

U.S. International Trade Commission

Inspector General Semiannual Report



October 1, 2018 - March 31, 2019



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



UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, DC 20436

May 23, 2019

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 October 1, 2018, to March 31, 2019, period.

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

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 appreciates the significant efforts made by Commission staff to address these challenges and the Inspector General’s acknowledgement of the progress our management team has made responding to these challenges.

Actions Taken on IG Recommendations from Prior Reporting Periods

The Commission completed final action on a number of management decisions made in response to the two reports issued by the Inspector General during prior reporting periods.¹ The Commission is committed to implementing all of the remaining management decisions we have

¹ See Table C of Appendix B: Chairman’s Statistical Tables.

made on the Inspector General's recommendations. The Commission's actions on outstanding recommendations from prior periods are summarized below.

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

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. These directives, when 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 executives to manage the development of all administrative policy and procedures and bring the system into compliance. 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 to provide standards for accountability in case procedures are not followed.

Since the beginning of the fiscal year, the Chairman has issued eight directives (including multiple Mission and Functions Statements and Program Directives) and a series of key designations essential for ensuring accountability. The IAC is presently reviewing thirteen more directives for issuance before the end of the year.

(2) Management Letter on Conflict of Interest Process (OIG-ML-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 Commission should improve the current financial conflict of interest screening process, the Designated Agency Ethics Official (DAEO) drafted revised procedures using the Office of the Chief Information Officer'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 implemented its first management decision related to this recommendation.

Unfortunately, addressing the Commission's second management decision related to this audit has been more difficult due to unanticipated staff turnover. During the previous reporting 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 extensions on the target date for this second management decision. The DAEO hired a new ethics counselor, who started in September 2018. Once staff completes thorough user testing of the new automated system, the DAEO will provide in-person training to senior officials and implement the revised conflict of interest process by September 30, 2019. The new system will be more effective, efficient, and timely.

We attach the statistical tables required under the IG Act as Appendix B 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 flourish extending to the right.

David S. Johanson
Chairman



UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, DC 20436

April 30, 2019

IG-RR-014

Commissioners:

Attached is the Semiannual Report summarizing the activities of the Office of Inspector General for the period October 1, 2018, to March 31, 2019.

During this period, we issued seven reports and made three recommendations to promote the efficiency, effectiveness, and integrity of the Commission's operations. The Commission provided management decisions for all of the recommendations we made during this reporting period. The Commission completed final action on six recommendations we made in prior reporting periods.

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

U.S. International Trade Commission
Inspector General Semiannual Report

TABLE OF CONTENTS

Office of Inspector General.....	1
Semiannual Report Requirements	1
Top Management and Performance Challenges.....	2
Managing Data.....	2
Internal Control.....	4
IT Management.....	5
Inspector General Reports Issued During this Period	6
Inspector General CyberScope Fiscal Year 2018 Submission, OIG-MR-19-02	7
Audit of Fiscal Year 2018 Financial Statement, OIG-AR-19-03	7
Report on Internal Control Fiscal Year 2018, OIG-AR-19-04	8
Report on Compliance with Laws and Regulations Fiscal Year 2018, OIG-AR-19-05.	8
Management Letter: 2018 Financial Statement, OIG-ML-19-06	8
2019 Charge Card Risk Assessment, OIG-MR-19-07.....	8
Summary of Prior Period Reports	9
Reports Without Management Decisions	9
Reports Without Management Comments.....	9
Prior Year Unimplemented Recommendations and Cost Savings	9
Significant Recommendations From Prior Periods.....	10
Hotline and Investigations.....	11
Investigations and Inquiries: Overview	11
OIG Hotline Contacts	11
Summary of Matters Referred to Prosecuting Authorities	12
Investigations With Substantiated Allegations Involving Senior Government Employees.....	12
Summary of Reports Not Disclosed to the Public.....	13
Inspections, Evaluations, and Audits.....	13
Investigations	13
External Reviews Completed During This Period.....	13
Status of Actions Related to External Reviews Completed During Prior Periods ...	13
Office of Personnel Management	13
Assistance to Other Offices of Inspector General.....	14

U.S. International Trade Commission

Inspector General Semiannual Report

Congressional Activities	14
Council of the Inspectors General on Integrity and Efficiency	15
Federal Financial Management Improvement Act Reporting	15
Peer Review	15

Tables

Table 1: Reporting Requirements Index	iii
Table 2: Management and Performance Challenges	2
Table 3: Reports by Subject Matter	6
Table 4: Prior Year Unimplemented Recommendations and Cost Savings	9
Table 5: Significant Recommendations From Prior Periods	10
Table 6: Reports With Questioned and Unsupported Costs	16
Table 7: Reports With Recommendations That Funds Be Put to Better Use	17
Table 8: Reports With Final Action Completed During This Reporting Period	18
Table 9: Status of Reports Issued Without Final Action	19
Table 10: Statistical Table of Investigative Reports	20

Appendices

Appendix A: Peer Review Letter	A-1
Appendix B: Chairman’s Statistical Tables	B-1

U.S. International Trade Commission

Inspector General Semiannual Report

Table 1: Reporting Requirements Index

Reporting Requirements Index		
IG Act Section	Description	Page
4(a)(2)	Review of Legislation	None
5(a)(1)	Description of Significant Problems, Abuses, and Deficiencies	6-9
5(a)(2)	Description of Recommendations for Corrective Action With Respect to Significant Problems, Abuses, and Deficiencies	6-9
5(a)(3)	Significant Recommendations From Prior Reports on Which Corrective Action Has Not Been Completed	10
5(a)(4)	A Summary of Matters Referred to Prosecuting Authorities	12
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	2-9
5(a)(8)	Statistical Table: Questioned and Unsupported Costs	16
5(a)(9)	Statistical Table: Recommendations Where Funds Could Be Put to Better Use	17
5(a)(10)	Summary of Prior Reports	9
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	15
5(a)(14)	Results of Peer Review Completed During This Period or Date of Last Peer Review	15, Appendix A
5(a)(15)	List of Outstanding Recommendations From Peer Review	None
5(a)(16)	List of Peer Reviews Conducted of Another Office of Inspector General During This Period	None
5(a)(17)	Statistical Table: Investigative Reports	20
5(a)(18)	Description of the Metrics Used for Developing Investigative Statistics	20
5(a)(19)	Investigations With Substantiated Allegations Involving Senior Government Employees	12
5(a)(20)	Description of Any Whistleblower Retaliation	None
5(a)(21)	Description of Attempts to Interfere With Inspector General Independence	None
5(a)(22)	Summary of Reports Not Disclosed to the Public	13

U.S. International Trade Commission

Inspector General Semiannual Report

Office of Inspector General

The U.S. International Trade Commission (Commission) established the Office of Inspector General when the *Inspector General Act* (IG Act) was amended in 1988. 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 October 1, 2018, through March 31, 2019. 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 summarize information about our reports and provide the status of recommendations.

U.S. International Trade Commission

Inspector General Semiannual Report

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

U.S. International Trade Commission

Inspector General Semiannual Report

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, which could result in staff having to spend additional time in attempting 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

U.S. International Trade Commission

Inspector General Semiannual Report

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. The directives contained outdated assignments of responsibility and outdated delegations of authority and also referenced external regulations that had been revoked and were no longer in effect. 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. In addition, they need to ensure that program risk assessments are continually monitored in order to be used to inform the enterprise risk. This process includes identifying new and emerging risks, reevaluating the risks' impact/probability scores for reasonableness, and assessing whether mitigation strategies are working effectively.

U.S. International Trade Commission

Inspector General Semiannual Report

The Commission must continue to engage senior management in all aspects of internal control to ensure buy-in across programmatic and administrative offices. This is to ensure that 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 at risk, 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 serve its staff.

U.S. International Trade Commission

Inspector General Semiannual Report

Inspector General Reports Issued During this Period

The Inspector General issued seven reports with three recommendations during this reporting period. The Commission made management decisions on all three recommendations from the reports. The Inspector General agreed with all 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
Administrative	OIG-MR-19-01	<i>USITC Management and Performance Challenges</i>	10/15/2018	0
Information Security	OIG-MR-19-02	<i>Inspector General CyberScope Fiscal Year 2018 Submission</i>	10/31/2018	0
Financial	OIG-AR-19-03	<i>Audit of Fiscal Year 2018 Financial Statement</i>	11/09/2018	0
Financial	OIG-AR-19-04	<i>Report on Internal Control 2018</i>	11/09/2018	0
Financial	OIG-AR-19-05	<i>Report on Compliance with Laws and Regulations 2018</i>	11/09/2018	0
Financial	OIG-AR-19-06	<i>Management Letter: 2018 Financial Statement</i>	12/17/2018	3
Financial	OIG-MR-19-07	<i>2019 Charge Card Risk Assessment</i>	01/31/2019	0
Total recommendations issued during this reporting period				3
<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.

U.S. International Trade Commission

Inspector General Semiannual Report

Inspector General CyberScope Fiscal Year 2018 Submission, OIG-MR-19-02

RESULT: Of the five program areas we evaluated using a capability maturity model framework that assesses the level and consistency of implementation, three areas were Level 3: “Consistently Implemented” and two areas were Level 4: “Managed and Measurable.”

The Inspector General is required to independently evaluate and report annually to the Office of Management and Budget on how the Commission has established and implemented information security programs. Each year, the Office of Management and Budget requests input on select programs. For Fiscal Year 2018, the Office of Management and Budget requested an assessment using the capability maturity model. The list below provides the areas reviewed followed by the Inspector General’s assessment rating.

- Identify – Level 4: Managed and Measurable
- Protect – Level 3: Consistently Implemented
- Detect – Level 4: Managed and Measurable
- Respond – Level 3: Consistently Implemented
- Recover – Level 3: Consistently Implemented

The Commission enforces application control across all compatible devices for users’ desktop and laptop devices minimizing the risk of unauthorized software being installed on the network. This means that the Commission has good control of the software on its network as well as baseline configurations across its devices. The Commission’s robust vulnerability identification and remediation program provides the Commission with visibility and control of the hardware on its network.

Audit of Fiscal Year 2018 Financial Statement, OIG-AR-19-03

RESULT: The audit resulted in an unmodified opinion of the Commission’s fiscal year 2018 financial statement.

We engaged the services of an independent certified public accounting firm to audit the balance sheet and related statements of net cost, changes in net position, and budgetary resources for fiscal year 2017. The auditors concluded that the Commission’s financial statements for the fiscal year ended September 30, 2018, present fairly in all material respects the financial position of the Commission. The auditors did not issue any recommendations.

U.S. International Trade Commission

Inspector General Semiannual Report

Report on Internal Control Fiscal Year 2018, OIG-AR-19-04

RESULT: The audit did not identify any material weaknesses or significant deficiencies.

As part of conducting the financial statement audit, the independent certified public accounting firm was required to issue a report on internal control. The testing was limited solely to internal controls over financial reporting as they related to the financial statements. The auditors did not test internal controls relevant to ensuring effective operations. The results of the testing performed did not identify any material weaknesses or significant deficiencies in the Commission's internal control over financial reporting.

Report on Compliance with Laws and Regulations Fiscal Year 2018, OIG-AR-19-05

RESULT: The report did not identify any instances of noncompliance.

The independent public accounting firm also performed an audit of the Commission's compliance with certain laws and regulations. The auditors did not test compliance with all laws and regulations applicable to the Commission, only those that would have a direct and material effect on the determination of financial statement amounts. The report did not have any recommendations.

Management Letter: 2018 Financial Statement, OIG-ML-19-06

RESULT: The Commission needs to improve internal control over disbursements and undelivered orders.

We contracted with an independent certified public accounting firm to conduct the financial statement audit and associated reports. The Management Letter discusses matters involving internal control that the auditors identified during the audit but that were not required to be included in the audit report.

The independent auditors issued three recommendations to the Commission.

2019 Charge Card Risk Assessment, OIG-MR-19-07

RESULT: The Commission's overall risk for the charge card program is low.

We performed a risk assessment of the Commission's charge card program, as required by the Government Charge Card Abuse Prevention Act of 2012. The results of our assessment determined that the Commission's risk of illegal, improper, or erroneous purchases is low.

U.S. International Trade Commission

Inspector General Semiannual Report

We made the determination based on our knowledge of the Commission's charge card processes and procedures, previous work completed by the Office of Inspector General, and a review of selected internal controls from the Office of Management and Budget Circular A-123, Appendix B.

We did not issue any recommendations in the report.

Summary of Prior Period Reports

Reports Without Management Decisions

The Commission has provided management decisions for 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.

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	8	\$0
17	1	1	\$0

U.S. International Trade Commission

Inspector General Semiannual Report

Significant Recommendations From Prior Periods

The Commission has not completed corrective action for 14 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 is 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.

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.

U.S. International Trade Commission

Inspector General Semiannual Report

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, or mail; or through a web-based form. Complaints may also be made anonymously. When requested, we will endeavor to keep a provider's identity confidential.

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 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.

U.S. International Trade Commission

Inspector General Semiannual Report

Summary of Matters Referred to Prosecuting Authorities

Allegation of Conflict of Interest #1

The Office of Inspector General received a referral alleging that a senior government official owned a disqualifying financial interest while participating in a proceeding before the Commission. The matter was referred to the U.S. Attorney's Office on September 24, 2018, and they declined prosecution on the same day. The Office of Inspector General found that the senior government official violated federal conflict of interest laws and regulations by participating in a proceeding before the Commission while owning a disqualifying financial interest in a nonparty that marginally exceeded the exemption. The Report of Investigation was sent to the Executive Office of the President.

Allegation of Conflict of Interest #2

The Office of Inspector General received a referral alleging that a senior government official participated in a Commission proceeding while owning a disqualifying interest in violation of federal laws and regulations. The matter was referred to the U.S. Attorney's Office on March 12, 2019 and was declined prosecution on the same day. Specifically, the Office of Inspector General sought to determine whether the senior government official participated in an official capacity in a matter in which to his or her knowledge he or she had a financial interest. The Office of Inspector General reviewed the evidence and substantiated the allegations that the senior government official violated conflict of interest laws and regulations when the official participated in a proceeding while owning a disqualifying financial interest in a nonparty. The official was issued a written letter of reprimand.

Investigations With Substantiated Allegations Involving Senior Government Employees

Both investigations summarized in the preceding section involved substantiated allegations involving senior government employees.

U.S. International Trade Commission

Inspector General Semiannual Report

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.

Investigations

The investigations summarized in the section entitled “Summary of Matters Referred to Prosecuting Authorities” 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

U.S. International Trade Commission

Inspector General Semiannual Report

all 21 actions from the report. The Commission completed 13 recommendations in prior reporting periods.

During this reporting period the Commission completed final action on three recommendations. The Commission continues to make progress on the remaining five open recommendations.

Assistance to 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.

In addition, our office has a memorandum of understanding in place with the Office of Inspector General of the Appalachian Regional Commission to provide them with independent legal counsel on an as needed basis.

Congressional Activities

The Inspector General did not receive any Congressional requests during this reporting period.

U.S. International Trade Commission

Inspector General Semiannual Report

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.

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 Office of Inspector General had a peer review performed by the Consumer Product Safety Commission’s Office of Inspector General. The final report, issued on March 20, 2019, determined that the system of quality control for conducting audits was suitably designed and implemented, and received a peer review rating of Pass. The Consumer Product Safety Commission’s Office of Inspector General did not make any recommendations.

The peer review schedule is set by the CIGIE. The next peer review of my office will be in three years.

U.S. International Trade Commission

Inspector General Semiannual Report

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 had been made by the commencement of the reporting period.	0	\$0	\$0
Reports issued during the reporting period.	7	\$0	\$0
Subtotals	7	\$0	\$0
Reports for which a management decision was made during the reporting period.	7	\$0	\$0
• Dollar value of disallowed costs.		\$0	\$0
• Dollar value of allowed costs.		\$0	\$0
Reports for which no management decision had been made by the end of the reporting period.	0	\$0	\$0
Subtotals	7	\$0	\$0

U.S. International Trade Commission

Inspector General Semiannual Report

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 had been made by the commencement of the reporting period.	0	\$0
Reports issued during the reporting period.	7	\$0
Subtotals	7	\$0
Reports for which a management decision was made during the reporting period.	7	
<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 had been made by the end of the reporting period.	0	\$0
Subtotals	7	\$0

U.S. International Trade Commission

Inspector General Semiannual Report

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	USITC Management and Performance Challenges, OIG-MR-19-01	0	0	0	0
2	Inspector General CyberScope Fiscal Year 2018 Submission, OIG-MR-19-02	0	0	0	0
3	Audit of Fiscal Year 2018 Financial Statement, OIG-AR-19-03	0	0	0	0
4	Report on Internal Control 2018, OIG-AR-19-04	0	0	0	0
5	Report on Compliance with Laws and Regulations 2018, OIG-AR-19-05	0	0	0	0
6	2019 Charge Card Risk Assessment, OIG-MR-19-07	0	0	0	0
Totals		0	0	0	0
Prior Reporting Periods					
	Report Title	# of Recs.	Mgt. Decisions	Final Action Completed in Prior Periods	Final Action Completed This Period
1	Audit of Purchase Card Transactions, OIG-AR-18-11	3	3	0	3
2	Management Report: Improper Payment Determination FY 2017, OIG-MR-18-12	1	1	0	1
3	Digital Accountability and Transparency Act Audit, OIG-AR-18-06	6	6	4	2
Totals		10	10	4	6

U.S. International Trade Commission

Inspector General Semiannual Report

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	Management Letter: 2018 Financial Statement Audit, OIG-ML-19-06	3	3	0	0	3
Totals		3	3	0	0	3
Prior Reporting Periods						
Report Title	# of Recs.	Mgt. Decisions	Final Action Complete Prior Periods	Final Action Complete This Period	Action Not Complete	
1	Audit of Time and Attendance, OIG-AR-18-09	8	8	0	3	5
2	Management Letter on Conflict of Interest Process, OIG-ML-17-10	1	1	0	0	1
3	Audit of Directives Management, OIG-AR-15-14	11	11	3	0	8
Totals		20	20	3	3	14

U.S. International Trade Commission

Inspector General Semiannual Report

Table 10: Statistical Table of Investigative Reports

Statistical Table of Investigative Reports	
Description	Count
Number of investigative reports issued.	2
Number of persons referred to DOJ for criminal prosecution.	2
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.	

U.S. International Trade Commission

Appendix A

Appendix A: Peer Review Letter



Office of Inspector General
U. S. Consumer Product Safety Commission

System Review Report

March 20, 2019

Mr. Philip Heneghan, Inspector General
United States International Trade Commission
500 E Street SW
Washington, D.C. 20436

We have reviewed the system of quality control for the audit organization of the United States International Trade Commission Office of Inspector General (USITC OIG) in effect for the year ended September 30, 2018. A system of quality control encompasses USITC OIG's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming with *Government Auditing Standards*. The elements of quality control are described in *Government Auditing Standards*. USITC OIG is responsible for establishing and maintaining a system of quality control that is designed to provide USITC OIG with reasonable assurance that the organization and its personnel comply with professional standards and applicable legal and regulatory requirements in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and USITC OIG's compliance therewith based on our review.

Our review was conducted in accordance with *Government Auditing Standards* and the Council of the Inspectors General on Integrity and Efficiency (CIGIE) *Guide for Conducting Peer Reviews of the Audit Organizations of Federal Offices of Inspector General*. During our review, we interviewed USITC OIG personnel and obtained an understanding of the nature of the USITC OIG audit organization and the design of USITC OIG's system of quality control sufficient to assess the risks implicit in its audit function. Based on our assessment, we selected audits and attestation engagements, collectively referred to as "audits," and administrative files to test for

System Review Report of USITC OIG (19-O-02)

1

U.S. International Trade Commission

Appendix A

conformity with professional standards and compliance with USITC OIG's system of quality control. The audits selected represented a reasonable cross-section of USITC OIG audit organization, with emphasis on higher-risk audits. Prior to concluding the peer review, we reassessed the adequacy of the scope of the peer review procedures and met with USITC OIG management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion.

In performing our review, we obtained an understanding of the system of quality control for the USITC OIG audit organization. In addition, we tested compliance with USITC OIG's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of USITC OIG's policies and procedures on selected audits. Our review was based on selected tests; therefore, it would not necessarily detect all weaknesses in the system of quality control or all instances of noncompliance with it.

There are inherent limitations in the effectiveness of any system of quality control, and, therefore, noncompliance with the system of quality control may occur and not be detected. Projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate.

Enclosure 1 identifies USITC OIG offices that we visited and the audits that we reviewed.

In our opinion, the system of quality control for the audit organization of USITC OIG in effect for the year ended September 30, 2018, has been suitably designed and complied with to provide USITC OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. USITC OIG has received an External Peer Review rating of *pass*.


In addition to reviewing its system of quality control to ensure adherence with *Government Auditing Standards*, we applied certain limited procedures in accordance with guidance established by the CIGIE related to USITC OIG's monitoring of audits performed by Independent Public Accountants (IPAs) under contract where the IPA served as the auditor. It should be noted that monitoring of audits performed by IPAs is not an audit and, therefore, is not subject to the requirements of *Government Auditing Standards*. The purpose of our limited procedures was to determine whether USITC OIG had controls

U.S. International Trade Commission

Appendix A

to ensure IPAs performed contracted work in accordance with professional standards. However, our objective was not to express an opinion and accordingly, we do not express an opinion, on USITC OIG's monitoring of work performed by IPAs.

Sincerely,



Christopher W. Dentel, Inspector General

U.S. International Trade Commission

Appendix A

Enclosure 1

Scope and Methodology

We tested compliance with USITC OIG audit organization's system of quality control to the extent we considered appropriate. These tests included a review of one audit report issued during the period September 20, 2015, through March 24, 2017. We also reviewed the internal quality control reviews performed by USITC OIG.

In addition, we reviewed USITC OIG's monitoring of audits performed by IPAs where the IPA served as the auditor during the period September 30, 2016, through October 1, 2017. During the period, USITC OIG contracted for the audit of its agency's fiscal year 2017 financial statements. USITC OIG also contracted for certain other audits that were to be performed in accordance with *Government Auditing Standards*.

We visited the USITC OIG office located in Washington, D.C.

Reviewed Audits Performed by USITC OIG:

<u>Report No.</u>	<u>Report Date</u>	<u>Report Title:</u>
OIG AR-18-09	3/27/2017	Audit of Time and Attendance

Reviewed Monitoring Files of USITC OIG for Contracted Audits:

<u>Report No.</u>	<u>Report Date</u>	<u>Report Title</u>
OIG-AR-18-03	11/9/2017	Audit of Fiscal Year 2017 Financial Statement
OIG-AR-18-04	11/9/2017	Report on Internal Controls Fiscal Year 2017
OIG-AR-18-03	11/9/2017	Report on Compliance with Laws and Regulations Fiscal Year 2017

U.S. International Trade Commission

Appendix B: 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.	7	\$0
Reports for which final action had not been taken by the commencement of the reporting period.	6	\$0
Reports on which management decisions were made during the reporting period.	7	\$0
Reports for which final action was taken during the reporting period.	9	\$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.	4	\$0

U.S. International Trade Commission

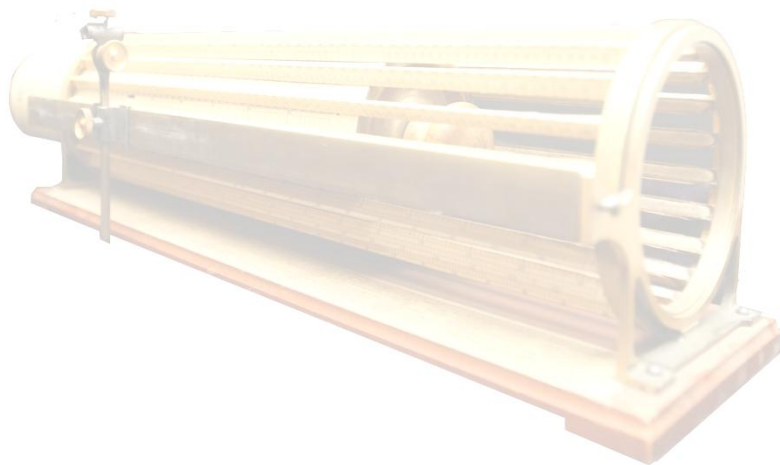
Appendix B: Chairman's Statistical Tables

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.	6	\$0
Reports on which management decisions were made during the reporting period.	7	\$0
Reports for which final action was taken during the reporting period including:	9	\$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.	4	\$0

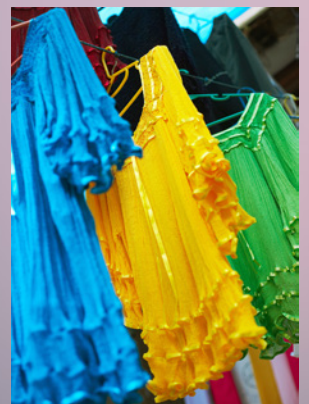
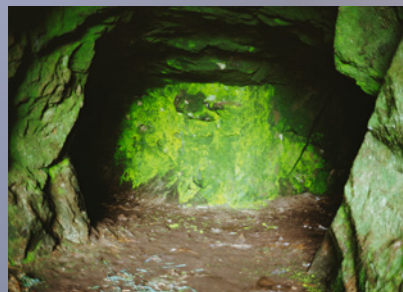
Table C: Prior Year Management Decisions Without Final Action

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



“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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