

Office of INSPECTOR GENERAL

Semiannual Report

October 1, 1996 – March 31, 1997



April 1997



UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, D.C. 20436

April 30, 1997

TO: THE COMMISSION AND THE UNITED STATES CONGRESS

I hereby submit this *Semiannual Report: October 1, 1996 - March 31, 1997* which summarizes the major activities and accomplishments of the Office of Inspector General (OIG), U.S. International Trade Commission (ITC). The submission of this report is in accordance with the Inspector General Act of 1978, as amended. Section 5 of the Inspector General 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 two audit reports: Analysis of the USITC's Privacy Act Systems of Records; and the Audit of the USITC Financial Statements for Fiscal Years 1996 and 1995. Three inspection reports were issued: Review of USITC's Compliance with the Federal Managers' Financial Integrity Act of 1982; Comparison of Paid Overtime to Base Salary; and Evaluation of the Internet as a Means of Public Notice.

The Commission received its fourth consecutive unqualified opinion on the financial statements and operations, a significant accomplishment. In addition, the audit did not identify any exceptions to compliance with applicable laws and regulations that could have a material impact on the financial statements, or any material weaknesses in the internal control structure and its operations. The Commission's accomplishment in having three prior unqualified opinions was recognized by the Joint Financial Management Improvement Program in its Fall 1996 newsletter.

Three new investigations were initiated and five investigations were closed. One of these cases resulted in the recovery of \$1,785.99 owed to the Commission for personal unauthorized calls.


The prevalent theme emerging from the work this period is that Commission guidance needs updating and revision. We reported this period that the Commission does not have debt collection regulations required since 1983 and that the majority of the Commission's Privacy Act notices are 22 years old and seriously outdated. The Commission has addressed these areas, although action has not been completed. We have indications that portions of the Commission regulations for section 332 investigations are inaccurate that will be further reviewed in an ongoing audit.

Commission internal policies set forth in its directives system are markedly in need of updating and revision. We have outstanding recommendations and suggestions from prior periods that the imprest fund policy needs to be revised to reflect changes in operations, the telephone policy needs to be clarified, and a policy on non-official use of equipment needs to be developed. We reported in 1993 that the directives system needed to be updated. In 1995, we reported that the Commission had achieved less than half of the interim goal to reduce regulations and the directives system had not been updated. Few changes have been made to correct this situation.

The Vice Chairman and the Director of Administration, who is responsible for ensuring appropriate review, coordination, and clearance of issuances in the Directives Management System, have expressed interest in updating and revising the directives system. They are organizing a planning group to work on this project. We will coordinate with them on their efforts to improve the Commission's internal guidance.

The Inspector General Act of 1978, as amended, provides that each Inspector General shall comply with standards established by the Comptroller General of the United States. One of the standards states that organizations conducting government audits should have an external quality control review at least once every three years. A second review of the OIG was conducted by the Inspector General of the Appalachian Regional Commission. The report issued on January 24, 1997, stated that a system of internal controls is in place and operating effectively and that the audits are performed in accordance with the standards.

I appreciate the support of all Commission employees in achieving the accomplishments set forth in this report.


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 reason of subsidized imports or 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 and Vice Chairman are designated by the President and serve a two-year statutory term. No more than three Commissioners may be of the same political party and the Chairman must be of a different political party than the Chairman for the immediately preceding term.

Peter S. Watson announced his resignation from USITC effective October 31, 1996. Mr. Watson had served as a Commissioner at the ITC since December 1991. He served as Chairman of the Commission from June 17, 1994, through June 16, 1996, and as Vice Chairman of the Commission from June 17, 1992 through June 16, 1994.

Janet Nuzum announced her resignation from the USITC effective February 2, 1997. Ms. Nuzum had served as Commissioner since November 1991. She was appointed to the Commission by President Bush, and subsequently appointed by President Clinton to be Vice Chairman from June 1994 to June 1996.

The Commission has an authorized staffing level of 502 permanent positions in FY 1997 of which 378.5 positions are funded at the \$40.850 million level. All of its employees are located in one building at 500 E Street, SW, Washington, D.C.

More information about the Commission is available on the Internet:

USITC: HOME PAGE

<http://www.usitc.gov/>

**Welcome to the United States
International Trade Commission**

THE OFFICE OF INSPECTOR GENERAL

The Commission established the Office of Inspector General (OIG) pursuant to the Inspector General Act Amendments of 1988 (P.L. 100-504). The Inspector General reports directly to the Chairman, 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 1997

An appropriation was enacted on September 30, 1996, which includes \$40,850,000 for the salaries and expenses of the International Trade Commission for FY 1997. The conference agreement stipulates that not less than three permanent full time equivalents (FTE) and one temporary FTE will be allocated to the OIG, and contract funds will be provided to the Inspector General at not less than the FY 1996 level.

The FY 1997 Expenditure Plan and FY 1998 Budget, adopted on October 3, 1996, authorized 3 FTEs for permanent staff in the OIG, based on a funding level of 378.5 rather than 378 positions. This provided an additional .5 staff year for permanent staff. On November 19, 1996, a part-time auditor was hired.

The OIG uses temporary FTE to hire students to assist with audit and inspection functions. The graduate student hired in August 1996 resigned on December 20, 1996. The present graduate student entered on duty on January 24, 1997.



New OIG staff members

Lance Smith and Judith Borek

The OIG was allocated \$25,000 for audit and review services in the FY 1997 Expenditure Plan. An additional \$25,000 was allocated on April 10, 1997.

AUDIT ACCOMPLISHMENTS

Audits and Reviews

Two audit reports were issued this period. They were:

- IG-01-97, Analysis of the U.S. International Trade Commission's Privacy Act Systems of Records; and
- IG-02-97, Audit of the USITC Financial Statements for Fiscal Years 1996 and 1995.

As of April 1, 1997, ongoing efforts included:

- Audit of Commission's Response to Anticipated FY 1996 Appropriations; and
- Three-Part Review of Commission's Implementation of Simplified Acquisitions Procedures

The audit reports are summarized in Attachment B.

Financial statement audit

The financial statements audit resulted in a fourth consecutive unqualified opinion, although the management letter identified certain weaknesses in property management. The unqualified opinion on the financial statements and operations was a significant accomplishment. In addition, the audit did not identify any exceptions to compliance with applicable laws and regulations that could have a material impact on the financial statements, and identified no material weakness in the internal control structure and its operations.

The Commission's accomplishment was recognized by the Joint Financial Management Improvement Program (JFMIP), a joint cooperative undertaking of federal agencies to improve financial management practices. An article entitled "Clean Opinions at U.S. International Trade Commission" in the JFMIP Fall 1996 newsletter stated that the Commission achieved a significant accomplishment in receiving three unqualified opinions. This fourth opinion, which was issued subsequent to the article, makes the accomplishment even more notable. The results of the financial statements audits are summarized in the following chart.

Audit Results			
FYs	Opinion	Compliance Statement	Material Weaknesses
1989/90	Unqualified	No exceptions	None
1991/92	Unqualified	No exceptions	None
1993/94	Unqualified	No exceptions	None
1995/96	Unqualified	No exceptions	None

Property management was identified as a material weakness in 1991, and recurring problems were routinely reported thereafter. These problems were not identified as a significant weakness in the financial statements audits because of the minimal value of property in relation to the financial statements and overall operations of the Commission.

In FY 1995, a substantial effort was made to correct the problems. The property inventory list was significantly reduced, the policy on property management updated, and quarterly inventories monitored by the OIG were conducted in order to ensure the property system was operating on a sound basis. However, the system did not continue to operate efficiently after the last quarterly inspection in August 1995.

The Commission policy on property management includes adequate internal controls. The problem is a lack of compliance with the established controls. We are working with the Office of Administration to determine whether further changes are needed to the property management system and/or what actions need to be taken to correct the weaknesses so that the problems do not recur.

Privacy Act analysis

We found that the existing Commission notices (four of the five were issued in 1975) contain outdated and/or extraneous information. Common elements of the notices also contain unnecessary differences. In addition, the Commission's Privacy Act rules, which are separate from the notices, are outdated and need to be revised to be more consistent with the Privacy Act. (See page 12 for information on draft notice.)

We agreed with a preliminary notice prepared by the OGC that notices are needed for two proposed systems of records concerning telephone calls and security key use. We identified five additional systems that are needed for records on security officer control files, library circulation, parking, the mailing list, and congressional correspondence.

Several internal Commission forms do not include required Privacy Act notices. These include the parking space application, mailing list form, travel authorization, employee check designation, and security sign-in sheet.

Example of a Privacy Act Statement

Title I of the Ethics in Government Act of 1978 (5U.S.C. App.), Executive Order 12674, and 5 CFR part 2634, Subpart I, of the Office of Government Ethics regulations require the reporting of this information. The primary use of the information on this form is for review by the Government officials of your agency, to determine compliance with applicable Federal conflict of interest laws and regulations. Additional disclosures of information on this report may be made: (1) to a Federal, State, or local law enforcement agency if the disclosing agency becomes aware of a violation or potential violation of law or regulations; (2) to a court or party in a court or Federal administrative proceeding if the Government is a party or in order to comply with a subpoena; (3) to a source when necessary to obtain information relevant to a conflict of interest investigation or decision; (4) to the National Archives

and Records Administration or the General Services Administration in records management inspections; (5) to the Office of Management and Budget during legislative coordination on private relief legislation; and (6) in response to a request for discovery or for the appearance of a witness in a judicial or administrative proceeding, if the information is relevant to the subject matter. This confidential report will not be disclosed to any requesting person unless authorized by law.

Falsification of information or failure to file or report information required to be reported may subject you to disciplinary action by your employing agency or other appropriate authority. Knowing and willful falsification of information required to be reported may also subject you to a criminal prosecution.

SF450, Confidential Financial Disclosure Report

The Commission is in compliance with the Act's requirement for maintaining an accounting of disclosures and requests for data for Privacy Act reports. However, the Commission has not complied with requirements for regular reviews of Privacy Act activities.

The deficiencies at the Commission are at least partially due to the limited awareness of the Privacy Act and its requirements by senior Commission staff. In addition, the Commission's prior Privacy Act Officer had a limited view of his responsibilities which were not defined in federal regulations or Commission policy.

Prior Period
Audits and
Reviews

In Audit Report IG-02-90, Review of the Implementation of the Administrative Protective Order Provision in Title VII Investigations, issued in February 1990, we recommended that the General Counsel 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. The Commission agreed with this recommendation and has periodically approved notices summarizing practice relating to administrative protective orders for publication in the *Federal Register*.

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC

Summary of Commission practice relating to administrative protective orders.

AGENCY: United States International Trade Commission.

ACTION: Summary of Commission practice relating to administrative protective orders.

SUMMARY: The Conference Report to the Customs and Trade Act of 1990 provided for the International Trade Commission ("Commission") to issue periodic reports, at least annually, on the status of its practice with respect to violations of its administrative protective orders ("APOs") in investigations under Title VII of the Tariff Act of 1930. This notice provides a summary of investigations of breaches for the period ending in 1996. The Commission intends that this notice will educate representatives of parties to Commission proceedings as to some specific types of APO breaches encountered by the Commission and the corresponding types of actions the Commission has taken.

By order of the Commission.

Donna R. Koehnke
Donna R. Koehnke
Secretary

Issued: March 13, 1997

Beginning with Audit Report No. IG-01-90, periodically in reports issued thereafter, and most recently in Audit Report IG-03-96, we recommended that the Commission imprest funds be reduced, consolidated, and/or closed. Imprest funds are quite labor intensive due to the number of transactions that are processed and the support required to maintain a fund. As shown below, the imprest funds were reduced from a high of \$7,500 for two funds to \$1,500 for one fund. The reduction of the funds was possible due to OFB efforts to replace cash payments to employees with farecards, taxi vouchers and electronic transfers.

Imprest Funds

<u>Date</u>	<u>OFB</u>	<u>OMS</u>
10/6/89	\$6,000	\$1,500
	↓	↓
4/30/91	\$6,000	\$1,500
	↓	↓
8/30/96	\$4,000	\$1,500
	↓	↓
10/01/97	\$4,000	\$0
	↓	
3/13/97	\$1,500	

The Commission efforts are noteworthy. They are consistent with those at the Department of Treasury for which the Department received a Hammer Award from Vice President Gore's National Performance Review (NPR) to reinvent government. The Department had a reinvention lab to eliminate imprest funds in the federal government through use of electronic commerce, and recommended that most imprest funds in government could be closed, thereby saving costs while streamlining operations.

Audit Followup

Agreed upon actions were not completed within one year on one audit report: Audit of the USITC Local Area Network Operations, IG-01-96, March 15, 1996. Progress is being made on implementing corrective actions according to periodic status reports.

Access to Documents

Over a year ago, an issue was raised as to whether contract auditors had access to privileged information, and was expanded to issues involving all OIG staff and nonpublic information. Significant progress was made in the prior reporting period to reach and implement a solution. The one aspect of the access issue that was outstanding was resolved this period. On February 4, 1997, Administrative Order: 97-06, Acknowledgment Provision Regarding Disclosure of Confidential Business Information (CBI) or Business Proprietary Information (BPI) was signed by the Chairman to be effective immediately. This provision seeks the acknowledgment by submitters of CBI or BPI that such information may be disclosed to the Commission, its employees and contract personnel involved in Commission investigations for which the information is submitted, or to the Inspector General, OIG staff and contract personnel in connection with audits and investigations.

RETIREMENT

Stay Current After You Designate Beneficiaries



Reg Jones

Designating a beneficiary for your life insurance and Thrift Savings Plan benefits (or your retirement contributions if you die in service) is one of the most easily accomplished of all tasks facing a new employee.

In fact, it's automatic unless you intervene. In the absence of a specific designation, the distribution of assets follows what is known as the "standard order of precedence." Here's who gets the money when you die:

- 1) Your widow or widower.
- 2) If you leave no spouse, your children in equal shares, with the share of any deceased child distributed among the descendants of that child.
- 3) If none of the above, your parents in equal shares or the entire amount to the surviving parent.
- 4) If none of the above, the executor or administrator of your estate.
- 5) If none of the above, your next of kin under the laws of the state in which you were living at the time of your death.

If you made a designation when you first embarked on your career voyage, you ought to check occasionally to see whether it still accomplishes what you want.

It's not uncommon for a new, unmarried employee to designate a blood relative and simply forget to change that designation after acquiring a spouse and children. Woe to them if you didn't make a change.

Or you may have relied on the order of precedence, assuming that whatever happens, the benefits will trickle down to the right persons after you die.

But remember this: If you don't keep up with life events and make appropriate changes to your designation of beneficiary, you could be imposing a real burden on the person who finally gains title.

It's not unknown for someone far down the list of beneficiaries to find him or herself faced with the daunting task of proving that all the other potentially eligible parties are dead. If those parties were spread around the country or the globe when they died, getting death certificates could prove to be extremely difficult.

The word to the wise is this: Decide who you want to receive your benefits when you die and take appropriate steps to assure that they get them without a hassle. Your local benefits officer can help you to make changes in your designations if you need to do so.

Decide who you want to receive your benefits when you die, and take appropriate steps.

This article on designating a beneficiary for an employee's life insurance, Thrift Savings Plan, and retirement contributions was printed in the February 24, 1997 issue of the Federal Times. In late 1996, we surveyed nine Commission employees to determine whether there was a need to conduct an audit or inspection in this area. We found that all of the employees contacted were familiar with the designation of beneficiary forms and either wanted their assets distributed in the standard order of preference or had designated a beneficiary. Therefore, we decided not to initiate further work.

Federal Times Article

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For additional information call 1-800-368-5718

INSPECTIONS

Reports Issued

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

- | | |
|-----------------|---|
| Report No. 1-97 | Review of USITC's Compliance with the Federal Manager's Financial Integrity Act of 1992 |
| Report No. 2-97 | Comparison of Paid Overtime to Base Salary |
| Report No. 3-97 | Evaluation of the Internet as a Means of Public Notice |

The inspection reports included findings and suggestions to improve operations or internal controls. A summary of the findings in each report is presented in Attachment C.

FRAUD, WASTE AND ABUSE

Investigations

A summary of investigative activity is presented below:

Open 10/01/96	4
Initiated	<u>+3</u>
Total	7
Closed	<u>-5</u>
Open 03/31/97	2

Four investigations were open at the beginning of this reporting period, October 1, 1996, and three new investigations were initiated during this reporting period. Three of the investigations open as of September 30, 1996, and two of the new investigations were closed during this reporting period. These involved gift acceptance, identification badges, use of a government telephone, mismanagement, and facsimile messages. The most significant cases are described below.

Phone misuse

The OIG issued a Report of Investigation in August 1996 on a case of phone misuse. We recommended that the Commission recover \$1,785.99 owed for unauthorized phone calls and take appropriate disciplinary action against a supervisor for failure to identify and correct the phone misuse. In the last semiannual report, we reported that appropriate disciplinary action had been taken. This period, the \$1,785.99 owed for unauthorized phone calls was recovered.

In the last semiannual report, we also discussed OIG Inspection Report 15-96, Implementation of Commission Policy on Use of Telephones, issued in August 1996. In this report, we suggested that: (1) the Commission policy be clarified to ensure that payments for unauthorized personal calls are calculated using the commercial rate and an administrative fee per call in accordance with Federal Property Management Regulations; and (2) administrative offset regulations be promulgated. The Commission addressed both areas of concern by March 31, 1997, although action has not been completed in either area as of April 30.

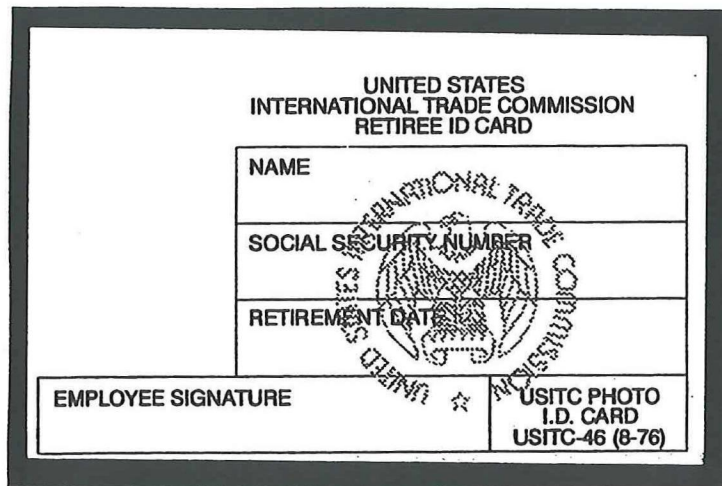
We suggested that the Commission clarify the policy via a pen and ink change to USITC Directive 3402.1, Control and Usage of Government-Owned or Provided Telecommunications Systems and Services, as this could be accomplished very quickly. A partial revision of the Directive was drafted, but not by OIS, the office assigned responsibility for the Directive and to whom the suggestion was made. This revision was substantial enough to necessitate revising the entire Directive. Eight months after we reported this problem, the policy clarification is still in progress with no estimated completion date, and the Commission practice for collecting payments continues to be inconsistent with federal policy. We believe that the Commission policy should be clarified immediately via a pen and ink change, and the Directive revision, which could take months to accomplish, could follow.

The Commission has been statutorily required to have offset regulations since the Debt Collection Act of 1983. The requirement was reiterated in the Debt Collection Improvement Act of 1996. The Commission has routinely made offsets subject to these laws, although it lacked its own regulations in this area. The Commission approved interim offset regulations on March 24, 1997. The regulations were sent to the Office of Personnel Management on April 1, 1997, where they are currently under review.

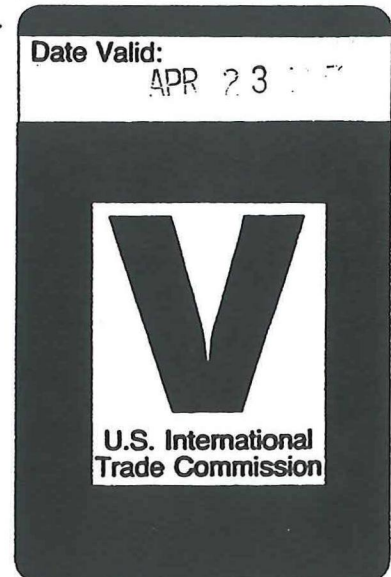
Identification badges

In reviewing a complaint about possible improper building access by an ex-employee, which was not substantiated, we found that the Commission routinely issued identification cards to retired employees. The cards, which clearly identified the cardholder as "retired", were unnumbered, had no expiration date and provided free access to the building. We concluded that these retiree identity cards presented a security risk based on our research of guidance issued subsequent to the Oklahoma City bombing.

The Office of Management Services was in the process of obtaining a new system for issuing identification badges. We worked with the Security Officer to design a variety of identification badges and develop office procedures. On March 28, 1997, the Office of Management Services issued procedures for security personnel to follow in allowing individuals access to the building. These procedures set forth the identification badges that are acceptable and state that no other identification badges, such as previously issued ITC retirement badges, are valid for unescorted building access.



Retiree ID Card



Temporary Visitors Badge

Gift acceptance

The OIG received a complaint about a Commission official's acceptance of travel and training expenses from a company which allegedly was doing business with the Commission. We found that the employee had accepted travel expenses from a distributor for the company and a registration fee for a seminar that he attended had been waived by a users association of the company's products. These instances appeared to be subject to federal gift acceptance laws, whereupon we referred the allegations to the General Counsel, who is the Deputy Agency Ethics Official (DAEO), for review.

The DAEO concluded that one of the trips made by the official, in his personal capacity, while on annual leave, posed no problems under Federal gift acceptance laws and regulations. A similar trip taken subsequent to our referral also did not pose a problem. The waiver of the registration fee was resolved when the Commission paid the fee as a training expense.

While monitoring this complaint, the OIG received a related complaint alleging that this official was a consultant to the distributor, which was doing business with the Commission. We determined that this allegation was baseless.

Facsimile messages

In our last semiannual report, we stated that the Inspector General had written to a private group requesting that it cease transmitting facsimile messages to a particular Commission office. In this period, another Commission office complained that the same group was sending facsimile messages with disturbing language that could be construed as threatening, and indicated that the group had not responded to requests to cease the transmissions. We found that several offices were receiving unsolicited messages on a recurring basis, but messages were no longer sent to the number referenced in our letter. Therefore, the Inspector General wrote a second letter to the group requesting that it cease sending messages to 17 specific and any other facsimile numbers at the Commission.

Two investigations remain open. These involve appropriateness of supervisory ratios and accuracy of trade data in Commission reports.

Review of Legislation, Regulations, and Commission Policy

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. We reviewed one proposed amendment to the Commission Rules of Practice and Procedure and a draft notice as discussed below.

Proposed rule

Debt Collection -- Procedural Rules for Salary Offset, Administrative Offset and Tax Refund Offset. We reviewed draft interim rules which were provided to us on October 18, 1996. We made substantial comments which were satisfactorily incorporated.

The Commission directed that the draft interim rules of October 1996 be changed to proposed rules. Accordingly, revised versions of these regulations in the form of a proposed rule were distributed in November 1996 and March 1997.

We objected to this change in our comments on the March 1997 version of the proposed rules because the Commission had routinely offset salary and administrative payments without having issued the rules required to take these actions. The Commission has a current and ongoing need to make such collections which further necessitates issuing interim rules. We stated that interim rules could be justified as either a "pending emergency" or as "rules of practice and procedure." The Commission concurred with our comments and the regulation was changed to be an interim rule.

Draft notice

Privacy Act of 1974; Establishment of New Systems of Records; Revision of Systems of Records; Deletion of a System of Records. Pursuant to our recommendations in Audit Report IG-01-97, Analysis of the U.S. International Trade Commission's Privacy Act Systems of Records, issued on October 18, 1996, (discussed in more detail in Attachment B to this report) the OGC revised the preliminary draft notice that we reviewed last period.

In November and December 1996, the OIG reviewed the notices for the OIG systems of records, the routine uses, and the notices for the entire Commission. We provided substantive comments on descriptions of the policies and practices of certain Commission offices regarding retrievability of records, and on incorporating certain language in particular routine uses. These comments were satisfactorily incorporated.

The revised notice was sent to the Commission on March 20, 1997. The Commission approved the following documents on April 18, 1997:

- the draft *Federal Register* notice that contains the eleven proposed or revised Privacy Act system of records notices;
- the requisite report covering each of the notices that must be transmitted to the Office of Management and Budget (OMB), the Chair of the Committee on Government Reform and Oversight of the House of Representatives, and the Chair of the Committee on Governmental Affairs of the Senate; and
- a proposed rule change that is required to effectuate the exemption of the personnel security investigative files system of records from certain provisions of the Privacy Act.

OMB has 30 days to review and comment on the draft notice. After incorporating any comments, the Commission could then issue the draft notice.

Commission policy

The Inspector General also has the responsibility to review all proposed Commission directives to evaluate the impact that new or revised procedures will have on the efficiency of operations and to minimize the potential for fraud or abuse. No draft directives were circulated for official review during this period. We did review and comment on preliminary drafts concerning use of telephones, and non-official use of agency facilities. We also commented on an office policy on control and issuance of identification badges.

Internal control process

We coordinated with the Director of Administration, in his role as the Commission's Internal Control Officer, to cancel USITC Directive 1603.1, Internal Control Reporting Requirements. This Directive established procedures to be followed by the Commission consistent with the requirements contained in the Federal Managers' Financial Integrity Act of 1982. The Commission voluntarily complied with the procedural and reporting provisions of the Act.

Other control systems and reporting mechanisms have developed since that time, notably the establishment of the OIG in 1988 and audits of the

Commission's financial operations since FY 1987. Based on the Commission's experience, these other controls provide sufficient assurance that Commission operations either have adequate internal controls or provide a way to identify internal control weaknesses and track corrective action.

In the inspection report issued on December 24, 1996, the Inspector General concluded that the internal control process set forth in Directive 1603.1 was not very effective as evidenced by the nonmaterial weaknesses that she identified versus those identified by the office directors. The Internal Control Officer, in his December 24, 1996, report to the Chairman, concurred that the annual report on the status of internal controls is redundant of the semiannual reports submitted by the Inspector General.

Administrative Notice ITC-N-0001, issued February 7, 1997, cancelled the USITC directive and administrative order on internal control systems. Office directors are still responsible for identifying weaknesses in internal controls and reporting them to appropriate Commission personnel.

Administrative
notice

In December 1996, we suggested changing the practice of issuing an Administrative Notice on updates to the federal travel regulations. The Notices include a copy of the updated per diem notices that are about 20 pages long. The General Services Administration now has the federal per diem rates on the Internet. In December, we suggested that the Office of Administration reference the Internet address rather than attaching a copy of the regulations to the next Notice. Our suggestion was not adopted for Administrative Notice ITC-N-2305 issued on February 13, 1996. We are coordinating with the Director of Administration to implement this change on the next Notice.

Collective
bargaining
agreement

The OIG Legal Counsel coordinated with the AFGE Union President on various issues this period. On the basis of these contacts, she made a suggestion to the Director of Personnel in response to his request for management issues to be presented during the renegotiation of the collective bargaining agreement. She suggested that the provision concerning evaluation panels be clarified. The provision can be interpreted literally to mean that an evaluation panel will be used whenever eight or more applicants apply for a position. In practice, however, a panel is formed only when eight or more applicants who are at the same grade level apply for a particular position. Thus, the OIG believes that the text of this provision can be misleading.

Neither this suggested change nor any other management issues were submitted for negotiation. The collective bargaining agreement negotiations are ongoing.

Policy for OIG

In support of the NPR initiative to reduce and simplify agency policy, the OIG revised and updated three directives governing its internal policies. The draft directives were circulated to the office directors for comment on March 19, 1997. These are: USITC Directive 1026.1, OIG Mission and Function Statement; USITC Directive 1702.1, Audit Followup; and USITC Directive 1703.1, The Inspector General's Role in Detecting and Preventing Fraud, Waste and Abuse.

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 Act. 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 became Chair of the ECIE Peer Review Committee in October 1993. As such, she is responsible for arranging peer reviews when requested by an Inspector General and for coordinating the peer review activities. During this period, she arranged and/or coordinated three reviews that are in process, and five reviews completed in this period. The Inspector General resigned as Chair of the ECIE Peer Review Committee effective March 31, 1997.

Peer Review

The Inspector General arranged for the Inspector General of the Appalachian Regional Commission (ARC) to conduct a second external quality review of the OIG. The ARC Inspector General completed the review in accordance with the bylaws for peer review evaluations adopted by the Inspector General of Designated Agencies of the Executive Council on Integrity and Efficiency. Although the Inspector General arranged this review in accordance with her duties as Chair of the ECIE Peer Review Committee, no conflict of interest was involved as the Committee Chair has no role in the conduct of peer reviews.

In his report issued on January 24, 1997, the ARC Inspector General concluded that a system of internal controls are in place and operating effectively and that the audits performed by the OIG and by contractors are being carried out in accordance with Government Auditing Standards.

With respect to potential external impairments, the ARC Inspector General noted that agency allocation of funds to the OIG has sometimes been dependent on agency approval of an audit or review. Such a process raises questions with respect to OIG independence and/or agency interference. A process whereby the agency head approves OIG funding levels separate from individual audit submissions is recommended. The Commission has not allocated funds to the OIG in FY 1997 based on approval of individual audits or inspections.

Another area of external impairment related to the continuing dialogue with respect to release of information to OIG staff and contractors. The Inspector General Act provides for access to all nonpublic information held by the agency, and OIG contractors are entitled to nonpublic information within the same parameters as OIG staff.

**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. The General Accounting Office (GAO) did not initiate any reviews this period and none were ongoing as of March 31, 1997.

During this period, one review was completed and a report issued: INSPECTORS GENERAL - Handling of Allegations Against Senior OIG officials (GAO/OSI-97-1), October 1996. The report included no recommendations applicable to the Commission.

INFORMATION REQUIRED BY THE ACT

Certain information and statistics based on the activities accomplished during this period are required by section 5(a) of the 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 prosecutorial authorities. There were no prosecutions or convictions.
- (5) No reports were made to the Chairman that information or assistance requested by the Inspector General was unreasonably refused or not provided.
- (6) A listing by subject matter is located in Attachment D.
- (8), (9) The audit reports 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 REPORTS

Title: Analysis of the U.S. International Trade Commission's Privacy Act Systems of Records

Report Number: IG-01-97

Report Date: October 18, 1996

Findings: The objective of this analysis was to conduct a comprehensive and critical review of the Commission's implementation of the Privacy Act. Specific objectives included reviewing existing Privacy Act notices and proposed revisions to determine which systems of records should be retained, established, or reorganized; identifying additional systems of records that need to be established; examining system notices for content, format, and degree of specificity; and determining whether the Commission is in compliance with major provisions of the Act.

We found that the existing Commission notices contain outdated and/or extraneous information. Common elements of the notices also contain unnecessary differences. In addition, the Commission's Privacy Act rules, which are separate from the notices, are outdated and need to be revised to be more consistent with the Privacy Act. Several internal Commission forms do not include required Privacy Act notices. The Commission is in compliance with the Act's requirement for maintaining an accounting of disclosures and with requests for data for Privacy Act reports. However, the Commission has not complied with requirements for regular reviews of Privacy Act activities.

Recommendation: We made the following recommendations:

- Delete one of the existing systems of records, update four systems, and add two proposed new systems;
- Establish five additional systems of records;
- Include a reference to government-wide systems of records applicable to the Commission in the publication of Privacy Act system of records notices;
- Standardize, to the greatest extent possible, the common elements of system notices in the publication of Privacy Act system of records notices;
- Revise the general routine uses and standardize references to these routine uses in each system notice;
- Reexamine and revise each system notice to reflect current conditions and to correct identified deficiencies;
- Revise the Commission's Privacy Act rules;

- Add a Privacy Act notice to Commission forms as required by the law; and
- Set forth the duties of the Privacy Act Officer to oversee and coordinate the Commission's implementation of the Act.

In his response to the draft audit report, the Director of Personnel, who was the Privacy Act Officer at the time of our review, stated that the threshold issue of deciding who should be the Privacy Act Officer should be addressed first so that whoever is eventually charged with administrative responsibility will have the benefit of participating in the program's implementation. The Chairman concurred and formed a group under the Chairmanship of the Director of Administration to undertake a review to determine where Privacy Act administration should be assigned. On November 19, 1996, in accordance with the group's recommendation, the Director of Administration was designated to be the Commission's new Privacy Act Officer.

The Director responded to the final audit report on March 19, 1997. He agreed with the findings and recommendations.



Steve McLaughlin acquired another "hat" when he was designated the new Privacy Act Officer for the Commission

Title: Audit of the USITC Financial Statements for Fiscal Years 1996 and 1995

Report Number: IG-02-97

Report Date: March 31, 1997

Findings: The objectives of this audit were to issue: an opinion as to the fairness of the USITC financial statements for the FY ending September 30, 1996, and 1995, in presenting the financial condition and results of operations; a statement on the adequacy of the internal controls; and a statement on compliance. The auditors expressed the following opinions:

- The statements of the financial position of the USITC as of September 30, 1996 and 1995, present fairly, in all material respects, the financial position of the USITC as of September 30, 1996 and 1995, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.
- Test results disclosed no instances of noncompliance with laws and regulations applicable to the Commission that would have a material effect on the financial statements.
- No matters involving the internal control structure and its operation were considered to be material weaknesses, although certain matters are reported in the management letter.

Recommendations: We recommended that:

- The fixed asset items subject to deletion from the accounting records and property management system be correctly identified;
- The copiers recorded as additions to fixed assets in the general ledger and property records be reconciled;
- Two copiers be recorded in the general ledger equipment account;
- Information on all new additions to fixed assets be provided to the Property Management Official (PMO) and an updated fixed asset report be prepared;
- The PMO conduct a physical inventory as soon as possible;
- The operating procedures handbook be revised to state that invoices received at FY end be reviewed for the date of receipt of goods or services to determine the appropriate FY in which to change the invoice; and

— Cost center managers be notified that only those invoices that have an accurate, signed receiving report or a certification that the goods or services were received and were satisfactory will be paid.

APPROVED FOR PAYMENT	
SIGNATURE:	
DATE RECEIVED	DATE APPROVED

Stamp to approve payment and provide date that the goods or services were received

The Director of Administration generally agreed with the findings and recommendations. We agreed to work with the Office of Administration to reexamine the Commission policies and procedures on accountable property in order to have a system that reflects the Commission's needs and priorities.

