

U.S. International Trade Commission

Inspector General Fiscal Year 2012 Annual Audit Plan



September 28, 2011



Office of Inspector General

The U.S. International Trade Commission is an independent, nonpartisan, quasi-judicial federal agency that provides trade expertise to both the legislative and executive branches of government, determines the impact of imports on U.S. industries, and directs actions against certain unfair trade practices, such as patent, trademark, and copyright infringement. USITC analysts and economists investigate and publish reports on U.S. industries and the global trends that affect them. The agency also maintains and publishes the Harmonized Tariff Schedule of the United States.

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UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, DC 20436

September 28, 2011

OIG-JJ-019

Chairman Okun:

This memorandum transmits the Office of Inspector General Fiscal Year 2012 Annual Audit Plan. This document describes the sixteen reviews we plan to perform over the next twelve months to promote and preserve the efficiency, effectiveness, and integrity of the U.S. International Trade Commission.

Each review area has an individual audit plan that describes the background, criteria, objectives, benefits, and scope. The individual audit plans will be used to initiate communication with you, the Commissioners and responsible Office Directors. The plans may be revised as a result of these discussions to ensure that the work of this office is relevant and responsive to the priorities of the Commission.

I look forward to working with you in the upcoming fiscal year as we implement this plan.

Philip M. Heneghan
Inspector General

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1.0 Introduction

This annual plan outlines the anticipated reviews to be performed by the Office of Inspector General (OIG) for fiscal year 2012.

This document begins by identifying the mandatory reviews required to be performed by the Inspector General, followed by planned reviews of the Commission's strategic operations. The third section identifies the internal control reviews, and information technology reviews. Individual plans for each review are provided within each section that provides background information, proposed objectives, criteria, scope and benefits.

A listing of all the planned individual reviews is provided in Table 1.

While this document outlines the planned activities, the OIG also recognizes that new initiatives, programs, issues, or other concerns may arise that require adjustments to the objective, priority, or schedule of the reviews.

2.0 Mandatory Reviews

This section identifies audits required by law, statute, or other regulation authority that the OIG must perform.

2.1 Audit of the Commission's FY 2012 Financial Statement

Background

The Accountability of Tax Dollars Act of 2002 requires all executive agencies with budget authority in excess of \$25 million to prepare audited financial statements and subject those statements to an independent audit. These audited statements are required to be submitted to the Congress and the Office of Management and Budget (OMB). In order to comply with these requirements, the Commission needs a system to prepare a complete set of financial statements on a timely basis in accordance with U.S. generally accepted accounting principles. The statements are to result from an accounting system that is an integral part of an integrated financial management system containing sufficient structure, effective internal control, and reliable data. Financial reporting also consists of the policies and procedures related to the processing and summarizing of accounting entries, and the preparation of financial statements.

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Proposed Objective(s)

The objectives are:

- To render an opinion on whether the USITC's consolidated financial statements are presented fairly in all material respects;
- To issue conclusions based on the testing of internal controls; and
- To determine the extent of the Commission's compliance with laws and regulations.

Criteria

- OMB Bulletin 07-04, Audit Requirements for Federal Financial Statements
- OMB Circular A-136, Financial Reporting Requirements
- OMB Circular A-123, Management Accountability and Control
- GAO Government Auditing Standards
- GAO Standards for Internal Control in the Federal Government
- GAO/CIGIE Financial Audit Manual

Benefit(s)

To provide reasonable assurance to the Commission that it is properly managing and reporting financial transactions, and can accurately produce end of year financial statements and ensure that the transactions and adjustments reported are properly supported.

Scope

The OIG will contract with an independent auditor to conduct an audit of, and report on the USITC's consolidated financial statements for FY2012. The OIG will provide continuous monitoring and oversight of the work performed. The auditor will test the Commission's financial statements preparation.

2.2 Federal Information Security Management Act (FISMA) Review

Background

The Federal Information Security Management Act of 2002 (FISMA) requires federal agencies to establish agency-wide risk-based information security programs that include periodic risk assessments, use of controls and techniques to comply with information

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security standards, training requirements, periodic testing and evaluation, reporting, plans for remedial action, security incident response, and continuity of operation.

The Office of Management and Budget dictates the format, contents, and submission requirements of the FISMA report each year.

Proposed Objective(s)

Assess the adequacy of controls over information security and compliance with information security policies, procedures, standards, and guidelines as identified by OMB policy memorandum.

Criteria

- FISMA
- OMB Policy Memoranda

Benefit(s)

To provide assurance to the Commission that the controls implemented to protect its information security are effective, and that the description of the Commission's information systems being provided to the Office of Management and Budget by the Office of the CIO is comprehensive and accurate.

Scope

The OIG will select elements from the policies, guidelines, and standards identified in the criteria and determine the extent of effectiveness of the security controls tested.

3.0 Strategic Operation Review

This section will identify the planned audits of the strategic operations of the Commission.

3.1 Review of Quality Control Procedures for Commission Publications

Background

The USITC conducts research and analysis to support trade negotiators and policy decision makers. The studies and investigations are generally initiated by a request from the U.S. Trade Representative, the U.S. House of Representatives' Committee on Ways

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and Means, or the U.S. Senate's Committee on Finance. The resulting reports provide the Commission's findings and independent analyses on the particular subject being investigated. General fact finding investigation reports are subsequently released to the public, unless classified for national security reasons.

Proposed Objective(s)

The objective of this review is to determine if the Commission has proper quality controls in place to validate the accuracy of the data used in studies, investigations, and other staff publications.

Criteria

- Section 332 of the Tariff Act of 1930
- Section 131 of the Trade Act of 1974
- Section 2104(b) of the Trade Act of 2002
- Section 2104(f) of the Trade Act of 2002
- Section 1205 of the Omnibus Trade and Competitiveness Act of 1988

Benefit

To provide assurance of the integrity of the data being provided by the Commission to policymakers, other federal agencies, and the general public.

Scope

The review will select a sample of reports, studies, and staff publications issued in fiscal years 2009 and 2010. Questionnaires will be used to obtain information regarding the teaming arrangements, drafting process, obtaining authoritative sources, data validation process, clearance process, and approval process. This will be followed by a review of working documents and staff interviews. All information will be analyzed and reported.

3.2 Review of Harmonized Tariff Schedule

Background

The Office of Tariff Affairs and Trade Agreements maintains the Harmonized Tariff Schedule (HTS) of the United States. The HTS provides the applicable tariff rates and statistical categories for all merchandise imported into the United States. It is based on the international Harmonized System, which is the global classification system that is used to describe most world commodities.

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Proposed Objective(s)

To determine if the HTS published by the Commission is accurate.

Criteria

- Harmonized Tariff Schedule
- International Harmonized System
- Any applicable laws or regulations.
- Any applicable information provided by Customs.

Benefit

To provide assurance that the HTS published by the Commission is accurate.

Scope

The OIG will obtain a statistical sample, review against supporting documentation, such as laws, regulations, and other sources of information, to validate.

4.0 Internal Control Reviews

Internal control, which includes ongoing oversight, is a fundamental responsibility of management. Previous audits have identified systemic patterns, where management relied on informal systems instead of documented processes. The OIG intends to perform three audits on internal controls to determine the extent that the Commission has reasonable assurance of the effectiveness and efficiency of operations.

4.1 Purchase Card Review

Background

The federal government purchase card program was established to streamline acquisition processes by providing a low-cost, efficient vehicle for obtaining goods and services directly from vendors. Each agency is responsible for developing their own internal procedures and establishing processing and internal controls to prevent improper and abusive purchase card transactions.

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Proposed Objective(s)

The proposed objectives will be to assess the adequacy USITC's internal controls for the Purchase Card Program to:

- Determine if purchase card holders implement standard procedures for ordering and reconciling credit card purchases.
- Determine if controls are in place to reasonably prevent purchase card misuse.
- Determine if internal controls for card deactivation are adequate.

Criteria

- USITC Procurement Policy
- USITC Purchase Card Handbook
- Federal Acquisition Regulation

Benefit(s)

To provide assurance to the Commission that the purchase card program is operating in an effective manner and it is not vulnerable to significant fraudulent, improper, or abusive purchases.

Scope

The OIG will review USITC policies and procedures, obtain a listing of USITC's credit card holders from the previous fiscal year, perform interviews, review purchase card files for completeness, review credit card statements, and document findings.

4.2 Review of Inherently Governmental Functions

Background

On September 12, 2011, the Office of Federal Procurement Policy (OFPP) issued a policy statement to ensure any government action is a result of informed, independent judgment made by government officials. In order to implement this policy statement, it requires agencies to reserve the work of inherently governmental functions for Federal employees.

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Objective(s)

To determine if contractors at the Commission are performing inherently government functions.

Criteria

- Federal Acquisition Regulation, Subpart 7.5
- Office of Federal Procurement Policy, Letter 11-01, Performance of Inherently Governmental and Critical Functions

Benefit(s)

To ensure the Commission is not using contractors to perform functions that must be performed by government employees.

Scope

Obtain and validate the list of all current support services contracts. Review the contract scope of work. Evaluate and document the actual work being performed. Perform analysis to determine whether or not the work being performed is a) inherently governmental, b) closely associated with inherently government and critical functions, or c) an appropriate use of contractors.

4.3 Vehicle Management Review

Background

Government owned and operated vehicles are made available and authorized for use to fulfill government purposes and agency mission. Each agency is responsible for justifying the purchase and maintenance of government vehicles, developing their own internal procedures for use, and establishing internal controls to prevent the improper use of the vehicles.

Objective(s)

The proposed objectives to assess the adequacy of USITC's agency owned vehicle program include:

- Determine if the vehicles are properly justified and maintained;
- Determine if controls are in place for requesting and monitoring use of the vehicles; and
- Determine if controls are in place to identify misuse of the vehicles.

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Criteria

- Federal Management Regulation Part 102-34, Motor Vehicle Management
- Federal Management Regulation Part 102-5, Home-to-Work Transportation
- USITC government owned vehicle policy
- Other agency standards and best practices, when applicable.

Benefit(s)

To assure the Commission that the government owned vehicle program is operating in an effective manner and is not vulnerable to fraudulent, improper, or abusive use.

Scope

The OIG will research and review all applicable statutes and regulations, review USITC policies and procedures, vehicle logs, and perform interviews.

4.4 Review of Employee Out-Processing Procedures

Background

The Office of Personal Management (OPM) has established the Business Reference Model (BRM) which describes the process to efficiently and effectively assist employees in transitioning to non-federal employment; terminate employees due to unproductivity; and/or assist employees with their transition to retirement. Each agency is responsible for developing and implementing their own formal process and tailoring it to meet the agency's needs.

Proposed Objectives

The proposed objectives will be to evaluate USITC's employee out process to:

- Determine if the out process meets statutes and regulations.
- Determine if the out process is meeting the needs of the Commission.

Criteria

- Any applicable statutes and regulations
- USITC Employee Out-Process policy and procedures
- OPM's Human Resources Line of Business
- Other general standards and best practices, as applicable

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Benefit(s)

To provide assurance to the Commission that the employee out-process is operating in an effective and efficient manner.

Scope

The OIG will review all statutes and regulations, review USITC policies and procedures regarding employee out-processing, perform interviews, and review files for completeness.

4.5 Review of Open Obligations

Background

For the past two years, the Commission has experienced problems with open obligations that impact the amount of year-end testing required for the financial statement audit.

Proposed Objective

The objectives of this review will be:

- To determine if the Commission has identified and de-obligated undelivered orders that are not valid; and
- To determine if the Commission has fully implemented management decisions based on recommendations associated with undelivered orders.

Criteria

- GAO OMB Circular A-123, Management Accountability and Control
- Prior reports and associated recommendations and management decisions.

Benefit

To improve the integrity and reliability of the data maintained in the Commission's financial systems.

Scope

The OIG will obtain the open obligation report, review files and associated documentation, interview COTR's and other staff as needed, analyze results, and report.

5.0 Information Technology Reviews

The OIG plans to assess the adequacy and effectiveness of controls over information security, and compliance with information security policies, procedures, standards, and guidelines.

5.1 Patching

Background

The protection of the Commission's Information Systems is dependent on maintaining a secure, patched state of applications and operating systems on all networked devices. Because patches are continuously released, an effective patch management program implements a system to continuously monitor patch levels and apply required patches to all networked devices. Systems that remain unpatched present a material risk to the Commission.

Proposed Objective(s)

The objective of this audit is to assess the effectiveness of the CIO's patching process for all systems on ITCNet.

Criteria

- NIST 800-40 and US-CERT

Benefit(s)

To provide assurance to the Commission that its risk due to known exploits is being mitigated through the comprehensive and timely application of software patches.

Scope

This audit will encompass all possible nodes on ITCNet to determine the update/patch state of all software, including operating systems and both major and minor applications. The device list shall include but is not limited to all servers, workstations, routers, printers, email gateways, firewalls and any other network or security devices on ITCNet.

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5.2 Penetration Testing

Background

The external perimeter of a network serves as the primary defense against attack. The perimeter typically consists of border routers, firewalls, web servers, email servers, anti-spam appliances, DNS servers, and other devices. No matter how well a given system may have been developed, the nature of today's complex systems with large volumes of code, complex internal interactions, interoperability with uncertain external components, unknown interdependencies means that exploitable flaws will always be present or surface over time. Accordingly, security testing must fill the gap between the state of the art in system development and actual operation of these systems. Security testing is important for understanding, calibrating, and documenting the operational security posture of an organization. Organizations that have an organized, systematic, comprehensive, on-going, and priority driven security testing regimen are in a much better position to make prudent investments to enhance the security posture of their systems.

Proposed Objective(s)

Determine the effectiveness of the Commission's security perimeter through external penetration testing of ITCNet.

Criteria

- NIST SP 800-42, 800-53A (Appendix G), 800-115, 800-81

Benefit(s)

To provide assurance to the Commission that it is implementing effective controls to protect its perimeter.

Scope

This audit will include all externally available nodes on ITCNet. The device list shall include, but is not limited to all servers, workstations, routers, email gateways, and firewalls. The access types attempted will include login attempts for the purposes of information gathering, privilege escalation, and establishment of jumping points to other areas of ITCNet infrastructure.

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5.3 Wireless Security

Background

The ability to be mobile within the workspace is gaining increased focus and resources. It provides a more flexible work environment, and encourages collaboration. In organizations where external parties are frequently on the premises, these technologies can provide public network access and improve the efficiency of work being performed by these parties. Technologies enabling wireless communications must simultaneously provide performance, reliability, and security. The security of these systems is influenced by a multitude of parameters and technology standards. The end result of these security technologies should be a network that only allows access to corporate data to those with permission to access it, and should not allow external parties to negatively impact the performance of the network to the organization or its staff.

Proposed Objective(s)

Determine whether the private wireless network is secure, and whether public network access receives a lower priority of bandwidth.

Criteria

- NIST Special Publications 800-153, 800-120

Benefit(s)

Provide assurance that wireless network provides benefits to organization staff and the public while securing the assets of the organization.

Scope

All private and public wireless resources provided by the Commission.

5.4 Software Licensing

Background

Software in use by any organization usually falls into two groups: free open source, and licensed commercial software. The licensing requirements for commercial software can vary widely for different vendors, different products, and different generations of the same software product. Some software may have a site license, able to be used by any and all staff for a fixed fee. Other software may be licensed per user, per machine, or per

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CPU (processor). Things change over time; sometimes a software package is purchased only for the use of a couple of individuals, and others find a need for this software and either install or use it without maintaining the licensing obligations to the software vendor. An effective process for properly licensing software will insure that software installations and use are audited, and that their use reflects that in the terms of the licensing when the software was purchased. If an effective auditing process does not exist, the organization runs the risk of penalties for being out of compliance.

Proposed Objective(s)

Determine whether the system for managing software licenses exists and is effective.

Criteria

- OMB Circular A-123, Management Accountability and Control
- USITC Procurement Policy
- Federal Acquisition Regulation

Benefit(s)

Provide assurance that all software in use is properly licensed, and comply with acquisition regulations.

Scope

All software installed on Commission infrastructure.

5.5 Remote Access

Background

Increasing emphasis is being placed on expanding the use of telework in Federal agencies. An effective telework program will provide a means to efficiently accomplish their work in a location-independent scenario. It would also serve as a means to allow continuity of operations for a range of scenarios that result in limited access to USITC's facilities, such as the recent example of snow days in the Washington metro region. An effective telework system would include access to both data and voice systems that will allow staff to work efficiently even when not in the office.

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Proposed Objective(s)

Assess whether the Commission's remote access systems provide the level of capabilities, performance, capacity, and redundancy required to support telework and COOP activities.

Criteria

- FISMA
- NIST Special Publication 800-46, 800-114
- OMB Circular A-130, Management of Federal Information Resources
- OMB Policy Memorandum
- Pending Telework Legislation, H.R. 1722

Benefit(s)

To provide assurance to the Commission that its telework systems effectively enable its staff to extend their workplace beyond the parameters of the physical building, allowing them to work efficiently from alternate locations.

Scope

The OIG will employ technical testing, design review, test data, and user interviews to assess the capabilities and performance of the technologies used at the Commission to provide remote access to its staff.

5.6 COOP

Background

Information systems are vital elements in most mission/business functions. Because information system resources are so essential to an organization's success, it is critical that identified services provided by these systems are able to operate effectively without excessive interruption. Contingency planning supports this requirement by establishing thorough plans, procedures, and technical measures that can enable a system to be recovered as quickly and effectively as possible following a service disruption. Contingency planning is unique to each system, providing preventive measures, recovery strategies, and technical considerations appropriate to the system's information confidentiality, integrity, and availability requirements and the system impact level.

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Proposed Objective(s)

Determine if the Commission's Business Continuity of Operations (COOP) Plan follows the guidance as provided in Federal Preparedness Circular 65.

Criteria

- FISMA
- NIST Special Publications 800-114, 800-34, 800-46
- OMB Circular A-130, Management of Federal Information Resources
- Federal Preparedness Circular 65

Benefit(s)

To provide assurance to the Commission that it has a tested, viable capability to provide mission-critical applications for its staff to continue their work in the event of a contingency.

Scope

The OIG will conduct document and design review as well as interviews to determine the state of the Commission's preparedness to continue all critical operations in the event of a contingency.

5.7 Privacy

Background

The E-Government Act of 2002 addresses privacy protections when Americans interact with their government. The guidance directs agencies to conduct reviews of how information about individuals is handled within their agency when they use information technology (IT) to collect new information, or when agencies develop or buy new IT systems to handle collections of personally identifiable information.

Criteria

- FISMA
- OMB M-03-22
- Privacy Act of 1974, as amended

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Proposed Objective(s)

To provide assurance that the proper information technology controls are in place to meet requirements contained in M-03-22.

Benefit(s)

To provide assurances to the Commission that the personally identifiable information collected from the public is protected.

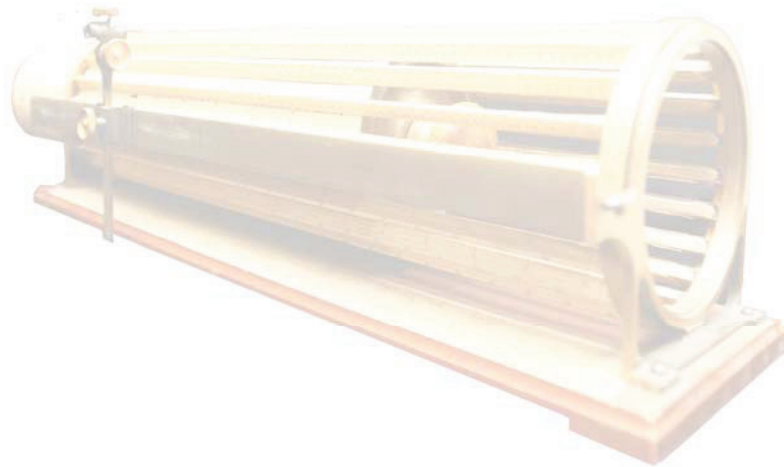
Scope

The OIG will review the systems that collect Personally Identifiable Information, review system documentation, test security controls and interview staff as applicable.

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Table 1: OIG FY 2012 Annual Audit/Review Schedule

	Office or Operational Area	Proposed Objective
12-01	Finance	Provide an opinion on the agency's financial statements, report on compliance with laws and regulations and report on internal controls.
12-02	CIO	Determine the effectiveness of the Commission's information system security program.
12-03	Commission	Determine if the Commission has proper quality controls in place to validate the accuracy of data in publications.
12-04	TATA	Determine if the HTS is accurate.
12-05	Procurement	Determine the adequacy of the internal controls for the Commission's purchase card program.
12-06	Commission	Determine if contractors are performing inherently governmental functions.
12-07	Administration	Assess the adequacy of the Commission's agency owned vehicle program.
12-08	Administration	Determine if employee out-process meets statutes and the needs of the Commission.
12-09	Finance	Determine if the Commission has fully implemented management decisions regarding open obligations.
12-10	CIO	To assess the effectiveness of the CIO's patching process for all systems on ITCNet.
12-11	CIO	Determine the effectiveness of the Commission's security perimeter through external penetration testing of ITCNet.
12-12	CIO	Determine whether the private wireless network is secure, and whether public network access receives a lower priority of bandwidth.
12-13	CIO	Determine whether the system for managing software licenses exists and is effective.
12-14	CIO	Assess whether the Commission's remote access systems provide the level of capabilities, performance, capacity, and redundancy required to support telework and COOP activities.
12-15	CIO	Determine if the Commission's Business Continuity of Operations (COOP) Plan follows the guidance as provided in Federal Preparedness Circular 65.
12-16	CIO	To provide assurance that the proper information technology controls are in place to protect PII.



“Thacher’s Calculating Instrument” developed by Edwin Thacher in the late 1870s. It is a cylindrical, rotating slide rule able to perform complex mathematical calculations involving roots and powers quickly. The instrument was used by architects, engineers, and actuaries as a measuring device.

To Promote and Preserve the Efficiency, Effectiveness, and Integrity of the U.S. International Trade Commission



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