



**Date:**

March 12, 2020

**To:**

Director, U.S. Government Publishing Office

**From:**

Inspector General

**Subject:**

Contingent Liabilities Cost and Trend Analysis, Report No. 20-05.

As a follow-up to the Fiscal Year (FY) 2019 Independent Auditors' Report (No. 20-02), I asked my Inspections Division to conduct a review of Contingent Liabilities<sup>1</sup> in order to:

- 1) Understand the magnitude of settlements paid by GPO, and
- 2) Identify any trends or remarkable issues that could be addressed in order to lower GPO's liability.

As a result of the research, detailed in the appendix, we found the following:

**FY 2018 Settlements**

GPO paid settlements in the amount of \$250,577 from the Business Operations Revolving Fund<sup>2</sup> (BORF) in addition to \$23,000 paid by the Judgement Fund<sup>3</sup>, for a total of \$283,577. GPO's BORF-paid settlements represented 1.2 percent of GPO's Net Income<sup>4</sup> of \$20,384,000. It is important to note that cases settled in FY 2018 did not necessarily begin in FY 2018 and could be several years old prior to settling.

**FY 2019 Settlements**

GPO paid settlements in the amount of \$73,700 from the BORF in addition to \$25,000 that was paid by the Judgement Fund for a total of \$98,700. GPO's Revolving Fund settlements represented 0.2 percent of GPO's Net Income of \$36,153,000. It is important to note that

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<sup>1</sup> Contingent Liabilities is the cost accounting category for various administrative proceedings, legal actions, and claims brought against GPO and/or the Federal Government by employees, contractors, and other parties.

<sup>2</sup> The Business Operations Revolving Fund is a self-sustaining financial entity used primarily to finance and account for GPO's Publication Production Operation, and Publication and Information Sales Program.

<sup>3</sup> The Judgement Fund is administered by the Department of the Treasury (31 U.S.C. § 1304). GPO is not required to reimburse the Judgement fund yet it represents cost incurred by the U.S. Government.

<sup>4</sup> Net Income for 2018 and 2019 is reported less Passport Capital Projects Reserve and Workers' Compensation.

cases settled in FY 2019 did not necessarily begin in FY 2019 and could be several years old prior to settling.

### **Settlement Accounting**

GPO Contingent Liabilities settlements may occur in two ways annually:

1. Paid from the Judgement Fund. These settlements are not funded by GPO. They are disclosed in the GPO Annual Financial Statements.
2. Paid from the BORF. Settlements are reported by the Office of the General Counsel (OGC) via a copy of the signed agreement (with the complainant) to the Office of Finance. Settlements are paid in accordance with the agreement and charged to OGC's budget.

At year end, an inventory of active (unsettled) litigations is prepared by OGC. Each case is accompanied by an estimated payout amount and classified as either probable, reasonably possible, or remotely possible of occurring. Finance uses this information to accrue or disclose these contingencies in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 450, *Contingencies*. At the same time, accrued contingencies from the prior year are reversed.

For the Chief Financial Officer

**Recommendation 1.** Create a Standard Operating Procedure to document the overall settlement process, including documenting year-end Contingent Liabilities.

### **Trend Analysis**

We also researched fifty-two FY 2019 Contingent Liabilities cases looking at the type, originating business unit, complainant supervisor, and repeat complainants. However, aside from several repeat complainants, we did not identify significant trends or concern areas that warrant further OIG resource expenditure. I do not recommend further action at this time.

In addition, as part of the data gathering, the Equal Employment Opportunity (EEO) office provided a report detailing complaint-trends from the past five years (FY's 2015-2019). The takeaway was that offering an Alternate Dispute Resolution (ADR) process reduced formal complaint filing. Over the five-year period, over half (55 out of 92) dropped or settled their initial EEO complaints due to ADR. This report is relevant because 71 percent (37 out of 52) of the Contingent Liability claims were EEO-centric (race, sex, disability, age). Aside from the ADR formal complaint reduction, the EEO report did not identify trends in the numbers of or types of complaints. For example, complaint numbers do not follow an increasing or decreasing trend line over time; they vary.

GPO's management and staff were helpful and accommodating throughout this review. If you have any questions or comments about this report, please do not hesitate to contact Nathan Deahl, Assistant Inspector General for Inspections, at (202) 512-2009 or me at (202) 512-0039.



MICHAEL P. LEARY  
Inspector General

Enclosure:  
GPO Complaints Trend Analysis (FY 2015-FY 2019)

cc:  
Acting Deputy Director  
Acting Chief of Staff  
Chief Financial Officer  
General Counsel

## **APPENDIX 1: Special Project Methodology**

The GPO Office of Inspector General took the following actions for this special project in December 2019 – February 2020:

- Reviewed FY 2017-2019 U.S. Government Publishing Office Independent Auditors' reports.
- Reviewed FY 2018-2019 Disclosure of Contingent Liabilities.
- Reviewed EEO's GPO Complaints Trend Analysis (FY 2015-FY 2019)
- Conducted a trend analysis of suits brought against GPO looking at the types of cases compared against the business unit, repeat complainants, and supervisors
- Interviewed GPO personnel in Finance, OGC, and EEO.
- Calculated settlement amounts for FY 2018 and FY 2019.

This project was an *ad hoc* addition to the FY 2020 OIG Annual Audit and Inspection Plan.