



U.S. International Trade Commission OFFICE OF INSPECTOR GENERAL



USITC Management and Performance Challenges

Fiscal Year 2024





UNITED STATES INTERNATIONAL TRADE COMMISSION

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Chairman Johanson:

In accordance with the Reports Consolidation Act of 2000, the U.S. International Trade Commission (USITC or Commission), Office of Inspector General (OIG) identifies the most serious management and performance challenges facing the Commission and provides a brief assessment of the Commission's progress in addressing those challenges. This summary is known as the Top Management Challenges. By statute, this report is required to be included in the Commission's Agency Financial Report.

Congress left the determination and threshold of what constitutes a most serious management and performance challenge to the discretion of the Inspector General. The Government Performance and Results Modernization Act of 2010 identifies major management challenges as programs or management functions that are vulnerable to waste, fraud, abuse, and mismanagement. A failure to perform well in these areas could seriously affect the Commission's ability to achieve its mission objectives. Each challenge area is related to the USITC's mission and reflects continuing vulnerabilities and emerging operational issues.

Management challenges were identified this year based on oversight work by the Office of Inspector General, knowledge of the Commission's programs and operations, the Commission's strategic plan, annual management plan, enterprise risk management assessments, statements of assurance, and observations and discussions with senior leaders. For Fiscal Year 2024 (FY 2024), we have three top management and performance challenges:

- Internal Controls
- Data Management
- Human Capital Management

Two management challenges are long-standing. The OIG first identified data management, initially known as managing data, as a challenge for the Commission in the October 2017 report, [USITC Management and Performance Challenges](#). The internal controls management challenge is over eleven years old.

The new management challenge for FY 2024 is human capital management.

Internal Controls

The Government Accountability Office (GAO) publishes the [Standards for Internal Control in the Federal Government](#) (The Green Book), which provides federal government managers with the criteria for designing, implementing, and operating an effective internal control system. It defines internal control as “a continuous built-in component of operations, effected by people” and identifies five components for internal control:

1. Control Environment
2. Risk Assessment
3. Control Activities
4. Information and Communication
5. Monitoring

For an effective system of internal control, all five components must be properly designed and implemented. In addition, these components must work together in an integrated manner. The overall success of a system of internal control relies on the organization's people, processes, and technology.

The control environment is the keystone of an internal control system. The GAO’s Green Book states that one requirement of the control environment is for management to establish an organizational structure, assign responsibility, and delegate authority to meet the agency's objectives. In September 2015, we issued our report, [Audit of Directives Management](#). The audit found that the Commission’s policy directives were not current and contained outdated assignments of responsibility and delegations of authority. This year, we started a new audit of the Commission’s internal rules, which we expect to issue in FY 2024.

The Commission defines an internal rule as a formal rule, which establishes or provides for internal governance, organizational structure, delegations, designations, and/or internal operating policies and procedures for the Commission. The Commission assigns target dates for issuance of the internal rules. It has a general goal of issuing or updating three to four internal rules each quarter, amounting to an annual target of 12-16 internal rules each year.

As of October 2023, the Commission has 87 directives. Of these directives, nearly 40% were issued more than ten years ago. Thirty-nine historical directives in the Commission’s internal rules system have

not been formally updated or rescinded, representing about 45% of the total directives. Based on an analysis of internal rules issued in the past two years, we noted only 20% of the internal rules met the target issuance date. In FY 2023, the Commission issued or updated six directives, falling short of its annual target of 12-16 rules annually.

In addition to the delay in internal rule updates, the OIG – through audits and reviews - has found instances where controls are in place but not fully operational. For instance, as part of the OIG’s review of the Commission’s vehicle fleet program in FY 2023, we found the Commission had policies and procedures around its vehicle fleet program; however, the requirements of applicable federal fleet regulations were not adequately addressed. In the review of the Commission’s charge cards, we identified areas in the purchase, travel, and fleet service card programs where controls need to be added or strengthened to ensure oversight and monitoring follow a risk-based approach, required and proper procedures are followed, and greater transparency over spending is implemented. The FY 2022 financial statement audit found issues with internal controls over the accounting for property, plant & equipment for the second year in a row. The external audit firm raised a more general concern about the Commission’s internal control over financial reporting after finding multiple issues with the presentation and disclosure of the balance sheet items.

The Commission has been diligent and timely in addressing recommendations related to internal controls. However, the OIG is concerned that continued delays in updating the agency directives and repeat audit findings are symptomatic of either weak internal controls or a lack of monitoring of internal controls. Occasionally, we have found that Commission staff and leadership deem internal control findings insignificant or expected due to staffing limitations and, therefore, unavoidable. It is important for the Commission to design internal controls that are sustainable and appropriate for its size. Otherwise, internal controls will be less reliable and effective, and there is a risk that a preventable lapse in internal control could occur.

Data Management

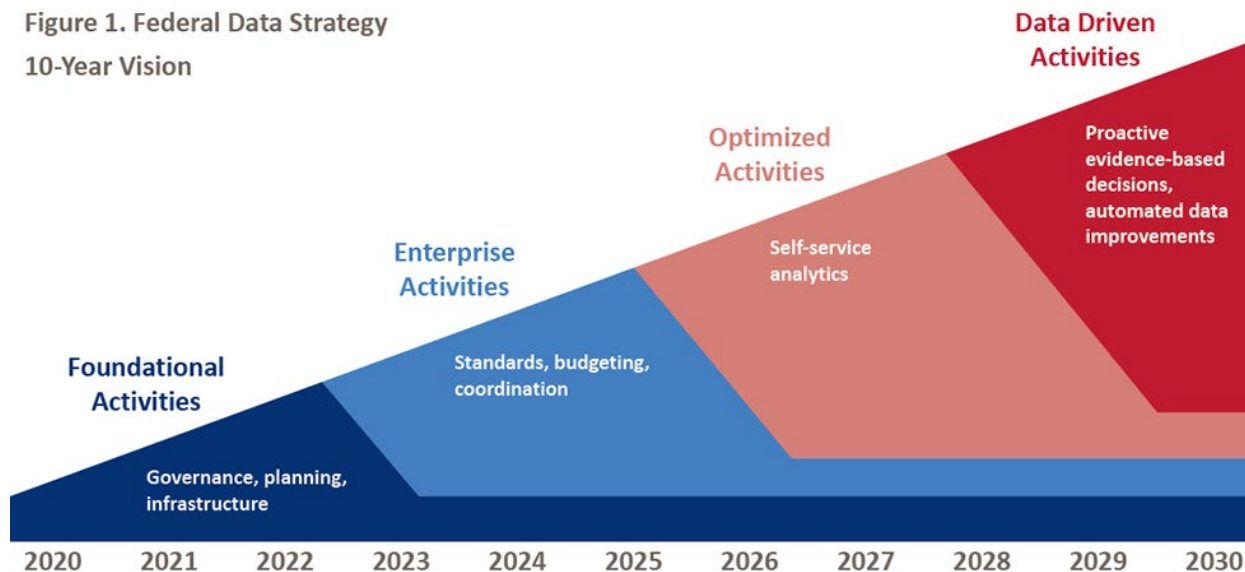
The White House Office of Management and Budget (OMB) issued a memorandum (M-19-18)¹ outlining the Federal Data Strategy (FDS)² in June 2019. The FDS was also included in the 2018 President’s Management Agenda. The FDS provides a framework of operating principles and best practices to help agencies achieve a consistent data infrastructure and strong data governance over the next decade. This strategy is a government-wide vision for how agencies should manage and use federal data by 2030. The FDS calls for the federal government to replicate, accelerate, and scale leading practices related to government data.

¹ <https://www.whitehouse.gov/wp-content/uploads/2019/06/M-19-18.pdf>

² <https://strategy.data.gov/>

Annual action plans are issued as part of the FDS that follow an incremental maturity ladder that generally moves from **Foundational Activities** of governance, planning, and infrastructure (~2020-2022), to **Enterprise Activities** of standards, budgeting, and coordination (~2023-2025), to **Optimized Activities** of self-service analytics (~2026-2028), and finally, to **Data-Driven Activities** of proactive, evidence-based decisions and automated data improvements (~2029 and forward) (see Figure 1). Agencies implement the FDS by meeting required Action Steps in the yearly Action Plans following OMB guidance.

Figure 1. Federal Data Strategy
10-Year Vision



Source : <https://strategy.data.gov/2021/action-plan/>

Using Figure 1 as an illustration, the Commission is currently involved in the **Foundational Activities** area of governance, planning, and infrastructure. The Commission is behind the projected timeline in the FDS and has not begun implementing the **Enterprise Activities**, including setting standards, budgeting, and coordinating.

The Commission’s Chief Data Officer (CDO) is responsible for data governance and lifecycle data management. The CDO’s portfolio of data work includes policies, guidelines, best practices, and an implementation approach aligned with the Commission’s Strategic Plan as well as federal data strategies and requirements where applicable.

The CDO manages data and data assets at every stage of the data lifecycle by establishing effective standards and controls to ensure data quality, accuracy, access, and protection. For example, managing data has been added to the Commission’s statements of assurance that office directors write to collect additional information about office-level activities. The office-level activities in the assurance statements largely capture standard operating procedures and asset identification/certification activities for non-core data assets.

The data management process includes a broad range of functions, such as:

- Governing how data is used and accessed;
- Collecting, processing, validating, and storing data;
- Integrating different types of data from disparate sources, including structured and unstructured data;
- Ensuring data quality and availability, and
- Protecting and securing data and ensuring data privacy.

The Commission’s work to date has focused on the Foundational Activities of the Federal Data Strategy as shown in Table 1.

Table 1. USITC’s Data-Related Activities and Status as of October 2023

Start Date	Activity	Status
2018	Inventory and documentation of core agency applications and administrative data systems	In Process – FY 2026
2019	Data Governance Manual	In Process – FY 2024
2020	Data Governance Policy	Complete – FY 2023
2022	Schedule of data systems to be documented	In Process – No estimated completion date provided

Source: Chief Data Officer

The Commission made some incremental progress in data management in FY 2023. It completed the Data Governance Policy that was started in 2020. The Commission also recertified the inventory. Data assets were reviewed for designation as core assets. Several data systems were documented, including the Investigations Database System, Trade, Enterprise Risk Management, Customs Net Import, and Export Files.

We are encouraged by the Commission’s progress toward implementing the FDS. However, the Commission has not yet developed a multiyear data strategy, nor does it have a timeline that projects out from the present day until all activities of the FDS are implemented to determine feasibility in achieving data strategy goals with the assigned resources and pace of work. Areas with existing gaps include:

- data management processes and governance that are not embedded into operational processes
- establishment of expectations around data availability, maintenance, performance, as well as the related policies and processes, and
- controls to ensure accountability for data quality

To make data management an enterprise-wide, shared responsibility, users will need to be trained on how the data policies and procedures relate to their day-to-day responsibilities.

Human Capital Management

Since 2001, GAO has identified strategic human capital management as a high-risk area for the federal government. In its April 2023 report, *High-Risk Series: Efforts Made to Achieve Progress Need to Be Maintained and Expanded to Fully Address All Areas* (GAO-23-106203),³ GAO explained that the strategic human capital management challenge has existed as a government-wide risk area for over two decades because of the ongoing need to address pervasive skill gaps. GAO's overview of skills gaps identified examples such as skills, staffing, workforce planning, and employee engagement that contribute to the government-wide strategic human capital management challenge.

The Commission's FY 2022-2026 strategic plan emphasized human capital management under Strategic Objective 3.1: Attract, develop, and retain a skilled, diverse, and versatile workforce. The Commission also acknowledged in its Strategic Plan that succession and training plans are needed to develop world-class technical, leadership, management, and communication skills. The human capital management challenge has three essential elements: hiring, retention, and succession planning. Outside the USITC's control, the Commissioner vacancies and expired terms can impact human capital management by creating uncertainty for senior managers and staff.

Hiring

The Commission has experienced a surge in workload in recent years but has maintained stable staffing levels. To mitigate the impact of the greater workload on staff satisfaction, the Commission requested and received funds in FY 2023 to increase the number of full-time employees through recruitment and hiring efforts. However, filling vacated and new positions to meet increased organizational goals was a challenge for the Commission due to the time it takes to onboard new employees, an under-resourced human resource office, and the Commission's use of a stop-and-start reactive approach to hiring staff as departures occur and funds were available rather than a smooth, rolling cycle of hiring new staff to address workload and office needs.

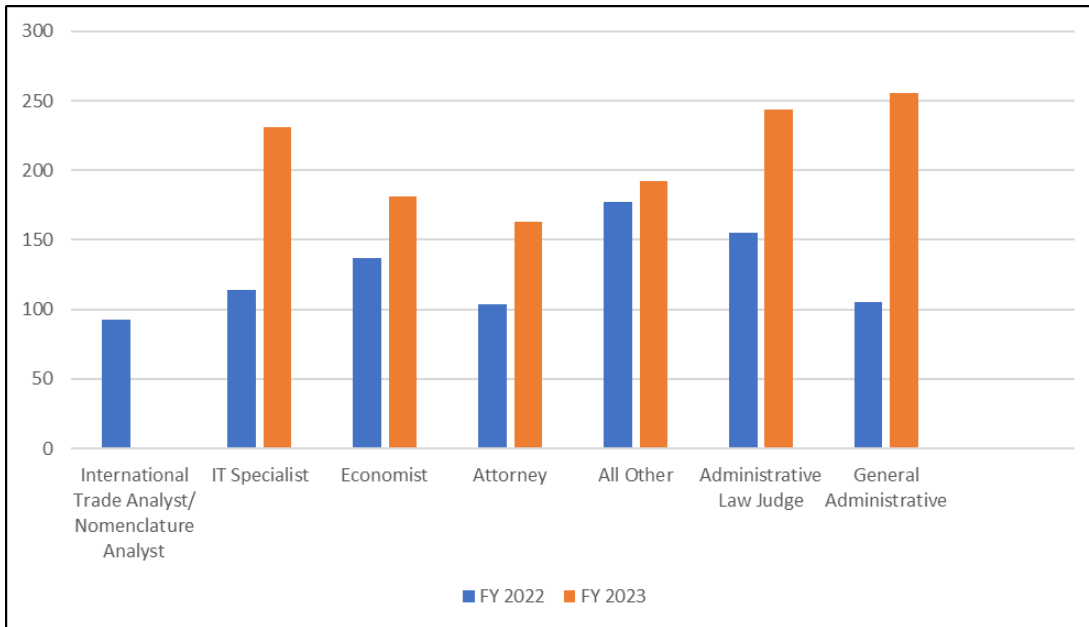
The United States Office of Personnel Management (OPM) established a suggested 80-day goal for government-wide hiring.⁴ The Commission's hiring process fell short of the OPM goal by almost double. In FY 2023, the Commission took an average of 197 days to hire new staff from the Chairman's approval of a position to onboarding, exceeding OPM's suggested 80-day framework. As shown in

³ *High-Risk Series: Efforts Made to Achieve Progress Need to Be Maintained and Expanded to Fully Address All Areas* (GAO-23-106203)

⁴ See [OPM's End-to-End Hiring Initiative](#), p.27. According to OPM, the number of days for each step within the 80-day Standard is based on agencies using end-to-end (E2E) Roadmap as an integrated strategy and agency best practices. Agencies may need to adjust the number of days for each step within the 80-days based on their particular practices and procedures.

Figure 2, the average time to hire varies by occupation, however, in every job series tracked, the Commission took more time to hire in FY 2023 compared to FY 2022.

Figure 2. Average Days to Hire by Occupational Series in FY 2022 and FY 2023



Source: USITC Human Resources

The Commission started FY 2023 with 403 employees. 106 recruitment actions were processed during the year, yielding a net gain of eight employees. When temporary hires are considered, the net gain is nine employees.

Table 2 shows the information on hiring and departure activities during FY 2023. The Commission made 43 external selections for permanent and term appointment positions and 10 internal selections for permanent and term appointments. However, there were 35 permanent and term appointment departures. Positions filled by internal hires (10) did not impact the overall number of Commission staff. Temporary hires, temporary departures, and internal detail assignments were not included in the overall employee counts.⁵

⁵ In FY 2023, the Commission had four external temporary hires and three external temporary departures. It also used existing agency employees to fill four positions on temporary detail assignments.

Table 2. USITC Human Capital Activity During FY 2023

Activity	Number of Employees
Employees at the Beginning of FY 2023	403
Add: New Hires	43
Less: Departures/ Turnover	35
Employees at the End of FY 2023	411

Source: USITC Human Resources

The Commission's extended hiring timeline could create challenges in securing top talent for the small agency, especially at the senior level, as candidates often pursue multiple opportunities. The Commission's 106 hiring actions in FY 2023 resulted in a net gain of eight employees. In addition to establishing a year-round hiring process that considers attrition and hiring times, the Commission may also focus improvement efforts on recruiting for positions in hard-to-fill job series.

Succession Planning

Succession planning is a proactive and systematic process where organizations identify those positions considered to be at the core of the organization – i.e., too critical to be left vacant or filled by any but the best-qualified persons – and then create a strategic plan to fill those positions with qualified and capable employees. Under 5 U.S.C 412.101, agency heads are to establish “a comprehensive management succession program to provide training to employees to develop managers for the agency”. In 2017, the U.S. Office of Personnel Management issued guidance to help agencies implement and enhance an annual leadership talent management and succession planning (TM&SP) process⁶.

The Commission's strategic plan noted “that over the next five years, a substantial portion of the agency's workforce will be eligible to retire. Approximately ten percent of the agency's workforce turns over every year.” Currently, there are 61 employees who are eligible to retire. In five years, that number will grow to 109 or approximately 25% of the current workforce level. Two of the Commission's five executives⁷ are eligible for retirement now, and four of five executives can retire by the end of FY 2028.

The potential for large numbers of retirements in key positions poses a risk to staffing and knowledge transfer. Knowledge transfer is particularly challenging because specialized and executive-level positions can be difficult to fill. In addition, obtaining institutional expertise on how the Commission

⁶ <https://www.chcoc.gov/content/guidance-establishing-annual-leadership-talent-management-and-succession-planning-process>

⁷ The Commission's five executive management team members are the Director of Operations, Chief Financial Officer, Chief Information Officer, Chief Administrative Officer (CAO), and General Counsel. A new CAO joined the Commission in September 2023.

operates can take quite some time. An influx of new executive management will particularly impact the Commission.

The potential for significant change at USITC is not limited to staff and the executive team. By statute, there are to be six presidentially appointed, Senate-confirmed Commissioners, and no more than three Commissioners can be from one political party. The Commissioners' terms are set at nine years and are staggered such that a different term expires every 18 months. Commissioners on expired terms may remain in their position until new Commissioners are nominated by the President and confirmed by the Senate. USITC currently has four Commissioners, three of whom are on expired terms. The timing of nomination and confirmation of new Commissioners is outside of the agency's control.

Due to the small size of the Commission, departures at any level could have an impact. Several essential functions are performed by a single staff person without support. The Commission has not extensively studied workload distribution and staffing balance among offices Commission-wide. Absent a large pipeline of experienced employees, the departure of mission-critical and seasoned staff creates a loss of institutional knowledge. Although it will be a challenge as a small agency, it will be important to cross-train elements of key roles and develop talent as part of a succession plan where feasible.⁸

The Commission will have to remain focused on human capital management to meet its mission, navigate the challenges of inevitable staffing changes at all levels, and maintain a flexible, high-performing, and engaged workforce.

Retention

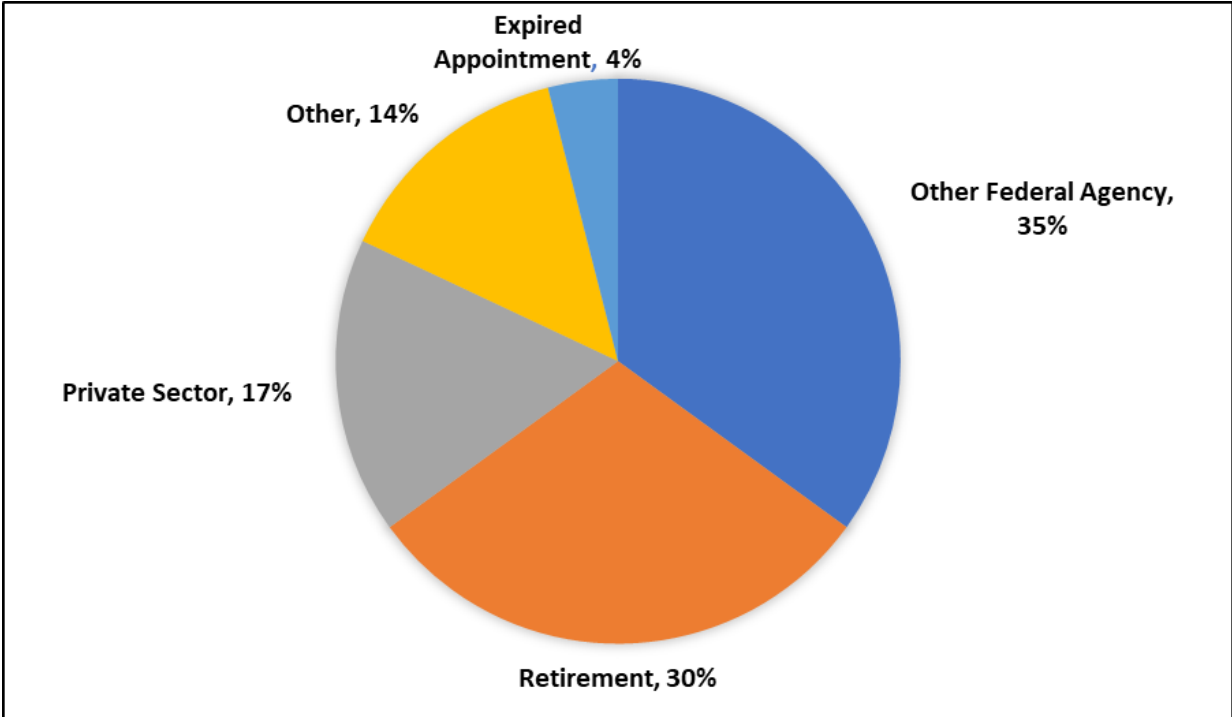
In 2017, OPM issued *Guidance on Establishing an Annual Leadership Talent Management and Succession Planning Process*. OPM defines talent management as a system that promotes a high-performing workforce, identifies and closes skills gaps, and implements and maintains programs to attract, acquire, develop, promote, and retain quality and diverse talent. Retention strategies are ultimately an investment in employees that can not only lower turnover but also improve engagement and commonly include:

- Advancement opportunities
- Training and development
- Recognition/ rewards for performance
- Workplace flexibilities
- Work-life balance

⁸ [Federal Workforce: OPM Advances Efforts to Close Government-wide Skills Gaps but Needs a Plan to Improve Its Own Capacity | U.S. GAO](#)

Along with hiring and succession planning, it is important for the Commission to continuously assess drivers of employee retention and refine its human capital strategy when warranted. Although the retirement tsunami predicted for many years has not materialized, agencies still face a large and ever-increasing pool of retirement-eligible employees. In addition to retirement, accomplishing more work with the same number of staff has impacted some departing staff at the Commission.

Figure 3. Reasons for Departure FY 2018 – FY 2023



Source: USITC Human Resources

Between FY 2018 and 2023, 231 employees left the Commission. Seventy percent of former employees left the Commission for reasons other than retirement. As shown in Figure 3, the top three reasons over the last six fiscal years for leaving USITC are for a position at a different federal agency (35%), retirement (30%), and a position in the private sector (17%). Peaks of attrition occur in the first three years and after ten years of employment, as shown in Figure 4.

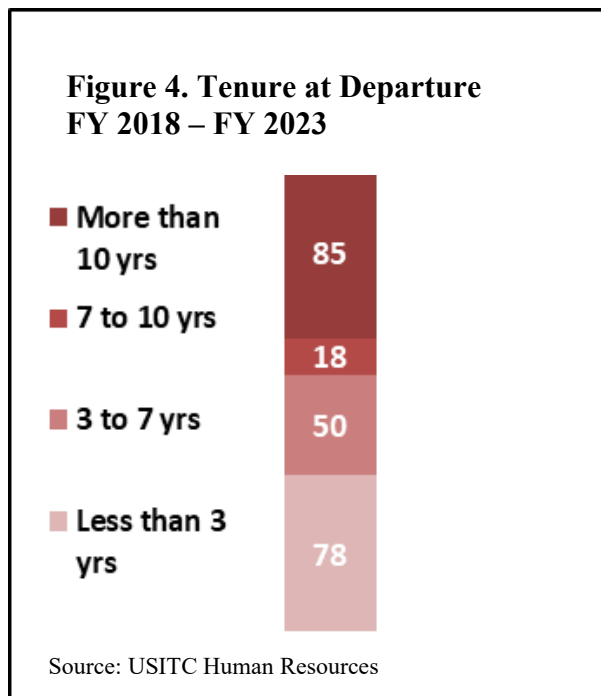
While retirement may play a role in the departures after ten years, many employees stayed at the agency for a shorter period before leaving. Between FY 2018 and FY 2023, over half of the turnover was among employees with less than seven years of tenure. 78 employees departed after less than three years. 128 out of 231 employees departed the Commission after less than seven years. According to USITC human resources, 41% of the departures in FY 2023 were at the GS-14 and GS-15 levels, leaving the Commission vulnerable to losing critical mission area knowledge and supervisory expertise. Additional analysis on why employees with a shorter tenure or at more senior levels leave USITC will help the Commission develop strategies to retain and build a skilled and knowledgeable workforce.

Conclusion

We monitor the Commission’s efforts to address the management challenges we identify each year. Our monitoring includes following up on open recommendations and conducting related audits. For information on our ongoing and planned audit work, please see the [Fiscal Year 2024 Annual Audit Plan](#). If you have any questions or wish to discuss our views on the challenges in greater detail, please contact me at (202) 539-9462.



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