

U.S. International Trade Commission

Inspector General Semiannual Report



April 1, 2018 - September 30, 2018



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

David S. Johanson, Chairman

Irving A. Williamson

Meredith M. Broadbent

Rhonda K. Schmidlein

Jason E. Kearns

Chairman



UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, DC 20436

November 15, 2018

Message from the Chairman

In accordance with the Inspector General Act of 1978, as amended, 5 U.S.C. App. 3 (IG Act), the U.S. International Trade Commission (“USITC,” or “Commission”) transmits the Inspector General’s Semiannual Report of the USITC, for the April 1, 2018 to September 30, 2018 period.

The Commission appreciates the Office of Inspector General’s continuing efforts to ensure the effectiveness, efficiency, and integrity of the Commission’s operations. Inspector General Philip Heneghan and his staff have provided valuable assistance to the Commission and its staff throughout the year on these issues. Our agency has benefitted significantly from his analysis of our operations.

The Semiannual Report identifies the agency’s top management and performance challenges from the Inspector General’s perspective. The Commission agrees with his assessment of these challenges. The Commission will address these issues and take the steps needed to improve its operations. Moreover, the Commission appreciates the great efforts made by Commission staff to resolve these issues and the Inspector General’s acknowledgement that progress has been made on these matters during the year.

Part I of this message discusses the steps that the Commission has taken during the reporting period to address the managing data, internal control, and information technology challenges identified by the Inspector General. Part II discusses the Commission’s responses to the specific recommendations made by the Inspector General. Part III addresses the Commission’s responses to investigatory reports of employees issued by the Inspector General.

I. Addressing General Management and Performance Challenges

A. Managing Data

As noted by the Inspector General, many Commission systems, more specifically in the administrative area, were developed to address specific needs or to solve single problems and therefore not viewed as an enterprise resource. As a result, the functionality, access, and reporting capabilities of these systems are limited. Furthermore, Commission staff have to spend additional time reconciling multiple data sets across the organization. During the reporting period the Commission continued to make headway in its efforts to address these and other data management issues.

The Commission has continued inventorying its data systems. As these data systems are inventoried, the Commission is capturing the purpose of each system, the types of data in the system, its owner, and whether it has a data dictionary. As system owners provide this information, the Commission is identifying common uses of the data, redundant systems, whether there is a need for strengthened documentation, who has access to the data, how is the data input, and, if there are conflicting sources, which one is the system of record. Staff have worked to reconcile this inventory across other inventories to ensure completeness. Gathering this information and mapping the responses is an important step in understanding the breadth, depth, and connectedness of data managed at the Commission.

During the reporting period the Commission reviewed all of its Budget Object Classification Codes (BOCs) in order to make sure they complied with Office of Management and Budget guidance. BOCs are the government-wide numeric codes used to classify the nature of services or items purchased by all government agencies; thus, it is crucial that they are correct. As a result of this review, a number of the Commission's BOCs were revised, and now all Commission BOCs are in compliance with government-wide standards. At the same time, the Commission leveraged the work performed in connection with the Digital Accountability and Transparency (DATA) Act reporting requirements to ensure the internal procurement documentation, externally reported procurement data (Federal Procurement Data System), and accounting data are all consistent. In support of these requirements, the Commission documented and standardized a number of processes, automated the reconciliation of the three data sources noted, and identified and corrected errors between internal and external procurement data. As a result, the Commission has more efficient and effective processes and more accurate data.

The Commission also began to review its time and attendance processes, policies, and procedures, and the reporting capabilities of the underlying time system. In particular, we are researching the possibility of utilizing the electronic time and attendance system instead of the

current paper-based system to record the request and approval for paid and unpaid overtime. Since payroll costs account for 70 percent of the Commission's budget, it is quite possible that some of the findings from that effort will be addressed as part of this particular management and performance challenge.

Other new data management activities include the early stages of developing an integrated data system that will allow us to share and analyze administrative data associated with Commission statutory investigations consistently. This activity merges 337Info with other major data systems covering import injury and fact-finding investigations. It also ensures improved internal controls for data used internally and published externally. Work on this integrated data system has begun and the system is expected to be completed in the upcoming fiscal years.

The Commission's efforts to manage its data align with the Office of Management and Budget's proposed Appendix A to Circular A-123 -- Reporting and Data Integrity Risk. If the Commission's data are not managed effectively, the agency will continue to be exposed to a number of risks, such as strategic risk inherent to the formulation, assumptions, or execution of the Commission's strategy; operational risk that impedes the successful activities of the Commission; reporting risk that reports will not be timely or accurate; and, compliance risk inherent to the Commission's commitment and ability to comply with applicable laws and regulations. The efforts also correspond to several annual performance goals.

Finally, the Commission plans, as recommended by the Inspector General, to take a thoughtful, enterprise-wide approach to managing data to ensure data are relevant, complete, and available to inform strategic and operational decisions while minimizing enterprise risks.

B. Internal Control

As the Inspector General notes, the Commission has recognized the importance of having strong internal controls and has consistently acknowledged and responded to internal control weaknesses. Since the issue of internal controls was first identified as a management challenge, the Commission has been committed to improving and strengthening its system of internal control, and has made significant strides in this critical area. The Commission will continue to improve and refine its internal controls and has undertaken several multi-year corrective action initiatives to ensure that controls are working effectively on a continuous basis.

One ongoing high priority corrective action initiative is the redesign of the Commission's system of internal rules, which includes the USITC's policy directives and related procedural documents. The system of internal rules sets forth all delegations of authority, provides the foundation of the

Commission's control environment, and is essential to ensuring the USITC's internal policies and procedures are accessible, intelligible, and consistent. The system is also crucial to enforcing accountability among USITC staff as its content sets forth the appropriate standards by which Commission functions should be carried out.

The Inspector General, when reviewing the Commission's policy directives, found that many policies were outdated and inconsistent and that the agency's management of this function did not adequately ensure accountability for its upkeep. Senior management and staff established a working group to address the issues identified by the Inspector General. The working group found problems similar to those identified by the Inspector General across its system of internal rules and concluded that, in order to remediate the issues identified, the Commission would have to redesign its policies and procedures for managing the entire system of internal rules and update all content within it. This effort was a tremendous undertaking that raised issues central to agency governance and organization. Though the process for addressing the Inspector General's findings has been lengthy, it has been necessary to ensure that these critical issues are addressed effectively as well as to prevent future reoccurrences of the dynamics that led to significant problems with the current system. The Commission will continue to dedicate significant resources to address this management challenge, and implementing the new system of internal rules will be a priority for the Commission over the coming fiscal years

C. IT Management

The Commission continued to make substantial improvements to its IT platforms, modernizing the infrastructure, stabilizing operations, supporting mission functions, and reducing cybersecurity risks. While accomplishing these goals, the Office of the Chief Information Officer (OCIO) made significant progress toward full compliance with all IT mandates.

OCIO has implemented the four technical capabilities identified within the DHS Continuous Diagnostics and Mitigation (CDM) program; Hardware Asset Management (HWAM), Software Asset Management (SWAM), Vulnerability Management (VULN), and Configuration Settings Management (CSM). These four capabilities directly correlate to the four foundational, critical security controls identified in the Inspector General's report.

In addition, the Commission is enrolled in the Department of Homeland Security (DHS) Continuous Monitoring as a Service (CMaaS) program. This program provides small agencies access to CDM capabilities provided and managed by DHS in the cloud to include HWAM, SWAM, VULN, and CSM. The DHS CMaaS solution supports automated reporting of every agency's risk posture across the federal-enterprise. OCIO staff are currently working with DHS integrators to deploy the

solution in FY19.

The Commission continues to identify and implement business systems that will automate and improve the effectiveness of the Commission's operations. In FY 2018, OCIO staff deployed re-engineered versions of the Electronic Document Information System (EDIS) and DataWeb applications which included technology updates to improve usability and security features. Updates to EDIS included an improved process for more accurate filings, enhancements to the document search and reporting capabilities, and improvements to support the timely review of filed documents. DataWeb was updated with a new user interface which incorporated significant input from both internal and external users to improve usability and access to trade data. In addition, significant enhancements were made to the Harmonized Tariff Schedule (HTS) Data Management System to improve the accuracy of data edits and to automate incorporation of unusually large updates to the HTS for Miscellaneous Tariff Bills and broad new tariffs on China. OCIO staff actively met with stakeholders in the Office of Operations to review and refine the requirements for a web-based application and database to support business operations and reporting related to both Title VII and intellectual property investigations. Initial development on this project began late in FY2018 with phased deployment of initial capabilities planned throughout FY 2019. In addition to that effort, OCIO staff will begin implementing the capability to electronically serve documents to authorized parties in both intellectual property and Title VII investigations, resulting in a significant improvement to the agency's continuity of operations capability for conducting investigations.

To continue to provide a more stable and secure technology infrastructure, OCIO has undertaken several key initiatives to modernize Commission IT systems. The Commission migrated its end user Operating System (OS) to the most recent version. In parallel, all new servers are built on the most recent version of the OS. All operating systems within the Commission are deployed using security baseline recommendations from the Defense Information Systems Agency (DISA). These modernized operating systems provide enhanced security and help to ensure vendor support for the system's lifecycle. OCIO also modernized the Commission's IT system backup solution; the new solution supports more reliable backups, file archiving, compression, and enables cloud backups. The Commission awarded a contract for managed print services at the end of FY18 to replace its existing end-of-life printer/copiers with new devices and incorporate printer management as a single unified service.

The Commission has re-evaluated and improved its plan to relocate its data center to a remote location. This will provide greater accessibility and availability to users, all the while increasing security and improving performance. OCIO continues to work on preparing the existing equipment for its relocation to the remote location, which is scheduled to occur in January of 2019.

The Commission is also focusing on building a stable and secure technology platform to help carry out its mission. To achieve this goal, the Commission continues to follow its strategic vision which has a major focus on cloud computing. OCIO is currently in the final stages of migrating all of its email capabilities to a Federal Risk and Authorization Management Program (FedRAMP) approved cloud service provider. This cloud-based solution is replacing the Commission's aging on-site solution and should provide a much more reliable delivery of service. The Commission expects to complete its cloud email migration by the end of the calendar year. Shortly thereafter, OCIO will begin to transition additional office processing capabilities to a cloud solution. In addition the Commission has procured a number of new FedRAMP authorized cloud-based Software-as-a-Service (SaaS) solutions to address the needs of Mission components—to include secure online surveys and e-discovery.

In FY18, the Commission improved its remote computing posture by replacing its longstanding remote access solution with a more modern Virtual Private Network-based (VPN) solution. The VPN solution increased the reliability for users engaged in remote work and most importantly helped the agency meet its Personnel Identity Verification (PIV) card requirement for remote access.

In sum, the Commission is committed to addressing its management challenges. We appreciate the Inspector General's efforts to identify areas of improvement and his advice on how to successfully improve the efficiency and effectiveness of operations.

II. **Actions on Recommendations**

A. Actions Taken on Inspector General Recommendations in this Reporting Period

During this reporting period, the Inspector General issued three new reports containing six new recommendations for management action.¹ The Commission issued management decisions on all of these recommendations during this reporting period. The Commissions completed final action on two of the management decisions.

(1) **Management Letter of Purchase Card Transactions (OIG-ML-18-10)**

During the period the Commission closed out both Management Decisions related to this Management letter. First, and in response to the need for Commission staff to ratify unauthorized commitments, a ratification process for unauthorized commitments that is consistent with the Federal Acquisition Regulation requirements was developed. A handbook explaining the process

¹ See Table 3 of the Inspector General's report.

to be followed by Commission employees was also created, along with any necessary forms. Next, and in response to a specific unauthorized commitment for printer services, the office of General Counsel reviewed the facts of the case and determined that since the contract in question was a task order made pursuant to an indefinite delivery/indefinite quantity contract, and not a requirements contract, no breach of contract occurred.

(2) Management Report – Improper Payment Determination FY2017 (OIG-MR-18-12)

During the period the Commission closed out the Management Decision associated with this Management Report. Prior to this management Decision, Overpayments and Underpayments were only recorded in an Improper Payment Tracking Log that is separate from the financial accounting system. The Commission amended its procedures for tracking overpayments to vendors and employees alike by also recording overpayments in the accounts receivable ledger, and amended its procedures for tracking underpayments (mostly to employees) by reviewing payment data.

B. Actions on Recommendations Made in Prior Periods

The Commission completed final action on a number of management decisions contained in three reports issued by the Inspector General during prior reporting periods.² The Commission is committed to addressing all of the remaining management decisions. The Commission's actions on outstanding recommendations from prior periods are summarized below.

(1) Audit of Directives Management (OIG-AR-15-14).

As referenced in Part 1.B. of this letter addressing internal controls, in response to this audit the Commission has dedicated significant resources to the Commission's system of internal rules, which houses the USITC's policy directives and related procedural documents. In this audit, the Inspector General concluded that the Commission needed to improve the clarity, consistency and usefulness of its system of internal rules. To address his recommendations, in 2018 the Commission issued Directives on Agency Governance, Agency Organization, and the System of Internal Rules which, taken together, replace the USITC's previous system and provide the foundation for the necessary updates and corrections to the system required to make it up-to-date, accurate, and consistent. The Chairman has also issued a Directive Chartering an Internal Administration Committee (IAC) staffed by the USITC's five most senior SES to manage the development of all administrative policy and procedures and bring the system into compliance.

² See Tables 8 and 9 of the Inspector General's report.

The IAC, in turn, has developed a five-year implementation plan for ensuring the system is made current. The IAC meets regularly to plan and track all activities to address the issues raised by the Inspector General, including the underlying process inefficiencies that gave rise to the problems identified, and provide standards for accountability in case procedures are not followed.

In recent months, the IAC has begun reviewing the Directives setting forth the mission and functions statements for all of the USITC's major offices. These will be delivered to the Chairman for approval by the end of 2018. Additionally, the IAC and the Chairman have reviewed and issued the USITC's Privacy Program and issued a series of key Designations essential for ensuring accountability. Finally, the Chairman is currently reviewing the USITC's Section 508 program and Electronic Signature Directives for issuance in November 2018.

(2) Management Letter on Conflict of Interest Process (OIG-17-10)

The Inspector General recommended that the Commission develop a process for senior officials to provide positive assurance that there are no conflicts of interest as they are assigned cases. Recognizing that the current financial conflict of interest screening process should be improved, the Designated Agency Ethics Official (DAEO) drafted revised procedures to use the CIO's new business intelligence software to allow senior officials or their designees to search the relevant databases to screen for potential conflicts of interest. Accordingly, the Commission closed out its first management decision related to this audit. Addressing the Commission's second management decision, unfortunately during this SARC period the Commission hired a new ethics counselor only to have that person leave for another federal position a few months later. This abrupt departure led the Commission to request an extension on the target date for this second management decision. The DAEO hired a new ethics counselor, who started in September. Once the new system is tested, the DAEO will provide in-person training to senior officials to implement the revised conflict of interest process by April 30, 2019. The new system will be more effective, efficient and timely.

(3) Digital Accountability and Transparency Act Audit (OIG-AR-18-06)

During the period the Commission closed out two Management Decisions related to the DATA Act. First, the Commission developed a process to compare, on a quarterly basis, and for each contract reportable in the Federal Procurement Data System (FPDS), the data elements in its contract writing system (PRISM, which is the source procurement system) with the corresponding elements in the accounting system (Oracle Federal Financials, or OFF). In this two-step process, the data as entered in our procurement system was first compared to the data as presented in the outward-facing Federal Procurement Data System (FPDS), and any differences between the two

were corrected in FPDS. Next the data in FPDS was compared to the data in OFF, and the results were reported out to the appropriate Director for corrective action. Once any differences were corrected, the data was submitted to the DATA Act broker.

Next, and starting with the first step of the two-step process discussed above, a review template was created that automatically compared 24 key data elements in FPDS with the corresponding data in our procurement system. This new automated review not only speeds up the process, it also cuts down on errors inherent to a manual review process. Any differences detected in the review process were then presented in a report, which was analyzed to determine the root causes of the discrepancies.

Finally, the Commission reviewed its Budget Object Classification Codes (BOCs), compared them to the Office of Management and Budget guidance in Circular A-11, and corrected any codes that did not align with the guidance.

(4) Audit of Time and Attendance (OIG-AR-18-09)

The Inspector General issued final report OIG-AR-18-09, Audit of Time and Attendance, on March 27, 2018. The audit focused on whether the Commission was effectively managing its processes for overtime, compensatory time, credit hours, and religious compensatory time. The Inspector General identified four problem areas and issued eight recommendations. The recommendations involved 1) training management and staff on eligibility to receive the benefit of credit hours, compensatory overtime, and paid overtime as well as work schedules and how they impact that eligibility, 2) evaluating Commission policies and procedures related to time and attendance, and 3) updating Commission policies and procedures related to time and attendance as necessary. The Commission issued a response to this report containing management decisions to address each of the recommendations.

During the reporting period the Office of Human Resources provided training and information to management and staff on eligibility to receive the benefit of credit hours, compensatory overtime, and paid overtime as well as work schedules and how they impact that eligibility, addressing two of the open management decisions. Management also established a working group to evaluate Commission policies and procedures related to time and attendance. The working group recommended inquiring whether overtime requests could be routed and approved electronically in the time and attendance system consistent with current Commission approval policy. The Office of the Chief Financial Officer posed this question to the Quicktime user group, which includes other agencies that utilize the Quicktime system, and expects an answer in late November. In addition, management has begun reviewing all Commission policies and procedures related to time and attendance and will work with the Internal Administration Committee to expedite the

drafting, review, and approval of any necessary changes.

(5) Management Letter – FY 2017 Financial Statements (OIG-ML-18-07)

During the period the Commission closed out all three Management Decision associated with this Management Letter. First (OIG-ML-18-07-01.1), the Commission's instructions and timeline for the quarterly accrual process were reviewed and updated, the OCFO staff received training on the process, and multiple levels of review were built into the process. Next (OIG-ML-18-07-02.1), the OCFO reviewed and updated its processes for review of the financial statements and associated notes to ensure the data are complete and reconcile. Included in the process is the use of the GAO Financial Audit Manual, with particular attention needing to be paid to properly completing the checklist and filing it with the financial auditors. Finally (OIG-ML-18-07-03.1), the Commission developed a financial statement review process to ensure that financial statement balances properly reconcile across the statements and associated footnotes; carryover beginning balances from prior periods equal the prior period ending balance; and, the financial statement amounts do not contain rounding issues. The review process is a combination of automatic color-coded cross checks in the excel spreadsheets, and manual review by OCFO personnel.

C. Actions on External Reviews

The Office of Personnel Management conducted an evaluation of the Commission's strategic management of human capital, the efficiency and effectiveness of its human resources programs, and its compliance with merit system principles and other civil service laws and regulations.

The final report issued on December 8, 2017, included 15 required actions and 6 recommended actions for the Commission. During this SARC period, the Commission developed management decisions to address all 21 actions from the report.

On May 30, 2018, the Commission outlined to OPM the steps it has taken to update policy and procedures, including our Merit Promotion Policy. On June 19, 2018, OPM provided notification that our response was satisfactory and that the evaluation of the Commission was considered closed.

III. **Actions on Investigatory Reports**

The Office of Inspector General did not issue any reports that substantiated any allegations involving senior government employees during this reporting period.

We attach the statistical tables required under the IG Act as Appendix A to this report.

Sincerely,

A handwritten signature in black ink, appearing to read "David S. Johanson". The signature is written in a cursive style with a long horizontal line extending to the right.

David S. Johanson
Chairman



UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, DC 20436

October 31, 2018

IG-QQ-020

Commissioners:

This month we mark the 40th anniversary of the Inspector General Act of 1978 and the 30th anniversary of the 1988 amendments to the Act that required 33 designated Federal entities, including the Commission, to establish an Office of Inspector General. Since that time, we have been part of a community that has grown to include 73 statutory Inspectors General who collectively oversee the operations of nearly every aspect of the Federal government. Every six months we are required to provide Congress with a report on the results of our independent oversight of the United States International Trade Commission. This report is our 59th semiannual report.

Attached is the Semiannual Report summarizing the activities of the Office of Inspector General for the period April 1, 2018, to September 30, 2018. During this period, we issued three reports and made six recommendations to promote the efficiency, effectiveness, and integrity of the Commission's operations. The Commission completed final action on two of the recommendations issued during this reporting period. In addition, the Commission completed final action on six recommendations we made in prior reporting periods.

In the years to come, we look forward to continuing our efforts to provide independent and effective oversight of the United States International Trade Commission and working with the Council of the Inspectors General on Integrity and Efficiency on important issues that cut across our government.

I would like to thank you for your commitment to strengthening the integrity of the Commission's operations and for your support of the work of my office.

Philip M. Heneghan
Inspector General

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4(a)(2)	Review of Legislation	None
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5(a)(2)	Description of Recommendations for Corrective Action with Respect to Significant Problems, Abuses, and Deficiencies	6-8
5(a)(3)	Significant Recommendations from Prior Reports on Which Corrective Action Has Not Been Completed	9
5(a)(4)	A Summary of Matters Referred to Prosecuting Authorities	11
5(a)(5)	Summary of Instances Where Information or Assistance Was Unreasonably Refused	None
5(a)(6)	Listing by Subject Matter of Each Report Issued During This Reporting Period	6
5(a)(7)	Summary of Significant Reports	6-8
5(a)(8)	Statistical Table: Questioned and Unsupported Costs	15
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5(a)(10)	Summary of Prior Reports	8
5(a)(11)	Description of Any Significant Revised Management Decisions	None
5(a)(12)	Information Concerning Any Significant Management Decision With Which the Inspector General Is in Disagreement	None
5(a)(13)	Information Described Under Section 5(b) of FFMIA	14
5(a)(14)	Results of Peer Review Completed During This Period or Date of Last Peer Review	14
5(a)(15)	List of any Outstanding Recommendations from Peer Review	None
5(a)(16)	List of any Peer Reviews Conducted of Another Office of Inspector General During This Period	None
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5(a)(18)	Description of the Metrics Used for Developing Investigative Statistics	19
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Office of Inspector General

The U.S. International Trade Commission (Commission) established the Office of Inspector General as required by the 1988 amendments to the *Inspector General Act* (IG Act). Our office provides audit, evaluation, inspection, and investigative services covering all Commission programs and operations. Our mission is to promote and preserve the effectiveness, efficiency, and integrity of the Commission. We plan and conduct our activities based on several factors: requirements of laws and regulations, requests from management officials, allegations received from Commission personnel and other sources, and the Inspector General's initiative.

Semiannual Report Requirements

The IG Act requires each Inspector General to prepare a report twice a year that summarizes the activities of the office. This Semiannual Report covers the period from April 1, 2018, through September 30, 2018. The 23 requirements shown in table 1 are specified in the IG Act and must be included in the report.

This Semiannual Report starts with a description of the Top Management and Performance Challenges Report, which identified three management challenges facing the Commission and the actions that management has taken to address them. It then summarizes the results of the other reports issued during this period. This is followed by a summary of prior year reports with unimplemented recommendations; a description of significant recommendations from prior reports where final action is not complete; details of hotline and investigative activities; and information on reports that we did not publicly disclose.

The next section summarizes other reviews of the Commission conducted by external parties, along with the status of recommendations from those reports. The last sections provide information on other reportable items and include congressional activity, participation in the Council of the Inspectors General on Integrity and Efficiency, other compliance activities, and the outcome of our peer review.

Additional tables at the end of the report provide summarized information of our work and the status of recommendations.

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Top Management and Performance Challenges

Each year, our office must identify and discuss the most significant management and performance challenges facing the Commission in the coming year. We provided this report (OIG-MR-19-01) to the Commission on October 15, 2018. In the report, we focused on the three major challenges listed in table 2. We identified these challenges using information gained from our audit, evaluation, and inspection work; a general knowledge of the Commission’s programs and activities; and input from management. Following table 2 is a short discussion of the three challenges and the efforts the agency has taken to address them.

Table 2: Management and Performance Challenges

Management and Performance Challenges
1. Managing Data
2. Internal Controls
3. Information Technology Management

Managing Data

Information drives decision-making in an organization, and this information is derived from data in the Commission’s systems and databases. An organization needs complete, accurate, and consistent enterprise data to make timely and effective decisions. Thus, the underlying business processes and practices for the creation, storage, and use of data should be designed to allow key information to be entered consistently across applications, systems, and databases.

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 toward managing data as an asset and highlights the importance of using high-quality data to support data-driven decisions and improve transparency in government.

Properly managed data is essential for the development of timely, reliable, and accurate reporting. Managers should identify information needs, understand the characteristics of the data, and determine the appropriate level of detail required to ensure data is collected

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to develop useable and relevant management reports. Management reports should be based on a clear purpose and meet the defined needs of the intended user. As such, the format and content of management reports should contain a sufficient level of information to meet the purpose for which those reports were developed. Properly designed reports with relevant and timely information serve to help effectively manage day-to-day operations, support the decision-making process, evaluate performance, and communicate information across the organization.

Effective organization of data is critical to obtain useful and relevant information that is versatile for a variety of purposes across all levels of the organization. The Commission should have a flexible and adaptable coding structure organized to generate useful information in a timely manner that is accurate and complete, with minimal human interaction. The codes should follow a systematic method of assignment based on a logical flow of data that allows detailed information to be aggregated to meet the needs of managers at every level of the Commission. This logical structure must be considered when determining the level of data necessary to provide the desired information. Inconsistent methods of assigning and entering codes increase the risk that aggregations of data will be incomplete and information from different systems will provide conflicting results.

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

The Commission's systems were developed for a specific need or to solve a single problem. The data within these systems was not seen as an enterprise resource. Because these systems were developed for a single purpose, their functionality, access, and reporting capabilities are limited. Without staff knowing how the information from various systems and subsystems is defined, captured, and updated, misleading information can be produced and excess staff time might be needed to attempt to reconcile multiple data sets across the organization.

The Commission needs to take a thoughtful, enterprise-wide approach to manage data to ensure it is relevant, complete, and available when necessary to make good strategic and

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operational decisions and manage enterprise risks. The Commission's strategy should use all data assets across the organization to meet its financial and nonfinancial reporting objectives.

Internal Control

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

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. In order for a system of internal control to be effective, all five components must be effectively designed, implemented, and operating. In addition, all five components must be working together in an integrated manner.

The control environment is the foundation for a system of internal control. One principal of the control environment is the establishment of an organizational structure, assignment of responsibility, and delegations of authority to meet the objectives of the Commission. In 2015, we completed an audit of the Commission's directives management system, which included a review of these control environment elements.

The audit found that the Commission's policy directives were not current, contained outdated assignments of responsibility, and outdated delegations of authority. Although the Commission had written procedures to periodically assess the directives, the reviews were not performed. This lack of monitoring led to weaknesses in each of the five components of internal control. Monitoring is necessary to determine if the system of internal control is properly designed, working as intended, and achieving the desired results. The lack of accountability meant that individuals had roles and responsibilities within the process, but no one was held accountable for the overall success of the Commission's directives system.

The Enterprise Risk Management Program continues to mature and has been integrated into the budget process to assist management in making informed decisions. Because enterprise risk management is an iterative process, the Commission must keep management focused on maturing its processes and procedures, ensuring that program risk assessments are completed and used to inform the enterprise risk, identifying new and emerging risks, reevaluating the risks' impact/probability scores for reasonableness, and assessing whether mitigation strategies are working effectively.

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The Commission must continue to engage senior management in all aspects of internal control to ensure buy-in across programmatic and administrative offices and to make certain it can be sustained over a long period of time in order to achieve a mature and effective internal control program. The Commission will be challenged to manage and drive the cultural changes associated with the development and implementation of an effective organizational internal control program.

IT Management

The Commission has improved its operational focus on the four foundational, critical security controls necessary to secure the Commission's network. These controls are: (1) Inventory of authorized and unauthorized devices; (2) Inventory of authorized and unauthorized software; (3) Secure configurations for hardware and software on mobile device laptops, workstations, and servers; and (4) Continuous vulnerability assessment and remediation.

The Commission has identified and begun to implement business systems that will automate and improve the effectiveness of the Commission's operations. These new systems include collecting electronic data for some Title VII investigations, consolidating different databases of 337 and Title VII data, cataloging external administrative reports in a manageable database, and modernizing the Harmonized Tariff Schedule business processes and information systems. Taking advantage of automation should improve the integrity, effectiveness, and efficiency of all the Commission's work.

Modern computing platforms have the potential to provide staff with important features they need to get their jobs done, while also providing high levels of information security. The Commission is working to modernize its systems by taking advantage of cloud opportunities to enhance functionality and reduce the management complexity of its network.

The Commission's professional staff require a consistent and stable IT foundation that is developed and managed effectively to enhance the work done by Commission staff. If the Commission's IT systems do not work effectively, staff are unnecessarily stressed, deadlines are risked, and results-oriented staff will use alternative means of accomplishing their work on unmanaged devices. The Commission should continue to focus on the delivery and maintenance of stable and secure technology platforms that serves its staff.

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Inspector General Reports Issued During this Period

The Inspector General issued three reports with six recommendations during this reporting period. The Commission made management decisions on all six recommendations from the reports. The Inspector General agreed with all of these management decisions.

The Inspector General received management decisions for eight recommendations from a report issued during the last reporting period. The management decisions were not due until after the last reporting period had closed. The Inspector General agreed with all of the management decisions.

A listing of each report issued during this reporting period, by subject matter, is provided in table 3.

Table 3: Reports by Subject Matter

Reports by Subject Matter				
Subject Matter	Report Number	Report Title	Date Issued	Number of Recommendations
Financial	OIG-ML-18-10	<i>Management Letter: Purchase Card Transactions</i>	04/04/2018	2
Financial	OIG-AR-18-11	<i>Audit of Purchase Card Transactions</i>	05/02/2018	3
Financial	OIG-MR-18-12	<i>Management Report – Improper Payment Determination FY2017</i>	05/10/2018	1
Total recommendations issued during this reporting period				6
<i>NOTE: None of these reports identified any questioned costs, unsupported costs, or funds that could be put to better use.</i>				

The title, key findings, and summary information for each report are provided below.

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Management Letter: Purchase Card Transactions, OIG-ML-18-10

RESULT: We determined that the Commission needed to develop a ratification process for unauthorized commitments that is consistent with Federal Acquisition Regulation requirements.

We issued a management letter to bring attention to the Commission's practices related to ratifying unauthorized commitments that we identified during the performance of an audit. We found that the Commission did not have adequate procedures in place to discourage unauthorized commitments and the need for ratifications.

We also found that Commission practice was inconsistent with Federal Acquisition Regulation requirements to obtain concurrence for payment from the Office of General Counsel before ratifying unauthorized commitments.

We issued two recommendations related to the Commission's policies and practices. The Chairman made management decisions to address the recommendations.

Audit of Purchase Card Transactions, OIG-AR-18-11

RESULT: We determined that the overall risk of illegal, erroneous, or improper purchases was low.

We performed an audit as part of a government-wide project lead by the Council of the Inspectors General on Integrity and Efficiency (CIGIE). The objective of the audit was to assess the risk of illegal, erroneous, or improper purchase card transactions.

Based on the CIGIE criteria, two exceptions were noted because a cardholder did not attempt to recover sales tax paid, and two transactions did not have documentation of supervisor approval. We determined the Commission's risk was low because 1) the amount of sales tax was negligible; and 2) the transactions without supervisory approval were mission related and consistent with historical approved purchases of the office.

Although the overall risk was low, we identified inconsistencies in the policy and procedure documents. We issued three recommendation to the Commission. The Chairman agreed with our findings and developed management decisions to address the recommendations.

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Management Report – Improper Payment Determination FY 2017, OIG-MR-18-12

RESULT: We determined that the Commission complied with the Improper Payments Elimination and Recovery Act of 2010 (IPERA).

Based on the six criteria set forth in the Office of Management and Budget memorandum M-15-02, we determined that the Commission has complied with IPERA.

For the second consecutive year, we have identified financial transactions that should have been reported as improper payments by the Office of the Chief Financial Officer, that were not. Because both the number of transactions and associated dollar amounts were low, it did not have an impact on the Commission's compliance with IPERA.

We issued one recommendation to the Commission to improve the tracking and reporting of improper payments. The Commission developed management decisions to address the recommendation.

Summary of Prior Period Reports

Reports Without Management Decisions

The Commission has provided management decisions to all recommendations in reports issued prior to the commencement of this reporting period.

Reports Without Management Comments

The Commission provided management comments for all reports that contain recommendations within 60 days. Internal policy does not require management to provide comments on reports that do not have recommendations.

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Prior Year Unimplemented Recommendations and Cost Savings

A summary of reports containing unimplemented recommendations by fiscal year is provided in table 4 below.

Table 4: Prior Year Unimplemented Recommendations and Cost Savings

Prior Year Unimplemented Recommendations and Cost Savings			
Fiscal Year	Number of Reports With Unimplemented Recommendations	Number of Unimplemented Recommendations	Dollar Value of Aggregate Potential Cost Savings
15	1	9	\$0
17	1	1	\$0

Significant Recommendations From Prior Periods

The Commission has not completed corrective action for 19 recommendations described in prior semiannual reports. We have identified four of these recommendations—all related to the Commission’s system of internal rules—as significant. The report number along with the four recommendations are provided in table 5, followed by a brief summary of the report.

Table 5: Significant Recommendations From Prior Periods

Significant Recommendations From Prior Periods	
Report Number	Recommendation
OIG-AR-15-14	Recommendation 1: Update policy to clearly define the different types of internal rules.
	Recommendation 2: Define standard format and content requirements for each type of internal rule.
	Recommendation 4: Deploy an effective process to perform periodic reviews of the directives.
	Recommendation 9: Require delegations of authority and agency designations to include authoritative sources and core responsibilities.

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The report containing these recommendations focused on directives management. Managing directives is a core function of the system of internal rules. The internal rules system, in turn, shapes the Commission's governance culture and plays a key role in internal control activities.

We recommended that the Commission develop a directives management framework that would clearly assign responsibility and accountability for meeting the Commission's objectives; set the tone for employees' conduct and expected behavior; and set the direction for how the Commission complies with certain laws and regulations in its daily operations. We also recommended setting up a periodic review process to ensure the directives are current, relevant, readily accessible, and easily understood.

Hotline and Investigations

Investigations and Inquiries: Overview

One of our functions is to conduct investigations and inquiries of criminal, civil, and administrative wrongdoing involving Commission programs, operations, and personnel. We may investigate possible violations of federal criminal law, of regulations on employee responsibilities and conduct, and of other statutes and regulations covering Commission activities.

Our office reviews and analyzes each complaint received to decide the appropriate course of action and, if appropriate, conducts a preliminary inquiry. If the information we find during the preliminary inquiry indicates that a full investigation is appropriate, we will launch an investigation.

OIG Hotline Contacts

Our office maintains a hotline for reporting information about suspected waste, fraud, abuse, or mismanagement involving Commission programs or operations. The information may come to us in person, by telephone, fax, email, mail, or through a web-based form. When requested, we endeavor keep a provider's identity confidential. Reports may also be made anonymously.

We receive complaints from employees, contractors, and the public that involve the Commission's areas of responsibility. We examine these complaints to determine whether there is any indication of Commission wrongdoing or misconduct. If the

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complaint does not relate to the Commission, we refer the complaint to the appropriate entity for response. If the complaint does not have merit, we close the matter.

The OIG has worked to increase awareness of the Hotline throughout the Commission by creating a series of Hotline posters and holding “OIG Outreach” sessions with Commission offices. In addition, the OIG participated in the diversity and inclusion lunch and learn series to further increase awareness of our office’s responsibilities.

Summary of Matters Referred to Prosecuting Authorities

The Office of Inspector General has one ongoing investigation that was referred to prosecuting authorities. The referral was declined for prosecution.

Investigations With Substantiated Allegations Involving Senior Government Employees

The Office of Inspector General did not issue any reports that substantiated any allegations involving senior government employees during this reporting period.

Investigations Completed in Prior Reporting Period

The Commission took or identified appropriate action on two reports of investigation completed during the prior reporting period.

1. Conflict of Interest: The employee’s supervisor issued a written reprimand to the employee; and
2. Unauthorized Recording: The employee resigned from federal service prior to the agency taking formal action.

Summary of Reports Not Disclosed to the Public

Inspections, Evaluations, and Audits

The Office of Inspector General did not issue any inspections, evaluations, or audits that were not disclosed to the public during this reporting period.

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Investigations

The Office of Inspector General did not issue any investigative reports that were not disclosed to the public during this reporting period.

External Reviews Completed During This Period

The Commission did not have any external reviews completed during this reporting period.

Status of Actions Related to External Reviews Completed During Prior Periods

Office of Personnel Management

The Office of Personnel Management conducted an evaluation of the Commission's strategic management of human capital, the efficiency and effectiveness of its human resources programs, and its compliance with merit system principles and other civil service laws and regulations.

The final report issued on December 8, 2017, by the Office of Personnel Management found that the Commission had "Not Met" the anticipated results in 9 of the 26 assessment areas. The Office of Personnel Management noted that the Commission's policies were extremely outdated and that improvements were needed in the external and internal hiring processes.

The Office of Personnel Management issued 15 required actions and 6 recommended actions to the Commission. The Commission developed management decisions to address all 21 actions from the report. During this reporting period the Commission completed final action on 13 recommendations.

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Reviews Completed for Other Offices of Inspector General

Section 6(a)(3) of the Inspector General Act of 1978, as amended, gives the Inspector General the authority to obtain assistance from any other federal agency to carry out the duties and responsibilities assigned by the Act.

Our office assists other Offices of Inspector General by performing independent information technology reviews. Our support may vary widely, ranging from penetration testing, vulnerability assessments, and configuration reviews to evaluating the monitoring, detection, and remediation of cyber incidents.

When assistance is requested, the Commission's Inspector General will enter into a memorandum of understanding with the other federal agency, in accordance with 31 U.S.C. §1535 (the Economy Act of 1932), as amended. The memorandum of understanding describes in writing the work to be completed, methodology, cost, and schedule, as well as any associated deliverables, before work begins.

Congressional Activities

The Inspector General transmitted a report that affirmed the Commission's compliance with the Improper Payments Elimination and Recovery Act. The Inspector General's determination was submitted to the Senate Committee on Homeland Security and Governmental Affairs, the House Committee on Oversight and Governmental Reform, the Comptroller General, and the Controller of the Office of Management and Budget.

As required by the Inspector General Empowerment Act of 2016, my office has transmitted all reports with recommendations to the appropriate oversight committees.

Council of the Inspectors General on Integrity and Efficiency

The Inspector General has actively participated in meetings and supported the efforts of the Council of the Inspectors General on Integrity and Efficiency (CIGIE). Members of our staff have volunteered to serve on various CIGIE working groups and committees that address cross-cutting issues, such as knowledge management, cloud computing, investigations, cyber security, new media, small-agency concerns, and legal matters.

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During this reporting period, the Office of Inspector General participated in the CIGIE government-wide purchase card project. We provided informal results to the Chairman prior of our submission to the CIGIE Purchase Card Working Group. We will formally transmit an audit report to the Commission during the next reporting period.

Federal Financial Management Improvement Act Reporting

The IG Act and the Federal Financial Management Improvement Act of 1996 (FFMIA) require the inspectors general of certain agencies to report “instances and reasons” when the agency has not met intermediate target dates established in a remediation plan to bring the agency’s financial management system into substantial compliance with the FFMIA. The Commission is not subject to the FFMIA; however, it voluntarily seeks to comply with most of its requirements. During this reporting period, there were no events that gave rise to a duty to report under FFMIA.

Peer Review

The Equal Employment Opportunity Commission’s Office of Inspector General performed a peer review of our office during a prior reporting period. The final report, issued on April 18, 2016, found that the system of quality control for conducting audits was suitably designed and implemented, giving it a peer review rating of “pass.” The reviewers did not make any recommendations.

The next peer review of our office will begin in fiscal year 2019, in accordance with the peer review schedule set by the CIGIE. Our office did not conduct any peer reviews during this reporting period.

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Table 6: Reports With Questions and Unsupported Costs

Reports With Questioned and Unsupported Costs			
Description	Number of Reports	Questioned Costs	Unsupported Costs
Reports for which no management decision has been made by the commencement of the reporting period.	1 ¹	\$0	\$0
Reports issued during the reporting period.	3	\$0	\$0
Subtotals	4	\$0	\$0
Reports for which a management decision was made during the reporting period.	4	\$0	\$0
• Dollar value of disallowed costs.		\$0	\$0
• Dollar value of allowed costs.		\$0	\$0
Reports for which no management decision has been made by the end of the reporting period.	0	\$0	\$0
Subtotals	4	\$0	\$0

¹ Management decisions were received for the Audit of Time and Attendance, OIG-AR-18-09, which were not due until after the last reporting period had closed.

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Table 7: Reports With Recommendations That Funds Be Put to Better Use

Reports With Recommendations That Funds Be Put to Better Use		
Description	Number of Reports	Funds Put to Better Use
Reports for which no management decision has been made by the commencement of the reporting period.	1 ²	\$0
Reports issued during the reporting period.	3	\$0
Subtotals	4	\$0
Reports for which a management decision was made during the reporting period.	4	
<ul style="list-style-type: none"> • Dollar value of recommendations agreed to by management. 		\$0
<ul style="list-style-type: none"> • Dollar value of recommendations not agreed to by management. 		\$0
Reports for which no management decision has been made by the end of the reporting period.	0	\$0
Subtotals	4	\$0

² Management decisions were received for the Audit of Time and Attendance, OIG-AR-18-09, which were not due until after the last reporting period had closed.

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Table 8: Reports With Final Action Completed During This Reporting Period

Reports With Final Action Completed During This Reporting Period				
Reports Issued this Reporting Period				
Report Title	# of Recs.	Mgt. Decisions	Final Action Completed in Prior Periods	Final Action Completed This Period
1 Management Letter: Purchase Card Transactions, OIG-ML-18-10	2	2	0	2
Totals	2	2	0	2
Prior Reporting Periods				
Report Title	# of Recs.	Mgt. Decisions	Final Action Completed in Prior Periods	Final Action Completed This Period
1 Management Letter for FY 2017 Financial Statement, OIG-ML-18-07	3	3	0	3
Totals	3	3	0	3

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Table 9: Status of Reports Issued Without Final Action

Status of Reports Issued Without Final Action						
This Reporting Period						
	Report Title	# of Recs.	Mgt. Decisions	Decisions IG Disagrees With	Final Action Complete	Action Not Complete
1	Audit of Purchase Card Transactions, OIG-AR-18-11	3	3	0	0	3
2	Management Report: Improper Payment Determination FY 2017, OIG-MR-18-12	1	1	0	0	1
Totals		4	4	0	0	4
Prior Reporting Periods						
	Report Title	# of Recs.	Mgt. Decisions	Final Action Complete Prior Periods	Final Action Complete This Period	Action Not Complete
1	Digital Accountability and Transparency Act Audit, OIG-AR-18-06	6	6	2	2	2
2	Audit of Time and Attendance, OIG-AR-18-09	8	8	0	0	8
3	Management Letter on Conflict of Interest Process, OIG-ML-17-10	1	1	0	0	1
4	Audit of Directives Management, OIG-AR-15-14	11	11	2	1	8
Totals		26	26	4	3	19

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Table 10: Statistical Table of Investigative Reports

Statistical Table of Investigative Reports	
Description	Count
Number of investigative reports issued.	0
Number of persons referred to DOJ for criminal prosecution.	1
Number of persons referred to State and Local authorities for criminal prosecution.	0
Number of indictments and criminal information resulting from any prior referrals to prosecuting authorities.	0
The information in this table is derived from the Office of Inspector General's investigation report.	

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Appendix A

Appendix A: Chairman's Statistical Tables

Table A: Reports with Disallowed Costs

Total Number of Reports and the Dollar Value of Disallowed Costs		
Description	Number of Reports	Dollar Value of Disallowed Costs
Reports issued during the period.	3	\$0
Reports for which final action had not been taken by the commencement of the reporting period.	5	\$0
Reports on which management decisions were made during the reporting period.	4 ¹	\$0
Reports for which final action was taken during the reporting period.	2	\$0
<ul style="list-style-type: none"> • Dollar value of disallowed costs, recovered by management. 		\$0
<ul style="list-style-type: none"> • Dollar value of disallowed costs written off by management. 		\$0
Reports for which no final action has been taken by the end of the reporting period.	6	\$0

¹ Management decisions were provided for the Audit of Time and Attendance, OIG-AR-18-09, which were not due until after the previous reporting period had closed.

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Appendix A

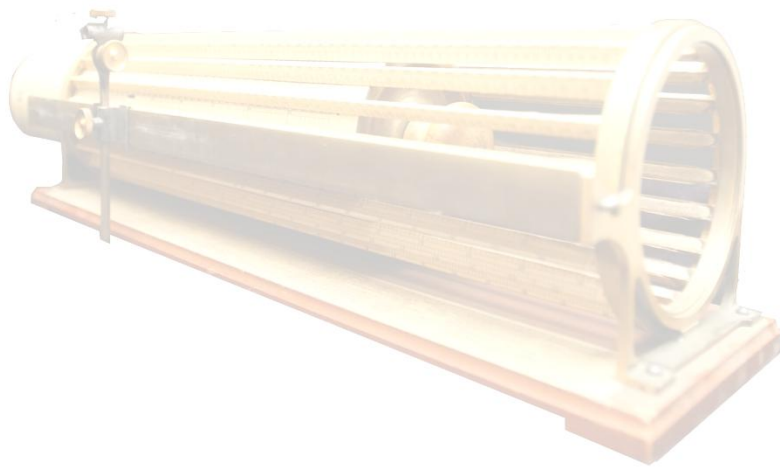
Table B: Reports with Recommendations that Funds be Put to Better Use

Reports with Recommendations that Funds be Put to Better Use		
Description	Number of Reports	Funds Put to Better Use
Reports for which final action had not been taken by the commencement of the reporting period.	5	\$0
Reports on which management decisions were made during the reporting period.	4 ²	\$0
Reports for which final action was taken during the reporting period including:	2	\$0
<ul style="list-style-type: none"> • Dollar value of recommendations that were actually completed. 		\$0
<ul style="list-style-type: none"> • Dollar value of recommendations that management has subsequently concluded should not or could not be completed. 		\$0
Reports for which no final action has been taken by the end of the reporting period.	6	\$0

Table C: Prior Year Management Decisions Without Final Action

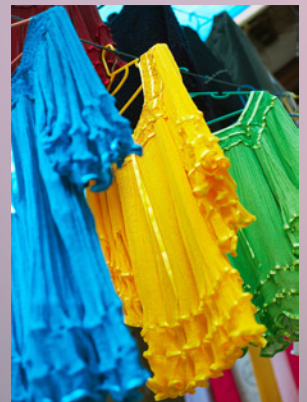
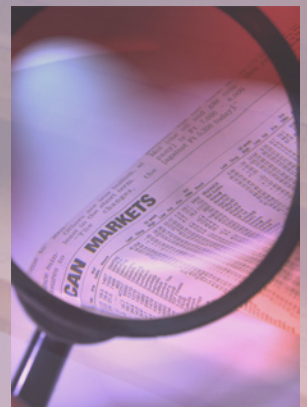
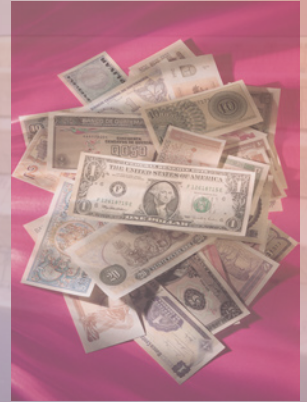
Prior Year Audit Reports On Which Management Decisions Have Been Made but Final Action has Not Been Taken				
Audit Report	Date Issued	Disallowed Costs	Funds Put to Better Use	Reason Final Action has Not Been Taken
OIG-ML-17-10	02/10/2017	\$0	\$0	Provided in the Chairman's Message
OIG-AR-15-14	09/02/2015	\$0	\$0	Provided in the Chairman's Message

² Management decisions were provided for the Audit of Time and Attendance, OIG-AR-18-09, which were not due until after the previous reporting period had closed.



“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