

Office of INSPECTOR GENERAL

Semiannual Report

April 1 – September 30, 1996



October 1966



UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, D.C. 20436

October 31, 1996

TO: THE COMMISSION AND THE UNITED STATES CONGRESS

I hereby submit this *Semiannual Report: April 1 – September 30, 1996* which summarizes the major activities and accomplishments of the Office of Inspector General (OIG), U.S. International Trade Commission. 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: a review of building security and an audit of the imprest funds. On the former review, we found that the Commission has an effective building security program, but multiple deficient areas need improvement or require modification in order for the Commission to be in compliance with standards set by the Department of Justice or to otherwise provide adequate security.

Subsequent to the 1995 bombing of the Federal building in Oklahoma City, the U.S. Department of Justice developed minimum security standards. The Commission is classified as a Level IV security building, because it had more than 450 employees at the time of the review, occupies more than 150,000 square feet, has a high volume of public contact, and has judicial offices. The improvements needed to meet the minimum standards are for the Commission to obtain control of adjacent parking as much as possible, install perimeter cameras, improve outside lighting, have magnetometer screening in the lobby and x-ray screening of all mail and packages, post signs advising of 24 hour surveillance, improve the visitor control system, limit access to sensitive areas or conduct background checks for contract cleaning staff, and treat exterior windows with mylar film to prevent shattering.


Six inspection reports were issued. Three reports resulted from our continuing effort to review the Commission's response to the anticipated Fiscal Year (FY) 1996 appropriation. The last of eight status reports on this topic stated that the Commission was spending allocated funds at a lower level than the percentage of the FY elapsed, indicating that additional monitoring by the OIG was not necessary. The status reports identified numerous ways in which the budget process could be improved, which will be consolidated in an audit report in FY 1997.

Three new investigations were initiated and seven investigations were closed. Two investigations were of prolonged and egregious abuse of a government phone. We closed one investigation which we previously reported as resulting in the removal of an employee and recovery of \$2,244 for the unauthorized calls. In the second case, which is ongoing, we recommended that the Chairman send a letter to a former employee demanding payment of \$1,785.99 owed to the Commission for personal unauthorized calls, and that appropriate disciplinary action be taken against the former employee's supervisor for failure to identify and correct the abuse. We also issued an inspection report based on information developed in both investigations to address needed administrative changes. Disciplinary action has been taken and a demand letter has been drafted to send to the former employee to obtain payment for the unauthorized calls.

Significant progress was made on two issues addressed in multiple prior semiannual reports. A need for clarification of the procurement authority given in the Inspector General Act, particularly regarding the provision of legal advice, was resolved when the Inspector General signed a Memorandum of Understanding (MOU) with the Acting Director of Administration. The MOU provides that the Inspector General will be the final decision-maker and Counsel to the Inspector General (OIG Counsel) will provide all legal advice on OIG procurements.

The second long outstanding issue is whether OIG employees, including those hired by contract, can have access to nonpublic information. During this period, a revised directive on audit and inspection policies and procedures was issued which provides that OIG employees, including contractors, are authorized to have access to nonpublic information subject to certain safeguards. One remaining aspect of the access issue that is unresolved concerns access to confidential business information, which is limited by various trade-related statutes. The Commission is considering several options on providing access when needed.

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


Jane E. Altenhofen
Inspector General

**We wish to thank the following staff in the Publishing Division
for their assistance in revising
the semiannual report and audit report formats for FY 1997**

Pam Dyson, Chief

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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 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 Chairman must be of a different political party than the Chairman for the immediately preceding term.

Chairman Peter S. Watson's term expired on June 16, 1996. David B. Rohr served as Chairman of the Commission by operation of law until August 5, 1996, when his resignation became effective.

Marcia E. Miller was sworn in as the 72nd Commissioner on August 5, 1996, and was also designated as Chairman of the Commission for the term ending on June 16, 1998. Lynn M. Bragg was designated as Vice Chairman of the Commission for the period August 5, 1996, to June 16, 1998.

The Commission operated under a series of continuing resolutions in Fiscal Year (FY) 1996 until an appropriations bill was passed in April 1996. The Commission had a single salaries and expense account of \$40,667,000 for FY 1996, including an appropriation of \$40,000,000 and a \$667,000 carry-over from FY 1995. Approximately 70 percent of the Commission's funds are allocated to personnel compensation and benefits, reflecting the labor intensive nature of the Commission's mission. In addition, approximately 17 percent of the funds are allocated for space rental. The balance of expenses consists primarily of communications, travel, supplies and equipment.

The Commission had an authorized staffing level of 502 permanent positions in FY 1996 of which 378 positions were funded at the \$40 million level. All of its employees were located in one building at 500 E Street, SW, Washington, D.C.

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 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 1996

In October 1995, the OIG was authorized a staff level of 1.5 staff years based on an anticipated Commission funding level of \$38.125 million, potentially eliminating the staff assistant position and the vacant auditor position. The Commission's FY 1996 appropriation, \$40 million, was signed into law on April 26, 1996, less a \$46,000 rescission. Subsequently, the OIG's authorized staff level was raised to 2.5 staff years. Accordingly, the staff assistant position was not eliminated but the auditor position authorized in FY 1995 was.

Funds were also made available for temporary hires. The OIG hired a summer student who worked from June 24 to August 26, 1996. The OIG then hired a part-time graduate student assistant on August 22, 1996 to work on a temporary basis through the end of the FY. Both students assisted with audit and inspection functions.

The OIG was allocated \$75,000 for contract audit services. Four purchase orders were awarded for audits and inspections.

The Office of Personnel continues to provide support in accordance with a Memorandum of Understanding (MOU) dated April 26, 1993.

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 3 permanent full time equivalents (FTE) and 1 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 Commission's 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. On October 16, 1996, a vacancy announcement was issued for a part-time permanent auditor position in the OIG.

The OIG was allocated \$25,000 for FY 1997 and \$50,000 for FY 1998 in contract funds for audit and review services; the OIG was allocated \$75,000 in contract funds in FY 1996. The expenditure plan has a footnote that the Commission will re-examine the FY 1997 expenditure plan for audit and review services should any surplus or deobligated funds be identified. The Inspector General concurred with this approach, with the understanding that funds would not be tied to specific audits or inspections as in FY 1996, which can give the impression that the Commission is controlling the work of the OIG.

The FY 1997 expenditure plan includes 3 temporary workyears and the FY 1998 budget includes 3.5 temporary work years for the Commission. The FY 1997 budget request for \$41.707 million included 3.5 temporary workyears, which were allocated to the Offices of Administration and Operations. A revised allocation has not yet been established based on the \$40.850 million funding level. The OIG has been authorized to hire a part-time student assistant for FY 1997.

Procurement Issues

In prior semiannual reports, we identified a need for clarification of the procurement authority given in the Inspector General Act, including whether legal advice on OIG purchases should be provided by the OIG Counsel or the Commission's Office of General Counsel (OGC). On July 16, 1996, the Inspector General signed an MOU with the Acting Director of Administration. The MOU provides that: 1) the Inspector General will be the final authority for all decisions on OIG procurements, except those reserved for the Chairman; and 2) the OIG Counsel will provide all legal advice on requisitions from the Inspector General through all stages of the procurement.

The OIG staff: (from left) Hilaire Henthorne, Sharon Smith, Jane Altenhofen and Michelle Martin

AUDIT ACCOMPLISHMENTS

Audits and Reviews

Two audit reports were issued this period. They were:

- IG-02-96, Review of Building Security; and
- IG-03-96, Audit of the USITC Imprest Funds.

As of October 1, 1996, ongoing efforts included:

- Analysis of USITC's Privacy Act Systems of Records;
- Audit of Commission's Response to Anticipated FY 1996 Appropriations; and
- Audit of the USITC Financial Statements for Fiscal Years 1996 and 1995.

The audit reports are summarized in Attachment B.

Prior Period Audits and Reviews

In Audit Report IG-01-96, Audit of the USITC Local Area Network Operation, issued in March 1996, we recommended that the Director of the Office of Information Services (OIS) modify procedures to require both daily and weekly backup tapes to be safeguarded from unauthorized access by other than network administrators.

Michael Olsavsky, Assistant Director of OIS, is shown standing by the new lock boxes obtained to secure backup tapes from unauthorized access.

In Audit Report IG-03-94, Review of Ways to Increase the Economy and Efficiency of the Process for Conducting Section 337 Investigations, issued in August 1994, we recommended that the Secretary coordinate a Commission-wide effort to develop an electronic filing system.

Donna Koehnke, Secretary to the Commission, (front) and Sheri Scott, Legal Documents Assistant, are shown standing by the document imaging system, inaugurated in June 1996.

In Audit Report IG-04-94, Audit of Property & Supplies Management, issued in August 1994, we recommended that the Office of Management Services (OMS) implement a non-GSA independent Just In Time contracting system for the procurement and distribution of office supplies, and maintain only a small inventory of items which might cause problems if not delivered timely.

Tim Collier, Support Services Specialist, is shown standing by all that is left of the supply room after February 1996.

Access to Documents

Over a year ago, an issue was raised as to whether contract auditors had access to privileged information. Subsequently, questions were raised whether, in light of trade-related statutory requirements to limit access, contract auditors could be provided access to confidential business information, privileged information, and other non-public information. Access by permanent OIG staff to documents on a personnel matter was also questioned.

We believe that the Inspector General Act gives the OIG, both permanent staff and contract auditors, unequivocal access to this information if it is needed to conduct an audit, inspection or investigation. We also acknowledge that protecting confidential business information, privileged documents and other information as legally required is a legitimate concern of the Commission and, therefore, worked with the General Counsel to address this issue.

Significant progress was made this period to reach and implement a solution. A revised Directive 1701.2, Audit and Inspection Policies and Procedures was issued on August 30, 1996. The directive provides that, subject to notice to the Commission and in appropriate circumstances, the OIG is authorized to have access to all records, reports, audits, reviews, documents, papers, recommendations, or other materials available to the Commission or applicable entity, i.e., contractors or other Federal agencies, which relate directly to Commission programs or operations with respect to which the OIG has responsibility under the Inspector General Act. The OIG's authority to have access to documents includes nonpublic information which relates directly to the Commission programs or operations being reviewed. Further, all OIG employees, whether hired by the Commission, or serving on a detail, and contractor employees acting as OIG employees, are authorized to have the same level of access to nonpublic information, subject to applicable law and the special status of classified information.

In order for contractors to have access to nonpublic information, each employee must sign a Nonpublic Information Nondisclosure Agreement prior to being given access. The OIG agreed to use contract provisions and a nondisclosure agreement drafted by OGC and modified to address OIG concerns for all contract awards.

One aspect of the access issue remains outstanding. The OIG believes that the Inspector General Act provides for access to all nonpublic information. However, various trade-related statutes that limit access to confidential business information could be interpreted as restricting access by the OIG. The OIG agreed to a proposal that the Commission amend the questionnaires used to gather confidential business information for acknowledgment by the submitters that the information may be disclosed to Commission employees and contract personnel engaged in an audit or investigation. Although this and other proposals are still being considered, discussions to date indicate that the proposal to amend the questionnaires seems to be generally acceptable to most of the Commissioners. If deemed necessary by the Commission, this notice would be made via a rule change.

INSPECTIONS

Reports Issued

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

Report No. 10-96	Review of Substantive Issues in Complaint Alleging Prohibited Personnel Practices and Whistle-blowing Activities
Report No. 11-96	Status Report #6 on Audit of Commission's Response to Anticipated FY 1996 Appropriation
Report No. 12-96	Status Report #7 on Audit of Commission's Response to Anticipated FY 1996 Appropriation
Report No. 13-96	Cash Counts of USITC Imprest Fund
Report No. 14-96	Status Report #8 on Audit of Commission's Response to Anticipated FY 1996 Appropriation
Report No. 15-96	Implementation of Commission Policy on Use of Telephones

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 04/01/96	7
Initiated	<u>+3</u>
Total	10
Closed	<u>-7</u>
Open 09/30/96	3

Seven investigations were open at the beginning of this reporting period, April 1, 1996, and three new investigations were initiated during this reporting period. Six of the investigations open as of March 31, 1996, and one of the new investigations were closed during this reporting period. These involved use of government photocopiers, facsimile machines, and telephones, use of government staff resources, failure to secure sensitive information, abuse of power, cronyism, and appointment of unqualified personnel, and distribution of chain letters. The most significant cases are described below.

Use of photocopiers

One investigation involved a complaint that employees were using photocopiers for unauthorized personal use. In several instances, Commission employees admitted using photocopiers and facsimile machines for personal purposes, as well as use of a Commission phone number and office in connection with outside business activities. The Inspector General requested that the Acting Director of Administration issue a general reminder on the current Commission policy. Thus, on May 15, 1996, Administrative Announcement FY-96-13 was issued reminding all Commission employees that government property could only be used for official business, and that misuse could result in discipline or removal, if warranted. The OIG agrees that the Commission can adopt a policy that allows limited personal use of equipment, and is coordinating with OIS to develop a policy similar to the personal use authorized for government telephones.

Use of government phone

An investigation involving misuse of a government phone was also closed. As previously reported, the misuse resulted in the removal of the employee and recovery of \$2,244 for unauthorized personal calls. In September 1995, the individual appealed his termination to the Merit Systems Protection Board (MSPB), which upheld the Commission's action in January 1996. In March 1996, the individual appealed the MSPB ruling in federal district court for the District of Columbia; the Commission subsequently referred this case to the Department of Justice for litigation, and we closed our case file.

Safeguard sensitive information

One case concerned the failure to safeguard sensitive information. A roster with employment-related data under individual names was left unsecured near a photocopier. The Director of Personnel, who disseminates this information monthly, agreed to label the document as containing Privacy Act information and apprise the relevant office(s) of the necessity for safeguarding such information.

Unsupported
allegations

The OIG completed two significant investigations of a highly sensitive nature in which the evidence developed did not support the allegations. One case concerned a complaint that a supervisor required some employees to perform work in support of a personal interest and related improprieties. The second case entailed an anonymous letter alleging that upper management engaged in abuse of power, cronyism, and appointing unqualified personnel to certain positions. The anonymous letter implied that violence might be used against unnamed parties if conditions did not improve. The potential threat aspect of the case was referred first to the Federal Bureau of Investigation, which declined the case due to lack of jurisdiction, and subsequently to the Federal Protective Service, which was unable to determine who wrote and/or sent the letter.

Three investigations remain open, one initiated in a prior period and two initiated this period. These involve acceptance of training and travel gifts by a Commission employee, accuracy and appropriateness of supervisory ratios, and phone misuse.

Phone misuse

In the latter case of phone misuse, the OIG issued a Report of Investigation (ROI) in August 1996. We recommended that the Chairman send a letter to the former employee demanding payment of the \$1,785.99 owed to the Commission, and that appropriate disciplinary action be taken against the former employee's supervisor for failure to identify and correct the phone misuse.

We also issued Inspection Report No. 15-96, Implementation of Commission Policy on Use of Telephones, based on information developed in this phone investigation and the one that preceded it, to address needed administrative changes. The report findings, which are summarized in Attachment D, led to several suggestions, including: 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, which the Commission does not currently have, be promulgated.

The following actions have been taken that are responsive to the ROI and inspection report:

- The former employee's supervisor received an oral reprimand and his failure to comply with applicable Commission policies was noted in his performance appraisal.

- The OGC drafted regulations for administrative offset which were distributed to the OIG and Office of Administration on October 18, 1996, for review and comment. In addition, the OGC is coordinating with the Commission on the proposed regulations.

Contrary to the report's recommendation, OIS adopted a policy to collect for unauthorized calls using an administrative fee per billing, rather than per call.

based on an interpretation that the administrative fee could be collected on either a per call or a per review basis.

On September 30, 1996, the OIG notified Commission officials, by memorandum, that this interpretation was contrary to federal regulations governing collection of payments from employees for unauthorized calls. The OIG also informed them that the governing federal agency responsible for administering the regulations confirmed that the fee should be collected on a per call basis. Further, the history of the Commission's policy clearly demonstrated that the intent of the policy was to collect on a per call basis. After review of our memorandum, the Chairman agreed that the policy should be on a per call basis.

A demand letter has been drafted to send to the former employee to obtain payment for unauthorized calls. Our report emphasized the need for expedient action in order for the Commission to be able to recover the amount due by administrative offset. There is not sufficient time now to recover the funds through administrative offset, but other collection methods may be pursued.

**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 three proposed amendments to the Commission's Rules of Practice and Procedure as discussed below.

Final rules

-- **Notice of Amendments to Rules of Practice and Procedure.** These final rules amended 19 CFR Parts 201 and 207 by conforming the Commission's Rules to the requirements of the Uruguay Round Agreements Act (URAA), and improving the effectiveness and efficiency of Commission procedures in conducting antidumping and countervailing duty investigations and reviews.

The OIG repeated a comment made before the draft rules were published that the phrase "reasonably available", used when requiring petitioners to provide various information, be defined to preclude abuse by petitioners. We noted that five representatives of consortiums made the same comment on the proposed rules. This suggestion was not adopted; reportedly because this term was used in the legislative history of the Trade Agreements Act of 1979, but was not defined in either the statute or relevant House and Senate reports, which indicated a definition is not needed.

-- **Notice of final rulemaking for 19 CFR Part 210 (section 337 rules).** These final rules amended 19 CFR Part 210 by revising and/or adopting certain interim and final rules for investigations and related proceedings under section 337 of the Tariff Act of 1930. Several provisions in these rules were proposed in response to recommendations made in Audit Report IG-03-94, Review of Ways to Increase the Economy and Efficiency of the Process for Conducting Section 337 Investigations, August 19, 1994.

We commented that all references to the "Chief Administrative Law Judge (ALJ)" be deleted as the Commission no longer has a Chief ALJ, and has not

designated anyone to act in this capacity, and most importantly, it is questionable whether a Chief ALJ can be designated in an office with only two ALJs. We were also aware that one of the duties of the Chief ALJ, to make a decision when the two ALJs cannot reach consensus, had been delegated to the Acting Director of Administration. This comment was not adopted, reportedly because the Chief ALJ position had not been abolished and there were multiple other references to the Chief ALJ which could all be addressed simultaneously in the future.

Preliminary draft
notice

-- **Privacy Act Notices - U.S. International Trade Commission.** This preliminary draft notice was to update the Commission's Privacy Act systems of records including eliminating two systems and establishing two new ones.

We made substantial comments that the proposed notices were inconsistent and inaccurate and proposed that a thorough analysis of current Privacy Act requirements, Commission notices, and actual operations be conducted before the proposed notices were published. Using an expert consultant, the OIG conducted this analysis. The findings are presented in Audit Report IG-01-97, Analysis of the U.S. International Trade Commission's Privacy Act System of Records, issued on October 18, 1996, which will be discussed in more detail in the next semiannual report.

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. Four directives were reviewed during this period concerning time off incentive awards, the voluntary leave transfer program, a proposed reorganization to establish an Office of External Relations, and authorized personal use of Commission equipment.

Consultant services

In May 1996, the Inspector General and Acting Director of Administration recommended that the Chairman cancel Administrative Order 95-05, Advance Notice to the Commission of Requests for Consultant Services and the Designation of Senior Management Official for Oversight of Service Contracting for Services Obtained from Individuals and Organizations. The Commission agreed and the Chairman canceled the Order on June 14, 1996.

We recommended cancellation because federal policy did not require designation of a senior management official or special controls over consultant services. The Order imposed special requirements for small purchases at a time when the federal government was simplifying the procurement process and trying to eliminate unnecessary internal policy documents. The Inspector General previously made most of these same arguments in advising against the Order when it was prepared and issued in January 1995.

Correspondence
Manual

The OIG also reviewed the draft USITC Correspondence Manual. We had extensive comments, including that the Manual should only expand upon (not repeat) the guidance in the GPO Style Manual and U.S. Government Correspondence Manual, or establish when that guidance should not be used. Further, the Manual should incorporate all related guidance currently issued in

directives or memoranda and clearly identify which guidance has been incorporated and/or superseded. The Manual included procedural guidance on the circulation of action jackets and coordination with congressional liaison that we believed was more appropriate for inclusion in other directives.

The Manual included some information on privileged documents and classified information. We agreed this type of information was very important and needed to be expanded. Additional categories frequently used at the Commission, such as "For Eyes Only", should be included and all categories should be defined and appropriate marking addressed.

Policy for OIG

The OIG revised the directive on audit and inspection policies and procedures, which was issued as USITC Directive 1701.2 on August 30, 1996. In response to a request from OMS, the OIG revised its mission and functions statement. The draft directive was submitted to OMS in June 1996 for circulation with other revised statements. The draft mission and function statements have not been circulated due to higher priorities in OMS.

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 six reviews that are in process, and four reviews completed in this period.

In the prior period, she participated in several Executive Committee meetings to discuss the role of the ECIE Inspectors General and became part of a three person committee to prepare a paper on the advantages and disadvantages of consolidating the Inspectors General at the designated federal entities. The committee drafted a paper this period which is under review by the ECIE.

Institute of Internal Auditors

The Inspector General has been active in the Institute of Internal Auditors since 1989 to promote the development of the auditing profession. On April 24, 1996, the Inspector General gave a presentation to a 20 member Internal Audit Delegation from China, headed by the Deputy Director of the Audit Bureau of China National Textile Council Audit Administration, P.R.C. The meeting was hosted by the Inter-American Development Bank on behalf of the Institute of Internal Auditors and also featured the Inspectors General from the Department of Treasury and Environmental Protection Agency. She provided copies of Commission reports involving China and/or textiles, the 1994 Annual Report, and discussed the role of the Inspector General in auditing the process used to conduct investigations.

Jane Altenhofen, the Inspector General, addressing a delegation of internal auditors from China.

The Inspector General had been a member of the Government Relations Committee since 1994. She was unable to participate in the November 1995 meeting due to OIG resource limitations, and anticipated that she could neither attend the July 1996 meeting nor fulfill other committee responsibilities. Consequently, she resigned in April 1996.

**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. No GAO reviews were initiated or completed during this period. One review initiated in a prior period is ongoing.

Commission

The OIG learned that mail room staff were routinely signing the signature line of a waiver printed on Federal Express Air bills without consulting the Commission office in which the package originated. This allowed couriers to leave packages without obtaining a signature from the recipient. The mail room staff said that this was a long-standing practice. The effect was that the originating office could not definitively ascertain whether an intended recipient signed for and/or received a certain package. The OIG alerted OMS to the problems that could occur from this practice, requested that the waiver not be signed for any OIG packages, and inquired whether the Commission and office directors were aware of this practice. The OIG inquiry revealed that Commission offices and directors were not aware of this practice. OMS subsequently issued instructions to the mail room staff to cease the practice for all offices.

On June 21, 1996, a Commission employee brought a facsimile to the OIG that a religious group sent to her office. The employee said that her office previously received similar facsimiles from this organization, that the volume of facsimiles was increasing, and that recent ones contained disturbing language that could be construed as a threat. The document stated that if the recipient did not want to receive future transmissions, he/she was to send a written request to the organization that the transmissions cease, accompanied by a statement that the requester was authorized to make such a request. After coordinating with the office director, the Inspector General wrote to the group requesting that it cease sending its literature to the Commission via facsimile.

In Bulletin 95-01, the Office of Management and Budget established the Government Information Locator System (GILS) which identifies and describes Federal information sources available to the public and explains how to use them. The OIS coordinated the Commission's effort to develop a GILS program, beginning with establishing an inventory of all relevant public information files. The OIG submitted information on the semiannual reports to Congress to OIS in July 1996 for inclusion in the inventory.

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 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 REPORTS

Title: Review of USITC Building Security

Report Number: IG-02-96

Report Date: April 30, 1996

Findings: The objectives of this review were to: (1) evaluate the Commission's administration and control of building security and determine if the actions agreed upon by management in response to prior recommendations have been implemented and effectively address the findings, (2) evaluate overall effectiveness of the Commission's building security program, and (3) test compliance with the General Services Administration (GSA) regulations and Commission policies.

The auditors expressed an opinion that the Commission has an effective building security program. However, they found several deficient areas that need improvement or require modification in order for the Commission to be in compliance with standards set by the Department of Justice or to otherwise provide adequate security as follows:

- Non-permit parking is allowed in the building and adjacent to the building;
- There are no perimeter cameras at the building, other than a loading dock camera that shows only a partial view of that area;
- Outside lighting does not meet GSA regulations;
- The current practice for shipping and receiving from the loading dock allows entry without notification of the guards;
- Commission personnel have 24-hour access to the building; even when guards are not on duty;
- At the public entrance to the building, there is no magnetometer located within the lobby area, nor is there an x-ray machine either in the lobby or the mail room;
- A Commission night drop-off box and Federal Express drop-off box are located next to the lobby;
- Indoor cameras do not cover a large enough area of view in some cases;
- Signs advising of 24-hour surveillance are not posted in conspicuous areas as required;
- The lock on the mail room door was not in good working order;

- Temporary visitors do not sign out and return their badges upon leaving;
- Cleaning staff do not undergo background security checks and have unwarranted access to sensitive areas; and
- Mylar film is not currently on all exterior windows as required.

Recommendations: We recommended that the Director of the Office of Administration take appropriate actions to correct the internal control weaknesses. The Director generally concurred with the findings and recommendations.

Gary Stanford, Facilities Management Specialist, OMS, is shown going through the magnetometer, which will soon be operational, in the lobby area.

Title: Audit of the USITC Imprest Funds

Report Number: IG-03-96

Report Date: August 30, 1996

Findings: The purpose of this audit was to determine if funds were properly accounted for and administered in accordance with Commission policy and Treasury guidelines.

We found that both the OMS and the Office of Finance and Budget (OFB) had excessive funds, more than double what was justified based on the turnover rates. The excess levels were at least partially related to improvements in making payments and issuing travel advances through electronic funds transfers and government credit cards. Also, we found the imprest funds were in balance and the payments by the OMS cashier and subcashier and the OFB cashier were appropriately approved, adequately documented and for proper claims and amounts with minor exceptions. Both funds substantially complied with the requirements for safekeeping, with two minor deficiencies. Deficiencies that need to be corrected included that neither the OMS nor the OFB cashier were properly designated, and neither cashier completed replenishment vouchers monthly as required.

Recommendations: We recommended that the Director of Administration:

- Promptly close the OMS imprest fund and reduce the OFB imprest fund to \$2,000, or reduce the OFB and the OMS imprest funds to \$1,000 each;

Anna Carter, Budget Analyst
and sole cashier for the
consolidated imprest fund, is
shown with imprest fund box.

- Review the cash turnover in six months;
- Properly designate cashier(s) for the imprest fund(s) and ensure that each cashier has copies of applicable guidance;
- Store the duplicate key for the OFB cash box in a signed, dated, and sealed envelope with the Office of the Secretary;
- Change the safe combination if a fund is located in OMS;
- Instruct the cashier(s) to submit a monthly accountability report; and
- Revise USITC Directive 3602.1 and the office procedures, if desirable.

The Director generally agreed with the findings and recommendations

SUMMARY OF INSPECTION REPORTS

Inspection Report:

Review of Substantive Issues in Complaint Alleging Prohibited Personnel Practices and Whistle-blowing Activities

Report No. 10-96
April 2, 1996

Findings:

We found no basis for the allegations in the whistleblower complaint that the Commission had acted illegally in several procurement actions and agreeing to a settlement. We found that the Commission could legally procure advice from outside counsel; the procurements at issue were procedurally flawed but we identified no violations of procurement laws or regulations or Commission rules. The Commission also has the authority to administratively settle a complaint of discrimination with an employee and, accordingly, could make payments questioned in the complaint.

Status Report #6 on Audit of Commission's Response to Anticipated FY 1996 Appropriation

Report No. 11-96
May 17, 1996

We found there were exceptional delays in allocating funds in the accounting system due to the lack of an appropriation. Based on the total commitments, obligations and expenditures recorded in the accounting system as of April 30, 1996, the Commission was spending at a significantly lower level than the amount allocated.

Status Report #7 on Audit of Commission's Response to Anticipated FY 1996 Appropriation

Report No. 12-96
June 14, 1996

We found that, as of April 30, 1996, the Commission had not allocated all available carryover funds, and spending of the allocated funds was occurring at a lower level than the percentage of the FY elapsed. The cost center managers (CCMs) for most of the allocations said that they intended to reprogram and/or spend the funds allocated. There were multiple inconsistencies between the accounting system and CCM records that could impact on the Commission's ability to manage the funds.

Cash Counts of USITC Imprest Fund

Report No. 13-96
June 27, 1996

We found the main fund to be in balance after a shortage of \$15.07 was restored by the cashier. There is no evidence that the fund was tampered with or other circumstances mitigating the responsibility of the cashier. The alternate fund was in balance after a dime was found in the alternate fund cashier's desk drawer. We observed that multiple invoices had figures or dates crossed out or covered with white-out; sometimes the changes were initialed and dated, but not always. The cashier did not replenish the fund at least monthly as required by the Department of Treasury Manual of Procedures and Instructions for Cashiers.

**Status Report #8 on Audit of
Commission's Response to Anticipated
FY 1996 Appropriation**

Report No. 14-96
July 10, 1996

We found that, as of May 31, 1996, spending of the allocated funds was occurring at a lower level than the percentage of the FY elapsed. The personnel expenses were only slightly less than the elapsed percentage. Non personnel expenses had a larger, and growing, difference from the percentage of the FY elapsed. In addition, we found that the Commission-approved budget and expenditure plan do not directly correlate to the accounting system, and the accounting system does not match the budget object classes established by the Office of Management and Budget.

**Implementation of Commission Policy
on Use of Telephones**

Report No. 15-96
August 21, 1996

We found that a Commission employee made numerous lengthy unauthorized long-distance calls over a period of several months. Commission employees frequently said that they were unaware of or misunderstood the Commission phone policy and there were deficiencies in the review of call detail records and calculation of amounts due to the Commission by certifying officials. Payments for unauthorized calls were made at the rate charged the Commission, which is significantly less than the mandatory commercial rate required by GSA. Also, the Commission had not promulgated administrative offset regulations.

AUDIT REPORTS BY SUBJECT MATTER

<u>Report Title</u>	<u>Report Number</u>	<u>Questioned Costs</u>	<u>Unsupported Costs</u>	<u>Ineligible Costs</u>	<u>Funds To Be Put To Better Use</u>
ADMINISTRATION					
Review of Building Security	IG-02-96	0	0	0	0
Audit of USITC Imprest Funds	IG-03-96	0	0	0	0

Table 1

REPORTS WITH QUESTIONED COSTS

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

Table 2

REPORTS WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE

	<u>Number of Reports</u>	<u>Dollar Value</u>
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
