# Office of INSPECTOR GENERAL

# Semiannual Report

April 1 – September 30, 1998

#### TO: THE COMMISSION AND THE UNITED STATES CONGRESS

I hereby submit this *Semiannual Report: April 1 - September 30, 1998*, which summarizes the major activities and accomplishments of the Office of Inspector General (OIG), U.S. International Trade Commission. The submission of this report is in accordance with the Inspector General Act of 1978, as amended (IG Act). Section 5 of the IG Act requires that the Chairman transmit this report to the appropriate committees or subcommittees of the Congress within 30 days of its receipt.

The OIG issued one audit report this period, an Audit of Associated Management Services, Inc. (AMSI) Wage Payment and Fringe Benefits. We found that AMSI underpaid 18 employees by more than \$100. AMSI underpaid wages and fringe benefits by more than \$7,000, and approximately \$2,200 in holiday pay. Additionally \$940.89 in questioned costs were identified. On May 27, 1998, AMSI submitted a check to the Commission for \$940.89. On June 5, 1998, AMSI provided proof of payment of \$9,238.66 in wages and fringe benefits underpayments to 18 employees.

The OIG completed an investigation of the Commission's car pool subsidy program and found twelve subjects who were violating provisions of the program. Five subjects were referred to the U.S. Attorney's office for prosecution. The U.S. Attorney's office declined to prosecute. All twelve subjects were referred to the appropriate office directors for administrative disposition.

During this period, the OIG issued two inspection reports. In a Review of Commission Policies for Marking Controlled Data, we found that the Commission policies were inconsistent for controlled data other than national security or confidential business information. Office directors stated a clearer policy would be both beneficial and welcomed for other controlled data, such as privileged documents and Privacy Act information.

In a Review of the Activity Reporting Systems, we found that duplicate recording systems had been discontinued, and the activity codes were simplified. However, use of the data being gathered was limited to budgetary reporting and no managers were using the information on staff hours. We suggested the Budget Committee review the existing codes and proposed revisions to ensure needed data is provided.

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The upcoming 20<sup>th</sup> anniversary of the passage of the IG Act generated substantial discussion of possible legislation and congressional hearings. We submitted suggestions for possible amendments and commented on proposed amendments to the IG Act. These amendments were generally intended to improve the independence and efficiency of OIGs by implementing changes concerning budget, term limits, and personnel authority. The OIG also commented on documents submitted to the Senate Committee on Governmental Affairs for inclusion in the hearing record on similar issues.

During this period, we noted several audit and inspection topics were addressed in newspaper articles. Agencies were criticized for not taking timely action to protect Privacy Act information, improve building security, and combat computer software piracy. At the Commission, the OIG had conducted reviews that identified these deficiencies and recommended corrective actions. Some of the actions, such as rulemaking and building renovations, took considerable time and effort to be completed. The Commission efforts to take timely action are commendable.

I appreciate the support of all Commission employees in achieving the accomplishments set forth in this report.

Jane E. Altenhofen Inspector General

#### September 1998 Semiannual Report

### **COMMISSION PROFILE**

The Commission is a quasi-judicial, independent, nonpartisan agency established by Congress with broad investigative powers on matters of trade. The Commission has a unique mission to develop factual, objective research and information on a wide variety of matters pertaining to international trade. Major Commission activities include: determining whether U.S. industries are materially injured by reason of subsidized imports or imports sold at less than fair value; directing action against such unfair trade practices as patent, trademark, and copyright infringement; conducting studies on tariff and trade issues; and participating in the development of statistical data on imports, exports, and domestic production and the establishment of an international harmonized commodity code.

The Commission conducts investigations under several statutory provisions, generally upon petition or complaint, with respect to the impact of imports on U.S. industries. The Commission also provides advice and information, upon request, to the President and the Congress on tariff and trade matters. When appropriate, the Commission conducts public hearings and evaluates testimony and other information in making findings and recommendations. Decisions of the Commission under certain statutory provisions administered by the Commission are binding and subject to judicial review.

The Commission has six Commissioners, appointed by the President and confirmed by the Senate, who serve one term of nine years, unless appointed to fill an unexpired term. The Chairman and Vice Chairman are designated by the President and serve a two-year statutory term. No more than three Commissioners may be of the same political party, and the Chairman must be of a different political party than the Chairman of the immediately preceding term. All six positions on the Commission are currently filled.

During this period, several changes in the composition of the Commission occurred. In June 1998, two designations were made concerning the Commission. Lynn M. Bragg was designated the Chairman for the term June 17, 1998, through June 16, 2000. Marcia E. Miller was designated as Vice Chairman for the same term.

Also, in August 1998, the Senate confirmed the appointments of three individuals to become Commissioners. Commissioner Jennifer A. Hillman was appointed to serve a term expiring December 16, 2006. Commissioner Stephen Koplan will serve the remainder of the term expiring June 16, 2005. Commissioner Thelma J. Askey will serve the remainder of the term expiring on December 16, 2000.

The Commission had an authorized staffing level of 502 permanent positions in Fiscal Year (FY) 1998 of which 385.5 positions were funded at the \$41.2 million level. All of its employees are located in one building at 500 E Street, SW, Washington, D.C.

More information about the Commission is available on the Internet:

**USITC: HOME PAGE** 

http://www.usitc.gov

# THE OFFICE OF INSPECTOR GENERAL

The Commission established the Office of Inspector General (OIG) pursuant to the Inspector General Act Amendments of 1988 (IG Act). The Inspector General reports directly to the Chairman, subject to the limitations of section 331 of the Tariff Act of 1930 (19 U.S.C. §1331). The Inspector General is responsible for directing and carrying out audits, investigations and inspections relating to Commission programs and operations. The Inspector General also recommends and comments on proposed legislation, regulations and procedures as to their economy, efficiency and effectiveness. Certain information and statistics that are required by section 5(a) of the IG Act to be included in the Semiannual Reports are summarized in Attachment A.

### RESOURCES

FY 1998

An appropriation was enacted on November 13, 1997, which includes \$41,200,000 for the salaries and expenses of the International Trade Commission for FY 1998. The OIG was allocated \$50,000 for audit and review services in December 1997 and an additional \$40,000 in August 1998.

The final staffing plan, dated March 2, 1998, authorized three full-time equivalent positions for permanent staff in the OIG based on a funding level of 385.5 positions. This eliminated the excess staffing situation that existed in FY 1997.

Two students helped with the audit, inspection, and investigative functions in the OIG. Rajini Hinduja joined the OIG staff on April 10, 1998, and worked through September 30, 1998. James Kwon joined the staff on May 15, 1998, and worked through September 25, 1998.

A new staff assistant, Karen M. Swindell, was hired effective June 22, 1998. She is a former Commission employee who worked in several other offices.



FY 1999

An appropriation was enacted on October 21, 1998, providing \$44,495,000 for salaries and expenses for FY1999, although funding will terminate on June 15, 1999. The Commission is developing a FY1999 expenditure plan.

## **AUDIT ACCOMPLISHMENTS**

**Audits and** 

The audit report issued this period was:

-- IG-03-98, Audit of Associated Management Services, Inc. (AMSI) Wage Payment and Fringe Benefits.

The audit report is summarized in Attachment B.

As of September 30, 1998, ongoing audits include:

- -- Evaluation of the Commission's Efforts to Prepare for Sunset Reviews;
- -- Analysis of Methods Used to Format Publications;
- -- Evaluation of Commission's Preparation for the Year 2000 Computing Crisis; and
- -- Audit of the USITC Financial Statements for Fiscal Years 1998 and 1997.

**Audit Followup** 

Pending actions on one audit report were completed. No reports have agreed-upon actions not completed within one year.

**IG-01-98, Evaluation of 332 Investigations.** Management agreement was reached on this report on February 27, 1998. The agreed upon actions were completed on September 21, 1998. Actions completed this period included revising the Commission's 332 manual to include guidance on time frames needed to conduct an investigation; instructions for marking, handling, and safekeeping classified material; proper record retention policies; and guidance on post-project assessments. The Office of Industries also conducted a review of the workpapers for ongoing investigations and classified reports to ensure documents are properly classified and marked.



During this period, the OIG noted several audit and inspection topics were addressed in newspaper articles. Agencies were criticized for not taking timely action in these areas. At the Commission, the OIG had conducted reviews and office directors had completed corrective actions as discussed below.

**IG-01-97, Analysis of the USITC's Privacy Act System of Records.** Underscoring the growing importance of personal privacy protections in the electronic information age, President Clinton called upon all federal agencies to take further privacy-protections steps, based largely on the Privacy Act of 1974, within the next year. On May 14, 1998, President Clinton issued an executive memorandum to the heads of all Federal departments and agencies, entitled, "Privacy and Personal Information in Federal Records," in which he directed each agency to designate a senior official with responsibility for privacy policy, to conduct a series of reviews of agency record systems in order to ensure compliance with Privacy Act requirements.

The OIG issued a report on the USITC's Privacy Act System of Records in March 1997. In response, the Commission reviewed and significantly revised its Privacy Act regulations and systems of records notices. The notice of final rulemaking was effective on June 8, 1998. The Commission also revised ITC forms to include a Privacy Act statement, and issued an administrative announcement to provide employees information about how the Commission maintains certain forms and records that contain Privacy Act information.

**IG-02-96, Review of Building Security.** Several newspaper articles and the April 1998 semiannual report for the General Services Administration stated that some federal offices remain little or no safer than when the Oklahoma City building was destroyed three years ago. The Commission does not fall into this category as timely action was taken in response to a Presidential memorandum issued on June 28, 1995, that directed all executive agencies to immediately begin upgrading their facilities to meet the recommended minimum security standards.

The OIG conducted a review of building security and issued an audit report in April 1996. Although the Commission had a generally effective building security program in place, the OIG identified numerous areas that needed improvement or modification to meet the standards set by the Department of Justice. The Office of Administration promptly implemented the changes within the Commission's control and available funding. The Office of Administration, particularly the staff in Management Services, worked on the more complex and expensive changes, such as the entry security and controlled parking, for nearly two years to complete action on all of the recommendations.

**IG-01-96, Audit of the Local Area Network (LAN) Operations.** According to an Associated Press article, government agencies were described as probably the single worst software pirates in the United States. The administration addressed this concern in Executive Order (EO) 13103 of September 30, 1998, Computer Software Privacy.

The EO states that the United States government is the world's largest purchaser of computer-related services and equipment, purchasing more than \$20 billion annually. At a time when a critical component in discussions with our international trading partners concerns their efforts to combat piracy of computer software and other intellectual property, it is incumbent on the United States to ensure that its own practices as a purchaser and user of computer software are beyond reproach. The EO instructs Federal agencies to make sure that only paid-for software is used, prepare an inventory of software on their computers and maintain record-keeping systems.

The OIG conducted an audit of LAN operations and issued a report in March 1996. One finding was that the Commission did not have adequate procedures to assure that it does not violate software copyright restrictions, and could not readily detect violations. The Office of Information Services took corrective actions which included establishing policy and preparing an initial inventory to identify and categorize commercial software on agency systems.

#### INSPECTIONS

**Reports Issued** 

During this period two inspection reports were issued.

**Controlled Data** 

Report No. 2-98, Review of Commission Policies for Marking Controlled Data, May 1, 1998. The OIG initiated this inspection in February 1998 to review Commission policies for marking controlled data. In general, we found that the policies for marking controlled data were inconsistent. The primary inconsistency does not threaten protections for national security or confidential business information. A clearer Commission policy will be both beneficial and welcomed by many Commission officials for other controlled data, such as privileged documents and Privacy Act information.

The OIG suggested that the Chairman of the Information Security Committee:

- --Amend the Commission's Freedom of Information Act regulations to permit those with an administrative relationship, with the Commission, such as agency contractors, to receive notice before release of any documents submitted to the Commission;
- -- Draft policy that the word *confidential* as an administrative marking should not be used except for confidential business information and national security information; and
- -- Establish a policy to standardize practice of administrative markings.

These suggestions are being addressed by the Office of Information Services which is coordinating an effort to revise Commission directives on information security.

Consultant Bob Gellman with stamps accumulated by OIG



Activity Reporting Systems **Report No. 3-98, Review of the Activity Reporting Systems, June 8, 1998.** In FY 1996, the OIG conducted a review of the Commission systems for accumulating staff hours by activity. The objectives of this review were to determine the required and desirable uses for information on Commission activities and evaluate whether the appropriate information was being gathered in an efficient manner.

In October 1997, we notified the then Acting Director of Administration of the results of our review. We reported that the data on staff hours was primarily used for budget preparation and seldom used for management purposes. Duplicate systems to gather data on work hours had been operating for two years, and would likely continue for a third year. The activity codes were not clearly linked to the budget.

In May 1998, we followed up to determine what action had been taken since October 1997. We found use of the data being gathered was even further limited to just budgetary reporting, as no managers were using the information on staff hours. The duplicate recording systems had been discontinued after operating for three years. The activity codes were simplified and more clearly linked to the budget.

We suggested that the Director of Administration coordinate with the Budget Committee on the repercussions of the change in the activity codes on the budget presentation, the appropriateness of the current codes to provide needed data, and the planned revision of codes in the future.



Rajini Hinduja enters data on staff hours into OIG Audit Management Information System

## FRAUD, WASTE AND ABUSE

**Investigations** 

A summary of investigative activity is presented below:

Case Workload		Referrals Processed		Investigative Results		
Open (04/01/98)	6	Received	3	Referrals for Prosecution	5*	
Initiated	3	Initiated Investigation	0	Referrals Declined for Prosecution	5*	
Closed	4	Referred to Another Agency OIG	1	Subjects Pending Administrative Action	12	
Open (09/30/98)	5	Evaluated but No Investigation Initiated	2	under one case file were	*5 separate subjects referenced under one case file were referred and each was declined.	

Six cases were open at the beginning of this reporting period. Three cases were initiated during this reporting period. Four cases were closed this period, two of which were open as of March 31, 1998. The results of the wage payments referral, which was addressed in an audit, are presented in Attachment B. The other cases involved appropriateness of supervisory ratios, federal register charges, and finger print records.

Five cases remain open. These involve reimbursement of program functions, procurement of an economic model, purchase of business card supplies, abuse of the car pool subsidy, and healthcare fraud.

Supervisory Ratios

The OIG suggested that certain positions be reviewed to ensure supervisory positions are properly designated. Multiple changes were made. The data base was corrected to reflect that the Budget Chief is a supervisor. Both Administrative Law Judges were designated as supervisory on their position descriptions and in the data base. The position descriptions of the attorney supervisors in the Office of the General Counsel were revised to clarify the supervisory duties of those positions and the position description for the Head Law Librarian was annotated to exclude supervisory duties. The Office of Tariff Affairs and Trade Agreements was reorganized to implement a 'flat' organizational structure.

Car Pool

The OIG completed its investigation of the Commission's car pool subsidy program and found twelve subjects who were violating provisions of the program. Five of the subjects were referred to the U.S. Attorney's office for prosecution. The U.S. Attorney's office declined to prosecute. All twelve subjects were referred to the appropriate office directors on September 2, 1998, for administrative disposition.

## Review of Legislation, Regulations, and Commission Policy

Legislation and

As set forth in the IG Act, a duty and responsibility of the Inspector General is to review existing and proposed legislation and regulations relating to programs and operations of the Commission. The OIG commented on amendments to the IG Act and reviewed one final notice of amendments to the Commission's rules of practice and procedure.

IG Act Amendments On June 11, 1998, Senator Susan Collins introduced S. 2167, the Inspector General Act Amendments of 1998, a bill to increase the efficiency and accountability of OIGs within Federal departments. The bill established a nine-year term of office, consolidated existing offices, and reduced reporting requirements

The Department of Labor OIG solicited input on significant provisions of the bill in order to develop a synthesis of community views. On June 12, 1998, the Inspector General provided input generally supporting the provisions of the bill, with clarification on how the provisions should be applied to the designated Federal agencies. The Inspector General submitted a letter to Senator Collins in July 1998 suggesting additional amendments be considered. These included clarification of personnel authority, budget, term limits/removal for cause, and relationship to management.

House Committee Request On June 17, 1998, the House Committee on Government Reform and Oversight requested the inspectors general at designated federal entities to submit information on resources. The Inspector General responded to this request in July 1998, and included suggestions for amendments to the IG Act relating to staffing and resources.

Hearing

On September 9, 1998, Senator Fred Thompson, Chairman of the Senate Governmental Affairs Committee, held a public hearing on the state of the inspector general

community on the 20<sup>th</sup> anniversary of the IG Act. The Inspector General participated in the development of a "talking points" document submitted to the Senate Committee on Governmental Affairs in August 1998 for inclusion in the hearing record. She also submitted comments on a submission for the hearing record presenting the views of the designated federal entity inspectors general.



Sunset Reviews

Amendments to Parts 201 and 207 of

**Commission Rules of Practice and Procedure.** On May 26, 1998, the OIG reviewed the notice of procedures for the conduct of five-year reviews of antidumping and countervailing duty orders and suspension agreements and provided comments. The OIG said that Annex A should be clarified and missing words added; these changes were made. The OIG comments that the definition and use of various terms be clarified were not incorporated.

#### **Commission**

The Inspector General also has the responsibility to review all proposed Commission directives. The OIG evaluates the impact that new or revised procedures will have on economy and efficiency in the administration of programs and operations, and to minimize the potential for fraud or abuse. OIG reviewed and commented on draft internal rules concerning Circulation of Papers for Commission Approval and the Ethics Program. Additionally, OIG reviewed the mission and functions statements for the Offices of External Relations, Operations, Investigations and Equal Employment Opportunity.

As previously reported, the OIG and the Offices of Administration, Management Services, and Information Services made a substantial effort in preparing new policy guidance to help correct the recurring problems with property management. USITC Directive 3550.3, Property Management and Administrative Notice ITC-N-3550 on Automated Data Processing Inventory Procedures were issued on June 1, 1998.

The Inspector General is also a member of the Directives Review Committee. Other members are the Director of Administration, who is the Chairman, and staff from the Offices of the Chairman, General Counsel, and Administration. The Committee has made significant progress in revising the internal rules structure and process. Directive 0001.4, System of Internal Rules was approved on June 1, 1998. Work has begun on an Administrative Notice with instructions for preparing directives. The Committee also reviewed the mission and functions statements for each office and made recommendations for improvements and standardization. The revised statements were approved in July 1998.

Policy for OIG

The OIG converted one administrative order on review of legislation and regulations into a directive. Directive 1704, Review of Legislation and Regulations, was approved by the Chairman on May 29, 1998.

### LIAISON ACTIVITIES

#### **ECIE/PCIE**

The Inspector General is an active member of the inspector general community. She is a member of the Executive Council on Integrity and Efficiency (ECIE), which consists primarily of the inspectors general at the 34 Federal entities designated in the 1988 amendments to the IG Act. She also participates in activities sponsored by the President's Council on Integrity and Efficiency (PCIE), which consists primarily of the Presidentially-appointed inspectors general. The ECIE and PCIE have identical functions and joint responsibility to promote integrity and efficiency and to detect and prevent fraud, waste, and abuse in Federal programs.

In the prior period, the Inspector General participated in an ad hoc committee preparing a response to the American Institute of Certified Public Accountants (AICPA). Language proposed by the AICPA's Ethics Committee on independence excluded some statutory government auditors. The suggested language was not incorporated into the AICPA exposure draft issued for comments. The Inspector General submitted comments to the AICPA on July 15, 1998, and an August 7 letter signed by multiple ECIE inspectors general. These letters repeated the request to clarify the AICPA language to include all statutory inspectors general.

The Committee also reviewed various documents for definitions of independence. Members contacted staff at the General Accounting Office (GAO) about desired changes in the Government Auditing Standards. The Inspector General joined several members in attending a September meeting of the Advisory Committee, which was discussing potential revisions to the independence section of the Standards.

**GAO** 

The IG Act states that each inspector general shall give particular regard to the activities of the Comptroller General of the United States with a view toward avoiding duplication and ensuring effective coordination and cooperation.

The GAO initiated two reviews during this period. These were Phase II of the Review of the Inspector General Community, and a Review of Electronic Data Exchanges.

GAO issued four reports entitled:

- -- FINANCIAL AUDIT 1997 Consolidated Financial Statements of the United States Government (GAO/AIMD-98-127), March 31, 1998;
- -- INSPECTORS GENERAL Efforts to Develop Strategic Plans (GAO/AIMD-98-112), June 12, 1998;
- -- CHINA TRADE WTO Membership and Most-Favored-Nation Status (GAO/T-NSIAD-98-209), June 17, 1998; and
- -- YEAR 2000 COMPUTING CRISIS Actions Needed on Electronic Data Exchanges (GAO/AIMD-98-124), July 1, 1998.

These reports included no recommendations for the Commission.

## INFORMATION REQUIRED BY THE ACT

Certain information and statistics based on the activities accomplished during this period are required by section 5(a) of the IG Act to be included in the semiannual reports. These are set forth below:

#### Section 5(a)

- (1), (2), (7) The OIG did not identify any significant problems, abuses or deficiencies relating to the administration of programs.
- (3) Corrective action has been completed on all significant recommendations which were described in the previous semiannual reports. See page 3 discussion on Audit Follow-up.
- (4) Five matters were referred to prosecutorial authorities. There were no prosecutions or convictions.
- No reports were made to the Chairman that information or assistance requested by the Inspector General was unreasonably refused or not provided.
- (6) A listing by subject matter is located in Attachment C.
- (8), (9) One audit report was issued during this period; one report had recommendations on questioned costs or funds that could be put to better use. See Tables 1 and 2.
- (10) There are no audit reports issued before the commencement of the reporting period for which no management decision has been made by the end of the reporting period.
- (11) No significant revised management decisions were made during the reporting period.
- (12) There were no significant management decisions with which I am in disagreement.

# SUMMARY OF AUDIT REPORT

Title: Audit of Associated Management Services, Inc. (AMSI) Wage Payment and

**Fringe Benefits** 

**Report Number:** IG-03-98

**Report Date:** June 22, 1998

**Findings:** The objective of this audit was to determine if AMSI complied with the McNamara-

O'Hara Service Contract Act of 1965, as amended which governs wage and fringe

benefits paid to contract employees during FYs 1994 through 1997.

We found that AMSI under paid 18 employees by more than \$100 based on the combined wage and fringe benefits underpayment and maximum holiday underpayment. AMSI underpaid wages and fringe benefits totaling \$7,051.46, and approximately \$2,187.20 in holiday pay. Additionally \$940.89 in questioned costs were

identified.

**Recommendations:** We recommended that the Director of Administration:

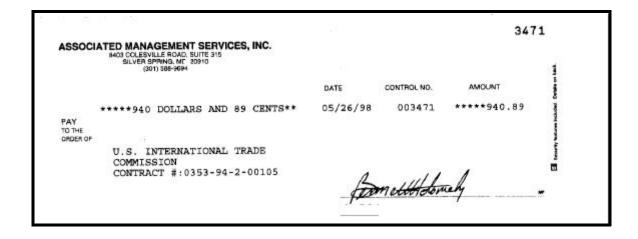
-- Request AMSI to pay wages and fringe benefits due to all contract workers detailed in the audit; and

-- Recover questioned costs from AMSI.

On May 20, 1998, the Director of Administration requested that AMSI, in accordance with the findings of the audit, pay employees for back wage payments and fringe benefits. Additionally, AMSI was requested to forward \$940.89 in questioned costs to the Commission. On May 27, 1998, AMSI submitted a check to the Commission for \$940.89. On June 5, 1998, AMSI provided proof of payment of \$9,238.66 in wages and fringe benefits underpayments to 18 employees.

# **AUDIT REPORTS BY SUBJECT MATTER**

Report Title	Report Number	Questioned Costs	<b>Unsupported Costs</b>	Ineligible Costs	Funds To Be Put To Better Use
ADMINISTRATION					
Audit of Associated Management Services, Inc. Wage Payment and Fringe Benefits	IG-03-98	\$940.89			



# REPORTS WITH QUESTIONED COSTS

			Dolla	r Value
		Number of Reports	Questioned Costs	Unsupported Costs
A.	For which no management decision has been made by the commencement of the period	0	0	0
В.	Which were issued during the reporting period	1	\$940.89	0
	Subtotals (A+B)	1	\$940.89	0
C.	For which a management decision was made during the reporting period	0	\$940.89	0
	(i) Dollar value of disallowed costs	0	\$940.89	0
	(ii) Dollar value of costs not disallowed	0	0	0
D.	For which no management decision has been made by the end of the reporting period	0	0	0
	Reports for which no management decision was made within six months of issuance	0	0	0

# REPORTS WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE

		Number of Reports	Dollar Value	
A.	For which no management decision has been made by the commencement of the period	0	0	
В.	Which were issued during the reporting period	0	0	
	Subtotals (A+B)	0	0	
C.	For which a management decision was made during the reporting period	0	0	
	(i) Dollar value of recommendations that were agreed to by management	0	0	
	(ii) Dollar value of recommendations that were not agreed to by management	0	0	
D.	For which no management decision has been made by the end of the reporting period	0	0	
	Reports for which no management decision was made within six months of issuance	0	0	

Photographs in this semiannual report
were taken by
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