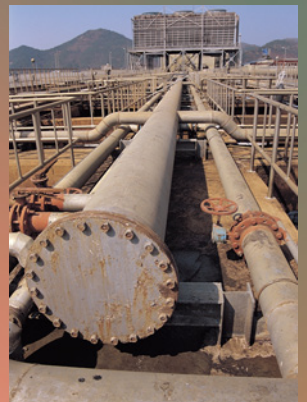


U.S. International Trade Commission

Inspector General Semiannual Report



October 1, 2015 - March 31, 2016



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

Meredith M. Broadbent, Chairman

Dean A. Pinkert, Vice Chairman

Irving Williamson

David S. Johanson

F. Scott Kieff

Rhonda K. Schmidlein

Chairman



UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, DC 20436

May 28, 2016

Message from the Chairman

In accordance with the Inspector General Act of 1978, as amended, 5 U.S.C. App. 3 (IG Act), the U.S. International Trade Commission (“USITC,” or “Commission”) transmits the Inspector General’s Semiannual Report of the USITC, for the October 1, 2015 to March 31, 2016 period.

The Commission appreciates the Office of Inspector General’s continuing efforts to ensure the effectiveness, efficiency, and integrity of the Commission’s operations. Inspector General Philip Heneghan and his staff have provided valuable assistance to the Commission and its staff throughout the year on these issues. Our agency has benefitted significantly from his analysis of our operations.

The Semiannual Report identifies the agency’s top management and performance challenges from the Inspector General’s perspective. The Commission agrees with his assessment of these challenges. The Commission will address these issues and take the steps needed to improve its operations. Moreover, Commissioners appreciate the great efforts made by Commission staff to resolve these issues and the Inspector General’s acknowledgement that progress has been made on these matters during the year.

Part I of this message discusses the steps that the Commission has taken during the reporting period to address the internal control and information technology challenges identified by the Inspector General. Part II discusses the Commission’s responses to the specific recommendations made by the Inspector General in his reports that have not yet been fully addressed by the Commission.

I. Addressing General Management and Performance Challenges

A. Internal Controls

The Commission has taken significant steps to establish a more effective program of internal controls. The Commission recognizes the importance of this effort and acknowledges that it will be a multi-year process that will, in the end, transform the internal controls culture of the agency.

Over the past year, the Commission adopted a number of practices to advance the agency's understanding and use of internal controls. For example, this year the Commission completed development of an innovative enterprise risk management system, which is designed to help the Commission better identify and manage institutional risk. Agency managers are now actively integrating risk management principles into performance planning and budget formulation. There is now a more direct link between decision-making, the weighing of risks and the attainment of strategic goals.

The Commission has also improved its internal controls process in other ways. Commission managers are now asked to provide more detailed justifications to accompany expenditure requests and new budgetary proposals. This year the agency improved the record-keeping and approval system for sponsored travel, enhancing the transparency of compliance with ethics regulations. The agency updated and improved its process for reviewing/auditing staff use of credit and purchase cards, thereby enhancing stewardship of taxpayer funds. The Commission has also taken steps to significantly improve its records management process and the handling of confidential business information by staff. Moreover, it requires managers to provide better descriptions of their policy proposals to the Commission, considerably improving the transparency and effectiveness of the agency's policy decisions.

The Commission is in agreement with the Inspector General's recommendation that the agency should improve the clarity, consistency and usefulness of its system of internal rules and that a regular process be established for keeping internal rules up to date. To this end, the Commission established a senior-level working group (consisting of the agency's Chief of Staff, Chief Administrative Officer, General Counsel and Director of Internal Control and Risk Management, among others).

The group is now working to better describe the Commission's organizational and governance structure. The process for developing, reviewing and issuing new directives under the system will be made more understandable and available to staff. The new system will be designed to operate in a transparent way, consistent with guidelines set forth in the Federal Government's "Green Book." The Commission expects to complete work on the new system of internal rules and controls by September 30, 2016 and is committed to monitoring progress in this area.

B. Information Technology Management

The Commission views a secure and effective information technology (IT) network as essential to performing its statutory functions. The Commission agrees with the Inspector General that it must continue to improve the security, efficiency, and integrity of its IT systems. Improving these systems will contribute to staff productivity and help make USITC reports, analysis and data more accessible to customers and other stakeholders.

As the Inspector General notes, the Commission has improved the security and effectiveness of its IT systems over the past year. Under the guidance of a new Chief Information Officer, hired in December 2014, the Commission has taken concrete steps to: (1) enhance its cybersecurity posture, (2) increase its managers' understanding of the Commission's IT initiatives and programs, (3) bring our agency's IT operations into compliance with existing and new federal mandates, (4) improve the performance and stability of the agency's IT infrastructure, (5) enhance the performance and capabilities of its business systems; and (6) manage IT software and hardware inventories more effectively.

The Commission has made great strides improving its cybersecurity posture. For example, the Commission now requires all laptop and workstation users to use the government-mandated, two-factor authentication process known as "HSPD-12" when signing on to USITC systems. The Commission has also implemented the federally-mandated U.S. Government Configuration Baseline ("USGCB") on all of its laptops and workstations. The agency is implementing secure baseline configurations on new network servers and infrastructure components when these components are brought on-line at the Commission. The Commission is also encrypting its public websites, and has taken steps to comply fully with the Office of Management and Budget's "secure websites" policy. All of these efforts have significantly improved the security of the Commission's IT systems.

The Commission is in the process of moving its on-site data center to an off-site location. This will reduce the risk of network failure now associated with the current location's climate control problems, occasional power outages, and single-line communication connection. Moreover, when the move is completed, the Commission expects to upgrade the end-of-life technology now used in our current data center. It is also planning to improve e-mail and other services by moving them to a cloud-based solution. As a result, the data center move will reduce the risks associated with the data center's current on-site location and provide a more stable and useful IT environment for the Commission's users. The Commission expects to complete the move of its data center to the off-site location by December 2016.

During the year, the Inspector General found that the Commission did not effectively use a software inventory to manage its networks. As a result, the Commission has focused its efforts on improving the process for managing its software inventory. Specifically, the Commission's IT staff

has generated an inventory of the software installed on its networks and, using this inventory, has removed all unauthorized software from its networks. Additionally, the Commission has expanded its use of whitelisting software, which will help ensure that unauthorized software is not placed on the agency's networks. Again, the Commission believes that these efforts have improved the security and effectiveness of its systems, although more can be done on this score.

Finally, the Commission continues to improve its IT capabilities in other areas, which will improve staff productivity. For example, the Commission is now designing a new, on-line database that will provide the public with improved access to detailed information about antidumping and countervailing duty investigations. Moreover, the Commission is improving its online information resource for section 337 investigations – called “337Info” – to ensure that Commission opinions in these investigations are available to the public in a more timely fashion. Similarly, the agency is enhancing the search functions of the Electronic Document Information System (“EDIS”), which is its investigative records system, to make it easier for users to search for, and file, documents in the system.

Additionally, the Commission is undertaking other efforts to improve its electronic record handling functions. Library staff is preparing digital versions of the books and documents in our agency's library, which will make it easier for the public and our internal users to perform research with these materials. The Commission has consolidated its training courses into a single on-line training program, thereby improving the ease of use of these courses for our employees. Finally, our IT staff are now working to develop an on-line portal to facilitate the filing and processing of handle Miscellaneous Tariff Bills (MTB's), which is a responsibility Congress recently delegated to the Commission in the American Manufacturing Competitiveness Act of 2016, P.L. 114-159.

In sum, all of these efforts will improve the Commission's ability to carry out its statutory mission and to serve the public and other stakeholders. The Commission will, of course, continue to evaluate its IT networks and systems and assess how best to use new technologies to enhance staff productivity.

II. Actions on Recommendations

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

During this reporting period, the Inspector General issued seven new reports containing twenty seven new recommendations for management action.¹ The Commission issued management decisions on all of these recommendations in a timely manner during this reporting period.

¹ See Table 3 of the Inspector General's report.

The Commission completed final action on a number of management decisions contained in two reports issued by the Inspector General during this or prior reporting periods.² The Commission is committed to addressing all of the remaining management decisions. The Commission's actions on outstanding recommendations from prior periods are summarized below.

B. Actions on Recommendations Made in Prior Periods

- (1) Audit of Hardware Inventory (OIG-AR-15-11). In this audit, the Inspector General concluded that the Commission managed its hardware inventory effectively but made several recommendations to improve its practices in this area. In response, the Office of the Chief Information Officer ("OCIO") instituted measures to automatically alert OCIO personnel to the existence of unauthorized hardware on our networks. Additionally, this office is preparing a location map for the agency's network ports. The map will allow them to readily identify the location of all of the Commission's hardware assets. OCIO staff expects to complete the map by June 2016.
- (2) Audit of Software Inventory (OIG-AR-15-12). The Commission has addressed six out of the seven management decisions associated with this audit. The Commission deferred completion of the remaining management decision, which relates to whitelisting, until it completed implementation of the two-factor authentication process log-in process required by HSPD-12. With implementation of the HSPD-12 process complete, the Commission's OCIO staff expects to close the remaining management decision this summer.
- (3) Audit of Directives Management (OIG-AR-15-14). In this audit, the Inspector General concluded that the Commission needed to improve the clarity, consistency and usefulness of its system of internal rules. To address his recommendations, the Commission established a senior-level working group that is now designing an understandable, accessible and usable system of internal rules. The Commission has completed two management decisions associated with this audit. The working group expects to complete its work by September 30, which is the current deadline for completion of the management decisions. The Commission is committed to building a strong, integrated, and clear system of internal rules system that will address the Inspector General's concerns.
- (4) Audit of the Commission's Patching Process (OIG-AR-14-02). The Commission has completed thirty-one of thirty-four management decisions associated with this audit. During the reporting period, the Commission completed the process of remediating unpatchable systems, by removing them from the network or replacing them. The Commission is working to

² See Table 7 of the Inspector General's report.

improve its analysis, design and implementation of measures to increase the security of its IT

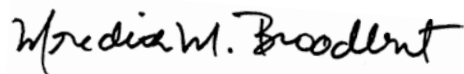
networks, consistent with the recommendations of the Inspector General, OMB, the National Security Administration (“NSA”), and the National Institute of Standards and Technology. The Commission is also committed to adhering to best patching practices of OMB, NSA, and the Department of Homeland Security (“DHS”).

- (5) Evaluation on Controlling Confidential Business Information and Business Proprietary Information (“CBI/BPI”) (OIG-ER-12-09). The Commission has completed action on five of six management decisions associated with this audit. The Commission task force working on the decisions has drafted new internal directives that address the handling and disposition of CBI/BPI, and establish new records management and information security practices. The Commission expects that these directives will be issued in final form by June 30, 2016. The Commission has also begun mandatory records management training, which now occurs on an annual basis. It will also begin mandatory training on the handling and disposition of CBI/BPI in the fall of 2016. It will issue final versions of the related handbooks by fall of 2016.

C. Actions on External Reviews

In 2015, the Commission’s Chief Information Officer voluntarily asked the DHS to perform a Risk and Vulnerability Assessment of USITC Information Technology networks. In this assessment, DHS examined the extent to which our networks are vulnerable to attacks from malicious, outside entities. DHS found that there were sixteen critical, high, moderate, and low areas of vulnerability that the Commission needed to address. The Commission immediately remedied the critical vulnerabilities, and a number of the findings of high and moderate vulnerabilities. The Commission continues to address the remaining findings, prioritizing them by the level of risk involved.

We attach the statistical tables required under the IG Act as Appendix A to this report.



Meredith M. Broadbent
Chairman



UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, DC 20436

April 29, 2016

OIG-OO-012

Commissioners:

Attached is the Semiannual Report summarizing the activities of the Office of Inspector General for the period October 1, 2015 to March 31, 2016.

During this period, we issued 10 reports and made 12 recommendations to promote the efficiency, effectiveness, and integrity of the Commission's operations. The Commission provided management decisions for all of the recommendations made during this reporting period. The Commission completed final action on six of the 12 recommendations issued during this reporting period and 19 recommendations that had been made by the Inspector General in prior reporting periods.

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

Philip M. Heneghan
Inspector General

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Inspector General Semiannual Report

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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
Section 5(a)(2)	Description of Recommendations for Corrective Action with Respect to Significant Problems, Abuses, and Deficiencies	5-8
Section 5(a)(3)	Significant Recommendations From Prior Reports on Which Corrective Action Has Not Been Completed	9, 14
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	5-8
Section 5(a)(8)	Statistical Table showing Questioned and Unsupported Costs	14
Section 5(a)(9)	Statistical Table showing Recommendations Where Funds Could be Put to Better Use	15
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	13
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	13

U.S. International Trade Commission

Inspector General Semiannual Report

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, 2015 through March 31, 2016. 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-15-16, 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 of 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.

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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-15-16) on September 30, 2015. 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. 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. Information Technology Management

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.

The Standards for Internal Control in the Federal Government (Green Book) defines internal control as “a continuous built-in component of operations, effected by people” and identifies five components for internal control. In order for a system of internal control to be effective, all five components must be effectively designed, implemented, and operating. In addition, all five components must be working together in an integrated manner.

The control environment is the foundation for a system of internal control. One principle of the control environment is the establishment of an organizational structure, assignment of responsibility, and delegations of authority to meet the objectives of the Commission. We completed a recent audit of the Commission’s directives management system, which

U.S. International Trade Commission

Inspector General Semiannual Report

included a review of these control environment elements. The audit found that the Commission's directives were not current and contained outdated assignments of responsibility and delegations of authority. The results of the audit identified weaknesses in each of the five components of internal control. The audit also highlighted another internal control issue within the Commission. Management has not integrated monitoring of existing controls into their routine processes to ensure they are working effectively. The Commission had designed a process to manage the directives and keep them current. However, this process was not followed, and management did not assess whether the process was properly designed, or whether it produced the intended results.

The Commission has confirmed that it is committed to improving and strengthening the internal control environment. One significant improvement over the past year has been senior management's engagement to identify and assess risks, and use this information as a management tool to make informed decisions. The Commission must continue the engagement of senior management in all aspects of internal control to ensure buy-in across programmatic and administrative offices and sustain that effort 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. IT Management

In recognition that user productivity was being hampered by problems such as lengthy login delays, the Commission made progress this period by identifying and resolving the cause of login delays, effectively removing an obstacle to user productivity.

Over the past year, the Office of Inspector General reported that the Commission did not effectively use a software inventory to manage its network. To maintain control of its network, the Commission should develop a method to authorize software on its network, and remove unauthorized software. The nature of today's IT threats require constant vigilance, and the most effective means of control is through a proactive authorization process to allow only the execution of known good software, perform continuous detection, and remove unauthorized software. In today's threat environment, malicious software can be easily masked to prevent detection by conventional antivirus software. Malicious software attacks could result in the loss of critical proprietary data, potentially harming the owner of that data as well as the Commission's reputation and its ability to perform its mission.

The Commission has identified and begun to implement business systems that will automate and improve the effectiveness of the Commission's operations. These new systems include collecting electronic data for some Title VII investigations, consolidating

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different databases of 337 data, cataloging external administrative reports in a manageable database, and modernizing the Harmonized Tariff Schedule business processes and information systems. Taking advantage of automation will improve the integrity, effectiveness, and efficiency of all the Commission's work.

Inspector General Reports Issued During this Period

The Inspector General issued 10 reports with 12 recommendations during this reporting period. The Commission made management decisions on all of the recommendations, and the Inspector General agreed with all the management decisions.

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-ER-16-01	Evaluation of Sponsored Travel	10/08/2015	3
Administrative	OIG-ML-16-07	Management Letter – Ethics Training	11/23/2015	1
Administrative	OIG-MR-16-09	2016 Charge Card Risk Assessment Report	01/29/2016	3
Financial	OIG-AR-16-03	Audit of 2015 Financial Statement	11/09/2015	0
Financial	OIG-AR-16-04	Report on Internal Control for 2015	11/09/2015	0
Financial	OIG-AR-16-05	Report on Compliance with Laws and Regulations for 2015	11/09/2015	0
Financial	OIG-ML-16-08	Management Letter FY 2015 Financial Statement	12/17/2015	3
IT Security	OIG-MR-16-06	Inspector General CyberScope FY 2015 Submission	11/13/2015	0
IT Security	OIG-MR-16-10	Assessment of USITC Website Encryption	02/10/2016	2
Operations	OIG-ER-16-02	Descriptive Evaluation of Reporting Requirements	10/14/2015	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>				

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Inspector General Semiannual Report

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

Evaluation of Sponsored Travel, OIG-ER-16-01

RESULT: The report found the Commission had an effective process to accept sponsored travel from non-Federal sources.

We evaluated all of the sponsored travel requests approved by the Commission from June 17, 2014 through June 17, 2015. Our review focused on the Commission's process for analyzing sponsored travel requests against the statutorily mandated criteria for accepting gifts from non-Federal sources. We found that the Commission's process considered all of the necessary criteria mandated by the General Services Administration.

Although the Commission's process was effective, we identified two areas of improvement to enhance the review of sponsored travel requests. We issued three recommendations; the Commission agreed with the findings and issued management decisions to address the recommendations.

Descriptive Evaluation of Reporting Requirements, OIG-ER-16-02

RESULT: A descriptive report that communicates statutory reporting requirements of the Commission.

We performed an evaluation to describe the legal and regulatory reporting requirements of the Commission. The final report contains the frequency, due date, description, recipient, and legal authority that pertains to each requirement. The report also includes hyperlinks to external websites for users to obtain the full text of the authorities cited.

Audit of 2015 Financial Statement, OIG-AR-16-03

RESULT: The audit resulted in an unmodified opinion of the Commission's fiscal year 2015 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 2014. The auditors were able to obtain sufficient evidence to assert that the Commission's financial statements for the fiscal year ended September 30, 2015, present fairly in all material respects the financial position of the Commission.

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Report on Internal Control for 2015, OIG-AR-16-04

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 for 2015, OIG-AR-16-05

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, only those 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.

Inspector General CyberScope Fiscal Year 2015 Submission, OIG-MR-16-06

RESULT: Of the 10 program areas evaluated, one was not applicable, one had not been established, and eight programs had been established, of which six needed improvement.

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. Each year, the Office of Management and Budget requests input on select programs. For Fiscal Year 2012, the Office of Management and Budget requested an assessment of agency performance in the following areas:

- Continuous Monitoring Management;
- Configuration Management;
- Identity and Access Management;
- Incident Response and Reporting;
- Risk Management;
- Security Training;
- Plan of Action and Milestones;
- Remote Access Management;

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- Contingency Planning;
- Contractor Systems

In our assessment, we reported that the Commission has established and maintained eight programs generally consistent with the National Institute of Science and Technology and the Office of Management and Budget's Federal Information Security Management requirements in the following areas: Continuous Monitoring Management, Configuration Management, Identity and Access Management, Incident Response and Reporting, Security Training, Plan of Action and Milestones, Remote Access Management, and Contingency Planning.

We also reported that the Commission did not yet have a program to perform Risk Management. The Commission does not currently use Contractor Systems, so this section is not applicable.

While the results of our assessment identified deficiencies in all program areas, no recommendations were issued because this report is provided to the Office of Management and Budget, not the Commission.

Management Letter – Ethics Training, OIG-ML-16-07

RESULT: The Commission should provide additional ethics training for senior level employees.

We reviewed the mandatory ethics training the Commission provides to its employees. We found that the Commission provides the same training to all employees. Since the Commission is composed of a diverse body of employees, including presidential appointees, schedule C, SES, and Administrative Law Judges, we recommended improvements to the ethics program by providing tailored training based on the particular role or function of its employees. The Chairman agreed with our finding and made management decisions to address the recommendation.

Management Letter Fiscal Year 2015 Financial Statement, OIG-ML-16-08

RESULT: The Commission needs to improve its processes for calculating and recording capitalized costs for internal use software.

We contracted with an independent certified public accounting firm to conduct the audit of the financial statement and associated reports. The Management Letter discusses matters involving internal control the auditors identified during the audit but were not required to be included in the audit report.

U.S. International Trade Commission

Inspector General Semiannual Report

The Management Letter contained three recommendations to address the findings. The Chairman agreed with the findings and made management decisions to address the recommendations.

2016 Charge Card Risk Assessment Report, OIG-MR-16-09

RESULT: The Commission's overall risk of illegal, improper, or erroneous use of purchase cards is low.

Our assessment of the charge card program analyzed the Commission's internal records against the electronic data produced by the Citibank Card Management System. Although the Commission's overall risk of abuse is low, we found inconsistencies between the two data sets. We issued three recommendations to improve the integrity of the data used by the Commission to manage the charge card program. Management agreed with the findings and the Chairman made management decisions to address the recommendations.

Assessment of USITC Website Encryption, OIG-MR-16-10

RESULT: The Commission did not effectively encrypt public websites.

We identified 10 websites published and encrypted by the Commission, and tested each of these encrypted websites to determine the effectiveness of that encryption. We identified a wide range of problems with all of the Commission's encrypted websites. The issues included minor problems, such as an incomplete server certificate chain, and severe problems such as allowing SSL 3 (Secure Sockets Layer version 3), and pervasive vulnerability to POODLE TLS attacks (Padding Oracle On Downgraded Legacy Encryption).

We issued two recommendations to address the encryption problems. The Chairman agreed with our findings and issued management decisions to address the recommendations.

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Inspector General Semiannual Report

Significant Recommendations from Prior Periods

The Commission has 17 recommendations described in prior semiannual reports where corrective action has not been completed. The Inspector General has identified one of the 17 recommendations as significant, as well as the collective open recommendations related to Commission's directives management system. A brief summary of the significant recommendations from prior periods is described below.

The first 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 a 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 Commission completed final action on four recommendations during this reporting period and has one open recommendation remaining.

The Inspector General issued a report that focused on directives management. Directives management is a core function within the system of internal rules that defines the Commission's governance culture and plays a key role in internal control activities. The audit found that directives were out of date, inconsistent, and the system was difficult to use. The Inspector General issued recommendations to the Commission related to the development of a directives management framework to assign responsibility and accountability to meet the objectives of the Commission, set the tone for employee conduct and expected behavior and set the direction for how the Commission complies with certain laws and regulations in its daily operations. The Inspector General also issued recommendations for establishing a periodic review process to ensure the directives are current, relevant, readily accessible, and easily understood.

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

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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.

The Inspector General conducts a preliminary inquiry into the complaint. If the information obtained during the preliminary inquiry indicates that a full investigation is appropriate, 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.

Summary of Matters Referred to Prosecuting Authorities

The Inspector General did not refer any matters to prosecuting authorities during this reporting period.

Investigations

The Inspector General did not have any investigation to report during this reporting period.

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External Reviews Completed During this Period

The Equal Employment Opportunity Commission's Office of Federal Operations performed a review of agency progress towards implementing the government-wide priorities and strategies identified in their Federal Complement Plan. The U.S. International Trade Commission's Office of Equal Employment Opportunity was one of 74 offices included in the review. The review examined information related to the conversion of Schedule A employees to the competitive service, implementation of reasonable accommodation and anti-harassment programs, and employment barriers to senior level positions and selected mission-critical operations. Although the review was completed, the final report has not been distributed.

Status of Actions Related to External Reviews Completed During Prior Periods

Department of Homeland Security

The Commission requested the Department of Homeland Security to perform a risk and vulnerability assessment of the Commission's information security posture. The assessment was composed of both remote and onsite testing of the Commission's information security posture. The assessment identified a number of problem areas that presented risk to the Commission's systems and data, including vulnerabilities caused by insecure web applications, ineffective internal security policies, and inadequate internal intrusion detection prevention strategies. The assessment did highlight the Commission's effective deployment of whitelisting, resulting in the Commission's resistance to external phishing attempts.

The assessment resulted in 16 recommendations for action to improve the Commission's information security posture. The Commission made management decisions to address each of the recommendations. The Commission completed final action on two recommendations during this reporting period.

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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 assists 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 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. The Office of Inspector General completed external reviews for the National Endowment of the Arts and the Appalachian Regional Commission 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 agency concerns, and legal matters.

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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.

Peer Review

The Office of Inspector General had a peer review performed by the Equal Employment Opportunity Commission’s Office of Inspector General. The final report, issued on April 18, 2016, determined that the system of quality control for conducting audits was suitably designed and implemented, and received a peer review rating of pass. The Equal Employment Opportunity Commission’s Office of Inspector General did not make any recommendations. The peer review schedule is set by the CIGIE. The next peer review of my office will be in three years.

During this reporting period, our office performed a peer review of the Federal Maritime Commission’s Office of Inspector General for the year ended September 30, 2015. We issued our report to the Inspector General of the Federal Maritime Commission on March 24, 2016.

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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-12-09	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-15-14	Recommendation 1: Update policy to clearly define the different types of internal rules.
	Recommendation 2: Define standard format and content requirements for each type of internal rule.
	Recommendation 4: Deploy an effective process to perform periodic reviews of the directives.
	Recommendation 9: Require delegations of authority and agency designations to include authoritative sources and core responsibilities.

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.	10	\$0	\$0
Subtotals		\$0	\$0
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.	0	\$0	\$0
Subtotals	10	\$0	\$0

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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.	10	\$0
Subtotals		\$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.	0	\$0
Subtotals		\$0

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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	Evaluation of Sponsored Travel, OIG-ER-16-01	3	3	0	3
2	Descriptive Evaluation of Reporting Requirements, OIG-ER-16-02	0	0	0	0
3	Audit of 2015 Financial Statement, OIG-AR-16-03	0	0	0	0
4	Report on Internal Control for 2015, OIG-AR-16-04	0	0	0	0
5	Report on Compliance with Laws and Regulations for 2015, OIG-AR-16-05	0	0	0	0
6	Inspector General CyberScope FY2015 Submission, OIG-MR-16-06	0	0	0	0
7	Management Letter FY2015 Financial Statement, OIG-MR-16-08	3	3	0	3
Totals		6	6	0	6
Prior Reporting Periods					
	Report Title	# of Recs.	Mgt. Decisions	Final Action Complete in Prior Periods	Final Action Complete This Period
1	Audit of 332 Cost Estimates, OIG-AR-14-13	7	7	5	2
2	Reimbursement of Sponsored Travel, OIG-ML-15-15	4	4	0	4
Totals		11	11	5	6

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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	Management Letter – Ethics Training, OIG-ML-16-07	1	1	0	0	1
2	2016 Charge Card Risk Assessment Report, OIG-MR-16-09	3	3	0	0	3
3	Assessment of USITC Website Encryption, OIG-MR-16-10	2	2	0	0	2
Totals		6	6	0	0	6
Prior Reporting Periods						
	Report Title	# of Recs.	Mgt. Decisions	Final Action Complete Prior Periods	Final Action Complete This Period	Action Not Complete
1	Audit of Hardware Inventory, OIG-AR-15-11	5	5	0	2	3
2	Audit of Software Inventory, OIG-AR-15-12	7	7	0	6	1
3	Audit of Directives Management, OIG-AR-15-14	11	11	0	1	10
4	Audit of Patching Process, OIG-AR-14-02	7	7	5	0	2
5	Evaluation of Controlling CBI/BPI, OIG-ER-12-09	6	6	1	4	1
Totals		36	36	6	13	17

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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.	10	\$0
Reports for which final action had not been taken by the commencement of the reporting period.	5	\$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.	9	\$0
<ul style="list-style-type: none"> • Dollar value of disallowed costs, recovered by management. 		\$0
<ul style="list-style-type: none"> • 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.	8	\$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.	5	\$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:	9	\$0
<ul style="list-style-type: none"> • Dollar value of recommendations that were actually completed. 		\$0
<ul style="list-style-type: none"> • 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.	8	\$0

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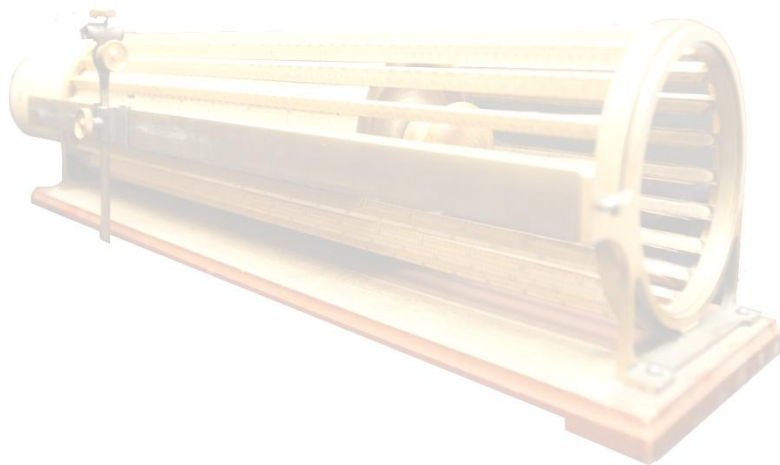
Appendix A

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-12-09	06/20/2012	\$0	\$0	Provided in Part II B of the Chairman's Message
OIG-AR-14-02	11/12/2013	\$0	\$0	Provided in Part II B of the Chairman's Message

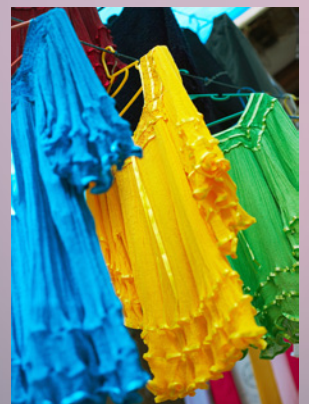
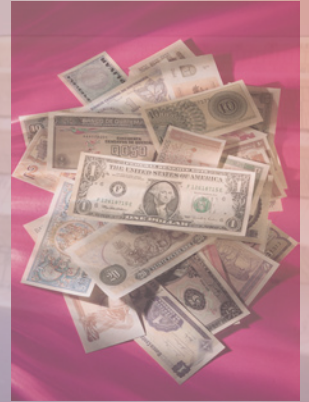
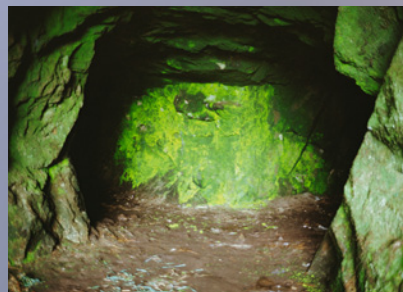
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“Thacher’s Calculating Instrument” developed by Edwin Thacher in the late 1870s. It is a cylindrical, rotating slide rule able to quickly perform complex mathematical calculations involving roots and powers quickly. The instrument was used by architects,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