



UNITED STATES
INTERNATIONAL
TRADE COMMISSION

IG

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

April 1, 2002-September 30, 2002

October 2002

STATUTORY AND ADMINISTRATIVE RESPONSIBILITIES

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

OIG AUDIT AND MANAGEMENT REVIEW

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

CRIMINAL AND CIVIL INVESTIGATIVE AUTHORITIES

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



UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, D.C. 20436

October 31, 2002

Inspector General's Message

It is an honor to transmit to the Commission and the Congress the Office of Inspector General's (OIG) Semiannual Report for the period April 1, 2002 through September 30, 2002.

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

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

During the past 6 months, the OIG has reviewed mission critical activities such as our audit report on the Commission's Information Security Program. In response both to the Commission's request and to Congressional interest, we completed not only an audit of the Commission's Travel Program but also two related investigations. As required by law, we also issued an inspection report addressing the Commission's responsiveness to the Rural Development Act.

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

A handwritten signature in black ink, appearing to read "Kenneth F. Clarke". The signature is fluid and cursive, with a long horizontal stroke at the end.

Kenneth F. Clarke
Inspector General

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COMMISSION'S TOP MANAGEMENT CHALLENGES

The “Top Management Challenges” facing the International Trade Commission (Commission/ITC) as identified by the Office of Inspector General (OIG)—as well as recent OIG activities relating to each challenge—are discussed below. Through audits, inspections and other assistance, the OIG has been helping the Commission to address these challenges.

Information Technology Management and Security

Rapidly evolving information technology, particularly in networking and telecommunications, presents the Commission with opportunities for modernizing its information and management systems. Further automating the Commission’s business processes should promote greater economy and efficiency while freeing human capital for more effective planning, evaluation and research. Likewise, the application of modern web-based information architectures can enhance the way the Commission interacts with its customers and the public.

Every Commission business process—investigations, trade policy studies, technical assistance, and administration—depends on reliable and effective information systems and services. Near the end of fiscal year (FY) 2001, the Commission finalized a Strategic Plan for Information Resources Management (IRM Strategic Plan) that should help the agency move toward the goals of improved technology management and better service to the public as set out in the Information Technology Management Reform Act of 1996 (Clinger-Cohen Act) and the Government Paperwork Elimination Act (GPEA). The IRM Strategic Plan addresses how information resources should support fulfillment of the Commission’s mission, and it is closely linked to the Commission’s overall Strategic Plan. The Commission’s challenge is to coordinate within its offices and activities a shared vision to constantly improve its business processes by applying modern information technology. In response to an OIG audit recommendation, the Commission has taken steps to appoint a Chief Information Officer (CIO) including appointment of an acting CIO. Such leadership can assure that information technology is just as applicable to customer relations management as it is to administrative processes, like accounting, to which it has traditionally been applied.

COMMISSION'S TOP MANAGEMENT CHALLENGES—*Continued*

The information that the Commission processes and generates is a valuable asset that management must protect from loss, misuse, unauthorized access or modification. The challenge the Commission faces in providing such protection is how to apply adequate resources to ensure sufficient information security. Although much of this information is in electronic form, it resides in a variety of hardware platforms and software applications, accessible through various communications links. Although the Commission has avoided work disruption or losses due to cyber-crime, the Commission's data could be susceptible both to physical and electronic threats.

Congress enacted the Government Information Security Reform Act (GISRA) in 2000 to help federal organizations protect government information resources. GISRA provides that each agency centralize information security management under its CIO. The need for centralized information security management results, in part, from the highly interconnected nature of modern information systems. While in the process of establishing its own CIO office, the Commission has appointed an Information Security Officer to coordinate the information security program with the acting CIO.

Another important provision of GISRA is that agency Inspectors General conduct an annual independent evaluation of their agency's information security program and practices. This evaluation is to include appropriate tests of information security controls and an assessment of agency compliance with GISRA requirements and related information security policies, procedures, standards and guidelines. Accordingly, we conducted a comprehensive audit of the Commission's information security program, summarized on page 10. We plan to further evaluate selected aspects of the Commission's information security program in FY 2003. In addition, the OIG has met weekly with the acting CIO and the Information Security Officer to monitor progress implementing planned information security improvements.

Human Capital and Staffing

Human capital is the Commission's largest resource, with salaries and personnel benefits representing 71 percent of the FY 2002 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 2002, the Commission employed a total of 365.6 permanent employees.

COMMISSION'S TOP MANAGEMENT CHALLENGES—*Continued*

The Commission faces a continuing challenge in matching its workforce to its workload. The Commission's unique mission and functions as well as external factors make workload forecasting difficult. For example, the Commission's caseload in the area of complaints under section 337 of the Tariff Act of 1930, Investigations of Unfair Practices in Import Trade more than doubled in less than two years, and this heavy caseload is expected to continue. In addition, section 337 investigations have become progressively more complex because a large number of investigations involve high-technology products or processes.

Furthermore, the Commission continues to be an active participant in the negotiation and implementation of trade agreements. World Trade Organization (WTO) dispute and litigation issues are having an increasing impact on the agency, as Commission attorneys assist the United States Trade Representative (USTR) in consultations, in drafting briefs and other submissions, and in hearings before WTO dispute panels and the WTO Appellate Body. Also, the Commission continues to provide substantial assistance to Congressional policymakers in their consideration of a wide range of trade policy issues. WTO trade liberalization negotiations, the increased pace of the Free Trade Agreement of the Americas negotiations, China's accession to the WTO, and various other emerging trade issues will likely result in increasing demand for the Commission's technical advice and assistance to policymakers in the Executive Branch and Congress.

Whether the Commission's workload continues to increase or not, it faces a workforce challenge common to most federal entities: retirement eligibility. We found that by 2005, nearly one third of the Commission's workforce—including half of its supervisors—will be eligible for regular retirement. The Commission, possibly faced with losing its most experienced employees, will be challenged to preserve workforce knowledge and skills.

If there is a positive aspect to the retirement eligibility dilemma, it is that the Commission has a near term opportunity for management realignment. The Commission could streamline management by not replacing some retiring supervisors. Since much of the Commission's investigative and research work is being done by multi-disciplinary teams from various offices, these offices could be realigned from hierarchical to team structures. Another possibility is to realign offices to better reflect the Commission's five strategic operations.

Six months ago, the OIG assessed the Commission's family-friendly programs—those programs promoted by the Office of Personnel Management's Office of Family-Friendly Advocacy—in terms of their compliance with statutory and executive level guidance and whether they meet the needs of Commission employees. In our inspection report

COMMISSION'S TOP MANAGEMENT CHALLENGES—*Continued*

Assessment of the Commission's Family-Friendly Programs, Inspection Report, OIG-IR-06-01 (March 27, 2002) <http://www.usitc.gov/oig/OIG-IR-06-01.pdf>, we commended the Commission's progress in implementing most of these programs and suggested that the Commission use survey results to enhance programs to meet employee needs. On September 24, 2002, the Commission's Labor Management Partnership Council sponsored several family-friendly initiatives in reference to our inspection report. The Commission subsequently approved:

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

Performance Management, Measurement and Accountability

The Commission is committed to 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 also 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 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 strategic operations. This has enabled the Commission to readily identify and control the resources allocated to the various strategic operations.

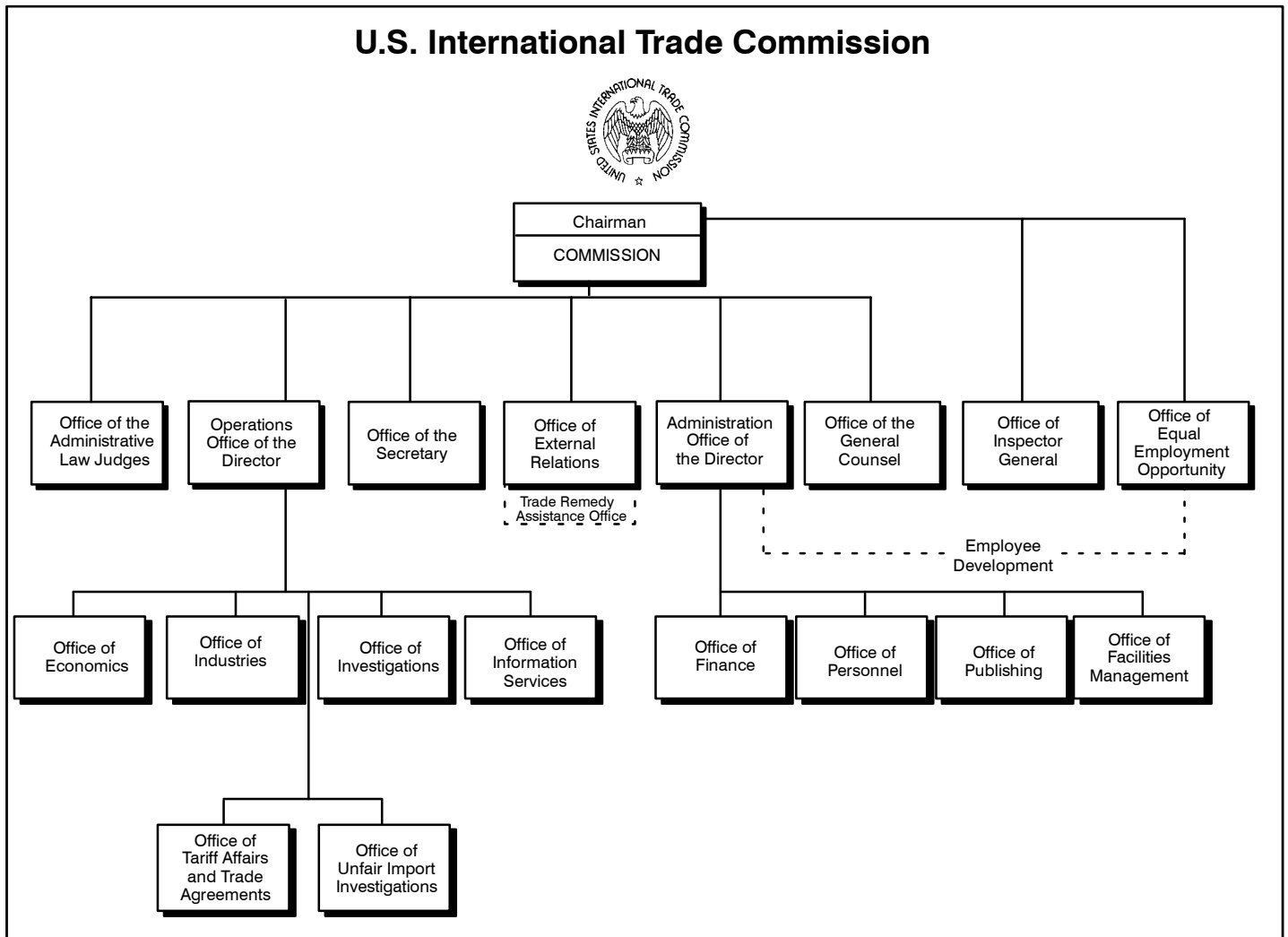
Like other federal entities, the Commission is challenged to redesign its business processes to take advantage of modern information technology and management techniques. The President's Management Agenda includes five government-wide initiatives—*competitive sourcing, improved financial performance, budget and performance integration, expanded*

COMMISSION'S TOP MANAGEMENT CHALLENGES—*Continued*

electronic government, and strategic management of human capital—that the Commission has addressed to varying degrees to improve the quality of its performance and delivery of services to the public. Redesigning these processes to allow more automation and electronic processing can lead to significant improvements in economy and efficiency. Proactive processes, designed to incorporate improved planning methodology, can lead to a workforce that is both more productive and more responsive to customer needs.

Additionally, this year the Commission agreed to make improvements in its Research Program as a result of an OIG audit. The knowledge and skills developed by the Commission's staff through the Research Program are used to support the Commission's other operations and provide immediate assistance to the Congress and the Executive Branch on trade issues. While the Commission established a plan for the Research Program that contained strategic goals, general strategies and critical success indicators, the OIG audit found that improvements were needed to identify and prioritize future projects while ensuring resources are effectively used. The OIG made three recommendations to strengthen the Research Program and the actions listed by management met the recommendations' intent (see page 14).

COMMISSION'S ORGANIZATIONAL STRUCTURE



Budget Committee

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

Directives Review Committee

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

Document Imaging Oversight Committee (DIOC)

Authority: Adm. Order 96-06, dated 3/15/96

Executive Resources Board (ERB)

Authority: Adm. Order 02-10, dated 9/12/02

Incentive Awards Committee (IAC)

Authority: Adm. Order 92-27, dated 7/2/92 and Adm. Order 97-02, dated 10/15/96

Information Resources Management Steering Committee (IRMSC)

Authority: Adm. Order 00-08, dated 8/25/00

Labor-Management Occupational Safety and Health Committee

Authority: Adm. Order 02-03, dated 1/10/02

Labor-Management Partnership Council

Authority: Adm. Order 02-05, dated 2/13/02

Strategic Planning Committee (SPC)

Authority: Adm. Order 02-08, dated 5/3/02

Senior Executive Service Performance Review Board (PRB)

Authority: Adm. Order 02-09, dated 7/15/02

COMMISSION PROFILE

<http://www.usitc.gov>

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

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

COMMISSION PROFILE—*Continued*

The Commission 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 Chairman and Vice Chairman are designated by the President and serve a 2-year statutory term. The Chairman is responsible, within statutory limits, for the administrative functions of the Commission.

The current Commissioners are Deanna Tanner Okun, Jennifer A. Hillman, Lynn M. Bragg, Marcia E. Miller, and Stephen Koplan. One position is vacant. The current Chairman is Deanna Tanner Okun and the current Vice Chairman is Jennifer A. Hillman.

In FY 2002, the Commission had \$52.8 million in available funds (\$51.44 million appropriation) and a staffing plan for 395.5 permanent positions and 7.7 term/temporary positions. All employees are located in one building at 500 E Street, SW, Washington, DC.



Deanna Tanner Okun
Chairman



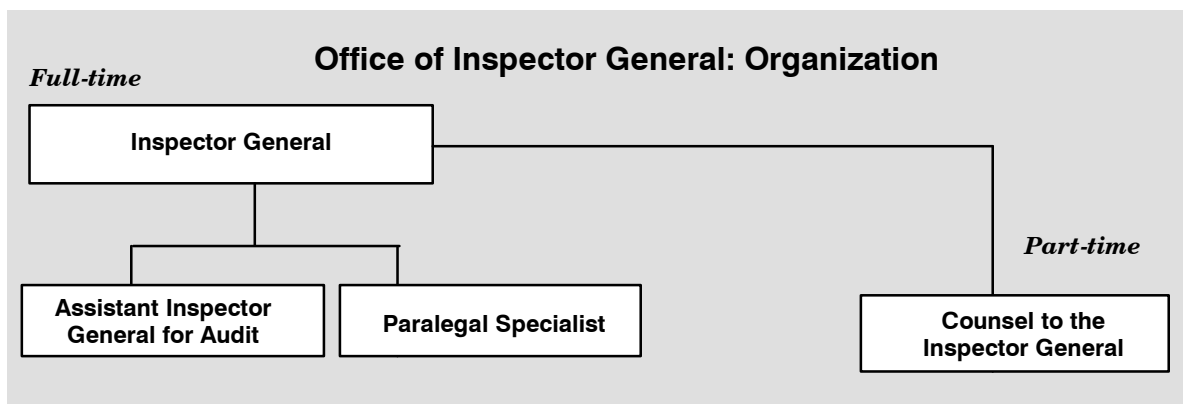
Jennifer A. Hillman
Vice Chairman

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.

As shown in the organizational chart, the OIG had three full-time positions and one part-time position in FY 2002.



For FY 2002, 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 \$100,000 for OIG contracted audit and review services for FY 2002. Under the Commission's summer intern program, the OIG hired two paralegal specialists, each for a term of 10 weeks.

Richard Rho joined the OIG staff on May 20, 2002, and worked through July 26, 2002.



Teresa Rogers joined the OIG staff on June 3, 2002 and worked through August 9, 2002.



AUDITS

Audit Report List

We issued two audit reports during this period:

- OIG-AR-02-02, Evaluation of the U.S. International Trade Commission's Information Security Program and Practices (see page 10)
- OIG-AR-03-02, Evaluation of the Commission's Travel Program (see page 12)

Generally, the Commission made progress in implementing pending actions recommended in five reports from our last semiannual report:

- OIG-AR-01-02, Planning Process for the Commission's Research Program (see page 14)
- OIG-AR-02-01, Evaluation of the U.S. International Trade Commission's Information Security Program (see page 14)
- OIG-AR-05-00, Evaluation of USITC's Records Management (see page 15)
- OIG-AR-01-01, Evaluation of the Commission's Implementation of E-FOIA (see page 15)
- OIG-AR-01-00, Review of the Commission's Information Resources Management Function (see page 15)

Summary of Significant Audits

- 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>

The Government Information Security Reform Act (GISRA), enacted in October 2000, required agencies to develop and implement plans, policies and procedures to provide adequate security of information resources commensurate with assessed risks. In general, GISRA:

Codified existing U.S. Office of Management and Budget (OMB) security policies, including those specified in Circular A-130, *Management of Federal Information Resources*, Appendix III, and

Reiterated security responsibilities outlined in the Computer Security Act of 1987, GPEA, and the Clinger-Cohen Act.

AUDITS—Continued

In Fiscal Years 2001 and 2002, GISRA required agency OIGs to conduct an annual independent evaluation of the information security program and practices of their agency. Our objectives this year were to determine if the Commission: (1) implemented appropriate actions to address recommendations made in our audit report *Evaluation of the U.S. International Trade Commission's Information Security Program*, OIG-AR-02-01 (September 10, 2001); and (2) met GISRA criteria. We conducted this audit in accordance with the methodology outlined in the GAO's *Federal Information System Controls Audit Manual* (FISCAM). Our evaluation also used the National Institute of Standards and Technology (NIST) Special Publication 800-26, *Security Self-Assessment Guide for Information Technology*.

Our audit recognized the Commission's significant progress in strengthening its information security program during FY 2002. Among its most notable accomplishments, the Commission:

- Filled the CIO position on an interim basis with an Acting CIO;
- Conducted a series of security awareness training classes and required all Commission and contractor personnel to attend;
- Filled the Information Security Officer position;
- Created and installed a security warning banner on its network;
- Developed initial draft security plan, program, and risk assessment templates;
- Established and implemented physical access controls to the computer room; and
- Developed a draft system development life cycle methodology and program configuration management document.

However, the Commission needed to take further action to be consistent with OMB Circular A-130, Appendix III. Specifically, the Acting CIO needs to complete action on the open recommendations in OIG audit report OIG-AR-02-01, *Evaluation of the U.S. International Trade Commission's Information Security Program* (September 10, 2001). Of the 19 recommendations made in this report, the Commission resolved 3, but 16 remained open—14 partially resolved and 2 not started. We also found 5 additional weaknesses and 1 partially resolved weakness previously identified in OIG audit report OIG-AR-01-00, *Review of the Commission's Information Resources Management Function* (September 29, 2000).

AUDITS—*Continued*

Based on this year's audit, we made 4 recommendations for how the Commission might most effectively resolve the open recommendations, and we made 12 additional recommendations to address the Commission's need to: enhance in-house technical support; configure network user accounts to ensure compliance with security policy; establish network restoration procedures; enhance system controls to prevent unauthorized activities by internal sources; and modify the travel management system to avoid use of Social Security numbers for user identification.

In general, the Commission concurred with our findings and recommendations. In accordance with GISRA, the Commission provided a detailed plan of action to OMB on October 1, 2002, which addressed our recommendations. This plan of action will serve as the basis for our audit follow up.

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

The Commission's Director of Operations and the Travel and Transportation Management Officer requested an audit of the Travel Program. Further, they requested that OIG examine the Commission's travel policy and procedures in light of the Commission's transition to the Zegato automated system. Subsequently, the OIG answered a request from Senator Charles Grassley to provide information on our prior audits and investigations of the Commission's Travel Program, including use of travel cards.

The objective of this audit was to evaluate the Commission's Travel Program regarding temporary duty (TDY) travel and transportation expenses. Specifically, the audit was to determine whether the Commission established and communicated travel requirements and procedures to all employees, including approving officials and implemented sufficient internal controls to monitor and adequately control travel expenditures so as to minimize fraud, waste and abuse.

The Commission strengthened its controls over the Travel Program by implementing an automated travel management system, Zegato, for processing travel plans and expenses. Also, the Commission surveyed employee satisfaction with Zegato and shared the survey results both with the employees and with the Zegato vendor. Building on these positive efforts, further action was needed to strengthen the Travel Program.

AUDITS—*Continued*

The audit disclosed instances in which employees inappropriately used their government-sponsored travel cards; paid their bills late; filed expense reports late; and failed to retain supporting documentation. Due to the frequency and type of use, the auditors referred three employees' travel card activity for OIG investigation.

The Commission concurred and planned actions to meet the intent of our recommendations as follows:

- Develop and implement a process to ensure that policies and procedures posted on the Travel web page are approved by the Commission and that an updated Official Temporary Duty Travel Handbook is issued.
- Assign an individual with the responsibility to: (a) monitor travel card use and payments to ensure the card was used for approved official government travel and expenses were paid timely; (b) refer violations for supervisory action; and (c) perform a quality review on completed travel documentation.
- Remind the Commission's supervisors and staff of Directive 4504.0, *Personnel Disciplinary and Adverse Action* and develop a mechanism to monitor the status and final action on cases referred to a supervisor. Additionally, consider requiring a split-disbursement on future travel expenses for employees who have been delinquent in paying the government's travel card contractor.
- 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.
- Discontinue offering Centrally Billed Accounts (CBAs). For those currently holding CBA travel cards, information on the split-disbursement process should be provided to encourage those cardholders to obtain an individual travel card.
- Periodically survey the Zegato users and provide feedback to ensure continued improvement of customer satisfaction.

AUDIT FOLLOW-UP

During this reporting period, the Commission completed pending actions on one audit from our last semiannual report:

Planning Process for the Commission's Research Program, OIG-AR-01-02 (March 29, 2002) <http://www.usitc.gov/oig/OIG-AR-02-02.pdf>

- Include an internal and external solicitation of proposed projects for the annual plan, a rationale for the proposed project, and identification of resources needed for the project. A schedule should be prepared identifying the ongoing projects and newly selected projects in priority order.
- Add a performance indicator that can be linked to the budget, actual costs and management challenges, such as the need to be flexible and respond rapidly to conduct anticipated projects. This performance indicator should supply sufficient and reliable data to support program management and budgeting of the Research Program.
- Direct staff to record their time by project, including customer assistance, and ensure that the time and attendance system captures the data necessary for planning, accountability, and performance measurement to measure efficiency and cost effectiveness.

All agreed upon actions were completed by September 16, 2002.

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

Evaluation of the U.S. International Trade Commission's Information Security Program, OIG-AR-02-01 (September 10, 2001)

[http://www.usitc.gov/oig/OIG-AR-02-01 .pdf](http://www.usitc.gov/oig/OIG-AR-02-01.pdf)

This audit resulted in 19 recommendations, all of which were agreed to by management. Three recommendations have been implemented. Also, in accordance with GISRA, the Commission provided a detailed plan of action to OMB on October 31, 2001 which addressed our recommendations. Our recommendations for improving the Commission's Information Security Program were intended to:

- Require development and implementation of a comprehensive entity-wide information security plan that includes all ITC support systems and major applications.

AUDIT FOLLOW-UP—*Continued*

- Bring ITC into conformance with GISRA, OMB Circular A-130, and other applicable information security guidance.
- Resolve identified weaknesses in the Commission's information security plans, policies, procedures and controls.

The results of the current year's GISRA audit are discussed on page 10.

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

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

This audit resulted in 22 recommendations, all of which were agreed to by management. As of October 1, 2002, 21 recommendations had been implemented. The Commission has been working with NARA so approval of the one recommendation is expected.

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

Evaluation of the Commission's Implementation of E-FOIA, OIG-AR-01-01 (March 20, 2001)

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

This audit resulted in five recommendations, all of which were agreed to by management. One recommendation has not yet been implemented but the Commission has issued a notice of proposed rulemaking that addressed the recommendation.

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

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>

This audit resulted in six recommendations for improving the Commission's Information Resources Management (IRM). Management agreed to these recommendations, but four have not yet been fully implemented. A summary of the recommendations not yet implemented is as follows:

- Place existing IRM-related offices under the direction of the CIO.
- Strengthen the IRM Committee.
- Improve the management of the Commission's IRM personnel.
- Improve information security planning.

AUDIT FOLLOW-UP— *Continued*

Last year, the Commission requested that the Office of Personnel Management (OPM) authorize a new SES position for the CIO. In the interim, the Chairman appointed an acting CIO. Completion of the first three actions listed above awaits establishment of a full time CIO. In addition, 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.

U.S. International Trade Commission's Policies and Procedures Related to the Rural Development Act (RDA) of 1972, Inspection Report, OIG-IR-01-02 (September 23, 2002) <http://www.usitc.gov/oig/OIG-IR-01-02.pdf>

The Treasury and General Government Appropriations Act of 2002 required the Inspector General of each department or agency to submit a report to the Committee on Appropriations detailing the agency's policies and procedures to give first priority to rural areas when locating new offices and other facilities. The objectives of this inspection were to assess the Commission's: (1) statutory basis for geographic office locations, (2) policies and procedures related to RDA, and (3) plans and prospective needs for additional geographic locations.

The OIG found the Commission has neither a policy nor procedures to ensure that rural areas would be given first priority if additional facility locations were needed. However, the Commission also had no plans or prospective needs for new offices or other facilities. Further, Congress repeatedly had expressed intent that it be located in Washington, DC. The OIG suggested that, when updating its Strategic Plan, the Commission consider soliciting customer needs and preferences regarding the Commission's location. The information could be valuable not only in making the business case for locating future offices to best meet customer needs but also in being responsive to the RDA. We also suggested that the Chairman consider issuing an Administrative Order stating that the Commission's policy will be to consider rural areas as a first priority, in accordance with RDA, in the event that the Commission ever exercises authority to locate new offices—other than those authorized by statute in Washington, DC, and New York City, NY.

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

Westlaw® is an online legal research service provided by West Group, a division of Thomson Corporation. The objectives of this inspection were to review the Commission's (1) actual Westlaw® usage in relation to the annual fixed price; (2) use of databases and services not included in the fixed price; and (3) procedures for deactivating separating employees' Westlaw® passwords.

INSPECTIONS—*Continued*

The OIG found that Westlaw® usage and costs rose and fell together in the years prior to FY 2000; however, usage cost had increased sharply and annual costs had risen consistently since the Commission switched to the fixed price plan in FY 2000. Because annual fixed price percent increases are based on actual usage, the projected annual fixed price of Westlaw® for the next 5 years—assuming actual annual usage remained the same—would grow by 72 percent from \$87,636 to \$150,984.

The OIG suggested that (1) the Law Librarian perform a cost benefit analysis of the fixed price plan for Westlaw®. Included in the analysis should be the issue of accessing materials through Westlaw® that are also available in the Law Library, (2) the Law Librarian institute a more formal usage cost awareness program for the 90 to 100 Commission employees with workstation access to Westlaw®, and (3) the Director, Office of Administration, add the Law Library to the distribution list for the weekly memoranda entitled “Report on Certain Resource Transactions.” The memoranda could serve as a method of verifying that the passwords of separated employees were deactivated.

INVESTIGATIONS

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

Summary of Investigative Activity

A summary of investigative activity is presented below.

During this reporting period, four cases were initiated and two remain open. These cases involved alleged conflict of interest, a computer hacking, inappropriate use of Government travel cards, and alleged Privacy Act violations.

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

Privacy Act Violation

A senior ITC official accessed an ITC employee's Official Personnel File (OPF) in the Office of Personnel to see the other employee's most recent performance appraisal. The senior official was not the employee's supervisor and did not need the OPF in order to perform official duties. Therefore, the senior official's accessing the employee's OPF constituted a violation of the Privacy Act (5 USC § 552a (b) (1)). Since the employee did not give the senior official written authorization to access the OPF, the senior official also violated 19 CFR § 201.29. In addition, the senior official discussed the employee's appraisal with one of the employee's coworkers. The OIG investigated the incident and provided a report of investigation to the Chairman, who met with and orally reprimanded the senior official.

INVESTIGATIONS—*Continued*

Violations of Federal Travel Regulations and Misuse of Government Travel Card

The OIG investigated allegations of potential Government Smart Pay Travel Card abuse and false travel claims by a high-level agency official, who took 14 trips in less than one year. Prior to completion of the investigation, the high-level agency official left the ITC.

The OIG examined the following three issues in the investigation:

- Were the trips for official business purposes?
- For “official business” trips, were the claimed per diem and expenses for official business purposes?
- Were Government Smart Pay Travel Card charges for official business purposes associated with government travel?

The OIG investigation found that the high-level agency official:

- Took five trips at a cost of \$6,314.42 that were not for official business purposes;
- Traveled to a resort location during a peak season, at a cost of \$114.30, in order to meet with someone whose office and law practice were located in Washington, DC, where the ITC is located;
- Was absent for one day of an out of town meeting for which ITC was charged for travel expenses;
- Chose “luxury” accommodations while accommodations priced closer to the government per diem rate were available in the same hotel (total additional costs were \$344.04);
- Traveled without authorizations prior to certain trips and did not submit vouchers timely;
- Failed to maintain receipts necessary to substantiate certain travel expenses;
- Took a business trip that raised ethical concerns because the traveler appeared before a group that had a case pending before the ITC;
- Charged to the traveler’s Citicorp Government Smart Pay Travel Card expenses for which (a) there was no travel authorization when the expense was incurred, and/or (b) the expense was unrelated to “official business travel”;

INVESTIGATIONS—*Continued*

- Made five ATM cash withdrawals totaling \$1,207.50 for which no travel vouchers associating them with “official business” travel were filed.

In response to the OIG report of investigation, the Chairman directed the ITC to seek reimbursement from the former high-level agency official in the amount of \$6,772.76. The Office of General Counsel and the Office of Finance are involved in the debt collection action.

Misuse of Government Travel Card

An employee used his Citicorp Government Travel Card to charge \$389.39, during a period when he had no official business travel. The employee, who said that he did not have a personal credit card, used the Citicorp Government Travel Card to charge deposits for personal travel reservations. He paid all charges in full.

The employee violated USITC Administrative Notice 2306 Mandatory use of a Government Issued Travel Card, by using the Citicorp Government Travel card for personal use. He said that he was unaware of USITC Administrative Notice 2306.

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

OTHER ACTIVITIES

Regulatory Review

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

The OIG evaluates the impact that new or revised procedures will have on the economy and efficiency of programs and operations. The OIG reviewed and commented on a draft Notice of Final Rulemaking and draft Notice on the Handbook on Electronic Filing Procedures; draft Directive and Handbook on the Performance Management System; draft Notice of Request for Renewal of an OMB-Approved Collection (USITC Reader Satisfaction Survey); and a draft Notice of Proposed Rulemaking for 19 CFR §§ 201, 204, 206 and 207.

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 issued one report related to international trade:

- Inspectors General Office Consolidation and Related Issues. GAO-02-575, August 15, 2002.

Without seeking the views of OIG customers or stakeholders, without assessing OIG independence or effectiveness, and without examining practical or legal impediments, GAO simply surveyed the OIG community's opinion on whether small, designated federal entity (DFE) OIG organizations should be consolidated into large, Presidentially appointed OIG organizations. Not surprisingly, the smaller OIG organizations generally opposed being consolidated, and the larger OIG organizations generally had no comment—although those that provided comments expressed misgivings. Oddly, GAO chose to express an opinion favoring consolidation based on little data other than the opinion survey. GAO suggested that the ITC OIG could be consolidated with the U.S. Department of Commerce OIG.

OTHER ACTIVITIES—*Continued*

The ITC Inspector General, on June 26, 2002, joined with other members of the Executive Council on Integrity and Efficiency (ECIE) in providing summarized comments to GAO's draft report. When the final report was made available, the Inspector General, on September 19, 2002, transmitted it to the Commission under a cover memorandum expressing concern that GAO had narrowly framed the question, provided little data, and ignored the Commission.

Liaison Activities

The Inspector General 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 ECIE 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.



Amy Comstock, Director of the Office of Government Ethics, speaks to the OIG community in ITC's Main Hearing Room. Pictured to her left are Environmental Protection Agency Inspector General Nikki Tinsley and ITC Inspector General Ken Clarke.

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

The Inspector General became a member of the PCIE ECIE Human Resources Committee and identified opportunities for the community to cooperate and coordinate its development of core competencies and training plans. He also facilitated a community-wide seminar at the Office of Personnel Management on how supervisors can address and resolve poor performance by employees. The ITC provided the setting for a similar community-wide seminar on government ethics.



Inspector General Ken Clarke conducts an IGATI workshop on executive briefing and testimonial skills in the ITC Main Hearing Room.

In addition to Human Resource Committee activities, the Inspector General continued to volunteer as an occasional guest instructor for the Inspectors General Auditor Training Institute. As a Certified Myers Briggs Type Instrument® (MBTI) Professional, he facilitated a team building workshop using the MBTI for multiple Offices of Inspector General at Ft. Belvoir, Virginia. In addition, he taught a 3-day workshop for multiple Offices of Inspector General on executive briefing and testimonial skills.

The Assistant Inspector General for Audit is a member of the Federal Audit Executive Council

(FAEC), whereby significant issues are discussed to bring about improvements in federal programs and operations. Successful audit results are shared as well as innovative audit techniques. In September, the FAEC discussed auditing billing issues, improving internal OIG operations, and the status of the financial statement audit network working group.

The Counsel to the Inspector General is a member of the Inter-agency Ethics Council and provided a monthly report to the Council on Federal Court cases involving ethics issues. In addition, the OIG responded to a Department of Justice request regarding subpoena authority. The OIG Counsel coordinated the program for the July 11, 2002 Interagency Ethics Council (IEC) meeting. The IEC, a voluntary group of Federal agency ethics officials, meets monthly to discuss current ethics issues. The program consisted of a panel discussion looking at government credit card abuse and payment problems, as well as possible solutions. Problems with both purchase and travel credit cards were discussed. The speakers came from the General Services Administration (GSA), the Corporation for National & Community Service, and the Department of Defense.

REPORTING REQUIREMENTS INDEX

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

CITATION	REPORTING REQUIREMENTS	PAGE
Section 4(a)(2)	Recommendations concerning the impact of such legislation or regulations on the economy and efficiency in the administration of programs and operations administered or financed by the Commission	22
Section 5(a)(1)	Description of significant problems, abuses, and deficiencies relating to the administration of programs and operations	None
Section 5(a)(2)	Description of the recommendations for corrective action made with respect to significant problems, abuses, or deficiencies	None
Section 5(a)(3)	Identification of each significant recommendation described in previous semiannual reports on which corrective action has not been completed	14-16
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	10
Section 5(a)(7)	Summary of each significant report	10-13
Section 5(a)(8)	Statistical tables showing Audit Reports–Questioned Costs	26
Section 5(a)(9)	Statistical tables showing Audit Reports–Funds Put to Better Use	27
Section 5(a)(10)	Summary of each audit report issued before the commencement of the reporting period for which no management decision has been made by the end of the reporting period	None
Section 5(a)(11)	Description and explanation of the reasons for any significant revised management decisions	None
Section 5(a)(12)	Information concerning any significant management decision with which the Inspector General is in disagreement	None

Table 1
AUDIT REPORTS WITH QUESTIONED COSTS¹

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

¹ Because in FY 2002 the Commission had less than \$6.5 million in contract awards—generally made to GSA Schedule vendors—the ITC OIG did not perform contract audits that are the basis for mandatory reporting of questioned and unsupported costs.

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

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

GLOSSARY

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

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

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


Keven Blake: Cover design and photography

Pamela Dyson: Report design and composition services

Printing Operations: Reproduction service



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