

# U.S. International Trade Commission

## *Inspector General Semiannual Report*



**October 1, 2010 - March 31, 2011**



**Office of Inspector General**

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

*Commissioners*

*Deanna Tanner Okun, Chairman*

*Irving A. Williamson, Vice Chairman*

*Charlotte R. Lane*

*Daniel R. Pearson*

*Shara L. Aranoff*

*Dean A. Pinkert*

Chairman



---

## UNITED STATES INTERNATIONAL TRADE COMMISSION

---

WASHINGTON, DC 20436

May 31, 2011

### **Message from the Chairman**

In accordance with the Inspector General Act of 1978, as amended, 5 U.S.C. App. 3 (“the IG Act”), the U.S. International Trade Commission (“USITC” or “Commission”) hereby transmits the Semiannual Report of the USITC Inspector General for the period October 1, 2010 to March 31, 2011.

The Commission appreciates the work done by the Office of Inspector General (“OIG”) in assuring the effectiveness, efficiency, and integrity of Commission programs and operations. Inspector General Philip M. Heneghan and his staff have provided invaluable assistance to the Commission during the past few months. We look forward to continuing to work with Mr. Heneghan as we address the issues raised in his report.

The Inspector General’s Semiannual Report identifies the top management and performance challenges that require significant attention from the USITC in FY 2011. The Commission concurs with the critical challenges identified by the Inspector General. We continue our efforts to address these challenges to ensure that our internal operations are well managed. We believe that the corrective action plans we have in place will answer the challenges identified by the Inspector General, and we already have completed a number of these corrective actions.

The actions we are taking to address our challenges are summarized in the following three sections: (1) internal control, (2) financial management, and (3) information technology security. I will then address the status of actions on Inspector General Recommendations.

## Management and Performance Challenges

### 1. Internal Control

During the reporting period, the Commission: (1) designed and implemented a comprehensive financial management internal control system that complies with applicable laws and regulations to ensure that the objectives of the Federal Managers' Financial Integrity Act are achieved and documented; and (2) provided temporary staffing of the management position related to the new internal control system/internal control program. Therefore, we have begun to document consistent processes and procedures agency-wide. The Commission has begun to test the new system to ensure that the system is adequate, and the Commission will modify it as needed.

### 2. Financial Management

As a result of the disclaimer on its fiscal year (FY) 2009 financial statements, the Commission has recognized the importance and necessity of instituting a system of stronger internal controls over financial management and implemented corrective actions to address many of the financial management weaknesses identified. As a result of these actions, the independent auditor issued a qualified opinion on the Commission's FY 2010 financial statements.

While this opinion is a significant improvement from last year, we recognize that we have much more to do to ensure that we efficiently manage the resources entrusted to us. In order to address these deficiencies, the Commission intends to establish a new financial management structure and hire or train staff with requisite high-level analytical and communication skills. The Commission has requested from the Office of Personnel Management ("OPM") an out-cycle Senior Executive Service allocation for a Chief Financial Officer. In June, the Commission will transmit to Congress its advance notice of pending organizational changes pursuant to the Consolidated Appropriations Act, 2010. Pub. L. 111-117, div. B, tit. V, §505(a), 123 Stat. 3034, (December 16, 2009). This reorganization should ensure transparency and accountability in the formulation, execution, performance, and management of agency financial resources.

### 3. Information Technology Security

Maintaining the security of the Commission's information technology (IT) infrastructure is a top priority as information technology is integral to the Commission's operations. In order to address the deficiencies identified, the Commission has focused resources toward continuity of operation efforts and the CIO has focused his priorities on risk assessment of the Commission's information security operations.

The Report notes that the Commission has not completed final action on three recommendations dating back to 2005 concerning the Commission's plans for continuity of operations (COOP). The Commission has a plan to complete final action on these recommendations in the near term.

To address this deficiency, the Commission is evaluating moving most of its technology footprint to a hosted service from a third-party provider. The Commission recently approved a move toward a hosted e-mail solution, where the agency subscribes to an e-mail service. A hosted solution satisfies continuity requirements for the Commission's most crucial communications system. In the event of an emergency in the region, the Commission would be able to communicate within the agency and to external customers and organizations. The Commission intends to migrate its e-mail system during the current reporting period and consider other solutions thereafter.

#### Actions on Inspector General Recommendations

Management decisions were made on 57 of 62 recommendations that the Inspector General made during this period. The final report on the FOIA Program was issued on March 14, 2011. Management issued its decisions to address those recommendations on April 13, 2011. Management decisions have been made and final actions completed for all recommendations made in prior periods, except for the three recommendations related to COOP planning discussed in section 3 above. The statistical tables required under the IG Act are included as Appendix A to this report.

#### Actions on External Reviews

Three external reviews were conducted or completed by different oversight agencies during the reporting period. These reviews included a review by the OPM of delegated examining authority, a review by the U.S. Equal Employment Opportunity Commission ("EEOC") of the Commission's EEO program, and an audit by the U.S. Government Accountability Office ("GAO") on the role of the Inspector General at the Commission. The Commission currently is developing management decisions addressing both the OPM and EEOC recommendations.

The GAO report, *Inspectors General: Continued Actions Needed to Strengthen IG Oversight of the United States International Trade Commission*, report number GAO-11-5, was issued in October 2010. The report identified three issues affecting the Office of Inspector General: independence concerns, inadequate staffing and budget, and inability to gain access to records. It was never the Commission's intention to have a vacancy in the permanent Inspector General position for such a long period of time, and we regret that various events delayed the hiring of a permanent Inspector General. The Commission recognizes that the lack of an active and permanent Inspector General contributed to the issues identified in the GAO report.



Almost two years ago, the Commission began to institute corrective actions. The Commission hired a permanent Inspector General in December 2009. In order to address the three issues identified by GAO, the Commission has worked with the Inspector General to ensure his independence, approved staffing and budget requests by the Inspector General, and addressed OIG access and custody of Commission records and OIG notification of possible criminal violations. The Commission is dedicated to ensuring a strong and independent Inspector General and is implementing all of GAO's recommendations to address the three reported concerns.



Deanna Tanner Okun  
Chairman

OFFICE OF INSPECTOR GENERAL



---

## UNITED STATES INTERNATIONAL TRADE COMMISSION

---

WASHINGTON, DC 20436

April 29, 2011

OIG-JJ-007

Commissioners:

Attached is the Semiannual Report summarizing the activities of the Office of Inspector General (OIG) for the period October 1, 2010 to March 31, 2011.

During this period, we issued 9 reports and made 62 recommendations to improve the Commission's operations and strengthen internal controls. In addition, three external reviews were conducted by different oversight agencies. These reviews included a review by the OPM of delegated examining authority, a review by the EEOC of the Commission's EEO program, and an audit by the GAO on the role of the Inspector General at the Commission.

The GAO report, *Continued Actions Needed to Strengthen IG Oversight of the United States International Trade Commission*, was issued in October 2010 and reviewed activities of the Office of Inspector General for the five-year period 2005-2009. The report identified three issues affecting the Office of Inspector General: independence concerns, inadequate staffing and budget, and inability to gain access to records. The report cited the lack of an appointed Inspector General for more than four years as a root cause of the problem. The report acknowledged the appointment of a permanent Inspector General (in December 2009) and other steps that the Commission was taking to strengthen the OIG at the USITC as positive movements toward addressing the three reported concerns.

I would like to thank you for your commitment to improving the operations of the Commission and the support for my office. During this reporting period, the Commission completed final action on 43 of the 62 recommendations issued during this period and 15 of the 18 open recommendations from prior reporting periods.

A handwritten signature in blue ink, reading "Philip M. Heneghan".

Philip M. Heneghan  
Inspector General





# U.S. International Trade Commission

## Inspector General Semiannual Report

---

### TABLE OF CONTENTS

<b>Office of Inspector General.....</b>	<b>1</b>
<b>Semiannual Report Requirements .....</b>	<b>1</b>
<b>Top Management and Performance Challenges.....</b>	<b>1</b>
1. Internal Control.....	2
2. Financial Management.....	2
3. Information Technology Security .....	3
<b>Inspector General Reports Issued this Period.....</b>	<b>3</b>
Independent Auditor's Report on 2010 Financial Statements, OIG-AR-11-02 .....	4
Independent Auditor's Report on Internal Control for 2010 Financial Statements, OIG-AR-11-03 .....	5
Independent Auditor's Report on Compliance with Laws and Regulations for 2010 Financial Statements, OIG-AR-11-04 .....	5
Management Letter for 2010 Financial Statements, OIG-ML-11-06 .....	6
FISMA Cyberscope Fiscal Year 2010 Submission, OIG-MR-11-05 .....	6
Audit of the Perimeter Network Security, OIG-AR-11-01 .....	7
Audit of Electronic Document Information System (EDIS) Security, OIG-AR-11-07..	8
Audit of Freedom of Information Act Program, OIG-AR-11-08 .....	8
USITC Management and Performance Challenges, OIG-MR-11-09 .....	9
<b>Significant Recommendations from Prior Periods .....</b>	<b>9</b>
<b>External Reviews Completed During This Period.....</b>	<b>10</b>
General Accountability Office (GAO) – Review of Inspector General Oversight of the Commission .....	10
Office of Personnel Management – Delegated Examining Operations .....	11
U.S. Equal Employment Opportunity Commission – EEO Program Review .....	12
<b>Status of Actions Related to External Reviews Completed During Prior Periods ...</b>	<b>13</b>
Office of Personnel Management – Human Resources Review .....	13
Office of Personnel Management – Personnel Security and Suitability Program .....	13
<b>Council on Inspectors General for Integrity and Efficiency Activities.....</b>	<b>14</b>
<b>Federal Financial Management Improvement Act Reporting .....</b>	<b>14</b>
<b>Peer Review .....</b>	<b>14</b>
<b>Tables and Charts</b>	
Table 1: Reporting Requirements Index .....	iii

U.S. International Trade Commission  
Inspector General Semiannual Report

---

Table 2: Management and Performance Challenges ..... 2

Table 3: Reports by Subject Matter ..... 4

Table 4: Significant Recommendations from Prior Reports..... 15

Table 5: Reports with Questioned or Unsupported Costs..... 15

Table 6: Reports with Recommendations that Funds be Put to Better Use ..... 16

Table 7: Status of Reports Issued w/out Final Action ..... 17

**Appendices**

Appendix A: Chairman’s Statistical Tables..... A-1

# U.S. International Trade Commission

## Inspector General Semiannual Report

---

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	1-3
Section 5(a)(2)	Description of Recommendations for Corrective Action with Respect to Significant Problems, Abuses, and Deficiencies	1-9
Section 5(a)(3)	Significant Recommendations From Prior Reports on Which Corrective Action Has Not Been Completed	9, 15
Section 5(a)(4)	A Summary of Matters Referred to Prosecuting Authorities	None
Section 5(a)(5)	Summary of Instances Where Information or Assistance was Unreasonably Refused	None
Section 5(a)(6)	Listing by Subject Matter of each Report Issued during this Reporting Period	4
Section 5(a)(7)	Summary of Significant Reports	3-9
Section 5(a)(8)	Statistical Table showing Questioned and Unsupported Costs	15
Section 5(a)(9)	Statistical Table showing Recommendations Where Funds Could be Put to Better Use	16
Section 5(a)(10)	Summary of Audit Reports Issued Before the Start of the Reporting Period for Which no Management Decision Has Been Made	None
Section 5(a)(11)	Description of Any Significant Revised Management Decisions	None
Section 5(a)(12)	Information Concerning any Significant Management Decision with Which the Inspector General is in Disagreement	None
Section 5(a)(13)	Information described under section 5(b) of FFMIA	14
Section 5(a)(14)	Results of Peer Review Completed During This Period or Date of Last Peer Review	14
Section 5(a)(15)	List of Any Outstanding Recommendations From Peer Review	14
Section 5(a)(16)	List of any Peer Reviews Conducted of Another Office of Inspector General During this Period	14



# U.S. International Trade Commission

## 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 Office of Inspector General's initiative.

---

### Semiannual Report Requirements

The IG Act requires each Inspector General to prepare a Semiannual Report that summarizes the activities of the office; this report covers the period from October 1, 2010 through March 31, 2011. The fourteen 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 in the next paragraph.

This Semiannual Report starts with a description of the Management Challenges Report, OIG-MR-09-11, which identified the three most significant management challenges facing the Commission. Then it summarizes the results of the remaining eight reports issued during this period, describes significant recommendations from prior reports which have not received corrective action, and summarizes the reviews conducted by external parties related to the Commission and the Office of Inspector General. The last sections supply information on other reportable activities such as, participation in the Council on Inspectors General for Integrity and Efficiency, and compliance activities. Additional tables at the end of the report detail statistics on Office of Inspector General reports and recommendations

---

### 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-09-11, on October 15, 2010. The report identified the challenges based on information learned from audit and inspection work, a general knowledge of the Commission's programs and activities, and input from management regarding challenges facing the agency and efforts the agency has taken to address them. The management and performance challenges identified by the Office of Inspector General include the three areas identified in Table 2.

# U.S. International Trade Commission

## Inspector General Semiannual Report

---

Table 2: Management and Performance Challenges

Management and Performance Challenges
1. Internal Control
2. Financial Management
3. Information Technology Security

### 1. Internal Control

Commission management is responsible for establishing and maintaining a system of internal controls that ensure effective and efficient operations, reliable financial reporting, and compliance with laws and regulations. Reviews performed over the past year have identified weak or non-existent internal controls. The most significant weaknesses identified were noncompliance with the *Federal Manager's Financial Integrity Act* and OMB Circular A-123, *Management's Responsibility for Internal Control*.

Although initially identified in the financial management and procurement areas, the internal control weaknesses appear to be a systemic problem throughout the Commission. The Commission has a long standing culture of undocumented and informal processes to complete daily tasks. Documented and consistent processes and procedures are necessary to provide a reasonable level of assurance that the organization is operating in an efficient and cost-effective manner. The most significant challenge will be managing the cultural changes associated with implementing new systems of internal control throughout the Commission.

### 2. Financial Management

As a steward of taxpayer dollars, the Commission is responsible for implementing sound financial management practices. The Commission has struggled to assure the accuracy of the annual financial statements and does not have the technical system expertise to provide managers with timely, reliable, and practical financial information. Deficiencies in financial management have been previously reported; however, efforts to overcome the problems have not been fully successful.

The Commission lacks personnel with the necessary technical or analytical skills required to provide the appropriate reports and documentation to support the annual financial statement reporting. In addition, the lack of timely and practical financial reporting makes it difficult for managers to effectively monitor the expenditure of funds, evaluate



# U.S. International Trade Commission

## Inspector General Semiannual Report

---

program performance, and make informed financial decisions on their programs and operations.

Budget formulation, budget execution, procurement, accounting, and financial reporting should be fully integrated with agency operations and include transparent processes that promote accountability and deter potential fraud, waste, and abuse of agency resources. The management challenge will be to transform the current approach to financial management from an accounting exercise to an end-to-end process that provides transparency and accountability of agency budgetary resources.

### **3. Information Technology Security**

In order to fulfill its core strategic goals, the public and, more specifically, parties appearing before the Commission must trust the Commission to protect their confidential and proprietary business information. In the process of conducting investigations, the Commission regularly collects and uses sensitive confidential and proprietary business data, including company-specific financial, production, and trade data. The Commission must ensure that proper security controls are in place to protect and secure sensitive data. Continuously evolving security threats, the sensitive nature of the Commission's investigations, and the use and storage of data on corporate financial performance indicators make the Commission's information systems high risk targets for attack. As a result, the Commission must continue to refine and improve its information security program.

Use of information technology is an integral component of the Commission's day-to-day operations, including communications with the public. The Commission currently does not have a disaster contingency plan in place to restore data and operations if an event were to occur that disabled the network. Without a plan, the Commission may not be able to restore core business functions or minimize the disruption of services. These weaknesses were identified in a previous audit report and the recommendations remain outstanding. This management challenge will require dedicated funding, skilled resources, and time to resolve. The Chief Information Officer has also identified this as the most critical risk facing the Commission.

---

## **Inspector General Reports Issued this Period**

The Inspector General issued 9 reports with a total of 62 recommendations during this reporting period. The Commission made management decisions on 57 recommendations and the Inspector General agreed with all these management decisions.

# U.S. International Trade Commission

## Inspector General Semiannual Report

---

The Commission completed final action on 43 management decisions from the reports issued during this period. A listing of each report by subject matter is provided in Table 3 below. The key findings of each report are described in the sections that follow.

Table 3: Reports by Subject Matter

<b>Reports by Subject Matter</b>				
<b>Subject Matter</b>	<b>Report Number</b>	<b>Report Title</b>	<b>Date Issued</b>	<b>Number of Recommendations</b>
Financial	OIG-AR-11-02	2010 Financial Statement	11/10/2010	0
Financial	OIG-AR-11-03	Internal Control for 2010	11/10/2010	20
Financial	OIG-AR-11-04	Compliance with Laws and Regulations	11/10/2010	2
Financial	OIG-ML-11-06	Management Letter 2010 Financial Statements	12/01/2010	25
IT Security	OIG-AR-11-01	Perimeter Network Security	10/19/2010	2
IT Security	OIG-MR-11-05	FISMA Cyberscope	11/15/2010	0
IT Security	OIG-AR-11-07	EDIS Security	12/29/2010	8
Administration	OIG-AR-11-08	FOIA Program	03/14/2011	5
Administration	OIG-MR-11-09	USITC Management and Performance Challenges	11/15/2010	0
<i><b>NOTE: One report, OIG-AR-11-07 has recommendations, that when implemented will result in cost savings to the Commission. The Inspector General has reported this as an instance where funds could be put to better use.</b></i>				

### **Independent Auditor's Report on 2010 Financial Statements, OIG-AR-11-02**

**RESULT:** The audit resulted in a qualified opinion of the Commission's 2010 financial statements.

The Inspector General engaged the services of an independent accounting firm to perform the financial statement audit for fiscal year 2010. The firm audited the balance sheet and related statements of net cost, changes in net position, budgetary resources, and custodial activity. The auditors were unable to substantiate the amounts associated with undelivered orders and the related accounts payable. As a result, the Commission received a qualified opinion on their financial statements for the period ending September 30, 2010.

This qualified opinion represented an improvement over 2009, when the auditors could not provide an opinion on the Commission's statements and issued a disclaimer.

# U.S. International Trade Commission

## Inspector General Semiannual Report

---

### **Independent Auditor's Report on Internal Control for 2010 Financial Statements, OIG-AR-11-03**

RESULT: The audit identified four material weaknesses and two significant deficiencies in the Commission's internal control over financial reporting.

As part of the financial audit, the Inspector General engaged the services of an independent accounting firm to review the Commission's internal control over financial reporting. The audit identified the following material weaknesses and significant deficiencies:

#### Material Weaknesses:

- Inadequate internal controls over financial reporting.
- Insufficient monitoring, analysis, and oversight of financial operations.
- Inadequate controls over undelivered orders, accounts payable, and expenditures.
- Insufficient resources and personnel with appropriate skill sets.

#### Significant Deficiencies:

- Inadequate controls surrounding the identification, recording, and reporting of property, plant, and equipment.
- Inadequate controls surrounding the procurement process.

Three of these conditions had been identified in the 2009 financial statement audit. This report included 20 new recommendations for the Commission's management. The Chairman agreed with the assessment of the identified weaknesses, made management decisions for all of the recommendations, and is currently in the process of implementing the management decisions. The Commission completed final action on 15 of the 20 recommendations during this reporting period.

### **Independent Auditor's Report on Compliance with Laws and Regulations for 2010 Financial Statements, OIG-AR-11-04**

RESULT: The audit identified one instance of non-compliance with laws and regulations during the 2010 financial statement audit.

As part of the financial audit, the Inspector General engaged the services of an independent accounting firm to audit the Commission's compliance with certain laws and regulations. The results of the testing performed by the audit team identified one instance of non-compliance related to the Commission's parking program. Based on the auditor's report, the Inspector General issued two recommendations for the Commission. The Chairman agreed with assessment and completed final action on one of the two recommendations.

# U.S. International Trade Commission

## Inspector General Semiannual Report

---

### **Management Letter for 2010 Financial Statements, OIG-ML-11-06**

RESULT: The Management Letter highlighted a number of deficiencies in the management of the Commission's financial operations.

The Inspector General engaged the services of an independent certified public accounting firm to perform an audit of the Commission's 2010 Financial Statements. The audit team found numerous control deficiencies and identified the following four areas for improvement:

- Increasing the efficiency and effectiveness of financial operations.
- Documenting financial management policies and procedures.
- Implementing the requirements of FMFIA and OMB Circular No. A-123.
- Strengthening the time and attendance procedures.

The audit resulted in 25 recommendations issued to address the 4 areas for improvement. The Chairman concurred with the assessment, acknowledged the problem areas, and made management decisions to implement all 25 recommendations. The Commission has completed final action on 23 of the 25 recommendations.

### **FISMA Cyberscope Fiscal Year 2010 Submission, OIG-MR-11-05**

RESULT: Of the ten program areas evaluated: five were established, three needed improvement, and two had not been established.

The Inspector General is required by law to perform an independent evaluation of the Commission's compliance with the Federal Information Security Management Act. The fiscal year 2010 guidance requested an assessment of agency performance in the following areas:

- Certification and Accreditation
- Configuration Management
- Security Incident Management
- Security Training
- Remediation/Plans of Actions and Milestones
- Remote Access
- Identity Management
- Continuous Monitoring
- Contractor Oversight
- Contingency Planning

# U.S. International Trade Commission

## Inspector General Semiannual Report

---

In our assessment, we reported that the Commission has established and maintained five programs generally consistent with NIST's and OMB's FISMA requirements in the following areas: Certification and Accreditation, Incident Response & Reporting, Plans of Actions & Milestones (POA&M), Remote Access, and Oversight of Contractor Systems. In three areas, we reported that the Commission needs to make significant improvements: Configuration Management, Security Training, and the Account and Identity Management Program.

We reported that the Commission does not have programs that perform Contingency Planning or Continuous Monitoring. The Commission's lack of Contingency Planning has been reported since 2005, and the CIO has stated that resolving this issue is a priority for the coming year. The Commission is currently establishing a Continuous Monitoring program designed to meet the newest OMB and NIST requirements, by gathering, correlating, and reporting the current state of the Commission's security posture.

### **Audit of the Perimeter Network Security, OIG-AR-11-01**

**RESULT:** The audit determined that the Commission's perimeter network security was effective.

We conducted an audit to evaluate the effectiveness of the Commission's network security perimeter. An effective perimeter defense is a significant component of a complete security program designed to prevent attackers from gaining unauthorized access to Commission resources and exploiting the network.

We attempted to breach the network to gain unauthorized access by performing penetration tests using public information. The ITCNet's perimeter defense prevented our intrusion attempts. The report identified the controls that were working effectively to help secure the ITCNet's perimeter. Some of the effective characteristics of ITCNet's perimeter defense include the following:

- ITCNet's firewalls effectively limited the exposure of internal systems to the Internet.
- The Commission used software that quickly detected our scans and blocked further scanning attempts.
- The Commission's intrusion detection prevention system used decoy ports to help identify attackers.
- ITCNet's remote access services required two-factor authentication.
- ITCNet did not allow DNS zone transfers.

# U.S. International Trade Commission

## Inspector General Semiannual Report

---

The report identified two areas for improvement related to encryption protocols and key encryption length. The Commission agreed with the recommendations and implemented both of them before the final report was issued.

### **Audit of Electronic Document Information System (EDIS) Security, OIG-AR-11-07**

RESULT: The audit found that the EDIS web application was not properly secured.

We performed an audit to determine if the Commission's Electronic Document Information System (EDIS) was properly secured. EDIS is a web application that serves as a data repository for all documents filed for investigations conducted by the Commission. The audit included the related systems and subsystems supporting the security of the EDIS application.

Our review identified significant vulnerabilities in the five specialized EDIS workstations. These workstations had direct access to the EDIS infrastructure, which placed the entire system at risk. The vulnerabilities existed because of the following four problem areas:

- No comprehensive process to patch the specialized EDIS workstations.
- Obsolete software applications were installed.
- Task specific workstations were not locked down.
- Automatic logon was enabled on an administrative account.

We issued eight recommendations to address the four problem areas. The Chairman concurred with our assessment and acknowledged the risks associated with the vulnerabilities.

The management decisions made by the Commission represented well thought out changes to the Commission's business process. The implementation of these actions will provide many benefits to the Commission, including improved accuracy of data, faster access to that data, decreased system complexity, and lower operating costs due to reduced labor and system requirements. Once final actions are complete, the Commission will be able to put over \$150,000 per year to better use. The Commission completed two of the eight recommendations during this reporting period.

### **Audit of Freedom of Information Act Program, OIG-AR-11-08**

RESULT: The audit determined the FOIA Program was not effective.

We performed an audit to evaluate the effectiveness of the Commission's Freedom of Information Act (FOIA) Program. For purposes of the audit, an effective FOIA Program



# U.S. International Trade Commission

## Inspector General Semiannual Report

---

was defined as one in which a full and complete response was provided within the statutory timeframes. An effective FOIA Program is essential to meet the Commission's responsibilities under the law and achieve the goals of transparency and openness. The audit evaluated all FOIA requests received by the Commission in fiscal year 2010 and found:

- 13% of the documented responses did not fully address the information being requested.
- 35% of the FOIA files did not have adequate documentation to support the response provided to the requestor.
- 28% of the responses were not completed within the mandated 20-day deadline.
- 17% of the FOIA requests were not accurately categorized on the 2010 FOIA Report to Congress.

We identified three problem areas that contributed to the ineffectiveness of the FOIA Program and issued five recommendations. The Commission agreed with the assessment, and was in the process of developing management decisions to address the recommendations at the time the reporting period closed.

### **USITC Management and Performance Challenges, OIG-MR-11-09**

RESULT: The report identified three management and performance challenges for the Commission in the areas of internal control, financial management, and information technology security.

The Inspector General issued a report based on an assessment of the management and performance challenges facing the Commission on October 15, 2010. A summary of the findings is described in the previous section, "*Top Management and Performance Challenges*."

---

### **Significant Recommendations from Prior Periods**

The Inspector General identified three recommendations from prior periods as significant. The three recommendations are associated with disaster contingency plan updates, restoration of data, and an alternate processing facility. They are significant because the Commission may be unable to restore core business functions or minimize the disruption of services if an event were to occur.

# U.S. International Trade Commission

## Inspector General Semiannual Report

---

The Inspector General previously reported all three of these recommendations as significant. A listing of the recommendation along with the report number has been provided in Table 4.

---

### External Reviews Completed During This Period

#### **General Accountability Office (GAO) – Review of Inspector General Oversight of the Commission**

In October 2010, the GAO issued a report based on its review of the oversight activities of the Inspector General at the Commission. Inspectors general should provide independent and objective oversight; however, GAO found that the Commission relied on acting and temporary Inspector Generals for an extended period of time. The GAO was asked to determine (1) the extent of oversight provided by the Commission's Inspector General, (2) the budget and staffing resources available for oversight, and (3) how the role of the Inspector General was addressed in the governance of the Commission. To accomplish these objectives, the GAO reviewed Inspector General reports and budgets for fiscal years 2005 through 2009, and relevant policies and procedures regarding governance and accountability. The GAO also interviewed the Chairman, Commissioners, current and former acting and temporary IGs, and office directors.

The IG Act requires Inspectors General to provide independent audits and investigations of the programs, offices, and activities in their respective federal entities; however, during the five-year period reviewed, the Commission's Inspector General conducted no audits and had no investigative case files or investigative reports. The Inspector General's oversight activities consisted primarily of monitoring and reviewing the work of independent public accountants who conducted the annual mandatory audits of the Commission's financial statements and information security programs. The most recent peer review (requested by the current Inspector General) of audit quality concluded that an opinion could not be rendered on the audit organization because no audits had been conducted by the Office of Inspector General in the past five years.

The IG Act requires the designated federal entity heads to appoint an Inspector General and provide adequate budgetary resources and sufficient staff. Both the lack of an appointed Inspector General and constrained budgets and staffing resources for the Office of Inspector General contributed to the limited oversight of Commission activities. From November 1, 2005, through December 5, 2009, the Commission relied on acting Inspectors General and a temporary Inspector General to provide oversight. During this period the Inspector General position was vacant for 17 months with no acting or temporary Inspector General.

# U.S. International Trade Commission

## Inspector General Semiannual Report

---

Between fiscal years 2005 and 2009, the Commission's budget increased about 23 percent, but the Office of Inspector General's budget resources remained relatively flat with funds only available for contracting out audits and two staff positions during the last four years reviewed. The acting and temporary Inspectors General did not issue comprehensive audit plans that might have fully communicated their resource needs to the Commission. The lack of such plans contributed to inadequate IG office resources and resulted in limited oversight. In fiscal year 2010, the Commission appointed a Senior Executive Service-level Inspector General to address requirements of the IG Reform Act of 2008. Also, consistent with the act, the fiscal year 2010 Office of Inspector General budget was based on discussions with the current Inspector General, which resulted in increased staffing and was certified by the Inspector General as adequate. The Inspector General stated that future oversight may require additional resources, which the GAO believes can be communicated and justified by a staffing analysis as part of the Office of Inspector General audit planning process.

The IG Act provides each Inspector General with protections of independence including the authority for access to all entity documents and records. In addition, the Inspector General is required to refer cases with potential violations of federal criminal law to the Attorney General. The GAO found instances where the governance structure did not fully support the temporary Inspector General's responsibilities. Specifically, during 2009, the temporary Inspector General was unable to obtain timely custody of sensitive contract documents because USITC's policies and procedures did not clearly provide for Inspector General custody of such documents. In another instance, due to the lack of a formal policy or other agreement with the Office of Inspector General, the Chairman referred the results of a possible criminal investigation to the Department of Justice without coordinating with the temporary Inspector General, resulting in the potential for duplication of investigative efforts.

The GAO made a recommendation to the Commission's Inspector General to prepare a staffing analysis as part of audit planning to determine the resources needed for effective oversight. The GAO also made recommendations to the Chairman aimed at clarifying and communicating the authorities and responsibilities of the Inspector General.

### **Office of Personnel Management – Delegated Examining Operations**

The Office of Personnel Management performed a review of the Commission's delegated competitive examining operations. The review evaluated 25 criteria to determine the extent the Commission's delegated examining activities met merit system principals and applicable laws and regulations, to include the Veterans Preference Act of 1944.

The Commission met the anticipated results in 15 of the assessment areas and partially met the standards in an additional 5 areas. The report identified one area involving the review of certificate documentation in which the Commission did not meet the criteria.

# U.S. International Trade Commission

## Inspector General Semiannual Report

---

The remaining four assessment areas were determined to be not applicable to the Commission.

The report identified 10 recommendations to address the 6 instances where Commission's delegated competitive examining operations did not fully meet the standard.

### **U.S. Equal Employment Opportunity Commission – EEO Program Review**

The Equal Employment Opportunity Commission (EEOC) performed an evaluation of the Commission's progress in becoming a model Equal Employment Opportunity (EEO) workplace. The evaluation measured the extent the Commission meets the six essential elements of a model EEO program, as defined by Title VII of the Civil Rights Act of 1964, and Section 501 of the Rehabilitation Act of 1973, as amended.

The report acknowledged that the Commission had attained maximum efficiency in Element 5, regarding the ability to resolve most workplace issues through informal methods. A summary of the findings from each element is provided below.

#### Element 1: Demonstrated Commitment from Agency Leadership:

This element requires agency heads to issue and disseminate policy statements expressing their commitment to EEO and a workplace free of discriminatory harassment. The EEOC found that the Commission's EEO policies were not up to date, and provided two recommendations to address the findings.

#### Element 2: Integration of EEO into the Agency's Strategic Mission:

This element emphasizes the role of the EEO office as a resource to agency managers to provide direction, guidance, and monitoring of key activities to achieve a diverse workplace. The EEOC found that the EEO Director had not presented a "state of the agency" briefing to the Chairman. The EEOC also found that the EEO Director was not involved in matters involving personnel and managerial decisions. The EEOC provided two recommendations for the Commission to address these findings.

#### Element 3: Management and Program Accountability:

This element emphasizes accountability in the relationship between EEO and other offices for the effective implementation and management of the Commissions programs. This particular element focused on EEO and Human Resources. The EEOC found that the Commission's reasonable accommodations procedures were not up to date and provided three recommendations to address this finding.

#### Element 4: Proactive Prevention of Unlawful Discrimination:

This element focuses on the Commissions ongoing obligation to prevent discrimination on the bases of race, color, national origin, religion, sex, age, reprisal, disability and

# U.S. International Trade Commission

## Inspector General Semiannual Report

---

genetic information, and to eliminate barriers that impede free and open competition in the workplace. The EEOC made three recommendations to address the findings.

### Element 5: Efficiency:

This element addresses the requirement to have a fair and efficient dispute resolution process. The EEOC found that the Commission has attained a maximum efficiency in the counseling state of the EEO administrative complaint process and provided no recommendations.

### Element 6: Responsiveness and Legal Compliance:

This element addresses compliance with laws and regulations, timeliness of submitting EEO reports, and compliance with EEOC orders for corrective action. The EEOC had one recommendation in this area regarding posting a report on the Commission's external website.

The final report was issued December 15, 2010 and contained eleven recommendations to improve five of the six essential elements. The most significant recommendations were in Element 4: Proactive prevention of unlawful discrimination, specifically focusing on Hispanic males, female employees in the senior grade levels, and employees with targeted disabilities

---

## **Status of Actions Related to External Reviews Completed During Prior Periods**

### **Office of Personnel Management – Human Resources Review**

The Office of Personnel Management completed an external review of the Commission's human resource program on August 26, 2009. The purpose of the review was to evaluate the human capital program at the Commission. This evaluation resulted in 83 recommendations being made to the Commission to ensure compliance with laws and to strengthen the management and administration of the Commission's human capital program. The Commission made management decisions to implement all of the recommendations and completed final action on 9 recommendations this reporting period, bringing the total recommendations closed to 59 overall. The Commission is working on implementing the remaining 24 management decisions.

### **Office of Personnel Management – Personnel Security and Suitability Program**

The Office of Personnel Management performed a review of the Commission's Personnel Security and Suitability Program. The review involved examining and measuring key program areas including the position designation processes, investigation request

# U.S. International Trade Commission

## Inspector General Semiannual Report

---

processes, adjudication processes, and processes supporting reform goals and reciprocity. The final report identified 22 recommendations for the Commission. The Commission made management decisions to implement the recommendations. The Commission has completed final action on 20 recommendations this reporting period.

---

### **Council on Inspectors General for Integrity and Efficiency Activities**

The Inspector General has actively participated in meetings and supported the efforts of the Council on Inspectors General for Integrity and Efficiency (CIGIE). During this reporting period, the Inspector General began serving as the CIGIE liaison to the Chief Information Officers Council.

The Office of the Inspector General staff have been involved in the community by volunteering to serve as members on various working groups and committees that address cross-cutting issues such as, knowledge management, cloud computing, investigations, cyber security, new media, small agencies concerns, and legislative issues.

---

### **Federal Financial Management Improvement Act Reporting**

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

---

### **Peer Review**

The last peer review of the Office of Inspector General was for the period ending September 30, 2009 and the report was issued on May 27, 2010. All recommendations made during the review were implemented by September 16, 2010. The next audit peer review has been scheduled by CIGIE and will cover the period through September 2012.

---



# U.S. International Trade Commission

## Inspector General Semiannual Report

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

<b>Prior Significant Recommendations Where Corrective Action Has Not Been Completed</b>	
<b>Report Number</b>	<b>Recommendation</b>
OIG-AR-04-05	Develop, document, and test an agency-wide Continuity of Operations Program (COOP) plan in accordance with Federal Preparedness Circular (FPC) 65, Federal Executive Branch Continuity of Operations, and NIST SP 800-34 guidelines.
OIG-AR-04-05	Ensure major applications and general support system contingency plans are updated and tested in accordance with NIST SP-800-34 guidelines.
OIG-AR-04-05	With respect to each mission-critical application and general support system, determine if an alternate processing facility is necessary and identify the respective facility. At this alternate facility, contingency plans should be tested and arrangements made for its use in the event of a major interruption or disaster.

Table 5: Reports with Questions and Unsupported Costs

<b>Reports with Questioned and Unsupported Costs Section 5(a)8</b>			
<b>Description</b>	<b>Number of Reports</b>	<b>Questioned Costs</b>	<b>Unsupported Costs</b>
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.	9	\$0	\$0
<b>Subtotals</b>	<b>9</b>	<b>\$0</b>	<b>\$0</b>
Reports for which a management decision was made during the reporting period.	8	\$0	\$0
<ul style="list-style-type: none"> <li>Dollar value of disallowed costs.</li> </ul>	0	\$0	\$0
<ul style="list-style-type: none"> <li>Dollar value of allowed costs.</li> </ul>	0	\$0	\$0
Reports for which no management decision has been made by the end of the reporting period.	1	\$0	\$0

# U.S. International Trade Commission

## Inspector General Semiannual Report

---

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

<b>Reports with Recommendations that Funds be Put to Better Use Section 5(a)9</b>		
<b>Description</b>	<b>Number of Reports</b>	<b>Funds Put to Better Use</b>
Reports for which no management decision has been made by the commencement of the reporting period.	0	0
Reports issued during the reporting period.	9	\$150,000
<b>Subtotals</b>	9	\$150,000
Reports for which a management decision was made during the reporting period.	8	
<ul style="list-style-type: none"> <li>Dollar value of recommendations agreed to by management.</li> </ul>		\$150,000
<ul style="list-style-type: none"> <li>Dollar value of recommendations not agreed to by management</li> </ul>		\$0
Reports for which no management decision has been made by the end of the reporting period.	1	\$0
<b>Subtotals</b>	9	\$150,000

# U.S. International Trade Commission

## Inspector General Semiannual Report

---

Table 7: Status of Reports Issued Without Final Action

<b>Status of Reports Issued Without Final Action</b>					
<b>This Reporting Period</b>					
	Report Title	# of Recs.	Mgt. Decisions	Decisions IG Disagrees With	Final Action Complete / Action Not Complete
1	Report on Internal Control	20	20	0	15 / 5
2	Report on Compliance with Laws and Regulations	2	2	0	1 / 1
3	Management Letter 2010 Financial Statement	25	25	0	23 / 2
4	EDIS Security	8	8	0	2 / 6
5	FOIA Program	5	0*	0	0 / 5
	Subtotal Current Period	60	55	0	41 / 19
<b>Prior Reporting Periods</b>					
	Report Title	# of Recs.	Mgt. Decisions	Decisions IG Disagrees With	Final Action Complete / Action Not Complete
1	Federal Information Security Management Act Fiscal Year 2004 Performance Audit, 09/27/2005	14	14	0	11 / 3
	Subtotal Prior Period	14	14	0	11 / 3

\*The final report for the FOIA Program was issued on March 14, 2011; management decisions were due after this reporting period closed.

# U.S. International Trade Commission

## Appendix A

### Appendix A: Chairman's Statistical Tables

Table A: Reports with Disallowed Costs

<b>Total Number of Reports and the Dollar Value of Disallowed Costs</b>		
<b>Description</b>	<b>Number of Reports</b>	<b>Dollar Value of Disallowed Costs</b>
Reports issued during the period.	9	\$0
Reports for which final action had not been taken by the commencement of the reporting period.	7	\$0
Reports on which management decisions were made during the reporting period.	8	\$0
Reports for which final action was taken during the reporting period.	10	\$0
<ul style="list-style-type: none"> <li>Dollar value of disallowed costs, recovered by management.</li> </ul>		\$0
<ul style="list-style-type: none"> <li>Dollar value of disallowed costs written off by management.</li> </ul>		\$0
Reports for which no final action has been taken by the end of the reporting period.	6	\$0

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

<b>Reports with Recommendations that Funds be Put to Better Use</b>		
<b>Description</b>	<b>Number of Reports</b>	<b>Funds Put to Better Use</b>
Reports for which final action had not been taken by the commencement of the reporting period.	7	\$0
Reports on which management decisions were made during the reporting period.	8	\$150,000
Reports for which final action was taken during the reporting period including:	10	\$0
<ul style="list-style-type: none"> <li>Dollar value of recommendations that were actually completed.</li> </ul>		\$0
<ul style="list-style-type: none"> <li>Dollar value of recommendations that management has subsequently concluded should not or could not be completed.</li> </ul>		\$0
Reports for which no final action has been taken by the end of the reporting period.	6	\$0

# U.S. International Trade Commission

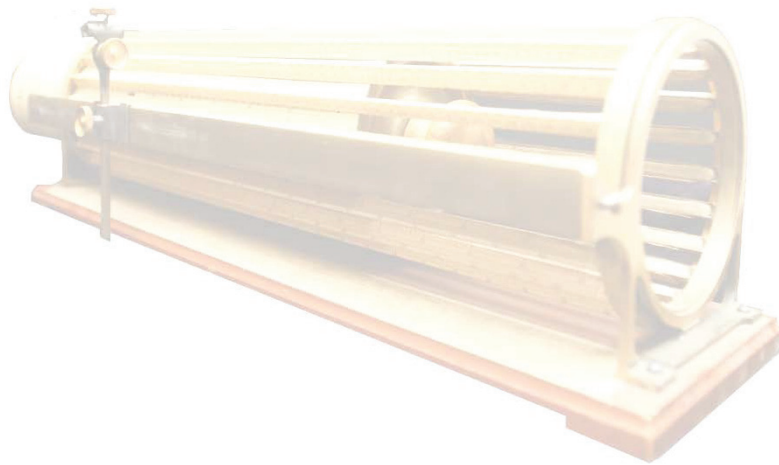
## Appendix A

Table C: Prior Year Management Decisions Without Final Action

<b>Prior Year Audit Reports On Which Management Decisions Have Been Made but Final Action has Not Been Taken</b>				
<b>Audit Report</b>	<b>Date Issued</b>	<b>Disallowed Costs</b>	<b>Funds Put to Better Use</b>	<b>Reason Final Action has Not Been Taken</b>
OIG-AR-04-05	09/27/2005	\$0	\$0	Provided in Section 3 of the Chairman's letter.

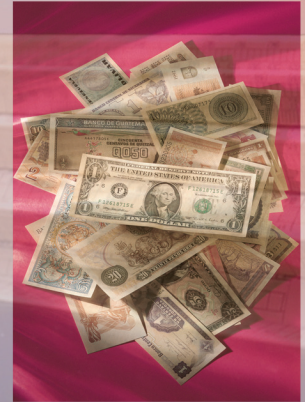






*"Thacher's Calculating Instrument" developed by Edwin Thacher in the late 1870's. It is a cylindrical, rotating slide rule able to quickly perform complex mathematical calculations involving roots and powers quickly. The instrument was used by architects, engineers, and actuaries as a measuring device.*

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



U.S. International Trade Commission  
Office of Inspector General  
500 E Street, SW  
Washington, DC 20436

Office: 202-205-6542  
Fax: 202-205-1859  
Hotline: 877-358-8530  
[OIGHotline@USITC.gov](mailto:OIGHotline@USITC.gov)