

Office of INSPECTOR GENERAL

Semiannual Report

October 1, 1990 — March 31, 1991



April 1991

Date Issued



UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, D.C. 20436

April 30, 1991

OFFICE OF INSPECTOR GENERAL SEMIANNUAL REPORT

TO THE COMMISSION AND THE UNITED STATES CONGRESS

I am pleased to submit this Semiannual Report which summarizes the major activities and accomplishments of the Office of Inspector General (OIG), U.S. International Trade Commission from October 1, 1990, through March 31, 1991. This report is issued pursuant to the Inspector General Act of 1978, as amended. Section 5 of the Act requires that the Chairman transmit this report to the appropriate committees or subcommittees of the Congress within 30 days of its receipt.

During this period, the OIG issued four audit reports, three of which were reviews mandated by Federal laws concerning lobbying activities, internal controls, and advisory and assistance services. The OIG also conducted two investigations.

The audit workload was heavily concentrated in the Office of Administration the past six months, and this will be true through the end of Fiscal Year 1991. This concentration results from the number of functions in administration that have audits mandated by Federal laws or required by Federal regulations. I would like to acknowledge the cooperation of all Office Directors in the Office of Administration and their staffs in accomplishing these audits.

One consequence of having audit reports is the need to followup on actions taken in response to audit recommendations. Realizing that followup places another task on the auditee, I have placed increasing emphasis on obtaining corrective actions before the draft or final reports are issued which negates the need for recommendations and a management response.

When a report does include recommendations, the Office Directors and I, with the occasional help of the Audit Followup Official, have always been able to reach agreement on the actions to be taken. Overall, Office Directors have completed the agreed upon actions and notified the Audit Followup Official of the completion in a timely manner.

However, I regret that the Commission now has one report, Review of the Implementation of the Administrative Protective Order in Title VII Investigations, in which the agreed upon actions have not been completed for over a year. The agreement on actions to be taken was reached in February 1990. Some actions have been satisfactorily completed, but others are still pending implementation or resolution. I have initiated discussions with appropriate personnel to discuss the open recommendations and during the next reporting period will followup to evaluate the adequacy of actions taken and the current appropriateness of the recommendations.

I would like to thank the Commission for their support in hiring a permanent full-time auditor and providing the requested level of funds for contract audits. As always, I look forward to working with the Commissioners and the Commission staff in the future.


Jane E. Altenhofen
Inspector General

COMMISSION PROFILE

The Commission is a quasi-judicial, independent, nonpartisan 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 trade. Major Commission activities include: determining whether U.S. industries are materially injured by imports sold at less than fair value or benefiting from subsidies; 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.

The Commission conducts investigations under several statutory provisions, generally upon petition or request, with respect to the impact of imports on U.S. industries. The Commission also provides advice and information, upon request, to the President and the Congress on tariff and trade matters. When appropriate, the Commissioners conduct public hearings and evaluate testimony and other information in making findings and recommendations. Decisions of the Commissioners under certain statutory provisions administered by the Commission are binding and subject to judicial review.

The Commission is headed by six Commissioners, nominated by the President and confirmed by the Senate, who serve nine-year terms. The Chairman is designated by the President and serves for a two-year statutory term.

The Commission has a single salaries and expense appropriation in the amount of \$40,299,000 for Fiscal Year (FY) 1991. Approximately 70% of the Commission's appropriation is allocated 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 1991. All of its employees are located in one building at 500 E Street, S.W., Washington, D.C.

THE OFFICE OF INSPECTOR GENERAL

The Commission established the OIG pursuant to the Inspector General Act Amendments of 1988 (P.L. 100-504). The Inspector General reports directly to the Chairman (or Acting Chairman) as head of the agency, subject to the limitations of section 331 of the Tariff Act of 1930 (19 U.S.C. 1331). The Inspector General is responsible for directing and carrying out 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.

RESOURCES

FY 1991 The OIG was allocated three staff years and \$199,500. This provided funding for two full-time permanent positions - the Inspector General and a staff assistant. The third staff year was for hiring temporary staff. An auditor was hired on a temporary basis from July 23, 1990 to March 22, 1991. At the expiration of this appointment, a permanent full-time auditor was hired.

The OIG's budget allocation includes \$75,000 for contract audit services. An audit firm was awarded funds to conduct three reviews during FY 1991.

The Inspector General continues to receive support from the Offices of General Counsel and Personnel in accordance with the Memoranda of Understanding.

AUDIT ACCOMPLISHMENTS

Audits and Reviews The FY 1991 Audit Work Plan provided for a mix of programmatic, financial, and administrative audits. Four audits were completed and the reports issued during this period. These were:

1. Review of Budget Formulation and Execution;
2. Evaluation of the Commission's Compliance with Requirements of Public Law 101-121 on Lobbying Activities;

3. Review of USITC's Compliance with the Federal Managers' Financial Integrity Act for Fiscal Year 1990; and
4. Review of Advisory and Assistance Services and of Data Provided to the Federal Procurement Data System.

Each of these audit reports is summarized in the attachment.

Efforts ongoing as of March 31, 1991, included:

- Review of Controls in the Development of Section 332 Reports;
- Audit of the USITC Financial Statements for Fiscal Years 1989 and 1990;
- Audit of Procurement Policies and Procedures Within the USITC;
- Audit of Property Management;
- Audit of USITC's Imprest and Official Representation Funds; and
- Review of the USITC Equal Employment Opportunity Program.

Section 5(a)

Certain information and statistics that are required by section 5(a) of the Inspector General Act to be included in the Semiannual Reports are set forth below:

- 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 four audit reports issued during this period include no recommendations on questioned costs or funds that could be put to better use.
- Corrective action has not been completed on significant recommendations which were previously described in the Semiannual Report for the six month period ending September 30, 1990. Recommendations were made to address material internal control weaknesses related

to time and attendance and payroll processing. The Office Directors are actively pursuing implementation of these recommendations. Some of the recommendations have been implemented but others require a lengthy time to complete. The estimated date for completion of all agreed upon actions is September 30, 1991.

- One matter was referred to prosecutive authorities in the reporting period and is currently under investigation. There were no prosecutions or convictions.
- 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

Privacy Act The Inspector General determined that it was necessary to create two systems of records compiled for the purpose of enforcing criminal and civil laws in the course of investigations. Both systems of records would be subject to the requirements of the Privacy Act of 1974, as amended. The process of creating the systems, notifying the public of their existence and establishing certain exemptions from the Act was completed in September and the Final Notice and Rule were published in the Federal Register on October 3, 1990.

Investigations A summary of investigative activity is presented below:

Open 9/30/90	1
Initiated	<u>2</u>
Total	3
Closed	<u>2</u>
Open 3/31/91	1

An investigation of a contractor was initiated this period. The case was referred to the Department of Justice and the U.S. Attorney's Office for action. The Federal Bureau of Investigation has recently assigned an agent to provide assistance in conducting this investigation.

One investigation initiated in the prior period concerned possible fraud, waste or abuse of travel funds. We found no wrongdoing on the part of Commission employees but were able to recover \$330 from an airline company.

An investigation was initiated after receiving a complaint of favoritism in hiring and work performance. The allegation was not substantiated and the investigation was closed with no recommendation for prosecutive or administrative action.

Review of
Legislation,
Regulations,
and Directives

As set forth in the Inspector General Act, a duty and responsibility of the Inspector General is to review existing and proposed legislation and regulations relating to programs and operations of the Commission. The OIG reviewed proposed rules for Section 337 and Title VII Investigations. The OIG did not have any recommendations based on these reviews concerning the impact of such legislation or administration of programs and operations administered or financed by the Commission or the prevention and detection of fraud and abuse in such programs and operations.

The Inspector General also has the responsibility to review all proposed Commission directives to evaluate the impact new or revised procedures will have on the efficiency of operations and to minimize the potential for fraud or abuse. Ten directives were reviewed during this period.

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 and to promote economy and efficiency. The Inspector General has been an active member of the PCIE's Coordinating Conference. She was the representative for the Coordinating Conference to the PCIE Standards Subcommittee of the Audit Committee until January 1991. She was also a member of the Coordinating Conference's Task Force that developed an Audit Manual for use by the 33 designated

agencies. This project was completed and the Audit Manual distributed in January 1991. She is currently a member of the Retreat Planning Committee and the Joint Task Force of Presidential appointed Inspectors General and agency heads to identify and analyze issues of concern to the Coordinating Conference members.

**General
Accounting
Office**

The Inspector General 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. A summary of the General Accounting Office (GAO) reviews that include Commission activities is presented below.

Ongoing Reviews 9/30/90	7
Reviews Initiated	<u>1</u>
Total	8
Reviews Completed	<u>3</u>
Ongoing Reviews 3/31/91	5

The review initiated during this reporting period was entitled "Study Assessing the Implications of a U.S.-Mexico Free Trade Agreement."

GAO issued reports on two of the reviews completed during this period. These are:

- U.S. MEXICO TRADE Trends and Impediments in Agricultural Trade (GAO/NSIAD-90-85BR); and
- INTERNATIONAL TRADE Comparison of U.S. and Foreign Antidumping Practices (GAO/NSIAD-91-59).

Neither of these reports included recommendations to the Commission.

SUMMARY OF AUDIT REPORTS

TITLE: REVIEW OF BUDGET FORMULATION AND EXECUTION

REPORT NUMBER: IG-01-91

REPORT DATE: November 20, 1990

FINDINGS: The objectives of this review were to evaluate the policy and procedures for budget formulation and execution to identify any areas of non-compliance with applicable laws, regulations and guidelines, improvements to internal controls or increased efficiency.

The auditors found that the system of internal accounting control was sufficient to meet the objectives of the budget formulation and execution system insofar as those objectives pertain to the prevention or detection of material errors or irregularities. Several non-material conditions where internal controls could be improved included that: the accounting system did not formally incorporate commitments; cost center managers occasionally did not certify fund availability on overtime forms nor was documentation on file to indicate that responsibility had been delegated to an alternate; travel authorizations for Commissioner travel were, on occasion, charged to travel funds allotted to the Office of Operations, without the appropriate cost center manager's certification; budget allocations were not always entered into the accounting system in a timely manner; and a formalized process did not exist for a periodic review of obligations by the Office of Finance and Budget and cost center managers to determine if recorded obligations were still valid and if billings were anticipated.

RECOMMENDATIONS:

We recommended that the Director, Office of Administration take appropriate steps to implement the following recommendations:

- Consolidate the five budget calls into a reduced number of requests for budget information;
- Incorporate, where appropriate, fund commitments into the accounting system in advance of their becoming valid obligations;
- Process overtime forms and other obligating documents only when they contain certification by a cost center manager or by a designated alternate for whom a written delegation is on file;
- Coordinate the processing of travel authorizations for the Commissioners' offices with the appropriate cost center manager to ensure that funds are available before travel is initiated;
- Enter all current budget allocation information into the accounting system in a more timely manner; and
- Coordinate with cost center managers on a scheduled and timely basis to reduce obligated funds that are not expected to be needed to the extent originally anticipated.

The Director, Office of Administration generally concurred with five of the findings and recommendations, has implemented some corrective actions and has plans for implementing the other recommendations.

The Director disagreed with our recommendation to consolidate the five budget calls. He stated these were mostly calls for information rather than budget calls and were necessary. We accepted this response but encouraged the Director to reconsider this recommendation in the future considering the multiple comments received from Commission managers for fewer requests for information.

TITLE: EVALUATION OF THE COMMISSION'S COMPLIANCE WITH REQUIREMENTS OF PUBLIC LAW 101-121 ON LOBBYING ACTIVITIES

REPORT NUMBER: IG-02-91

REPORT DATE: November 27, 1990

FINDINGS: The objective of this review was to evaluate the Commission's compliance with, and the effectiveness of, the requirements imposed by Federal law on the Commission, persons requesting or receiving Federal contracts, grants, loans, or cooperative agreements from the Commission, and persons requesting or receiving from the Commission commitments providing for the United States to insure or guarantee loans. Federal law requires that none of the funds appropriated by any Act may be expended by the recipient of a Federal contract, grant, loan, or cooperative agreement to pay any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with any Federal action.

We found that the Commission had taken adequate steps to implement the law by notifying contract specialists and a Contracting Officer's Technical Representative of the lobbying provisions. The Commission had not filed a report to Congress in March 1990, as required, stating that no information specified in the law had been received. The Office of Administration included this statement in the semiannual report submitted November 30, 1990.

We had no recommendations for improvements.

TITLE: REVIEW OF USITC'S COMPLIANCE WITH THE FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT OF 1982 FOR FISCAL YEAR 1990

REPORT NUMBER: IG-03-91

REPORT DATE: February 11, 1991

FINDINGS: This review was scheduled to fulfill the function of the Office of Inspector General to report annually to the Chairman on the adequacy of the Commission's review of internal controls. The objectives of this review were to: determine the status of the Commission's compliance with the Act, with which the Commission has elected to comply, and applicable guidelines for the year ended September 30, 1990; 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 in the Commission for the fiscal year ended September 30, 1990. We also found that the internal control reviews were generally conducted in accordance with the Commission's guidance with the exception of the testing of internal controls for which additional training needs to be provided. We observed that two of the assessable units should be reevaluated in the annual update of the management evaluation plan. We found that corrective action was taken on prior year recommendations and that the Commission had implemented or given adequate consideration to suggestions made by the Office of Management and Budget to improve management control.

The Internal Control Officer is aware of these issues and, we believe, is either taking appropriate action or giving proper consideration to the issues; therefore, we have made no recommendations in this report.

TITLE: REVIEW OF ADVISORY AND ASSISTANCE SERVICES AND
OF DATA PROVIDED TO THE FEDERAL PROCUREMENT
DATA SYSTEM

REPORT NUMBER: IG-04-91

REPORT DATE: March 7, 1991

FINDINGS: The purpose of this review was to evaluate the effectiveness of the Commission's management controls over advisory and assistance services, to ensure the accuracy and completeness of the information provided to the Federal Procurement Data System (FPDS) on contracted advisory and assistance services, and to provide advance justifications for advisory and assistance services to Congress with the annual budget submission. As the first effort, this is a baseline review from which progress will be measured in the future.

During our review, we found that the Commission had established management and accounting controls over advisory and assistance services, although improvements are recommended in some areas, such as preparing Checklists and recording information on contract actions in the procurement and accounting systems. We identified one contract for over \$25,000 for audit services that was not, but should have been, classified and reported as advisory and assistance services and also found that contract modifications were not being properly reported. No requests for advisory and assistance services were identified in the budget process and, therefore, information on such services was not included in the Commission's budget for FY 1991 as required.

RECOMMENDATIONS: We recommended that the Director, Office of Administration:

- Improve management controls by: (1) obtaining an automated system for recording contract actions; and (2) establishing policies that purchase requisitions can only be coded as advisory

and assistance services if a Checklist is attached and that accounting reports of advisory and assistance services will be periodically reconciled with the Procurement Division;

- Report the contract actions for auditing services as advisory and assistance services to the FPDS as well as identify and report all modifications to contracts for over \$25,000, and amend quarterly FPDS reports as necessary; and
- Modify the budget process in order to identify advisory and assistance services.

The Director, Office of Administration agreed with our findings and recommendations. He has completed some corrective actions and has plans to implement the remaining corrective actions.

