

# Office of INSPECTOR GENERAL

## *Semiannual Report*

*October 1, 1992 - March 31, 1993*



---

*April 1993*  
Date Issued



---

## UNITED STATES INTERNATIONAL TRADE COMMISSION

---

WASHINGTON, D.C. 20436

April 30, 1993

### OFFICE OF INSPECTOR GENERAL SEMIANNUAL REPORT

TO THE COMMISSION AND THE UNITED STATES CONGRESS

It is my pleasure to submit this Semiannual Report which summarizes the major activities and accomplishments of the Office of Inspector General (OIG), U.S. International Trade Commission for the period October 1, 1992, through March 31, 1993. The submission of this report is in accordance with 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.

In this report, I describe the activities and accomplishments of the OIG which fulfill the responsibilities set forth in the Inspector General Act. During this period, I issued one audit and eight inspection reports. Six new investigations were initiated and ten investigations were closed. In addition, the OIG commented on three draft regulations and fourteen directives.

The audit report addressed the Commission's role in preparing recurring reports. Several recommendations were made to improve processes for influencing requests and controlling reports. Our work on this audit enabled us to play a significant role in the Commission's efforts to identify ways to reduce printing and mailing costs.

I am pleased to report that no recommendations need to be identified in the audit followup area. A management decision has been reached on all recommendations made by the OIG and there are no open recommendations for which the management decision was made more than a year ago.

Early in the fiscal year, I recognized that resources to conduct investigations would be needed on an ongoing basis. I was satisfied with my experience over the last year that using an attorney-advisor to assist with the investigations was appropriate for the type of investigations

conducted by the OIG and the part-time basis was a sufficient resource. Accordingly, I requested the allocation of an additional one-half staff year to the OIG for a permanent part-time attorney-advisor position to replace the temporary position. The Commission approved this request in December 1992.

As always, I appreciate the support of the Commission and 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 tariff and trade issues; and participating in the development of 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 complaint, 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 has six Commissioners, appointed by the President and confirmed by the Senate, who serve one term of nine years, unless appointed to fill an unexpired term. The Chairman is designated by the President and serves a two-year statutory term. No more than three Commissioners may be of the same political party and the term of a Chairman shall not be succeeded by a Chairman of the same political party. All six positions on the Commission are currently filled. No designations were made involving the Commission during this reporting period.

The Commission has a single salaries and expense appropriation in the amount of \$44,852,000 for Fiscal Year (FY) 1993. Approximately 70% of the Commission's appropriation was allocated to personnel compensation and benefits, reflecting the labor intensive nature of the Commission's mission. In addition, approximately 17% of the appropriation was allocated for space rental. The balance of expenses consisted primarily of communications, travel, supplies and equipment.

The Commission has an approved staffing level of 502 permanent positions in FY 1993. 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 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, investigations and inspections relating to Commission programs and operations; and for recommending and commenting on proposed legislation, regulations and procedures as to their economy, efficiency and effectiveness. Certain information and statistics that are required by section 5(a) of the Inspector General Act to be included in the Semiannual Reports are summarized in Attachment A.

### **RESOURCES**

#### **FY 1993**

The OIG was allocated four staff years. This provided for three full-time permanent positions - the Inspector General, a staff auditor and a staff assistant. The fourth staff year was reserved for temporary staffing needs. Temporary staff included a part-time temporary attorney-advisor to provide independent legal advice to the OIG and assist in OIG investigations. A part-time student assistant was hired in November 1992 to assist with inspections and simple audits, help with office support (such as organizing files), and miscellaneous projects.

On December 8, 1992, the Commission approved the allocation of an additional one-half staff year to the OIG for a permanent part-time attorney-advisor position to replace the temporary position. This change reflects the ongoing need for duties performed by the attorney-advisor. The position vacancy was announced in March 1993. The temporary position is funded and staffed until a permanent employee can be selected.

The OIG's budget allocation included \$75,000 for contract audit services. An audit firm was awarded funds to conduct three reviews during FY 1993.

The Offices of General Counsel (on a limited basis) and Personnel continue to provide support in accordance with Memoranda of Understanding.

### **AUDIT ACCOMPLISHMENTS**

#### **Audits and Reviews**

One audit report was issued during this period, IG-01-93, Evaluation of Commission's Role in Preparing Recurring Reports. This audit report is summarized in Attachment B.

Ongoing efforts as of March 31, 1993, were:

- Audit of USITC Financial Statements for Fiscal Years 1991 and 1992;
- Economy and Efficiency Review of Communication Services; and
- Follow-up Review of Selected Activities in the Office of Tariff Affairs and Trade Agreements.

## **INSPECTIONS**

### **Reports Issued**

During this period, eight inspections were completed and the following reports were issued:

- No. 1-93 Office Automation Replacement System (OARS) II Procurement
- No. 2-93 Cash Counts of USITC Imprest Funds
- No. 3-93 Compliance with Requirements of Public Law 101-121 on Lobbying Activities
- No. 4-93 Review of USITC Compliance with the Federal Managers' Financial Integrity Act of 1982
- No. 5-93 Advisory and Assistance Services and Data Provided to the Federal Procurement Data System
- No. 6-93 Quarterly Review of Travel Expenditures
- No. 7-93 Cash Counts of USITC Imprest Funds
- No. 8-93 Legal Review as Internal Control in Procurement Process

The inspections had no significant findings, although various suggestions were made to improve internal controls. See Attachment C for a summary of the inspection findings.

## FRAUD, WASTE AND ABUSE

**Investigations** A summary of investigative activity is presented below:

Open 10/01/92	9
Initiated	<u>6</u>
Total	15
Closed	<u>10</u>
Open 03/31/93	5

Seven of the nine investigations open as of September 30, 1992, were closed during this reporting period. The investigation initiated because of the questionable circumstances of one employee's Leave Without Pay status was closed after the Commission issued a revised directive which included applicable guidelines from the Office of Personnel Management. Two investigations relating to the position classification process were closed after actions were completed to ensure that all employees had current and accurate position descriptions on file. Paperwork was completed to close four investigations concerning contractor overcharges, solicitation of a job interview, contractor stock offering, and a report of possible missing checks. These were identified in the prior semiannual report as being substantially concluded.

Additionally, three of the six investigations opened during this period were completed and closed. These concerned the Commission's compliance with the policies regarding training and certification of contracting officials issued by the Office of Federal Procurement Policy, sexual harassment, and a breach of confidentiality by a contract investigator. Appropriate officials were briefed on the results of these investigations; no reports were issued.

Two investigations from the prior reporting period remain open. The Office of General Counsel is developing guidance concerning the receipt of confidential business information which is needed to address a finding reported in April 1992. We continue to monitor a review of Commission policy initiated by the program office after we received an allegation of fraudulent actions by a business allowing it to receive technical assistance from the Trade Remedy Assistance Office (TRAO).

Three of the six investigations initiated this period remain open. One is a referral from the Director of TRAO concerning a situation in which a business received what appeared to be false notice of proceedings before the Commission. The other two investigations concern the alleged preselection of an employee for a vacancy announced at the Commission and a broad complaint about the promotion, hiring, and training opportunities for the "Black support staff" of the Commission.

**Hotline**

We completed updating the FY 1992 referral files to include the forms developed in the last period. The OIG Hotline continues to be advertised through posters located in the galley on each floor and in the Commission telephone directory. The Inspector General also described Hotline policies and procedures at a new employee orientation on October 20, 1992. The Commission Hotline number was included on a list of Hotline numbers provided to the House Government Operations Committee in March 1993.

**Review of  
Legislation,  
Regulations,  
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. This period, we reviewed additional modifications to the implementing regulations for the U.S. -- Canada Free Trade Agreement. The recommendations we offered in the sections concerning the protective order applications for the receipt of proprietary information for binational panel review were generally adopted. We also reviewed without modification or comment the Commission's Federal Register Notice concerning the possible adoption of Alternate Dispute Resolution Procedures, and the notice of the proposed final rules governing investigations and enforcement procedures pertaining to unfair practices in import trade.

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. Fourteen directives were reviewed during this period on the following topics:

- Commissioners' Office Suite Furnishings;
- Directives Management System;
- Emergency Recovery Contingency Plan;
- Equal Employment Opportunity Program;
- Leave Without Pay;
- Mail Standards and Procedures;
- Mission and Function Statement -- Office of International Competitiveness;
- Mission and Function Statement -- Office of Personnel;
- Mission and Function Statements -- Office of Operations;
- Position Management;
- Property Management Form;
- Rules for Tables and Figures;
- Telecommunications Systems and Services; and
- Workers' Compensation.

## LIAISON ACTIVITIES

### ECIE/ PCIE

The Inspector General is an active member of the Executive Council on Integrity and Efficiency (ECIE), which consists primarily of the Inspectors General at the 34 Federal entities designated in the 1988 amendments to the Inspector General Act of 1978. She also participates in activities sponsored by the President's Council on Integrity and Efficiency (PCIE) which consists primarily of the Presidentially appointed Inspectors General. The ECIE and PCIE have identical functions and joint responsibility to promote integrity and efficiency and to detect and prevent fraud, waste, and abuse in Federal programs.

The Inspector General was a member of the Joint Task Force of ECIE and PCIE Inspectors General to identify and analyze issues of concern to the Inspectors General in the designated Federal entities. The Task Force completed their work and submitted a report to an ECIE Committee to prepare a document with guidance for the heads of the designated Federal entities. As a member of the ECIE Committee, the Inspector General worked with the Office of Management and Budget in finalizing the guidance. The final document entitled "Key Statutory Provisions and Implementing Guidance Related to the Inspector General Act of 1978, as Amended" was sent to the agency heads and Inspectors General at the designated Federal entities on November 13, 1992.

She and the Inspector General of the Pension Benefit Guaranty Corporation jointly conducted a peer review of the OIG at the National Labor Relations Board. She has agreed to chair the ECIE Peer Review Committee beginning in September 1993.

### 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 follows:

Ongoing Reviews 10/01/92	7
Reviews Initiated	<u>3</u>
Total	10
Reviews Completed	<u>3</u>
Ongoing Reviews 03/31/93	7

Three reviews were initiated during this period. These are entitled:

- Implementation of the U.S. -- Canada Free Trade Agreement;
- Effect of NAFTA on the U.S. -- Maquiladora Trade; and
- Effect of NAFTA on the Computer Industry.

GAO issued reports on three reviews completed during this period. These are:

- QUALITY MANAGEMENT: Survey of Federal Organizations;
- INTERNATIONAL TRADE: Implementation of the U.S. -- Canada Free Trade Agreement; and
- Information on EEO Discrimination Complaints.

These reports included no recommendations to the Commission.

**Student  
Internships**

In November 1992, the Inspector General signed an agreement with the U.S. Department of Agriculture Graduate School to provide an opportunity for career exposure to two auditors from Indonesia. The auditors reviewed documents and attended various meetings in order to become familiar with OIG functions and activities. They were at the Commission from November 16 to December 7, 1992.

**Commission  
Projects**

Two members of the OIG staff participated in the District of Columbia's Partners-in-Education program which permits Federal employees to volunteer time for instructional support. This program began in March of 1993. The OIG staff members tutor fourth grade students in math at the Syphax Elementary School.

The staff assistant has been involved with Commission campaigns as a Co-coordinator for the 1992 Combined Federal Campaign and was designated as the Commission's EEO Program's Sexual Harassment Program Manager. He is also the OIG representative to the Application Software Committee in support of the Commission's plan for evaluating and implementing new technology and software.

**INFORMATION REQUIRED BY SECTION 5(a)  
OF THE INSPECTOR GENERAL ACT**

Certain information and statistics based on the activities accomplished during this period are required by section 5(a) of the Inspector General Act to be included in the Semiannual Reports. These are set forth below:

Section 5(a)

- (1), (2), (7) - The OIG did not identify any significant problems, abuses or deficiencies relating to the administration of programs.
- (3) - Corrective action has been completed on all significant recommendations which were described in the previous semiannual reports.
- (4) - No matters were referred to prosecutive authorities. There were no prosecutions or convictions.
- (5) - No reports were made to the Chairman that information or assistance requested by the Inspector General were unreasonably refused or not provided.
- (6) - A listing by subject matter is located in Attachment D.
- (8), (9) - The audit report issued during this period included no recommendations on questioned costs or funds that could be put to better use. See Tables 1 and 2.
- (10) - There are no audit reports issued before the commencement of the reporting period for which no management decision has been made by the end of the reporting period.
- (11) - No significant revised management decisions were made during the reporting period.
- (12) - There are no significant management decisions with which I am in disagreement.

## **SUMMARY OF THE AUDIT REPORT**

**TITLE:** EVALUATION OF COMMISSION'S ROLE  
IN PREPARING RECURRING REPORTS

**REPORT NUMBER:** IG-01-93

**REPORT DATE:** March 15, 1993

**FINDINGS:** The objective of this review was to evaluate the Commission's role in order to identify ways to improve the process or products and to determine whether steps have been or should be taken to revalidate the continued need for recurring reports.

We identified 14 topics for which the Commission was preparing reports on a recurring basis in FY 1992. We found that the administrative action processes for recurring reports provided varying treatment in classifying recurring reports as section 332 studies and in initiating the studies and approving the reports for issuance.

We found that multiple program offices maintained mailing lists either instead of or in addition to the mailing list maintained by the Office of the Secretary. We believe that this is inefficient in terms of maintenance, consistent distribution of reports, preventing duplication, and validation efforts. We also found that a few program offices packaged the reports for mailing which we do not believe is an appropriate function for those offices. The multiplicity in distribution functions is due at least in part to the absence of a Commission policy on a centralized mailing list and the procedures for mailing reports and/or publications. We believe that one way to achieve a cost reduction goal and still provide reports to the public would be to increase the Commission's use of the Government Printing Office (GPO) to sell recurring reports.

**RECOMMENDATIONS:** We recommended that the Director of Operations:

- Establish procedures to review and comment on proposed legislation and provide input into proposed letter requests for studies in order to promote letter requests incorporating sunset dates; and establish a schedule to communicate with committee staff on recurring reports.

- Establish criteria for determining which studies should be initiated under section 332 and formulate policies applicable to the initiation and report issuance of recurring reports.
- Transfer all mailing lists for recurring reports to the Office of the Secretary; discontinue mailing recurring reports to names on the Commission's master mailing list; coordinate with the Acting Secretary to periodically validate mailing lists; and require approval of any packaging to be performed by program staff.
- After determining the minimum distribution of each recurring report that the Commission must make in order to meet the requirements of section 332, identify which recurring reports GPO is willing to sell.

The Director of Operations generally agreed with the findings and recommendations.

## SUMMARY OF INSPECTION REPORTS

### INSPECTION REPORT:

### FINDINGS:

No. 1-93

**OARS II Procurement**

November 6, 1992

The needs for the procurement were properly planned and developed; Federal regulations were followed with one exception that a required clause on subcontracting limitations was not included in the contract.

No. 2-93

**Cash Counts of USITC**

**Imprest Funds**

November 19, 1992

The imprest funds were in balance.

No. 3-93

**Compliance with Requirements**

**of Public Law 101-121**

**on Lobbying Activities**

November 20, 1992

Adequate steps had been taken to implement the law on lobbying activities.

No. 4-93

**Review of USITC's Compliance**

**with the Federal Managers'**

**Financial Integrity Act**

**of 1982**

December 21, 1992

The evaluation of the system of internal accounting and administrative control was carried out in a reasonable and prudent manner for the fiscal year ended September 30, 1992.

No. 5-93

**Advisory and Assistance Services**

**and Data Provided to the Federal**

**Procurement Data System**

January 14, 1993

The Commission followed management and accounting controls over advisory and assistance services.

No. 6-93

**Quarterly Review of Travel**

**Expenditures**

January 27, 1993

Justifications for travel on noncontract carriers and premium class travel were frequently submitted when not required and not submitted when required.

No. 7-93

**Cash Counts of USITC**

**Imprest Funds**

March 16, 1993

The imprest funds were in balance.

No. 8-93

**Legal Review as Internal Control**

**in Procurement Process**

March 31, 1993

Legal review is a strong control in the coverage that is provided, but the process could be improved by providing clearer and, in certain circumstances, more timely advice.

**LIST OF AUDIT REPORTS  
BY SUBJECT MATTER**

<u>Report Title</u>	<u>Report Number</u>	<u>Questioned Costs</u>	<u>Unsupported Costs</u>	<u>Ineligible</u>	<u>Funds Be Put To Better Use</u>
---------------------	--------------------------	-----------------------------	------------------------------	-------------------	---------------------------------------

**PUBLIC INVESTIGATIONS AND RESEARCH STUDIES**

Evaluation of Commission's Role in Preparing Recurring Reports	IG-01-93	0	0	0	0
---	----------	---	---	---	---

Table 1

INSPECTOR GENERAL ISSUED REPORTS WITH  
QUESTIONED COSTS FOR THE SIX-MONTH PERIOD  
ENDING MARCH 31, 1993

		Dollar Value	
		Questioned Costs	Unsup- ported Costs
	Number of Reports		
A.	For which no management decision has been made by the commencement of the period	0	0
B.	Which were issued during the reporting period	0	0
	Subtotals (A + B)	0	0
C.	For which a management decision was made during the reporting period	0	0
	(i) Dollar value of disallowed costs	0	0
	(ii) Dollar value of costs not disallowed	0	0
D.	For which no management decision has been made by the end of the reporting period	0	0
	Reports for which no management decision was made within six months of issuance	0	0

**If you suspect fraud, abuse, or other misconduct at the USITC, please call:**

**OFFICE OF INSPECTOR GENERAL**

**HOTLINE**

**202-205-2217**



**This number is available 24 hours a day. The Hotline is answered by  
OIG staff during duty hours and during nonduty hours a recorder is  
used. If you prefer, you may send written complaints to:**

**U.S. International Trade Commission  
Office of Inspector General  
Room 220  
500 E Street, S.W.  
Washington, D.C. 20436**

**Anyone submitting information may remain anonymous.**

