

# U.S. International Trade Commission

## *Inspector General Semiannual Report*



**April 1, 2010 - September 30, 2010**



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



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## UNITED STATES INTERNATIONAL TRADE COMMISSION

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WASHINGTON, DC 20436

November 30, 2010

### **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 April 1, 2010 – September 30, 2010.

The Commission would like to recognize the work done by the Office of Inspector General 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. The USITC has a long history of successful performance in the areas of import injury proceedings, intellectual property enforcement, and industry and economic research, and it has always focused its resources on providing timely and high quality services to the Administration, Congress, and the public on trade matters. We continue our efforts to ensure that our internal operations are equally well managed. We believe that the corrective action plans we have in place will address the deficiencies 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) reviewed and evaluated existing internal controls; (2) designed and implemented a comprehensive financial management internal control system that will comply with applicable laws and regulations to ensure that the objectives of the Federal Managers' Financial Integrity Act are achieved and documented; and (3) provided temporary staffing of the management position related to the creation of the new internal control system/internal control program. The Commission concurs that strong internal controls need to be operative throughout the agency. Therefore, we have begun to document consistent processes and procedures agency-wide.

The Commission is aware that implementing these controls will require significant changes in agency management. Further, it will take considerable time to begin to see the effectiveness of the internal controls and processes. The Commission also understands that it will have to test the new system to ensure that the system is adequate and modify it as needed.

### 2. Financial Management

As a result of the disclaimer on its 2009 financial statements, the Commission has recognized the importance and necessity of instituting a system of stronger internal controls over financial management and is implementing corrective actions to address financial management deficiencies. The Commission implemented a corrective action response, which is monitored by the Inspector General. As a result of these actions, the independent auditor has just issued a qualified opinion on the Commission's FY 2010 financial statements.

While the most recent 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. Concurrent with the FY 2010 audit, the Commission is assessing existing staffing agency-wide to identify the skills and personnel resources needed to implement new internal control and financial management procedures. In order to address the deficiencies identified by the Inspector General, the Commission intends to establish a new financial management structure and hire or train staff with requisite high-level analytical and communication skills. This process is underway with the recent hire of a new Director of the Office of Procurement Services. In addition, the Commission will make the necessary changes to ensure transparency and accountability in the formulation, execution, performance, and management of agency budgetary 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 recently hired a Chief Information Officer (CIO) with extensive federal government IT experience. 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 acknowledges that the three recommendations remain open. The Commission is working to complete final action on these recommendations in the near term.

The Commission delayed implementing the three recommendations because of other pressing priorities. In particular, the Commission had to significantly expand its resources for intellectual property enforcement (i.e., hiring more ALJs and staff and obtaining additional space) due to a sharp and sustained rise in the number of cases filed before the Commission. The Commission lacked the resources to implement its continuity of operations plans over the past few years.

To address this deficiency, the Commission this year sought almost \$1 million in its FY 2011 budget justification to begin developing a comprehensive continuity of operations plan and an alternative facility for reconstitution of the USITC network infrastructure and essential functions. The Commission also is exploring ways to fund its continuity of operations plans by redirecting resources from its current appropriations should Congress not appropriate the necessary funds.

#### Actions on Inspector General Recommendations

Management decisions were made on all 20 recommendations that the Inspector General made during this period. Management decisions have been made and final actions completed for all recommendations made in prior periods, except for the following that the Commission is scheduled to complete during the next reporting period: (1) the three recommendations related to COOP planning discussed in section 3 above, (2) two recommendations related to policies and procedures for financial management activities, (3) three recommendations related to internal controls, and (4) one recommendation related to FISMA. The statistical tables required under the IG Act are included as Appendix B to this report.



Deanna Tanner Okun  
Chairman





OFFICE OF INSPECTOR GENERAL



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## UNITED STATES INTERNATIONAL TRADE COMMISSION

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WASHINGTON, DC 20436

October 31, 2010

OIG-HH-029

Commissioners:

Attached is the Semiannual Report summarizing the activities of the Office of Inspector General (OIG) for the period April 1, 2010 to September 30, 2010.

Over the past six months, my office issued four audit reports and made twenty recommendations for ways to improve the Commission's operations and strengthen internal controls. The audits focused on management challenges in the areas of financial management and information system security. In addition, the Inspector General from National Archives and Records Administration issued the final peer review report of the Commission's audit function for the period ending September 30, 2009.

As I near the end of my first year as the Inspector General, I would like to acknowledge the steps you have taken to support the audit process. For example, the establishment of an audit follow-up process to track, monitor, report, and manage the implementation of recommendations emphasizes the importance you have placed on resolving the concerns raised in our reports. This audit follow-up process resulted in the completion of final actions on over thirty recommendations during this reporting period.

I look forward to the next six months as we expand our reviews to include all operations of the Commission. With your continued support, I am confident that we will successfully meet all the challenges ahead.

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

Philip M. Heneghan  
Inspector General





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Table 1: Reporting Requirements Index

Reporting Requirements Index		
IG Act	Description	Page
Section 4(a)(2)	Review of Legislation	12
Section 5(a)(1)	Description of Significant Problems, Abuses, and Deficiencies	2-4
Section 5(a)(2)	Description of Recommendations for Corrective Action with Respect to Significant Problems, Abuses, and Deficiencies	2-8
Section 5(a)(3)	Significant Recommendations From Prior Reports on Which Corrective Action Has Not Been Completed	8, 13
Section 5(a)(4)	A Summary of Matters Referred to Prosecuting Authorities	None
Section 5(a)(5)	Summary of Instances Where Information or Assistance was Unreasonably Refused	None
Section 5(a)(6)	Listing by Subject Matter of each Report Issued during this Reporting Period	4
Section 5(a)(7)	Summary of Significant Reports	4-7
Section 5(a)(8)	Statistical Table showing Questioned and Unsupported Costs	14
Section 5(a)(9)	Statistical Table showing Recommendations Where Funds Could be Put to Better Use	14
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	12
Section 5(a)(14)	Results of Peer Review Completed During This Period or Date of Last Peer Review	10, A-1
Section 5(a)(15)	List of Any Outstanding Recommendations From Peer Review	N/A
Section 5(a)(16)	List of any Peer Reviews Conducted of Another Office of Inspector General During this Period	N/A



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### Office of Inspector General

The U.S. International Trade Commission established the Office of Inspector General pursuant to the 1988 amendments to the *Inspector General Act* (IG Act). The Inspector General provides audit, evaluation, inspection, and investigative support 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, and allegations received from Commission personnel and other sources.

A permanent Inspector General for the Commission was hired in December of 2009 and initial emphasis has been to identify workload requirements and rebuild the Office of Inspector General. During this reporting period, the Inspector General developed and issued a five-year strategic plan for fiscal years 2011–2015 that aligns with the strategic objectives of the Commission. The strategic planning process solicited input from a broad group of stakeholders, including the Commissioners and Office Directors, to aid in identifying the priorities, challenges, and risks facing the Commission. The strategic plan was then used as the foundation to develop the FY 2011 Annual Audit Plan, which was completed on September 16, 2010. A staffing plan and budget analysis were also developed to support the activities identified in the plan. This process identified the need for additional staff, and a fifth Office of Inspector General staff member was hired on September 26, 2010.

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### Semiannual Report Introduction

This Semiannual Report begins with the identification of the three most significant management challenges facing the Commission. It then provides the results of the four 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 section supplies information on other reportable activities such as congressional requests, participation in the Council on Inspectors General for Integrity and Efficiency, regulatory reviews, and compliance activities. Additional tables at the end of the report detail statistics on Office of Inspector General reports and recommendations.

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### Top Management & 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 this assessment for inclusion in the annual Performance and Accountability Report. This assessment was based on information from the Office of Inspector General's 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. Recent management and performance challenges identified by the Office of Inspector General include the three areas identified in Table 2.

Table 2: Management & Performance Challenges

Management & 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.

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### **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 access to timely, reliable, and practical financial information in order to make informed decisions. Deficiencies in financial management have been previously reported, however efforts to overcome the problems have not been fully successful.

The Commission lacks 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 deprive managers of information needed to effectively monitor the expenditure of funds, evaluate 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 a process that provides transparency and accountability of agency budgetary resources.

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

In order to fulfill its core strategic goals, the public must trust the Commission to protect its proprietary business information. In the process of conducting investigations, the Commission regularly collects and uses sensitive 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



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resources, and time to resolve. The Chief Information Officer has also identified this as the most critical risk facing the Commission.

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### Inspector General Reports Issued this Period

The reports issued during this period focused on two of the Commission's top management challenges—financial management and information security. The Inspector General issued four reports with a total of twenty recommendations. The Commission made management decisions on all the recommendations and the Inspector General agreed with all management decisions. During this period, the Commission completed final action on eleven of these management decisions. A listing of each report by subject matter is provided in Table 3 below. The key findings of each report are presented in the sections that follow.

Table 3: Reports by Subject Matter

Reports by Subject Matter				
Subject Matter	Report Number	Report Title	Date Issued	Results
Financial	OIG-AR-07-10	Confirmation Property, Plant, and Equipment Balance 2009	07/01/2010	6 Recommendations
Financial	OIG-AR-08-10	Internal Controls Related to Property, Plant, and Equipment	07/07/2010	1 Recommendation
IT Security	OIG-AR-09-10	Patching of ITC Workstations	06/23/2010	6 Recommendations
IT Security	OIG-AR-10-10	Software Inventory	07/13/2010	7 Recommendations
<i>NOTE: There were no questioned costs, unsupported costs or funds identified that could be put to better use in any of these reports.</i>				

#### **Audit on the Examination and Confirmation of the Balance on the Property, Plant, and Equipment Account on the 2009 Financial Statement, OIG-AR-07-10**

The Inspector General engaged the services of an independent accounting firm to perform audits on specific components of the 2009 financial statements. The first audit was to examine assets recorded in the Property, Plant, and Equipment account on the 2009 financial statement.

We found that the Commission did not have a standardized process to identify, capitalize, reconcile, and manage assets reported in the Property, Plant, and Equipment account. As a result, assets and expenses on the 2009 balance sheet in the Property, Plant, and

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Equipment account could not be substantiated. The following three problem areas contributed to the inability to confirm the balances.

- Lack of understanding of the Statement of Federal Financial Accounting Standards impact on the procurement of assets.
- Lack of reconciliation of the Property, Plant, and Equipment account balance.
- Asset files were not established and maintained with sufficient documentation.

The audit identified six recommendations to address the three problem areas. The Chairman concurred with our assessment, and acknowledged that the three problem areas identified in the report needed to be resolved. They are now being addressed by management.

The audit also identified five conditions that had already been identified in a previous audit report. Management decisions were agreed upon and corrective action was already in progress during the performance of this audit. The findings were noted as repeatable conditions in the audit report and no additional recommendations were identified to address these areas.

### **Audit of Internal Controls Related to the Property Plant and Equipment Account, OIG-AR-08-10**

An independent accounting firm was engaged by the Inspector General to conduct an audit of the internal controls related to the Property, Plant, and Equipment account.

We found that the Commission did not have policies or procedures in place to identify the documentation required to support on-top adjustments or capital acquisitions. As a result, the Commission has not maintained complete or accurate documentation to support the values reported in the Property, Plant, and Equipment account.

The audit identified nine conditions related to policies, procedures, resources, and training which had already been identified in a previous audit report. Management decisions were agreed upon and corrective action was already in progress to address these problems. These findings were noted as repeatable conditions in the audit report.

The audit also identified one new recommendation. The Chairman concurred with our assessment and acknowledged that the three problem areas identified in the report needed to be resolved. They are currently being addressed by management.

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### **Audit on the Patching of ITCNet Workstations, OIG-AR-09-10**

An audit was conducted that evaluated the patching process for workstations to determine if it was effectively reducing the Commission's risk. Patch management is an essential element of an information technology security program that controls the deployment and maintenance of software releases to help maintain efficiency and overcome security vulnerabilities.

The audit found that the Commission's patching process was ineffective. All workstations included in the audit were missing high severity patches. In total, 28,320 high severity patches were missing on 354 workstations, averaging 80 missing patches per workstation. We identified three problem areas that contributed to the ineffectiveness of the patching workstations.

- The Commission did not measure or monitor the patch status of workstations.
- The responsibility for patching workstations was unclear.
- The Commission did not have an automated system-wide process to patch workstations.

We issued six recommendations to address the three problem areas. The Chairman concurred with our assessment, acknowledged that the three problem areas presented significant material risks, and undertook immediate action to reduce its vulnerabilities.

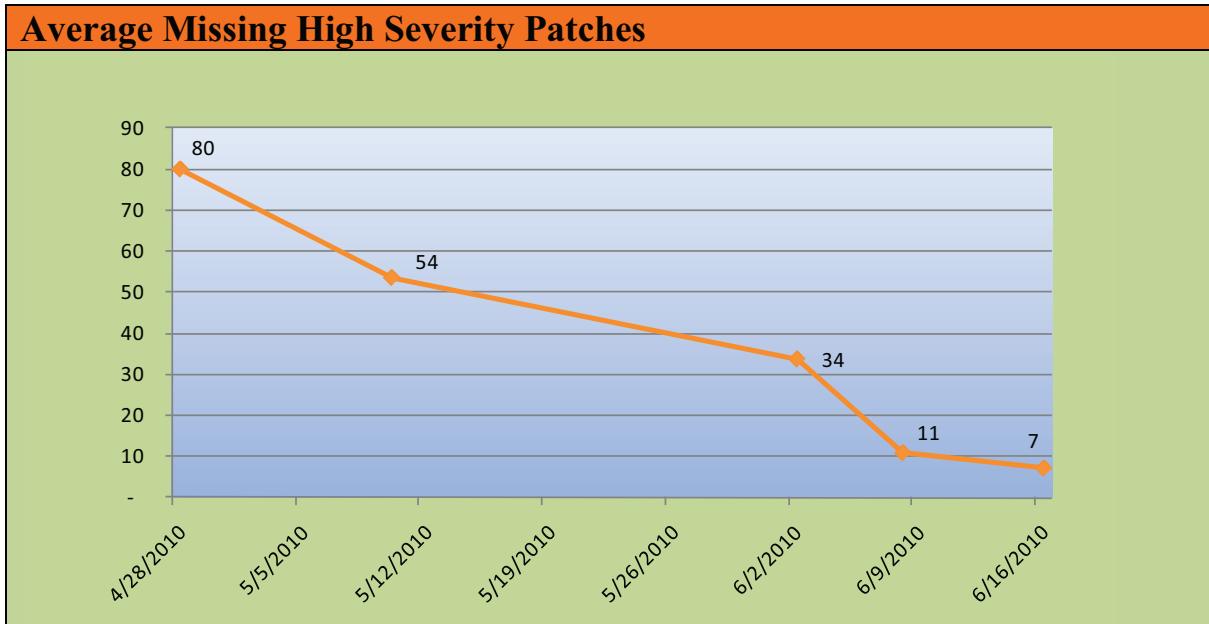
As of the date of the final audit report, the aggregate number of missing High Severity patches had decreased by 91.7%, from 28,320 to 2,333, and the average number of missing High Severity patches per workstation had decreased from 80 to 7, as seen in Chart 1.

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Chart 1: Average Missing High Severity Patches.



### **Audit of Software Inventory, OIG-AR-10-10**

An audit was conducted to determine if the Commission maintained an accurate inventory of software on ITCNet. Effective software inventory management practices reduce support requirements, limit vulnerabilities, and provide a better means of complying with software licensing requirements.

We found that the Commission did not maintain an accurate inventory of software on ITCNet. The Office of the Chief Information Officer provided a listing of 260 inventoried software applications. We identified more than one thousand unique installed applications on ITCNet. An analysis of the installed applications identified the following three problem areas related to the software inventory:

- Commission workstations had software installed that was unrelated to business needs, such as Monopoly, Skype, and TurboTax;
- The Commission used multiple applications from different vendors to perform the same function; and
- Software versions were not standardized, causing the Commission to have multiple versions of the same applications.

We issued seven recommendations to resolve the problem areas found in this audit. The Chairman agreed with our assessment that the Commission had not maintained an

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accurate and full accounting of installed software applications, and recognized the need to resolve the three identified problem areas.

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

The Commission has nine recommendations described in prior semiannual reports where corrective action is not yet complete. The Inspector General identified five of the nine recommendations as significant. A list of each report containing the nine open recommendations is provided in Table 7.

Three of the recommendations were originally made in 2005 to address weaknesses in the Commission's plans for continuity of operations. The 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.

The remaining two recommendations are related to policies and procedures for financial management activities. These were identified as significant because the lack of documented policies and procedures was a contributing factor to the material weaknesses identified over financial reporting, financial analysis, and management oversight in the internal control audit for the 2009 financial statements.

While these significant recommendations have been previously reported, they all remain on track to meet the scheduled target completion dates. Additionally, a list of each significant recommendation by report number is provided in Table 4.

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### **External Reviews Completed During This Period**

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

The Office of Personnel Management (OPM) performed a review of the Commission's Personnel Security and Suitability Program. The review involved examining and measuring key program areas including position designation processes, investigation request processes, adjudication processes, and processes supporting reform goals and reciprocity. The final report was issued on July 21, 2010. The report acknowledged that the Commission has satisfied some performance goals and provided 22 recommendations for management decisions. A summary of the findings by area are provided below.

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### Area 1: Suitability and Security Performance Goals and Measurements:

In this area, OPM determined that the Commission did not meet some of the performance goals established by the Performance Accountability Council. They identified five recommendations to address the following four findings:

- The Commission did not properly calculate or submit the Commission's annual projection of investigative requirements to OPM.
- The Commission did not use the Central Verification System to determine if an applicant has a reciprocally acceptable investigation before requesting an investigation.
- The Commission did not meet the requirement of submitting investigation requests within 14 days of the applicant signing and certifying the request.
- The Commission did not meet the goals for adjudicative timelines.

### Area 2: Designation of Position Risk/Sensitivity Level

OPM determined that the Commission did not properly designate positions. As a result, the Commission did not submit the proper investigations request forms, and did not request the proper level of investigation. Four recommendations were identified to address this finding.

### Area 3: Investigations and Re-Investigations:

OPM identified six recommendations to address the following three findings:

- The Commission's source data for investigations and re-investigations contained discrepancies in the employee's personally identifiable information.
- The Commission did not properly follow the suitability determination process.
- The Commission did not always request reinvestigations in a timely fashion.

### Area 4: Adjudications of Background Investigations:

OPM determined that the Commission did not follow the suitability adjudication criteria of 5 CFR 731 or use the Suitability Processing Handbook when performing the adjudication assessments. One recommendation was provided to resolve this finding.

### Area 5: Storage and Access to Information:

OPM identified three recommendations to address the following two findings:

- The Commission did not follow the guidance in E.O. 12958 regarding the proper handling and storage of classified information.
- The Commission did not properly maintain files for individuals holding security clearances.

### Area 6: Written Instructions and Notices

OPM found that the Commission did not have sufficient internal program guidelines and standard operating procedures and provided one recommendation to resolve this finding.

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### Area 7: Training and Certification:

OPM found that the Commission's security personnel were not adequately trained in all areas of program operation and provided one recommendation to resolve this finding.

In closing, OPM recommended that the Commission complete a manpower study to determine if the program is properly resourced and suggested a complete program restructuring. The Commission generally concurred with the recommendations, made management decisions, and corrective action is currently underway to resolve the issues identified in the report.

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## **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 16 recommendations this reporting period, bringing the total recommendations closed to 50 overall. The Commission is working on implementing the remaining 33 management decisions.

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## **External Reviews Related to Inspector General Activities**

### **Peer Review of the Office of Inspector General Audit Function**

The Inspector General from the National Archives and Records Administration (NARA) performed a peer review of the audit functions of the Commission's Office of Inspector General. The NARA Inspector General was tasked to review the system of quality control in effect from October 1, 2008 through September 30, 2009. The NARA Inspector General was unable to express an opinion on the audit program because no audits had been conducted in the past five years. The final system report was issued on May 27, 2010 and identified seven problem areas. Thirteen specific actions were identified and implemented to address the seven recommendations.

The results of the peer review are provided in Appendix A. The full report can be found on our website at [http://www.usitc.gov/oig/documents/NARAREport\\_00001.PDF](http://www.usitc.gov/oig/documents/NARAREport_00001.PDF).



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

The GAO completed fieldwork for a review of oversight activities of the Inspector General at the Commission. The GAO issued a draft report on September 27, 2010 for review and comment. It identified one recommendation for the Inspector General. The final report was issued at the end of October.

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### **Congressional Liaison Activities**

During this period the Inspector General responded to two congressional inquiries. The first inquiry was from the Ranking Member of the House Committee on Oversight and Government Reform. The request was a follow-up to a report issued by the Committee regarding opportunities to save taxpayer money by implementing open recommendations. Specifically, he was seeking updated information on the status of the Commission's open and unimplemented recommendations.

The second inquiry was from the Ranking Member of the Senate Committee on Finance, and the Ranking Member of the Senate Committee on Homeland Security and Governmental Affairs, Permanent Subcommittee on Investigations. The request sought information from the Inspectors General community in support of their oversight activities and continued effort to protect the independence of the Inspectors General.

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### **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). On August 12, 2010, the Inspector General entered into an interagency agreement with the CIGIE and approved the transfer of funds to cover planned costs associated with carrying out the functions and duties of the CIGIE for fiscal year 2010.

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### **Regulatory Reviews**

The Inspector General performed one regulatory review during this period on a notice of proposed rulemaking to amend the rules of general adjudication and enforcement.

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

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

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

Prior Significant Recommendations Where Corrective Action Has Not Been Completed	
Report Number	Recommendation
OIG-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.
OIG-AR-02-10	Establish formal policies and procedures to ensure the Commission is able to comply with applicable accounting, financial management, and reporting standards and regulations. These policies and procedures should incorporate adequate segregation of duties, as well as a sufficient level of review and approval process.
OIG-AR-02-10	Formalize and periodically update policies and procedures to provide guidance to management and staff in performing their responsibilities specific to financial management. These procedures should incorporate, at a minimum, routine accounting procedures and financial reporting requirements to ensure the timeliness and accuracy of financial statements.

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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.	4	\$0	\$0
<b>Subtotals</b>	4	\$0	\$0
Reports for which a management decision was made during the reporting period.	4	\$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.	0	\$0	\$0

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.	4	\$0
<b>Subtotals</b>	4	\$0
Reports for which a management decision was made during the reporting period.	4	\$0
<ul style="list-style-type: none"> <li>Dollar value of recommendations agreed to by management.</li> </ul>	0	\$0
<ul style="list-style-type: none"> <li>Dollar value of recommendations not agreed to by management</li> </ul>	0	\$0
Reports for which no management decision has been made by the end of the reporting period.	0	\$0

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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	Confirmation Property, Plant, and Equipment Balance 2009	6	6	0	4 / 2
2	Patching of ITC Workstations	6	6	0	5 / 1
3	Software Inventory	7	7	0	1 / 6
	<b>Subtotal Current Period</b>	<b>19</b>	<b>19</b>	<b>0</b>	<b>10 / 9</b>
<b>Prior Reporting Periods</b>					
	Report Title	# of Recs.	Mgt. Decisions	Decisions IG Disagrees With	Final Action Complete / Action Not Complete
1	Independent Auditor's Report on Internal Controls for 2009 Financial Statements, 11/06/2009	13	13	0	10 / 3
2	Management Letter for 2009 Financial Statements, 12/08/2009	6	6	0	4 / 2
3	Federal Information Security Management Act Fiscal Year 2009 Performance Audit, 03/09/2010	11	11	0	10 / 1
4	Federal Information Security Management Act Fiscal Year 2004 Performance Audit, 09/27/2005	14	14	0	11 / 3
	<b>Subtotal Prior Period</b>	<b>44</b>	<b>44</b>	<b>0</b>	<b>35 / 9</b>

# U.S. International Trade Commission

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Table 8: Status of Reports With Final Action Completed

Status of Reports With Final Action Completed					
During This Reporting Period					
	Report Title	# of Recs.	Mgt. Decisions	Decisions IG Disagrees With	Final Action Complete
1	Audit of Internal Controls Related to the PP&E Account	1	1	0	1

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## Appendix A

### APPENDIX A: Results of Peer Review

The table below identifies the seven recommendations and the corrective actions from the peer review. All corrective actions were completed by September 30, 2010.

Results of Peer Review	
<b>Recommendation 1</b>	
<i>The ITC OIG should develop written policies and procedures designed to provide reasonable assurance that GAGAS and other pertinent requirements are met.</i>	
<b>Management Decision</b>	<b>Status</b>
The ITC OIG will develop written policies to provide reasonable assurance that GAGAS and other pertinent requirements are met.	Completed
The ITC OIG will develop written procedures to support the policies.	Completed
<b>Recommendation 2</b>	
<i>The ITC OIG should develop a method to maintain documentation showing continuing professional education and training for auditors to determine and ensure they have met the GAGAS requirements.</i>	
<b>Management Decision</b>	<b>Status</b>
The ITC OIG will develop a policy to ensure auditors have met the GAGAS training requirements.	Completed
The ITC OIG will develop a system to maintain documentation to track CPE training for auditors.	Completed
<b>Recommendation 3</b>	
<i>The ITC OIG should develop a method to track audits (e.g., audits scheduled, cancelled, terminated, or completed during the period).</i>	
<b>Management Decision</b>	<b>Status</b>
The ITC OIG will develop a procedure to track audits scheduled, cancelled, terminated, or completed during the period.	Completed
The ITC OIG will develop a system to track audits as required in the procedure.	Completed
<b>Recommendation 4</b>	
<i>The ITC OIG should develop a method to track and follow-up on recommendations to ensure corrective action was taken.</i>	
<b>Management Decision</b>	<b>Status</b>
The ITC OIG will develop a procedure to track, follow-up and document when corrective action was taken on recommendations.	Completed
The ITC OIG will develop a system to follow-up on recommendations in accordance with the procedures.	Completed
<b>Recommendation 5</b>	
<i>The ITC OIG should maintain records supporting compliance with GAGAS including communication of external peer reviews to appropriate oversight bodies.</i>	
<b>Management Decision</b>	<b>Status</b>
The ITC OIG will develop a policy to maintain records supporting compliance with GAGAS.	Completed
The ITC OIG will post the results of this audit on our public website within 3 working days after receipt of final report.	Completed
The ITC OIG will transmit a copy of this audit report to the appropriate oversight bodies within 3 working days of receipt of the final audit report.	Completed
<b>Recommendation 6</b>	
<i>The ITC OIG should perform audits relating to the programs and operations of ITC in accordance with GAGAS.</i>	
<b>Management Decision</b>	<b>Status</b>
The ITC OIG will include audits relating to the programs and operations of ITC in the FY2011 audit plan.	Completed
<b>Recommendation 7</b>	
<i>The ITC OIG should use the GAO/PCIE FAM 650 as guidance in making the judgments necessary for the OIG to use the work of other auditors and specialists and for determining the extent of the review and maintenance of supporting documents for determining the contractor's compliance with GAGAS.</i>	
<b>Management Decision</b>	<b>Status</b>
The ITC OIG will develop procedures to use GAO/PCIE FAM 650 as guidance when monitoring the work of an IPA to determine the extent of their compliance with GAGAS.	Completed





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## Appendix B

### Appendix B: 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.	4	\$0
Reports for which final action had not been taken by the commencement of the reporting period.	4	\$0
Reports on which management decisions were made during the reporting period.	4	\$0
Reports for which final action was taken during the reporting period.	1	\$0
<ul style="list-style-type: none"> <li>Dollar value of disallowed costs, recovered by management.</li> </ul>	0	\$0
<ul style="list-style-type: none"> <li>Dollar value of disallowed costs written off by management.</li> </ul>	0	\$0
Reports for which no final action has been taken by the end of the reporting period.	7	\$0

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

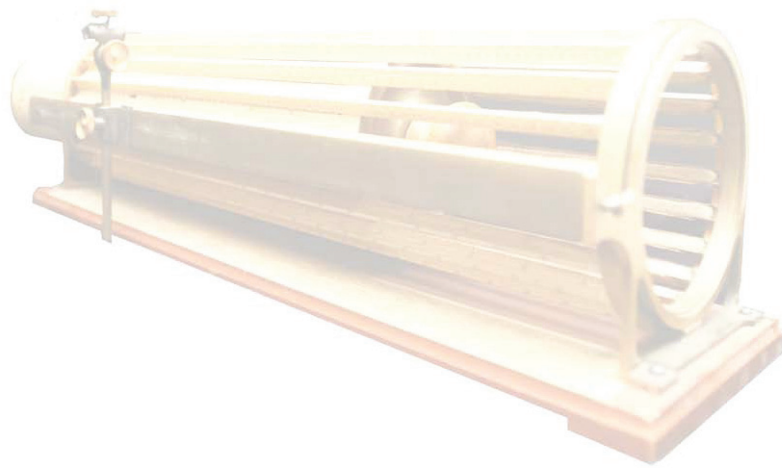
<b>Reports with Recommendations that Funds be Put to Better Use</b>		
<b>Description</b>	<b>Number of Reports</b>	<b>Funds Put to Better Use</b>
Reports for which final action had not been taken by the commencement of the reporting period.	4	\$0
Reports on which management decisions were made during the reporting period.	4	\$0
Reports for which final action was taken during the reporting period including:	1	\$0
<ul style="list-style-type: none"> <li>Dollar value of recommendations that were actually completed.</li> </ul>	0	\$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	\$0
Reports for which no final action has been taken by the end of the reporting period.	7	\$0

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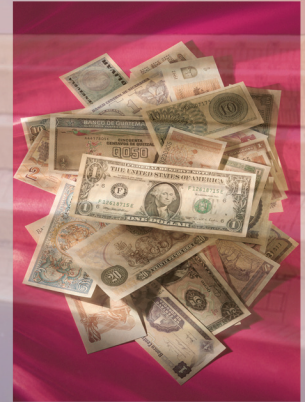
Table C: Prior Year Management Decisions Without Final Action

<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



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