



UNITED STATES
INTERNATIONAL
TRADE COMMISSION

IG

USITC Office of the Inspector General
**Semiannual
Report**

April 1, 2003 - September 30, 2003



October 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
P.L. 107-289	Accountability of Tax Dollars Act of 2002
P.L. 107-347	Federal Information Security Management Act of 2002
General Accounting Office	Government Auditing Standards

CRIMINAL AND CIVIL INVESTIGATIVE AUTHORITIES

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



UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, D.C. 20436

October 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 April 1, 2003 through September 30, 2003.

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 completed an audit of the Commission's financial management controls that will assist the Commission's preparation of financial statements in accordance with the Accountability of Tax Dollars Act of 2002. We also completed an audit to help strengthen the Commission's information security in accordance with the Federal Information Security Management Act of 2002. Finally, we completed the last of our investigations concerning misuse of Government Travel Cards and other travel abuse. Relying on our work, the Commission recovered \$6,772.76 from a former employee who, as a senior official, had been reimbursed for other than official business travel expenses.

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

In fiscal year (FY) 2003, we began to 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 Budget Justification, 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.

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 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. Also, the Office of Human Resources is using contractor assistance in developing the human capital management plan.

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 July 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 2002 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.

COMMISSION'S TOP MANAGEMENT CHALLENGES—*Continued*

During this period, we audited the Commission's financial management controls. Our audit revealed that, generally, the Commission's accounting records reasonably and fairly represented financial transactions and that internal controls were in place. We found no instances of fraud. However, we made four recommendations to strengthen internal controls related to property, cash, payroll, and accounts receivable (discussed on pages 13-14). 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 will contract 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 14) 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.

COMMISSION'S TOP MANAGEMENT CHALLENGES—*Continued*

In prior Semiannual Reports to Congress, the OIG identified as one of the Commission's top management challenges: Performance Management, Measurement and Accountability. Since FY 2000, the Commission has accelerated efforts to link budgeting with strategic planning. Budget formulation and execution activities have been restructured to permit the allocation of virtually all costs to one of the five operations set forth in the Strategic Plan. Specifically, because personnel costs are more than 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. 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—other than as this agenda item is affected by financial management control (discussed on page 13) and information security (discussed on page 14).

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,

COMMISSION'S TOP MANAGEMENT CHALLENGES—*Continued*

771 projects representing \$20.9 billion are currently on an “At-Risk List,” meaning they do not successfully demonstrate sufficient potential for success through the business case, or do not adequately address IT security.

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

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

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

Agency Inspectors General are to conduct an annual independent evaluation of agency information security programs and practices. Accordingly, we conducted comprehensive audits of the Commission’s information security program in FY 2001, FY 2002, and FY 2003 (discussed on page 14). The FY 2003 evaluation completed during this 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.

COMMISSION'S TOP MANAGEMENT CHALLENGES—*Continued*

In FY 2003, the Commission replaced the original Electronic Document Information System (EDIS) with a new system that has increased functionality and promises significant cost savings to external users. In FY 2003, the Commission also replaced its local area network. In FY 2004, 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.

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 programs¹—those programs promoted by the Office of Personnel Management's Office of Family-Friendly Advocacy—in terms of their compliance with statutory and executive level guidance and whether they meet the needs of Commission employees.

As previously noted, human capital is the Commission's largest resource, with salaries and personnel benefits representing approximately 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. 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

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>

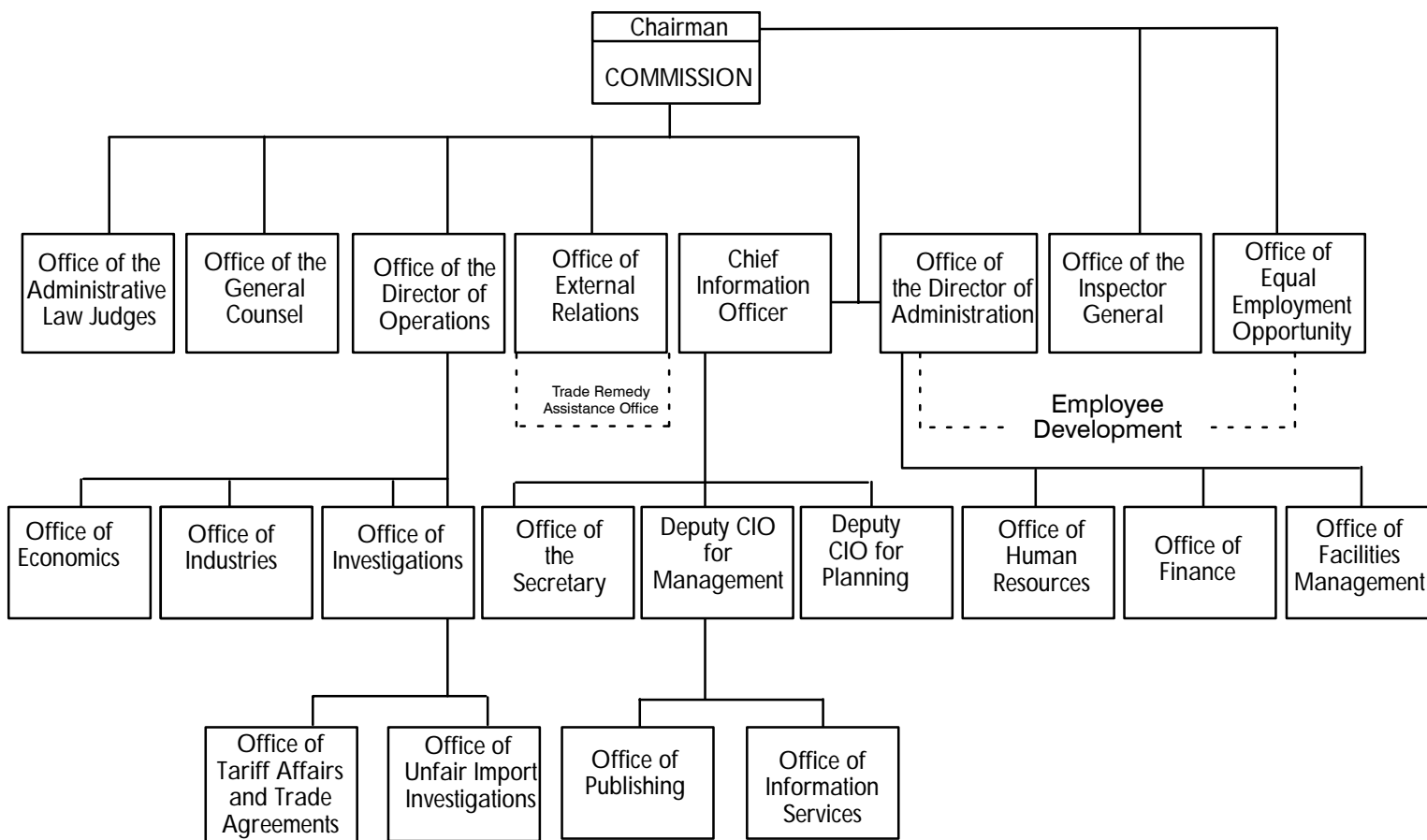
COMMISSION'S TOP MANAGEMENT CHALLENGES—*Continued*

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 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 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 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 plans to complete a human capital management plan that establishes human capital goals and objectives that link to the Commission's Strategic Plan. Taking a long view, the Commission will reflect how human capital supports mission achievement. 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 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 this reporting period, several changes in the composition of the Commission occurred. On August 22, 2003, President Bush appointed Commissioners Charlotte R. Lane and Daniel R. Pearson to the Commission for the period that will expire at the end of the second session of the 108th Congress.

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 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.



Charlotte R. Lane



Daniel R. Pearson

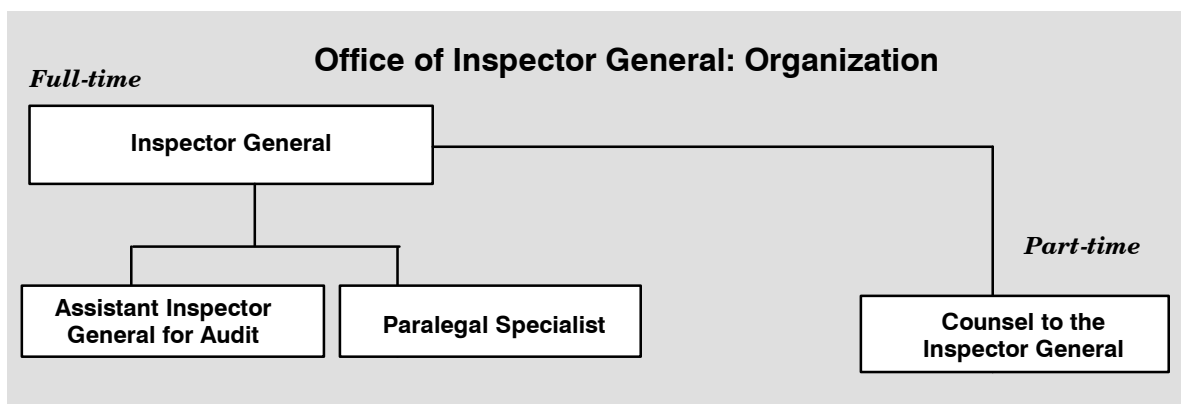
THE OFFICE OF INSPECTOR GENERAL

<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.



AUDITS

Audit Report List

We issued two audit reports during this period:

- OIG-AR-02-03, Audit of the U.S. International Trade Commission's Financial Management System Control (see page 13)
- OIG-AR-03-03, Evaluation of the U.S. International Trade Commission's Fiscal Year 2003 Information Security Program and Practices (see page 14)

The Commission completed pending actions recommended in two audit reports:

- OIG-AR-01-03, Evaluation of the U.S. International Trade Commission's Purchase Card Program (see page 16)
- OIG-AR-01-01, Evaluation of the Commission's Implementation of E-FOIA (see page 16)

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 16)
- 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)

AUDITS—Continued

Summary of Significant Audits

**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 OIG audited the Commission's financial data to assist the Commission in meeting the new requirement mandated by the enactment of the *Accountability of Tax Dollars Act of 2002* (Public Law 107-289, November 7, 2002) to prepare financial statements.

The overall objective of the audit was to evaluate the Commission's financial data for reliability, accuracy, completeness, and timeliness. Specifically, we determined whether the Commission:

- Established and communicated all procedures and policies governing transactions related to cash, accounts receivable, property, payroll, and disbursements.
- Implemented sufficient internal controls to monitor and adequately control cash, accounts receivable, property, payroll, and disbursement transactions.

Our audit revealed that, generally, the Commission's accounting records reasonably and fairly represented financial transactions and that internal controls were in place. We found no instances of fraud. However, we made four recommendations to strengthen internal controls related to property, cash, payroll, and accounts receivable.

The Commission's financial records may be misstated because property records were not accurate. The audit disclosed that the Office of Facilities Management was not always notified when an asset was disposed; lease agreements were not reviewed for capitalization; and the costs of an asset under development were not tracked.

AUDITS—Continued

Payroll balances may be misstated because the Office of Finance adjusted the Commission's payroll records without determining the cause for the differences. These figures were adjusted to agree with the figures reported by the Department of Interior, who processes the Commission's payroll. Additionally, the Commission had not set up a receivable account to properly record the employees' obligation and repayment of their portion of parking subsidized by the Commission. Finally, the Office of Finance should separate the various duties related to cash transactions. We found that one employee had the responsibility to collect and process cash transactions.

The Commission concurred with our findings and completed action on three recommendations, and one remained open.

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>



We conducted an independent audit of the Commission's information security program and practices to determine if the Commission: (1) implemented appropriate actions to address recommendations made in OIG-AR-02-02² (September 13, 2002) and (2) met Federal Information Security Management Act criteria.

Generally, the Commission made progress towards strengthening its information security program during the 2003 fiscal year. The most commendable accomplishments include:

- Filling the position of Chief Information Officer (CIO);
- Incorporating in the CIO's performance measures the successful resolution of open recommendations in the OIG information technology audit reports;

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

AUDITS—*Continued*

- Assessing the costs and benefits of obtaining vendor support for essential information technology services; and
- Providing technical training to the network administrator, who will oversee outsourced network maintenance, as well as other technical staff.

Also, the Commission procured a new network operating system (new ITC-NET) that has the capability to strengthen access controls. We did not test these controls, however, because the Commission had not completed installing the new ITC-NET and certifying it for use. Therefore, the recommendations surrounding system access controls remain open.

The Commission must take further action in order to achieve consistency with U.S. Office of Management and Budget (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. The Commission concurred with our findings and recommendations.

Due to the sensitive nature of the information contained in our report, we have limited its distribution.

AUDIT FOLLOW-UP

During this reporting period, the Commission completed pending actions on two 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>

The remaining one of two recommendations from this audit was implemented as follows:

- Updated ITC Purchase Card Holder's Handbook to include prohibition on split purchase orders.

All agreed upon actions were completed by April 1, 2003.

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>

The remaining one of five recommendations from this audit was implemented as follows:

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

All agreed upon actions were completed by August 5, 2003.

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

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>

For the last 4 years, the OIG performed an independent evaluation of the security over the Commission's information technology systems. Each audit included follow-up audit work on all open recommendations. The above audit— 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) and
- Review of the Commission's Information Resources Management Function, OIG-AR-01-00 (September 29, 2000).

The results of the most recent audit, Evaluation of the U.S. International Trade Commission's Fiscal Year 2003 Information Security Program and Practices, OIG-AR-03-03 (September 22, 2003), are discussed on page 14.

AUDIT FOLLOW-UP—*Continued*

From our September 13, 2002 evaluation we made 16 recommendations to strengthen the Commission's information security. Of the 16 recommendations, our recent audit found that the Commission completed action on 3 recommendations and partially resolved two. Action to fully address all open recommendations is planned to take place by the end of the 2004 calendar year.

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 6 recommendations, all of which were agreed to by management. One recommendation has not yet been implemented, and the Commission is working to develop policy.

- 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.

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. Twenty-one recommendations have 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.

INSPECTIONS

Inspection Report List

During this period we issued no inspection reports. However, the Commission has made progress in implementing suggestions in prior inspections.

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>

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 approximately 400 employees (see page 10). 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.

This inspection, completed during the last reporting period, suggested actions to further safeguard lives and property. During the current period, the Commission drafted a handbook that includes emergency procedures with evacuation routes clearly marked for SSA, NASA and Commission personnel. When approved, the handbook will be posted to the Commission's Intranet with copies provided to all building tenants. Also, the Federal Emergency Management Agency (FEMA) established a Washington Area Warning System (WAWAS) outlet at the Commission. The WAWAS outlet is a telephone hotline by which FEMA, the U.S. Office of Personnel Management and the U.S. General Services Administration can communicate emergency alerts to the Commission and other organizations.

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, three new cases were initiated and four cases were closed. A summary of investigative activity is presented below.

Case Workload		Referrals Processed		Investigative Results	
Open (03/31/03)	1	Received	3	Referrals for Prosecution	0
Initiated	3	Referred to OIG Audit & Inspection Divisions	2	Referrals Declined for Prosecution	0
Closed	4	Referred to Commission	0	Administrative Action	1
Open (09/30/03)	0	Referred to other Federal Agencies	0		
		Evaluated but no Investigation Initiated	0		

Recoveries

Recovery from prior investigation: \$6,772.76 (See discussion on page 22)

INVESTIGATIONS—*Continued*

Alleged Submission of False Documents to the Commission

The OIG received an allegation from the Chairman that a business entity may have submitted falsified documents to the Commission. As part of our preliminary inquiry into the matter, the OIG met with an Assistant U.S. Attorney (AUSA) from the U.S. Department of Justice (Justice), to discuss the facts of the case, burden of proof problems, and the possibility of prosecution. Considering the inquiry findings and the AUSA's advice—as well as subsequent litigation that began between the business entity and the Commission—the Inspector General determined that an investigation would be neither productive nor cost effective.

The Counselor to the Inspector General referred leads developed in the preliminary inquiry to the Assistant Inspector General for Audit for consideration in planning future audits and inspections.

Misuse of Government Travel Card and Non-compliance with Federal Travel Regulations

The OIG investigated an employee's alleged misuse of his Citicorp Government Travel Card (Travel Card) and non-compliance with Federal Travel Regulations during the years 2000-2002. While employed by the Commission, the employee:

1. Charged \$3,633.97 to his Travel Card for furniture, airline tickets, veterinary bills, and other personal charges unrelated to official government business travel. Subsequently, the traveler alerted his Office Director that he improperly had used the Travel Card and thereafter ceased the misuse.
2. Made most payments past due, but paid all charges in full.
3. Filed most travel expense reports either late or not at all, although he filed one expense report within the required 5-day period.
4. Submitted expense reports for trips, which did not match his Travel Card charges. His omissions from the expense reports cost him \$229 (\$129 for lodging on one trip plus \$100 for airfare on another trip).
5. Could not provide documentation or a valid explanation for one trip's miscellaneous expenses totaling \$151.33. However, his Office Director approved the expenses.

INVESTIGATIONS—*Continued*

6. Included a \$50 conference registration fee in his travel expense report although training must be approved and paid through an agreement outside the travel system.
7. Incurred an additional \$1,003.20 in flight expense due to his failure to use contract carriers for two trips, costing an additional \$286 and \$717.20 respectively. However, his supervisors approved his inadequate justifications that “available seats on flight reported back by Zegato³ to me” and “fits schedule.”
8. Processed his travel advances improperly, but the Finance Office corrected the situation.

The OIG reported the findings to the employee’s Office Director for appropriate administrative action.

Other Matters

An agency employee wrote the OIG expressing concerns about work assignments, supervision and other management issues within a Commission organizational unit. The OIG interviewed the employee and heard from other employees with related concerns. Because the issues raised did not warrant an investigation, the Counselor to the Inspector General referred the matter to the Assistant Inspector General for Audit for consideration in planning future audits and inspections.

Also, a probationary employee contacted the OIG regarding the agency’s decision to dismiss the employee during the probationary period. The OIG reviewed the situation and, finding no matters that would warrant further investigation, determined that the contemplated personnel action was within management’s authority according to applicable laws and regulations.

³ Zegato is the Commission’s automated travel management system.

INVESTIGATION FOLLOW-UP

Violations of Federal Travel Regulations and Misuse of Government Travel Card, Semiannual Report to the Congress, (October 2002, page 22)

<http://www.uistc.gov/oig/OIG-SA-10-02.pdf>.

Based upon an OIG investigation, the Chairman directed the Commission to seek reimbursement from a former high level agency official in the amount of \$6,772.76. During this reporting period, the Commission completed recovery of \$6,772.76. The OIG would like to acknowledge the Office of General Counsel and the Office of Finance for their successful debt collection effort.

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 a notice of rulemaking pertaining to E-FOIA implementation (see discussion of OIG-AR-01-01 on page 16) as well as the Commission's new Travel Management System Handbook. Within the federal OIG community, the OIG commented on the President's Council on Integrity and Efficiency (PCIE)⁴ *Guide for Conducting Qualitative Assessment Reviews for Investigation Operations of Inspectors General, as applied to designated federal entity (DFE)*⁵ *Offices of Inspector General*.

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. For the past 10 years, GAO has not audited or evaluated the Commission's programs. No GAO reviews regarding the Commission's activities were initiated or completed during this reporting period.

⁴ President's Council on Integrity and Efficiency (PCIE) Offices of Inspectors General consist of Presidential appointee Inspectors General. Most of the PCIE OIG offices are for Cabinet agencies and other large federal agencies. PCIE OIGs usually have a staff greater than 20 people and have statutory law enforcement authority.

⁵ Designated Federal Entity (DFE) Offices of Inspectors General, established by the 1988 Amendments to the Inspectors General Act of 1978, are each under the supervision of an Inspector General usually appointed by the agency head. Many of the DFE OIGs—including the USITC OIG—are located in smaller federal agencies, have fewer than 20 staff, and have no statutory law enforcement authority.

OTHER ACTIVITIES—*Continued*

Peer Review

The Assistant Inspector General for Audit completed a peer review of the system of quality control for the audit function of the National Endowment for the Humanities Office of Inspector General (NEH OIG) in effect for the year ended March 31, 2003. The Inspector General Act of 1978, as amended, 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. The NEH OIG received our draft report and draft letter of comments on September 30, 2003.

The USITC OIG is scheduled to undergo an audit peer review during FY 2004, and is working with other OIG offices to develop and participate in an investigation peer review in the future.

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.

The Inspector General also participates in activities sponsored by the 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*

During this period, the Inspector General was elected to the Board of the Association of Inspectors General, where federal, state and local OIGs share ideas on how to enhance their effectiveness and professionalism. The Inspector General has served for 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. In August 2003, the Inspector

While maintaining productivity, each of us has volunteered some contribution to the overall OIG community.

General spoke to the pilot training program participants at the Federal Executive Institute in Charlottesville, Virginia. In addition to Human Resource Committee activities, the Inspector General has for more than 2 years volunteered as an occasional guest instructor for the Inspectors General Auditor Training Institute. As a Certified Myers Briggs Type

Instrument[®] (MBTI) Professional, he facilitated three team building workshops using the MBTI for multiple Offices of Inspector General in Rosslyn, Virginia.

The Assistant Inspector General for Audit 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. The Counsel to the Inspector General, as a member of the Inter-agency Ethics Council, continued to provide a monthly report to the Inter-agency Ethics Council on Federal Court cases involving ethics issues. She is a member of the Council of Counsels to the Inspectors General (CCIG). She and other CCIG members, and the U.S. Office of Government Ethics designed an ethics training module for the Inspectors General Auditor Training Institute. The Paralegal Specialist participated on a committee to design the logo, poster and other means to promote the October 2003 25th Anniversary of the IG Act.

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	23
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	13-17
Section 5(a)(4)	Summary of matters referred to prosecutive authorities and the prosecutions and convictions which have resulted	19
Section 5(a)(5)	Summary of each report made to the head of the establishment under which information or assistance was unreasonably refused	None
Section 5(a)(6)	Listing of each audit report	12
Section 5(a)(7)	Summary of each significant report	13-15
Section 5(a)(8)	Statistical tables showing Audit Reports-Questioned Costs	27
Section 5(a)(9)	Statistical tables showing Audit Reports-Funds Put to Better Use	28
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

		Dollar Value	
		Questioned Costs	Unsupported Costs
		Number of Reports	
A.	For which no management decision has been made by the commencement of the period	0	0
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 disallowed costs	0	0
(ii)	Dollar value of costs not disallowed	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

¹ The ITC OIG generally does not perform contract audits that are the basis for mandatory reporting of questioned and unsupported costs.

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

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

GLOSSARY

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

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

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for the production of this report:***

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