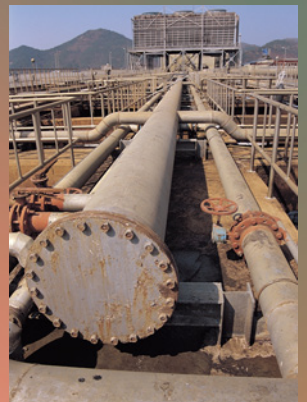


U.S. International Trade Commission

Inspector General Semiannual Report



October 1, 2016 - March 31, 2017



Office of Inspector General

The U.S. International Trade Commission is an independent, nonpartisan, quasi-judicial federal agency that provides trade expertise to both the legislative and executive branches of government, determines the impact of imports on U.S. industries, and directs actions against certain unfair trade practices, such as patent, trademark, and copyright infringement. USITC analysts and economists investigate and publish reports on U.S. industries and the global trends that affect them. The agency also maintains and publishes the Harmonized Tariff Schedule of the United States.

Commissioners

*Rhonda K. Schmidlein, Chairman
David S. Johanson, Vice Chairman
Irving A. Williamson
Meredith M. Broadbent
F. Scott Kieff*

Chairman



UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, DC 20436

May 30, 2017

Message from the Chairman

In accordance with the Inspector General Act of 1978, as amended, 5 U.S.C. App. 3 (IG Act), the U.S. International Trade Commission (“USITC,” or “Commission”) transmits the Inspector General’s Semiannual Report of the USITC, for the October 1, 2016 to March 31, 2017 period.

The Commission appreciates the Office of Inspector General’s continuing efforts to ensure the effectiveness, efficiency, and integrity of the Commission’s operations. Inspector General Philip Heneghan and his staff have provided valuable assistance to the Commission and its staff throughout the year on these issues. Our agency has benefitted significantly from his analysis of our operations.

The Semiannual Report identifies the agency’s top management and performance challenges from the Inspector General’s perspective. The Commission agrees with his assessment of these challenges. The Commission will address these issues and take the steps needed to improve its operations. Moreover, the Commission appreciates the great efforts made by Commission staff to resolve these issues and the Inspector General’s acknowledgement that progress has been made on these matters during the year.

Part I of this message discusses the steps that the Commission has taken during the reporting period to address the internal control and information technology challenges identified by the Inspector General. Part II discusses the Commission’s responses to the specific recommendations made by the Inspector General in his reports that have not yet been fully addressed by the Commission.

I. Addressing General Management and Performance Challenges

A. Internal Control

As the Inspector General notes in his memorandum, the Commission has recognized the importance of having strong internal controls and has consistently acknowledged and responded to internal control weaknesses. Since the issue of internal controls was first identified as a management challenge, the Commission has been committed to improving and strengthening its system of internal control. The Commission has made significant strides in this critical area. The Commission will continue to improve and refine its internal controls and has undertaken several multi-year corrective action initiatives to ensure that controls are working effectively on a continuous basis.

One ongoing high priority corrective action initiative which has consumed significant resources relates to the improvement of the Commission's system of internal rules, which houses the USITC's policy directives and related procedural documents. The system of internal rules provides the foundation of the Commission's control environment and is essential to ensuring the USITC's internal policies and procedures are accessible, intelligible, and consistent. The system is also crucial to enforcing accountability among USITC staff as its content sets forth the appropriate standards by which Commission functions should be carried out.

The Inspector General, when reviewing the Commission's policy directives, found that many policies were outdated and inconsistent and that agency's management of this function did not adequately ensure accountability for its upkeep. Senior management and staff established a working group that met regularly throughout Fiscal Year 2016 through the first half of Fiscal Year 2017 to address the issues identified by the Inspector General. The working group found similar problems to those identified by the Inspector General across its system of internal rules and concluded that, in order to remediate the issues identified, the Commission would have to redesign its policies and procedures for managing the entire system of internal rules and update all content within it. This effort was a tremendous undertaking that raised issues central to agency governance and organization and also affects every activity performed by the Commission. Though the process for addressing the Inspector General's findings has been lengthy, it has been necessary to ensure they are addressed effectively as well as to prevent future reoccurrences of the dynamics that led to the system's failures.

As of May 2017, the working group has completed drafts of policy and procedure documents that form the basis for a new system of internal rules, and received legal review of each from the Office of the General Counsel. The Chief Administrative Officer is preparing to submit them to the Chairman this summer as part of a Decision Memorandum package. The proposed system addresses all of the issues raised by the Inspector General, including the underlying process

inefficiencies that gave rise to the problems identified, and provides standards for accountability in case procedures are not followed. Implementing the new internal rules system will be a priority for the Commission over the coming fiscal years.

B. IT Management

The Commission has continued to make substantial improvements in the IT platforms, modernizing the infrastructure, stabilizing operations, supporting mission functions, and reducing cybersecurity risks. While accomplishing these goals, the Office of the Chief Information Officer (OCIO) has made significant progress toward full compliance on all mandates as well as fully implementing an online portal for the submission and management of Miscellaneous Tariff Bill petitions.

The Commission made progress in improving its IT security posture and management of IT assets by closing out in four management decisions (MDs) in response to IG findings during this SARC period. The Commission remains committed to addressing and closing out additional management decisions over the next SARC reporting period.

In order to improve device management, security, and operability, the United States Government Configuration Baseline (USGCB) has been applied and maintained for all workstations; bringing the Commission into compliance with the Federal government-wide mandate. All new Commission servers have secure baseline configurations customized for our environment and unique mission needs. Mobile device configurations are managed via our secure, containerized MaaS360 solution. These standardized configurations improve the Commission's ability to manage and safeguard network devices against intrusion or exposure to vulnerabilities, as well as ensuring optimal operations. The Commission completed implementation of Einstein 3A (E3A) in 2017.

The OCIO conducts ongoing continuous security control monitoring and risk assessment of USITC systems and networks. This continuous monitoring is supplemented by the internal evaluation of cybersecurity risk conducted by the OIG. To further augment these cybersecurity programs the OCIO has coordinated with DHS National Cybersecurity & Communications Integration Center (NCCIC) to conduct numerous external cybersecurity assessments of USITC systems. Starting with external vulnerability scanning, a social engineering campaign, and penetration testing in 2015 via the Risk and Vulnerability Assessment (RVA) provided through the NCCIC National Cybersecurity Assessments and Technical Services program, and continuing through today and into the future with weekly Cyber Hygiene Assessments, OCIO will continue to leverage the cybersecurity expertise and independent third party perspective provided by cutting edge providers like the NCCIS. The Commission has requested that the DHS Federal Network Resilience (FNR) conduct an RVA for the Commission this calendar year.

OCIO also employs the DHS NCCIS to monitor the integrity and privacy of USITC web connections

and the OCIO's implementation of OMB Memorandum M-15-13 "*A Policy to Require Secure Connections across Federal Websites and Web Services*" which requires all federal agencies to make all external websites and services accessible through a secure connection (i.e., HTTPS-only with HTTP Strict Transport Security [HSTS]).

The Commission is deploying new technologies to meet shifting priorities and goals while at the same time seeking to avoid introducing unnecessary obstacles to daily operations. In response to competing demands for finite IT resources, the Commission is continuing to expand the functions of its Project Management Group. The group works with various offices throughout the agency to address their IT requirements for various projects, and mitigates risks with the use of standards, oversight, and open and transparent communications.

The implementation of the Miscellaneous Tariff Bill Petition System (MTBPS) to support work on miscellaneous tariff bill petitions significantly impacted all of the Commission's large IT initiatives due to the amount of work required in a very short timeframe, but the Commission was able to accomplish this major task on time by reprioritizing and diverting resources from other projects. In FY 2018, the Commission expects both to complete work on the portal and to restore resources to these other projects to the extent funding permits.

The Commission also enhanced its IT business systems in an effort to improve the effectiveness of the Commission's operations. OCIO continues to support previously completed and deployed information solutions for 337 investigations and the Harmonized Tariff System (HTS). Development work is nearly complete for a new version of EDIS and a re-designed DataWeb is well underway. The Commission has deployed an enterprise Business Intelligence solution to improve information accessibility and dissemination, and decision making.

In sum, the Commission remains committed to improving its system of internal rules, its risk management process, and its IT systems and management. We appreciate the Inspector General's efforts to identify areas of improvement and his advice on how to successfully improve the efficiency and effectiveness of our operations.

II. **Actions on Recommendations**

A. Actions Taken on Inspector General Recommendations in this Reporting Period

During this reporting period, the Inspector General issued ten new reports containing twenty new recommendations for management action.¹ The Commission issued management decisions on all of these recommendations in a timely manner during this reporting period.

¹ See Table 3 of the Inspector General's report.

The Commission completed final action on a number of management decisions contained in four reports issued by the Inspector General during this or prior reporting periods.² The Commission is committed to addressing all of the remaining management decisions. The Commission's actions on outstanding recommendations from prior periods are summarized below.

B. Actions on Recommendations Made in Prior Periods

(1) Evaluation of Public Website Security (OIG-ER-16-13)

The Commission has created a number of processes and an automated reported mechanism to address two management decisions related to the evaluation of public website security—more specifically the failure of credentialed vulnerability scans from the Commission's vulnerability management solution (Nessus). Nessus has been configured to log credential scan failures resulting from any of the vulnerability scans at the commission. Weekly a detailed summary report is created and sent to Commission's Cyber Security Division (NSD) and Network Services Division (NSD). NSD has created a process to address these failed scans and elements of the process have been incorporated into its patching and build checklist processes.

(2) Assessment of the Commission's Website Encryption (OIG-MR-16-10)

The Commission completed the first of the two management decisions associated with this audit by implementing HTTP Strict Transport Security (HSTS) on its websites to ensure effective website encryption. The second management decision for routine website testing was previously completed by including Commission websites in the regular DHS HTTPS Cyber Hygiene report. Accordingly, all management decisions associated with this audit have now been closed out.

(3) Audit of Directives Management (OIG-AR-15-14)

As referenced in Part 1.A. of this letter addressing internal controls, in response to this audit the Commission has dedicated significant resources to the Commission's system of internal rules, which houses the USITC's policy directives and related procedural documents. In this audit, the Inspector General concluded that the Commission needed to improve the clarity, consistency and usefulness of its system of internal rules. To address his recommendations, the Commission established a senior-level working group to design an understandable, accessible and usable system of internal rules. The working group has developed a proposal for the new internal rules

² See Tables 8 and 9 of the Inspector General's report.

system which has received legal review and is now being prepared for submission to the Chairman. The Commission anticipates approval of the new system in FY 2017. The Commission is committed to building a strong, integrated, and clear system of internal rules that will address the Inspector General's concerns and further, improve the usefulness, consistency, and timeliness of the all Commission policies and procedures.

(4) Audit of Hardware Inventory (OIG-AR-15-11).

In this audit, the Inspector General concluded that the Commission managed its hardware inventory effectively but made several recommendations to improve its practices in this area. The Commission completed the final open management decisions to populate inventory information. Inventory management has been transferred to a more robust tracking tool (Manage Engine) and necessary attribute data is being captured used to enable oversight and management decisions. Accordingly, all management decisions associated with this audit have now been closed out.

(5) Audit of the Commission's Patching Process (OIG-AR-14-02).

The Commission has completed thirty-two of thirty-four management decisions associated with this audit. The Commission is working with the Inspector General to address the remaining two management decisions and determine the appropriate level of network complexity in light of the DHS Binding Operational Directive 16-02 (September 27, 2016).

(6) Management Letter – Wireless Program Management (OIG-ML-16-11).

In May of 2016, it was discovered that the Commission's wireless defense system was incorrectly configured, thus causing it to disable all non-Commission wireless networks. Once identified, the appliance was reconfigured to the appropriate level of control based on business needs. Specifically, the wireless appliance is configured to block non-Commission systems that are 1) connected to our wired network or 2) using the Commission's wireless network name (a system acting as an "evil twin"). Accordingly, all management decisions associated with this management letter have now been closed out.

(7) Management Letter – Off-Site Storage Facilities (OIG-ML-16-16).

In this management letter, the Inspector General stated that the Commission needed to contract for off-site library space in a manner that complies with the Federal Acquisition Regulations (FAR). In response, the Commission entered into a contract with a vendor in compliance with the FAR that supports the Library's requirement for off-site storage of library materials. Accordingly, this management decision was closed out.

C. Actions on External Reviews

In 2015, the Commission's Chief Information Officer voluntarily asked the DHS to perform a Risk and Vulnerability Assessment of USITC Information Technology networks. In this assessment, DHS examined the extent to which our networks are vulnerable to malicious attacks from outside entities. DHS found that there were sixteen critical, high, moderate, and low areas of vulnerability that the Commission needed to address. The Commission immediately remediated the critical vulnerabilities and has now fully remediated nine areas of vulnerability including seven during the reporting period. The Commission continues to address the remaining findings and is on target to complete remediation of the remaining areas in FY 2017.

In March 2016, the U.S. Equal Employment Opportunity Commission (EEOC), Office of Federal Operations (OFO) met with the Commission to review the status of its EEO program with respect to its: (1) Schedule A hiring authority; (2) anti-harassment program; (3) reasonable accommodation program; (4) barrier analysis focused on access to executive level positions; and (5) compliance with EEOC's Management Directives. In July, the EEOC provided 14 recommendations focusing on each of the areas identified above. The Commission has formulated Management Decisions to address each of these recommendations and is in the process of closing out a number of them.

We attach the statistical tables required under the IG Act as Appendix A to this report.

Sincerely,



Rhonda K. Schmidlein
Chairman



UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, DC 20436

April 27, 2017

IG-PP-007

Commissioners:

Attached is the Semiannual Report summarizing the activities of the Office of Inspector General for the period October 1, 2016, to March 31, 2017. We have modified the content of the Semiannual Report to include the new reporting requirements specified in the *Inspector General Empowerment Act of 2016*.

During this period, we issued 10 reports and made 20 recommendations to promote the efficiency, effectiveness, and integrity of the Commission's operations. The Commission provided management decisions for all of the recommendations we made during this reporting period. The Commission completed final action on 13 recommendations we made in prior reporting periods.

I would like to thank you for your commitment to strengthening the integrity of the Commission's operations; and for your support of the work of my office.

Philip M. Heneghan
Inspector General

U.S. International Trade Commission
Inspector General Semiannual Report

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4(a)(2)	Review of Legislation	None
5(a)(1)	Description of Significant Problems, Abuses, and Deficiencies	2, 4
5(a)(2)	Description of Recommendations for Corrective Action with Respect to Significant Problems, Abuses, and Deficiencies	2, 4
5(a)(3)	Significant Recommendations from Prior Reports on Which Corrective Action Has Not Been Completed	10
5(a)(4)	A Summary of Matters Referred to Prosecuting Authorities	11
5(a)(5)	Summary of Instances Where Information or Assistance Was Unreasonably Refused	None
5(a)(6)	Listing by Subject Matter of Each Report Issued During this Reporting Period	5
5(a)(7)	Summary of Significant Reports	4
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5(a)(10)	Summary of Prior Reports	9
5(a)(11)	Description of Any Significant Revised Management Decisions	None
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5(a)(20)	Description of Any Whistleblower Retaliation	None
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Office of Inspector General

The U.S. International Trade Commission (Commission) established the Office of Inspector General under the 1988 amendments to the *Inspector General Act* (IG Act). Our office provides audit, evaluation, inspection, and investigative services covering all Commission programs and operations. Our mission is to promote and preserve the effectiveness, efficiency, and integrity of the Commission. We plan and conduct our activities based on several factors: requirements of laws and regulations, requests from management officials, allegations received from Commission personnel and other sources, and the Inspector General's initiative.

Semiannual Report Requirements

The IG Act requires each Inspector General to prepare a report twice a year that summarizes the activities of the office. This Semiannual Report covers the period from October 1, 2016, through March 31, 2017. The 23 requirements shown in table 1 are specified in the IG Act, and must be included in the report.

This Semiannual Report starts with a description of the Management and Performance Challenges Report, OIG-MR-16-15, which identified two management challenges facing the Commission and the actions that management has taken to address them. It then summarizes the results of the other reports issued during this period.

This is followed by a summary of prior year reports with unimplemented recommendations; a description of significant recommendations from prior reports where final action is not complete; details of hotline and investigative activities; and information on reports that we did not publicly disclose.

The next section summarizes other reviews of the Commission conducted by external parties, along with the status of recommendations from those reports. The last sections provide information on other reportable items and include congressional activity, participation in the Council of Inspectors General for Integrity and Efficiency, other compliance activities, and the outcome of our peer review.

Additional tables at the end of the report provide summarized information of our work and the status of recommendations.

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Inspector General Semiannual Report

Top Management and Performance Challenges

Each year our office must identify and discuss the most significant management and performance challenges facing the Commission in the coming year. We provided this report (OIG-MR-16-15) to the Commission on September 13, 2016. In the report, we focused on two major challenges (listed in table 2). We identified these challenges using information gained from our audit, evaluation, and inspection work; a general knowledge of the Commission’s programs and activities; and input from management. Following table 2 below is a short discussion of the two challenges and the efforts the agency has taken to address them.

Table 2: Management and Performance Challenges

Management and Performance Challenges
1. Internal control
2. Information technology management

Internal Control

The Commission’s management is responsible for setting up and maintaining a system of internal control. The system of internal control includes the plans, policies, procedures, and organizational environment that managers use to ensure that their programs and operations are using public resources effectively to achieve the results they intend.

The Government Accountability Office’s *Standards for Internal Control in the Federal Government* (the “Green Book”) describes internal control as a “built-in component of operations” carried out by staff. The Green Book also defines five components of internal control: the control environment, risk assessment, control activities, information and communication, and monitoring. For a system of internal control to succeed, all five components must be effectively designed, implemented, operating, and working together in an integrated way.

The control environment is the foundation for an organization’s system of internal control. One guiding principle of the control environment is that managers must set up

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an organizational structure in which responsibilities are clearly assigned and authority to meet the organization's objectives is clearly delegated.

In September 2015, we completed an audit of the Commission's system for managing its directives, or official management policies. The directives define the agency's organizational structure, delegate authority, and assign responsibility for fulfilling its mission. The directives set the tone for the processes, tasks, and expected behaviors necessary to facilitate effective and efficient operations.

Our audit found that the overarching policy for managing directives was not effective. Managers were not performing mandatory periodic reviews and most of the directives were not current. We identified outdated delegations of authority; legal authorities that had been superseded or no longer existed; assigned designations that did not identify the responsibilities associated with the role; and longstanding procedures that did not align with current practices. In addition, a major organizational change that established the Office of the Chief Financial Officer and its subordinate offices, approved in February 2012, was still undergoing agency review and approval.

In response to the audit, the Commission established an Internal Rules working group. The working group has met regularly over the past 18 months, but progress has been very slow. The working group found that in order to address the recommendations in the report, they needed to overhaul of the entire internal rules system. Until the Commission has an effective system of internal rules, it will not have a solid foundation for its control environment to establish the internal controls necessary to plan, direct, or control the operations of the agency.

Information Technology (IT) Management:

Critical to securing the Commission's network is daily attention to the four foundational, critical security controls: (1) inventory of authorized and unauthorized devices; (2) inventory of authorized and unauthorized software; (3) secure configurations for hardware and software on mobile device laptops, workstations, and servers; and (4) continuous assessment and remediation of vulnerabilities.

The most secure and functional network is one which is best understood by technical staff. A simpler network is easier to understand and maintain, and maximizes the chance security will be fully effective. The Commission should continue the work it has already begun to simplify its network, including refining its applications and minimizing unnecessary ones; eliminating unnecessary Internet protocol (IP) address space and

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unnecessary subnetworks; and relying on the native capabilities of modern software instead of maintenance-intensive third-party email archiving software.

The Commission has adopted—and begun to roll out—several business systems designed to automate its operations and make them more effective. These new systems collect electronic data for some Title VII investigations, consolidate different databases of 337 data, catalog external administrative reports in a manageable database, and modernize the business processes and information systems for the Harmonized Tariff Schedule. While these transitions place extra demands on both IT security technicians and the staff in these areas, taking advantage of automation should improve the integrity, effectiveness, and efficiency of all the Commission’s work.

The Commission plans to deploy new technologies to meet shifting priorities and goals, such as a new data center and a portal to support work on miscellaneous tariff bills. New projects introduce new risks as the focus moves from maintenance operations to developing and deploying new systems.

The Commission’s professional staff needs a robust IT foundation in order to work effectively. If the Commission’s IT systems are not stable, staff are unnecessarily stressed, deadlines are risked, and staff are forced to find alternate means of accomplishing their work. The Commission should continue to focus on delivering and maintaining a high-performance technology platform to serve its staff.

Inspector General Reports Issued During this Period

The Inspector General issued 10 reports with 20 recommendations during this reporting period. The Commission made management decisions on all of the recommendations, and the Inspector General agreed with all of the management decisions.

A listing of each report issued during this reporting period, by subject matter, is provided in table 3.

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Table 3: Reports by Subject Matter

Reports by Subject Matter				
Subject Matter	Report Number	Report Title	Date Issued	Number of Recommendations
Administrative	OIG-ER-17-01	<i>Evaluation of Details</i>	10/04/2016	1
Administrative	OIG-AR-17-02	<i>Audit of Off-Site Facilities</i>	11/04/2016	11
Administrative	OIG-ML-17-10	<i>Management Letter on Conflict of Interest Process</i>	02/10/2017	1
Financial	OIG-AR-17-03	<i>Audit of FY 2016 Financial Statement</i>	11/08/2016	0
Financial	OIG-AR-17-04	<i>Report on Internal Control FY 2016</i>	11/08/2016	0
Financial	OIG-AR-17-05	<i>Report on Compliance with Laws and Regulations FY 2016</i>	11/08/2016	0
Financial	OIG-ML-17-07	<i>Management Letter for FY 2016 Financial Statement</i>	12/13/2016	3
Financial	OIG-MR-17-08	<i>Digital Accountability and Transparency Act Readiness Review</i>	01/06/2017	4
Financial	OIG-MR-17-09	<i>2017 Charge Card Risk Assessment Report</i>	01/31/2017	0
IT Security	OIG-MR-17-06	<i>Inspector General Cyber Scope FY 2016 Submission</i>	11/10/2016	0
Total recommendations issued during this reporting period				20
<i>NOTE: None of these reports identified any questioned costs, unsupported costs, or funds that could be put to better use.</i>				

The title, key findings, and summary information for each report are provided below.

Evaluation of Details, OIG-ER-17-01

RESULT: The Commission did not follow OPM requirements when assigning details.

We performed an evaluation of the Commission’s process for assigning employee details and temporary promotions. We found that the Commission did not have clear procedures for assigning details or temporary promotions. As a result, the Commission had not always complied with the Office of Personnel Management’s competition requirement and had not always maintained the appropriate documentation. We recommended that the Commission develop clear policies and guidance to communicate the procedures for assigning details.

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Audit of Off-Site Facilities, OIG-AR-17-02

RESULT: The Commission did not effectively manage its off-site storage facilities.

We performed an audit of off-site storage facilities to determine if the Commission was storing only those assets that were necessary and at a reasonable cost. We found that the Commission had not effectively managed its inventory or its space. In addition, we found that the Commission did not have reliable internal management reporting tools necessary to make informed decisions about their operations.

We issued 11 recommendations to the Commission in the report that related to managing inventory, monitoring space, and improving management's reporting capabilities.

Audit of Fiscal Year 2016 Financial Statement, OIG-AR-17-03

RESULT: The audit resulted in an unmodified opinion of the Commission's fiscal year 2016 financial statement.

We engaged the services of an independent certified public accounting firm to audit the balance sheet and related statements of net cost, changes in net position, and budgetary resources for fiscal year 2015. The auditors concluded that the Commission's financial statements for the fiscal year ended September 30, 2016, present fairly in all material respects the financial position of the Commission. The auditors did not issue any recommendations.

Report on Internal Control Fiscal Year 2016, OIG-AR-17-04

RESULT: The audit did not identify any material weaknesses or significant deficiencies.

As part of the audit of the financial statement, the independent certified public accounting firm was required to issue a report on internal control. The testing was limited solely to internal controls over financial reporting as they relate to the financial statement. The auditors did not test internal controls relevant to ensuring effective operations. The results of the testing performed did not identify any material weaknesses or significant deficiencies in the Commission's internal control over financial reporting.

Report on Compliance with Laws and Regulations Fiscal Year 2016, OIG-AR-17-05

RESULT: The report did not identify any instances of noncompliance.

The independent public accounting firm also performed an audit of the Commission's compliance with certain laws and regulations. The auditors did not test compliance with

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all laws and regulations applicable to the Commission, only those that would have a direct and material effect on the determination of financial statement amounts. The results of the testing performed by the audit team did not identify any instances of noncompliance.

Inspector General CyberScope Fiscal Year 2016 Submission, OIG-MR-17-06

RESULT: Of the five program areas evaluated using a capability maturity model framework that assesses the level and consistency of implementation, one was “Level 1: Ad-hoc,” three were “Level 2: Defined,” and only one was “Level 3: Consistently Implemented.”

The *Federal Information Security Management Act of 2002 (FISMA)* requires the Office of Inspector General to independently evaluate and report to the Office of Management and Budget on how the Commission has established and implemented information security programs. Each year, the Office of Management and Budget requests input on select programs. For Fiscal Year 2016, the Office of Management and Budget requested an assessment using the capability maturity model. The list below provides the areas reviewed followed by the Inspector General’s assessment rating.

- Identify – Level 2: Defined
- Protect – Level 3: Consistently Implemented
- Detect – Level 2: Defined
- Respond – Level 1: Ad-hoc
- Recover – Level 2: Defined

Daily attention to the four foundational, critical security controls remains the cornerstone of securing the Commission’s network. These controls are:

- Inventory of authorized and unauthorized devices;
- Inventory of authorized and unauthorized software;
- Secure configurations for hardware and software on mobile device laptops, workstations, and servers; and
- Continuous vulnerability assessment and remediation.

The Commission has plans to deploy new technologies to meet shifting priorities and goals, such as a new data center and the implementation of a portal to support work on miscellaneous tariff bills. New projects introduce new risks as the focus moves from maintenance operations to developing and deploying new systems.

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While the results of our assessment identified deficiencies in all program areas, no recommendations were made because this report was addressed to the Office of Management and Budget.

Management Letter for 2016 Financial Statement, OIG-ML-17-07

RESULT: The Commission needs to improve its oversight of travel cards and advanced leave.

We contracted with an independent certified public accounting firm to conduct the financial statement audit and associated reports. The Management Letter discusses matters involving internal control that the auditors identified during the audit, but were not required to be included in the audit report.

The independent auditors issued three recommendations; one addressed monitoring travel card training requirements and the other two focused on managing negative leave balances.

Digital Accountability and Transparency Act Readiness Review, OIG-MR-17-08

RESULT: The Commission is not on track to meet the requirements of the Digital Accountability and Transparency Act (DATA Act).

We performed a review of the Commission's efforts towards implementing government-wide guidance to meet the DATA Act reporting requirements. We found that the Commission relied heavily on its shared service provider to meet the requirements of the DATA Act and had not fully completed any of the recommended steps from the guidance. We issued four recommendations to increase the Commission's likelihood of successfully meeting the reporting requirements.

2017 Charge Card Risk Assessment Report, OIG-MR-17-09

RESULT: The Commission completed corrective action on recommendations issued by the Inspector General from prior charge card risk assessment reports.

The *Government Charge Card Abuse Prevention Act of 2012* requires the Inspector General to perform an annual risk assessment of the charge card program. We determined that the overall risk for the charge card program is low. This year we focused on corrective actions taken by the Commission to address recommendations issued by the Inspector General in prior year reports. We determined the Commission had completed management action on all prior year recommendations. We did not issue any new recommendations.

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Management Letter on Conflict of Interest, OIG-ML-17-10

RESULT: The Commission needs to develop a process to provide positive assurance that no conflict of interest exists prior to assigning cases to senior officials.

We reviewed the Commission's practices for identifying potential conflict of interest in cases brought before the Commission. We found that the Commissioners had a method to screen cases against each of their interests to identify any potential conflicts. However, the process was only applicable to the Commissioners and was not used by other Commission officials assigned to cases, such as the attorneys in the Office of Unfair Import Investigations who represent the public interest. The Administrative Law Judges took a different approach to screen for case conflicts, but their process did not require a positive assurance that no conflict existed. We issued one recommendation to the Commission to provide positive assurance in the conflict of interest screening for senior officials.

Summary of Prior Period Reports

Reports without Management Decisions

The Commission has provided management decisions to all recommendations issued in reports issued prior to the commencement of this reporting period.

Reports without Management Comments

The Commission has provided management comments for all reports that contain recommendations within 60 days. Internal policy does not require management to provide comments on reports that do not have recommendations.

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Prior Year Unimplemented Recommendations and Cost Savings

A summary of reports containing unimplemented recommendations by fiscal year is provided in table 4 below.

Table 4: Prior Year Unimplemented Recommendations and Cost Savings

Prior Year Unimplemented Recommendations and Cost Savings			
Fiscal Year	Number of Reports with Unimplemented Recommendations	Number of Unimplemented Recommendations	Dollar Value of Aggregate Potential Cost Savings
14	1	1	\$0
15	2	10	\$0
16	2	2	\$0

Significant Recommendations from Prior Periods

The Commission has not completed corrective action for 13 recommendations described in prior semiannual reports. We have identified 4 of these recommendations—all related to the Commission’s system of internal rules—as significant. A brief summary of these 4 recommendations appears below.

The report containing these recommendations focused on directives management. Managing directives is a core function of the system of internal rules. The internal rules system, in turn, shapes the Commission’s governance culture and plays a key role in internal control activities.

We recommended that the Commission develop a directives management framework that would clearly assign responsibility and accountability for meeting the Commission’s objectives; set the tone for employees’ conduct and expected behavior; and set the direction for how the Commission complies with certain laws and regulations in its daily operations. We also recommended setting up a periodic review process to ensure the directives are current, relevant, readily accessible, and easily understood.

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Hotline and Investigations

Investigations and Inquiries: Overview

One of our functions is to conduct investigations and inquiries of criminal, civil, and administrative wrongdoing involving Commission programs, operations, and personnel. We may investigate possible violations of federal criminal law, of regulations on employee responsibilities and conduct, and of other statutes and regulations covering Commission activities.

Our office reviews and analyzes all complaints received to decide the appropriate course of action, and then conducts a preliminary inquiry into the complaint. If the information we find during the preliminary inquiry indicates that a full investigation is appropriate, we will launch an investigation of the allegation.

OIG Hotline Contacts

Our office maintains a Hotline for reporting information about suspected waste, fraud, abuse, or mismanagement involving Commission programs or operations. The information may come to us by telephone, fax, email, mail, or through a web-based form. When requested, we keep a provider's identity confidential. Reports may also be made anonymously.

We receive complaints from employees, contractors, and the public that involve the Commission's areas of responsibility. We examine these complaints to determine whether there is any indication of Commission wrongdoing or misconduct. If the complaint does not relate to the Commission, we refer the complaint to the appropriate agency for response. If the complaint does not have merit, we close the matter.

The OIG has worked to increase awareness of the Hotline throughout the Commission by creating a series of Hotline posters and holding "OIG Outreach" sessions with Commission offices.

Summary of Matters Referred to Prosecuting Authorities

The Inspector General reported to the Chairman the instance of one potential ethical violation by a senior official. The Inspector General referred the matter to the Department of Justice, which declined to prosecute.

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Summary of Reports Not Disclosed to the Public

The Office of Inspector General received a referral alleging that a senior government official had purchased a financial interest in possible violation of federal law and federal employee Standards of Ethical Conduct Regulations. The matter was referred to the United States Attorney's Office, which declined prosecution. Specifically, the Office of Inspector General sought to determine whether the senior government official participated in an official capacity in a matter that, to his knowledge, he had a financial interest. The Office of Inspector General reviewed the evidence and did not substantiate allegations that the senior government official violated conflict of interest laws because he lacked the required knowledge; however, based on ethics concerns contained in the report, the agency took administrative action.

External Reviews Completed During this Period

The Office of Personnel Management performed a review of the Commission's personnel security and suitability program. The objective of the review was to determine if the Commission had effectively implemented the performance goals and measures identified by the Performance Accountability Council and the Reform Effort.

The Office of Personnel Management issued the final report on February 14, 2017. The report contained six recommendations to improve the quality of investigation requests, report adjudicative determinations, revalidate clearances, and improve recordkeeping. The Commission has made management decisions to address the recommendations.

Status of Actions Related to External Reviews Completed During Prior Periods

Equal Employment Opportunity Commission

The Equal Employment Opportunity Commission's Office of Federal Operations reviewed the Commission's progress towards carrying out the priority actions and strategies identified in the government-wide Federal Complement Plan. The review examined information about the use of Schedule A hiring authority; implementation of

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reasonable accommodation and anti-harassment programs; and barriers to employment in senior positions and in selected mission-critical operations.

The final report was issued on July 25, 2016. The report contained 14 recommendations to the Commission. Many of the recommendations involved collecting and analyzing data to learn if there were any discrimination barriers in hiring for executive positions and to improve managers' ability to focus on resolving the root causes of opportunity barriers. The Commission made management decisions to address the recommendations in the report.

Department of Homeland Security

The Commission requested the Department of Homeland Security perform a risk and vulnerability assessment of the Commission's information security posture. The assessment involved both remote and onsite testing of the Commission's information security. The testing revealed a number of problem areas that might place the Commission's systems and data at risk, including vulnerabilities caused by insecure web applications, ineffective internal security policies, and inadequate strategies to detect and prevent internal intrusions. The assessment did highlight the Commission's effective deployment of whitelisting, which strengthened the Commission's resistance to external phishing attempts.

The Department of Homeland Security issued the results of the assessment on July 9, 2015. The report had 16 recommendations for action to improve the Commission's information security. The Commission made management decisions to address the recommendations. The Commission completed final action on nine recommendations in prior reporting periods. The Commission has reported they are working on the management decisions to complete the remaining seven unimplemented recommendations.

Reviews Completed for Other Offices of Inspector General

Section 6(a)(3) of the Inspector General Act of 1978, as amended, gives the Inspector General the authority to obtain assistance from any other federal agency to carry out the duties and responsibilities assigned by the Act.

Our office assists other Offices of Inspector General by performing independent information technology reviews. Our support may vary widely, ranging from penetration

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testing, vulnerability assessments, and configuration reviews to evaluating the monitoring, detection, and remediation of cyber incidents.

When assistance is requested, the Commission's Inspector General will enter into a memorandum of understanding with the other federal agency, in accordance with 31 U.S.C. §1535 (the Economy Act of 1932), as amended. The memorandum of understanding describes in writing the work to be completed, methodology, cost, and schedule, as well as any associated deliverables, before work begins.

Congressional Activities

Our office submitted responses to two Congressional inquiries sent through the Council of Inspectors General on Integrity and Efficiency. One request was from the Committee on Oversight and Government Reform regarding the sharing of information between Inspectors General and their agencies during investigations into employee misconduct.

The second inquiry was a joint request from Senators Lankford, Heitkamp, and Harris. The Senators were requesting insight from Inspectors General on several initiatives they are considering for the OIG community.

Council on Inspectors General for Integrity and Efficiency

The Inspector General has actively participated in meetings and supported the efforts of the Council on Inspectors General for Integrity and Efficiency (CIGIE). Members of our staff have volunteered to serve on various CIGIE working groups and committees that address cross-cutting issues, such as knowledge management, cloud computing, investigations, cyber security, new media, small-agency concerns, and legal matters.

Federal Financial Management Improvement Act Reporting

The IG Act and the Federal Financial Management Improvement Act of 1996 (FFMIA) require the inspectors general of certain agencies to report "instances and reasons" when the agency has not met intermediate target dates established in a remediation plan to bring the agency's financial management system into substantial compliance with the

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FFMIA. The Commission is not subject to the FFMIA; however, it voluntarily seeks to comply with most of its requirements. During this reporting period, there were no events that gave rise to a duty to report under FFMIA.

Peer Review

The Equal Employment Opportunity Commission's Office of Inspector General performed a peer review of our office during the prior reporting period. The final report, issued on April 18, 2016, found that the system of quality control for conducting audits was suitably designed and implemented, giving it a peer review rating of "pass." The reviewers did not make any recommendations. The next peer review of our office will be in two years, in accordance with the peer review schedule set by the CIGIE.

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Table 5: Prior Significant Recommendations Where Corrective Action Has Not Been Completed

Prior Significant Recommendations Where Corrective Action Has Not Been Completed	
Report Number	Recommendation
OIG-AR-15-14	Recommendation 1: Update policy to clearly define the different types of internal rules.
	Recommendation 2: Define standard format and content requirements for each type of internal rule.
	Recommendation 4: Deploy an effective process to perform periodic reviews of the directives.
	Recommendation 9: Require delegations of authority and agency designations to include authoritative sources and core responsibilities.

Table 6: Reports with Questions and Unsupported Costs

Reports with Questioned and Unsupported Costs Section 5(a)8			
Description	Number of Reports	Questioned Costs	Unsupported Costs
Reports for which no management decision has been made by the commencement of the reporting period.	0	\$0	\$0
Reports issued during the reporting period.	10	\$0	\$0
Subtotals	10	\$0	\$0
Reports for which a management decision was made during the reporting period.	10	\$0	\$0
• Dollar value of disallowed costs.		\$0	\$0
• Dollar value of allowed costs.		\$0	\$0
Reports for which no management decision has been made by the end of the reporting period.	0	\$0	\$0
Subtotals	10	\$0	\$0

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Table 7: Reports w/ Recommendations that Funds Be Put to Better Use

Reports with Recommendations that Funds Be Put to Better Use Section 5(a)9		
Description	Number of Reports	Funds Put to Better Use
Reports for which no management decision has been made by the commencement of the reporting period.	0	\$0
Reports issued during the reporting period.	10	\$0
Subtotals	10	\$0
Reports for which a management decision was made during the reporting period.	10	
<ul style="list-style-type: none"> • Dollar value of recommendations agreed to by management. 		\$0
<ul style="list-style-type: none"> • Dollar value of recommendations not agreed to by management 		\$0
Reports for which no management decision has been made by the end of the reporting period.	0	\$0
Subtotals	10	\$0

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Table 8: Reports with Final Action Completed During this Reporting Period

Reports with Final Action Completed During this Reporting Period					
Reports Issued this Reporting Period					
	Report Title	# of Recs.	Mgt. Decisions	Final Action Completed in Prior Periods	Final Action Completed This Period
1	Audit of FY 2016 Financial Statement, OIG-AR-17-03	0	0	0	0
2	Report on Internal Control FY 2016, OIG-AR-17-04	0	0	0	0
3	Report on Compliance with Laws and Regulations, OIG-AR-17-05	0	0	0	0
4	Inspector General CyberScope Submission 2016, OIG-MR-17-06	0	0	0	0
5	Charge Card Risk Assessment, OIG-MR-17-09	0	0	0	0
Totals		0	0	0	0
Prior Reporting Periods					
	Report Title	# of Recs.	Mgt. Decisions	Final Action Completed in Prior Periods	Final Action Completed This Period
1	Management Letter - Wireless Program Management, OIG-ML-16-11	2	2	1	1
2	Management Letter - Off-site Storage Facilities, OIG-ML-16-16	1	1	0	1
Totals		3	3	1	2

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Table 9: Status of Reports Issued Without Final Action

Status of Reports Issued Without Final Action						
This Reporting Period						
	Report Title	# of Recs.	Mgt. Decisions	Decisions IG Disagrees With	Final Action Complete	Action Not Complete
1	Evaluation of Details, OIG-ER-17-01	1	1	0	0	1
2	Audit of Off-Site Facilities, OIG-AR-17-02	11	11	0	8	3
3	Management Letter for FY 2016 Financial Statement, OIG-ML-17-07	3	3	0	0	3
4	Digital Accountability and Transparency Act Readiness Review, OIG-MR-17-08	4	4	0	0	4
5	Management Letter on Conflict of Interest Process, OIG-ML-17-10	1	1	0	0	1
Totals		20	20	0	8	12
Prior Reporting Periods						
	Report Title	# of Recs.	Mgt. Decisions	Final Action Complete Prior Periods	Final Action Complete This Period	Action Not Complete
1	Evaluation of Public Website Security, OIG-ER-16-13	3	3	0	2	1
2	Assessment of USITC Website Encryption, OIG-MR-16-10	2	2	0	1	1
3	Audit of Directives Management, OIG-AR-15-14	11	11	1	1	9
4	Audit of Hardware Inventory, OIG-AR-15-11	5	5	4	0	1
5	Audit of Patching Process, OIG-AR-14-02	7	7	6	0	1
Totals		28	28	11	4	13

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Table 10: Statistical Table of Investigative Reports

Statistical Table of Investigative Reports Section	
Description	Count
Number of investigative reports issued.	1
Number of persons referred to DOJ for criminal prosecution.	1
Number of persons referred to State and Local authorities for criminal prosecution.	0
Number of indictments and criminal information resulting from any prior referrals to prosecuting authorities.	0
The information in this table is derived from the Office of Inspector General's investigation report.	

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Appendix A

Appendix A: Chairman's Statistical Tables

Table A: Reports with Disallowed Costs

Total Number of Reports and the Dollar Value of Disallowed Costs		
Description	Number of Reports	Dollar Value of Disallowed Costs
Reports issued during the period.	10	\$0
Reports for which final action had not been taken by the commencement of the reporting period.	7	\$0
Reports on which management decisions were made during the reporting period.	10	\$0
Reports for which final action was taken during the reporting period.	7	\$0
<ul style="list-style-type: none"> • Dollar value of disallowed costs, recovered by management. 		\$0
<ul style="list-style-type: none"> • Dollar value of disallowed costs written off by management. 		\$0
Reports for which no final action has been taken by the end of the reporting period.	10	\$0

Table B: Reports with Recommendations that Funds be Put to Better Use

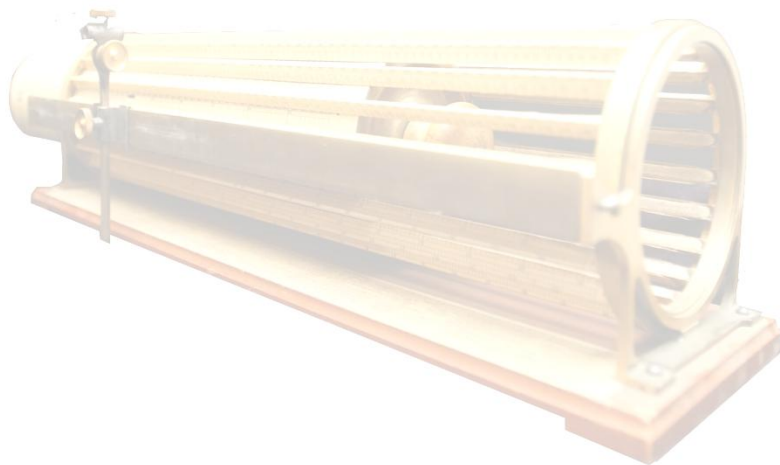
Reports with Recommendations that Funds be Put to Better Use		
Description	Number of Reports	Funds Put to Better Use
Reports for which final action had not been taken by the commencement of the reporting period.	7	\$0
Reports on which management decisions were made during the reporting period.	10	\$0
Reports for which final action was taken during the reporting period including:	7	\$0
<ul style="list-style-type: none"> • Dollar value of recommendations that were actually completed. 		\$0
<ul style="list-style-type: none"> • Dollar value of recommendations that management has subsequently concluded should not or could not be completed. 		\$0
Reports for which no final action has been taken by the end of the reporting period.	10	\$0

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Appendix A

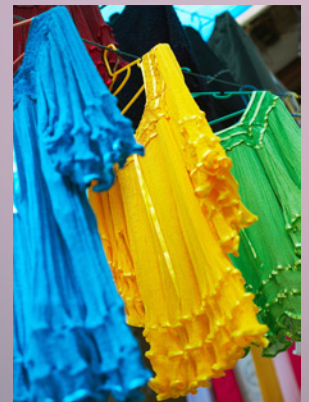
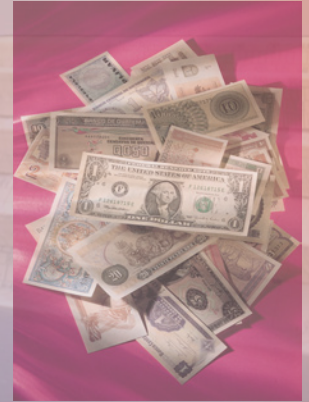
Table C: Prior Year Management Decisions Without Final Action

Prior Year Audit Reports On Which Management Decisions Have Been Made but Final Action has Not Been Taken				
Audit Report	Date Issued	Disallowed Costs	Funds Put to Better Use	Reason Final Action has Not Been Taken
OIG-AR-14-02	11/12/2013	\$0	\$0	Provided in Part II B of the Chairman's Message
OIG-AR-15-11	07/22/2015	\$0	\$0	Provided in Part II B of the Chairman's Message
OIG-AR-15-14	09/02/2015	\$0	\$0	Provided in Part II B of the Chairman's Message
OIG-AR-16-10	2/10/2016	\$0	\$0	Provided in Part II B of the Chairman's Message



“Thacher’s Calculating Instrument” developed by Edwin Thacher in the late 1870s. It is a cylindrical, rotating slide rule able to quickly perform complex mathematical calculations involving roots and powers quickly. The instrument was used by architects, engineers, and actuaries as a measuring device.

To Promote and Preserve the Efficiency, Effectiveness, and Integrity of the U.S. International Trade Commission



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