

Vienna Regional Printing Center Costs FY 2005

AUD/FM-06-19, January 2006

Background

The Bureau of Administration, Records and Publishing Services, Multi-Media Services (A/RPS/MMS) is the Department of State's (Department) central printing and publications management organization. It provides centralized editorial, graphics, reproduction, and offset printing services to domestic bureaus and overseas posts. The Department's printing centers are located in Washington, Manila, and Vienna. A/RPS/MMS operates as a working capital fund (WCF) cost center under A's Executive Office (A/EX).

In 2003, the Department identified A/RPS/MMS as a commercial activity, and after an 18-month review of operations, determined that A/RPS/MMS was a viable candidate for competitive sourcing. The Department plans to conduct the competition and select a service provider by June 2006. Department management indicated that the Department would issue one solicitation and make a single award for all multimedia work.

A recent Department review of the A/RPS/MMS competitive sourcing process found that it was fairly run.¹ However, the review identified concerns relating to the Vienna Regional Printing Center (VRPC), which operates from the Regional Program Office (RPO) in Vienna. VRPC publishes specialized, museum-quality catalogs for the Department's Art in Embassies program, and Art in Embassies program management questioned whether the Department team that is developing a competitive bid understood the program's dependence on VRPC.

The Department's review noted that there had been no comprehensive study of all VRPC costs, and it recommended that the Office of the Under Secretary for Management (M) find an impartial source to prepare a study detailing the full cost of preparing material in Vienna. M subsequently requested OIG's assistance in determining the costs of operating VRPC.

Purpose, Scope, and Methodology

The purpose of OIG's review was to identify and compile VRPC's costs for FY 2005. There is no one source for all VRPC costs. Although VRPC is a WCF cost center, it receives funding outside the WCF through Bureau of European and Eurasian Affairs (EUR), Bureau of Overseas Buildings Operations, and Embassy Vienna allotments. To compile VRPC costs, OIG obtained information primarily from the following Department sources:

- A/EX/WCF provided summary and detailed reports for all FY 2005 revenue and expense transactions that flowed through the WCF.

¹ *Review of MMS Competitive Sourcing Process*, Dec. 13, 2005.

- The Bureau of Resource Management, Global Financial Services, Working Capital Fund (RM/GFS/F/WCF) provided summary and detailed reports of VRPC transactions recorded in the Central Financial Management System. OIG compared amounts on these reports to the reports provided by A/EX/WCF and requested explanations for any significant differences identified.
- Embassy Vienna's Financial Management Center provided:
 - a summary schedule of rent, utilities, and other building-related expenses for FY 2005;
 - schedules listing the salaries and benefits of VRPC personnel and public diplomacy program expenses;
 - a list of VRPC capital assets and their costs; and
 - International Cooperative Administrative Support Services (ICASS) invoices for FYs 2005 and 2006.

OIG contacted the ICASS Working Group to confirm that certain costs funded outside the WCF were not funded through ICASS. In addition, OIG obtained the FY 2005 depreciation expense for VRPC capital assets from RM/GFS and RPO director costs and allocations from EUR's Budget Office.

OIG compiled the financial data obtained from these Department sources, which is presented on page 3. OIG did not audit, review, or otherwise verify or evaluate the data. Therefore, OIG cannot and does not make any representations as to their validity, reliability, or completeness. OIG's Office of Audits performed fieldwork from December 22 through December 30, 2005, in Washington, DC.

Results

The data provided to OIG indicate that VRPC's total costs for FY 2005 were \$1,948,134. Costs exceeded VRPC's revenue of \$950,360 by \$997,774. Salaries and benefits of \$1,284,027 accounted for 66 percent of total costs, with services and supplies accounting for 16 percent, and ICASS costs accounting for 10 percent.

The majority of VRPC's total costs, \$1,013,266 or 52 percent, flowed through the WCF, which funded 59 percent of total operating expenses and 22 percent of total overhead. However, a significant amount of costs were funded outside the WCF. EUR funded 41 percent of VRPC's operating expenses and 58 percent of its overhead.

Department management told OIG that VRPC's costs and revenues would change in future years because of the likely move of the RPO to another location. For example, rent expense is expected to rise significantly. In addition, revenues could increase as production increases. VRPC is not operating at full capacity currently because of neighborhood restrictions on its hours of operation.

Vienna Regional Printing Center FY 2005 Revenue and Costs							
	Source of Funds					Total – All Sources	
	Working Capital Fund	Bureau of European and Eurasian Affairs	Bureau of Overseas Buildings Operations	Embassy Vienna	Central System		
Revenue							
Amount Collected	\$950,360					\$950,360	
Total Revenue	\$950,360					\$950,360	
Operating Expenses							
Salaries	\$588,519	\$497,359				\$1,085,878	
Benefits	85,298	112,851				198,149	
Services and Supplies	262,151	50,000				312,151	
Travel	132					132	
Total Operating Expenses	\$936,100	\$660,210	0	0	0	\$1,596,310	
Percentage from Funding Source	59%	41%	0	0	0	100%	
Overhead							
Administrative:							
Bureau of Administration, Working Capital Fund Regional Program Office Director ¹	\$31,626			5,180	3,452	18,679	27,311
International Cooperative Administrative Support Services ²		202,000					202,000
Rent ³			10,094				10,094
Building-Related Expenses ³			9,138				9,138
Utilities ³				26,115			26,115
Depreciation ⁴	45,540						45,540
Total Overhead	\$77,166	\$202,000	\$24,412	\$29,567	\$18,679	\$351,824	
Percentage from Funding Source	22%	58%	7%	8%	5%	100%	
Total Operating Expenses and Overhead	\$1,013,266	\$862,210	\$24,412	\$29,567	\$18,679	\$1,948,134	
Percentage from Funding Source	52%	44%	1%	2%	1%	100%	
Net Operating Results						(\$997,774)	

¹Allocation is based on the historical percentage of time spent on printing operations; annual amounts were estimated based on monthly information.

²Embassy allocated International Cooperative Administrative Support services costs to Vienna Regional Printing Center based on a workload count test.

³Allocation is based on the percentage of space Vienna Regional Printing Center occupied in the Regional Program Office.

⁴Reported FY 2005 depreciation expense was \$27.27 for the Center's capital equipment. However, one printing press, purchased in 2003 for \$682,691, was not in the fixed asset system. OIG calculated straight-line depreciation using a 15-year useful life.

Source: A, RM, Embassy Vienna, EUR.