



UNITED STATES  
INTERNATIONAL  
TRADE COMMISSION

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

April 1, 2008 - September 30, 2008

October 2008



OFFICE OF INSPECTOR GENERAL



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## UNITED STATES INTERNATIONAL TRADE COMMISSION

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WASHINGTON, DC 20436

I hereby submit this Semiannual Report for the period April 1, 2008 through September 31, 2008. The report summarizes the activities and accomplishments of the Office of Inspector General and is submitted in accordance with the Inspector General Act of 1978, as amended. Section 5 of this Act requires that the Chairman transmit this report to the appropriate committees or subcommittees of Congress within 30 days of receipt.

During this reporting period, one audit of Commission programs and operations was issued. The audit was *Federal Information Security Management Act Fiscal Year 2008 Performance Audit, OIG-02-08*. The report evaluated the current status of the Commission's information security program, identified improvements in the program made during the past year, and issued recommendations designed to further protect agency information assets.

The Office of Inspector General also conducted a peer review of the Federal Labor Relations Authority Office of Inspector General, and commented on numerous policies, directives and pending legislation. Work on the Fiscal Year 2008 financial statement audit is ongoing at this time.

This office will continue to work constructively with the Commission to further our common goal of assuring the effectiveness, efficiency and integrity of Commission programs and operations. I appreciate the cooperation of all Commission employees in accomplishing the achievements set forth in this report.

A handwritten signature in black ink, appearing to read "Judith C. Gwynn".

Judith C. Gwynn  
Acting Inspector General  
October 30, 2008



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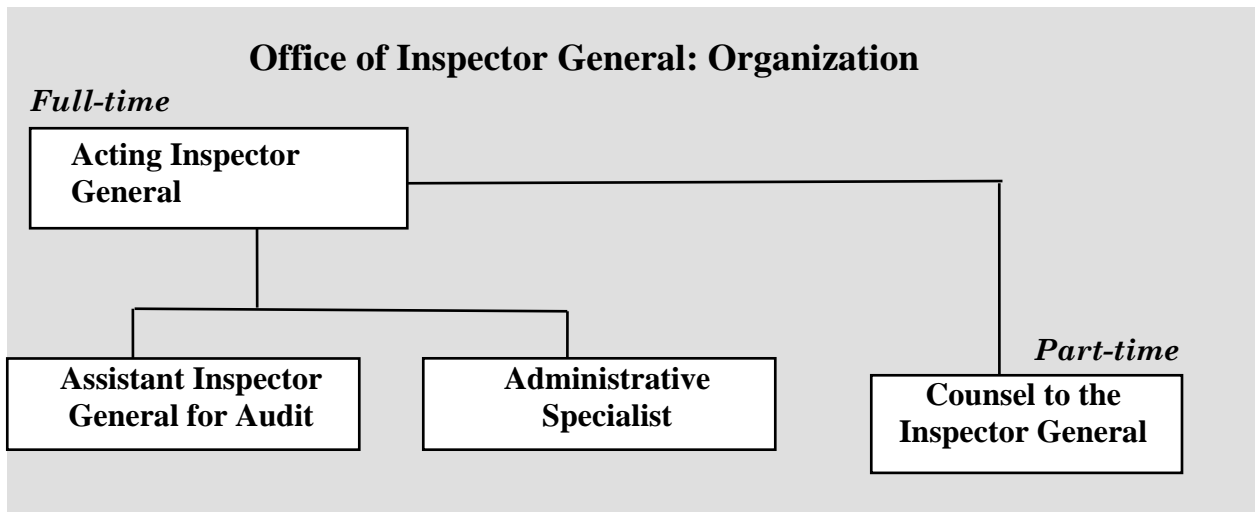
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## THE OFFICE OF INSPECTOR GENERAL

The Commission established the Office of Inspector General (OIG) pursuant to the 1988 amendments to the *Inspector General Act* (IG Act). The OIG is headed by an Inspector General (IG) who reports directly to the Chairman and Congress. As set forth in the IG Act, as amended, the IG has the authority and responsibility to conduct objective and independent audits, reviews and investigations of the agency's programs and operations. Specifically, the IG is responsible for promoting economy, efficiency, and effectiveness within the Commission; preventing and detecting fraud, waste, abuse, and mismanagement in the Commission's programs and operations; providing comments and recommendations on proposed legislation, regulations, and procedures affecting the Commission; and keeping the Chairman and the Congress fully and currently informed of problems in agency programs and operations.

The OIG organization consists of four positions: and Inspector General; an Assistant Inspector General for Audit; a Counsel; and an Administrative Specialist.



October 2008  
Semiannual Report

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**OIG Points of Contact**

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Fax	202-205-1859		1-800-500-0333
OIG internet	<a href="http://www.usitc.gov/oig">www.usitc.gov/oig</a>		<a href="mailto:OIGHotline@usitc.gov">OIGHotline@usitc.gov</a>

## COMMISSION'S TOP MANAGEMENT CHALLENGES

The “Top Management Challenges” facing the Commission as identified by the Acting Inspector General are discussed below. This assessment is based on information from OIG audit and inspection work, a general knowledge of the Commission’s programs and activities, and input from management on what challenges the agency is facing and the efforts the agency has taken to address the challenges.

The OIG believes the major challenges, in order of priority, facing the Commission are:

### **Financial Management**

During this reporting period, the OIG conducted an audit the Commission’s 2007 and 2008 financial statements with the contracted services of an Independent Public Accountant. Based on the results to date, we anticipate issuing an unqualified opinion along with several recommendations related to strengthening internal controls over the program.

The challenge to the Commission comes with the implementation of a new automated financial system on October 1, 2008. The system was provided by an established service provider, the National Business Center of the Department of Interior. The upgraded system was much needed and will provide faster, more reliable financial data to the Office of Finance and agency managers. However, with the implementation of any major, new system come certain risks related to reliability, the conversion of legacy data, adequate training of staff and managers, developing new policies and procedures, and ensuring effective internal controls. The Office of Administration will be challenged in FY 2009 to stand up a new system, including an integrated procurement feature for the first time, and convincing managers and financial staff the system is usable, reliable, and timely. This period of transition may take one year or longer.

### **Management Challenge: Information Technology Security.**

The FY 2008 Federal Information Security Management Act (FISMA) audit found that the Commission made significant progress in improving its information security controls and practices by strengthening firewall rules, implementing baseline configurations for network devices and Windows servers, and deploying a centralized logging solution. The Commission had also improved their annual security controls self-assessment testing to



include National Institute of Standards and Technology (NIST) required minimum-security control. In addition, the Commission had completed corrective action on seventeen recommendations from prior years, and four items remain open.

However, the audit report identifies four areas in which the Commission should implement corrective actions to help further ensure that its information security risk management program and practices comply with applicable NIST standards and guidelines and FISMA requirements. The weaknesses identified by the audit present a challenge to the Commission to find the resources to strengthen the program and protect Commission data in a timely manner.

### **Strategic Management of Human Capital.**

The Commission's ability to successfully execute activities in support of its mission depends on a highly skilled and experienced workforce. However, the Commission continues to be challenged by a high vacancy rate. At the end of September 2008, the Commission had a 15 percent vacancy rate. Furthermore, a significant percentage of its workforce is reaching retirement eligibility at a time when there is an increase in work. The increased work includes Title VII investigations (antidumping and countervailing duties under the Tariff Act of 1930) and Section 337 investigations (alleged intellectual property infringement and other unfair acts under 19 U.S.C. Section 1337).

The Commission developed a Strategic Human Capital Management Plan intended to be an essential component of the organization's strategic planning. This plan identified actions needed to accomplish the following goals:

1. Create and sustain an organizational culture that supports and rewards high performance.
2. Attract and retain a high-performing workforce with the technical and professional skills needed.
3. Continuously develop workforce skills in line with changing Commission requirements.
4. Allocate human resources across organizational components to efficiently respond to changing workload requirements.

The Commission completed the first phase of its new performance management system, a huge gain in implementing a pay for performance system. During FY 2008, the Commission completed a one year pilot program of the system with volunteers from the Offices of Operations and Administration. Using information from the pilot program, the

Commission plans to address needs not previously considered, such as developing standards and elements for unanticipated occupational groups and ad hoc team leader positions.

For senior level employees, the Commission developed a proposal to obtain certification of a Senior Executive Service (SES) performance appraisal system. As directed by the Office of Personnel Management, “the performance expectations for individual senior employees should (1) reflect expected agency and/or organizational outcomes and outputs, performance targets or metrics, policy/program objectives, and/or milestones; (2) identify specific programmatic crosscutting, external, and partnership-oriented goals or objectives, as applicable; and (3) be stated in terms of observable, measurable, and/or demonstrable performance.”

To attract, retain and continually develop personnel, the Commission implemented several initiatives. The Commission offered relocation expenses, retention bonuses, reimbursement of student loans, professional development and training, and telecommuting to its employees. Approximately 80 percent of Commission staff participated in the telecommuting program. Also, in response to the changes in the Commission’s workload and large vacancy rate, the Director of the Office of Operations has provided cross-training to employees.

## COMMISSION PROFILE

<http://www.usitc.gov>

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

- **Import Injury Investigations**—The Commission makes determinations in a variety of import injury investigations, primarily antidumping and countervailing duty (AD/CVD) investigations concerning the effects of unfairly traded imports on U.S. industries.
- **Intellectual Property–Based Investigations**—The Commission adjudicates complaints under 19 U.S.C. Section 1337 that allege infringement of U.S. intellectual property rights and other unfair methods of competition by imported goods.
- **Industry and Economic Analysis**—The Commission’s industry and economic analysis program consists of probable economic effects investigations primarily under section 131 of the Trade Act of 1974 or section 2104 of the Trade Act of 2002; analysis of trade and competitiveness issues under section 332 of the Tariff Act of 1930; and independent assessments on a wide range of emerging trade issues.
- **Tariff and Trade Information Services** —The Commission’s trade information services include such activities as legislative reports; maintenance of the Harmonized Tariff Schedule; maintenance of the online Data Web and Tariff and Trade Database; 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 six Commissioners are appointed by the President and confirmed by the Senate. They each serve one nine-year term, 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 Chairman is Shara L. Aranoff and the Vice Chairman is Daniel R. Pearson. The other Commissioners are Deanna Tanner Okun, Charlotte R. Lane, Irving A. Williamson, and Dean A. Pinkert.

For FY 2009, the Commission requested a budget of \$75,100,000. However, at the time of this report, the Commission was operating on a Continuing Resolution and no permanent funding level had been approved. For FY 2008, Congress approved funding for the Commission of \$68,400,000. The FY 2008 staffing plan is for 407 permanent positions and 16 term/temporary positions for a total of 423 positions. All employees are located at 500 E Street, SW, Washington, DC.

## AUDITS

### Reports Issued During this Period

#### **Federal Information Security Management Act Fiscal Year 2008 Performance Audit (OIG-AR- 02-08 September 30, 2008)**

The FY 2008 Federal Information Security Management Act (FISMA) audit was conducted by an Independent Public Accountant with the objective of determining if the Commission's information security policies and program met FISMA criteria, and if the Commission implemented appropriate actions to correct weaknesses identified in prior year FISMA audit reports.

Based on the work performed and, except for the discrepancies noted as part of this performance audit, we determined that the Commission's information security program, consisting of plans, policies, and procedures and security controls, is in place and is generally consistent with FISMA requirements.

The audit found that during the last year the Commission made significant progress in improving its information security controls and practices by strengthening firewall rules, implementing baseline configurations for network devices and Windows servers, and deploying a centralized logging solution. The Commission had also improved their annual security controls self-assessment testing to include National Institute of Standards and Technology (NIST) required minimum-security control. In addition, the Commission had completed corrective action on seventeen recommendations from prior years, with four items remaining open.

However, the audit report identifies four areas in which the Commission should implement corrective actions to help further ensure that its information security risk management program and practices comply with applicable NIST standards and guidelines and FISMA requirements. The weaknesses identified by the audit present a challenge to the Commission to find the resources to strengthen the program and protect Commission data in a timely manner.

The OIG made fourteen new recommendations to improve Commission information technology security. Management agreed with all fourteen recommendations and has provided a corrective action plan.

Due to the sensitive nature of this report, distribution is limited.

### **On-Going Audits**

#### **USITC's Financial Statements for Fiscal Years 2008 and 2007 and the Commission's Management Challenges**

An Independent Public Accountant (IPA), working under OIG supervision, is performing the audit of the Commission's Fiscal Years 2008 and 2007 financial statements. The results of this audit will be reported in November 2008.

### **Audit Follow-Up**

Recommended corrective actions remain open on one audit report in the previous semiannual report:

#### **Evaluation of the U.S. International Trade Commission' Fiscal Year 2005 Information Security Program and Practices Audit Report (OIG-AR-04-05, September 27, 2005)**

The OIG conducted an audit to determine whether the Commission's information security program and practices were in compliance with federal regulations. The audit resulted in 23 recommendations. The Commission has completed action on all but four items.

Due to the sensitive nature of this report, distribution is limited.

#### **Management Letter for the Fiscal Year 2007 Audit of the U.S. International Trade Commission's Financial Statements (OIG-AR-01-08)**

The letter made seven recommendations to assist the Commission in improving financial operations. Six of the recommendations remain open.

## **INSPECTIONS**

No inspections have been performed during this reporting period.

## INVESTIGATIONS

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

### Summary of Investigative Activity

During the period, there were no open cases. A summary of investigative activity is presented below.

Case Workload		Referrals Processed		Investigative Results	
Open (04/01/08)	0	Received from Hotline	0	Referrals for Prosecution	0
Initiated	0	Referred to OIG Audit & Inspection Division	0	Referrals Declined for Prosecution	0
Closed	0	Referred to Commission	0	Administrative Action	0
Open (09/30/08)	0	Referred to other Federal Agencies	0		
		Evaluated but No Investigation Initiated	0		



## OTHER ACTIVITIES

### Legislative Review

#### *H.R. 928 Inspector General Act Amendments*

As of September 27, 2008, both the House of Representatives and the Senate passed H.R. 928, the *Inspector General Reform Act*. Since the bill has been cleared by both houses of Congress, it has been sent to the President, for his signature. The President signed the bill on October 14, 2008.

The *Inspector General Act Amendments* address Inspectors General appointment, pay, prohibition on bonuses, and removal. In addition, the bill deals with OIG access to independent legal counsel, budget requests, law enforcement authority, subpoenas, program fraud civil remedies, websites, and semiannual reporting requirements. Furthermore, the proposal establishes a Council on Integrity and Efficiency, which consists of all Federal Inspectors General and other specific government officials, such as the Deputy Director for Management of the Office of Management and Budget and a senior level official of the Federal Bureau of Investigation designated by the Director of the Federal Bureau of Investigation. As part of its duties, the Council shall form an Integrity Committee to investigate allegations made against Inspectors General or specified staff members. Also, the Council will recommend possible replacements for vacant Inspectors General positions.

#### *S.789 - Government Credit Card Abuse Prevention Act of 2007, and H. R. 1395 - Government Credit Card Abuse Prevention Act of 2007*

The OIG provided comments on S.789, *Government Credit Card Abuse Prevention Act of 2007* and H.R. 1395, *Government Credit Card Abuse Prevention Act of 2007*. The proposed provisions would impose additional duties on OIGs: investigations, risk assessments, audits, and reporting requirements, without providing funding for resources to complete the increased workload.

## **Directives Review**

### *Senior Executive Service Performance Management System*

The OIG provided comments on draft directive that would establish a Senior Executive Service Performance Management System. The draft directive sets forth criteria for performance awards, setting pay, reassignment, and removal of senior executives.

## **Government Accountability Office**

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 Government Accountability Office issued two reports related to Commission activities. None of the reports contained a recommendation for the Commission. The reports are:

**Intellectual Property:** Leadership and Accountability Needed to Strengthen Federal Protection and Enforcement; [GAO-08-921T](#) June 17, 2008.

**International Trade:** The United States Needs an Integrated Approach to Trade Preference Programs; [GAO-08-907T](#) June 12, 2008.

## **Other – Management Assistance**

### *Executive Order: Executive Branch Responsibilities with Respect to Orders of Succession*

President Bush signed an Executive Order (EO) relating to Executive Branch Responsibilities with Respect to Orders of Succession, on September 11, 2008. The OIG provided assistance to the Commission by determining that the EO is applicable. However, the Commission does not need to take any action because succession planning is set forth in 19 U.S. Code § 1330. At the Commission, the President shall designate a successor chairman or vice chairman, for the remainder of the term. The vice chairman shall act as chairman in case of the absence or disability of the chairman. During any period in which there is no chairman or vice chairman, the commissioner having the longest period of continuous service as a commissioner shall act as chairman (19 USC § 1330 (c) (4)). Pursuant to the EO, the Commission should maintain succession in accordance with the law.

### *Human Capital Plan*

The OIG developed the first ever OIG Human Capital Plan during this reporting period. The plan is integrated with the existing Commission Human Capital Plan and seeks to relate OIG human capital development to the achievement of the Commission's mission. The OIG plan addresses mission and business environment, changing workload and IG mandate, resource needs, workforce requirements, and plans for future office structure. The plan will be updated as often as necessary.

## **Liaison Activities**

### *Audit Peer Review of the Federal Labor Relations Office of Inspector General*

During this reporting period, the OIG reviewed the system of quality control for the audit function of the Federal Labor Relations Authority (FLRA) Office of Inspector General in effect for the year ended March 31, 2008. The review was conducted in accordance with the guidelines established by the President's Council on Integrity and Efficiency and the Executive Council on Integrity and Efficiency. In performing our review, the OIG obtained an understanding of the system of quality control for the FLRA Office of Inspector General. In addition, the OIG tested compliance with quality control policies and procedures. The OIG review would not necessarily disclose all weaknesses in the system of quality control or all instances of lack of compliance with it. Nevertheless, the procedures the OIG performed provide a reasonable basis for the opinion that the FLRA Office of Inspector General was generally in compliance with generally accepted government auditing standards.

### *Executive Council on Integrity and Efficiency*

The Acting Inspector General participates in activities sponsored by the Executive Council on Integrity and Efficiency. Established by Executive Order 12805 on May 11, 1992 the Council is chaired by the Office of Management and Budget and, in addition to Inspectors General, includes representatives from the Office of Personnel Management, the Office of Government Ethics, the Office of Special Counsel and the Federal Bureau of Investigation. The Council functions and responsibilities are to promote integrity and efficiency and to detect and prevent fraud, waste and abuse in federal programs.

## 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	None
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	8
Section 5(a)(3)	Identification of each significant recommendation described in previous semiannual reports on which corrective action has not been completed	9
Section 5(a)(4)	Summary of matters referred to prosecutive authorities and the prosecutions and convictions which have resulted	None
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	8
Section 5(a)(7)	Summary of each significant report	8
Section 5(a)(8)	Statistical tables showing Audit Reports–Questioned Costs	17
Section 5(a)(9)	Statistical tables showing Audit Reports–Funds Put to Better Use	18
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	0	0	0
Subtotals (A + B)			
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

**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)		
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.

<b>Questioned cost</b>	means a cost that is questioned 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.
<b>Unsupported cost</b>	means a cost that is questioned because at the time of the audit, such cost is not supported by adequate documentation.
<b>Disallowed cost</b>	means a questioned cost that management, in a management decision, has sustained or agreed should not be charged to the Government.
<b>Recommendations that funds be put to better use</b>	means a recommendation 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.





**If you suspect fraud, waste,  
abuse, or other misconduct**



**at the  
U.S. International  
Trade Commission,  
contact the  
Office of**



**Inspector General Hotline.**

The purpose of the Hotline is to receive complaints of fraud, waste, and abuse in ITC programs and operations, including mismanagement or violations of law, rules, or regulations by ITC employees or program participants. Complaints may be received from ITC employees, participants in ITC programs, or the general public.

The Inspector General Act of 1978, as amended, and other laws provide for the protection of persons making Hotline complaints, include assuring confidentiality and prohibiting reprisals.

### **You May Request Confidentiality**

**1. E-MAIL TO:**

**[OIGHotline@usitc.gov](mailto:OIGHotline@usitc.gov)**

**2. TELEPHONE AND FAX NUMBERS:**

**Office Phone Line... (202) 205-2210**

**Ethics Line..... (800) 500-0333**

**OIG Fax Line..... (202) 205-1859**

**3. MAILING ADDRESS:**

**USITC**

**Office of Inspector General**

**500 E Street, S.W., Room 515**

**Washington, DC 20436**

