



UNITED STATES
INTERNATIONAL
TRADE COMMISSION

IG

USITC Office of the Inspector General

Semiannual Report

October 1, 2002 - March 31, 2003

April 2003

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
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

INSPECTOR GENERAL



UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, D.C. 20436

May 30, 2003

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 October 1, 2002 through March 31, 2003.

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

- effect positive change and reduce vulnerabilities in the Commission's programs 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 completed an inspection of the Commission's Occupant Evacuation Program intended to help account for the safety of Commission employees in the event of terrorist attacks or other calamities. Also, in response to the Commission's request as well as Congressional and Office of Management and Budget interest, we completed an audit of the Commission's Purchase Card Program. Finally, we completed an investigation concerning misuse of a Government Travel Card.

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 cursive script, reading "Kenneth F. Clarke".

Kenneth F. Clarke
Inspector General

TABLE OF CONTENTS

	Page
COMMISSION'S TOP MANAGEMENT CHALLENGES	1
The President's Management Agenda	1
Management Challenge: Competitive Sourcing	2
Management Challenge: Improved Financial Performance	3
Management Challenge: Budget and Performance Integration	4
Management Challenge: Expanded Electronic Government	5
Management Challenge: Strategic Management of Human Capital	6
 COMMISSION'S ORGANIZATIONAL STRUCTURE	 9
 COMMISSION PROFILE	 10
 THE OFFICE OF INSPECTOR GENERAL	 12
 AUDITS	 13
Audit Report List	13
Summary of Significant Audits	13
Audit of the U.S. International Trade Commission's Purchase Card Program, Audit Report OIG-AR-01-03 (January 28, 2003)	13
 AUDIT FOLLOW-UP	 15
Evaluation of the U.S. International Trade Commission's Information Security Program and Practices, Audit Report OIG-AR-02-02 (September 13, 2002)	15
Evaluation of the Commission's Travel Program, Audit Report OIG-AR-03-02 (September 30, 2002)	17
Evaluation of the USITC's Records Management, Audit Report OIG-AR-05-00 (March 7, 2001)	17
Evaluation of the Commission's Implementation of E-FOIA, Audit Report OIG-AR-01-01 (March 20, 2001)	18
 INSPECTIONS	 19
Inspection Report List	19
U.S. International Trade Commission's Occupant Emergency Program, Inspection Report OIG-IR-01-03 (March 28, 2003)	19
Actions on Prior Inspections	20
 INVESTIGATIONS	 21
Summary of Investigative Activity	21
Misuse of Government Travel Card	21

TABLE OF CONTENTS-Continued

	Page
OTHER ACTIVITIES	22
Regulatory Review	22
General Accounting Office (GAO)	22
Liaison Activities	22
Management Assistance	24
REPORTING REQUIREMENTS INDEX	25
TABLE 1 AUDIT REPORTS WITH QUESTIONED COSTS	26
TABLE 2 AUDIT REPORTS WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE	27
GLOSSARY	28



COMMISSION'S TOP MANAGEMENT CHALLENGES

For several years the Office of Inspector General (OIG) has included in the Semiannual Report to Congress a discussion of the “Top Management Challenges” facing the International Trade Commission (Commission). In the Semiannual Report for the period ending September 30, 2002, we identified the following three challenges:

- Performance Management, Measurement and Accountability
- Information Technology Management and Security
- Human Capital and Staffing

Beginning with the Semiannual Report for the period ending March 31, 2003, we will discuss these and other challenges within the framework of the President’s Management Agenda (PMA). 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, inspections and other assistance, the OIG has been helping the Commission to address these challenges.

The President’s Management Agenda

In summer 2001, the President announced the 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. The Executive Branch Management Scorecard tracks how well the departments and major agencies are executing the five initiatives. Using a Stoplight Scoring System, the scorecard employs a simple grading system:

- Green** for success,
- Yellow** for mixed results, and
- Red** for unsatisfactory.

COMMISSION'S TOP MANAGEMENT CHALLENGES—*Continued*

OMB assesses agency “progress” against agreed upon deliverables and time lines established for the five initiatives as follows:

- Green:** Implementation is proceeding according to plans agreed upon with the agency;
- Yellow:** Some slippage or other issues require the agency to adjust in order to timely achieve the initiative objectives; and
- Red:** The initiative is in serious jeopardy, and the agency likely will not realize objectives absent significant management intervention.

The Commission was not among the initial PMA agencies and has not established PMA deliverables and time lines. However, the Commission’s fiscal year (FY) 2004 Budget Justification, as well as its strategic planning documents, expressed the Commission’s commitment to the five PMA initiatives as 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. Thus far, few agencies are viewed as having progressed from red.

In November 2002, OMB proposed a revision to OMB Circular No. A-76, “Performance of Commercial Activities.” If implemented, the OMB Circular would provide guidance on assessing the benefits and effectiveness of competitive sourcing.

The OIG has not assessed the Commission’s current level of success in implementing competitive sourcing in terms of red, yellow or green. However, the Commission has competitively contracted for information technology services, certain 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 June 2002, the Commission issued its fifth comprehensive list of commercial activities

COMMISSION'S TOP MANAGEMENT CHALLENGES—*Continued*

consistent with the Federal Activities Inventory Reform (FAIR) Act. The Commission has said that it will continue to evaluate competitive alternatives and efficient service contracting options to maximize efficiency and minimize cost.

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 passed their FY 2002 financial audits, and a number of smaller agencies—including the Commission—will now begin 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.

The OIG has not assessed the Commission's current level of financial performance in terms of red, yellow or green. The OIG competitively contracted for audit services to assist in reviewing the Commission's financial management controls and will issue a report during Third Quarter FY 2003. We also have been working with the Director, Office of Administration, and his staff to ensure that the Commission prepares financial statements as agreed with the OMB.

In FY 2002, the key components of the Commission's total budget were personnel (approximately 73.1 percent) and rent (approximately 9.3 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 two information security audits¹ as well as the current, ongoing financial management control audit.

¹ Evaluation of the U.S. International Trade Commission's Information Security Program, OIG-AR-02-01 (September 10, 2001), <http://www.usitc.gov/oig/OIG-AR-02-01.pdf>. Evaluation of the U.S. International Trade Commission's Information Security Program and Practices, OIG-AR-02-02 (September 13, 2002), <http://www.usitc.gov/oig/OIG-AR-02-02.pdf>.

COMMISSION'S TOP MANAGEMENT CHALLENGES—*Continued*

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 hopes to examine another 20 percent of programs for FY 2005, and 100 percent of federal programs by FY 2009. 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.

The OIG has not assessed the Commission's current level of success in integrating budget and performance in terms of red, yellow or green. However, in the September 30, 2002, Semiannual Report to Congress, the OIG identified as one of the Commission's top management challenges: Performance Management, Measurement and Accountability. Last year's audit of the Commission's Research Program made recommendations to improve the planning of research projects by setting priorities and measuring projects to make the most effective use of human resources.

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 70 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 used in prior Budget Justifications. Further refinements to the labor cost system are under active consideration in FY 2003. 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.

COMMISSION'S TOP MANAGEMENT CHALLENGES—*Continued*

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 (IT) management throughout the Executive Branch. Agencies continue to manage their IT within a framework the Administration set up to fix 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.

The OIG has not assessed the Commission's current progress in expanding electronic government in terms of red, yellow or green. However, the OIG's prior Semiannual Report to Congress identified as one of the Commission's top management challenges: Information Technology Management and Security. Every Commission business process—investigations, trade policy studies, technical assistance, 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. Although much of this information is in electronic form, it resides in a variety of hardware platforms and software applications, 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 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.



COMMISSION'S TOP MANAGEMENT CHALLENGES—*Continued*

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 and FY 2002 (open recommendations are summarized on pages 13 and 14). We plan to further evaluate selected aspects of the Commission's information security program in FY 2003, and have advised the Commission that failure sufficiently to address persistent problems this year likely would be reported as a material weakness in this third information security audit.

In addition to information security measures, the Commission has committed significant resources to electronic government initiatives such as an Electronic Document Imaging System (EDIS) and DataWeb. In FY 2001, the Commission completed a hardware capacity expansion that allowed it to make DataWeb continuously available to the general public. In FY 2003, the Commission replaced the original EDIS system with a new system that has increased functionality and promises significant cost savings to external users.

In FY 2003, the Commission also plans to replace its local area network. In FY 2004, if funding is available, this effort will include development of 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.

The OIG has not assessed the Commission's strategic management of human capital in terms of red, yellow or green. However, in our last Semiannual Report to Congress the OIG identified as one of the Commission's top management challenges: Human Capital and Staffing. Last year, the OIG assessed the Commission's family-friendly programs—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. In our inspection report

COMMISSION'S TOP MANAGEMENT CHALLENGES—*Continued*

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>, we commended the Commission's progress in implementing most of these programs and suggested that the Commission use survey results to enhance programs to meet employee needs. On September 24, 2002, the Commission's Labor Management Partnership Council sponsored several family-friendly initiatives in reference to our inspection report. The Commission subsequently approved:

- work schedules starting as early as 6:00 am, to lessen commuter traffic and to allow parents to be home when school is over;
- a 4-4/10 work schedule to give employees greater flexibility;
- further enhancements to encourage telecommuting; and
- annual surveys of employee needs and improved orientation for new employees.

In March 2003, the Commission authorized still greater flexibility for employees to work a wide variety of schedules. Planned upgrades to the local area network should support the Commission's efforts to expand employee participation in the Commission's telecommuting program (instituted in March 2001) and bolster plans to integrate telecommuting capabilities and procedures with continuity of Government planning.

As previously noted, human capital is the Commission's largest resource, with salaries and personnel benefits representing approximately 72 percent of the FY 2003 budget. The 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 2003, the Commission employed a total of 365.6 permanent employees.

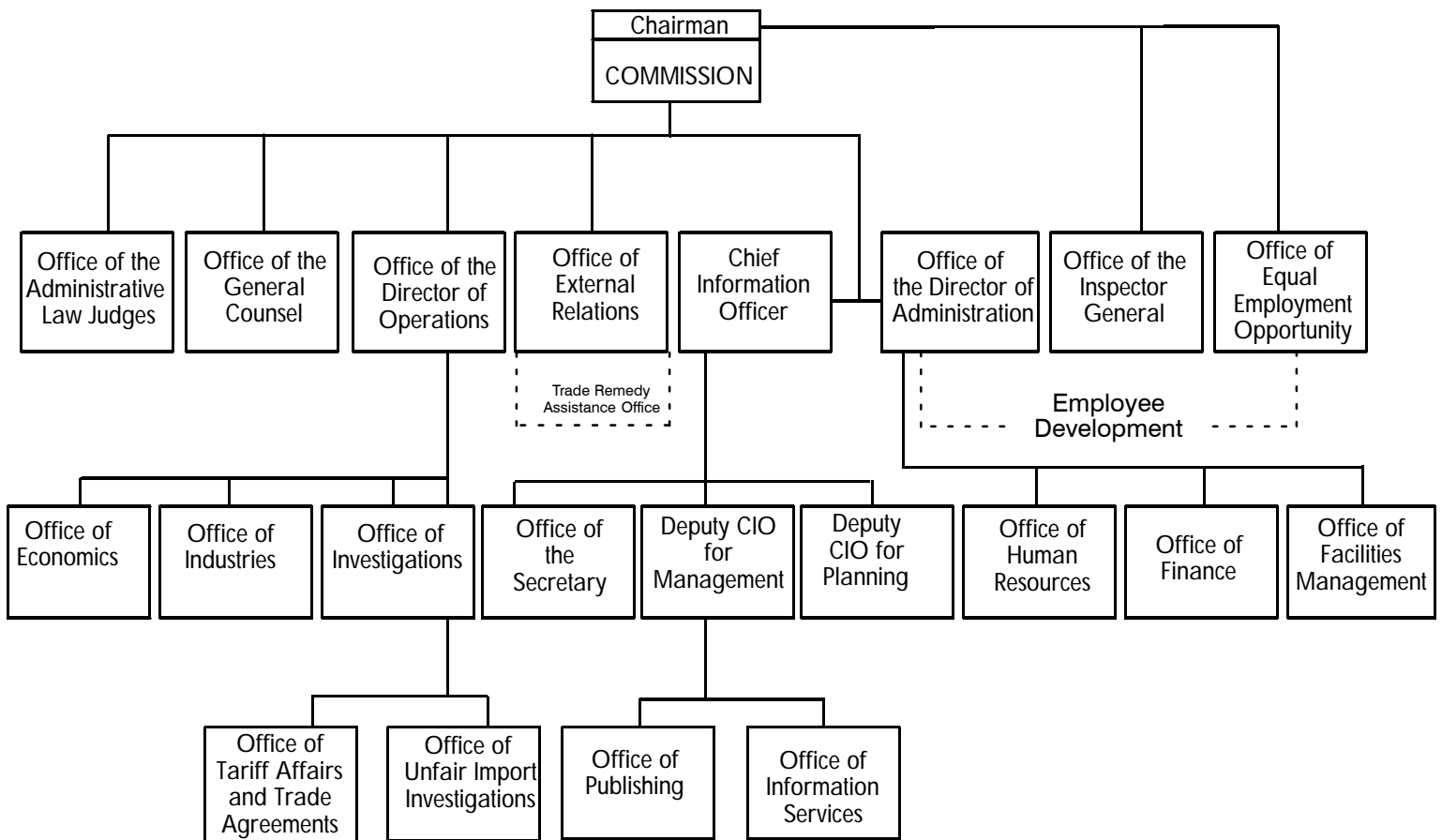
Thirty-four percent of the Commission's workforce is eligible to retire in the next 5 years. The Commission may realign resources as priorities shift, but the cost of the current staffing level is increasing at a rate faster than appropriation levels as the number of Civil Service Retirement System employees 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 2004, the Commission will focus on:



-
- ***Leadership and Knowledge Management.*** In FY 2003, the Commission periodically will survey employees regarding workplace issues. The Chairman and Vice Chairman have conducted listening sessions with small groups of employees to obtain first-hand knowledge of workplace issues. During FY 2003, the Commission will conduct a strategic workforce planning initiative to analyze employee skills and identify any current or future skills gaps. In FY 2004, the Commission plans to 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 to support its evolving mission, the implementation of electronic business, and other IT initiatives. Innovative realignment of resources and strategic position management should continue in FY 2003 as the Commission redeploys existing resources to meet the surge in workload resulting from sunset investigations.
 - ***Strategic Alignment.*** During FY 2003, the Commission intends to develop 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. Beginning in FY 2004, the Commission will move towards emphasizing 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 02-10, dated 9/12/02

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, 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 Tariff Act of 1930; analysis of trade and competitiveness issues under section 332; and independent assessments on a wide range of emerging trade issues.
- Trade Information Services**-The Commission's trade information services include such activities as trade remedy assistance; library services; 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.

During the reporting period, Commissioner Lynn M. Bragg's term expired on June 16, 2002. Ms. Bragg had been appointed to the Commission by former President Clinton in March 1994. With her departure, we are left with two vacant Commissioners' positions.

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

In FY 2003, the Commission has an estimated \$54.2 million in available funds (\$54 million appropriation and \$200,000 carryover) and a staffing plan for 397.5 permanent positions and 6.5 term/temporary positions. All employees are located in one building at 500 E Street, SW, Washington, DC.



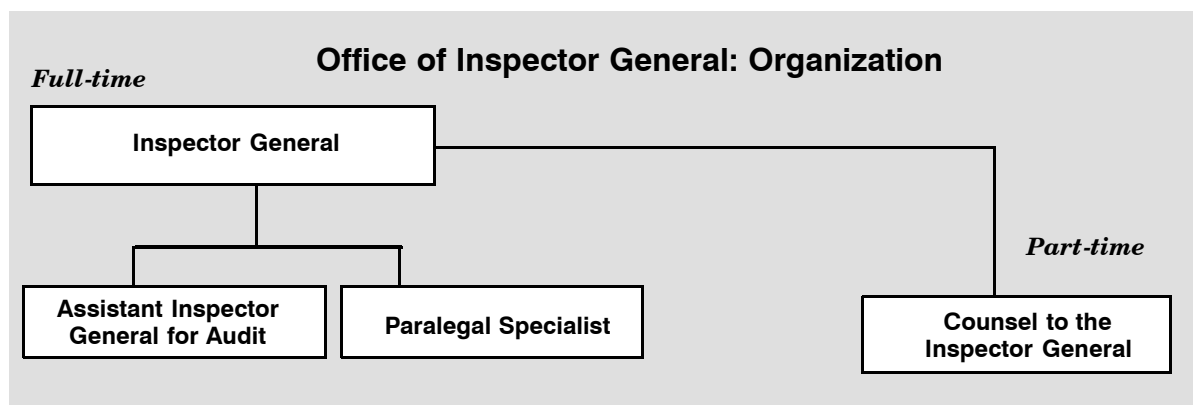
THE OFFICE OF INSPECTOR GENERAL

<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 2003.

For FY 2003, 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 \$140,000 for OIG contracted audit and review services for FY 2003. Under the Commission's summer intern program, the OIG plans to hire one summer intern for a term of 10 weeks.



AUDITS

Audit Report List

We issued one audit report during this period:

- OIG-AR-01-03, Audit of the U.S. International Trade Commission's Purchase Card Program (see page 13)**

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

- OIG-AR-02-02, Evaluation of the U.S. International Trade Commission's Information Security Program and Practices (see page 15)**
- OIG-AR-03-02, Evaluation of the Commission's Travel Program (see page 17)**
- OIG-AR-05-00, Evaluation of USITC's Records Management (see page 17)**
- OIG-AR-01-01, Evaluation of the Commission's Implementation of E-FOIA (see page 18)**

Summary of Significant Audits

Audit of the U.S. International Trade Commission's Purchase Card Program, OIG-AR-01-03 (January 28, 2003) <http://www.usitc.gov/oig/OIG-AR-01-03.pdf>

Using government-sponsored purchase cards helps streamline procurement actions by reducing the use of Purchase Orders and Blanket Purchase Agreements and eliminating Imprest Funds.

At the Chairman's request and in response to heightened interest by Congress and OMB, the OIG audited the Commission's Purchase Card Program to determine if internal controls were sufficient to monitor and adequately control expenditures. Between February 2001 and February 2002, the Commission issued purchase cards to 18 of its employees and had approximately 1,441 purchase card transactions totaling \$1.9 million.

Our audit revealed no instances of fraud, and the Program generally operated as the Commission prescribed. To ensure an effective Program, the Commission issued guidelines for using and administering purchase cards. Furthermore, cardholders received training on the use of the card, each cardholder and supervisor approved the monthly statement for payment, and a card was cancelled when the cardholder separated from the Commission.



AUDITS—*Continued*

To strengthen the Program, the OIG made two recommendations to improve controls over split purchases and clarify the beginning and ending dates of the 30-day purchase limit cycle. The Commission concurred with our findings, and the planned actions met the intent of the recommendations.

The Commission completed action on one recommendation, and one recommendation remains open. A memorandum to all employs confirmed the 30-day purchase card cycle for all cardholders and approving officials. In addition, the reviewing officials have been instructed to determine during quality control reviews whether the purchase limit was exceeded during the billing cycle, determine the cause for any exceeded limit, and to followup with appropriate action.

Finally, the Commission instructed reviewing officials to detect and address split purchases. Documentation issued to each cardholder explained the prohibition on split purchase orders. The “ITC Purchase Card Holder’s Handbook” will be updated to include the prohibition on split purchase orders.



AUDIT FOLLOW-UP

Pending actions remained open on recommendations reported in the previous Semiannual Report for the following four audits at the end of the reporting period:

Evaluation of the U.S. International Trade Commission's Information Security Program and Practices, OIG-AR-02-02 (September 13, 2002)²

<http://www.usitc.gov/oig/OIG-AR-02-02.pdf>

The most recent audit—OIG-AR-02-02—resulted in 16 recommendations, all of which were agreed to by management. We made the recommendations to correct five additional weaknesses and open recommendations previously reported in OIG-AR-02-01 and OIG-AR-01-00. In each of the last 3 years, the OIG evaluated the Commission's information technology system security. Each new report included follow-up audit work on all open recommendations from the prior reports.

Of the 16 recommendations, the Commission stated that action was completed on 8 recommendations. However, the OIG does not concur on the resolution of one recommendation involving the use of social security numbers (SSNs) for user account identifiers (IDs), as will be discussed below.

The actions taken which satisfy 7 of the 16 recommendations are summarized as follows. The Commission:

- Created the Office of the Chief Information Officer (CIO); appointed a permanent CIO; assigned information technology, security, and system activities to directly report to the CIO; and created performance measures for the CIO to successfully resolve open recommendations.
- Performed a cost benefit analysis for obtaining vendor supplied information technology services. The analysis resulted in the award of a contract for the development and installation of a new local area network, which should be completed in August 2003. The contract's options provide the Commission with flexibility in obtaining future information technology services.
- Developed and implemented network and database restoration procedures for rebuilding network servers and restoring files from backup tapes.

² OIG-AR-02-02 included follow-up audit work on all open recommendations from the prior two audits: **Evaluation of the U.S. International Trade Commission's Information Security Program, OIG-AR-02-01 (September 10, 2001)** <http://www.usitc.gov/oig/OIG-AR-02-01.pdf> **Review of the Commission's Information Resources Management Function, OIG-AR-01-00 (September 29, 2000)** <http://www.usitc.gov/oig/OIG-AR-01-00.pdf>



AUDIT FOLLOW-UP—*Continued*

- Strengthened the network administration procedures. The Information Security Officer reviewed vulnerability assessment reports and took corrective action. Also, the Office of Information Services reviewed services running on the network to determine if they are necessary and took appropriate action. These reviews will be performed on a regular basis and the service will be shut down when appropriate.

Regarding the use of SSNs as user IDs, the Commission determined through a cost-benefits analysis that the risk of ID theft to the Commission and its employees was minimal compared with the cost to modify the travel management system to use other than SSNs as user IDs. However, a cost-benefits analysis, while prudent, does not mitigate the risk of ID theft for the Commission and its employees. Further, the Privacy Act of 1974, as amended, prohibits government agencies from denying individuals any right or privilege because of the individual's refusal to disclose his or her SSN. Also, the U.S. Department of Veterans Affairs uses a similar travel management system supplied by the same vendor without requiring a SSN for the user ID.

Although the remaining eight recommendations were to have been completed between January and April 2003, completion dates have been revised to the latter part of FY 2003. Highlights of these eight recommendations included:

- Issue a revised directive to ensure consolidation of all information technology and system security duties, responsibilities, and functions. (Revised completion date: July 30, 2003)
- Provide technical training; strengthen account and password standards; and ensure timely application of patches and fixes. (Revised completion date: August 30, 2003)
- Reexamine automated intrusion detection system (IDS) technologies when the new network is installed. The Commission performed basic monitoring of network activity and determined IDS is cost prohibitive for the current system. (Revised completion date: August 30, 2003)

AUDIT FOLLOW-UP—*Continued*

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

This audit resulted in six recommendations all of which were agreed to by management. The Commission has completed action on two recommendations. First, the Director of the Office of Finance has been assigned the responsibility of monitoring travel card use and payments to ensure the card is used for approved official government travel and expenses are paid in a timely manner. Supervisors will be notified of violations through procedures established with the Office of Human Resources. Quality reviews are performed on travel documentation on a recurring basis by the Office of Finance. Second, an Administrative Announcement was issued to all Commission employees reminding them of the contents of the internal directive on personnel disciplinary and adverse action. A followup system for delinquent accounts has been agreed upon between the Offices of Finance and Human Resources to monitor the status of cases referred to supervisors. In addition, the Office of Finance no longer offers centrally billed accounts to Commission employees. Planned modifications to the Zegato system, made by the Office of Operations, will most likely address the issue of split disbursements. The Commission currently has prepared and is reviewing a new travel management system directive and handbook. The OIG has provided comments on an initial draft. A summary of the three recommendations not yet implemented is as follows:

- Revise the official policies and procedures.
- Strengthen oversight of the travel program.
- Improve customer service.

Evaluation of USITC's Records Management, OIG-AR-05-00 (March 7, 2001) <http://www.usitc.gov/oig/OIG-AR-05-00.pdf>

This audit resulted in 22 recommendations, all of which were agreed to by management. As of October 1, 2002, 21 recommendations had been implemented. The Commission has been working with the National Archives and Records Administration, and approval of the one recommendation is expected. The Commission implemented EDIS-2, and certain document types can now be filed in electronic form. Also, in some instances parties are notified by e-mail of the availability of certain documents through the electronic docket.

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



AUDIT FOLLOW-UP—*Continued*

Evaluation of the Commission’s Implementation of E-FOIA, OIG-AR-01-01 (March 20, 2001) <http://www.usitc.gov/oig/OIG-AR-01-01.pdf>

This audit resulted in five recommendations, all of which were agreed to by management. One recommendation has not yet been implemented, but the Commission has issued a notice of proposed rulemaking that addressed the recommendation. No comments were received from the public concerning the notice, but concerns expressed by agency staff about provisions of the Rule have led to the need to insert additional amendments into the rulemaking. The draft notice now includes updated citations to the Federal Claim Collection Standards as well as a draft guide to filing documents in non-adjudicative investigations, to assist practitioners in understanding the agency’s filing requirements. Apart from the notice of rulemaking, the guide will be a separate document posted next to the rules on the Commission’s Internet web site.

- Amend 19 CFR 201.17-21 to emphasize FOIA affirmative access provisions.

The annual federal register notice has been revised to address availability of the electronic reading room. This notice is scheduled for March of each year.

INSPECTIONS

Inspection Report List

During this period we issued the following inspection report:

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>

Given the September 11, 2001 attacks and subsequent terrorist threats, emergency preparedness remains critical to ensuring a safe environment in which federal employees and visitors can conduct their business. 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.

As the primary occupant agency at a federally leased facility, the Commission took the lead in exercising emergency management in accordance with the Federal Property Management Regulations. Of the building's nine floors, the Commission leases the majority of the first floor and the third through seventh floors to provide office space for its 365 employees. The Commission also maintains several hearing rooms on the first floor to conduct business with non-Commission individuals.

The Commission shares the leased building with the Social Security Administration (SSA) and the National Aeronautic and Space Administration (NASA). SSA has 128 employees on the eighth and ninth floors; NASA has 111 contractors on the second floor.

Our inspection revealed that the Commission actively has led emergency management at this facility. However, we suggested additional actions to further safeguard lives and property. The Commission should develop an official building-wide OEP for all occupants and obtain agreement to the plan from other tenants. Emergency procedures should be readily available and recognizable to all employees.



The Commission purchased evacuation chairs and provided training in their use. Facilities Management Specialist and Safety Officer Gary Stanford demonstrates the chair with the help of Sylvia Evans from the Office of Unfair Import Investigations.

INSPECTIONS—*Continued*

Based on General Services Administration (GSA) guidelines and our observations during an unscheduled emergency evacuation drill, the building-wide OEP should:

- Provide key officials' emergency phone numbers in addition to direct office numbers;
- Designate a meeting place away from the building to ensure all occupants have safely exited the building;
- Include information about the building and its occupants, as well as a floor plan with the evacuation routes clearly marked;
- Include procedures for after-hours emergencies; and
- Ensure all occupants follow procedures when an alarm is sounded.

Finally, the Commission formally should assign Command Center responsibilities and identify an alternate Command Center site in the event the building must be completely evacuated.

The response to our inspection indicated the Commission's commitment to safeguarding lives and property during an emergency. The Commission's Office of Human Resources proposed taking actions to ensure employees and their families continue to receive benefits support, employees' emergency contact phone numbers are maintained and available, and an area is designated for injured employees. Furthermore, the Commission was finalizing a "shelter in place" plan.

Actions on Prior Inspections

U.S. International Trade Commission's Administration of Westlaw® Legal Research Service, Inspection Report, OIG-IR-02-02 (September 25, 2002)
<http://www.usitc.gov/oig/OIG-IR-02-02.pdf>

This inspection was completed during the last reporting period. At that time we offered three suggestions that have been implemented. The Law Librarian performed a cost benefit analysis of the fixed price plan for Westlaw® that included an analysis of accessing materials through Westlaw® that are also available in the Law Library. He also instituted a more formal usage cost awareness program for the 90 to 100 Commission employees with workstation access to Westlaw®. Also as we suggested, the Law Librarian now receives the weekly resource transaction report that contains the names of separated employees.

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

A summary of investigative activity is presented below.

During this reporting period, no new cases were initiated, one case was closed regarding an alleged inappropriate use of Government travel cards, and one case remains open.

Case Workload		Referrals Processed		Investigative Results	
Open (9/30/02)	2	Received	1	Referrals for Prosecution	0
Initiated	0	Referred to Commission	0	Referrals Declined for Prosecution	0
Closed	1	Referred to other Federal Agencies	1	Administrative Action	1
Open (3/31/03)	1	Evaluated but no Investigation Initiated	0		

Misuse of Government Travel Card

An employee used a Citicorp Government Travel Card to charge \$2,102.14 for other than official business travel. Charged personal expenses included restaurants, lodging and a Mexican vacation package. The employee paid all charges in full.

The employee violated USITC Administrative Notice 2306 Mandatory Use of a Government Issued Travel Charge Card, by using the Citicorp Travel Card for personal use.

The supervisor spoke with the employee who agreed not to misuse the Citicorp Government Travel Card again.



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. The OIG reviewed and commented on draft internal directives on mission and functions statements for the Office of Human Resources; Travel Management System and Travel Management System Handbook, and an administrative order on Travel. The OIG reviewed and commented on a Notice of Final Rulemaking and the Handbook on Electronic Filing Procedures and Guide to Filing Deadlines in Non-Adjudicative Investigations.

General Accounting 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. No GAO reviews regarding the Commission's activities were initiated or completed during this reporting period.

Liaison Activities

The Inspector General is one of 28 designated federal entity (DFE) 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.

OTHER ACTIVITIES—*Continued*

The Inspector General has served for more than a year as a member of the PCIE ECIE Human Resources Committee, where he has led an effort to identify and promote core competencies for OIG professionals. During this period, he made presentations on this effort to both the PCIE and the ECIE. In addition to Human Resource Committee activities, the Inspector General continued to volunteer as an occasional guest instructor for the Inspectors General Auditor Training Institute. As a Certified Myers Briggs Type Instrument® (MBTI) Professional, he facilitated a team building workshop using the MBTI for multiple Offices of Inspector General in Rosslyn, Virginia.

Acting for the Inspector General, the Assistant Inspector General for Audit (AIGA) attended the PCIE ECIE Annual Retreat in St. Michaels, Maryland. The AIGA also became a member of the Financial Statement Audit Network (FSAN) that meets monthly to discuss potential changes and share experiences related to auditing the financial statements of their respective federal agencies. During this reporting period, the primary topic of discussion was providing comments to OMB on their draft financial management circular, “Super Circular”. This circular would consolidate, establish and update government-wide policies and procedures related to agencies’ financial and performance management and reporting.

The AIGA also met with other ECIE officials to discuss the new requirement contained in the Accountability of Tax Dollars Act of 2002 for small agencies to submit audited financial statements beginning in FY 2003. Consequently, the AIGA and several other ECIE officials have informally shared information to assist their respective OIGs and agencies to comply with the new requirement. Additionally, since an OMB representative discussed the new requirement and potential criteria for obtaining a waiver at one meeting, the AIGA briefed the Commission’s Office of Administration on OMB’s presentation.

The Counsel to the Inspector General, as a member of the Inter-agency Ethics Council, attended the Twelfth Annual Government Ethics Conference at King of Prussia, Pennsylvania. The conference, sponsored by the U.S. Office of Government Ethics, featured an update by the Office of Government Ethics’ senior managers and concurrent sessions covering topics such as contractors, public access issues, working with senior managers, non-mainstream ethics issues and assessing employees’ satisfaction with the ethics program.

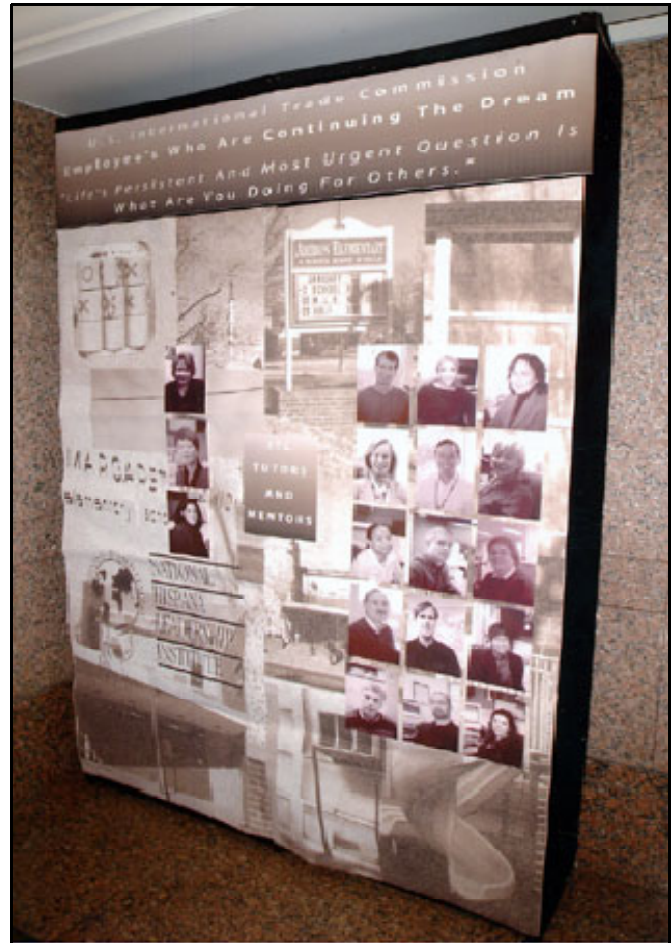
The Counsel to the Inspector General continued to provide a monthly report to the Inter-agency Ethics Council on Federal Court cases involving ethics issues. With participants from other OIG organizations, she also began work to design an ethics training module for the Inspectors General Auditor Training Institute.

OTHER ACTIVITIES—*Continued*

In addition to her professional contributions to the federal OIG community, the Counsel to the Inspector General also participated as a volunteer tutor for an elementary school student. The Commission has adopted Amidon Elementary School, a neighboring District of Columbia public school, for which 19 Commission employees have volunteered to tutor students in a variety of subjects.

Management Assistance

The Inspector General advised the Chairman and other officials about the requirement to provide audited financial statements and provided monthly status briefings for the Chairman on OIG activities. The OIG also provided comments to the Director of Human Resources for the Message of the Month to all employees on the subject of prohibited personnel practices.



Counsel to the IG Jennifer Hepler is one of the Commission's volunteer tutors.

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	22
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	15-18
Section 5(a)(4)	Summary of matters referred to prosecutive authorities and the prosecutions and convictions which have resulted	21
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	13
Section 5(a)(7)	Summary of each significant report	13-14
Section 5(a)(8)	Statistical tables showing Audit Reports-Questioned Costs	26
Section 5(a)(9)	Statistical tables showing Audit Reports-Funds Put to Better Use	27
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 COSTS¹

	Number of Reports	Dollar Value	
		Questioned Costs	Unsupported Costs
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

¹ Because in this 6-month period the Commission had less than \$3.6 million in contract awards—generally made to GSA Schedule vendors—the ITC OIG did 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.



***Special thanks to the Office of Publishing
for the production of this report:***

Keven Blake: Cover design and photography

Pamela Dyson: Report design and composition services

Printing Operations: Reproduction service



Federal Recycling Program



If you suspect Fraud, Waste, Abuse, or other misconduct at the International Trade Commission, please contact us at:

IGHotline@usitc.gov

or

EthicsLine 1-800-500-0333

or

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

The EthicsLine is available 24 hours per day. The caller can remain anonymous. If you prefer, you may send written complaints to:

**U.S. International Trade Commission
Office of Inspector General
Room 515
500 E Street, S.W.
Washington, DC 20436**

Federal employees are protected from reprisal under the provisions of the Whistleblower Protection Act of 1989. For more information, see the MSPB publication entitled "Questions and Answers About Whistleblower Appeals", which is available in the Main Library, the Office of Personnel, and the OIG.