

# Office of INSPECTOR GENERAL

*Semiannual Report*

*April 1 - September 30, 1993*



*October 1993*

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Date Issued



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## UNITED STATES INTERNATIONAL TRADE COMMISSION

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WASHINGTON, D.C. 20436

October 29, 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 April 1, 1993, through September 30, 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 three audit and eight inspection reports. Five new investigations were initiated and five investigations were closed. In addition, the OIG commented on one draft regulation and six directives.

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.

A major occurrence was the issuance of the Report of the National Performance Review on September 7, 1993. The Report included a section on reorienting the Inspectors General by broadening their focus from strict compliance auditing to evaluating management control systems. The Inspector General community has responded to the Report by developing a draft vision statement on how to achieve the cultural revolution that the Report states is required. I am participating in these efforts and will adopt applicable ideas to improve the operations of my office.

As always, I appreciate the support of the Commission and look forward to working with the Commissioners and the Commission staff in the future.

A handwritten signature in cursive script, reading "Jane E. Altenhofen".

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 had 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 had an authorized staffing level of 502 permanent positions in FY 1993 of which 470 positions were funded. 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 originally provided for three full-time permanent positions (the Inspector General, a staff auditor and a staff assistant) and a fourth staff year for temporary staffing needs. 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 provide independent legal advice to the OIG and assist in OIG investigations.

The attorney-advisor was staffed with a permanent employee on June 8, 1993. In August 1993, the attorney-advisor attended a two week training course on conducting criminal investigations at the Federal Law Enforcement Training Center in Glynco, Georgia. The attorney-advisor had the highest combined scores on the two examinations required to pass the course.

Two students assisted with inspections and simple audits, organized work paper files, and completed miscellaneous projects.

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

The Office of Personnel continues to provide support in accordance with a Memorandum of Understanding that was updated on April 26, 1993. The Memorandum of Understanding with the Office of General Counsel that had been in effect since May 31, 1989, was terminated by mutual agreement on August 4, 1993.

#### FY 1994

As of October 29, 1993, the Commission had not approved a FY 1994 Expenditure or Staffing Plan with position and fund allocations pending passage of an appropriation bill. The immediate impact on the OIG was the loss of a student assistant and a likely impact will be a reduction in funds for contract audit services.

## AUDIT ACCOMPLISHMENTS

### Audits and Reviews

Three audit reports were issued during this period. They were:

- IG-02-93, Audit of the USITC Financial Statements for Fiscal Years 1992 and 1991;
- IG-03-93, Review of USITC's Personnel - Payroll Functions and Activities; and
- IG-04-93, Economy and Efficiency Review of Communications Services.

These audit reports are summarized in Attachment B.

Ongoing efforts as of September 30, 1993, were:

- Follow-up Review of Selected Activities in the Office of Tariff Affairs and Trade Agreements; and
- Survey of the Commission's Process for Conducting Section 337 Investigations.

## INSPECTIONS

### Reports Issued

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

Report No. 9-93	Quarterly Review of Travel Expenditures
Report No. 10-93	Cash Counts of USITC Imprest Funds
Report No. 11-93	Improvements to Financial Data Reports provided to the Commission
Report No. 12-93	Quarterly Review of Travel Expenditures
Report No. 13-93	Review of Chairman's Travel
Report No. 14-93	Cash Counts of the USITC Imprest Funds
Report No. 15-93	Status of Commission Directives
Report No. 16-93	Quarterly Review of Travel Expenditures



The inspections had no significant findings, although various suggestions were made to improve operations or 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 03/31/93	5
Initiated	<u>5</u>
Total	10
Closed	<u>5</u>
Open 09/30/93	5

Three of the five investigations open as of March 31, 1993, were closed during this reporting period. In April 1992, we issued a report on our investigation concerning the destruction of confidential business information that included a recommendation that the General Counsel issue additional guidance defining what constitutes the record. The investigation was closed when the General Counsel provided such guidance in May 1993. Two investigations involved the Trade Remedy Assistance Office (TRAO), one case concerning a false certification in order to receive technical assistance and the other a false notice of proceedings. We determined that both of the circumstances were misunderstandings arising from the way in which information was provided to the businesses making inquiries. These cases were closed after revised internal operating procedures were adopted for TRAO in May 1993.

Two of the five investigations opened during this period were closed after action was taken by appropriate management officials. An allegation of improper denial of pay to an employee for a detail to a higher position was not substantiated. An incident concerning the improper use of Commission facilities was addressed by counseling the employee involved and sending a notification to all employees.

Two investigations from the prior reporting period remain open. A report was issued on August 3, 1993, concerning the alleged preselection of an employee for a vacancy announced at the Commission; closure of this investigation is pending resolution of a related claim. A broad complaint about the promotion, hiring, and training opportunities for the "Black support staff" of the Commission is being addressed as resources permit.

Three of the five investigations initiated this period remain open. An investigation of compensatory time practices resulted in two reports issued on July 23, 1993, and August 6, 1993. Although substantially complete, the investigation is not closed

pending the recording of adjustments to various compensatory time balances. Two allegations concerning management practices were received; one is being actively pursued and the other is pending until resources become available.

**Hotline** The Commission implemented a voice mail system in July. OIG has maintained the option of using a separate answering machine for use during non-attended hours to maintain the option of anonymity for callers until other technical matters are resolved.

**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 a proposed amendment to the Commission rules of general application that provided for seven, rather than ten, days notice to the Sunshine Act. We concurred with the proposed amendment and made suggestions for clarifying the rule.

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

- Distribution and Printing Policy and Procedures;
- Personnel Security Program;
- Honor Awards and Recognition;
- Automated Data Security Procedures
- Circulation of Library Materials; and
- Time Off as an Incentive Award.

## **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 is currently participating in efforts to reduce government-wide requirements for reports and coordinating the process for ECIE members to join the Institute of Internal Auditors as a sustaining organization.

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 will Chair the ECIE Peer Review Committee beginning in October 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, in part, Commission activities follows:

Ongoing Reviews 03/31/93	7
Reviews Initiated	<u>2</u>
Total	9
Reviews Completed	<u>5</u>
Ongoing Reviews 09/30/93	4

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

- Appointments of Inspectors General and Related Issues; and
- Data Base of Executive Schedule Positions.

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

- INTELLECTUAL PROPERTY RIGHTS: U.S. Companies Patent Experiences in Japan;
- NAFTA: Assessment of Major Issues;
- U.S. - MEXICO TRADE: The Maquiladora Industry and U.S. Employment; and
- INSPECTORS GENERAL: Appointments and Related Issues.

These reports included no recommendations to the Commission.

**Commission  
Projects**

The OIG staff auditor volunteered to participate in the District of Columbia's Partners-in-Education program for the second year. The auditor will mentor students at the Amidon Elementary School.

The staff assistant is a Co-coordinator for the 1993 Combined Federal Campaign, a position he also had in 1992.



**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 three 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:** AUDIT OF THE USITC FINANCIAL STATEMENTS  
FOR FISCAL YEARS 1992 AND 1991

**REPORT NUMBER:** IG-02-93

**REPORT DATE:** June 10, 1993

**FINDINGS:** The objectives of this audit were to issue an opinion as to the fairness of the USITC financial statements for the fiscal years ending September 30, 1992, and 1991, in presenting the financial condition and results of operations; a statement on the adequacy of internal controls; and a statement on compliance.

The auditors expressed the following opinions:

- The statements of financial position of the USITC as of September 30, 1992, and 1991, and the related statements of operations and cumulative results of operations, cash flows, and reconciliation to budget for the years then ended, present fairly, in all material respects, the financial position of the USITC as of September 30, 1992, and 1991, and the results of its operations, cash flows, and reconciliation to budget for the years then ended, in conformity with generally accepted accounting principles.
- No matters involving the internal control structure and its operation were considered to be material weaknesses, although certain suggestions involving the internal control structure and its operation are reported in a letter to USITC management.
- For the items tested, USITC complied in all material respects with the provisions of applicable laws and regulations that could have a material effect on the financial statements. For the items not tested, nothing came to their attention that caused the auditors to believe that USITC had not complied, in all material respects, with such provisions.

**RECOMMENDATIONS:** We suggested that officials in the Office of Administration:

- implement enhanced controls to ensure that duplicate payment schedule numbers are not assigned;



- adjust the accounts payable balance to properly cut off at year end;
- review all purchase requisitions to verify all required signatures are present;
- apportion all appropriations in accordance with the Antideficiency Act;
- maintain a cash receipts log;
- implement controls to ensure that all journal vouchers posted are in balance for budgetary and proprietary accounts; and
- amend the policy for compensatory time to adequately reflect the policy for separated employees.

The Director of Administration concurred with the findings and suggestions.

**TITLE:** REVIEW OF USITC's PERSONNEL - PAYROLL  
FUNCTIONS AND ACTIVITIES

**REPORT NUMBER:** IG-03-93

**REPORT DATE:** September 27, 1993

**FINDINGS:** The objectives of this audit were to evaluate the USITC policies applicable to personnel - payroll functions and activities and the way in which these policies are implemented in order to identify any areas of non-compliance with Federal laws and regulations, improvements to internal controls, or increased efficiency.

We found that significant policy and procedural changes were adopted throughout the Commission to correct the internal control weaknesses identified in an audit report issued in September 1990. Relevant guidance had been developed on payroll related functions and employees were substantially complying with the policies and procedures.

Compensatory time was the one area in which the most problems were identified. Although dramatically improved from the last audit, the need for clarification of guidance and increased monitoring for compliance was apparent. Additional guidance is needed on justifications, the maximum pay limitation, payments to terminated employees, and use of annual leave when the employee has a compensatory time balance. Increased monitoring is needed to ensure that offices properly record compensatory time earned, estimated times are not claimed, and time and attendance records are properly reconciled.

**RECOMMENDATIONS:** We recommended that:

- Personnel management specialists and their assistants should have limited supplemental responsibilities.
- Staff should periodically test compliance with time and attendance policies.
- Timekeepers should not have direct access to General Services Administration National Payroll Center personnel.
- Timekeepers who do not meet the exception criteria should not maintain their own time and attendance records.



- Staff should periodically test compliance with compensatory time policies and Administration should clarify the existing policy directive.

The Director of Administration agreed with the findings and recommendations.

**TITLE:** ECONOMY AND EFFICIENCY REVIEW  
OF COMMUNICATIONS SERVICES

**REPORT NUMBER:** IG-04-93

**REPORT DATE:** September 30, 1993

**FINDINGS:** The objectives of this review were to determine whether the Commission is acquiring, protecting and using communication services (telephones, mail, and delivery services) economically and efficiently, the causes of inefficiencies or uneconomical practices, and compliance with applicable laws and regulations.

We found multiple areas where controls could be strengthened or alternative procedures adopted that could possibly reduce the costs for communications services.

**RECOMMENDATIONS:** We recommended that:

- Cost center responsibilities for communications budget object classes should be clarified for cost control.
- The Commission improve policies or employee guidance on relative costs and proper use of communication services.
- The Commission should establish procedures for maintaining and conducting reviews of telephone lines and features.
- Use of call detail reporting should be evaluated.
- The Commission re-evaluate its mailroom services contract.
- The Commission should consider utilizing the minivan or sedan for deliveries.
- Logs should be maintained at facsimile machines.
- Commission personnel should use telephone calling cards while traveling on official business.
- The Commission should determine the whereabouts of all active temporary calling cards.
- The Commission should have an airbill or authorized signature on the airbill for all Federal Express deliveries.
- The Commission should redesign the vehicle trip log.

The Directors of Administration and Operations concurred with most of the recommendations.



## SUMMARY OF INSPECTION REPORTS

### INSPECTION REPORT:

### FINDINGS:

No. 9-93  
**Quarterly Review of Travel  
Expenditures**  
April 8, 1993

A significant percentage of travelers do not have credit cards who should have them and tickets are not always charged to individual credit cards as should be done.

No. 10-93  
**Cash Counts of USITC  
Imprest Funds**  
May 5, 1993

Three imprest funds were in balance. One alternate imprest fund had an overage of \$82.10 because an advance was included when the fund was replenished. The overage was transferred to the main imprest fund.

No. 11-93  
**Improvements to Financial  
Data Reports Provided  
to the Commission**  
May 27, 1993

The monthly projection reports identified allocations, obligations, expenditures, and amounts projected to remain unexpended, but this information was not presented in a manner that gave a clear, concise picture of the Commission's financial status. Suggestions were made on how to revise the format of the monthly report to present an informative financial summary and an analysis of the Commission's financial status on one page.

No. 12-93  
**Quarterly Review of Travel  
Expenditures**  
June 11, 1993

Taxes were paid for lodging in tax exempt locations on more than half of the vouchers reviewed. The amount of taxes paid to those locations was \$587.16.

No. 13-93  
**Review of Chairman's Travel**  
August 6, 1993

Travel was properly authorized and expenses, with minor calculation differences, correctly claimed.

No. 14-93  
**Cash Counts of USITC  
Imprest Funds**  
August 10, 1993

The imprest funds were in balance except for a minor overage in one alternate fund.

No. 15-93  
**Status of Commission Directives**  
August 18, 1993

An analysis of the 122 directives currently in effect showed that nearly one third were issued at least ten years ago and sixteen were issued in the 1970s.

No. 16-93  
**Quarterly Review of Travel  
Expenditures**  
September 22, 1993

The Commission is in compliance with new Federal guidance issued in April 1993, limiting the use of first class travel and sponsoring or traveling to conferences.

**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>
ADMINISTRATION					
Audit of the USITC Financial Statements for Fiscal Years 1992 and 1991	IG-02-93	0	0	0	0
Review of USITC's Personnel-Payroll Functions and Activities	IG-03-93	0	0	0	0
Economy and Efficiency Review of Communication Services	IG-04-93	0	0	0	0

Table 1

INSPECTOR GENERAL ISSUED REPORTS WITH  
QUESTIONED COSTS FOR THE SIX-MONTH PERIOD  
ENDING SEPTEMBER 30, 1993

		<u>Dollar Value</u>	
		Questioned Costs	Unsup- ported Costs
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



Table 2

INSPECTOR GENERAL ISSUED REPORTS WITH  
RECOMMENDATIONS THAT FUNDS BE PUT TO  
BETTER USE FOR THE SIX-MONTH PERIOD  
ENDING SEPTEMBER 30, 1993

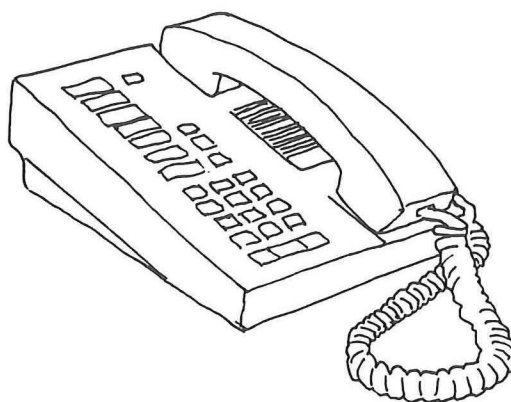
	Number of Reports	Dollar Value
A. For which no management decision has been made by the commencement of the period	0	0
B. Which were issued during the reporting period	0	0
Subtotals (A + B)	0	0
C. For which a management decision was made during the reporting period	0	0
(i) Dollar value of recommendations that were agreed to by management	0	0
(ii) Dollar value of recommendations that were not agreed to by management	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**

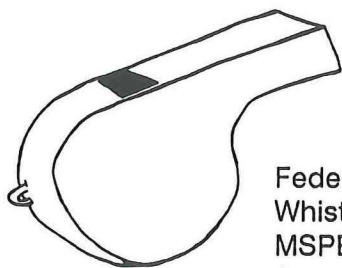
**HOTLINE**

**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, DC 20436**



Federal employees are protected from reprisal under the provisions of the Whistleblower Protection Act of 1989. For more information, see the MSPB publication entitled "Questions and Answers About Whistleblower Appeals", which is available in the Main Library, the Office of Personnel, and the OIG.

