



**U.S. International Trade Commission
OFFICE OF INSPECTOR GENERAL**



Management Letter Fiscal Year 2024 Financial Statement Audit



THE INSPECTOR GENERAL



UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, DC 20436

December 10, 2024

IG-WW-021

Commissioners:

This memorandum transmits the Management Letter Report (OIG-ML-25-04) from the audit of the Commission's financial statements for fiscal year 2024. We contracted with the independent certified public accounting firm of Harper, Rains, Knight & Company, P.A. to perform an audit of the Commission's financial statements. The audit resulted in an unmodified opinion. A draft of the management letter was provided to you for comment, and your comments are included in their entirety as an appendix to the report.

When performing an audit of an agency's financial statements, auditors may identify certain matters involving internal controls that do not rise to a level of significance to be reported in the independent auditors' opinion report; instead, these matters are communicated in a management letter. Harper, Rains, Knight & Company noted conditions pertaining to internal controls over Payroll Operating Expenses. Strengthening internal controls in this area is important and presents an opportunity to improve system reliability and operational efficiency.

The letter contains three recommendations for corrective action. In the next 30 days, please provide me with your management decisions describing the specific actions you will take to implement each recommendation.

Harper, Rains, Knight & Company is responsible for the attached management letter and the conclusions expressed in it. Thank you for the cooperation and courtesies extended to our staff and the external audit firm's employees during the audit.

Sincerely,

A handwritten signature in blue ink that reads "Rashmi Bartlett". The signature is written in a cursive, flowing style.

Rashmi Bartlett



MANAGEMENT LETTER

U.S. INTERNATIONAL
TRADE COMMISSION

WASHINGTON, DC

SEPTEMBER 30, 2024

Harper, Rains, Knight & Company, P.A.
1425 K Street NW, Suite 1120
Washington, DC 20005
202-558-5162
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November 20, 2024

Inspector General
U.S. International Trade Commission

We have audited the balance sheet of the U.S. International Trade Commission (USITC) as of September 30, 2024, and the related statements of net cost, changes in net position, and budgetary resources for the fiscal year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 14, 2024

In planning and performing our audit of the basic financial statements of the USITC as of and for the year ended September 30, 2024, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered USITC's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the USITC's internal control. Accordingly, we do not express an opinion on the effectiveness of USITC's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in

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internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Our audit was also not designed to identify deficiencies in internal control that might be significant deficiencies. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies. However, significant deficiencies may exist that have not been identified.

The following is a summary of the internal control deficiencies for your attention that we determined did not constitute a significant deficiency or material weakness, see Appendix A for the full description:

Payroll Operating Expenses

During our audit, we noted one sample where the employee's compensation per the SF-50 did not match the employee's compensation on their earnings and leave statement (ELS), one sample where the Federal Employees' Group Life Insurance (FEGLI) code on the SF-50 did not match the employee's FEGLI election per the FEGLI election form, and one sample where the employees FEGLI election was not support by a FEGLI election form. USITC generally concurs with the findings and recommendations provided by HRK and has already begun to implement corrective actions, see appendix A for complete details of management's response.

The purpose of this communication, which is an integral part of our audit, is to describe, for management and those charged with governance, the scope of our testing of internal control and the results of that testing. Accordingly, this communication is not intended to be and should not be used for any other purpose.

Harper, Raines, Knight & Company, P.A.

Washington, D.C.

Appendix A

Internal Control Deficiencies (continued)

I. Internal Control Deficiencies

A. Internal Control Over Payroll Operating Expenses

Condition:

We tested a sample of forty-seven (47) payroll expense transactions. During our testing, we noted the following:

- For one (1) of the USITC employees tested, employee's compensation on the SF-50 did not match the compensation on the ELS and what was recorded in FPPS.
- For one (1) of the USITC employees tested, the FEGLI form could not be provided to confirm the FEGLI code on the SF-50.
- For one (1) of the USITC employees tested, the FEGLI form provided did not match the FEGLI code on the SF-50 and ELS.

Criteria:

Office of Personnel Management, *Guide to Personnel Recordkeeping Operating Manual*, states:

"Each Office program that requires agencies to create personnel records, which may be used in making any determination about an individual, is responsible for establishing minimum standards of accuracy, relevancy, necessity, timeliness, and completeness of the record that would promote fairness to the individual in the determination. 5 U.S.C. 552a (e)(5). An agency holding an OPF concerning one of its employees is the custodian of the OPF during the period the person to whom it pertains is an employee of the agency and is responsible for the maintenance of that record regardless of format or media employed."

"Agencies should have management controls to ensure personnel records can be located when necessary and are retained and disposed of as required by 'General Records Schedules 1'."

Office of Personnel Management, *Guide to Personnel Recordkeeping Operating Manual*, Chapter 3, Filing Documents in the Personnel Folder, specifically identifies and contains instructions for filing the following:

- Health Insurance
 - Standard Form 2809 – Health Benefits Registration Form
 - Standard Form 2810 – Notice of Change in Health Benefits
 - Transcript – OPM approved documentation of health benefits enrollments processed electronically (for example, through Employee Express)
- Life Insurance – All life insurance forms must be filed in the OPF.
- Thrift Savings Plan
 - TSP1 – Thrift Savings Plan Election Form

Appendix A

Internal Control Deficiencies (continued)

- Transcript – Transcript of thrift savings plan changes approved for use by the Federal Retirement Thrift Investment Board
- Notification of Personnel Action
 - Standard Form 50 – Notification of Personnel Action

Government Accountability Office (GAO), *Standards for Internal Control in the Federal Government*, September 2014¹, Principle 10 – Design Control activities, paragraph 10.03 states the following:

- *Appropriate documentation of transactions and internal control:* Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained.
- *Controls over information processing:* A variety of control activities are used in information processing. Examples include edit checks of data entered; accounting for transactions in numerical sequences; comparing file totals with control accounts; and controlling access to data, files, and programs.
- *Accurate and timely recording of transactions:* Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded.

Cause:

A lack of internal controls over appropriate documentation to ensure proper documentation is kept in the eOPF and supporting documentation is maintained by HR. A lack of internal controls over accurate and timely recording of transactions and a lack of internal controls over information processing to ensure information reflected on the SF-50 is properly input into FPPS and those changes flow correctly to the ELS.

Effect:

Failure to properly record and maintain official personnel records could lead to improper calculations of liabilities on the Balance Sheets and improper calculations of program costs on the Statements of Net Cost.

¹ <https://www.gao.gov/assets/gao-14-704g.pdf>

Appendix A

Internal Control Deficiencies (continued)

Improper official personnel records could adversely impact USITC personnel during their tenure with the Commission and upon separation of duty. Personnel may have valid complaints for inaccurate payments due to uncorrected deficiencies, and the Commission is at risk for improper payments.

Recommendation:

We recommend USITC:

- 1) Implement policies, procedures, and/or controls for new, transfer, and promoted employees to verify completeness and accuracy of information in eOPF.
- 2) Remind USITC employees, at least semi-annually, to verify that the information in their files is complete and accurate, and if it is not, to notify OHR. Provide employees with guidance and examples on what specific documents should be reviewed and what elements to verify.
- 3) USITC OHR should conduct reviews of eOPF documents and the underlying documentation supporting eOPF files (health insurance, life insurance, TSP, SF-50s) for all employees to ensure that 1) the deductions elected by employees are the deductions being taken on the earnings and leave statements and are present in FPPS 2) HR has properly coded employee elections and thereafter conduct reviews at least semi-annually. If discrepancies are found, USITC OHR should correct those discrepancies.

Managements' Response

The ITC concurs with the recommendations above with the following comments.

1. On September 24, 2024, OHR issued Standard Operating Procedures for the Review of Electronic Official Personnel Folder (eOPF) that document the procedures and controls OHR has implemented to verify the completeness and accuracy of information in employees' eOPFs for newly appointed, transfer, and promoted employees.
2. On August 29, 2024, OHR sent the first semi-annual notice to all ITC employees reminding them to review their eOPF periodically to verify the completeness and accuracy of information contained in their eOPF and noting what specific items employees should check in their folders. OHR's new Standard Operating Procedures for the Review of Electronic Official Personnel Folder (eOPF) document the fact that these notices will be sent by OHR on a semi-annual basis.
3. During the current fiscal year, OHR will review eOPFs to ensure employee retirements and benefit elections are properly coded and make any necessary corrections. Thereafter, OHR will conduct an annual review of employee benefit elections.

Appendix A
Internal Control Deficiencies (continued)

Payroll Testing Exceptions

Sample #	Name	Tested PP	Tested PP Beg. Date	Tested PP End Date	Comments
2	Employee 1	202322	10/8/2023	10/21/2023	Compensation on SF-50 and ELS do not match. The employee received a pay increase on the SF-50 during a prior period that was not implemented on the ELS during our sample pay period. Therefore, there was a discrepancy in compensation amount recorded in FPPS.
6	Employee 2	202326	12/3/2023	12/16/2023	FEGLI code per SF-50 is F2 (Basic + Standard + Family(2x)); however, per the FEGLI form provided, the employee elected (Basic + Standard + Additional (2x)). Therefore, there is an error in the amounts being deducted from the employee's paycheck.
29	Employee 3	202323	10/22/2023	11/4/2023	FEGLI code per SF-50 is B0; however, no FEGLI form could be provided showing the employee waived FEGLI coverage. Therefore, HRK cannot determine if this FEGLI code per the SF-50 is accurate.



UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, DC 20436

C089-WW-006

December 9, 2024

MEMORANDUM

TO: Rashmi Bartlett, Inspector General

FROM: Amy A. Karpel, Chair

 Digitally signed by AMY KARPEL
Date: 2024.12.09 13:33:32 -05'00'

SUBJECT: Response to Draft Management Letter – Audit of Commission’s Financial Statements for Fiscal Year 2024

Thank you for the opportunity to review and provide comments to the draft management letter – Audit of Commission’s Financial Statements for Fiscal Year 2024.

We agree with the audit findings on the identified internal control matters. The Commission will develop management decisions to address the three recommendations in the draft letter.



**U.S. International Trade Commission
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REPORT WASTE, FRAUD, ABUSE, OR MISMANAGEMENT

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