

Office of INSPECTOR GENERAL

Semiannual Report

April 1 – September 30, 1991



October 1991

Date Issued



UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, D.C. 20436

October 31, 1991

OFFICE OF INSPECTOR GENERAL SEMIANNUAL REPORT

TO THE COMMISSION AND THE UNITED STATES CONGRESS


It is my pleasure to submit this Semiannual Report which summarizes the major activities and accomplishments of the Office of Inspector General (OIG), U.S. International Trade Commission for the period April 1 through September 30, 1991. The submission of this report is in accordance with the Inspector General Act of 1978, as amended. Section 5 of the Act requires that the Chairman transmit this report to the appropriate committees or subcommittees of the Congress within 30 days of its receipt.

During this period, the OIG issued six audit reports addressing program areas such as Title VII investigations and equal employment opportunity and financial areas including procurement, imprest funds and representation expenses. One unplanned review was conducted in response to a request from the Office of Personnel Management to assist in conducting a Government-wide audit of a claim from a health benefits plan. The OIG also completed three investigations and four inspections.

A notable achievement of the Commission was receipt of an unqualified opinion on the Fiscal Year (FY) 1989 and 1990 financial statements. The Commission had also received an unqualified opinion on the FY 1987 and 1988 financial statements in early 1989. The ability to prepare financial statements and obtain clean opinions meets the intent of the Chief Financial Officer's Act even though the Commission is not one of the agencies mandated to comply. This accomplishment should be recognized as placing the Commission in the forefront of the Government's efforts to instill fiscal responsibility in agency financial systems.

I also coordinated with the staff of the Acting Chairman on audit followup during this period. Clarifications to the Audit Followup Directive aimed at improving timely completion of agreed upon actions were issued on June 17 and August 30, 1991. Even with this effort, there are four audit reports this period in which the agreed upon actions have not been completed for over a year compared to one audit report identified in the prior Semiannual Report. These audits are discussed in more detail on pages 3 and 4 of this Semiannual Report. During the month of October, the Acting Chairman contacted various Commission officials to ascertain why agreed upon actions have not been completed as scheduled and why she is not being adequately informed of changes in deadlines and completed actions. During the next period, I will coordinate further with the Acting Chairman and the action officials on necessary actions to close these recommendations.

I would like to thank the Commission for their support. As always, I look forward to working with the Commissioners and the Commission staff in the future.


Jane E. Altenhofen
Inspector General

COMMISSION PROFILE

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

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

The Commission is headed by six Commissioners, nominated by the President and confirmed by the Senate, who serve nine-year terms. The Chairman is designated by the President and serves for a two-year statutory term. During this period, the Commission had four appointed Commissioners and two vacancies.

The Commission had a single salaries and expense appropriation in the amount of \$40,299,000 for Fiscal Year (FY) 1991. Approximately 70% of the Commission's appropriation is allocated to personnel compensation and benefits, reflecting the labor intensive nature of the Commission's mission. In addition, approximately 16% of the appropriation was allocated for space rental. The balance of expenses consisted primarily of communications, travel, supplies, equipment, and other services.

The Commission had an approved staffing level of 502 permanent positions in FY 1991. All of its employees are located in one building at 500 E Street, S.W., Washington, D.C.

THE OFFICE OF INSPECTOR GENERAL

The Commission established the OIG pursuant to the Inspector General Act Amendments of 1988 (P.L. 100-504). The Inspector General reports directly to the Chairman (or Acting Chairman) as head of the agency, subject to the limitations of section 331 of the Tariff Act of 1930 (19 U.S.C. 1331). The Inspector General is responsible for directing and carrying out audits, investigations and inspections relating to Commission programs and operations; and for recommending and commenting on proposed legislation, regulations and procedures as to their economy, efficiency and effectiveness. Certain information and statistics that are required by section 5(a) of the Inspector General Act to be included in the Semiannual Reports are summarized in Attachment A.

RESOURCES

FY 1991

The OIG was allocated three staff years and \$221,800. This provided funding for two full-time permanent positions - the Inspector General and a staff assistant. The third staff year was initially for hiring temporary staff, but was converted to a permanent full-time auditor position in March 1991. Under the Summer Employment Program, a graduate student who had worked in the OIG the prior summer was employed as an audit assistant from June 10 to August 16, 1991.

The OIG's budget allocation included \$75,000 for contract audit services of which \$68,800 was expended. An audit firm was awarded funds to conduct three reviews during FY 1991.

The Inspector General continues to receive support from the Offices of General Counsel and Personnel in accordance with the Memoranda of Understanding.

AUDIT ACCOMPLISHMENTS

Audits and Reviews

The FY 1991 Audit Work Plan provided for a mix of programmatic, financial, and administrative audits. Six audits were completed and the reports issued during this period. These were:

1. Audit of USITC's Imprest and Official Representation Funds;
2. Audit of the USITC Financial Statements for Fiscal Years 1989 and 1990;
3. Review of the USITC Equal Employment Opportunity Program;
4. Audit of Procurement Policies and Procedures within the USITC;
5. Audit of HealthPlus Claim; and
6. Review of USITC's Coordination with the Department of Commerce in Implementing Title VII Determinations.

Each of these audit reports is summarized in Attachment B.

Efforts ongoing as of September 30, 1991, included:

- Audit of Property Management; and
- Review of Space Utilization Charges.

Audit Followup

The Acting Chairman issued Administrative Orders on June 17 and August 30, 1991, to clarify the Audit Followup Directive. The clarifications were aimed at improving timely completion of agreed upon actions. Even with this effort, there are four audit reports this period in which the agreed upon actions have not been completed for over a year compared to one audit report identified in the prior Semiannual Report.

These audit reports with open recommendations are:

- Review of the Implementation of the Administrative Protective Order Provision in Title VII Investigations, IG-02-90, dated February 9, 1990;
- Review of Verification of Report Data in Title VII Investigations, Report No. IG-04-90, dated July 3, 1990;
- Review of Personnel Management Functions and Activities, Report No. IG-06-90, dated September 21, 1990; and

- Review of USITC's Information Security Program, Report No. IG-07-90, dated September 28, 1990.

The Administrative Protective Order Provision and Verification of Report Data reports each have one remaining open recommendation which are not actively being addressed. The Personnel Management and Information Security reports had numerous recommendations, all of which were originally scheduled to be completed within one year. Management is actively working on the agreed upon actions. During the next period, I will coordinate further with the Acting Chairman on necessary actions to close these recommendations.

INSPECTIONS

History

Over the past 10 years inspections have evolved into a unique function within the Inspector General community. In contrast to historical military inspections that focused primarily on military readiness and personnel health and well-being, Inspector General inspections are more akin to evaluation, audit, investigation, and policy analysis, and are designed to support overall Inspector General fraud, waste, and mismanagement missions. Inspections evolved to satisfy important needs that have not been adequately addressed by audits and investigations. The most notable of these needs is to provide greater coverage with fewer staff, to use different types of study methods, to generate deterrence through OIG coverage, to provide timely feedback to program managers, and to review new operations early in their existence. The particular need varies from one OIG to another and the inspection function at each agency has been tailored to individual circumstances.

Commission Use

Within the Commission, the OIG had been conducting various audit related activities, primarily involving travel and imprest funds, that could appropriately be considered inspections. During this period, four inspections were completed and the reports were issued as listed on the following page.

1. Quarterly Review of Travel Expenditures, 6/14/91
2. Cash Counts of USITC Imprest Funds, 6/14/91
3. Cash Counts of USITC Imprest Funds, 8/19/91
4. Quarterly Review of Travel Expenditures, 9/20/91

The inspections had no significant findings, although various suggestions were made to improve internal controls.

FRAUD, WASTE AND ABUSE

Investigations A summary of investigative activity is presented below:

| | |
|--------------|----------|
| Open 3/31/91 | 1 |
| Initiated | <u>3</u> |
| Total | 4 |
| Closed | <u>3</u> |
| Open 9/30/91 | 1 |

The investigation of a contractor initiated in the prior period and referred to the Department of Justice and the U.S. Attorney's Office for action, is still under investigation by the Federal Bureau of Investigation.

One investigation was initiated during this period to determine the relevant facts concerning the distribution of an internal Commission memorandum. We suggested, in a report to the Commission, that a directive be issued providing guidance on policies and procedures on the identification and control of sensitive information and the release of information.

An investigation was initiated after a complaint was received from a bidder regarding a contract award. It was determined that the award was made appropriately.

The OIG was contacted about a series of telephone solicitations that had been received by several Commission employees. This complaint was referred

to the Commission Security Officer who circulated an announcement to all employees providing guidance on handling calls of this nature.

Review of
Legislation,
Regulations,
and Directives

As set forth in the Inspector General Act, a duty and responsibility of the Inspector General is to review existing and proposed legislation and regulations relating to programs and operations of the Commission. The OIG did not review any proposed legislation or regulations during this period.

The Inspector General also has the responsibility to review all proposed Commission directives to evaluate the impact new or revised procedures will have on the efficiency of operations and to minimize the potential for fraud or abuse. Eight directives were reviewed during this period.

LIAISON ACTIVITIES

PCIE

The President's Council on Integrity and Efficiency (PCIE) was established in 1981 to coordinate and implement Government-wide activities to combat fraud and waste in Federal programs and operations and to promote economy and efficiency. The Inspector General has been an active member of the PCIE Designated Inspectors General. She served as a member of the Retreat Planning Committee for a retreat which was held in May. She conducted a survey of pertinent material maintained by the designated agency Inspectors General on audits, investigations, management and agency functions and compiled and distributed an index of this information. The Inspector General is currently a member of the PCIE Joint Task Force of Agency Head and Presidentially appointed Inspectors General to identify and analyze issues of concern to the 34 agencies with designated Inspectors General.

General
Accounting
Office

The Inspector General Act states that each Inspector General shall give particular regard to the activities of the Comptroller General of the United States with a view toward avoiding duplication and ensuring effective coordination and cooperation. A summary of the General Accounting Office (GAO) reviews that include Commission activities is presented on the following page.

| | |
|-------------------------|----------|
| Ongoing Reviews 3/31/91 | 5 |
| Reviews Initiated | <u>2</u> |
| Total | 7 |

| | |
|-------------------------|----------|
| Reviews Completed | <u>3</u> |
| Ongoing Reviews 9/30/91 | 4 |

Two reviews were initiated during this period. These are entitled:

- General Management Review of Customs; and
- Study of the Effectiveness of the OIGs Established at 34 Designated Federal Agencies.

GAO issued reports on the three reviews completed during this period. These are:

- TRADE AND ECONOMIC DATA Many Federal Agencies Collect and Disseminate Information;
- SOVIET ENERGY U.S. Attempts to Aid Oil Production are Hindered by Many Obstacles; and
- U.S.-MEXICO TRADE Concerns About the Adequacy of Border Infrastructure.

These reports included no recommendations to the Commission.

Student Internship

In June 1991, the Inspector General signed an agreement with the U.S. Department of Agriculture Graduate School to provide an opportunity for career exposure to an auditor from Indonesia. The auditor reviewed documents and attended various meetings in order to become familiar with OIG functions and activities. He was at the Commission from July 1 to August 2, 1991.

INFORMATION REQUIRED BY SECTION 5(a)
OF THE INSPECTOR GENERAL ACT

Certain information and statistics that are required by section 5(a) of the Inspector General Act to be included in the Semiannual Reports are set forth below:

- Based on the activities accomplished during this period, we have not identified any significant problems, abuses or deficiencies relating to the administration of programs.
- The six audit reports issued during this period include no recommendations on questioned costs or funds that could be put to better use.
- Corrective action has not been completed on all significant recommendations which were described in the previous Semiannual Report for the six month period ending March 31, 1991. Recommendations were made to address material internal control weaknesses related to time and attendance and payroll processing. The Office Directors are actively pursuing implementation of these recommendations.
- There were no prosecutions or convictions.
- No reports were made to the Acting Chairman that information or assistance requested by the Inspector General were unreasonably refused or not provided.

SUMMARY OF AUDIT REPORTS

TITLE: AUDIT OF USITC'S IMPREST AND OFFICIAL REPRESENTATION FUNDS

REPORT NUMBER: IG-05-91

REPORT DATE: April 30, 1991

FINDINGS: The purpose of this audit was to determine if funds were properly accounted for and administered in accordance with USITC policy and Treasury guidelines. We also evaluated the management of the official representation fund.

We found that, in general, the Office of Management Services (OMS) and Office of Finance and Budget (OFB) imprest funds were in balance and had adequate internal controls over authorization and documentation of expenditures and physical security. Our evaluation of the official representation fund found there were adequate policies and procedures for authorizing and controlling disbursements.

We found several areas of noncompliance with Treasury guidelines that are nonmaterial in nature. These were a lapse in security over the OFB fund, the absence of approvals for claims made by certain Commission officials, and inadequate accounting for replenishments in the OFB subfund. Our followup on prior recommendations found that corrective actions had been implemented as agreed, but the level of the OFB subfund needed to be reevaluated.

RECOMMENDATIONS: We recommended that the Director, Office of Administration clarify the policy on authorization of imprest fund claims and that the level of the OFB subcashier's fund be reduced to no more than \$1,500 or obtain the Acting Chairman's approval for the \$2,000 level.

Based on the Acting Chairman's decision, the Director, Office of Administration clarified that Office Directors need to have their claims approved by a supervisor and reduced the level of the OFB subcashier's fund.

TITLE: AUDIT OF THE USITC FINANCIAL STATEMENTS FOR FISCAL YEARS 1989 AND 1990

REPORT NUMBER: IG-06-91

REPORT DATE: July 12, 1991

FINDINGS: The objectives of this audit were to issue an opinion as to the fairness of the USITC Financial Statements for Fiscal Years ending September 30, 1989, and 1990 in presenting the financial condition and results of operations. The auditors expressed the following opinions:

- The financial statements present fairly, in all material respects, the financial position of the USITC as of September 30, 1989, and 1990, and the results of its operations and changes in its financial position for the years then ended.
- No matters involving the internal control structure and its operation were considered to be material weaknesses.
- For the items tested, USITC complied in all material respects with the provisions of applicable laws and regulations that could have a material effect on the financial statements.

SUGGESTIONS: We suggested that the OMS 1) exclude from the fixed asset listing it furnishes to the OFB all items valued at less than \$5,000 (unless properly included in accordance with Federal guidance pertaining to grouped assets); and 2) prepare and retain a master property list of items on hand as of September 30, in addition to the fixed asset list to facilitate the financial audit and provide for ease of reconciliation in preparing the financial statements.

The Director, Office of Administration concurred with the findings and suggestions.

TITLE: REVIEW OF THE USITC EQUAL EMPLOYMENT OPPORTUNITY PROGRAM

REPORT NUMBER: IG-07-91

REPORT DATE: September 12, 1991

FINDINGS: The purpose of the review was to evaluate the Commission's compliance with applicable laws and regulations and the effectiveness of the Equal Employment Opportunity (EEO) Program.

We found that the EEO program had some notable accomplishments but does not actively pursue affirmative action. Specifically, we found that EEO staff are all assigned on a collateral duty basis, which presents problems with continuity and effective accomplishment of the EEO program; EEO staff and Commission managers and supervisors are not all evaluated on their support of EEO objectives; the Commission has provided adequate resources for the EEO program, although better planning is needed; and required EEO reports are submitted, although not always on a timely basis.

We also found that the Commission has implemented career enhancement programs but has made limited recruiting efforts. Except for an extensive Federal Women's Program, minority programs have had minimal activity; a program coordinator has not been designated for Blacks. The Commission has not developed a training program for EEO staff or Commission employees and has presented minimal EEO training. The Commission has implemented a complaint process, and has been timely in all but one case in responding to complaints. The Commission has not complied with two regulatory requirements: 1) to publish agency regulations for the acceptance of complaints and 2) to post certain information permanently on official bulletin boards. The Commission has a system to periodically evaluate the effectiveness of the EEO program. However, corrective actions have not been taken in a timely manner to correct the deficiencies identified.

RECOMMENDATIONS: Recommendations based on the above findings are that the EEO Director:

- Work with the Chairman's office in establishing an EEO office with permanent staff resources; have performance plans or agreements prepared for EEO staff and all managers and supervisors, and include all aspects of the EEO program in funding requests;
- Establish a schedule of required reports and due dates to ensure reports are submitted on time; and clarify the role of the Office of Personnel in report preparation and approval;
- Coordinate with the Director, Office of Personnel to develop an active recruiting program; and request that the Acting Chairman designate a program coordinator to represent Blacks;
- Develop a system to review annually the needs of the EEO staff for training and include this in the performance plans; and develop a comprehensive training agenda for the Commission; and
- Update the agency directive on the EEO program; and design posters that comply with the Federal regulations and post one on each floor of the Commission.

The EEO Director fully concurred with most of the findings and recommendations. He partially agreed with recommendations on EEO training for Commission employees and updating the agency directive on the EEO program. The Acting Chairman concurred with the EEO Director's response except for two aspects. The Acting Chairman concurred that the EEO office needed permanent resources, but said different options should be considered before deciding to appoint a full-time Director as proposed. The Acting Chairman also disagreed with the EEO Director's comment that the General Counsel has only a limited role in the complaint process and stated the need to develop and define this role prior to updating the Commission's Directive on EEO.

TITLE: AUDIT OF PROCUREMENT POLICIES AND PROCEDURES
WITHIN THE USITC

REPORT NUMBER: IG-08-91

REPORT DATE: September 13, 1991

FINDINGS: The objectives of this audit were to evaluate the procurement policies and procedures to identify any areas of non-compliance with applicable regulations and Commission directives, improvements to internal controls, or increased efficiency. The auditors found that the system of internal accounting control in effect during FY 1990 appeared sufficient to meet the objectives of the procurement system and that, for the items tested, USITC complied, in all material respects, with the provisions of applicable laws and regulations. The Office of Administration has done a commendable job in improving the procurement process since external management reviews were completed in December 1986 and January 1989 which found multiple areas needing improvement.

The auditors did find certain conditions in the internal accounting control system that, while not individually or collectively considered material weaknesses, warrant management's attention and corrective action. The auditors found that the procurement process could be improved in that:

- Certain aspects of USITC procedural guidance either exceed or do not conform to the Federal Acquisition Regulations;
- Receiving reports were not always completed to indicate that goods were actually received or to indicate the quantity received;
- Not all Advisory and Assistance Services Checklists were properly completed;
- There is no off-site storage of procurement computer data files; and
- Excess telephone equipment had not been promptly returned for credit or refund.

The auditors also found that controls over USITC's payment process could be improved in the following areas:

- Inadequate separation of duties for payment vouchers under \$5,000;
- Procedural weaknesses involving signature cards, date-stamping, accounting system entries, and receiving reports;
- Payment procedures were not always followed, for example, certifications and approvals were missing;
- A payment was improperly made from a prior year's appropriation;
- The date when goods or services were received could not always be determined; and
- Funds were deobligated based upon documentation other than an amended purchase order.

RECOMMENDATIONS: We recommended that the Director, Office of Administration take appropriate action to implement the following recommendations:

- Improve the procurement process by revising the USITC Directive; ensure receiving reports are fully and accurately completed; properly complete advisory and assistance services checklists; arrange for off-site storage; return excess telephone equipment; and
- Improve the payment process by separating duties; implementing procedural controls; ensuring all invoices for goods and services are approved and certified for payment; exercising due care in the payment of invoices; obtaining the actual date of receipt on the receiving report or invoice; and ensuring proper authorization is received prior to deobligating funds.

The Director, Office of Administration agreed with all but two of the findings and agreed to take the recommended corrective action on all of the recommendations.

TITLE: AUDIT OF HEALTHPLUS CLAIM

REPORT NUMBER: IG-09-91

REPORT DATE: September 16, 1991

FINDINGS: This audit was scheduled in response to a request from the Office of Personnel Management (OPM) for assistance in conducting a Government-wide audit of a claim from a health benefits plan. The objectives of the audit were to: 1) determine the validity of the USITC portion of the claim made by HealthPlus against OPM; 2) determine the amounts due HealthPlus, through OPM, from USITC; and 3) identify the causes of any overpayments or underpayments to HealthPlus.

For the twelve pay periods selected by OPM, we reviewed the amounts paid by the Commission and the employee with the amount claimed by HealthPlus. There were differences in three pay periods. In all instances, HealthPlus had been properly notified of the transactions and the proper amounts were remitted on behalf of the Commission and the employee.

At an exit conference, officials of the Office of Administration agreed with the findings.

We had no recommendations for improvements.

TITLE: REVIEW OF USITC'S COORDINATION WITH THE DEPARTMENT
OF COMMERCE IN IMPLEMENTING TITLE VII
DETERMINATIONS

REPORT NUMBER: IG-10-91

REPORT DATE: September 27, 1991

FINDINGS: This review was scheduled in response to a concern expressed by a Congressman that people were having difficulty getting Commission determinations implemented, possibly because coordination with the Department of Commerce is not as good as it should be. The objective of the review was to determine whether the Commission is adequately coordinating with the Department of Commerce on the outcome of Title VII investigations.

We found that the Commission is adequately coordinating with Commerce on the outcome of Title VII investigations. Federal law requires that whenever the Commission makes a determination under the countervailing duty or antidumping provisions of the law, that it shall notify, among others, the other agency (Commerce) of its determination and it shall publish notice of its determination in the Federal Register. We found that the Commission is notifying Commerce and publishing the final determinations in a timely manner.

The Director, Office of Investigations and the Secretary agreed with the findings in the report.

We had no recommendations for improvements.

U.S. INTERNATIONAL TRADE COMMISSION

OFFICE OF INSPECTOR GENERAL

HOTLINE

202-205-2217

