



UNITED STATES
INTERNATIONAL
TRADE COMMISSION

IG

USITC Office of the Inspector General

Semiannual Report

April 1, 2004 - September 30, 2004

October 2004

STATUTORY AND ADMINISTRATIVE RESPONSIBILITIES

The Inspector General Act of 1978 (Public Law 95-452), as amended, sets forth specific requirements for semiannual reports to be made to the Chairman for transmittal to the Congress. A selection of other statutory and administrative reporting and enforcement responsibilities and authorities of the Office of Inspector General (OIG) are listed below:

OIG AUDIT AND MANAGEMENT REVIEW

Public Law (P.L.) 97-255	Federal Managers' Financial Integrity Act of 1982
P.L. 1041-34	Debt Collection Improvement Act of 1996
P.L. 101-576	Chief Financial Officers Act of 1990
P.L. 102-486	Energy Policy Act of 1992
P.L. 103-62	Government Performance and Results Act of 1993
P.L. 103-355	Federal Acquisition Streamlining Act of 1994
P.L. 103-356	Government Management Reform Act of 1994
P.L. 104-106	Information Technology Management Reform Act of 1996
P.L. 104-208	Federal Financial Management Improvement Act of 1996
P.L. 107-289	Accountability of Tax Dollars Act of 2002
P.L. 107-347	Federal Information Security Management Act of 2002
General Accounting Office	Government Auditing Standards

CRIMINAL AND CIVIL INVESTIGATIVE AUTHORITIES

Title 5	United States Code, section 552a
Title 18	United States Code, sections on crime and criminal procedures as they pertain to OIG's oversight of departmental programs and employee misconduct
Title 31	United States Code, section 3729 et seq., the False Claims Act



UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, D.C. 20436

October 29, 2004

Inspector General's Message

I am pleased to transmit to the Commission and the Congress the Office of Inspector General's (OIG) Semiannual Report for the period April 1, 2004 through September 30, 2004.

As Inspector General, I have continued to direct the OIG's resources to:

- effect positive change and reduce vulnerabilities in the Commission's program and operations;
- produce a positive return on invested resources; and
- fulfill the needs of the Commission and its stakeholders.

During the past 6 months, the OIG has reviewed mission critical activities such as our inspection report on how the Commission has implemented its responsibilities under the Continued Dumping and Subsidy Offset Act of 2000. We contributed to the Commission's efficiency and effectiveness in meeting customer needs in our audit report on the Commission's discretionary document and mail distribution program. Also, we began audits of the Commission's information security and financial statements. Finally, an external peer review found that this OIG's audit function has an effective internal quality control system and conducts audits in accordance with the Comptroller General's *Government Auditing Standards*.

The OIG will continue working constructively with the Commission to further our common goal of assuring the effectiveness, efficiency and integrity of the Commission's contributions to the development and implementation of sound and informed U.S. trade policy.

A handwritten signature in black ink, reading "Kenneth F. Clarke". The signature is written in a cursive style with a large, sweeping initial "K".

Kenneth F. Clarke
Inspector General

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COMMISSION'S TOP MANAGEMENT CHALLENGES

The “Top Management Challenges” facing the Commission as identified by the OIG—as well as recent OIG activities relating to each challenge—are discussed below. Through audits and inspections, the OIG has been helping the Commission to address these challenges.

We discuss the Commission’s management challenges within the framework of the President’s Management Agenda (PMA) that included five somewhat interrelated Government-wide initiatives: (1) Competitive Sourcing, (2) Improved Financial Performance, (3) Budget and Performance Integration, (4) Expanded Electronic Government, and (5) Strategic Management of Human Capital.

Because the Commission was not among the 24 PMA agencies and has not established PMA deliverables and time lines, neither the Commission nor the OIG has attempted to score its PMA progress. However, the Commission’s Fiscal Year (FY) 2004 and FY 2005 Budget Justifications, as well as its strategic planning documents, expressed the Commission’s commitment to the spirit of the five PMA initiatives. OIG work addressing the Commission’s adherence to that spirit is discussed below.

Management Challenge: Competitive Sourcing. To improve the performance and efficiency of activities that are commercial in nature, the PMA calls for departments and agencies to compare their commercial activities with those of the private sector and determine whether the private sector or government employees perform the activity. The intended outcome is better service at a lower price.

The Commission has competitively contracted for information technology services, preparation of financial statements, human capital planning, certain editing and publishing services, mailroom and general labor services, cleaning and building maintenance services, and security services. Private sector contract employees comprise more than 10 percent of on-site personnel. In addition, other services are acquired on an as-needed basis, such as virtually all equipment maintenance services, application systems design and development, and certain audit and financial services. For example, the OIG contracts for audit services.

The Commission has stated that its permanent staff is devoted to core agency investigative functions and recurring support activities where the cost of outsourcing is less competitive. In August 2004, the Commission issued its seventh comprehensive list of commercial activities consistent with the Federal Activities Inventory Reform (FAIR) Act. The

COMMISSION'S TOP MANAGEMENT CHALLENGES—*Continued*

Commission has said that it will continue to evaluate competitive alternatives and efficient service contracting options to maximize efficiency and minimize cost. During this period, OIG audits and inspections did not address competitive sourcing.

Management Challenge: Improved Financial Performance. This initiative is to improve the quality and timeliness of financial information so that it can be used to reduce waste, fraud, and abuse and manage federal programs more effectively. Most major departments and agencies had unqualified opinions on their FY 2003 financial audit. Some smaller agencies—including the Commission—received a waiver for presenting FY 2003 statements but subsequently will be required to prepare audited financial statements in accordance with the Accountability of Tax Dollars Act of 2002 (Public Law 107-289). The deadline for FY 2004 financial statements has been accelerated to November 15th—just 45 days after the end of the fiscal year.

In preparation for our audit of the FY 2004 statements, our July 2003 audit of the Commission's financial management controls found that the Commission's accounting records reasonably and fairly represented financial transactions and internal controls were in place. We found no instances of fraud. However, we made four recommendations to strengthen internal controls related to property, cash, payroll, and accounts receivable. The Assistant Inspector General for Audit has coordinated with the Director, Office of Administration, and his staff to ensure that the Commission prepares financial statements in accordance with OMB provisions. The Commission has contracted for assistance in preparing the financial statements in FY 2004.

In FY 2004, the key components of the Commission's total budget were personnel (72 percent) and rent (10 percent). Staffing levels have declined by 20 percent in the last 10 years, resulting largely from a 10 percent reduction-in-force in FY 1996 and decisions not to fill certain vacancies. General administrative costs of the Office of Administration (Human Resources, Facilities Management, and Finance) account for less than 7 percent of total labor costs, and administrative staffing levels have been reduced by 45 percent since FY 1996.

The Commission does not administer benefits and assistance payments programs and, as such, would have few problems related to improper payments. Commission payments are tied to Commission payroll and standard nonpersonnel costs such as space rental, travel, training, services, supplies and equipment. Commission staff and senior managers monitor execution of the Expenditure Plan, and the Office of Finance reviews payment procedures. Also, the OIG has addressed aspects of payment procedures during the past four

COMMISSION'S TOP MANAGEMENT CHALLENGES—*Continued*

information security audits (discussed on page 14) as well as the financial management control audit (discussed on page 14).

Management Challenge: Budget and Performance Integration. The FY 2004 Federal Budget published ratings and detailed assessments of 234 federal programs—approximately one-fifth of the entire federal government, representing \$494 billion in spending. When making budget decisions, OMB used the Performance Assessment Rating Tool (PART) to view how well federal programs were performing and whether managers were held accountable for performance. OMB plans to examine another 20 percent of programs for FY 2005, and 100 percent of federal programs eventually. Performance information will be used to (1) end or reform programs that either cannot demonstrate positive results or are clearly failing and (2) put resources in programs that can prove they are successful.

In prior Semiannual Reports to Congress, the OIG identified as one of the Commission's top management challenges: Performance Management, Measurement and Accountability. Since FY 2000, the Commission has accelerated efforts to link budgeting with strategic planning. Budget formulation and execution activities have been restructured to permit the allocation of virtually all costs to one of the five operations set forth in the Strategic Plan. Specifically, because personnel costs are more than 72 percent of total costs, the Commission uses the labor cost reporting system to collect work years and cost information and attribute it directly to strategic operations when feasible. Since FY 2001, the Commission's Budget Justification has presented cost and workload information in a format that aligns direct and indirect costs with operations in the Strategic Plan.

In the Commission's budget, all indirect costs are allocated to the Commission's five operations with the exception of the OIG activities, certain labor and union activities, and certain nonpersonnel costs. These are reported as unallocated indirect costs. The Commission also presents data using a budget object classification methodology. Budget integration efforts to date have allowed Commission managers more effectively to track changes in workload and compare them to changes in cost. In doing so, the Commission is able to determine whether resources are being allocated efficiently. The performance goals and indicators in the Commission's Annual Performance Plan also provide measures by which the agency's activities can be assessed. During this period, OIG audits and inspections did not address budget and performance integration.

Management Challenge: Expanded Electronic Government. The Expanded Electronic Government Initiative is designed to bring more services to the American citizen over the Internet, make government more efficient, and improve information technology

COMMISSION'S TOP MANAGEMENT CHALLENGES—*Continued*

(IT) management throughout the Executive Branch. Agencies continue to manage their IT within a framework the Administration set up to avoid problems before investments are made and taxpayer dollars lost. Agencies must demonstrate that their projects will provide significant value to the mission, have a reasonable likelihood of success in meeting goals and objectives, incorporate sufficient IT security, help achieve the PMA, and not duplicate other investments.

Unfortunately, almost half the modernization projects have insufficient IT security, and the Administration intends not to let any such projects go forward without it. There is also a shortage of qualified project managers and IT architects to successfully manage federal IT investments. Out of the \$59 billion in IT investments, 771 projects representing \$20.9 billion are currently on an “At-Risk List,” meaning they do not successfully demonstrate sufficient potential for success through the business case, or do not adequately address IT security.

Prior Semiannual Reports to Congress identified as one of the Commission’s top management challenges: Information Technology Management and Security. Every Commission business process—investigations, research, trade information services, trade policy support, and administration—depends on reliable and effective information systems and services. The information that the Commission processes and generates is a valuable asset that management must protect from loss, misuse, unauthorized access or modification.

The challenge the Commission faces in providing such protection is how to apply adequate resources to ensure sufficient information security. Much of this information is in electronic form, resides in a variety of hardware platforms and software applications, and is accessible through various communications links. Although the Commission has avoided work disruption or losses due to cyber-crime, the Commission’s data could be susceptible both to physical and electronic threats.

Congress enacted the Government Information Security Reform Act (GISRA) in 2000, and the Federal Information Security Management Act (FISMA) in 2002, to help federal organizations protect government information resources. Each agency must centralize information security management under its Chief Information Officer (CIO), as the Commission did in FY 2003. The need for centralized information security management results, in part, from the highly interconnected nature of modern information systems.

Agency Inspectors General are to conduct an annual independent evaluation of agency information security programs and practices. Accordingly, we conducted comprehensive audits of the Commission’s information security program in FY 2001, FY 2002, and FY

2003 (discussed on page 14). The FY 2003 evaluation completed during the prior period found that the Commission must take further action in order to achieve consistency with OMB Circular No. A-130, Appendix III *Security of Federal Automated Information Resources* (February 1996). We identified 7 findings in the areas of management, operational, and technical controls and made 18 recommendations to improve the Commission's IT security. Although problems persist, the Commission made sufficient progress in addressing them that they neither in part nor in sum constitute a material weakness. In addition to information security measures, the Commission has committed significant resources to electronic government initiatives.

In FY 2003, the Commission replaced the original Electronic Document Information System (EDIS) with a new system that has increased functionality and promises significant cost savings to external users. In FY 2003, the Commission also replaced its local area network. In FY 2004, this effort included initial steps to develop a new capability for providing secure Web access to non-public data by specific authorized external customers. These initiatives are part of the Commission's Information Resource Management (IRM) Strategic Plan. Consistent with this plan, IT projects are evaluated and prioritized in accordance with their contribution to the agency's overall Strategic Plan and the meeting of performance goals.

Management Challenge: Strategic Management of Human Capital. Facing substantial prospective retirements, agencies must hire and retain people with needed skills and hold them accountable for serving customers and stakeholders. OMB considered 20 agencies "green" for progress, meaning they had plans in place to assess their workforce and to use every tool at their disposal to recruit and retain the workforce they need to fulfill their missions.

In prior Semiannual Reports to Congress the OIG identified as one of the Commission's top management challenges: Human Capital and Staffing. In March 2002, the OIG assessed the Commission's family-friendly programs¹—those programs promoted by the Office of Personnel Management's Office of Family-Friendly Advocacy—in terms of their compliance with statutory and executive level guidance and whether they meet the needs of Commission employees.

As previously noted, human capital is the Commission's largest resource, with salaries and personnel benefits representing approximately 72 percent of the FY 2004 budget. The

¹ *Assessment of the Commission's Family-Friendly Programs, Inspection Report, OIG-IR-06-01 (March 27, 2002)*
<http://www.usitc.gov/oig/OIG-IR-06-01.pdf>

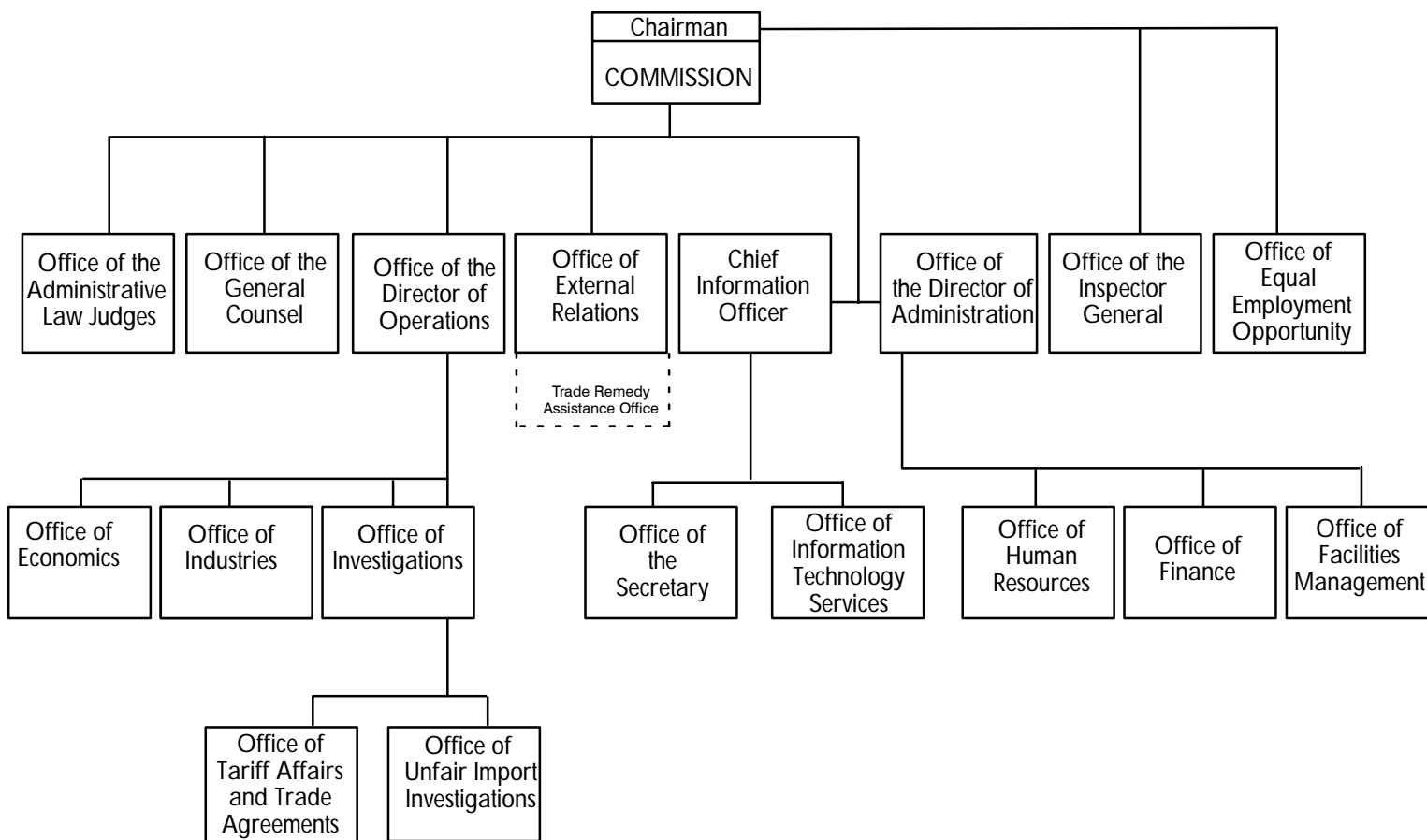
COMMISSION'S TOP MANAGEMENT CHALLENGES—*Continued*

Commission maintains an expert staff of professional international trade and nomenclature analysts, investigators, attorneys, economists, computer specialists and administrative support personnel. All employees are located at 500 E Street SW, Washington, DC 20436. At the end of FY 2004, the Commission employed a total of 359 permanent employees.

More than one third of the Commission's workforce is eligible to retire in the next 5 years. The Commission may realign resources as priorities shift, but the cost of the current staffing level is increasing at a rate faster than appropriation levels as the number of Civil Service Retirement System employees decreases and the number of Federal Employees Retirement System employees increases. Thus, the Commission must streamline human resource processes, review how it utilizes staff, and develop a better understanding of the relationship between human resources and financial resources to ensure that the Commission builds, deploys, and sustains a skilled, flexible, high-performing workforce. In FY 2005, the Commission will focus on:

- ***Leadership and Knowledge Management.*** In FY 2003, the Commission surveyed employees regarding workplace issues. The Chairman and Vice Chairman conducted listening sessions with small groups of employees to obtain first-hand knowledge of workplace issues. Having conducted a strategic workforce planning initiative to analyze employee skills and identify any current or future skills gaps, in FY 2005 the Commission plans to continue work on an agency-wide strategy for linking assessed skill gaps to training curriculum and development initiatives.
- ***Workforce Planning and Deployment.*** Currently, the Commission is reviewing position management to improve organizational effectiveness and align resources with workload and mission. During FY 2002, in fulfillment of the requirements of the Clinger-Cohen Act, the Commission established the CIO position. During FY 2003, the Commission realigned its IT resources better to support its mission as well as the implementation of electronic business and other IT initiatives. Innovative realignment of resources and strategic position management should continue in FY 2005 as the Commission redeploys existing resources to meet the surge in workload resulting from sunset investigations.
- ***Strategic Alignment.*** During FY 2005, the Commission plans to complete a human capital management plan that establishes human capital goals and objectives that link to the Commission's Strategic Plan. Taking a long view, the Commission will reflect how human capital supports mission achievement. In FY 2005, the Commission will complete efforts to emphasize performance-based accountability for senior managers.

COMMISSION'S ORGANIZATIONAL STRUCTURE
U.S. International Trade Commission



Budget Committee
 Authority: Adm. Order 00-06, dated 7/26/00

Directives Review Committee
 Authority: CO71-U-004, dated 7/11/97

Document Imaging Oversight Committee (DIOC)
 Authority: Adm. Order 96-06, dated 3/15/96

Executive Resources Board (ERB)
 Authority: Adm. Order 04-06, dated 6/23/04

Incentive Awards Committee (IAC)
 Authority: Adm. Order 92-27, dated 7/2/92 and Adm. Order 97-02, dated 10/15/96

Information Resources Management Steering Committee (IRMSC)
 Authority: Adm. Order 00-08, dated 8/25/00

Labor-Management Occupational Safety and Health Committee
 Authority: Adm. Order 02-03, dated 1/10/02

Labor-Management Partnership Council
 Authority: Adm. Order 03-05, dated 2/11/03

Strategic Planning Committee (SPC)
 Authority: Adm. Order 02-08, dated 5/3/02

Senior Executive Service Performance Review Board (PRB)
 Authority: Adm. Order 02-09, dated 7/15/02

COMMISSION PROFILE

<http://www.usitc.gov>

The Commission is an independent, nonpartisan, quasi-judicial federal agency established by Congress to provide trade expertise to both the Legislative and Executive Branches of government. Its mission is to: administer U.S. trade remedy laws within its mandate in a fair and objective manner; provide the President, the U.S. Trade Representative (USTR) and the Congress with independent, quality analysis, information, and support on matters of tariffs and international trade and competitiveness; and maintain the Harmonized Tariff Schedule of the U.S. In so doing, the Commission serves the public by implementing U.S. law and contributing to the development of sound and informed U.S. trade policy. Major Commission activities include:

- Import Injury Investigations**—The Commission makes determinations in a variety of import injury investigations, primarily antidumping and countervailing duty (AD/CVD) investigations concerning the effects of unfairly traded imports on a U.S. industry.
- Intellectual Property-Based Investigations**—The Commission adjudicates complaints brought by domestic industries under section 337 of the Tariff Act of 1930 that allege infringement of U.S. intellectual property rights and other unfair methods of competition by imported goods.
- Research**—The Commission’s research program consists of probable economic effects investigations under section 131 of the Trade Act of 1974 and section 2104 of the Trade Act of 2002; analysis of trade and competitiveness issues under section 332 of the Tariff Act of 1930; and independent assessments on a wide range of emerging trade issues.
- Trade Information Services**—The Commission’s trade information services include such activities as legislative reports; maintenance of the Harmonized Tariff Schedule; Schedule XX; U.S. Schedule of Services Commitments under the General Agreement on Tariffs and Trade/World Trade Organization; preparation of U.S. submissions to the Integrated Database of the World Trade Organization; and certain other information gathering, processing, and dissemination activities.
- Trade Policy Support**—The Commission supports the formulation of U.S. trade policy, providing objective input to both the Executive Branch and the Congress on the basis of the distinctive expertise of its staff.

COMMISSION PROFILE—*Continued*

The Commission consists of six Commissioners, appointed by the President and confirmed by the Senate, who serve one term of nine years, unless appointed to fill an unexpired term. No more than three Commissioners may be of the same political party. The Chairman and Vice Chairman are designated by the President and serve a 2-year statutory term. The Chairman is responsible, within statutory limits, for the administrative functions of the Commission.

The current Commissioners are Stephen Koplan, Daniel R. Pearson, Charlotte R. Lane, Jennifer A. Hillman, Marcia E. Miller, and Deanna Tanner Okun. The current Chairman is Stephen Koplan and the current Vice Chairman is Deanna Tanner Okun.

In FY 2004, the Commission had an estimated \$58.7 million in available funds and a staffing plan for 397.5 permanent positions and 9 term/temporary positions. All employees are located in one building at 500 E Street, SW, Washington, DC.

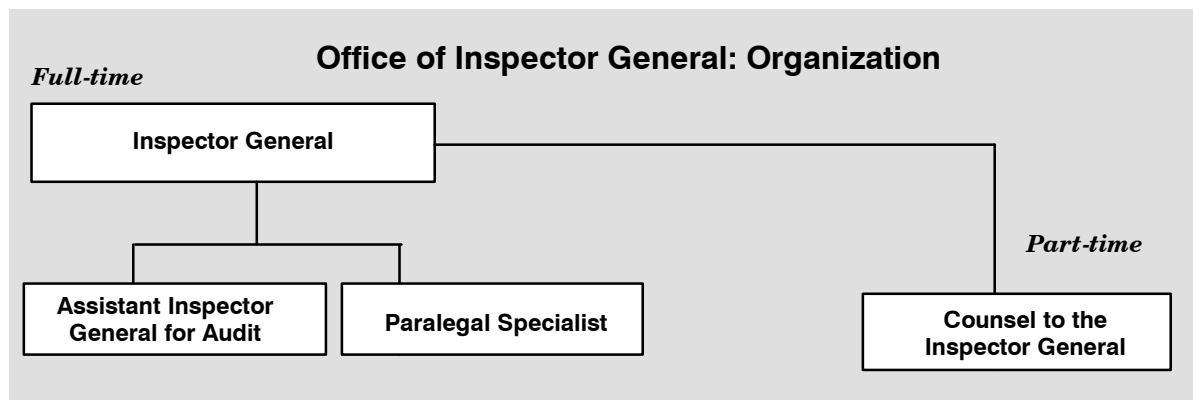
THE OFFICE OF INSPECTOR GENERAL

<http://www.usitc.gov/oig>

The Commission established the OIG pursuant to the 1988 amendments to the Inspector General Act. The Inspector General reports directly to the Chairman. The Inspector General is responsible for directing and carrying out audits, investigations, and inspections relating to Commission programs and operations. The Inspector General also provides comments and recommendations on proposed legislation, regulations, and procedures as to their economy, efficiency and effectiveness.

As shown in the organizational chart, the OIG had three full-time positions and one part-time position in FY 2004.

For FY 2004, the OIG was allocated 3.5 staff years. This provided for three full-time positions (Inspector General, Assistant Inspector General for Audit, and Paralegal Specialist) and one part-time position (Counsel to the Inspector General). The Commission also allocated \$230,000 for OIG contracted audit and review services for FY 2004.



The OIG hired a summer intern from the Georgetown University School of Foreign Service. Using his prior audit experience and interest in international trade, the intern participated in our inspection of how the Commission implemented the Continued Dumping and Subsidy Offset Act of 2000. (see page 16).



Miguel Estien joined the OIG staff as a summer intern on May 17, 2004 and worked through August 10, 2004.

AUDITS

Audit Report List

We issued one audit report during this period:

- OIG-AR-01-04, Evaluation of the U.S. International Trade Commission's Discretionary Document and Mail Distribution Program (see page 12)

Generally, the Commission made progress implementing pending actions recommended in the following reports since issuance of our last Semiannual Report:

- OIG-AR-03-03, Evaluation of the U.S. International Trade Commission's Fiscal Year 2003 Information Security Program and Practices (see page 14)
- OIG-AR-02-03, Audit of the U.S. International Trade Commission's Financial Management System Control (see page 14)
- OIG-AR-03-02, Evaluation of the Commission's Travel Program (see page 14)
- OIG-AR-05-00, Evaluation of USITC's Records Management (see page 15)

On September 23, 2004, we requested the Commission's comments on the FY 2004 information security audit report in accordance with the Federal Information Security Management Act. Also during this period, the Assistant Inspector General for Audit (AIGA) coordinated with the Director of Administration/Chief Information Officer and his staff to prepare for our upcoming financial statement audit required by the Accountability of Tax Dollars Act.

Summary of Significant Audits

Evaluation of the U.S. International Trade Commission's Discretionary Document and Mail Distribution Program, OIG-AR-01-04 (May 26, 2004)
<http://www.usitc.gov/oig/OIG-IR-01-04.pdf>

The OIG performed an audit to determine if the Commission effectively processed its discretionary² mail and made publicly available information accessible on its Web site. Specifically, we determined whether the Commission:

- Made publicly available, or discretionary, information accessible on its Web site.

² For purposes of this audit, reports and publications that are available to the public were referred to as *discretionary* documents.

AUDITS—*Continued*

- Took action to promote Web site retrieval of such information vs. paper processing.
- Met its customer needs by ensuring that discretionary information was well organized and accessible.
- Contracted mail service operated as intended.

While the Commission processed outgoing and returned mail as intended, we made six recommendations to (1) increase the use of information technology at the Commission, (2) encourage customers to obtain publicly available information through the Web or a CD-ROM, and (3) enhance information technology procedures. The Commission concurred with our findings and recommendations.

Our audit revealed that processing and delivery costs could be reduced and service to the public could be enhanced by completing formal plans and policies to ensure information technology tools are implemented and used. First, given that the Commission established a Web team and hired a Webmaster approximately 1 month before the start of this audit, it is important to have a completed and approved plan of action with milestones to support and account for their efforts. Second, although the Commission encouraged use of electronic documents in place of paper documents for distribution, official guidance on the format (i.e., paper or CD-ROM) was needed. Third, while the Commission's annual Budget Justifications discussed its desire to automate the investigation questionnaire (IQ) process, the Commission did not have a *system development life cycle* to ensure the IQ System's development or implementation.

Additionally, the Commission lacked a sufficient process to encourage customers to request products in less expensive formats and track customers' preferred product formats. Also, the Commission did not encourage its program offices to submit electronic formatted documents to the Office of Publishing or use existing technology to make products easier for customers to find on the Internet.

AUDIT FOLLOW-UP

Pending recommended actions remain open on four audits reported in the previous semiannual report:

Evaluation of the U.S. International Trade Commission's Fiscal Year 2003 Information Security Program and Practices, OIG-AR-03-03 (September 22, 2003) <http://www.usitc.gov/oig/OIG-AR-03-03.pdf>

Our annual independent audit of the Commission's information security program and practices resulted in 18 recommendations, all of which were agreed to by management. The Commission completed action on 7 of the 18 recommendations, decided not to implement 1, and 10 remain open—either no/partial action was taken or the action did not address the finding.

Due to the sensitive content, we have limited distribution of this and prior annual reports.

Audit of the U.S. International Trade Commission's Financial Management System Control, OIG-AR-02-03 (July 24, 2003)
<http://www.usitc.gov/oig/OIG-AR-02-03.pdf>

The Commission agreed with all three recommendations, implemented two, but has yet to:

- Revise Directive 3550.3 and Form 110 to improve controls over fixed assets and accountable property.

The Director of Finance revised the above. However, it had not received final approval from the Director of Administration. The Commission anticipated final actions by November 30, 2004.

Evaluation of the Commission's Travel Program, OIG-AR-03-02 (September 30, 2002) <http://www.usitc.gov/oig/OIG-AR-03-02.pdf>

The Commission agreed with all six recommendations, implemented five, but has yet to:

- Issue an Administrative Order directing supervisors to identify and communicate each cardholder's planned travel in order to have the cardholder's authorized charge limit modified accordingly.

With the advent of a major change in travel service providers, the Commission has postponed a final solution to this issue until a new travel management contract is awarded. However, charge limits have been placed on all travel cards Commission-wide and are only removed for international travel. Random audits are conducted by the Office of Finance

AUDIT FOLLOW-UP—*Continued*

on travel reports throughout the year. The eTravel migration team is scheduled to make a selection by December 30, 2004, with the new system operational by February 28, 2005. The costs and benefits of further limiting or restricting card usage will be evaluated with the new service provider.

Evaluation of USITC's Records Management, OIG-AR-05-00 (March 7, 2001)

<http://www.usitc.gov/oig/OIG-AR-05-00.pdf>

The Commission agreed with all 22 recommendations, implemented 21, but has yet to:

- Identify records scanned by EDIS so they can be disposed.

The Commission received approval from the National Archives and Records Administration to discontinue its paper based docket records, with the electronic records in EDIS recognized as the official records of the agency. In FY 2005, the Office of the Secretary will contract out the records certification process and destruction of unnecessary paper records. The Commission anticipates this process will begin by March 2005.

INSPECTIONS

Inspection Report List

During this period we issued the following inspection report:

- U.S. International Trade Commission’s Implementation of the Continued Dumping and Subsidy Offset Act of 2000, OIG-IR-01-04 (September 30, 2004) <http://usitc.gov/oig/OIG-IR-01-04.pdf>**

The objective of this inspection was to determine if the Commission effectively: (1) identified and reported to the U.S. Customs and Border Protection (CBP)³ the names of affected domestic producers that supported action resulting in an antidumping/countervailing duty order⁴, and (2) processed requests to be added to the names of affected domestic producers provided to CBP.

The Continued Dumping and Subsidy Offset Act of 2000 (CDSOA or the Act), also known as the “Byrd Amendment,”⁵ provided that affected producers may be eligible to receive an offset—funds disbursed annually by the CBP from assessed anti-dumping and countervailing (AD/CV) duties—for certain qualifying expenditures incurred after the issuance of an order or finding.

Generally, *dumping* occurs when a foreign firm sells merchandise in the U.S. market at a price lower than the price it charges for a comparable product sold in its domestic market. If the U.S. Department of Commerce (Commerce) finds such merchandise, antidumping duties are imposed. If Commerce finds that imported merchandise benefits from subsidies bestowed by a foreign government, countervailing duties are imposed. In all antidumping cases, and in most countervailing duty cases, these duties are imposed only if the Commission determines that the imported goods caused material injury or the threat of material injury to a U.S. domestic industry.

CDSOA assigned the Commission responsibility to ascertain and forward to CBP a list of producers potentially eligible to receive an offset in connection with an AD/CV duty order. For orders in which the Commission conducted an investigation, a U.S. domestic producer who was a petitioner or an interested party in support of a petition to which an order had

³ Under the National Strategy for Homeland Security and the Homeland Security Act of 2002, part of the U.S. Customs Service became U.S. Customs and Border Protection within the U.S. Department of Homeland Security.

⁴ In this report, we will refer to an AD/CV duty order or finding as an “order”.

⁵ Named for CDSOA sponsor Senator Robert C. Byrd of West Virginia.

INSPECTIONS—*Continued*

been entered were identified when the producer either: (a) completed the Producer Questionnaire, indicated support for the petition, and waived confidentiality or (b) supported the action during the investigation by submitting a letter to the Commission. For orders not requiring an investigation, Commerce supplied the information to the Commission for inclusion in the list forwarded to CBP. The Commission's Office of Investigations, under the Director of Operations, prepares the list.

Our inspection found while the Commission effectively implemented the Act, we suggested additional actions to enhance its process and improve communication, such as:

- Developing written procedures to identify, process and report producers to CBP.
- Adding to its website guidance on the Act's requirements and answers to key stakeholders' problems.
- Revising the Producer's Questionnaire to alert eligible producers that requesting confidentiality might prevent inclusion in the Commission's list provided to CBP.
- Linking all electronic documents associated with an investigation in the Commission's Electronic Document Information System (EDIS).

Commission officials responded positively to our draft report. The Director of Operations indicated that he had revised the investigator's checklist and intended to implement the other suggestions addressed to him by October 29, 2004. Specifically, he will seek advice from the Office of General Counsel and CBP to: clarify and streamline reporting of associations and coalitions as well as the groups' members; provide website information on the Commission's and CBP's roles; and clarify the Producer's Questionnaire regarding confidentiality.

The Chief Information Officer commented that EDIS possibly could link CDSOA electronic documents to applicable investigation electronic files maintained in EDIS. However, the Commission still may need to assign responsibility for filing and retrieving hard copies of CDSOA-related documents.

INSPECTIONS—Continued

Actions on Prior Inspections

**U.S. International Trade Commission’s Occupant Emergency Program,
Inspection Report, OIG-IR-01-03 (March 28, 2003)**

<http://www.usitc.gov/oig/OIG-IR-01-03.pdf>

The OIG inspected the Commission’s Occupant Emergency Program (OEP) to determine if it would adequately ensure the safety of Commission and other occupants at 500 E Street, SW, in Washington, DC. In response to our suggestion that the Commission develop an official building-wide OEP, on January 22, 2004, the Commission issued a purchase order to produce the plan.

In August 2004, the “Building Emergency Action Plan” was finalized and distributed to all the building tenant agencies and Boston Properties. Also, all employees of the building received an emergency procedures pamphlet that provides instructions for dealing with various related emergencies such as weather, bomb threat, medical, tornado, earthquakes and bio-terrorism. New communications radios and megaphones were purchased and distributed to emergency plan personnel. Emergency evacuation and shelter in place drills will be held throughout the coming year.



From left: Gary Stanford, Facilities Management Specialist; Patricia Katsouros, Director of Finance; and Jonathan Brown, Director of Facilities Management with new Evaluation Floor Guide designed by WPS Emergency Planning LLC.

INVESTIGATIONS

The OIG investigates possible violations of laws, rules, and regulations, mismanagement, abuse of authority, and waste of funds. These investigations may result either from our own audit, inspection and other work or in response to allegations, complaints, and information received from employees, other government agencies, contractors, and other concerned individuals. The objective of this program is to ensure the integrity of the Commission and assure individuals fair, impartial, and independent investigations.

Summary of Investigative Activity

During this reporting period, one new case was initiated. A summary of investigative activity is presented below.

Case Workload		Referrals Processed		Investigative Results	
Open (03/31/04)	0	Received	1	Referrals for Prosecution	0
Initiated	1	Referred to OIG Audit & Inspection Divisions	0	Referrals Declined for Prosecution	0
Closed	0	Referred to Commission	1	Administrative Action	0
Open (09/30/04)	1	Referred to other Federal Agencies	0		
		Evaluated but no Investigation Initiated	0		

OTHER ACTIVITIES

Regulatory Review

The Inspector General Act, 5 U.S.C., Appendix, Section 4(a)(2), requires the OIG to review existing and proposed legislation and regulations and to make recommendations concerning the impact of such legislation or regulations on the economy and efficiency of programs and operations administered by the Commission.

The OIG evaluates the impact that new or revised procedures will have on the economy and efficiency of programs and operations. During this reporting period, the OIG commented on drafts of three agency documents.

The OIG reviewed a draft notice of proposed rulemaking and notice of changes in agency procedures, concerning antidumping and countervailing duty procedures.

The OIG commented on the draft Administrative Order regarding agency payment of professional credentials. Based upon the OIG's comments, the Commission added a provision disallowing payment for examinations to obtain professional credentials.

In addition, the OIG commented on a proposed career intern directive. The Commission accepted the Counsel's suggestion and amended the draft document.

Government Accountability Office (GAO)

The Inspector General Act states that each Inspector General shall give particular regard to the activities of the Comptroller General of the United States with a view toward avoiding duplication and ensuring effective coordination and cooperation. During this period, GAO began an evaluation of the Commission's actions regarding relief mechanisms for imports from the People's Republic of China.

Peer Review

In September 2004, the Consumer Product Safety Commission (CPSC) OIG reported the results of its quality review of our audit operations. The CPSC OIG found that the Commission's OIG has an effective internal quality control system and conducts audits in accordance with the Comptroller General's *Government Auditing Standards*. Without exception, our office exceeded all the peer review evaluation criteria.

OTHER ACTIVITIES—*Continued*

Each OIG organization is required to implement and maintain an internal quality control system for its audit work and attestation engagements. The 1988 amendments to the Inspector General Act of 1978 require that external quality reviews (or peer reviews) be performed exclusively by an audit entity of the federal government, including the Government Accountability Office or an OIG. *Government Auditing Standards* call for each federal statutory OIG to undergo a peer review every 3 years.

Liaison Activities

The Inspector General is one of 28 designated Federal entities Inspectors General, who are members of the Executive Council on Integrity and Efficiency (ECIE). Established by Executive Order 12805 on May 11, 1992, the ECIE is chaired by the Office of Management and Budget and, in addition to the Inspectors General, includes representatives from the Office of Personnel Management, the Office of Government Ethics, the Office of Special Counsel, and the Federal Bureau of Investigations.

The Inspector General also participates in activities sponsored by the President's Council on Integrity and Efficiency (PCIE), which consists primarily of the Presidentially appointed Inspectors General. The ECIE and PCIE have identical functions and responsibilities to promote integrity and efficiency and to detect and prevent fraud, waste and abuse in federal programs.

During this period, the Inspector General served on the Board of the Association of Inspectors General, where federal, state and local OIGs share ideas on how to enhance their effectiveness and professionalism. The Inspector General has served for over 2 years as a member of the PCIE ECIE Human Resources Committee on which he participated with other Inspectors General to plan a management institute for OIG auditors, investigators, and other professionals.

In addition to Human Resource Committee activities, the Inspector General has for more than 3 years volunteered as an occasional guest instructor for the Inspectors General Auditor Training Institute. As a Certified Myers Briggs Type Instrument® (MBTI) Professional, he facilitated three team building workshops using the MBTI for multiple Offices of Inspector General in Rosslyn, Virginia. He also provided an MBTI workshop for the U.S. Environmental Protection Agency OIG's leadership team on September 13, 2004, and taught a 3-day workshop for multiple Offices of Inspector General on executive briefing and testimonial skills.

OTHER ACTIVITIES—*Continued*

The Assistant Inspector General for Audit (AIGA) is a member of the Financial Statement Audit Network (FSAN) that anticipates potential changes and shares experiences related to auditing their respective agencies' financial statements. She is also a member of the Federal Audit Executive Council (FAEC) established to assist the community in addressing issues that arise in OIG organizations by developing and maintaining databases of information useful to government auditors.

The Counsel to the Inspector General, as a member of the Inter-agency Ethics Council, continued to provide a monthly report to the Inter-agency Ethics Council on Federal Court cases involving ethics issues. With participants from other OIG organizations, she designed and taught an ethics training module for the Inspectors General Auditor Training Institute. She also hosted on September 15, 2004, the Council of Counsels to the Inspectors General (CCIG) Legal Forum, attended by 100 OIG attorneys. The CCIG Forum included speakers on recent case law developments at the Merit Systems Protection Board and Equal Employment Opportunity Commission as well as updates on Freedom of Information Act and Privacy Act laws and criminal law.



From left: Jennifer Cron-Hepler, USITC OIG Counsel, Frank P. LaRocca, Jr. NASA OIG Counsel, Richard L. Huff, Co-Director of Information / Privacy at Department of Justice, Kenneth F. Clarke, Inspector General of USITC and background conference attendees.

The Paralegal Specialist participated in a Human Capital development conference held by the Commission's Office of Human Resources in Baltimore, MD on June 1-2, 2004.

REPORTING REQUIREMENTS INDEX

The Inspector General Act of 1978, as amended (1988), specifies reporting requirements for semiannual reports.

CITATION	REPORTING REQUIREMENTS	PAGE
Section 4(a)(2)	Recommendations concerning the impact of such legislation or regulations on the economy and efficiency in the administration of programs and operations administered or financed by the Commission	20
Section 5(a)(1)	Description of significant problems, abuses, and deficiencies relating to the administration of programs and operations	None
Section 5(a)(2)	Description of the recommendations for corrective action made with respect to significant problems, abuses, or deficiencies	None
Section 5(a)(3)	Identification of each significant recommendation described in previous semiannual reports on which corrective action has not been completed	14-15
Section 5(a)(4)	Summary of matters referred to prosecutive authorities and the prosecutions and convictions which have resulted	19
Section 5(a)(5)	Summary of each report made to the head of the establishment under which information or assistance was unreasonably refused	None
Section 5(a)(6)	Listing of each audit report	12
Section 5(a)(7)	Summary of each significant report	12-13
Section 5(a)(8)	Statistical tables showing Audit Reports-Questioned Costs	24
Section 5(a)(9)	Statistical tables showing Audit Reports-Funds Put to Better Use	25
Section 5(a)(10)	Summary of each audit report issued before the commencement of the reporting period for which no management decision has been made by the end of the reporting period	None
Section 5(a)(11)	Description and explanation of the reasons for any significant revised management decisions	None
Section 5(a)(12)	Information concerning any significant management decision with which the Inspector General is in disagreement	None

Table 1
AUDIT REPORTS WITH QUESTIONED COSTS⁶

		Dollar Value		
		Questioned Costs	Unsupported Costs	
		Number of Reports		
A.	For which no management decision has been made by the commencement of the period	0	0	0
B.	Which were issued during the reporting period	0	0	0
Subtotals (A+B)		0	0	0
C.	For which a management decision was made during the reporting period	0	0	0
	(i) Dollar value of disallowed costs	0	0	0
	(ii) Dollar value of costs not disallowed	0	0	0
D.	For which no management decision has been made by the end of the reporting period	0	0	0
E.	Reports for which no management decision was made within six months of issuance	0	0	0

⁶ The ITC OIG generally does not perform contract audits that are the basis for mandatory reporting of questioned and unsupported costs.

Table 2
AUDIT REPORTS WITH RECOMMENDATIONS
THAT FUNDS BE PUT TO BETTER USE

	Number of Reports	Dollar Value
A. For which no management decision has been made by the commencement of the period	0	0
B. Which were issued during the reporting period	0	0
Subtotals (A+B)	0	0
C. For which a management decision was made during the reporting period	0	0
(i) Dollar value of recommendations that were agreed to by management	0	0
(ii) Dollar value of recommendations that were not agreed to by management	0	0
D. For which no management decision has been made by the end of the reporting period	0	0
E. Reports for which no management decision was made within six months of issuance	0	0

GLOSSARY

The following definitions apply to the terms used in this report.

- Questioned Cost** means a cost that is questioned by the Office because of:
(1) an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; (2) a finding that, at the time of the audit, such cost is not supported by adequate documentation; or (3) a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.
- Unsupported Cost** means a cost that is questioned by the Office because the Office found that, at the time of the audit, such cost is not supported by adequate documentation.
- Disallowed Cost** means a questioned cost that management, in a management decision, has sustained or agreed should not be charged to the Government.
- Recommendation that funds be put to better use** means a recommendation by the Office that funds could be used more efficiently if management of an establishment took actions to implement and complete the recommendation, including: (1) reduction in outlays; (2) deobligation of funds from programs or operations; (3) withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds; (4) costs not incurred by implementing recommended improvements related to the operations of the establishment, a contractor or grantee; (5) avoidance of unnecessary expenditures noted in preaward reviews of contract or grant agreements; or (6) any other savings which are specifically identified.

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