



UNITED STATES
INTERNATIONAL
TRADE COMMISSION

IG

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

October 1, 2000 - March 31, 2001

April 2001

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 are listed below:

OIG AUDIT AND MANAGEMENT REVIEW

Public Law (P.L.) 97-255	Federal Managers' Financial Integrity Act
P.L. 97-365	Debt Collection Act of 1982
P.L. 101-576	Chief Financial Officers Act of 1990
P.L. 102-486	Energy Policy Act of 1992
P.L. 103-62	Government Performance and Results Act of 1993
P.L. 103-355	Federal Acquisition Streamlining Act of 1994
P.L. 103-356	Government Management Reform Act of 1994
P.L. 104-106	Information Technology Management Reform Act of 1996
P.L. 104-208	Federal Financial Management Improvement Act of 1996
General Accounting Office	Government Auditing Standards

CRIMINAL AND CIVIL INVESTIGATIVE AUTHORITIES

Title 5	United States Code, section 552a(4)
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

April 30, 2001

TO: THE COMMISSION AND THE UNITED STATES CONGRESS

I hereby submit this *Semiannual Report*: October 1, 2000 - March 31, 2001, which summarizes the major activities and accomplishments of the Office of Inspector General (OIG), U.S. International Trade Commission (Commission). The submission of this report is in accordance with the Inspector General Act of 1978, as amended (IG Act). Section 5 of the IG Act requires that the Chairman transmit this report to the appropriate committees or subcommittees of the Congress within 30 days of its receipt.

During this reporting period, our office completed two audits and two inspections of the Commission's programs and operations. The audits were *Evaluation of the Commission's Records Management* and *Evaluation of the Commission's Implementation of E-FOIA*. The inspections were *Self-Assessment of the Commission's Human Capital* and *Information Collection of USITC Internet Servers*. As a result, OIG has made several recommendations and suggestions to the Commission for program improvements. In addition, one audit which had outstanding recommendations was closed during this reporting period.

I appreciate the support of all Commission employees in achieving the accomplishments set forth in this report.

A handwritten signature in black ink, appearing to read "Dey Jagadesan".

Dey Jagadesan
Acting Inspector General

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COMMISSION'S TOP MANAGEMENT CHALLENGES

Outlined below are the "Top Management Challenges" facing the International Trade Commission (Commission) as identified by the Office of Inspector General (OIG). Through audits, inspections and other assistance, the OIG has been pro-actively helping the Commission in addressing these challenges. Recent OIG activities relating to each management challenge are summarized below.



Human Capital Management

Human capital is the Commission's largest resource and its effective management provides a continuous challenge for the Commission. Part of this challenge is to accurately predict the Commission's varying workload. This is a difficult task because of the Commission's unique mission and functions and the many external factors that affect the Commission's workload. Another part of this challenge is the need to continually realign the Commission's human resources to respond to its varying workload.

As an example of workload variability, the number of Title VII antidumping and countervailing duty cases filed over the last ten years has varied from a high of 133 in FY 1992 to a low of 14 in FY 1996. In addition, the Uruguay Round Agreements Act requires the Commission to conduct sunset reviews of all existing orders every 5 years. Initially the Commission was required to review 309 orders that were in existence prior to January 1, 1995. These reviews were to be completed during a three-year transition period beginning in FY 1998. This represented a significant increase in the Commission's workload, since sunset reviews can require as much effort as new filings. Moreover, sunset reviews represent a permanent increase in the Commission's workload since all existing orders have to be reviewed every five years. One advantage of sunset reviews from the standpoint of workload management is that their numbers are more predictable than new filings.

A recent OIG analysis of the Commission's workforce trends showed that nearly a third of the Commission's workforce will be eligible for regular retirement by the year 2005. The Commission thus faces the challenge of preserving the knowledge and skills of its workforce in the face of the possible loss of its most experienced employees. On the positive side of this trend, the Commission is likely to have a significant opportunity for management reform

COMMISSION’S TOP MANAGEMENT CHALLENGES—*Continued*

in the next few years. Fifty percent of current Commission supervisors will be eligible for retirement over the next five years. The Commission may choose not to replace some retiring supervisors as part of a delayering initiative. Possibilities for change include replacing some of its hierarchical office structures with a team structure. This would formally recognize the fact that much of the Commission’s investigative and research work is being done by multi disciplinary teams drawn from various offices. Another possibility for change is to more directly align the Commission’s organizational structure with its five strategic operations.

Building and maintaining a quality, mission capable Commission workforce in a competitive job market will require significant management attention. The choice the Commission faces is similar to the choice facing many Federal agencies: either devote additional management resources to address these human capital issues or react when they rise to crisis proportions.

The OIG recently conducted an Inspection on “Self-Assessment of the Commission’s Human Capital.” This Inspection followed guidelines contained in GAO Report OCG-00-14C entitled “Human Capital - A Self Assessment Checklist for Agency Leaders.” Details of this report are outlined on page 17.

COMMISSION'S TOP MANAGEMENT CHALLENGES—*Continued*



Performance Based Management

The Commission has embraced the concept of performance-based management as embodied in the Government Performance and Results Act (GPRA). The challenge for the Commission has been to go beyond performance-based management as an element of high level planning to performance-based management as an actual day-to-day management culture that is interwoven into all aspects of the Commission's operations. This requires not only a clear, understandable definition of the Commission's strategic goals and objectives, but their translation into supporting goals and objectives for individual offices and individual employees. Once this translation has occurred, there is a need for continuous measurement and evaluation of performance at all levels to assess progress toward goal attainment and to adjust allocation of resources as necessary.

The Commission has made some progress in meeting this challenge. Beginning in FY 2000, the Commission implemented a budget structure that allowed nearly all activity costs to be allocated among its five operations. This has enabled the Commission to readily identify and control the resources allocated to the various strategic operations. What is now needed is a further refinement of the budget structure to identify resources allocated to specific performance objectives. This will pave the way for a true performance budgeting capability within the Commission. In addition, the Commission needs to continue to improve management effectiveness through greater automation and integration of its budget, procurement, asset management, and other financial management processes.

The OIG is currently conducting an inspection of the Commission's strategic planning process.

COMMISSION'S TOP MANAGEMENT CHALLENGES—*Continued*

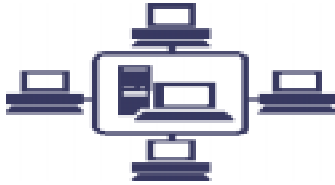


Redesigning Business Processes

The Commission's current business processes are still largely paper-centric. However, advances in information technology offer the promise of automated processes that could reduce paperwork and provide greater economy and efficiency of operation. In addition, the Government Paperwork Elimination Act (GPEA) offers an incentive for reducing paperwork by according electronic records and signatures the same legal status as paper. The Commission thus has an opportunity to revise and improve efficiency in its current business processes through greater reliance on electronic filing, storage, retrieval and dissemination of information. This is particularly true for improving efficiency in its core business process of conducting import investigations which involve receipt and transmission of substantial amounts of paperwork.

The OIG recently completed an audit of records management at the Commission. This audit found significant shortcomings in the Commission's records management process and an accompanying loss of efficiency and increased costs. The OIG made several recommendations to resolve these problems. The ultimate solution for improving records management at the Commission is to migrate to an all-electronic system for receiving, storing and managing records. Details of this report are outlined on page 12.

COMMISSION'S TOP MANAGEMENT CHALLENGES—*Continued*



Information Resources Management

The rapid evolution of information technology, particularly in the areas of networking and telecommunications, presents the Commission with enormous opportunities for modernizing its information and management systems. The introduction of additional automation into the Commission's business processes will promote greater economy and efficiency while freeing up human capital for higher level activities such as planning, evaluation and research. Likewise, the application of modern web-based information architectures can transform the way the Commission interacts with its customers and the public.

The challenge for the Commission is to provide the leadership to promote a shared vision of constant improvement in its business systems through the application of modern information technology. Such leadership is necessary to allow information technology to transform traditional business processes and achieve efficiencies common to the commercial environment. There must be a recognition that, in the new-economy environment, information technology is just as applicable to customer-facing strategic business processes as it is to back-office processes, like accounting, to which it has traditionally been applied.

The Congress has recognized the priority of information technology in government through legislation such as the Clinger-Cohen Act of 1996. OIG recently conducted an audit of the Commission's compliance with the Clinger-Cohen Act. As a result of this audit, we made one of our most important recommendations to the Commission, namely, that the Commission appoint a Chief Information Officer reporting independently and directly to the Chairman. We made this recommendation despite our recognition that its implementation would present the Commission with a recruiting and budget challenge. However, our audit revealed that such a position was essential if the Commission hoped to achieve the improved effectiveness and efficiency in its operations that could result from the application of modern information technology. To their credit, the Chairman and the Commissioners have agreed to implement this audit recommendation. Commensurate with the responsibilities of the CIO position and to attract quality candidates, the Commission determined that the CIO should be designated a Senior Executive Service position. The Commission is currently seeking approval from OPM for such a designation.

COMMISSION'S TOP MANAGEMENT CHALLENGES—*Continued*

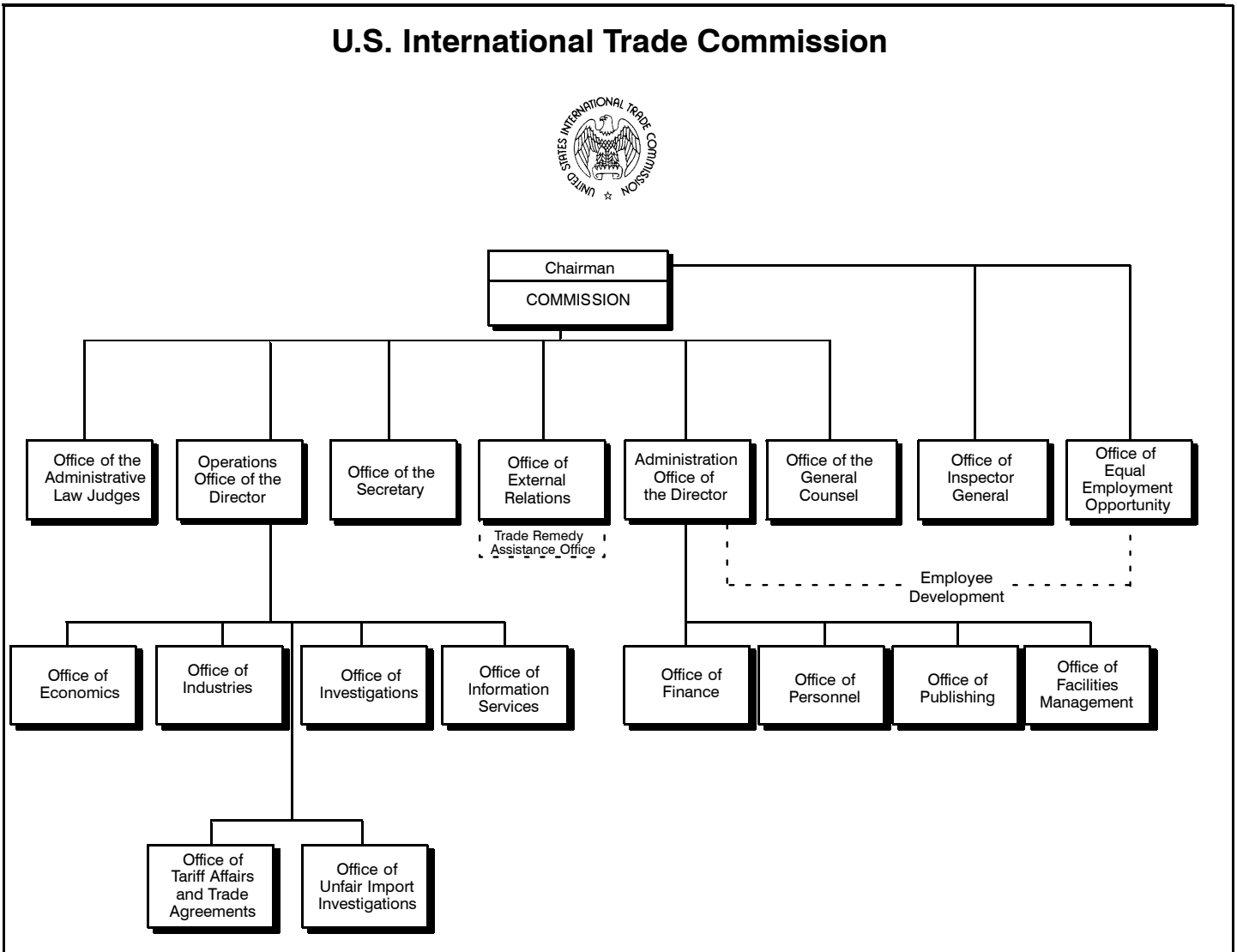


Information Security

Although the Commission has had very few information security incidents to date, it still faces, as do other federal agencies, the challenge of vulnerability to computer-based attacks. The sources of potential attack are numerous, and the issue is compounded by security holes in commercially available software and hardware. Managing these security risks presents a significant resource challenge to the Commission, particularly in view of the Commission's growing reliance on information technology. The Commission, like many federal agencies and private organizations, needs to continue to seek more efficient ways to ensure that information security risks affecting its operations are assessed fully and to implement appropriate controls to mitigate these risks.

In accordance with the Government Information Security Act, the OIG is currently conducting a review of information security at the Commission. This review is focusing on critical aspects of information systems security, including Commission-wide security program planning, access control, segregation of duties and service continuity. The results of this review will be used to satisfy a Congressional reporting requirement and to inform the Commission as to the status of its information security program.

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 00-07, dated 8/22/00

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 99-03, dated 2/5/99, and Adm. Order 99-08, dated 9/29/99, Adm. Order 01-04, dated 2/14/01

Labor-Management Partnership Council

Authority: Adm. Order 99-05, dated 3/25/99

Strategic Planning Committee (SPC)

Authority: Adm. Order 01-06, dated 3/1/01

COMMISSION PROFILE

<http://www.usitc.gov>

The Commission is an independent, quasi-judicial, nonpartisan Federal agency established by Congress with broad investigative powers on matters of trade. The mission of the Commission is twofold: administer U.S. trade remedy laws in a fair and objective manner; and provide the President, U.S. Trade Representative, and the Congress with independent, quality advice and information on matters of international trade and competitiveness. 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 its probable economic effects investigations under section 131 of the Tariff Act of 1930; analysis of trade and competitiveness issues under section 332; and providing 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.

The Commission has 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 current Commissioners are Stephen Koplan, Deanna Tanner Okun, Lynn M. Bragg, Marcia E. Miller, Jennifer A. Hillman, and Dennis M. Devaney.

The Chairman and Vice Chairman are designated by the President and serve a two-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. Commissioner Thelma J. Askey's term expired on December 16, 2000. On January 3, 2001, former President Clinton appointed Commissioner Dennis M. Devaney to the Commission for the period that will expire at the end of the first session of the 107th Congress.

In Fiscal Year (FY) 2001, the Commission has \$48.8 million in available funds (\$48.1 million appropriation) and a staffing plan for 389.0 permanent positions and 11 term positions. All employees are located in one building at 500 E Street, SW, Washington, DC.



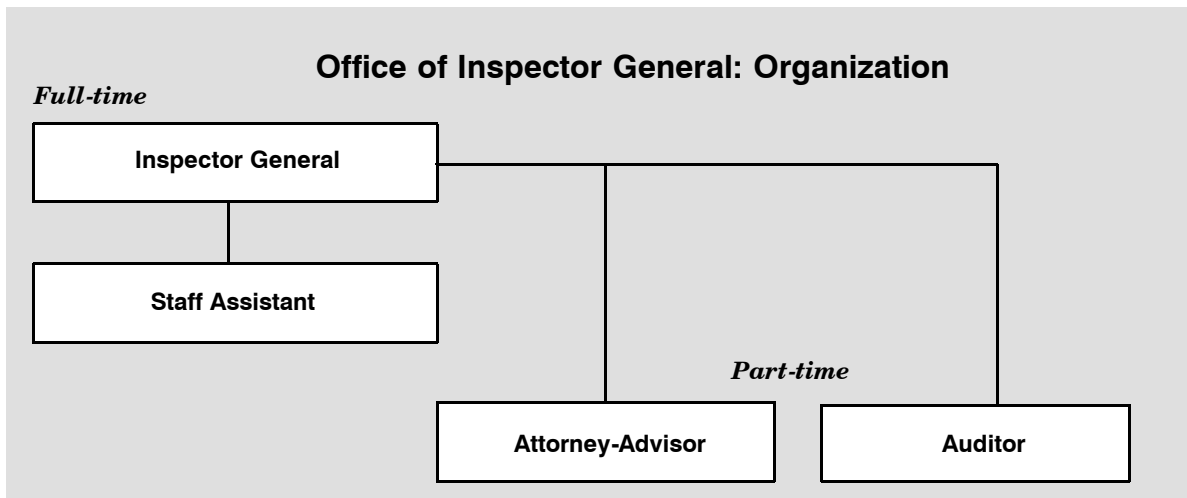
Dennis M. Devaney, Commissioner

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 comments and provides recommendations on proposed legislation, regulations, and procedures as to their economy, efficiency and effectiveness.

In FY 2001 the OIG was allocated 4 staff years. This provided for two full-time (Inspector General and a staff assistant) and three part-time (attorney-advisor, auditor, law clerk) positions.



The Commission also allocated \$80,000 for OIG audit and review services for FY 2001.

Andrew W. Mai joined the OIG staff on October 30, 2000 as a part-time law clerk.



AUDITS

Audit Report List

Two audit reports were issued during this period. They were:

- Evaluation of the Commission's Records Management
- Evaluation of the Commission's Implementation of E-FOIA

Pending actions on one audit report were completed as discussed on page 15.



U.S. International Trade Commission

Summary of Significant Audits

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



Records management is an essential function that the Commission must perform to effectively carry out its mission. In rendering decisions on trade matters, the Commission must consult documented records, some of which may be newly created, some of which may be several years old. It is important that these records be accurate and trustworthy and that they be readily accessible. The continued storage and preservation of these records beyond the time of immediate consideration is also important in order to maintain the accountability of the Commission and to keep records available for future proceedings.

The objective of this audit was to determine the effectiveness of the Commission's records management program, whether it complies with the laws and regulations governing the management of Federal records, and how it can be improved.

In evaluating the Commission's records management, we compared its policies and procedures with the requirements of federal records management regulations as codified in 36 CFR Chapter XII, SubChapter B. We found that the Commission was not in compliance with Federal Regulations regarding records management. Specifically, the Commission is not disposing records in accordance with schedules negotiated with, and approved by the National Archives and Records Administration. We also found lack of compliance in the areas of periodic reviews, establishment of program objectives, training, assignment of responsibilities, issuance of directives, and maintaining inventories of records. In general, the administration of the Commission's records management program is an area in which the Commission could substantially improve, resulting in a more efficient use of resources.

Based on our audit findings, we made several recommendations to correct deficiencies in the Commission's records management program. These recommendations were designed to: (1) bring the Commission into compliance with Federal Regulations, (2) put into place policies and procedures that will insure continued compliance with Federal Regulations,

SUMMARY OF SIGNIFICANT AUDITS—*Continued*

(3) improve the effectiveness and efficiency of current records management, and (4) take advantage of electronic storage technology to improve the Commission's future records management. Of these, the recommendations regarding electronic records storage may be the most important, since they hold the greatest promise for maximizing the effectiveness and economy of the Commission's records management.

Management agreement was reached on February 28, 2001 with management agreeing to implement all of the audit recommendations.

SUMMARY OF SIGNIFICANT AUDITS—*Continued*

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



The Freedom of Information Act (FOIA) was enacted in 1966 to provide the public with greater access to information from the Federal Government. The Electronic Freedom of Information Act Amendments of 1996 (E-FOIA) amended FOIA to provide greater access to Federal Government information through electronic means.

The objective of this audit was to evaluate the Commission's implementation of E-FOIA and to identify any areas for improvement of the Commission's processes consistent with the intent of E-FOIA. To accomplish this objective, we analyzed Commission procedures for processing FOIA requests and developing annual reports and compared them to requirements of the FOIA to determine the adequacy of those procedures. We also determined Commission compliance with FOIA provisions to "currently publish" in the Federal Register basic information on its activities. We also reviewed the contents of the electronic reading room and compared that to information requested in FOIA requests and a listing of USITC Directives and publications. In addition, we identified and reviewed prior audit coverage of the implementation of the FOIA.

We found that the Commission was in general compliance with FOIA as amended by E-FOIA.

Based on our findings, we made several recommendations to improve the Commission's E-FOIA program. These recommendations dealt with publication of more details on information available electronically from the Commission, improved processing of FOIA requests, better accounting and reporting of FOIA requests, and establishment of a capability for online filing and acceptance of FOIA requests.

Management agreement was reached on March 5, 2001 with management agreeing to implement all of the audit recommendations.

AUDIT FOLLOW-UP

During this reporting period, pending actions on one audit were completed as follows:

Review of the Commission's Budget Development and Allocation Processes With a Comparison to Five Selected Other Federal Agencies, OIG-AR-02-00 (February 29, 2000). <http://www.usitc.gov/OIG-AR-02-00.pdf>

Management agreement was reached on February 22, 2000. The following agreed-upon actions were completed by March 28, 2001:

- Prepare written budget policies and procedures to ensure continuity in the event of personnel changes.
- Obtain input from cost center manager's regarding their cost accounting needs and modify accounting procedures accordingly to meet the managers' needs for timely, useful and complete accounting information.
- Establish procedures to download accounting data from the Department of Interior accounting system into a database at the Commission and make the data available to managers.

All agreed upon actions were completed on March 28, 2001.

At the end of the reporting period, pending actions were still open on recommendations reported in the previous semiannual report for the following two audits:

Evaluation of Personnel/Payroll and Financial Services Provided to the Commission by the Department of Interior, OIG-AR-04-00 (July 25, 2000). <http://www.usitc.gov/oig/OIG-AR-04-00.pdf>

Management agreement was reached on July 5, 2000. As of March 29, 2001, the Commission had implemented 17 of 21 recommendations.

Actions on four recommendations have not yet been completed that include updating an internal directive, improving financial reporting information to managers, developing a plan for implementing an integrated procurement subsystem, and making use of existing Department of Interior services.

AUDIT FOLLOW-UP—*Continued*

Review of the Commission's Information Resources Management Function, OIG-AR-01-00 (September 29, 2000). <http://www.usitc.gov/oig/OIG-AR-01-00.pdf>
Management agreement was reached on September 25, 2000. Actions on the following recommendations have not yet been completed:

- Appoint a CIO and assign sufficient responsibilities and resources to this position so that the CIO can provide unified direction to the Commission's IRM.
- Strengthen the Information Resources Management Committee.
- Update the Information Resources Management Strategic Plan.
- Improve the management of the Commission's IRM personnel.
- Improve information security planning.

In regard to these recommendations, the Commission has requested that the Office of Personnel Management (OPM) designate the CIO as a Senior Executive Service position. Completion of this action awaits the OPM response to the Commission's request. Additionally, a draft IRM Strategic Plan has been submitted to the IRM Steering Committee where it is awaiting approval. Finally, the Commission has revised and reissued its directive on information security and issued a new handbook on information security. However, the Commission has not yet completed revision of its information security plan.

INSPECTIONS

Inspection Report List

During this period two inspection reports were issued as summarized below.

- Self-Assessment of the Commission's Human Capital, OIG-IR-01-01 (February 14, 2001);
- Information Collection of USITC Internet Servers, OIG-IR-02-01 (February 16, 2001).

Summary of Significant Inspections

Self-Assessment of the Commission's Human Capital, OIG-IR-01-01 (February 14, 2001). <http://www.usitc.gov/oig/OIG-IR-01-01.pdf>

The purpose of this Inspection was to conduct a human capital self-assessment for the Commission in accordance with the guidelines contained in GAO Report OCG-00-14G, "Human Capital, a Self-Assessment Checklist for Agency Leaders."

We made the following findings regarding the human capital self-assessment:

- The Commission's strategic planning documents do not provide a specific discussion of its human capital and how it is aligned with the Commission's shared vision and strategic objectives.
- The Commission lacks formal workforce, succession, recruiting and hiring plans.

In view of our findings we suggested that:

The Commission's strategic planning documents should provide a specific discussion of its human capital and how it is being aligned with the Commission's shared vision and strategic objectives.

The Commission's human resources organization should develop a workforce plan that gives explicit consideration to: (1) Identification of future workforce requirements, current capabilities, and gaps that need to be filled; (2) A recruiting and hiring strategy to fill identified workforce gaps; (3) Workforce deployment; (4) Executive succession plans; (5) Employee training and development; (6) Employee compensation; (7) Employee performance incentives; (8) Employee and labor relations; and (9) Workforce modernization.

INSPECTIONS—*Continued*

The Commission's human resources organization should initiate a continuing program to collect, analyze and evaluate data on workforce trends.

The Commission's human resources organization should periodically conduct benchmarking analyses to compare the Commission's human capital programs and management with other similar, high-performing agencies.

The Commission is currently revising its strategic plan and is considering implementing our suggestions in this area. One positive step the Commission has recently taken was to appoint its Director of Personnel to its Strategic Planning Committee.

Information Collection of USITC Internet Servers, OIG-IR-02-01 (February 16, 2001). <http://www.usitc.gov/oig/OIG-IR-02-01.pdf>

The purpose of this Inspection was to perform a comprehensive review of the Commission's collection of data by its public Internet servers and to fulfill the requirements of section 646 of H.R. 5658 (P.L. 106-554). The report on this inspection was forwarded to the House Subcommittee on Treasury, Postal Service and General Government, Committee on Appropriations and Senate Subcommittee on Treasury and General Government, Committee on Appropriations.

We made the following findings regarding the Commission's collecting of personally identifying information via its public web sites:

- The Commission delivers information and services via the Internet using numerous public and non-public web sites.
- The Commission's public web servers and firewall automatically create separate log information about visitors to Commission web servers.
- The Commission uses a firewall to collect data regarding any access or attempted access to Commission Internet resources.
- The Commission does not use any persistent cookies but uses session cookies on several of its Internet sites.
- The Commission collects personally identifiable information where the visitor voluntarily provides the information.
- No areas were found where the Commission collects personally identifying information involuntarily or through the use of third parties or contractors.

INSPECTIONS—*Continued*

- The Commission's Privacy Statement should be more specific as to give the public more guidance as to what is automatically recorded on the Commission's Internet server log files and what information is collected via web forms and emails and the disposition of that information. Also, the Privacy Statement provides no notice of the use of session cookies.
- The Commission collects personally identifying information via its Internet servers only to the extent necessary to perform adequate analysis of site performance, maintain security and transact business with the general public.

Based on this inspection we made a recommendation as to the content of the Commission's Privacy Statement which was promptly implemented by the Commission.

INVESTIGATIONS

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

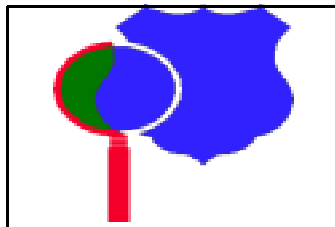
Summary of Investigative Activity

A summary of investigative activity is presented below.

Case Workload		Referrals Processed		Investigative Results	
Open (10/1/00)	1	Received	5	Referrals for Prosecution	1
Initiated	1	Initiated Investigation	1	Referrals Declined for Prosecution	0
Closed	1	Referred to Commission	1	Administrative Action	1
Open (3/31/01)	1	Evaluated but No Investigation Initiated	4		

During this reporting period, one new case was initiated and remains open.

During this reporting period, OIG closed one investigation regarding an employee who was conducting several business ventures using Commission resources. The matter was referred to Commission management for administrative disposition. The employee subsequently received a 14 day suspension without pay.



OTHER ACTIVITIES

Regulatory Review

The Inspector General Act, 5 U.S.C. App. 3, Section 4(a)(2), requires the OIG to review existing and proposed legislation and regulations and to make recommendations concerning the impact of such legislation or regulations on the economy and efficiency of programs and operations administered by the Commission.

The OIG evaluates the impact that new or revised procedures will have on the economy and efficiency of programs and operations. The OIG reviewed and commented on draft internal directives on Information Security and Transportation Fringe Benefit Program. The OIG also reviewed and commented on Interim Amendments to 19 C.F.R. Part 206 to implement the U.S.-China Relations Act of 2000.

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.

During this period, the GAO notified the Commission that it would conduct a review of the status of Free Trade Area of the Americas (FTAA) negotiations and the nature of any impediments that may be hindering the progress of the talks. As part of this review, the GAO requested assistance from the Commission in providing the Commission's perspectives on the nature and scope of benefits to the United States of an FTAA, the overall status of the FTAA and of major negotiating issues, factors affecting progress, and what must still be done if negotiations are to be successfully completed by 2005. The Chairman of the Senate International Trade Subcommittee requested that the GAO complete its report in advance of the April 2001 FTAA Ministerial. The GAO report was transmitted to Chairman Grassley on March 30, 2001.

During this period, the GAO also requested Commission assistance relating to the following matters:

- Prevention of bovine spongiform encephalopathy (BSE) from entering the U.S.
- U.S. - based trade in peanuts
- International trade in diamonds
- Factors influencing domestic cattle prices

OTHER ACTIVITIES—*Continued*

- Comparison of United States and European Union nonreciprocal trade preference programs.

During this period we reviewed the following GAO reports related to international trade:

- Defense Trade: The Use of Intellectual Property Generated at Department of Energy's Laboratories to Satisfy Offset Requirements. GAO-01-271R. January 8, 2001.
- Trade Adjustment Assistance: Impact of Federal Assistance to Firms is Unclear. GAO-01-12. December 15, 2000.
- Defense Trade: Observations on Issues Concerning Offsets. GAO-01-278T. December 15, 2000.
- Defense Trade: Data Collection and Coordination on Offsets. GAO-01-83R. October 26, 2000.
- Trade Adjustment Assistance: Trends, Outcomes, and Management Issues in Dislocated Worker Programs. GAO-01-59. October 13, 2000.

The Commission is mentioned in the GAO report "*Trade Adjustment Assistance: Trends, Outcomes, and Management Issues in Dislocated Worker Programs.*" This report provided an assessment of outcomes for two federal displaced worker programs, the Trade Adjustment Assistance program and the North American Free Trade Agreement Adjustment Assistance program. Program services and benefits payments under these programs totaled \$1.3 billion from fiscal years 1995 to 1999. Based on limited data, the GAO found that only 75% of displaced workers who received training under these programs were able to find employment upon leaving the program. The GAO also found that only 56% of the workers who found employment earned 80 percent or more of their pre-separation wage.

There were no recommendations in the GAO reports that we reviewed that were directed to the Commission.

OTHER ACTIVITIES—*Continued*

Liaison Activities

The Acting Inspector General is an active member of the Inspector General community. He is a member of the Executive Council on Integrity and Efficiency (ECIE), which consists primarily of the Inspectors General at the 34 designated federal entities. The Executive Council on Integrity and Efficiency was established by Executive Order on May 11, 1992 and consists of Designated Federal Entity Inspectors General and representatives of the Office of Government Ethics, the Office of Special Counsel, the Federal Bureau of Investigation and the Office of Management and Budget. He 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.



Legislative Liaison Activities

The Acting Inspector General, along with other IG's, testified before the Subcommittee on National Security, Veterans Affairs, and International Relations on March 15, 2001. The subject of the hearing was Vulnerabilities to Waste, Fraud and Abuse: Inspector General Views on International Relations and Trade Programs. More specifically, the testimony related to the major performance and management challenges confronting the Commission; the economy, efficiency, and effectiveness in the operations of the Commission; and the Commission's ability to meet performance and accountability measurements and goals under the Government Performance and Results Act (GPRA).

Last year, the Chairman of the Committee on Government Reform introduced legislation that would require agencies to conduct recovery auditing for certain contracts into which they had entered. The Committee submitted a request seeking significant examples of instances of improper contract payments that the OIG had uncovered in the past three to five years. OIG reported that the Commission had no significant examples of instances where the Commission had overpaid or had not been credited properly on a contract for goods or services in the last five years.

OTHER ACTIVITIES—*Continued*

The Consolidated Appropriations Act contained a provision that requires OIGs to submit a quarterly report to the House and Senate Appropriations Committees which analyzes whether their respective agencies are promptly paying for any water and sewer services provided to them by the DC Water and Sewer Authority pursuant to sections 43-1552 and 43-1612 of the D.C. code. OIG reported that, pursuant to our lease agreement, the Commission makes payment for the water and sewer services as part of its lease payments to the General Services Administration.

Finally, the OIG conducted an Inspection regarding personally identifiable information collected by the Commission on its Internet sites pursuant to section 656 of H.R. 5658. The Inspection Report, OIG-IR-02-01, dated February 16, 2001 is discussed in the Inspection Section on page 18.

Peer Review

The Peer Review Coordinator for the ECIE arranged for the Inspector General of the Consumer Product Safety Commission (CPSC) to conduct an external quality review of the OIG. The CPSC Inspector General completed the review in accordance with the guidelines established by the President's Council on Integrity and Efficiency. In her report issued on March 7, 2001, the CPSC Inspector General concluded that the OIG has an effective internal quality control system in place, and audits are being performed in accordance with Government Auditing Standards.

At the request of the Peer Review Coordinator, the OIG conducted an external quality review of the OIG of the National Endowment for the Humanities during this period.

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	21
Section 5(a)(1)	Description of significant problems, abuses, and deficiencies relating to the administration of programs and operations	None
Section 5(a)(2)	Description of the recommendations for corrective action made with respect to significant problems, abuses, or deficiencies	None
Section 5(a)(3)	Identification of each significant recommendation described in previous semiannual reports on which corrective action has not been completed	15-16
Section 5(a)(4)	Summary of matters referred to prosecutive authorities and the prosecutions and convictions which have resulted	20
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	11-14
Section 5(a)(7)	Summary of each significant report	11-18
Section 5(a)(8)	Statistical tables showing Audit Reports-Questioned Costs	26
Section 5(a)(9)	Statistical tables showing Audit Reports-Funds Put to Better Use	27
Section 5(a)(10)	Summary of each audit report issued before the commencement of the reporting period for which no management decision has been made by the end of the reporting period	None
Section 5(a)(11)	Description and explanation of the reasons for any significant revised management decisions	None
Section 5(a)(12)	Information concerning any significant management decision with which the Inspector General is in disagreement	None

Table 1
AUDIT REPORTS WITH QUESTIONED COSTS

	Number of Reports	Dollar Value	
		Questioned Costs	Unsupported Costs
A. For which no management decision has been made by the commencement of the period	0	0	0
B. Which were issued during the reporting period	1	\$1,000	0
Subtotals (A+B)	1	\$1,000	0
C. For which a management decision was made during the reporting period	1	\$1,000	0
(i) Dollar value of disallowed costs	1	\$1,000	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

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	1	\$78,537
Subtotals (A+B)	1	\$78,537
C. For which a management decision was made during the reporting period	1	\$78,537
(i) Dollar value of recommendations that were agreed to by management	1	\$78,537
(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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