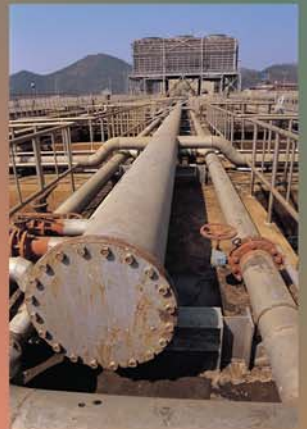


U.S. International Trade Commission

Inspector General Semiannual Report



October 1, 2013 - March 31, 2014

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.

Commissioners

Irving A. Williamson, Chairman

Dean A. Pinkert

David S. Johanson

Meredith M. Broadbent

F. Scott Kieff

Rhonda K. Schmidlein

Chairman



UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, DC 20436

May 28, 2014

Message from the Chairman

In accordance with the Inspector General Act of 1978, as amended, 5 U.S.C. App. 3 (the IG Act), the U.S. International Trade Commission (USITC or Commission) hereby transmits the Semiannual Report of the USITC Inspector General for the period October 1, 2013 to March 31 2014.

The Commission appreciates the work done by the Office of Inspector General in ensuring the effectiveness, efficiency, and integrity of Commission programs and operations. Inspector General Philip M. Heneghan and his staff continue to provide invaluable assistance to the Commission. We look forward to continuing to work with Mr. Heneghan as we address the issues raised in his report.

The Inspector General's *Semiannual Report to Congress* identifies the top management and performance challenges of the above referenced reporting period that he believes require significant attention. The Commission concurs with the critical challenges identified by the Inspector General. We continue to address these challenges in order to ensure that our internal operations are well managed. The Inspector General has recognized our progress in improving financial management and has removed this topic from the list of major institutional challenges identified in previous *Semiannual Report(s) to Congress*.

The actions we are taking with respect to the Inspector General's identified management challenges on (1) internal control and (2) using information technology to improve staff productivity are summarized in Part I of this message. Part II of this message addresses the status of specific corrective actions that have been taken in response to Inspector General recommendations.

I. Addressing Management and Performance Challenges

A. Internal Control

The Commission understands the importance of ensuring agency-wide acceptance of its internal control program and promoting a culture committed to effective internal controls. In recent years the agency has focused the majority of its efforts on implementing financial controls and the success of this effort has resulted in recent unqualified audit opinions. Since the beginning of FY2013, the Commission has sought to establish and implement an effective internal control system that addresses agency-wide processes. Documented and consistent processes and procedures are necessary to provide a reasonable level of assurance that offices are operating in an efficient and effective manner. Therefore, the Commission plans to focus on the development of a risk-based internal control structure and continue its business process mapping efforts throughout the agency in order to continue to document, establish, implement, and monitor strong and effective internal controls.

As part of its commitment to maintaining and improving a strong internal control structure, the Commission established an Internal Control and Risk Management Division in the first part of FY 2014. This new division works with the Commissioners, senior executives, and other key senior managers to:

- Maintain and improve the internal control and risk management culture;
- Create an internal control plan based on risk assessments in alignment with the Commission's Strategic Plan, Annual Performance Plan, and Annual Performance Report;
- Provide internal control technical support throughout the agency; and
- Facilitate the preparation of the agency's Statement of Assurance.

As accurate assessments of both financial and non-financial risks are integral to performing effective internal controls evaluations, the Commission's internal control program will in FY 2015–16 among other activities, include formalized risk assessments to identify which areas in the organization pose the highest threat to mission achievement if controls are not in place and functioning properly. These assessments will consider internal and external risks, risk analysis, and internal control activities required to mitigate assessed risks. These activities will better ensure the achievement of the internal control objectives of efficient and effective operations, reliability of reporting, and compliance with laws and regulations.

B. Using Information Technology to Improve Staff Productivity

Information technology is integral to the Commission's operations and the productivity of its staff. Ensuring the security and integrity of the Commission's information technology resources is of paramount concern. The Commission recognizes that more needs to be done in this area to enhance the security and availability of its networks and systems as well as to support and improve staff productivity.

Within the context of the cybersecurity-related findings, the Commission has embarked on an aggressive program to implement the four critical security controls identified by the Inspector General. This work forms the nucleus of a larger effort to fully implement the Commission's management decisions developed in response to audits and inspections of information technology security and operations. While we have achieved some early improvements as noted by the Inspector General, high priority work is continuing to address all of the identified issues.

These cybersecurity initiatives will also benefit Commission staff productivity and IT resource availability. The Commission is facing new challenges regarding established work processes and staff productivity in connection with the expiration of its office lease and possibility of relocation and significantly reduced office space. Effective information technology resource management will be critical to mission support during this period. As important as the critical controls are to security and integrity, two of the four controls, coupled with recent and ongoing initiatives to enhance remote access, will be invaluable in planning for and providing technology support to any potential changes in the ITC's physical space requirements.

As the Commission's operational units continue to document and define their business activities, the knowledge gained will enable the Commission to plan and deploy technology that will increase these units' efficiency and effectiveness. As reported in the previous semiannual report, the Commission planned to automate the management of the Harmonized Tariff Schedule so that it can be more efficiently updated and the risk of human error is minimized and is now in the testing phase of the new process. The Commission continues to evaluate and map its business processes to identify technology resource requirements that will enhance and optimize productivity.

II. Actions on Recommendations

A. Actions on Inspector General Recommendations Made in this Reporting Period

During this semiannual reporting period, the Inspector General issued 11 new reports that included 12 new recommendations. The Commission issued management decisions on 11 of the recommendations contained in the reports (see Table 3 in the Inspector General's report). A management decision on the twelfth recommendation is not due until the subsequent reporting period.

With respect to the Inspector General's recommendations from prior periods, the Commission issued management decisions for all recommendations that were made. The Commission also completed final action on management decisions for 11 reports during this and prior reporting periods (see Table 7 in the Inspector General's report). The Commission remains focused on addressing and resolving all of its outstanding management decisions, as described below.

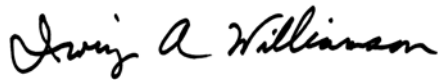
B. Actions on Recommendations Made in Prior Periods

- (1) The Report notes that the Commission has not yet completed final action on modifications to the published Harmonized Tariff Schedule. While the vast majority of this project has been completed, contract staff turnover and the complexity associated with designing sophisticated IT solutions to automate updates and minimize entry error has revealed system bugs that necessitate greater technical attention. The Commission is rectifying the situation by completing all bug fixes, testing and making incremental improvements to ensure greater stability of the system, and expects to move the project into its production phase before the end of the year.
- (2) The Report notes that the Commission has not completed final action on recommendations to control the use and retention of confidential business information and business proprietary information at the end of its investigations and proceedings. The Commission is taking a number of steps to address these recommendations, including a thorough review of the legal issues involved and the preparation of a draft handbook on the handling of Controlled Unclassified Information. Extensive coordination among the offices is still ongoing and further progress is anticipated by the end of the calendar year.
- (3) The Report notes that the Commission has not completed final action on recommendations associated with the audit of software licensing. Closing out the software licensing decisions was delayed due to a staffing shortage and difficulty identifying all affected software. Any remaining instances of unlicensed software will be addressed through application whitelisting; this process should be completed by the end of this fiscal year.
- (4) The Report notes that the Commission has not completed final action on recommendations associated with the audit of Citrix remote access. The outstanding recommendation entailed migrating centralized profiles to ensure that local and remote profiles were fully synchronized. Since the end of the reporting period, this last management decision was completed.
- (5) The Report notes that the Commission has not completed final action on recommendations associated with the evaluation of the purchase card program. Procedures were recently put in place to review and validate object class codes entered for purchase card transactions, as recommended by the Inspector General in the "Purchase Card" report. The Office of Procurement requested additional time to test and document the process prior to final implementation, which will occur in the subsequent reporting period.

The statistical tables required under the IG Act are included as Appendix A to this report.

C. Actions on External Reviews

During the reporting period, the Commission addressed recommendations made by the Office of Personnel Management (OPM) as a result of OPM's 2013 review of the Commission's human capital management program. During the reporting period the Commission updated policies and procedures related to hiring and recruitment actions, evaluated the performance management system, provided supervisory training on performance management, and created a draft update of merit promotion policies and procedures. As a result of the Commission's efforts, OPM formally closed the evaluation on February 28, 2014. No further Commission action is required with respect to this evaluation.

A handwritten signature in black ink, reading "Irving A. Williamson". The signature is written in a cursive, flowing style.

Irving A. Williamson
Chairman



UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, DC 20436

April 30, 2014

OIG-MM-009

Commissioners:

Attached is the Semiannual Report summarizing the activities of the Office of Inspector General for the period October 1, 2013 to March 31, 2014.

During this period, we issued 11 reports and made 12 recommendations to promote the efficiency, effectiveness, and integrity of the Commission's operations. The Commission completed final action on four of these recommendations during this reporting period. Additionally, the Commission completed final action on 18 recommendations that had been made by the Inspector General in prior reporting periods.

Three reports early in this period highlighted weaknesses in the Commission's information security program. Strong and immediate action on the recommendations we made and direct involvement by the Chairman's office significantly improved the information security posture of the Commission by the end of this reporting period. Most notable was implementation of a technical control that requires software to be "whitelisted". Such a control restricts the use of software on ITCNet to a set that is preapproved by the Commission.

I would like to thank you for your commitment to strengthening the operations of the Commission and supporting the work of my office.

Philip M. Heneghan
Inspector General

U.S. International Trade Commission
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Table 1: Reporting Requirements Index

| Reporting Requirements Index | | |
|------------------------------|---|--------|
| IG Act | Description | Page |
| Section 4(a)(2) | Review of Legislation | None |
| Section 5(a)(1) | Description of Significant Problems, Abuses, and Deficiencies | 2-3 |
| Section 5(a)(2) | Description of Recommendations for Corrective Action with Respect to Significant Problems, Abuses, and Deficiencies | 4-10 |
| Section 5(a)(3) | Significant Recommendations From Prior Reports on Which Corrective Action Has Not Been Completed | 10, 15 |
| Section 5(a)(4) | A Summary of Matters Referred to Prosecuting Authorities | None |
| Section 5(a)(5) | Summary of Instances Where Information or Assistance was Unreasonably Refused | None |
| Section 5(a)(6) | Listing by Subject Matter of each Report Issued during this Reporting Period | 4 |
| Section 5(a)(7) | Summary of Significant Reports | 4-10 |
| Section 5(a)(8) | Statistical Table showing Questioned and Unsupported Costs | 15 |
| Section 5(a)(9) | Statistical Table showing Recommendations Where Funds Could be Put to Better Use | 16 |
| Section 5(a)(10) | Summary of Audit Reports Issued Before the Start of the Reporting Period for Which no Management Decision Has Been Made | None |
| Section 5(a)(11) | Description of 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 |
| Section 5(a)(13) | Information described under section 5(b) of FFMIA | 13 |
| Section 5(a)(14) | Results of Peer Review Completed During This Period or Date of Last Peer Review | 14 |
| Section 5(a)(15) | List of Any Outstanding Recommendations From Peer Review | None |
| Section 5(a)(16) | List of any Peer Reviews Conducted of Another Office of Inspector General During this Period | 14 |

U.S. International Trade Commission

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Office of Inspector General

The U.S. International Trade Commission established the Office of Inspector General pursuant to the 1988 amendments to the *Inspector General Act* (IG Act). The Inspector General provides audit, evaluation, inspection, and investigative services covering all Commission programs and operations. The mission of the Inspector General is to promote and preserve the effectiveness, efficiency, and integrity of the Commission. The Office of Inspector General's activities are planned and conducted based on requirements of laws and regulations, requests from management officials, allegations received from Commission personnel and other sources, and the Inspector General's initiative.

Semiannual Report Requirements

The IG Act requires each Inspector General to prepare a report, semiannually, that summarizes the activities of the office. This Semiannual Report covers the period from October 1, 2013 through March 31, 2014. The 17 requirements shown in Table 1 are specified in the IG Act and must be included in the report. The layout of this Semiannual Report is described below.

This Semiannual Report starts with a description of the Management and Performance Challenges Report, OIG-MR-14-03, which identified two management challenges facing the Commission and the actions management has taken to address these challenges. It then summarizes the results of the other reports issued during this period, describes significant recommendations from prior reports where final action is not complete, and summarizes the hotline and investigative activities of the Inspector General. The next section provides a summary of other reviews of the Commission conducted by external parties, along with the status of recommendations from those reports. The last sections supply information on other reportable activities such as congressional activity, participation in the Council on Inspectors General for Integrity and Efficiency, other compliance activities, and our Peer Review status. Additional tables at the end of the report detail statistics on Office of Inspector General reports and recommendations.

U.S. International Trade Commission

Inspector General Semiannual Report

Top Management and Performance Challenges

The Inspector General is required by statute to identify the most significant management and performance challenges facing the Commission in the coming year. The Inspector General provided the Commission with a report (OIG-MR-14-03) on November 15, 2013. The report identified the challenges based on information learned from audit, evaluation, and inspection work, a general knowledge of the Commission's programs and activities, and input from management regarding challenges facing the agency. The management and performance challenges identified by the Office of Inspector General include the two areas identified in Table 2. Financial management, which had been previously reported to be among the agencies' top management and performance challenges, has now been taken off of this list, given the improvements the agency has made in this area. Following the table is a short discussion of the two challenges and the efforts the agency has taken to address them.

Table 2: Management and Performance Challenges

| Management and Performance Challenges |
|---|
| 1. Internal Control |
| 2. Using Information Technology to Improve Staff Productivity |

1. Internal Control

The Commission's management is responsible for establishing and maintaining a system of internal controls. These internal controls are the plans, policies, procedures, and organizational environment that managers use to ensure their programs and operations are achieving the intended results through the effective use of public resources.

Documented and consistent policies and procedures are necessary to provide a reasonable level of assurance that offices are operating in an efficient and effective manner. However, the policies and procedures are only effective if they are functioning as intended, monitored, and updated. Based on the results of audits, evaluations, and other reviews, we continue to find policies and procedures that are outdated, inefficient, and ineffective. While the Commission has been taking actions to address these deficiencies, many challenges remain in the areas of on-going monitoring for effectiveness and continual process improvement to gain efficiencies.

Performing risk assessments is a fundamental element within a system of internal controls that has not been a structured part of the Commission's management activities.

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Inspector General Semiannual Report

The Commission lacks documented procedures to identify, validate, assess, mitigate, monitor, and report on organizational risk. The Commission has recently taken steps to begin developing a risk assessment framework, but many challenges remain in educating management on risk identification, prioritization, management, and reporting.

The Commission has been committed to improving and strengthening the internal control environment. At the same time, the Commission understands that the effort must engage leaders broadly, ensure buy-in across programmatic and administrative offices and be sustained over a long period of time in order to achieve a mature and effective internal control program. The Commission will be challenged to manage and drive the cultural changes associated with the development and implementation of an effective organizational internal control program.

2. Using Information Technology to Improve Staff Productivity

Information Technology should be an enabler for the USITC knowledge workers to operate more effectively and efficiently. In order for this to happen, the Commission needs to have two foundational requirements: 1) a stable information technology platform and 2) an environment receptive to change and automation.

To have a stable information technology platform requires basic operational security. Three reports issued during this period highlighted weakness in the Commission's information security program. A total of eight recommendations were made and the Commission responded with an aggressive and comprehensive plan that included thirty-four separate management decisions, all of them scheduled to be completed by June 2014. Forceful action on recommendations and direct involvement by the Chairman's office has significantly improved the information security posture of the Commission, most notably the recent implementation of technical whitelisting control for software.

The Commission faces many challenges implementing information technology solutions to improve staff productivity. Information technology should be seen as a supporting, resource, and not as an entity unto itself. Until this concept is embraced, Commission staff will continue to be frustrated and look for ways to be productive despite the technology. If the Commission can improve the flexibility, reliability, and performance of its technology, Commission staff will use it to transform the way they work, resulting in a better, more efficient work product.

To improve productivity, the Commission should prioritize the appropriate skills and resources in the right areas to ensure that both basic and enhanced services work well and contribute to a stable, consistent environment to effectively serve its staff regardless of their location, or the situation at the primary data center.

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Inspector General Semiannual Report

Inspector General Reports Issued During this Period

The Inspector General issued 11 reports with a total of 12 recommendations during this reporting period. The Commission made management decisions on 11 of the 12 recommendations, and the Inspector General agreed with all the management decisions. Management decisions for the last recommendation were not due until after the reporting period closed.

A listing of each report issued during this reporting period, by subject matter, is provided in Table 3.

Table 3: Reports by Subject Matter

| Reports by Subject Matter | | | | |
|---|---------------|--|-------------|---------------------------|
| Subject Matter | Report Number | Report Title | Date Issued | Number of Recommendations |
| Administrative | OIG-ML-14-01 | Management Letter on Ethics Forms | 11/07/2013 | 3 |
| Administrative | OIG-MR-14-03 | Management and Performance Challenges | 11/15/2013 | 0 |
| Administrative | OIG-MR-14-10 | Charge Card Risk Assessment Report | 01/31/2014 | 1 |
| Financial | OIG-AR-14-05 | Audit of FY 2013 Financial Statement | 12/13/2013 | 0 |
| Financial | OIG-AR-14-06 | Report on Internal Control FY 2013 | 12/13/2013 | 0 |
| Financial | OIG-AR-14-07 | Report on Compliance with Laws and Regulations FY 2013 | 12/13/2013 | 0 |
| Financial | OIG-ML-14-08 | Management Letter for FY 2013 Financial Statement | 12/24/2013 | 0 |
| IT Security | OIG-AR-14-02 | Audit of Patching Process | 11/12/2013 | 7 |
| IT Security | OIG-MR-14-09 | Inspector General FISMA Cyberscope FY 2013 Submission | 12/02/2013 | 0 |
| IT Security | OIG-ML-14-04 | Post-FISMA Management Letter | 12/05/2013 | 1 |
| IT Security | OIG-ML-14-11 | Follow-Up on Whitelisting Implementation | 03/31/2014 | 0 |
| Total Recommendations Issued During This Reporting Period | | | | 12 |
| <i>NOTE: There were no questioned costs, unsupported costs or funds identified that could be put to better use in any of these reports.</i> | | | | |

The title, key findings, and summary information of each report is provided below.

U.S. International Trade Commission

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Management Letter Ethics Forms, OIG-ML-14-01

RESULT: The Commission did not have proper controls in place to ensure employees filed their annual financial disclosure reports within the statutory timeframes.

The Ethics in Government Act of 1978, as amended, requires individuals in certain positions to file a disclosure report of their finances as well as other interests outside the Government. The primary purpose of the disclosure report is to assist agencies in identifying potential conflicts of interest between a filer's official duties and the filer's private financial interests and affiliations. The Office of Government Ethics regulations require Senior Executive Service (SES) members to file within 30 days of assuming the position, and annually thereafter.

During this reporting period the Office of Inspector General requested the Commission's Ethics Office to provide copies of the annual public financial disclosure reports that should have been filed by a current SES employee. The Ethics Office did not have the reports. Based on this instance, we identified the following two problems:

- The process for new entrants, designated as filers, did not have controls to ensure financial disclosure reports are filed within the 30 day statutory timeframe.
- The process for filing the annual financial disclosure reports did not have controls to ensure that all employees, who have been designated as filers, submit the report as required.

We made three recommendations to address the problems identified. Management agreed with our assessment and made management decisions to address the recommendations. The Commission completed final action on all three recommendations during this reporting period.

Audit of Commission's Patching Process, OIG-AR-14-02

RESULT: The audit determined that the Commission's patching process was not effective.

We performed an audit of the Commission's process for patching systems. We used data provided by the Chief Information Officer that was generated from their vulnerability management scanning process.

We first analyzed the data provided by the Office of the Chief Information Officer to determine the patch status of each host on the network. We found that the Commission's scanning software was not properly configured and failed to measure the patch status of 49% of the hosts. When scans cannot measure for missing patches, the hosts may appear

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clean, as if they have no vulnerabilities, providing a false sense of security. By not measuring all of the hosts, the Commission was unaware of the risks to the network.

We then analyzed data from the 51% of the Commission's hosts that were measured, to determine if patches for High severity vulnerabilities had been properly applied. We found that 97.8% of these hosts were missing required patches to resolve High severity vulnerabilities. We also found that many of these patches were weeks, months, and years old. Due to the risk they pose to the network, patches for High severity vulnerabilities should begin to be applied upon patch release.

We also reviewed how risk information was reported to executive management due to missing patches on the network. We found that the Commission had a published performance metric for network security. It was a complicated formula that used the log of a sum to describe the security of the network. We applied this formula to the data generated from the vulnerability management software. The results implied that as long as it does not exceed 33 High severity vulnerabilities per host, the Commission had met its target performance goal to ensure network security. Reporting that the performance goals had been successfully met suggested to executive management that the Commission's network was secure, when in fact it was not.

We issued seven recommendations to address the problems identified in the report. The Chairman agreed with the findings in the report and made management decisions to implement the recommendations.

Inspector General FISMA Cyberscope FY 2013 Submission, OIG-MR-14-09

RESULT: The Commission is not effectively implementing its information security program.

The Federal Information Security Management Act of 2002 (FISMA), requires the Office of Inspector General to independently evaluate and report to the Office of Management and Budget on how the Commission has established and implemented information security programs. The Office of Management and Budget's report structure consists of a series of questions that cover 11 different program areas.

In our FY 2013 submission, we responded "no" to 48 of the questions; meaning that the Commission's security program was missing 48 components.

While the results of our assessment continued to identify deficiencies, no recommendations were issued because this report was provided to the Office of Management and Budget, not the Commission. We issued a Post-FISMA Management Letter to the Chairman to explain the implications of our evaluation and described actions that the Commission can take to improve its information security program.

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Post-FISMA Management Letter, OIG-ML-14-04

RESULT: The Post-FISMA Management Letter identified the Commission's need to focus on the top four security controls.

The FISMA report assesses the maturity of an agency's information security program, covering a wide range of program components. The report contains more than 100 questions about the Commission's information security program. In our FY 2013 FISMA submission, we answered 48 of the questions with a "no," meaning that the program is missing 48 components.

Because of the large number of negative answers, there was a concern that the Commission may attempt to address too many things and not the most important things. As a result, we prepared this Management Letter to assist the Commission in focusing on doing the right work and to handle the most important things first.

Guidance from the Department of Homeland Security identifies the twenty most important security controls, the top four of which are the only controls rated as "very high" for the mitigation of attacks by the National Security Agency. These top four controls are:

- Inventory of Authorized and Unauthorized Devices;
- Inventory of Authorized and Unauthorized Software;
- Secure Configurations for Hardware and Software on Laptops, Workstations, and Servers; and
- Continuous Vulnerability Assessment and Remediation.

Having these four controls in place will allow the Commission to shift the focus of security reviews from a static process to one that consistently assesses and fixes security issues.

The Management Letter contained one new recommendation, to implement technical whitelisting. We also encouraged the Chairman to implement the seven recommendations from a recent audit of the Commission's patching process. The Chairman agreed with our assessment and has made management decisions to implement all of the recommendations by June 2014.

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Audit of FY 2013 Financial Statement, OIG-AR-14-05

RESULT: The audit resulted in an unqualified opinion of the Commission's fiscal year 2013 financial statement.

The Inspector General engaged the services of an independent certified public accounting firm to audit the balance sheet and related statements of net cost, changes in net position, and budgetary resources for fiscal year 2012. The auditors were able to obtain sufficient evidence to assert that the Commission's financial statements for the fiscal year ended September 30, 2013, present fairly in all material respects the financial position of the Commission.

Report on Internal Control FY 2013, OIG-AR-14-06

RESULT: The audit did not identify any material weaknesses or significant deficiencies.

As part of the audit of the financial statement, the auditors were required to issue a report on internal control. The testing was limited to internal controls over financial reporting as they relate to the financial statement. The auditors did not test internal controls relevant to ensuring effective operations. The results of the testing performed did not identify any material weaknesses or significant deficiencies in the Commission's internal control over financial reporting.

Report on Compliance with Laws and Regulations FY 2013, OIG-AR-14-07

RESULT: The report did not identify any instances of noncompliance.

As part of the financial audit, the Inspector General engaged the services of the independent public accounting firm to audit the Commission's compliance with certain laws and regulations. The auditors did not test compliance with all laws and regulations applicable to the Commission. The testing was limited to provisions of laws and regulations that would have a direct and material effect on the determination of financial statement amounts. The results of the testing performed by the audit team did not identify any instances of noncompliance.

Management Letter for FY 2013 Financial Statement, OIG-ML-14-08

RESULT: The Commission has procedural problems related to undelivered orders and account reconciliations.

As part of the financial audit, the auditors issued a Management Letter that addressed matters involving internal control that were found during the audit but were not required to be included in the audit reports. The Management Letter identified procedural issues

U.S. International Trade Commission

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associated with undelivered orders and account reconciliations. Due to the continued improvements by the Commission to address the matters identified in the report, the auditors did not issue any new recommendations.

Charge Card Risk Assessment Report, OIG-MR-14-10

RESULT: The Commission does not have a process to monitor individual travel transactions.

We performed a risk assessment of the Commission's charge card program, as required by the Government Charge Card Abuse Prevention Act of 2012. Our assessment determined that the Commission's risk of illegal, improper, or erroneous purchases is low. We did identify one area, related to travel card transactions for individually billed accounts, where the Commission should improve their control activities.

We issued one recommendation to improve the control activities for travel card transactions. The Chairman agreed with the assessment and was in the process of developing management decisions to address the recommendation at the time the reporting period closed.

Follow-up on Whitelisting Implementation, OIG-ML-14-11

RESULT: The Commission's management decision to implement whitelisting was completed and effective.

On December 5, 2013, we issued a Management Letter to the Chairman related to the Commission's inability to implement four basic security controls. As a result of this report, the Chairman developed management decisions, with aggressive timeframes, to begin correcting these critical security control problems. One of the management decisions was to implement whitelist control on all domain-joined user PCs and remote access servers.

The Commission reported that final action had been completed on the management decision to implement whitelist control on all domain-joined user PCs and remote access servers. We conducted a follow-up review to determine whether this action was implemented effectively.

We created a test designed to execute seven different software applications that were not listed in the Commission's catalog of permitted software. We ran our test on different user PCs and through the Citrix remote access. The whitelisting control blocked the

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applications from running and prevented the unauthorized software from being executed on the users PCs.

As a result, we have determined that the Commission's final action on this management decision was completed and effective.

Significant Recommendations from Prior Periods

The Commission has 20 recommendations described in prior semiannual reports where corrective action has not yet been completed. The Inspector General identified three of the 20 recommendations as significant. A brief summary of each significant recommendation from prior periods is described below.

The first significant recommendation is from an evaluation that focused on modifications to the Harmonized Tariff Schedule of the United States. The evaluation found that the Commission maintained the Harmonized Tariff Schedule in many different electronic files and various file formats. This resulted in inaccurate and inconsistent information to be presented on the Commission's public website. The Inspector General recommended that the Commission develop and implement a single database to manage the Harmonized Tariff Schedule. The Commission made management decisions to implement the recommendation.

The second significant recommendation is from a report that reviewed whether the Commission effectively controlled the use and retention of confidential business information and business proprietary information at the end of an investigation or proceeding. The evaluation found that confidential business information and business proprietary information was retained indefinitely as a routine practice by employees as a matter of convenience and preference. The Inspector General recommended that the Commission create written policy that specifically addresses procedures for handling and destroying non-record copies of confidential business information and business proprietary information when an investigation or proceeding is closed. The Commission made management decisions to implement the recommendation.

The third significant recommendation from prior periods is from an audit of software licensing. The report found that the Commission did not have a complete record of all software installed on its network. By not preventing or detecting software from being installed, the Commission is at risk of violating license agreements as well as subjecting its network and systems to additional risks. The Inspector General recommended that the Office of the Chief Information Officer implement technical monitoring to detect the installation of software, including details on when it was installed and by whom. The Commission made management decisions to implement the recommendation.

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A listing that identifies each recommendation along with the corresponding report number is provided in Table 4.

Hotline and Investigations

Investigations and Inquiries – Overview

In accordance with professional standards and guidelines, the Inspector General conducts investigations and inquiries of criminal, civil, and administrative wrongdoing involving Commission programs, operations, and personnel. Investigations may involve possible violations of regulations regarding employee responsibilities and conduct, Federal criminal law, and other statutes and regulations pertaining to the activities of the Commission.

The Inspector General reviews and analyzes all complaints received to determine the appropriate course of action. In instances where it is determined that something less than a full investigation is appropriate, the Inspector General may conduct a preliminary inquiry into the allegation. If the information obtained during the inquiry indicates that a full investigation is warranted, the Inspector General will commence an investigation of the allegation.

OIG Hotline Contacts

The OIG maintains a Hotline for reporting information about suspected waste, fraud, abuse, or mismanagement involving Commission programs or operations. Information may be provided by telephone, fax, email, mail, or through a web-based form. Upon request, a provider's identity will be kept confidential. Reports may also be made anonymously.

We receive complaints from employees, contractors, and the public that involve the Commission's areas of responsibility. We examine these complaints to determine whether there is any indication of Commission wrongdoing or misconduct. If the complaint does not relate to the USITC, we refer the complaint to the appropriate agency for response. If the complaint does not have merit, we close the matter.

The OIG has worked to increase awareness of the Hotline throughout the Commission by creating a series of Hotline posters and holding OIG Outreach sessions with Commission offices.

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Investigations and Inquiries

The Inspector General completed one administrative investigation report during this reporting period.

External Reviews Completed During this Period

The Commission did not have any external reviews completed during this reporting period.

Status of Actions Related to External Reviews Completed During Prior Periods

Office of Personnel Management – Human Resources Review

The Office of Personnel Management performed an assessment of the Commission's human resource program. The purpose of the review was to determine the Commission's adherence to merit system principles, compliance with laws and regulations, and to assess effectiveness of the administration of human resource management and systems. The review was based on three human capital management elements from the Office of Personnel Management's Human Capital Assessment and Accountability Framework.

The final report was issued on June 25, 2013 and identified 25 recommendations for the Commission. The Commission made management decisions to implement all of the recommendations. During this reporting period, the Commission completed final action on all 25 recommendations.

Reviews Completed for Other Offices of Inspector General

Section 6(a)(3) of the Inspector General Act of 1978, as amended, gives the Inspector General the authority to obtain assistance for carrying out the duties and responsibilities provided by the Act from any other Federal agency.

The Inspector General provides assistance to other Offices of Inspector General by performing independent information technology reviews. The reviews can cover a wide array of information technology subject areas such as: penetration testing, vulnerability

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assessments, configuration review, and evaluation of monitoring and incident detection and remediation.

To facilitate assistance, the Inspector General will enter into a Memorandum of Understanding with the other Federal agency, in accordance with 31 U.S.C. 1535, the Economy Act of 1932, as amended. The Memorandum of Understanding describes the subject area to be independently reviewed, scope, methodology, cost, schedule, and any associated deliverables in writing before work is to be commenced. We completed one review during this reporting period.

Congressional Activities

The Inspector General did not receive any Congressional data requests during this reporting period.

Council on Inspectors General for Integrity and Efficiency

The Inspector General has actively participated in meetings and supported the efforts of the Council on Inspectors General for Integrity and Efficiency (CIGIE). The Office of the Inspector General staff have volunteered to serve as members on various working groups and committees that address cross-cutting issues such as, knowledge management, cloud computing, investigations, cyber security, new media, small agencies concerns, and legislative issues.

Federal Financial Management Improvement Act Reporting

The IG Act and the Federal Financial Management Improvement Act of 1996 (FFMIA) require the Inspectors General of certain agencies to report “instances and reasons” when the agency has not met intermediate target dates established in a remediation plan to bring the agency’s financial management system into substantial compliance with the FFMIA. The Commission is not subject to the FFMIA, however, it voluntarily seeks to comply with most of its requirements. During this reporting period, there were no events giving rise to a duty to report under FFMIA.

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Peer Review

The Office of Inspector General's last peer review report of our audit operations was issued on January 16, 2013. The report determined that the system of quality control for conducting audits had been suitably designed and implemented, and received a peer review rating of pass. All recommendations identified in the report have been implemented. The peer review schedule is set by the CIGIE. The next peer review of my office will be conducted in one year.

During this reporting period, our office performed a peer review of the Federal Elections Commission for the year ended September 30, 2013. We issued our peer review report to the Inspector General of the Federal Election Commission on February 14, 2014.

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Table 4: Prior Significant Recommendations Where Corrective Action Has Not Been Completed

| Prior Significant Recommendations Where Corrective Action Has Not Been Completed | |
|---|--|
| Report Number | Recommendation |
| OIG-ER-12-08 | Develop and implement a single database to manage the Harmonized Tariff Schedule. |
| OIG-ER12-09 | Create a Commission-wide written policy that specifically addresses procedures for handling and destroying nonrecord copies of confidential business information and business proprietary information when an investigation or proceeding is closed. |
| OIG-AR-12-10 | Implement technical monitoring to detect the installation of software, including details on when it was installed and by whom. |

Table 5: Reports with Questions and Unsupported Costs

| Reports with Questioned and Unsupported Costs Section 5(a)8 | | | |
|---|--------------------------|-------------------------|--------------------------|
| Description | Number of Reports | Questioned Costs | Unsupported Costs |
| Reports for which no management decision has been made by the commencement of the reporting period. | 0 | \$0 | \$0 |
| Reports issued during the reporting period. | 11 | \$0 | \$0 |
| Subtotals | 11 | | |
| Reports for which a management decision was made during the reporting period. | 10 | \$0 | \$0 |
| • Dollar value of disallowed costs. | | \$0 | \$0 |
| • Dollar value of allowed costs. | | \$0 | \$0 |
| Reports for which no management decision has been made by the end of the reporting period. | 1 ¹ | \$0 | \$0 |
| Subtotals | 11 | \$0 | \$0 |

¹ The management decisions for the Charge Card Risk Assessment Report, OIG-MR-14-10 were not due until after the reporting period had closed.

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Table 6: Reports w/ Recommendations that Funds be Put to Better Use

| Reports with Recommendations that Funds be Put to Better Use Section 5(a)9 | | |
|---|------------------------------|------------------------------------|
| Description | Number of Reports | Funds Put to Better Use |
| Reports for which no management decision has been made by the commencement of the reporting period. | 0 | \$0 |
| Reports issued during the reporting period. | 11 | \$0 |
| Subtotals | 11 | \$0 |
| Reports for which a management decision was made during the reporting period. | 10 | |
| <ul style="list-style-type: none"> Dollar value of recommendations agreed to by management. | | \$0 |
| <ul style="list-style-type: none"> Dollar value of recommendations not agreed to by management | | \$0 |
| Reports for which no management decision has been made by the end of the reporting period. | 1 ² | \$0 |
| Subtotals | 11 | \$0 |

² The management decisions for the Charge Card Risk Assessment Report, OIG-MR-14-10, were not due until after the reporting period had closed

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Table 7: Reports With Final Action Completed During this Reporting Period

| Reports With Final Action Completed During this Reporting Period | | | | | |
|---|---|---------------|-------------------|--|---|
| Reports Issued This Reporting Period | | | | | |
| | Report Title | # of Recs. | Mgt. Decisions | Final Action Complete in Prior Periods | Final Action Complete This Period |
| 1 | Management Letter on Ethics Forms, OIG-ML-14-01 | 3 | 3 | 0 | 3 |
| 2 | Management and Performance Challenges, OIG-MR-14-03 | 0 | 0 | 0 | 0 |
| 3 | Audit of FY 2013 Financial Statement, OIG-AR-14-05 | 0 | 0 | 0 | 0 |
| 4 | Report on Internal Control FY 2013, OIG-AR-14-06 | 0 | 0 | 0 | 0 |
| 5 | Report on Compliance with Laws and Regulations, OIG-AR-14-07 | 0 | 0 | 0 | 0 |
| 6 | Management Letter for FY 2013 Financial Statement, OIG-ML-14-08 | 0 | 0 | 0 | 0 |
| 7 | Inspector General FISMA Cyberscope FY 2013 Submission, OIG-MR-14-09 | 0 | 0 | 0 | 0 |
| 8 | Follow-Up on Whitelisting Implementation, OIG-MR-14-11 | 0 | 0 | 0 | 0 |
| Totals | | 3 | 3 | 0 | 3 |
| Prior Reporting Periods | | | | | |
| | Report Title | # of Recs. | Mgt. Decisions | Final Action Complete in Prior Periods | Final Action Complete This Period |
| 1 | FISMA FY 2004 Performance Audit, OIG-AR-04-05 | 14 | 14 | 13 | 1 |
| 2 | Inspection of Physical Security, OIG-SP-11-12 | 22 | 22 | 14 | 8 |
| 3 | Evaluation of Employee Out-Processing Program, OIG-ER-12-07 | 11 | 11 | 8 | 3 |
| Totals | | 47 | 47 | 35 | 12 |

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Table 8: Status of Reports Issued Without Final Action

| Status of Reports Issued Without Final Action | | | | | | |
|---|--|------------|----------------|-------------------------------------|-----------------------------------|---------------------|
| This Reporting Period | | | | | | |
| | Report Title | # of Recs. | Mgt. Decisions | Decisions IG Disagrees With | Final Action Complete | Action Not Complete |
| 1 | Audit of Patching Process, OIG-AR-14-02 | 7 | 7 | 0 | 1 | 6 |
| 2 | Post-FISMA Management Letter, OIG-ML-14-04 | 1 | 1 | 0 | 0 | 1 |
| 3 | Charge Card Risk Assessment, OIG-MR-14-10 | 1 | 0 | 0 | 0 | 1 |
| Totals | | 9 | 8 | 0 | 1 | 8 |
| Prior Reporting Periods | | | | | | |
| | Report Title | # of Recs. | Mgt. Decisions | Final Action Complete Prior Periods | Final Action Complete This Period | Action Not Complete |
| 1 | Evaluation of Modifications to HTS, OIG-ER-12-08 | 8 | 8 | 7 | 0 | 1 |
| 2 | Evaluation of Controlling CBI/BPI, OIG-ER-12-09 | 6 | 6 | 0 | 0 | 6 |
| 3 | Audit of Software Licensing, OIG-AR-12-10 | 6 | 6 | 4 | 0 | 2 |
| 4 | Audit of Citrix Remote Access, OIG-AR-13-01 | 11 | 11 | 9 | 1 | 1 |
| 5 | Evaluation of the Purchase Card Program, OIG-ER-13-08 | 6 | 6 | 2 | 3 | 1 |
| 6 | Audit of Perimeter Network Security, OIG-AR-13-09 | 7 | 7 | 0 | 0 | 7 |
| 7 | Audit of Security of Public Facing Endpoints, OIG-AR-13-10 | 3 | 3 | 1 | 0 | 2 |
| Totals | | 47 | 47 | 21 | 6 | 20 |

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Appendix A

Appendix A: Chairman's Statistical Tables

Table A: Reports with Disallowed Costs

| Total Number of Reports and the Dollar Value of Disallowed Costs | | |
|--|-------------------|----------------------------------|
| Description | Number of Reports | Dollar Value of Disallowed Costs |
| Reports issued during the period. | 11 | \$0 |
| Reports for which final action had not been taken by the commencement of the reporting period. | 10 | \$0 |
| Reports on which management decisions were made during the reporting period. | 10 ¹ | \$0 |
| Reports for which final action was taken during the reporting period. | 11 | \$0 |
| • Dollar value of disallowed costs, recovered by management. | | \$0 |
| • Dollar value of disallowed costs written off by management. | | \$0 |
| Reports for which no final action has been taken by the end of the reporting period. | 10 | \$0 |

Table B: Reports with Recommendations that Funds be Put to Better Use

| Reports with Recommendations that Funds be Put to Better Use | | |
|--|-------------------|-------------------------|
| Description | Number of Reports | Funds Put to Better Use |
| Reports for which final action had not been taken by the commencement of the reporting period. | 10 | \$0 |
| Reports on which management decisions were made during the reporting period. | 10 | \$0 |
| Reports for which final action was taken during the reporting period including: | 11 | \$0 |
| • Dollar value of recommendations that were actually completed. | | \$0 |
| • Dollar value of recommendations that management has subsequently concluded should not or could not be completed. | | \$0 |
| Reports for which no final action has been taken by the end of the reporting period. | 10 | \$0 |

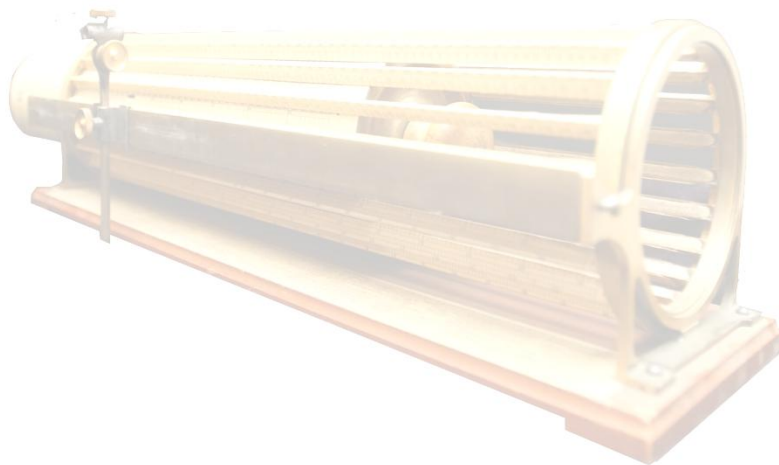
¹ Management Decisions for the Charge Card Risk Assessment Report, OIG-MR-14-10, were not due until after the reporting period had closed.

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Appendix A

Table C: Prior Year Management Decisions Without Final Action

| Prior Year Audit Reports On Which Management Decisions Have Been Made but Final Action has Not Been Taken | | | | |
|--|--------------------|-------------------------|--------------------------------|---|
| Audit Report | Date Issued | Disallowed Costs | Funds Put to Better Use | Reason Final Action has Not Been Taken |
| OIG-ER-12-08 | 06/13/2012 | \$0 | \$0 | Provided in Part II B of the Chairman's Message |
| OIG-ER-12-09 | 06/20/2012 | \$0 | \$0 | Provided in Part II B of the Chairman's Message |
| OIG-AR-12-10 | 08/16/2012 | \$0 | \$0 | Provided in Part II B of the Chairman's Message |
| OIG-AR-13-01 | 10/19/2012 | \$0 | \$0 | Provided in Part II B of the Chairman's Message |
| OIG-ER-13-08 | 03/20/2013 | \$0 | \$0 | Provided in Part II B of the Chairman's Message |



“Thacher’s Calculating Instrument” developed by Edwin Thacher in the late 1870s. It is a cylindrical, rotating slide rule able to quickly 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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