

Office of INSPECTOR GENERAL

Semiannual Report

October 1, 1989 – March 31, 1990



April 1990

Date Issued



UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, D.C. 20436

April 30, 1990

OFFICE OF INSPECTOR GENERAL
SEMIANNUAL REPORT


TO THE COMMISSION AND THE UNITED STATES CONGRESS

This is the second Semiannual Report for the Office of Inspector General (OIG) of the U.S. International Trade Commission. It summarizes our major activities and accomplishments from October 1, 1989 to March 31, 1990. Section 5 of the Inspector General Act of 1978, as amended, requires that the Chairman transmit this report to the appropriate committees or subcommittees of the Congress within 30 days of its receipt.

The bulk of our efforts during this period was directed at implementing the audit plan. This included conducting six audits, of which three have been completed and audit reports issued.

As previously reported, the Commission did not support the Inspector General's request to increase the OIG's in-house audit capability by one position in FY 1990. The OIG currently consists of two positions, the Inspector General and a staff assistant. However, the Commission did provide authorization and funding for a third work year to be filled with temporary employees. We would like to acknowledge the Commission's support in providing for the temporary employees which has enabled the OIG to more fully accomplish its mission.

We would like to express our appreciation to the members and employees of the Commission whose cooperation and support facilitated many of the results documented in this report. We look forward to working with the Commissioners and the Commission's employees in the future to promote economy and efficiency in the Commission's programs and management practices.


Jane E. Altenhofen
Inspector General

INTRODUCTION

This is the second semiannual report issued by the Office of Inspector General (OIG), United States International Trade Commission. It is issued pursuant to the Inspector General Act of 1978, as amended, (hereafter referred to as the IG Act), and covers the six-month period from October 1, 1989 through March 31, 1990.

COMMISSION PROFILE

Mission The Commission is a quasi-judicial, independent, bipartisan agency established by Congress with broad investigative powers on matters of trade. The Commission has a unique mission to develop factual, objective research and information on a wide variety of matters pertaining to international economics and trade development.

Under numerous statutes governing the U.S. import trade, the Commission conducts investigations to determine the impact of imports on U.S. industries. In connection with these proceedings, six Commissioners - Presidential appointees serving 9-year terms - conduct public hearings, evaluate testimony and other information, and report their findings to the President and the Congress.

Activities Commission activities include:

- Making recommendations to the President regarding relief for industries seriously injured by increasing imports;
- Determining whether U.S. industries are materially injured by imports sold at less than fair value or benefiting from subsidies;
- Taking actions, subject to Presidential disapproval, to prevent unfair trade practices such as patent infringement;
- Advising the President whether imports interfere with agricultural price-support programs;
- Conducting studies on trade and tariff issues; and

- Participating in the development of uniform statistical data on imports, exports, and domestic production and the establishment of an international harmonized commodity code.

Resources

The Commission has a single salaries and expense appropriation in the amount of \$38,477,000 for Fiscal Year (FY) 1990. Approximately 69% of the Commission's appropriation is dedicated to personnel compensation and benefits, reflecting the labor intensive nature of the Commission's mission. In addition, approximately 16% of the appropriation is allocated for space rental. The balance of expenses consist primarily of communications, travel, supplies, equipment, and other services.

The Commission has an approved staffing level of 502 permanent positions in FY 1990. All of its employees are located in one building at 500 E Street S.W. Washington, D.C.

THE OFFICE OF INSPECTOR GENERAL

On October 18, 1988, the President signed the Inspector General Act Amendments of 1988 (P.L. 100-504) which required 33 designated Federal entities, including the Commission, to each establish an OIG within 180 days. The Commission's OIG was officially established on February 2, 1989. The Office actually began operations on April 17, 1989, when the Inspector General position was filled.

The Inspector General reports directly to the Chairman of the Commission and has no program responsibilities. An organization chart for the Commission as of December 31, 1989, which shows the relationship of the OIG to the other offices, is presented as Attachment A.

The Inspector General is responsible for directing and carrying out all audits and investigations relating to Commission programs and operations; and for recommending and commenting on proposed legislation, regulations and procedures as to their economy, efficiency and effectiveness. The functions of the OIG are listed in Attachment B.

RESOURCES

FY 1990 The OIG was allocated three staff years and \$192,500. This provided funding for two full time permanent positions, the Inspector General and a staff assistant. The third staff year is for hiring temporary staff.

Two temporary staff members have been hired. An auditor from the Department of Commerce was assigned on November 27, 1989, for a six-month reimbursable detail. An attorney-advisor was hired for a six-month temporary assignment effective March 5, 1990.

Included in the initial allocation was \$50,000 for contract audits. A request for proposal was issued on September 28, 1989, for an audit firm capable of performing financial and performance audits. A contract was awarded on February 16, 1990. The contract provides that a review of the USITC's Personnel Management will be conducted in FY 1990 and a Financial Statement Audit will be conducted in FY 1991. Other audits may be performed on a task order basis.

AUDIT ACCOMPLISHMENTS

Audits and Reviews

The FY 1990 Audit Work Plan provided for a mix of programmatic, financial, and administrative audits.

Three audits were completed and the reports issued during this period. These are:

1. Audit of the Commission's Imprest Funds;
2. Review of the Implementation of the Administrative Protective Order Provision in Title VII Investigations; and
3. Review of the Commission's Compliance with the Federal Managers' Financial Integrity Act of 1982.

Each of these audit reports is summarized in Attachment C.

Efforts ongoing as of March 31, 1990 included:

- Review of Personnel Management Functions and Activities;
- Review of Verification of Report Data in Title VII Investigations; and
- Review of the Use of Copy Machines by Non-USITC Personnel.

Section 5(a)

Section 5(a) of the IG Act, requires certain information and statistics to be included in the semiannual reports. As set forth below, the OIG has no significant issues to report.

- Based on the activities accomplished during the reporting period, we have not identified any significant problems, abuses or deficiencies relating to the administration of programs and operations.
- The three audit reports issued during this period include no recommendations on questioned costs or funds that could be put to better use.
- There are no significant recommendations which have been previously described in earlier semiannual reports and on which corrective action has not been completed.

- No matters were referred to prosecutive authorities, nor were there any prosecutions or convictions, in the reporting period.
- No reports were made to the Chairman that information or assistance requested by the Inspector General was unreasonably refused or not provided.

FRAUD, WASTE AND ABUSE

Resources The Office of Inspector General does not have any full-time investigators at this time. The OIG has, however, hired an attorney-advisor (on a temporary appointment not to exceed September 4, 1990) to begin the development and definition of the roles and responsibilities of the OIG regarding investigations under the IG Act. This attorney-advisor may be available for investigative work if necessary.

Privacy Act The OIG determined that it would be necessary to create a system of records for the investigations that it may undertake, which system would be subject to the requirements of the Privacy Act of 1974, as amended. The process of creating the system, notifying the public of its existence, and establishing certain exemptions from the Act was initiated in the last month.

Allegations During the last year, the OIG received two allegations. One concerned an Equal Employment Opportunity (EEO) complaint, and was handled by the Commission's EEO Officer and monitored by the OIG. This matter has been closed.

The second allegation related to the use of government property by non-government personnel. The OIG has initiated an audit of the use of this property and the policies and controls related to such use. This audit is currently ongoing.

AUDIT RELATED ACTIVITIES

PCIE

The President's Council on Integrity and Efficiency (PCIE) was established in 1981 to coordinate and implement Government-wide activities to combat fraud and waste in Federal programs and operations to promote economy and efficiency. The Inspectors General from the 33 agencies designated in the IG Act Amendments of 1988 form the Coordinating Conference of the PCIE.

The Inspector General has been an active member of the PCIE's Coordinating Conference. The Inspector General is the representative for the Coordinating Conference to the PCIE Standards Subcommittee, Audit Committee; and is a member of the Coordinating Conference's Task Force developing an Audit Manual for use by the 33 designated agencies.

In addition, the Commission hosted the Coordinating Conference meetings from August through December 1989.

General Accounting Office

The IG Act states that each Inspector General shall give particular regard to the activities of the Comptroller General of the United States with a view toward avoiding duplication and ensuring effective coordination and cooperation.

The General Accounting Office (GAO) is conducting several multi-agency reviews that include Commission activities. Two reviews, listed below, were initiated this period:

- Survey of Computers, Networks, and Privacy; and
- Study of Foreign Compliance with the Antidumping Code of the GATT.

There were two reviews being conducted at the beginning of the reporting period. These were:

- Review of New Inspectors General at Designated Federal Entities; and
- Review of U.S. Trade Policy Management.

All of the above reviews are currently ongoing.

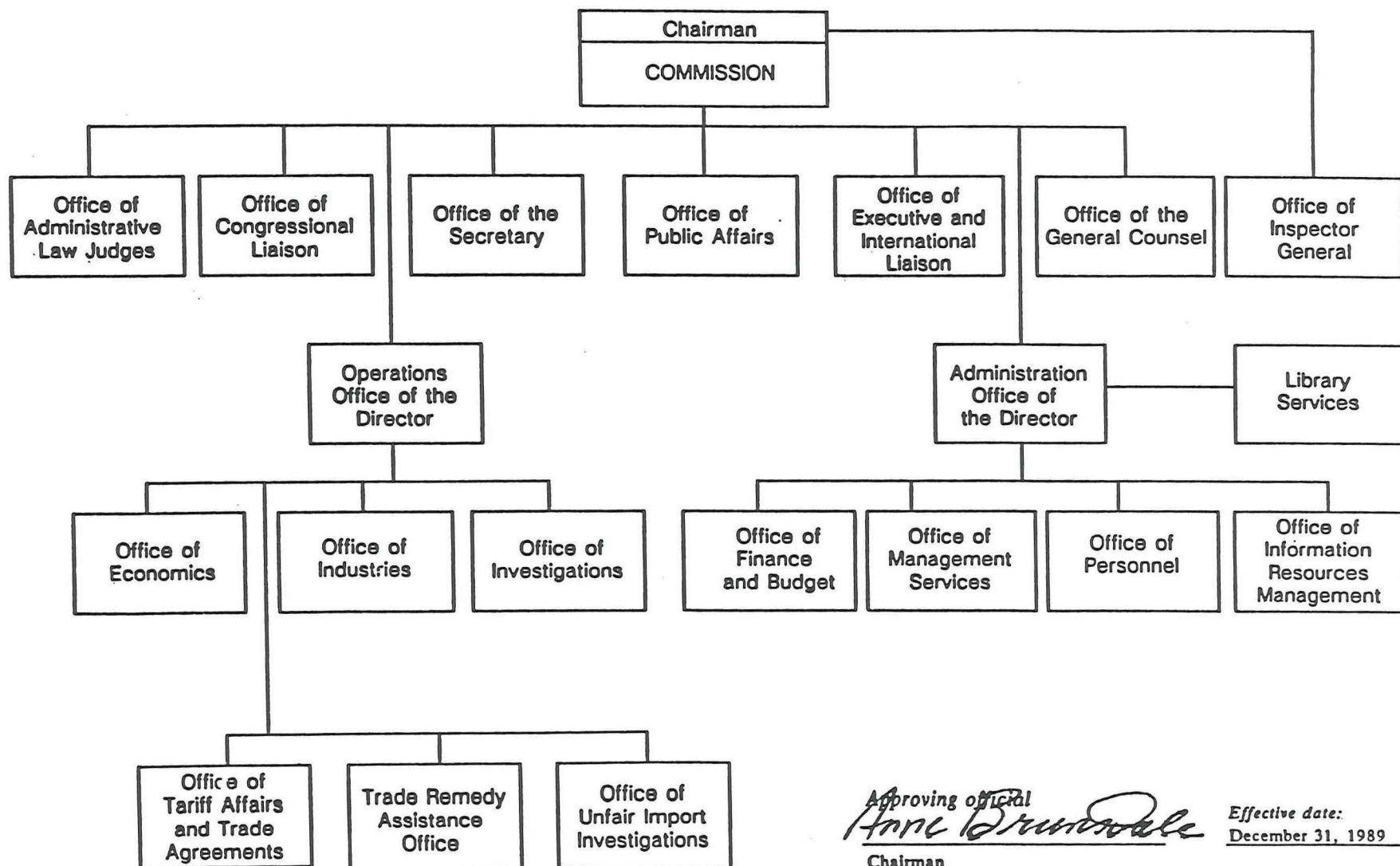
GAO issued two reports on Commission activities during this period. These were:

- INTERNATIONAL TRADE Pursuit of Trade Law Remedies by Small Business (GAO/NSIAD-89-69BR); and
- INSPECTORS GENERAL Information on Vacancies and Previous Experience (GAO/AFM-90-64FS).

Neither of these reports included recommendations to the Commission.



U.S. International Trade Commission



Approving official
Anne Brundage
Chairman

Effective date:
December 31, 1989

Functions of the Office of Inspector General

1. Conduct, supervise, and coordinate audits and investigations relating to the programs and operations of the Commission.
2. Review existing and proposed legislation and regulations relating to programs and operations and report semiannually to the Chairman concerning the impact of such legislation or regulations on the economy and efficiency in the administration of the Commission's programs and operations or the prevention and detection of fraud and abuse in such programs and operations.
3. Recommend policies for and conduct, supervise, or coordinate other activities carried out or financed by the Commission for the purpose of promoting economy and efficiency in the administration of, or preventing and detecting fraud and abuse in, its programs and operations.
4. Recommend policies for and conduct, supervise, or coordinate relationships between the Commission and other Federal agencies, and other entities as appropriate, with respect to all matters relating to the promotion of economy and efficiency in the administration of, or the prevention and detection of fraud and abuse in, programs and operations administered or financed by the Commission, or the identification and prosecution of participants in such fraud or abuse.
5. Select and appoint personnel necessary to carry out the functions of the OIG in accordance with the IG Act.
6. Keep the Chairman, the Commission, and the Congress, as appropriate, fully and currently informed, by means of statutory and non-statutory reports, concerning fraud and other serious problems, abuses, and deficiencies relating to the administration of programs and operations administered or financed by such establishment, recommend corrective action concerning such problems, abuses, and deficiencies, and report on the progress made in implementing such corrective action.
7. Establish guidelines for determining when it shall be appropriate to use non-Federal auditors; and take appropriate steps to assure that any work performed by non-Federal auditors complies with the standards established by the Comptroller General.
8. Report expeditiously to the Attorney General whenever the Inspector General has reasonable grounds to believe there has been a violation of Federal criminal law.
9. Report annually to the Chairman on the adequacy of the Commission's system of internal controls as required by the Federal Managers' Financial Integrity Act.

SUMMARY OF AUDIT REPORTS

TITLE: AUDIT OF USITC IMPREST FUNDS

REPORT NUMBER: IG-01-90

REPORT DATE: October 19, 1989

FINDINGS: The objective of the audit was to determine if the funds were properly accounted for and administered in accordance with Treasury guidelines and USITC policy.

The auditors found that the funds were properly accounted for. However, in some respects, the funds were not being administered in accordance with Treasury guidelines or USITC policies.

RECOMMENDATIONS: Based upon the audit results, we made four recommendations to the Director of Administration.

1. Prepare Signature/Designation Cards for Certifying Officers or memoranda documenting personnel authorized to request disbursements;
2. Evaluate the subcashier's fund after it has been in operation for six months, and, if warranted, reduce the fund level in accordance with Treasury guidelines;
3. Prepare receipts (SF 1165) to account for advances in accordance with Treasury regulations; and
4. Issue an agency-wide directive and cashier desk procedures on imprest fund operations. These documents would formally adopt the Treasury guidelines and set forth policy and procedures unique to the USITC.

The Director of Administration concurred with these recommendations. Appropriate changes are being made.

TITLE: REVIEW OF THE IMPLEMENTATION OF THE
ADMINISTRATIVE PROTECTIVE ORDER PROVISION IN
TITLE VII INVESTIGATIONS

REPORT NUMBER: IG-02-90

REPORT DATE: February 9, 1990

FINDINGS: The objective of the review was to obtain the views of the Commission and staff on the legislative requirement that the Commission, with some limitations, make all business proprietary information (BPI) collected in Title VII investigations available to interested parties who are parties to the proceeding under a protective order; and determine whether legislative or regulatory amendments or improvements to the Commission's procedures were needed.

We found that the Commission has fully complied with the intent of the law in releasing BPI, and did so with adequate controls in place. Some findings that did not result in recommendations were:

- The Commission has incurred additional costs in terms of resources although there are some offsetting factors and a possibility that significant resources could be saved in the future;
- Some firms have expressed concern about providing data in light of the APO provision but a significant chilling effect has not yet occurred;
- The firms are incurring at least marginal additional costs;
- Party representatives see definite benefits from the release of BPI while the Commission was less positive; and
- Legislative amendments may be desirable but are not essential based on the audit findings.

RECOMMENDATIONS: The most significant recommendations in the report were for the responsible agency officials to:

- establish a position for an APO coordinator to handle the routine aspects of distributing BPI and telephone calls of an administrative nature concerning the APO process and distribution of BPI;
- develop an agency directive that sets forth policy and procedures concerning suspected violations;
- develop a system to track suspected violations; and
- develop some method whereby the principles surrounding a suspected violation or case are presented in a non-identifying manner to provide guidance to party representatives on what constitutes a breach.

Agency officials generally concurred with these recommendations. Appropriate changes are being made.

TITLE: REVIEW OF USITC'S COMPLIANCE WITH THE FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT OF 1982

REPORT NUMBER: IG-03-90

REPORT DATE: February 12, 1990

FINDINGS: The objectives of this review were to: determine the status of the Commission's compliance with the Act and applicable guidelines for the year ended September 30, 1989; evaluate the procedures developed to perform the internal control reviews, the results of the reviews and proposed corrective actions; and review and evaluate corrective action taken on prior deficiencies.

We found that the evaluation of the system of internal accounting and administrative control had been carried out in a reasonable and prudent manner. During this review, nothing came to my attention that would indicate that the Commission did not substantially comply with the guidelines. The Commission's Internal Control Officer reported that there were no material internal control weaknesses to report for the Commission. Based on the applicable criteria and my reviews, we concurred with this conclusion.

However, we did find that several changes need to be made for full compliance with the guidelines.

RECOMMENDATIONS: We recommended that the Director of Administration take the following actions:

1. Revise the USITC Directive to include or clarify provisions concerning coordination, performance plans, and training.
2. Review items in the followup system for appropriateness and delete or rephrase items as necessary.

The Director of Administration concurred with these recommendations. Appropriate changes are being made.

