairs

Section IV (con't.): Notes to the Financial Statements

are expensed when incurred. The depreciation of property, plant and equipment is calculated on a straight-line basis over the estimated useful life of the asset. The depreciation of an asset commences the month after the asset is first placed in service.

The following table reflects the standard estimated useful life of each major depreciable asset category. Exceptions to these standard estimated asset lives are authorized when justified.

Asset Category	Estimated Useful Life (Years)
Building Improvements	20
Building Appurtenances	20
Other Structures and Facilities	20
Furniture and Fixtures	20
Leasehold Improvements	10
Plant Machinery and Equipment	10
Office Machinery and Equipment	5
Motor Vehicles	5
Computer Software	3

Land has an indefinite life and is not subject to depreciation as well as construction in progress (CIP) and capitalized software in process (CSIP). Leasehold improvements are generally depreciated over 10 years or the remaining duration of the lease for real property, whichever is shorter.

Printing equipment transferred to GPO from other Federal agencies under the provisions of 44 U.S.C. § 312 is valued in accordance with JCP Regulation Number 26, *Government Printing and Binding Regulations*. This valuation approximates fair market value at the time of the property transfer.

G. Deferred Revenues

Deferred revenues are funds received in advance from customers for the future delivery of goods and services. GPO records these advances as revenue when the goods are delivered or the services are performed.

H. Accrued Annual Leave

Annual leave is accrued as a liability when earned. The liability is reduced when leave is used. The annual leave liability is calculated using the current hourly salary or wage of employees multiplied by their total hours of unused annual leave. Employees will receive a lump-sum payment for any unused annual leave when they separate from Federal service or enter active military service.

Sick leave and other types of non-vested leave are expensed when used. Employees are not entitled to a lump-sum payment for their unused sick leave.

I. Workers' Compensation Liability

The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to covered Federal civilian employees injured on the job, employees who have incurred a work-related occupational disease and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. Claims incurred for benefits for GPO's employees under FECA are administered by U.S. Department of Labor (DOL) and are ultimately paid by GPO.

The FECA liability consists of two components. The first component, the accrued FECA liability, is based on actual claims paid by DOL but not reimbursed by GPO. GPO reimburses DOL for the amount of actual claims. As a result, GPO recognizes a current liability for actual claims paid by DOL. This liability is captured in Accounts Payable and Accrued Expenses.

The second component, the actuarial FECA liability, is the estimated liability for future benefit payments. These future estimates were generated from an application of actuarial procedures developed to estimate the liability for future FECA benefits. The actuarial liability for future workers' compensation benefits includes the expected liability for death, disability, medical and miscellaneous costs for approved compensation cases, plus a component for incurred but not reported claims. The liability is determined using a method that utilizes historical benefit payment patterns related to a specific incurred period to predict the ultimate payments related to that period.

J. Commitments and Contingencies

FASB Accounting Standards Codification, Asset Retirement Obligations (ASC 410-20), requires a reporting entity to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can reasonably be estimated.

Accordingly, GPO has estimated and recorded the asset retirement obligation in accounts payable. Liabilities from loss contingencies, including environmental remediation costs not within the scope of ASC 410-20, arising from claims, assessments, litigation, fines and penalties, and other sources, are recorded in accounts payable when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated. Loss contingencies that do not meet these criteria are not accrued.

K. Revenue Recognition

Printing and Binding – GPO must be reimbursed for the cost of printing and binding services furnished to customers at rates set by the Public Printer in accordance with 44 U.S.C. § 309. Revenues from in-house printing and binding work are recognized on a value-added basis, as work is performed, while revenues from commercially procured printing and binding are recognized on the date the contract requirements are fulfilled, which is generally the date of shipment by the commercial printer to the customer agency. Revenues related to the manufacture of passports by GPO for the Department of the State are recognized at annually negotiated rates per passport at the time that the printing and binding process is complete.

Appropriations – Appropriation revenues are recorded when a liability is incurred for purposes permitted by the appropriations act and program legislation. Unexpended appropriations are recorded as a component of net position. Unexpended appropriation balances are generally canceled after 5 years, unless authorized for transfer by appropriations committees.

Sales of Publications – Revenues from the sale of publications and subscriptions to customers are recognized when shipped by the Publication and Information Sales Program.

Agency Distributions – Revenues from the storage, packaging, and distribution of publications for other Federal agencies are recorded when services have been performed.

L. Expense Recognition

Printing and Reproduction – This expense includes the cost of printing, duplicating, and reproduction orders that are procured by GPO from the private sector to satisfy the needs of the Federal Government. The expense is generally recorded on the date of shipment by the contractor, and is shown net of vendor prompt payment discounts earned by the Agency.

Personnel Compensation and Benefits – Personnel compensation consists of the wages and salaries, including overtime premium and night differential, paid to GPO employees on a biweekly cycle. Personnel benefits include the Agency's share of contributions towards Federal Employees Health Benefits, Federal Employees' Group Life Insurance and two Federal Government civilian employee retirement programs. The two retirement programs are the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS) that includes the related Thrift Savings Plan (TSP). Personnel benefits also include the current cost of workers' compensation expense, transit benefits provided by GPO to employees, and the cost of incentive and performance awards to employees. Personnel compensation and benefits are recorded as expenses when earned by employees.

Supplies and Materials – Computer chips required for passport production are the most significant cost component within the category of supplies and materials. Passport supplies and materials are recorded as an expense when used in production operations. The second most significant component is paper and paper products that are commercially procured to satisfy GPO's in-plant printing requirements and customer orders for blank paper. The expense is recorded when paper is drawn from inventory to fulfill an order or delivered to the customer, in the case of direct mill-to-customer shipments. This expense category also includes all other supplies and materials that are not capitalized as property, such as personal computers, furniture, and office supplies. The allowance for obsolete inventory is based on life cycle studies of product sales that provide a historical basis for the determination of potential excess inventory on hand.

Other Services – This expense category includes the costs of professional services by contractors and the expenses related to a provision for uncollectible accounts receivable. The

Section IV (con't.): Notes to the Financial Statements

expenses for professional services are recognized when the contracted services have been performed. The expenses for uncollectible accounts receivable are recognized when receivables are deemed as potentially uncollectible, based on GPO's collection experience.

Depreciation and Amortization – GPO uses the straight-line method of depreciation and amortization to allocate a portion of the acquisition cost of property, plant and equipment to each accounting period. The acquisition cost of each capitalized asset is depreciated, or amortized, over the asset's estimated useful life which is generally measured in years. The monthly depreciation, or amortization, of a capitalized asset commences at the beginning of the first full- month after the date that the capitalized asset was placed in service.

Rents, Communications, and Utilities – Rent and lease costs are incurred for the use of building space, equipment, and motor vehicles. GPO leases office and warehouse space from the U.S. General Services Administration and commercial landlords. GPO also rents automobiles and other motor vehicles. Communications costs include data, voice, video, and wireless services. Utilities include electricity, gas, steam, and water. Expenses are recorded as services are provided and energy resources are used.

Travel, Transportation, and Postage – This category includes travel and transportation costs of persons or things, including employee relocation costs, and postage expenses. Travel costs are incurred by persons on official business for audits, attendance at conferences, inspections, investigations, training, or other authorized business of the Agency. Transportation includes shipping costs for printing and reproduction products from GPO or contractors to customer agencies, depository libraries, or other GPO locations. Incurred travel expenses are accrued when they are estimable, while transportation costs are generally recorded on the date of shipment. Postage and commercial mail services are recorded as expenses when the delivery services are provided by the U.S. Postal Service and commercial carriers.

Publications Sold – Publications sold expense represents the cost of publications sold to customers and the cost of subscriptions issued to subscribers. Expenses are recorded at the time of publication sale or subscription issuance. Additionally, this expense includes any change in the estimated cost of the publications held in inventory for sale to the public that are potentially obsolete, damaged, or surplus. The allowance for surplus publications is based on life cycle studies of product sales that provide a historical basis for the determination of potential excess inventory on hand.

M. Consolidated Statements of Cash Flows

The consolidated statements of cash flows report the cash provided by and used in operating, investing, and financing activity categories. This statement identifies cash flows from GPO operations, and is used to identify financing acquired from outside sources, and to identify the major non-operating (investing) uses of funds.

N. Use of Estimates

The preparation of the consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as the disclosure of contingent liabilities at the date of the consolidated financial statements, and the amount of revenues and expenses reported during the reporting period. Actual results could differ from these estimates.

The estimates that most significantly impact assets, liabilities, revenues, and expenses reflected in the accompanying consolidated financial statements are: the allowance for inventory obsolescence for supplies, materials, and publications held for sale; the allowance for doubtful accounts related to accounts receivable; the estimated useful lives of capitalized assets; the actuarial estimated liability for future workers' compensation benefits; and the estimate for contingent liabilities.

O. Fair Value Measurement

GPO applies FASB Accounting Standards Codification, *Fair Value Measurements and Disclosures* (ASC 820-10) for fair value measurements of financial assets and financial liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. ASC 820-10 defines "fair value" as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. This standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted price quote in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). GPO's financial instruments are comprised of cash, accounts receivable, accounts payable, and accrued liabilities as of September 30, 2013 and 2012. The carrying amounts of these financial instruments approximate fair value because of the short-term nature of these instruments. GPO holds no financial instruments that are measured at fair value on a recurring basis.

The approximate fair values in GPO's financial instruments represent GPO's best estimates of the amounts that would be received to sell those assets, or that would be paid to transfer those liabilities, in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. GPO developed those judgments based on the best information available in the circumstances.

P. Tax Status

As a Legislative Branch agency within the Federal Government, GPO is not subject to Federal, state, or local income taxes. Accordingly, no provisions for income taxes are recorded by the Agency.

Section IV (con't.): Notes to the Financial Statements

2. Fund Balance with Treasury

A table of items included in GPO's fund balance with Treasury, including funds on-hand or in-transit to the Treasury, as of September 30, 2013 and 2012 follows.

(Dollars in thousands)		
	2013	2012
Fund Balances:		
Revolving fund:		
Unrestricted	\$ 167,733	\$ 152,133
Restricted:		
Customer deposit accounts	195,463	198,204
Other	31,705	23,067
Total revolving fund	394,901	373,404
General funds:		
Congressional printing and binding	63,759	58,801
Salaries and expenses	27,084	28,488
Supplemental and other	22,523	19,914
Total general funds	113,366	107,203
Total	\$ 508,267	\$ 480,607

Unrestricted funds are available to meet the financial obligations of the Revolving Fund. Restricted funds are composed of customer deposit accounts, other deferred revenues, and restrictions for accrued wages and salaries, payroll taxes and other withholdings, and earned annual leave not used by employees. These funds can only be used for the purpose specified.

The use of general funds for CP&B and S&E are restricted by appropriation language. Supplemental and other general funds include unexpended appropriations made to GPO and are for specific purposes as discussed in Net Position, Unexpended Appropriations (Note 12B).

The total fund balance with Treasury increased \$27.7 million (5.8 percent) to \$508.3 million in fiscal 2013 from \$480.6 million in fiscal 2012. Contributing to the increase in this account from September 30, 2012 was \$13.4 million of cash held for the State Department capital project reserve. Total general funds available increased \$6.2 million, these funds are allocated to future approved projects.

3. Accounts Receivable, Net

Accounts receivable, net of an allowance for doubtful accounts, as of September 30, 2013 and 2012, consisted of the following.

Section IV (con't.): Notes to the Financial Statements

(Dollars in thousands)		
	2013	2012
Federal agencies:		
Unbilled accounts receivable	\$ 98,377	\$ 100,925
Billed completed work	29,157	46,419
Subtotal	127,534	147,344
Other receivables:		
The public	205	513
GPO employees	1,225	1,284
Subtotal	1,430	1,797
Total accounts receivable	128,964	149,141
Less: Allowance for doubtful accounts	(5,740)	(7,965)
Total accounts receivable, net	\$ 123,224	\$ 141,176

The majority of accounts receivable are due from other Federal agencies for goods and services provided by GPO. By law, these customers are required to reimburse the GPO Revolving Fund for the cost of products provided by GPO.

Unbilled accounts receivable results from the delivery of the goods and performance of services for which bills have not been presented to the customer for payment yet. Accordingly, unbilled accounts receivable includes the value of work in process and completed work for customer orders as of September 30, 2013 and 2012.

The majority of employee accounts receivable is owed by current and former employees who were advanced leave. Employees generally repay their leave indebtedness through biweekly installments from their earned leave or from leave donations from other employees under the GPO Leave Donation Program.

Net accounts receivable decreased by \$16.8 million (11.9 percent) in fiscal 2013 from fiscal 2012. This decrease was primarily attributable to the agency's continued efforts to improve receivable collections. A decline in commercial printing activity also contributed to the decrease in receivables as Federal agencies reduce, postpone, or cancel print orders while operating under the sequester environment. As an example GPO's Customer Services business unit revenue was down \$42 million (12 percent) for fiscal year 2013 as agency customers reduce printing spends due to sequester.

4. Inventory, Net

Inventories, net of an allowance for surplus and obsolete stock decreased by \$3.1 million (9.7 percent) as of September 30, 2013 from prior year, detailed as follows.

Section IV (con't.): Notes to the Financial Statements

	(Dollars in thousands)	
	2013	2012
Supplies and materials	\$ 19,447	\$ 23,109
Publications for sale	5,506	6,177
Paper	5,909	5,035
Work in process	2,595	2,591
Total inventory	33,457	36,912
Less: Allowance for surplus and obsolete inventory	(4,653)	(5,021)
Inventory, net	\$ 28,804	\$ 31,891

5. Prepaid Expenses

Prepaid expenses were \$1 million as of September 30, 2013, and \$1.2 million as of September 30, 2012. The majority of this amount is for advance payments of \$455,000 for passport chips for calibrating new equipment and \$512,000 in telecommunications charges, software licenses, and maintenance contracts that require prepayment.

6. General Property, Plant, and Equipment, Net

Net property, plant, and equipment as of September 30, 2013 and 2012, consisted of the following.

	(Dollars in thousands)	
	2013	2012
Land	\$ 9,971	\$ 9,971
Buildings and improvements	86,008	84,452
Plant machinery and equipment	113,246	98,610
Computers and computer software	103,821	98,126
Furniture and fixtures	6,107	6,107
Motor vehicles	648	690
Leasehold improvements	10,544	10,115
Capitalized software in process	5,499	616
Capital improvements in process	17,222	9,960
Total	353,066	318,647
Less: Accumulated depreciation and amortization	(238,166)	(218,174)
General property, plant and equipment, net	\$ 114,900	\$ 100,473

Section IV (con't.): Notes to the Financial Statements

General property, plant, and equipment increased by \$14.4 million in fiscal 2013 from fiscal 2012 with capital additions of \$36.3 million, offset by annual depreciation of \$21.9 million. The majority of the capital additions were for PP&E assets of \$14.6 million, with the primary project being implementation of next generation passport production equipment assets of \$11 million.

Additional GPO capital investments in fiscal year 2013 included \$11.4 million for laser perforation equipment for the SID business unit as well as power system upgrades of \$3.2 million.

The capital additions for computers and computer software in fiscal 2013 included FDsys implementation for \$3.3 million and GPO Business Information System GBIS improvements for \$1.4 million.

Capitalized software in process as of September 30, 2013 included FDsys software enhancements for \$2.2 million, Composition System Replacement (CSR) enhancements for \$1.2 million, and Netapp storage development for \$1.2 million.

Depreciation expense was \$21.9 million fiscal year 2013 and \$21.5 million in fiscal year 2012.

7. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses as of September 30, 2013, and 2012, were composed of the following.

	(Dollars in thousands)	
	2013	2012
Accounts payable:		
Commercial printing	\$ 57,975	\$ 67,239
U.S. Government agencies	7,613	10,196
Other	25,455	20,339
Total accounts payable	91,043	97,774
Accrued salaries and payroll taxes	5,112	11,414
Total accounts payable and accrued expenses	\$ 96,155	\$ 109,188

The decrease in accounts payable and accrued expenses of \$13 million resulted in part from a decline in agency orders that impacted commercial printing payables. The Other category includes professional services including IT software development, maintenance, and systems security.

8. Deferred Revenues

As of September 30, 2013 and 2012, deferred revenues from customers consisted of the following.

Section IV (con't.): Notes to the Financial Statements

	(Dollars in thousands)	
	2013	2012
Deposit accounts	\$ 195,463	\$ 198,204
Advance billings	2,143	595
Subscriptions	1,176	1,497
Unfilled orders	165	133
Total	\$ 198,947	\$ 200,429

GPO held \$195.5 million and \$198.2 million in customer deposit accounts as of September 30, 2013 and 2012, respectively. Of these amounts, Federal Government customers had advanced funds of \$193.4 million and \$195.8 million for printing and binding deposit accounts, and customers advanced \$2.1 million and \$2.4 million for publication and information sales program deposit accounts as of September 30, 2013 and 2012, respectively. The funds in these deposit accounts will be applied to future orders placed by customers or refunded on request. Additionally, GPO held advanced funds from the Federal Government and other customers of \$1.2 million and \$1.5 million for subscriptions for the sales of publications as of September 30, 2013 and 2012, respectively.

GPO defers the recognition of revenues for subscription services that will be provided to customers in the future. Customers pay for ink-on-paper subscriptions to the *Congressional Record*, the *Federal Register*, and other publications in advance of delivery. The revenues from subscriptions are recognized as the periodicals are published and distributed to subscribers. The unfilled subscription balance will be refunded in instances where the subscription is no longer available for sale, or the customers cancel their subscription.

GPO also defers the recognition of revenues for unfilled customer orders of publications and other information products until the orders are shipped.

GPO defers the recognition of revenues for advance billings to Federal Government customers. Advance billings are occasionally used to finance the cost of producing certain large printing and binding jobs. GPO will recognize the revenue as work is completed.

9. Workers' Compensation Liability

Claims incurred and paid by DOL as of September 30, 2013 and 2012, but not yet reimbursed to DOL by GPO on the report dates, are approximately \$6.7 million and \$7.5 million, respectively.

GPO's estimated non-current, actuarially derived future workers' compensation liability was approximately \$69.1 million and \$70.5 million as of September 30, 2013 and 2012, respectively. In fiscal 2013 GPO converted to the spot interest rate from the previously used DOL rates in fiscal 2012. If GPO continued to use the FASAB method the estimated non-current future workers' compensation liability would have been approximately \$72.5 million, an increase of \$2 million. GPO's estimated, undiscounted, non-current, actuarially derived future workers'

Section IV (con't.): Notes to the Financial Statements

compensation liability was approximately \$105.3 million and \$102.8 million as of September 30, 2013 and 2012, respectively.

10. Commitments

10. A. Operating Leases

As of September 30, 2013, GPO was committed to various non-cancelable operating leases, primarily covering warehouse and office space. Some of these leases contain escalation clauses and renewal options. Annual lease and rental expenses for real and personal property were \$4.7 million in fiscal 2013 and \$5 million in fiscal 2012.

A schedule of future minimum rental payments required under operating leases by type, which have initial or remaining non-cancelable lease terms in excess of one year, follows.

Future Minimum Rental Payments Required Under Operating Leases

Fiscal Year	(Dollars in thousands)		
	Warehouse	Office	Total
2014	\$ 1,018	\$ 431	\$ 1,449
2015	223	451	674
2016	0	341	341
2017	0	336	336
2018 & Thereafter	0	228	228
Total Minimum Lease Payments	\$ 1,241	\$ 1,787	\$ 3,028

10. B. Obligations

GPO had unliquidated obligations of \$242.1 million at both September 30, 2013 and 2012, which \$125.1 million and \$125 million, respectively, are undelivered orders related to commercial printing. These obligations include purchase orders and contractual obligations by GPO to acquire goods and services from the private sector and other sources. Some of these orders are scheduled for delivery or performance in the next fiscal year.

11. Contingencies

11. A. Administrative Proceedings, Legal Actions, and Claims

GPO is a party in various administrative proceedings, legal actions, and claims brought against the Federal Government by employees, contractors, and other parties. The uncertainty involving

Section IV (con't.): Notes to the Financial Statements

the outcome of these pending matters will be resolved when future events occur or fail to occur. In some cases, legal matters relate to contractual arrangements GPO has entered into for goods and services procured on behalf of other Federal entities. The costs of administering, litigating, and resolving these actions are borne by the GPO Revolving Fund unless the costs are recovered from another Federal entity. As of September 30, 2013 and 2012, GPO has recorded estimated liabilities of zero and \$291,000, respectively, related to claims that management believes the likelihood of an adverse result against GPO is probable. Such amounts are included in accounts payable and accrued expenses in the financial statements.

Certain legal matters in which GPO is a named party may be administered and litigated on behalf of GPO by the U.S. Department of Justice (DoJ). In these cases, amounts paid under any judgment, compromise settlement, or award are funded from the Judgment Fund administered by the U.S. Department of the Treasury (31 U.S.C. § 1304). The Judgment Fund paid a total of \$2.2 million in fiscal 2013 on behalf of GPO, of which \$2 million was to settle a suit in which GPO was one of 19 Federal agency defendants. The suit related to toxic waste that was disposed of by GPO in 1992. The total settlement amount was recorded by DoJ against GPO in their reporting system, and DoJ did not attempt to attribute fair-shares of the settlement to each of the 19 agencies involved. GPO estimates that the Agency's fair-share of the settlement paid from the Judgment Fund on its behalf is approximately \$100,000. GPO is a legislative branch agency and, as a result, is not responsible for reimbursement to the fund. These settlements do not impact GPO's financial statements and are not reflected in GPO's consolidated financial statements. In fiscal 2012, DoJ paid \$455,000 on behalf of GPO from the fund.

11. B. Environmental Liabilities

GPO's Central Office in Washington, DC, is located in an industrial facility comprising of four older buildings that contain asbestos building materials. When they were constructed, asbestos was a common building material used as flame retardant, thermal system insulation, and in a variety of building materials (e.g., wall, floor, and ceiling tiles). GPO asbestos abatement efforts have been successful in the removal, enclosure, and encapsulation of friable asbestos to comply with applicable laws and regulations when unexposed asbestos is detected during building renovation projects.

The estimated costs to remove exposed asbestos within the GPO facility, mainly encapsulated pipe insulation, were \$453,000 as of September 30, 2013, and \$454,000 as of September 30, 2012. The reduced liability is the result of remediation of a portion of the area during recent renovations. These amounts are included in accounts payable and accrued expenses on the financial statements. The cost to remediate all unexposed asbestos has not been accrued in the financial statements due to the inability to reasonably estimate the extent of unexposed asbestos, the cost and manner of asbestos remediation, and the dates when the liability will be settled.

12. Net Position

12. A. Cumulative Results of Operations

Retained Earnings — Retained earnings include the net operating results of the GPO Revolving Fund, since inception, less certain required transfers to other Federal agencies.

Section IV (con't.): Notes to the Financial Statements

Invested Capital — Invested capital represents the resources of the Federal Government that were directly appropriated to the Agency by Congress for investment in GPO assets (land, buildings, equipment, and capital).

12. B. Unexpended Appropriations

The following table presents unexpended appropriation balances from September 30, 2011, through September 30, 2013, for appropriations made available to GPO.

Unexpended Appropriations

Appropriations (Dollars in thousands)	Revolving Fund	Salaries and Expenses	Congressional Printing and Binding	Total
Unexpended balance at September 30, 2011	\$ 7,275	\$ 28,616	\$ 57,258	\$ 93,149
2012 fiscal year appropriation activity:				
Received	500	35,000	90,700	126,200
Transferred	13,667	(3,732)	(9,935)	
Expended	(1,529)	(32,900)	(80,200)	(114,629)
Unexpended balance at September 30, 2012	19,913	26,984	57,823	104,720
2013 fiscal year appropriation activity:				
Received	3,967	31,437	82,130	117,534
Transferred	3,239	(3,239)		
Expended	(4,597)	(29,627)	(76,193)	(110,417)
Unexpended balance at September 30, 2013	\$ 22,522	\$ 25,555	\$ 63,760	\$ 111,837

As of September 30, 2013, GPO had obligated all the \$63.8 million of the unexpended appropriations available for Congressional printing and binding, and all of the \$25.6 million of the unexpended appropriations available for Salaries and Expenses. The obligations are based on the estimated cost of open orders as of September 30, 2013. At September 30, 2012, the obligations were \$57.8 million in Congressional Printing and Binding Appropriations and \$27 million in Salaries and Expenses Appropriations.

The Revolving Fund unexpended appropriations balances at September 30, 2013 and 2012 were \$22.5 million and \$19.9 million, respectively. The Revolving Fund unexpended appropriations balances are primarily the result of the following appropriation activities:

- In fiscal 2001, Congress authorized the transfer of \$3.3 million to the Revolving Fund from prior year Salaries and Expenses Appropriations to pay for the printing and distribution of publications to depository libraries. As of September 30, 2013, GPO expended \$2.6 million from this appropriation. At the end of fiscal 2013, the balance available for future expenditure was \$740,000. At the end of fiscal 2012, there was \$877,000 available.

Section IV (con't.): Notes to the Financial Statements

- In fiscal 2007, Congress appropriated \$1 million to the Revolving Fund for workforce retraining. As of September 30, 2013, GPO had expended the entire appropriation. At the end of fiscal 2012, there was \$237,000 available.
- In fiscal 2009, Congress appropriated approximately \$5 million to the Revolving Fund for information technology development and facilities repair. GPO expended the entire \$5 million from this appropriation as of September 30, 2012.
- In fiscal 2010, Congress appropriated \$12.8 million to the Revolving Fund for information technology development and facilities repair. As of September 30, 2013, GPO expended about \$12.4 million from the appropriation, of which about \$735,000 was expended in fiscal 2013. At the end of fiscal 2013, a balance of \$364,000 was available for expenditure. At the end of fiscal 2012, a balance of \$1.1 million was available for expenditure.
- In fiscal 2010, GPO transferred a total of \$2.2 million from prior year Salaries and Expenses Appropriations to the Revolving Fund. This transfer was authorized to cover appropriation shortfalls (about \$1.5 million of the \$2.2 million) and for FDLP improvements (about \$688,000 of the total). As of September 30, 2013 and 2012, a balance of \$1.5 million was available for future expenditure.
- In fiscal 2011, GPO transferred \$2.6 million from the Salaries and Expenses Appropriation to the Revolving Fund to cover salaries and expenses of the Superintendent of Documents. As of September 30, 2013, the balance of \$2.6 million was available.
- In fiscal 2012, GPO transferred a total of \$9.94 million unexpended prior year balances of Congressional Printing and Binding appropriations remaining from fiscal 2011 and fiscal 2010 and \$3.7 million from prior year Salaries and Expenses Appropriations to the Revolving Fund. These amounts are available to Congressional Printing and Binding and Salaries and Expenses, respectively to offset requirements for new budget authority for fiscal 2014, and liquidate obligations incurred in subsequent years. These amounts were unexpended as of September 30, 2013.
- In fiscal 2013, GPO transferred \$3.24 million from the Salaries and Expenses Appropriations to the Revolving Fund. These amounts are available to the Revolving Fund to offset Salaries and Expenses requirements for new budget authority for fiscal 2014, and liquidate obligations incurred in subsequent years.
- In fiscal 2013, Congress appropriated \$4 million to the Revolving Fund for information technology development. As of September 30, 2013, GPO expended about \$1 million from the appropriation. At the end of fiscal 2013, a balance of about \$3 million was available.

Section IV (con't.): Notes to the Financial Statements

13. Appropriated Funds

13. A. Total Appropriations Made Available

The total appropriations made available to GPO for fiscal 2013 and 2012 were as follows.

	(Dollars in thousands)	
	2013	2012
Congressional printing and binding	\$ 82,130	\$ 90,700
Salaries and expenses	31,437	35,000
Revolving fund	3,967	500
Total available appropriations	\$ 117,534	\$ 126,200

13. B. Expended Appropriations

The total appropriations expended by GPO during fiscal 2013 and 2012 were as follows.

Expended Appropriations		
	(Dollars in thousands)	
	2013	2012
Congressional printing and binding:		
Hearings	\$ 18,339	\$ 14,920
Congressional Record products	18,818	21,394
Miscellaneous publications and printing and binding	24,236	22,427
Bills, resolutions, and amendments	4,496	5,488
Details to Congress	4,232	4,065
Business and committee calendars	2,209	3,724
Committee reports	1,713	2,137
Other	823	3,580
Public document envelopes	492	1,042
Committee prints	835	1,423
Total Congressional printing and binding	76,193	80,200
Salaries and expenses:		
Depository library distribution	20,245	23,317
Cataloging and indexing	8,030	8,158
International exchange	996	1,105
By-law distribution	356	320
Total salaries and expenses	29,627	32,900
Revolving Fund:		
Infrastructure improvements	4,423	1,355
Workforce retraining	174	174
Total revolving fund	4,597	1,529
Total expended appropriations	110,417	114,629
Reconciliation of expended appropriations to the consolidated statements of revenues, expenses, and changes in retained earnings:		
Total expended appropriations	110,417	114,629
Eliminations (Intra-agency)	(67)	(117)
Consolidated revenues from appropriations	\$ 110,350	\$ 114,512

14. Employee Benefit Plans

GPO funds a portion of pension contributions for its employees under the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS), and makes payroll deductions from employees for their pension contributions. Office of Personnel Management (OPM) determines the employer contributions for these defined benefit plans that are required to be paid by GPO. OPM is responsible for Government-wide reporting of CSRS and FERS assets, accumulated plan benefits, and unfunded liabilities. In accordance with FASB, and consistent with multi-employer pension plans, GPO has reflected only the required contribution to these programs in its financial statements. OPM is responsible for funding any other costs. Therefore, GPO is not required to disclose the unfunded pension liability and post-employment benefits relative to its employees.

Civil Service Retirement System

The CSRS is a defined benefit plan. Generally, it covers GPO employees first hired before 1984. Total GPO (employer) contributions to CSRS for employees covered under this retirement program were 7.5 percent of basic pay in both 2013 and 2012 for investigators and law-enforcement officers, and 7.0 percent of basic pay in both years for all other employees. GPO contributions were \$2 million and \$2.3 million for the years ended September 30, 2013 and 2012, respectively.

Federal Employees Retirement System

Using Social Security benefits as a base, FERS provides a defined benefit plan (Basic Benefit Plan) and a voluntary defined contribution plan. GPO employees first hired after December 31, 1983 were automatically covered by FERS and Social Security, while employees hired prior to January 1, 1984 were able to choose between joining this plan or remaining in CSRS.

The employer contribution rate to FERS for GPO law enforcement officers was 30.7 percent of basic pay in fiscal 2013 and 26.3 percent in fiscal 2012. The FERS contribution rate for all other employees was 14.2 percent in fiscal 2013 and 11.9 percent in fiscal 2012. GPO contributions to FERS totaled \$14.4 million for fiscal 2013 and \$14.2 million for fiscal 2012.

Thrift Savings Plan

The Thrift Savings Plan (TSP) allows employees to defer the recognition of income tax on contributions made to the plan. The TSP elective deferral limit for employees was \$17,500 and \$17,000 for 2013 and 2012, respectively. Employees, who were 50 years old or older, were allowed additional catch-up contributions of \$5,500 in 2013 and 2012. For FERS employees, the employer is required to contribute 1 percent of the employee's base pay to the TSP, and to match voluntary employee contributions dollar-for-dollar for the first 3 percent of pay, and 50 cents on the dollar for the next 2 percent of pay. Thus, the employer contribution to the TSP can be up to 5 percent for FERS employees. Employees participating in CSRS may contribute to the TSP, but they do not receive any matching contributions from the employer. GPO made employer contributions to the TSP of \$4.7 million in both fiscal years 2013 and 2012.

Social Security System

As an employer, GPO matches employee contributions to the U.S. Social Security Administration (SSA) under the Federal Insurance Contributions Act (FICA) for employees in the FERS. GPO contributes 6.2 percent of gross pay (up to \$113,700 in 2013 and \$110,100 in 2012) to SSA's Old Age, Survivors, and Disability Insurance (OASDI) Program. Additionally, GPO makes matching contributions for all employees of 1.45 percent of gross pay, without limit, to SSA's Medicare Hospital Insurance Program. Contributions to these SSA programs for the years ended September 30, 2013 and 2012 totaled \$9.7 million and \$9.9 million, respectively.

Employment, Pension, and Other Post-Employment Benefits Provided by Others

OPM is responsible for the management, administration, and funding of certain Government-wide programs that provide pension and other post-employment benefits to retired employees of the Federal Government. These OPM administered programs provide benefits to former employees of GPO. OPM administered pension programs include the CSRS and the FERS.

Other OPM administered programs provide health, life, and long-term care insurance benefits to active, inactive, and retired employees. Permanent employees of GPO may participate in the Federal Employees Health Benefit Program, Federal Employee Group Life Insurance Program, and/or Federal Long Term Care Insurance Program before and after their retirement from the Agency.

15. Major Customers

GPO's primary customers are the Congress and large Federal agencies in the Executive Branch of the Federal Government. The following reflects GPO's Top 5 customers in fiscal years 2013 and 2012.

	(Dollars in thousands)			
	2013		2012	
	Billings	% of Total	Billings	% of Total
U.S. Department of State	\$ 219,343	31.2%	\$ 172,124	23.9%
U.S. Congress	\$ 75,370	10.7%	\$ 80,530	11.0%
U.S. Defense Logistics Agency	\$ 56,253	8.0%	\$ 67,944	9.4%
U.S. Dept. of Health & Human Services	\$ 44,398	6.3%	\$ 47,521	6.6%
U.S. Department of the Veterans Affairs	\$ 37,341	5.3%	\$ 35,572	4.9%

16. Subsequent Events

GPO has evaluated subsequent events through February 7, 2014, the date which the financial statements were available to be issued. There were no material events that required adjustment, accrual, or disclosure.

Section IV (con't.): Acronym List

ACRONYM LIST

ASC	Accounting Standards Codification
CP&B	Congressional Printing and Binding
CSRS	Civil Service Retirement System
DOL	U.S. Department of Labor
EFT	Electronic Funds Transfer
FASAB	Federal Accounting Standards Advisory Board
FASB	Financial Accounting Standards Board
FDLP	Federal Depository Library Program
FDsys	GPO's Federal Digital System
FECA	Federal Employees' Compensation Act
FERS	Federal Employees Retirement System
FICA	Federal Insurance Contributions Act
LSCM	Library Services and Content Management
GAAP	U.S. Generally Accepted Accounting Principles
GAO	U.S. Government Accountability Office
GPO or Agency	U.S. Government Printing Office
HTML	Hypertext Markup Language
IPAC	Intra-governmental Payment and Collection (System)
ISO	International Organization for Standardization
JCP	Joint Committee on Printing
OASDI	Old Age, Survivors, and Disability Insurance
OIG	Office of the Inspector General
OMB	Office of Management and Budget
OPM	Office of Personnel Management
PDF	Portable Document Format
PII	Personal Identifiable Information
S&E	Salaries and Expenses
SID	Security and Intelligent Documents
SSA	U.S. Social Security Administration
Treasury	U.S. Department of the Treasury
TSP	Thrift Savings Plan
U.S.C.	United States Code
XML	Extensible Markup Language



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