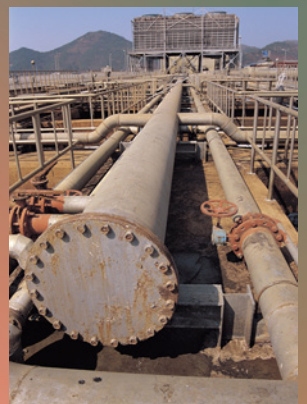


U.S. International Trade Commission

Management Letter for 2016 Financial Statement



OIG-ML-17-07

December 13, 2016



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

*Irving A. Williamson, Chairman
David S. Johanson, Vice Chairman
Dean A. Pinkert
Meredith M. Broadbent
F. Scott Kieff
Rhonda K. Schmidlein*

OFFICE OF INSPECTOR GENERAL



UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, DC 20436

December 13, 2016

IG-OO-03

Chairman Williamson:

This memorandum transmits the Management Letter report (OIG-ML-17-07) from the audit of the Commission's financial statements for fiscal year 2016. We contracted with the independent certified public accounting firm, Castro & Company LLC, to conduct this audit. The management letter discusses matters involving internal control that the auditors identified during the audit but were not required to be included in the audit reports.

A draft of the letter was provided to you for comment, and your comments are included in their entirety with the report.

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

Thank you for the courtesies extended to the staff of Castro & Company during this audit.

Sincerely,

Philip Heneghan
Inspector General

U.S. INTERNATIONAL TRADE COMMISSION



Fiscal Year 2016 Financial Statement Audit

Management Letter Report

November 8, 2016

Inspector General
U.S. International Trade Commission

We have audited the accompanying balance sheet of the U.S. International Trade Commission (USITC) as of September 30, 2016, and the related statements of net cost, changes in net position, and budgetary resources for the fiscal years then ended. The financial statements of the USITC as of September 30, 2015 were audited by other auditors whose report dated November 5, 2015, expressed an unmodified opinion on those statements.

In planning and performing our work, we considered USITC's internal control over financial reporting by obtaining an understanding of the design effectiveness of USITC's internal control, determining whether controls had been placed in operation, assessing control risk, and performing tests of USITC's controls as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not to express an opinion on the effectiveness of USITC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of USITC's internal control over financial reporting.

We noted certain matters involving internal control and other operational matters that are summarized in this letter. These comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve internal control or result in other operating efficiencies.

Our audit procedures are designed primarily to enable us to form an opinion on the financial statements, and therefore may not bring to light all weaknesses or deficiencies in internal control, policies or procedures that may exist. We would like to express our appreciation to you and all other USITC personnel who assisted us in completing our work.

This report is intended solely for the information and use of USITC management, the Office of the Inspector General, and others within the organization and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,



Castro & Company, LLC

1. Improvements in the Internal Controls over the Management of Travel Cards are needed

As part of our testing of cash disbursements, we selected a sample of 45 disbursements made during the period of October 1, 2015 through March 31, 2016. The purpose of our testing was to assess management controls and compliance with applicable laws, regulations, and procedures relative to cash disbursement transactions.

During our procedures, we noted that USITC did not always oversee the establishment and maintenance of master file/official travel cardholder records, including training, appointment, single and monthly purchase limits and related records. Specifically, we noted that:

- For four (4) government travel card holders, official cardholder records were not maintained by USITC to evidence the proper appointment of cardholders.
- For twelve (12) travel cardholders, we noted that either the GSA certificates were not on file to support the cardholder's completion of the required training or the training had expired. This training should be completed at a minimum every three years.

USITC's Travel Card Management Plan requires travel card applications, credit score and training to be documented as complete before a new credit card account is processed by the bank; however, USITC did not consistently maintain on file documentation of cardholder appointments.

The USITC *Charge Card Management Plan*, enacted in April 2016, states,

Purchase cardholders and travel cardholders must complete the GSA online training and provide their training certificate to their charge card coordinator. Training must be repeated every three years.

Public Law *Government Charge Card Abuse Prevention Act of 2012*, enacted in October 2012, states,

§ 1909(a) The head of each executive agency that issues and uses purchase cards and convenience checks shall establish and maintain safeguards and internal controls to ensure the following:

(1) There is a record in each executive agency of each holder of a purchase card issued by the agency for official use, annotated with the limitations on single transactions and total transactions that are applicable to the use of each such card or check by that purchase card holder.

(8) Periodic reviews are performed to determine whether each purchase card holder has a need for the purchase card.

(9) Appropriate training is provided to each purchase card holder and each official with responsibility for overseeing the use of purchase cards issued by the executive agency.

(10) The executive agency has specific policies regarding the number of purchase cards issued by various component organizations and categories of component organizations, the credit limits authorized for various categories of card holders, and categories of employees eligible to be issued purchase cards, and that those policies are designed to minimize the financial risk to the Federal Government of the issuance of the purchase cards and to ensure the integrity of purchase card holders.

OMB Circular A-123, Appendix B, Revised, *Improving the Management of Government Charge Card Programs*, states,

“...each agency must develop and maintain written policies and procedures for the appropriate use of charge cards consistent with the requirement of this guidance. The plan should be updated annually, or more frequently, if necessary to maintain current. Agencies shall submit a copy of their plan to OMB, Office of Federal Financial Management, on an annual basis, not later than January 31 of each calendar year.”

The establishment of written, formal policies and procedures are critical in assuring that a system of internal controls is followed. The lack of monitoring compliance with established procedures can increase the risk of fraud, waste, and abuse occurring in government charge cards.

Recommendation:

We recommend USITC’s Management:

1. Create a tracking system, listing all travel cardholders, to track and monitor their most recent GSA training date and expiration date.

2. Improvements in the Internal Controls over Management and Monitoring of Negative Leave are Needed

As part of our testing of accrued leave, we selected all three (3) employees with a negative leave balance as of September 30, 2016. The purpose of our testing was to assess management controls and compliance with applicable laws, regulations, and procedures relative to accrued annual and sick leave balances.

During our procedures, we noted that USITC did not always properly approve and maintain documentation to support employees’ negative annual and sick leave balances. Specifically, we noted that:

- For two (2) employees, the SF-71 was not approved until after the leave had already been taken.
- For one (1) employee, the SF-71 for advanced sick leave was missing and could not be provided by USITC.

By not ensuring proper controls are maintained, including obtaining the proper approvals and maintaining applicable documentation to support employees' leave balances in a centralized location, USITC increases its risk that the accrued leave balance is incorrectly reported, and ultimately, causing accrued annual and sick leave to be misstated.

U.S. Office of Personnel Management (OPM) – *Leave Administration*, states,

Annual Leave:

At its discretion, an agency may advance annual leave to an employee in an amount not to exceed the amount the employee would accrue within the leave year. An agency should not advance annual leave to an employee when it is known (or reasonably expected) that the employee will not return to duty, e.g., when the employee has applied for disability retirement. Before granting advanced annual leave, it is recommended that the approving authority consider such matters as the expectation of return to duty, the need for the employee's services, and the benefits to the agency of retaining the employee.

Sick Leave:

At its discretion, an agency may advance sick leave to an employee, when required by the exigencies of the situation, for the same reasons it grants sick leave to an employee, subject to the limitations described below. An agency should not advance sick leave to an employee when it is known (or reasonably expected) that the employee will not return to duty, e.g., when the employee has applied for disability retirement. Before granting advanced sick leave, it is recommended that the approving authority consider such matters as the expectation of return to duty, the need for the employee's services, and the benefits to the agency of retaining the employee.

An employee must request sick leave within such time limits as the agency may require.

An agency may require employees to request advanced approval for sick leave for their own medical, dental, or optical examination or treatment. To the extent possible, an employee may be required to request advanced approval for sick leave to attend to a family member receiving medical, dental, or optical examinations or treatment, to care for a sick family member or one with a serious health condition, for bereavement purposes, and for adoption-related proceedings. If the employee complies with the

agency's notification and medical evidence/certification requirements, the agency must grant sick leave.

Recommendations:

We recommend USITC's Management:

2. Establish policies for the maintenance of negative leave requests and supporting documentation in a centralized location.
3. Perform a review of employees with negative sick leave balances throughout the fiscal year to verify requests were approved in accordance with policies and procedures and to determine whether stated balances are valid.

Status of Prior Year Management Letter Comments

The FY 2015 Management Letter Report issued by the predecessor auditor identified the following control deficiencies:

Findings Identified in FY 2015	Status in FY 2016
PP&E – Internal Use Software	Resolved
Accounting for Internal Use Software	Resolved



UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, DC 20436

C081-OO-010

December 1, 2016

MEMORANDUM

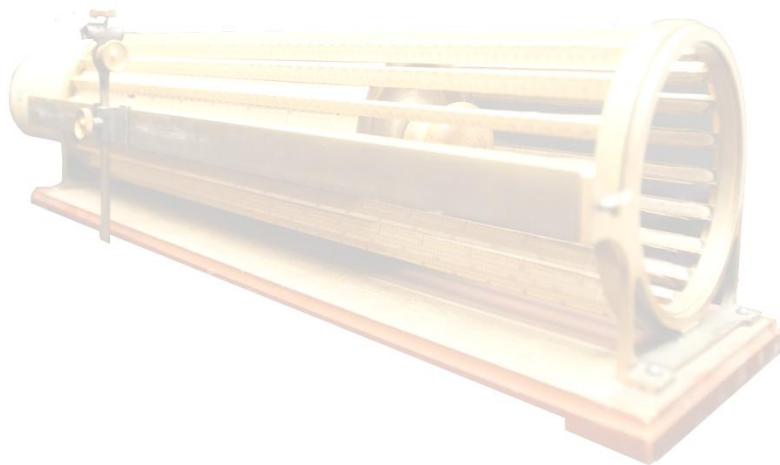
TO: Philip M. Heneghan, Inspector General

FROM: Irving A Williamson, Chairman *IAW*

SUBJECT: Response to Draft Management Letter – Audit of Commission’s FY 2016 Financial Statements

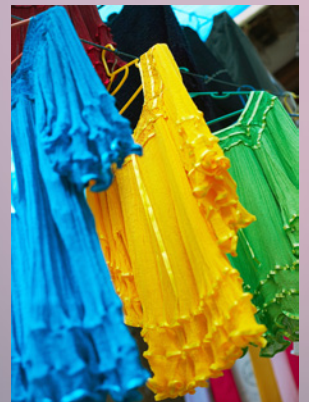
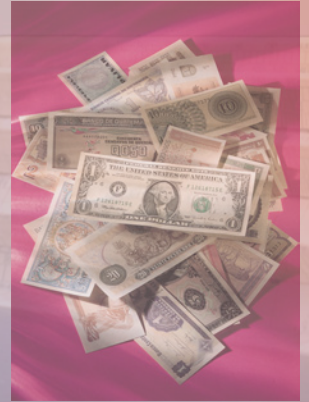
We have reviewed the draft management letter related to the audit of the Commission’s FY 2016 financial statements. I appreciate the opportunity to review the draft management letter and provide comments.

The draft management letter identified two areas for improvement (1) internal controls over the management of travel cards, and (2) internal controls over the management and monitoring of negative leave balances and made three recommendations with respect to them. We agree with the three recommendations and will develop management decisions to address them.



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

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



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

Office: 202-205-6542
Fax: 202-205-1859
Hotline: 202-205-6542
OIGHotline@USITC.GOV