UNITED STATES
INTERNATIONAL
TRADE COMMISSION

USITC Office of the Inspector General

Semiannual Report

October 1, 2003 - March 31, 2004

IG

Inspector General Act of 1978
25
Twenty-fifth Anniversary

April 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

INSPECTOR GENERAL

UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, D.C. 20436

May 31, 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 October 1, 2003 through March 31, 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 conducted an audit of the Commission's discretionary document and mail distribution program and prepared for our upcoming audits of the Commission's information security and financial statements. In observance of the 25th Anniversary of the Inspector General Act, we made additional contributions that are discussed in this report.

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.

Kenneth F. Clarke
Inspector General

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COMMISSION'S TOP MANAGEMENT CHALLENGES

We discuss the Commission's management 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 and inspections, 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.

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.

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 assess its PMA progress using the Stoplight Scoring System. However, the Commission's 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.

COMMISSION'S TOP MANAGEMENT CHALLENGES—*Continued*

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.

The Commission has competitively contracted for information technology services, 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. Also, the Commission has made competitive awards for consulting services regarding information security, preparation of financial statements, information technology (IT), and human capital planning.

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 2003, the Commission issued its sixth comprehensive list of commercial activities 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. 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, during the prior period we audited the Commission's financial management controls. Generally, 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

COMMISSION'S TOP MANAGEMENT CHALLENGES—*Continued*

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 2003, the key components of the Commission's total budget were personnel (73 percent) and rent (9 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 three information security audits (discussed on page 13) as well as the financial management control audit (discussed on page 13).

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

COMMISSION'S TOP MANAGEMENT CHALLENGES—*Continued*

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. Consistent with OMB guidance, the Commission combined its FY 2005 Budget Justification and its Performance Plan for that fiscal year into a Performance Budget.

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 (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.

COMMISSION'S TOP MANAGEMENT CHALLENGES—*Continued*

Prior Semiannual Reports to Congress identified as one of the Commission's top management challenges: Information Technology Management and Security. Every Commission business process—import injury investigations, intellectual property-based import 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 13). 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. If funding is available, this effort—to be

COMMISSION'S TOP MANAGEMENT CHALLENGES—*Continued*

completed by late FY 2006—will include development of a new capability for providing secure Web access to non-public data by specific authorized external customers. In FY 2003, the Commission also replaced its local area network. 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. Last year, the OIG assessed the Commission's family-friendly programs[1]—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 73 percent of the FY 2004 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 354.5 permanent employees.

Thirty-eight percent of the Commission's workforce is eligible to retire in the next 5 years. In addition to realigning resources as priorities shift, 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. For the remainder of FY 2004, the Commission continues to focus on:

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[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*

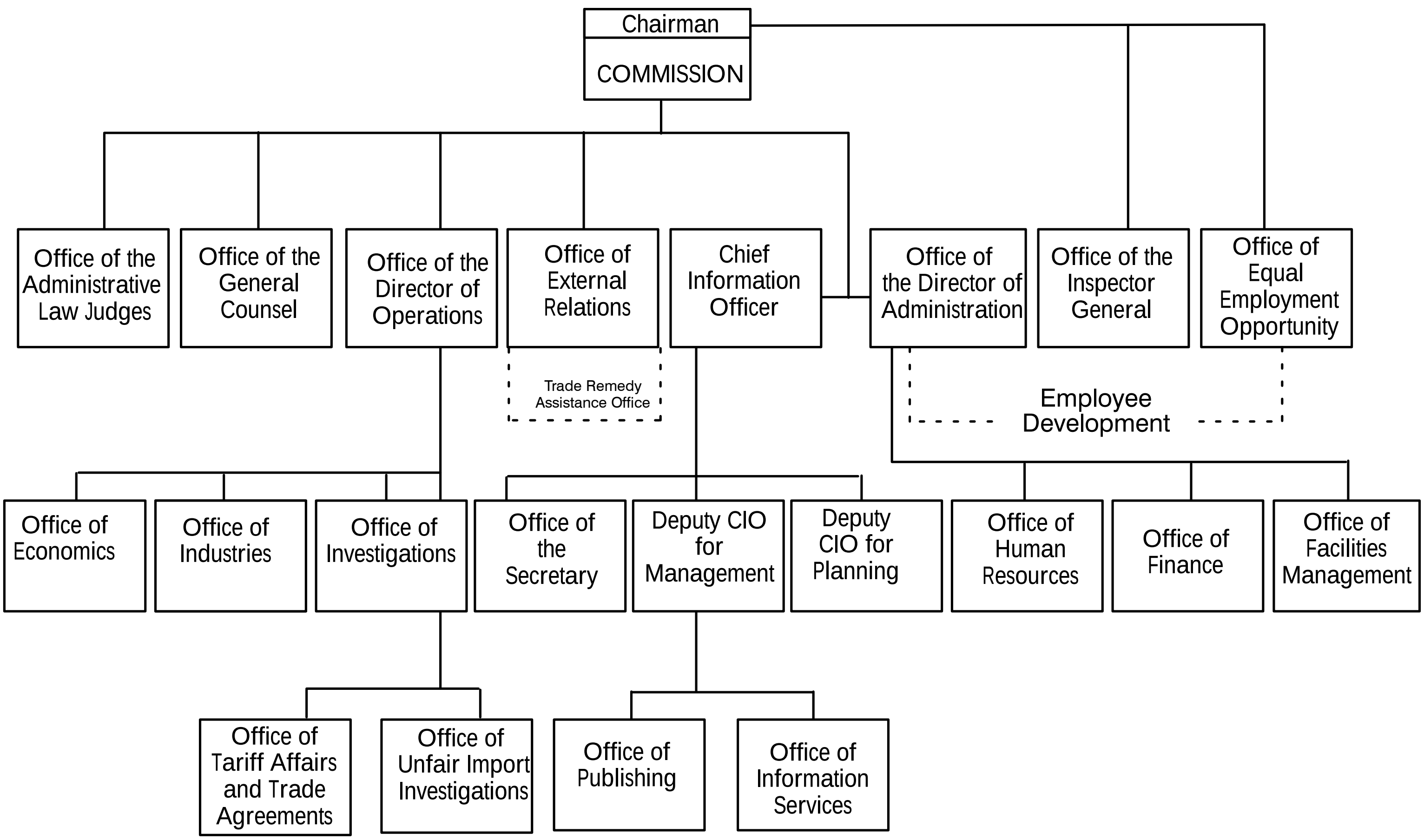
- ***Leadership and Knowledge Management.*** In FY 2003, the Commission surveyed employees regarding workplace issues. The Chairman and Vice Chairman conducted listening sessions with small groups of employees to obtain first-hand knowledge of workplace issues. During FY 2003, the Commission conducted a strategic workforce planning initiative to analyze employee skills and identify any current or future skills gaps. In FY 2004, the Commission has begun 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 2004 as the Commission redeploys existing resources to meet the surge in workload resulting from sunset investigations.

- ***Strategic Alignment.*** During FY 2004, the Commission has begun work on 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 03-09, dated 6/10/03

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

In FY 2004, the Commission has 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.

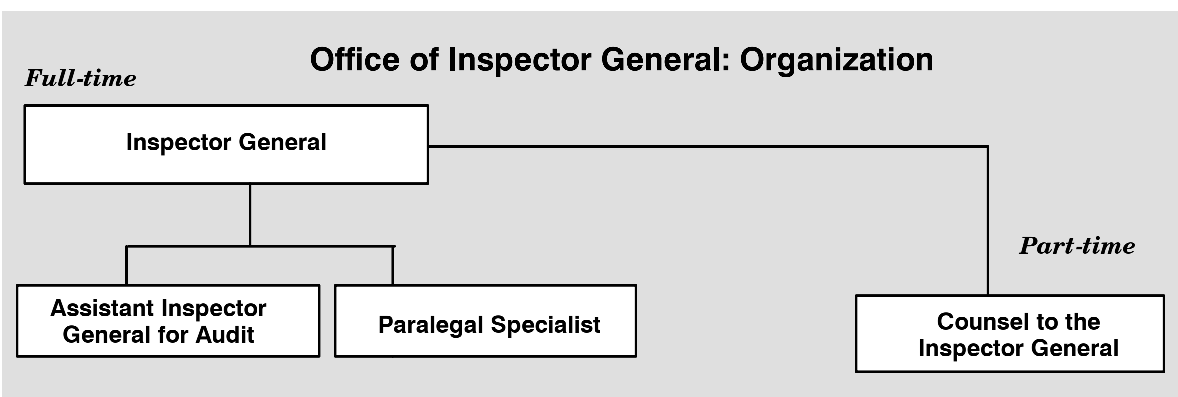
THE OFFICE OF INSPECTOR GENERAL

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.



AUDITS

During this period no final audit reports were issued.

After completing field work, the OIG provided the agency with a draft report recommending improvements in the Commission's discretionary document and mail distribution program. An exit conference was held in March, and we anticipate receiving official comments and issuing the final report in May.

In February, we distributed to the Commission, Office Directors and Division Chiefs an updated draft of the Office of Inspector General's Biennial Plan for fiscal years 2004 and 2005. The Plan discussed future audits and inspections addressing each of the five Presidential Management Agenda initiatives.

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 audits required by the Accountability of Tax Dollars Act (financial statement audit) and the Federal Information Security Management Act (information security audit). In her role as Contracting Officer's Technical Representative, the AIGA worked with the Contracting Officer to ensure that audit service contracts will be competed and awarded timely.

AUDIT FOLLOW-UP

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

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 had not implemented one:

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

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 and intends to address the remaining 11 by the end of calendar year 2004.

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

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 had not implemented one:

- ☐ 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.

AUDIT FOLLOW-UP—*Continued*

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 has implemented EDIS-2 and has been working with the National Archives and Records Administration. Certain document types now can 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.

INSPECTIONS

During this period we issued no inspection reports.

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. On April 7, 2004, a draft plan was provided for review and comment by the Commission and other occupying organizations as well as Boston Properties, the landlord for the building.

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, and one case was closed. A summary of investigative activity is presented below.

Case Workload	
Open (10/31/03)	0
Initiated	1
Closed	1
Open (03/31/04)	0

Referrals Processed	
Received	[2]1
Referred to OIG Audit & Inspection Divisions	0
Referred to Commission	1
Referred to other Federal Agencies	0
Evaluated but no Investigation Initiated	0

Investigative Results	
Referrals for Prosecution	0
Referrals Declined for Prosecution	0
Administrative Action	1

[2] Received from Hotline.

OTHER ACTIVITIES

Regulatory Review

The Inspector General Act of 1978, as amended, 5 U.S.C., Appendix, Section 4(a)(2), (IG Act) 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. No such procedures were submitted for OIG review during this period.

General Accounting Office (GAO)

The IG 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.

Peer Review

In January 2004, the OIG issued the final peer review report on the National Endowment for the Humanities Office of Inspector General's (NEH OIG) quality controls for its audit function. The IG Act requires federal OIGs to conduct audits in accordance with the Comptroller General's Government Auditing Standards (GAO "Yellow Book"). The "Yellow Book" calls for each federal statutory OIG to undergo a peer review every 3 years.

In March 2004, the Consumer Product Safety Commission (CPSC) OIG began a peer review of the USITC OIG's audit function.

Liaison Activities

The Inspector General is one of 28 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.

OTHER ACTIVITIES—*Continued*

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.

On October 16, 2003, the Inspector General gave a presentation about the audit peer review process at the Association of Inspectors General's (AIG) Conference in New York City. The Inspector General serves on the Board of the AIG, an organization where federal, state and local OIGs share ideas on how to enhance their effectiveness and professionalism.

The Inspector General has served for 2 years as a member of the PCIE ECIE Human Resources Committee on which he participated with other Inspectors General to develop a pilot leadership development training program for OIG auditors, investigators, and other professionals. On March 2, 2004, the Inspector General spoke about the Human Resources Committee's core competencies project at the Institute of Internal Auditor's Washington Chapter Annual Conference in Arlington, Virginia. He also co-authored "Core Competencies: A Driving Force for Organizational Excellence," an article that appeared in the Fall/Winter 2003 issue of *The Journal of Public* Inquiry that may be found at *http://www.ignet.gov/randp/fw03jpi.pdf.*

The Inspector General has for more than 2 years volunteered as an occasional guest instructor for the Inspectors General Auditor Training Institute (IGATI). As a Certified Myers Briggs Type Instrument® (MBTI) Professional, he facilitated a team building workshop using the MBTI for multiple OIGs on January 16, 2004, in Rosslyn, Virginia.

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.

On January 21, 2004, the Counsel to the Inspector General (OIG Counsel) was one of 30 OIG attorneys admitted to the U.S. Supreme Court, where subsequently they may litigate cases involving their respective offices. Also active on the Council of Counsels to the Inspectors General (CCIG), she supported two CCIG projects:

OTHER ACTIVITIES—*Continued*

- ☐ ***Investigative Peer Review***. When the PCIE adopted the *Qualitative Assessment Review Guidelines for Federal Offices of Inspector General* (January 2004), several ECIE organizations—including the USITC OIG—volunteered to pilot the use of the guidelines for conducting investigative peer reviews within the ECIE as well. The USITC OIG Counsel contributed to the ECIE Investigative Peer Review Committee by preparing a draft legal memorandum on the applicability of Freedom of Information Act (FOIA) exemptions by which ECIE organizations might withhold case sensitive information from their peer reviewers.
- ☐ ***Auditor Ethics Training.*** In support of IGATI, the OIG Counsel participated in a team that developed and taught "Ethics for Auditors." Based on the successful pilot course, IGATI planned to offer two more sessions this fiscal year.

As a member of the Inter-agency Ethics Council, the OIG Counsel continued to provide a monthly report to the Inter-agency Ethics Council on Federal Court cases involving ethics issues. In addition, she attended the Annual Government Ethics Conference in New York City.

In addition to her professional contributions to the federal OIG community, the OIG Counsel is a volunteer tutor for a first grade elementary school student. The Commission adopted Amidon Elementary School, a neighboring District of Columbia public school, for which Commission employees voluntarily tutor students in a variety of subjects.

Management Assistance

Acting for the Inspector General, the OIG Counsel attended the Chairman's senior staff meeting where she discussed management's responsibility for informing staff about Hatch Act (5 U.S.C. Sections 7321-7326) requirements. After she provided the General Counsel with the Office of Special Counsel's recent Hatch Act opinions, the General Counsel, as the Designated Agency Ethics Official, issued a memorandum to all agency employees regarding permissible political activities by federal employees.

OTHER ACTIVITIES—*Continued*

Special Recognition – Award for Excellence

At its Annual Award Ceremony on October 15, 2003, the ECIE recognized one of our projects. Assistant Inspector General for Audit Jean Smith, Counsel to the Inspector General Jennifer Cron Hepler, and Paralegal Specialist Karen Swindell received a group "Award for Excellence" with the following citation:

"In recognition of an outstanding, coordinated joint audit and investigation that enhanced the integrity, effectiveness, and efficiency of the U.S. International Trade Commission's Travel Program."

Pictured with their awards are, from left to right, Jean Smith, Jennifer Hepler, and Karen Swindell.

Although the ECIE's award recognized only the OIG's[3] work, we acknowledge and appreciate the significant contribution made by the Chairman, the Director of Operations, the Director of Administration, the Director of Finance and others to identify and resolve travel-related issues. In particular, the Travel and Transportation Management Officer's efforts were recognized by a separate award bestowed by the U.S. General Services Administration.

[3] The OIG work that formed the basis for the award was discussed in our Semiannual Reports to the Congress issued for October 2002 (see pages 12-13, 22) *http://www.usitc.gov/oig/OIG-SA-10-02.pdf* and October 2003 (see pages 20-22) *http://www.usitc.gov/oig/OIG-SA-10-03.pdf*.

OTHER ACTIVITIES—*Continued*

IG Act 25th Anniversary

On October 14, 2003, the President of the United States met with the Inspectors General to honor and recognize the 25th anniversary of the passage of the IG Act. He applauded their dedication to combating fraud, waste and abuse and commended their vigilance to remain "agents of positive change."

Among the Inspectors General Meeting with the President were Aletha Brown of the Equal Employment Opportunity Commission and Ken Clarke of the U.S. International Trade Commission.

OTHER ACTIVITIES—*Continued*

On December 1, 2003, the President signed S.J.Res. 18, a Joint Congressional Resolution, commending Inspectors General for their efforts to prevent and detect waste, fraud, abuse, and mismanagement, and to promote economy, efficiency, and effectiveness in the Federal government during the past 25 years.

On October 6, 2003, the Inspector General spoke to the Commission's senior staff about the history, mission, and emerging issues regarding Inspectors General. He also offered to repeat the presentation at organizational component staff meetings.

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	17
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	13-14
Section 5(a)(4)	Summary of matters referred to prosecutive authorities and the prosecutions and convictions which have resulted	16
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	None
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 COSTS[4]

		Number of Reports	Dollar Value: Questioned Costs	Dollar Value: 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

[4] 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 prgrams 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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