

# U.S. International Trade Commission

## *USITC Management and Performance Challenges*



OIG-MR-20-15

September 29, 2020



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.*



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## UNITED STATES INTERNATIONAL TRADE COMMISSION

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WASHINGTON, DC 20436

September 29, 2020

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OIG-MR-20-15

Chair Kearns:

This memorandum transmits the Inspector General's summary of the top management and performance challenges facing the Commission and briefly assesses management's progress in addressing these challenges. I have identified two management and performance challenges for fiscal year 2021: Managing Data and Internal Controls. These challenges were identified based on work by the Office of Inspector General, input from Commission management, and knowledge of the Commission's programs and operations.

### Managing Data

OMB Circular No. A-123, Appendix A: *Management of Reporting and Data Integrity Risk*, requires agencies to provide reasonable assurance on the reliability, validity and overall quality of data used for internal and external reporting. The guidance emphasizes a risk-based approach towards managing data as an asset and the importance of using high-quality data to support data-driven decisions for improving transparency in the government.

High-quality information can only be achieved by having a deliberate methodology on how to organize, standardize, and collect the necessary data elements to meet reporting objectives. Properly organized data allows information to be collected at a granular level which then allows data to be aggregated to meet the reporting needs of staff in different organizations and managers at different levels in the agency. The data collection process should be standardized with clear data definitions to promote uniformity and provide consistency in how information is recorded, interpreted, and communicated.

High-quality information relies on a strong governance structure that assigns data ownership and accountability to ensure accuracy, completeness, timeliness, and integrity of data. Data owners should promote a culture that values data by emphasizing the importance of the data collected and how data is maintained over time. In addition, data owners should develop processes and procedures needed to provide reasonable assurance of the quality of data in the system.

The Commission should be able to rely on the quality and integrity of its data across systems, applications, and databases. The value of the information generated by a system is only as good as its quality at the point of entry. The accuracy and completeness of information depends on how we capture, enter, code, and reconcile data at the source of entry. Employees need to understand the importance of the data and, more importantly, how inaccurate, or incomplete entries impact the quality of information. Data reconciliation processes should be performed regularly to identify and correct any errors or omissions and improve the processes to reduce future errors.

Earlier this year, the Commission's Chief Data Officer established a data accuracy rate benchmark of 95% for internal data systems. To accomplish this, system owners will need to develop standard procedures for the collection, data entry, maintenance, and reconciliation of data. Effective organization and standardization of data is critical to obtain useful and relevant information that can be used for a variety of purposes across all levels of the organization. Even if the data meets the 95% accuracy rate for a system, the inconsistent definitions and values between systems can make it difficult to leverage the multiple datasets to produce enterprise-level information without requiring human interaction to normalize the data.

A clear example of this is personnel cost data, which represents approximately 65% of the agency's budget. Personnel data resides in multiple systems across the Commission, including payroll, time and attendance, travel, and financial system. The absence of standards results in different methods for entering organizational information such as office names, office and division acronyms, and which level within the organizational hierarchy staff are assigned within the system.

The Commission's financial management codes should be the authoritative source for standardizing how organizational and personnel data is recorded in agency systems. The naming conventions for offices should align with agency directives, and standard office acronyms should be defined. The organizational hierarchy should have a documented methodology of assigning codes based on the structure and relationships between the offices. Codes should remain stable (without sacrificing flexibility) to allow data to be compared over time.

There has been a steady increase in legislation and policy guidance directing agencies to implement sound information management practices and increase the accessibility of data to the public. Most recently, the *Foundations for Evidence-Based Policymaking Act of 2018* (Evidence Act), requires the development of a Strategic Information Resources Plan to include an Open Data Plan that complies with the *OPEN Government Data Act*. Although technical guidance is forthcoming, these plans must describe the Commission's goals and efforts to make agency datasets more accessible to the public.

Additionally, the President's Management Agenda lays out a long-term vision to leverage data as a strategic asset. The intent is to improve the use of data for decision-making, accountability, and transparency across the Federal Government and further enable accessibility to the public. The framework walks through the process of identifying information needs, understanding the characteristics of the data, and determining the appropriate level of detail required to ensure the correct data is collected in order to develop useable and relevant information for internal and external users.

The Commission should adopt a thoughtful, enterprise-wide approach to data management that builds a culture of data quality. There must be a balanced structure of people, processes, and technology to

provide assurance over the quality of data without instituting overly rigid manual processes that are inefficient and unsustainable given the limited human resource capacity of the Commission.

### Internal Controls:

The *Standards for Internal Control in the Federal Government* (Green Book) defines internal control as “a continuous built-in component of operations, effected by people” and identifies five components for internal control. For a system of internal control to be effective, all five components must be properly designed, and implemented. In addition, all five components must be working together in an integrated manner.

The Commission’s management is responsible for establishing and maintaining a system of internal controls. These internal controls are the organizational environment that includes the plans, policies, and procedures that managers use to ensure their programs and operations are achieving the intended results through an effective use of public resources.

Over the past ten years, the Commission has worked hard to strengthen entity level controls. Senior managers implemented an enterprise risk management program and have an increased transparency about organizational risk. This program contributes to robust management discussions on issues such as human capital decisions and budget priorities. Although there is more work to be done, the senior management team has an awareness of internal control and knowledge of where controls need to be strengthened.

The control environment is the foundation of an internal control system. One principle of the control environment is to establish an organizational structure, assign responsibility, and delegate authority to meet the objectives of the Commission. In 2015, we completed an audit of the Commission’s directives management system. The audit found that the Commission’s policy directives were not current and contained outdated assignments of responsibility and delegations of authority. Although the Commission had written procedures to periodically assess the directives, the reviews were not performed.

The Commission has designed a new system of internal rules and issued directives focused on structural fundamentals such as mission and function statements. There are several additional directives that are in various stages of development. While progress has been made, the delay in updating policy brings added risk to the underlying operational processes that are dependent on the overarching policy directives. It is equally important for the Commission to monitor the effectiveness of the new system of internal rules to ensure it is working as designed and achieving the desired results.

Management is responsible for designing control activities at the appropriate levels in the organizational structure. Each operating unit is responsible for determining the appropriate control activities required to reduce risk in the operational processes of their office. The control activities should be documented through policy and procedure, communicated to staff, and monitored for effectiveness. The absence of standard procedures results in inconsistency in how routine operations are performed, reduces the quality of information produced, increases the risk associated with informal decisions made by management overrides, and often results in a lack of documentation to support decisions.

The overall success of a system of internal control relies on the people, process, and technology across the organization. The five components of internal control should be applied at every level of

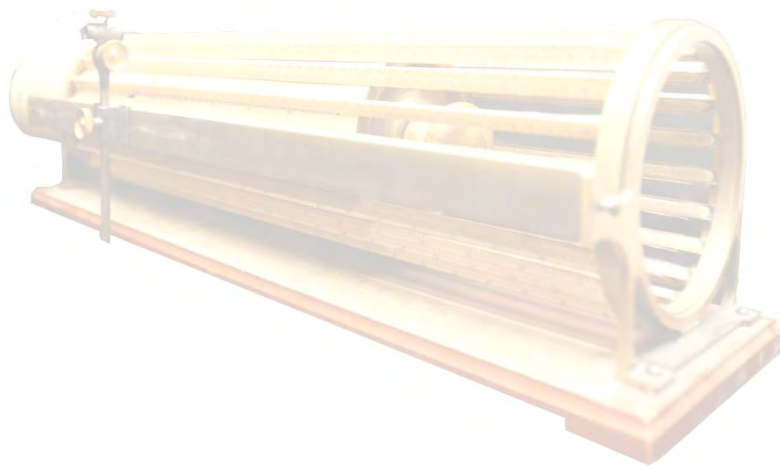
management within the Commission. The Commission must continue the engagement of senior management but also ensure buy-in across programmatic and administrative offices to be successful in establishing an internal control program that can be sustained.

As the Commission navigates the many challenges brought on by the pandemic, managers need to remain mindful of how these changing conditions may impact the effectiveness of key internal controls in their processes.

I will continue to work with you, the other Commissioners, and management to reassess the goals of our office to ensure that my focus can continue to remain on the most important risks and priorities of the Commission.



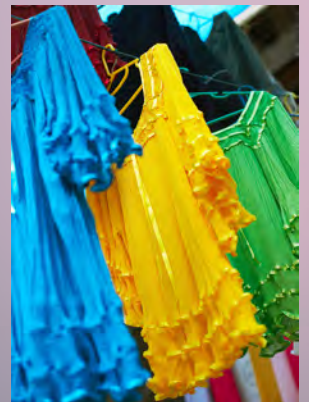
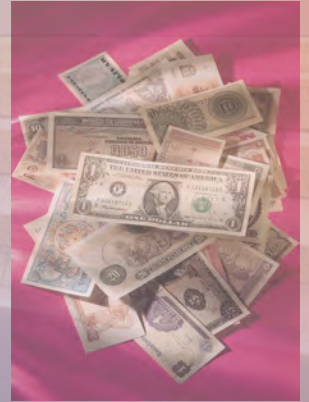
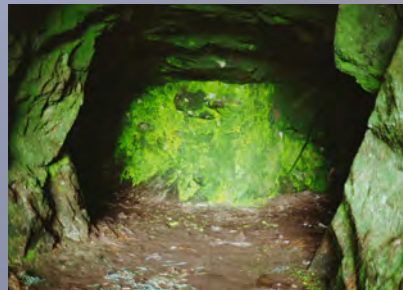
Rhonda L. Turnbow  
Acting Inspector General



*“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



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