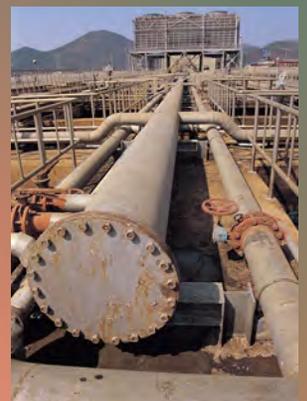


U.S. International Trade Commission

USITC Management and Performance Challenges



OIG-MR-23-01

October 24, 2022



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.



UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, DC 20436

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Chairman Johanson:

In accordance with the Reports Consolidation Act of 2000, the U.S. International Trade Commission (USITC or Commission), Office of Inspector General (OIG) identifies the most serious management and performance challenges facing the Commission and provides a brief assessment of the Commission's progress in addressing those challenges. This summary is known as the Top Management Challenges. By statute, this report is required to be included in the Commission's Agency Financial Report.

Congress left the determination and threshold of what constitutes a most serious management and performance challenge to the discretion of the Inspector General. The Government Performance and Results Modernization Act of 2010 identifies major management challenges as programs or management functions that are vulnerable to waste, fraud, abuse, and mismanagement. A failure to perform well in these areas could seriously affect the Commission's ability to achieve its mission objectives. Each challenge area is related to the USITC's mission and reflects continuing vulnerabilities and emerging operational issues.

For FY 2023, the Commission's top management and performance challenges are:

- Data Management
- Internal Controls

The OIG first identified managing data, hereafter known as data management, as a challenge for the Commission in the October 2017 report, [USITC Management and Performance Challenges](#). The internal controls management challenge is over ten years old. The same challenges were identified again this year based on oversight work by the Office of Inspector General, knowledge of the Commission's programs and operations, the Commission's strategic plan, annual management plan, enterprise risk management assessments, statements of assurance, and observations and discussions with senior leaders.

Data Management

The Office of Management and Budget (OMB) Circular No. A-123, Appendix A: *Management of Reporting and Data Integrity Risk*, requires agencies to provide reasonable assurance on the reliability, validity, and overall quality of data used for internal and external reporting. The guidance emphasizes a risk-based approach toward managing data as an asset and the importance of using high-quality data to support data-driven decisions to improve government transparency.

The *Foundations for Evidence-Based Policymaking Act of 2018* (Evidence Act) requires agencies to establish a Data Governance Body to be chaired by the Chief Data Officer (CDO). The Data Governance Body, known at the Commission as the Data Governance Board (DGB), was established in 2020. The DGB includes the senior-level staff and technical experts needed to discuss and set policy on data and data-related topics.

The Commission noted in its [Strategic Plan FY 2022-2026](#) that data is essential to its work, yet there has not yet been a fully cohesive data-centered approach to supporting the agency's mission. Quality data systems are critical to the Commission's ability to provide relevant and independent information, analysis, and data to Congress, the President, and the United States Trade Representative to support decisions and policymaking on complex trade and competitiveness issues.

The Commission should be able to rely on the quality and integrity of its data across systems, applications, and databases. The value of the information generated by an internal or external system is only as good as its quality at entry. The accuracy and completeness of system information depend on how data are captured, input, and reconciled at the point of entry. Data verification, monitoring, and reconciliation processes should be performed regularly to identify and correct any errors or omissions and improve processes to reduce future errors.

The Commission's plan to improve data management includes activities to develop and implement policies to govern the collection, creation, management, use, and disclosure of USITC data. The table below shows the status of key activities.

Activity	Start Date	Status or Planned Actions
Inventory and documentation of core agency applications and administrative data systems	2018	Complete documentation of core agency applications and administrative data systems by FY 2026
Data Governance Manual	2019	Scheduled to go to the Commission's Internal Administration Committee for review in November 2022
Data Governance Policy	2020	The Commission's Internal Administration Committee is scheduled to review the policy in November 2022, followed by the Chairman's office
Priority/schedule of data systems to be documented	2022	DGB plans to begin prioritization of systems for documentation in November 2022

According to the CDO, the Commission's first step is to develop and validate the system inventory. The Commission started work on the inventory soon after the OIG identified data management as a challenge in 2017. The Commission's original data inventory in 2017 contained 68 systems. The inventory is still being reviewed by the CDO. Therefore, a current system inventory number is not available. As of October 2022, there are 101 data assets. The Commission's Data Governance Policy and Data Governance Manual are also in development. When complete, they will be important tools in communicating data management expectations, data accuracy goals, and data quality plans. The Commission plans to review both documents in November 2022.

The Commission established a goal in 2022 to document core agency applications and administrative data systems within five years. The CDO told the OIG that a system is documented when it has 1) a system description and standard operating procedure, 2) a data glossary, and 3) a data quality plan. Of the 101 data assets, 19 have a standard operating procedure, 27 have a data glossary, and three have a data quality plan. Three systems have been fully documented over the past year: 1) the Investigation Data Base System (IDS) - a centralized system for investigative data, 2) the Time & Attendance System, and 3) the Enterprise Risk Management System.

In November 2022, the Data Governance Board will be discussing which systems will be prioritized for review and documentation. If the Commission achieves the goal of documenting core data systems within five years, it will have taken ten years since the OIG first reported the management challenge in October 2017. Furthermore, additional time may elapse before the Data Governance Policy and Data Governance Manual are institutionalized and operational across Commission offices.

One obstacle affecting the Commission's ability to address the data management challenge is that the CDO serves in the role part-time without any dedicated staff. We acknowledge the involvement of other contributors, including office directors who are key members of the DGB and staff from several offices who serve on the OPENData work group. While the commitment of the team is evident, the effort lacks the momentum that a permanent CDO team could offer. The risk of the current approach is that it will be extremely difficult with part-time resources to complete baseline data management activities, periodically review and update system documentation, and respond timely to new requirements. For example, the Commission follows OMB's memorandum M-19-18, [Federal Data Strategy — A Framework for Consistency](#), which provides a governmentwide vision for how agencies should manage and use federal data by 2030. Agencies are to implement the Federal Data Strategy by adhering to the requirements of action steps in annual action plans, which are issued by the Federal Data Strategy development team.

Internal Controls:

The Government Accountability Office (GAO) publishes the [Standards for Internal Control in the Federal Government](#) (The Green Book) which provides federal government managers with the criteria for designing, implementing, and operating an effective internal control system. It defines internal control as "a continuous built-in component of operations, effected by people" and identifies five components for internal control:

1. Control Environment
2. Risk Assessment
3. Control Activities
4. Information and Communication
5. Monitoring

For a system of internal control to be effective, all five components must be properly designed and implemented. In addition, these components must work together in an integrated manner. The overall success of a system of internal control relies on the people, processes, and technology across the organization.

The Commission's management is responsible for establishing and maintaining a system of internal controls. Management is also responsible for designing control activities at the appropriate levels in the organizational structure, such as the plans, policies, and procedures that managers use to ensure their programs and operations achieve the intended results through the effective use of public resources. Each operating unit is responsible for establishing and implementing the control activities required to manage its program area. The control activities should be documented through policies and procedures, communicated to staff, and monitored to confirm they are working as intended. The absence of standard, up-to-date procedures can increase the risk of:

- Inconsistent or incorrect performance of routine operations
- Incomplete and unreliable information produced
- Informal decisions and management override of controls
- A lack of documentation to support decisions

The control environment is the keystone of an internal control system. The GAO's Green Book states that one requirement of the control environment is for management to establish an organizational structure, assign responsibility, and delegate authority to meet the objectives of the Commission. In September 2015, we issued our report, [*Audit of Directives Management*](#). The audit found that the Commission's policy directives were not current and contained outdated assignments of responsibility and delegations of authority. Although the Commission had written procedures to assess the directives periodically, the reviews were not performed.

The former chief administrative officer (CAO) identified an inadequate system of internal rules as a material weakness in September 2015 and began tracking it the following month. This year, the Commission downgraded the material weakness to a significant deficiency based on the fact it had demonstrated the ability to issue directives.

At the end of FY 2022, the Commission had issued 47 directives since FY 2018. Some of the 47 directives were new while others were previous directives that were updated or revised. There are still 49 historical directives in the Commission's internal rules system that have not been formally superseded or rescinded. The Commission estimates it will issue approximately six to eight directives by March 31, 2023. As noted by the former CAO in March 2022, it will take agency-wide support for internal rules to be maintained and kept current. Since the directives are foundational to internal

controls, any delays in updating directives pose a risk that Commission policies and procedures are not current and could be inconsistently understood or executed.

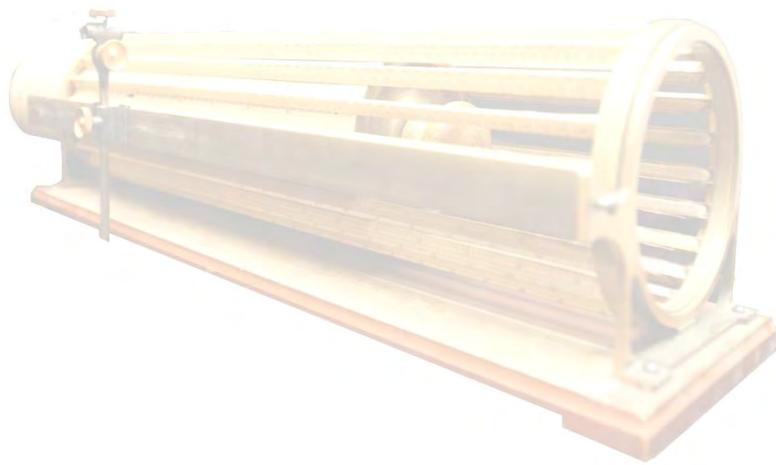
The Commission should monitor the operational effectiveness of the system of internal rules to ensure it is working as designed and achieving the desired results. It is also important that directives, policies, and procedures are subject to regular review and revision. This is especially critical given the increased use of telework and new ways of communicating in a hybrid work environment. Managers need to remain mindful of how these changing conditions may impact the effectiveness of key internal controls. The Commission's ability to strengthen internal controls through directives will depend on maintaining up-to-date directives, communicating changes timely, and monitoring whether controls are operating as expected.

We monitor the Commission's efforts to address the management challenges that we identify each year. Our monitoring work includes following up on open recommendations and conducting related audit work. For information on our ongoing and planned audit work, please see our [FY 2023 Annual Plan](#).

If you have any questions or wish to discuss our views on the challenges in greater detail, please contact me at (202) 539-9462.

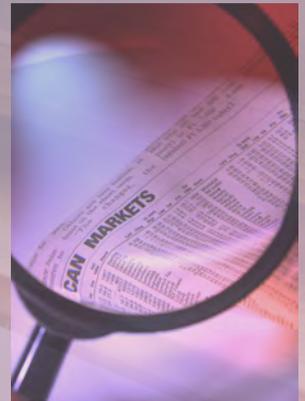


Rashmi Bartlett
Inspector General



“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.

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