

Office of
INSPECTOR GENERAL

Semiannual Report

October 1, 1993 - March 31, 1994



April 1994

Date Issued



UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, D.C. 20436

April 29, 1994

**OFFICE OF INSPECTOR GENERAL
SEMIANNUAL REPORT**

TO THE COMMISSION AND THE UNITED STATES CONGRESS

It is my pleasure to submit this Semiannual Report which summarizes the major activities and accomplishments of the Office of Inspector General (OIG), U.S. International Trade Commission for the period October 1, 1993, through March 31, 1994. The submission of this report is in accordance with the Inspector General Act of 1978, as amended. Section 5 of the Act requires that the Chairman transmit this report to the appropriate committees or subcommittees of the Congress within 30 days of its receipt.

During this period, the OIG had a three month vacancy in the auditor position, a two-month vacancy in the attorney-advisor position, and a 33% decrease in funds for contract auditors. The efforts of staff to ensure that the OIG fulfilled the responsibilities set forth in the Inspector General Act were commendable. I issued one audit and four inspection reports. Seven new investigations were initiated and six investigations were closed. In addition, the OIG commented on three draft regulations and thirteen directives.

The Inspector General Act requires that certain statistics be reported to identify when more than six months is required to reach a management decision on an audit recommendation or more than a year to complete agreed upon actions. I believe that it is as noteworthy to report that the Commission has not had to report any items in either of these categories since March 1992. Extensive communication and cooperation has enabled the program offices and me to reach a management decision on virtually all recommendations during the draft report phase. The Chairman's policy that corrective action will be completed in one year and the efforts of his staff to ensure that deadlines are met has been invaluable.

The efficacy of this process is significant. I seldom have to report the same finding and recommendation, and the program offices spend less time on reporting and follow-up when actions are completed in a timely manner. Of course, the major benefit is improving the Commission programs and functions. For instance, during this reporting period, steps were taken for the Government Printing Office to distribute eight of the Commission's recurring reports which should

significantly reduce postage expense and possibly reduce printing expense in the future. The inventory of telephone lines conducted in response to an audit recommendation identified over 100 lines that could be eliminated at a savings of \$50,000 to \$100,000.

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


Jane E. Altenhofen
Inspector General

COMMISSION PROFILE

The Commission is a quasi-judicial, independent, nonpartisan agency established by Congress with broad investigative powers on matters of trade. The Commission has a unique mission to develop factual, objective research and information on a wide variety of matters pertaining to international trade. Major Commission activities include: determining whether U.S. industries are materially injured by imports sold at less than fair value or benefiting from subsidies; conducting studies on tariff and trade issues; and participating in the development of statistical data on imports, exports, and domestic production and the establishment of an international harmonized commodity code.

The Commission conducts investigations under several statutory provisions, generally upon petition or complaint, with respect to the impact of imports on U.S. industries. The Commission also provides advice and information, upon request, to the President and the Congress on tariff and trade matters. When appropriate, the Commissioners conduct public hearings and evaluate testimony and other information in making findings and recommendations. Decisions of the Commissioners under certain statutory provisions administered by the Commission are binding and subject to judicial review.

The Commission has six Commissioners, appointed by the President and confirmed by the Senate, who serve one term of nine years, unless appointed to fill an unexpired term. The Chairman is designated by the President and serves a two-year statutory term. No more than three Commissioners may be of the same political party and the term of a Chairman shall not be succeeded by a Chairman of the same political party.

Commissioner Brunsdale, whose term expired June 16, 1993, resigned from the Commission on March 7, 1994. Commissioner Brunsdale was chairman when the Inspector General Act Amendments of 1988 were passed and was instrumental in establishing the OIG. Lynn M. Bragg was nominated by the President, confirmed by the Senate, and sworn in on March 31, 1994, to be a Member of the Commission for the term expiring June 16, 2002.

The Commission approved a significant reorganization of Commission resources and staff effective February 6, 1994. The Library Services group and the Office of Information Resources Management were consolidated into a newly established Office of Information Services (OIS) within the Office of Operations.

The Commission had a single salaries and expense appropriation in the amount of \$43,500,000 for Fiscal Year (FY) 1994. Approximately 70% of the Commission's appropriation was allocated to personnel compensation and benefits, reflecting the labor intensive nature of the Commission's mission. In addition, approximately 17% of the appropriation was allocated for space rental. The balance of expenses consisted primarily of communications, travel, supplies and equipment.

The Commission had an authorized staffing level of 502 permanent positions in FY 1994 of which 462 positions were funded. All of its employees are located in one building at 500 E Street, S.W., Washington, D.C.

THE OFFICE OF INSPECTOR GENERAL

The Commission established the OIG pursuant to the Inspector General Act Amendments of 1988 (P.L. 100-504). The Inspector General reports directly to the Chairman as head of the agency, subject to the limitations of section 331 of the Tariff Act of 1930 (19 U.S.C. §1331). The Inspector General is responsible for directing and carrying out audits, investigations and inspections relating to Commission programs and operations and for recommending and commenting on proposed legislation, regulations and procedures as to their economy, efficiency and effectiveness. Certain information and statistics that are required by section 5(a) of the Inspector General Act to be included in the Semiannual Reports are summarized in Attachment A.

RESOURCES

FY 1994

The OIG was allocated three and a half staff years. This provided for three full-time positions (the Inspector General, a staff auditor and a staff assistant) and one half-time permanent position (attorney-advisor).

OIG resources were strained this reporting period due to staff vacancies. The auditor transferred November 13, 1993, to a position in the Atlanta Regional Office of the Federal Emergency Management Agency. Although recruitment, evaluation, and selection to fill this vacancy was a priority effort, the position was vacant until February 28, 1994. In addition, the attorney-advisor was on leave for two months during this period from January 10 through March 11, 1994.

A graduate student was appointed on November 22, 1993, as an intermittent employee to assist with audit, inspection, and investigative functions normally provided by the auditor or attorney-advisor. While working limited hours, many assignments remained on schedule and were completed by this staff member.

A journeyman level auditor from the Department of Defense OIG was selected to fill the vacancy and reported for duty in February 1994. She has a graduate degree in accounting and eight years of audit experience.

The OIG's budget allocation included \$50,000 for contract audit services. An audit firm was awarded funds to conduct four reviews.

The Office of Personnel continues to provide support in accordance with a Memorandum of Understanding that was updated on April 26, 1993.

AUDIT ACCOMPLISHMENTS

Audits and Reviews One audit report was issued during this period. It was:

- IG-01-94, Review of Procurement Related Issues.

The audit report is summarized in Attachment B.

Ongoing efforts as of March 31, 1994, were:

- Follow-up Review of Selected Activities in the Office of Tariff Affairs and Trade Agreements;
- Review of Ways to Increase the Economy and Efficiency of Section 337 Investigations;
- Review of the Role of the Office of General Counsel (OGC) in Appeals of Commission Decisions in Public Investigations;
- Audit of Property and Supplies Management; and
- Evaluation of the Organizational Structure of Commission Libraries.

INSPECTIONS

Reports Issued During this period, four inspections were completed and the following reports were issued:

- | | |
|-----------------|---|
| Report No. 1-94 | Cash Counts of USITC Imprest Funds |
| Report No. 2-94 | Review of USITC's Compliance with the Federal Managers' Financial Integrity Act of 1982 |
| Report No. 3-94 | Quarterly Review of Travel Expenditures |
| Report No. 4-94 | Cash Counts of the USITC Imprest Funds |

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

FRAUD, WASTE AND ABUSE

Investigations A summary of investigative activity is presented below:

Open 09/30/93	5
Initiated	<u>7</u>
Total	12
Closed	<u>6</u>
Open 03/31/93	6

Two of the five investigations open as of September 30, 1993, were closed during this reporting period. In August 1993, we issued a report on our investigation concerning the alleged preselection to fill a vacancy announcement. The investigation was closed after a related EEO investigation was completed. Neither investigation substantiated the allegation. An investigation of compensatory time practices resulted in two reports issued in July and August 1993. The investigation was closed in March 1994 after adjustments were made to eliminate 41 hours of unofficial compensatory time, reduce 59 hours from compensatory time balances, and offset 7 hours from restored leave balances. Four employees declined to voluntarily reduce their annual leave balances by 57 hours to offset excess compensatory time earned.

Four of the seven investigations opened during this period were closed after action was taken by appropriate management officials. These concerned selection for a career development program, an advertisement for commercial activity, a computer password security breach, and the OIS reorganization.

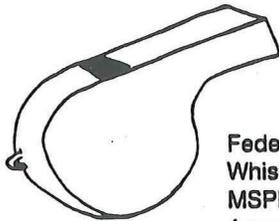
Three investigations from the prior reporting period remain open. A broad complaint about the promotion, hiring, and training opportunities for the "Black support staff" of the Commission is scheduled to be addressed next period. The two remaining investigations concerned management practices in OIS and the Editorial Branch; corrective action has been substantially completed by management but closure of these cases is pending our evaluation of the actions taken and follow-up as needed.

Three of the seven investigations initiated this period remain open. An individual challenged using a certification form as evidence of participation in the Commission's ethics training program; we are monitoring actions taken by the Office of General Counsel to follow-up on employee submissions of these forms. We conducted a walk-through of an office after receiving an allegation of lax security; closure of this case is pending subsequent action by the Information Security Officer. The third case involves a question of use of official documents; we ascertained that access to the documents was appropriate in the circumstances described and intend to pursue related issues when resources are available.

We also did further work on an investigation closed in the prior reporting period. At that time, we reported that the allegation of improper denial of pay to an employee for a detail to a higher position was not substantiated. After receiving a letter from the employee in October 1993, the Chairman asked the OIG to further investigate the "breakdown in communications" between the employee and the Commission. In a report dated February 9, 1994, the IG stated that the "breakdown" was caused by both parties. After consulting with the Director, Office of Personnel, and Director, Office of Operations, formal procedural changes were not considered necessary.

Hotline

In the prior reporting period, we revised the notice of the Inspector General "Hotline" to include the following information about whistleblower protection.



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

The revised notice was included in the Commission's Telephone Directory printed in March 1994.

Review of Legislation, Regulations, Directives

As set forth in the Inspector General Act, a duty and responsibility of the Inspector General is to review existing and proposed legislation and regulations relating to programs and operations of the Commission. This period, we reviewed and made suggestions on three proposed amendments to the Commission rules concerning implementing the North American Free Trade Agreement, notice provisions in the Government in the Sunshine Act, and eliminating conflict of interest in the Secretary deciding both Freedom of Information Act (FOIA) appeals and appeals from approval of confidential treatment for Business Proprietary Information.

In November 1993, we proposed language to revise the Commission rules to clarify the initial denial authority for requests for OIG documents under the FOIA and Privacy Act. The proposed language was to be merged with the changes concerning Business Proprietary Information. Publication of the proposed rules has been delayed in order to reach agreement on language for the latter changes.

We began working with the OGC in October 1993 to improve coordination between our offices for review of proposed changes to Commission rules. Administrative Order 90-11, dated June 13, 1990, states that the OIG comments are to be solicited and submitted to the Commission with any proposed changes for legislation and regulations. We notified the General Counsel that we were not receiving copies

of all proposed changes before submission to the Commission. The General Counsel concurred that we should receive copies and so informed her staff. We will continue to work with the General Counsel on this issue.

The Inspector General also has the responsibility to review all proposed Commission directives to evaluate the impact new or revised procedures will have on the efficiency of operations and to minimize the potential for fraud or abuse. Thirteen directives were reviewed during this period on the following topics:

- Compensatory Time;
- Internal Control Reporting Requirements;
- Mission and Functions Statements;
- Recurring Reports;
- Metric Conversion Policy;
- Emergency Evacuation; and
- Main Library Circulation Policies and Procedures.

LIAISON ACTIVITIES

ECIE/ PCIE

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

The Inspector General participated in discussions to develop a vision statement and a statement of reinvention principles to demonstrate how the Inspectors General can best carry out their duties in harmony with the intent and spirit of the National Performance Review, and concurrently accomplish their legislatively mandated mission. These statements were unanimously adopted by the Inspectors General at meetings of the ECIE and PCIE in January 1994. A publication "Inspectors General Vision and Strategies to Apply Our Reinvention Principles," was issued in February 1994.

She and the Inspector General at the State Department co-sponsored a joint training seminar for the ECIE and PCIE on November 18, 1993. The seminar addressed Inspector General Operations in a period of austerity. This was a follow-on seminar to one she co-sponsored in June 1992 with the Inspector General at the Department of Health and Human Services on budget issues facing the audit community.

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 eight reviews that are in process and four that were completed.

The Inspector General also coordinated the process for ECIE members to join the Institute of Internal Auditors as a sustaining organization.

**General
Accounting
Office**

The Inspector General Act states that each Inspector General shall give particular regard to the activities of the Comptroller General of the United States with a view toward avoiding duplication and ensuring effective coordination and cooperation. A summary of the General Accounting Office (GAO) reviews that include, in part, Commission activities follows:

Ongoing Reviews 09/30/93	4
Reviews Initiated	<u>2</u>
Total	6
Reviews Completed	<u>2</u>
Ongoing Reviews 03/31/94	4

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

- Survey of Uruguay Round of the GATT; and
- Assessment of the Decisions Issued by Binational Panels.

GAO issued one report entitled:

- INSPECTORS GENERAL: Action Needed to Strengthen OIGs at Designated Federal Entities.

The report included one recommendation for the Inspectors General. The GAO recommended that the Inspectors General at the designated Federal entities develop strategic plans for a 5-year period, and report their strategic plans and updates to their entity heads, OMB, and the Congress each fiscal year. GAO was notified on February 16, 1994, that the USITC-OIG audit manual had been revised to incorporate the provisions in the recommendations, with a clarification of the reporting process.

**Commission
Projects**

The OIG staff assistant was the Commission's Co-coordinator for the 1993 Combined Federal Campaign (CFC). He was recognized with a Leadership certificate in March 1994 for his role in the CFC and in the Commission's achievement of 100% of its goal.

The Inspector General was nominated by the Executive Resources Board and named by the Chairman to participate in the Senior Executive Service Candidate Development Program in December 1993.

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

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

Section 5(a)

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

SUMMARY OF THE AUDIT REPORT

TITLE: REVIEW OF PROCUREMENT RELATED ISSUES

REPORT NUMBER: IG-01-94

REPORT DATE: February 7, 1994

FINDINGS: The objectives of this review were to: determine whether the Commission is complying with the requirements of Public Law 101-121 on lobbying activities; evaluate the progress of the Commission in establishing effective management controls over advisory and assistance services; determine whether contracts are closed in a timely manner; and ascertain whether the actions agreed upon by management in response to prior recommendations and suggestions have been implemented and effectively address the findings.

The review did not disclose any instances of noncompliance with Federal laws and regulations or USITC policies and procedures. Additionally, USITC properly addressed and resolved questions which resulted from the prior year review. The results of the review were presented in four issue area reports that are summarized below.

- **Review of USITC's Compliance with Public Law 101-121 on Lobbying Activities** All required disclosures on lobbying activities from contractors were obtained timely and semiannual and annual reports were properly filed as required.
- **Follow-up Review of USITC's Procurement Related Audits and Reviews** The review did not disclose any instances which indicated that the Commission did not take the appropriate action relative to the recommendations and suggestions in prior audit and inspection reports, or that these actions did not resolve the respective issues.
- **Review of USITC's Procurement of Advisory and Assistance Services** The Commission spent \$69,959 on advisory and assistance services in fiscal year 1993. The review did not disclose any significant instances of non-compliance with Federal laws and regulations or Commission policies and procedures. The auditors did find that the procurement and accounting system records were not reconciled in a timely manner at year end, and some advisory and assistance checklists were not properly completed.

- **Review of USITC's Contract Close-out Procedures** Only two contracts were physically completed in fiscal years 1992 and 1993; neither were closed-out in accordance with Federal guidelines. A result of not promptly initiating close-out procedures was that funds were not properly deobligated on two contracts. Other matters identified were the need to improve policy and procedures for retention of documents and to eliminate duplication in procurement guidelines.

RECOMMENDATIONS:

The primary recommendation from the above findings was that a tracking system be established to monitor expired contracts. Specifically, we recommended that officials in the Office of Administration:

- ensure that year-end reconciliations and its respective reports include the proper transactions for the fiscal year to ensure an adequate and timely reconciliation;
- review checklists more closely to ensure that items are properly completed;
- develop a tickler file or other system for tracking expiring contracts within USITC; and
- include steps in its tracking system to monitor the Office of Finance and Budget's process for deobligating funds to ensure it is complete and timely.

We suggested that officials in the Office of Administration:

- establish a system to track which files are maintained in the storage facility, and where they can be found;
- establish a policy for exception to the Federal Acquisition Regulations' record retention policies;
- either eliminate the Procurement Policy and Procedures Guide to reduce redundancy, or update it to reflect the relatively recent revision to USITC Directive 3601.1; and
- ensure a timely resolution of issues concerning improvements to the Office of General Counsel's involvement in the procurement and contracting process, including reducing time to perform follow-up legal reviews.

The Director of Administration concurred with the findings, recommendations, and suggestions.

SUMMARY OF INSPECTION REPORTS

INSPECTION REPORT:

FINDINGS:

No. 1-94
**Cash Counts of USITC
Imprest Funds**
December 8, 1994

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

No. 2-94
**Review of USITC's Compliance
with the Federal Managers'
Financial Integrity Act of 1982**
December 22, 1993

The system of internal accounting and administrative control, as described in USITC Guidelines for Conduct of Risk Assessments and Internal Control Reviews, was carried out in a reasonable and prudent manner in the Commission for the fiscal year ended September 30, 1993.

No. 3-94
**Quarterly Review of Travel
Expenditures**
January 11, 1994

We determined that the Commission was not required to take action to address the directives on Commission travel set forth in Senate Appropriations Committee Report No. 103-105. According to the General Counsel, the Commission is not bound by the language in the Senate Report requiring audits and a single travel account. Further, the Senate Report's directive to authorize Commissioners' travel by the Commission as a whole is contrary to current federal statutes.

No. 4-94
**Cash Counts of USITC
Imprest Funds**
January 11, 1994

The imprest funds were in balance.

**LIST OF AUDIT REPORT
BY SUBJECT MATTER**

<u>Report Title</u>	<u>Report Number</u>	<u>Questioned Costs</u>	<u>Unsupported Costs</u>	<u>Ineligible</u>	<u>Funds Be Put To Better Use</u>
ADMINISTRATION					
Review of Procurement Related Issues	IG-01-94	0	0	0	0

Table 1

INSPECTOR GENERAL ISSUED REPORTS WITH
QUESTIONED COSTS FOR THE SIX-MONTH PERIOD
ENDING MARCH 31, 1994

	Number of Reports	Dollar Value	
		Questioned Costs	Unsup- ported Costs
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

INSPECTOR GENERAL ISSUED REPORTS WITH
RECOMMENDATIONS THAT FUNDS BE PUT TO
BETTER USE FOR THE SIX-MONTH PERIOD
ENDING MARCH 31, 1994

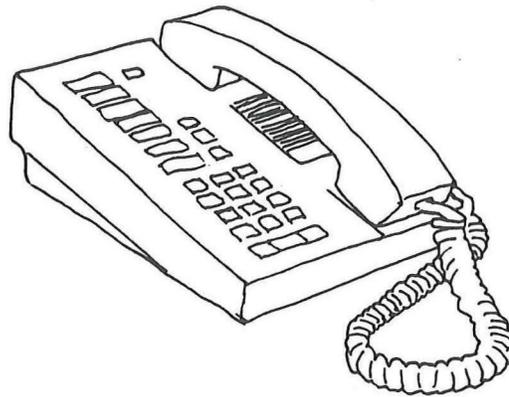
	Number of Reports	Dollar Value
A. For which no management decision has been made by the commencement of the period	0	0
B. Which were issued during the reporting period	0	0
Subtotals (A + B)	0	0
C. For which a management decision was made during the reporting period	0	0
(i) Dollar value of recommendations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

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

OFFICE OF INSPECTOR GENERAL

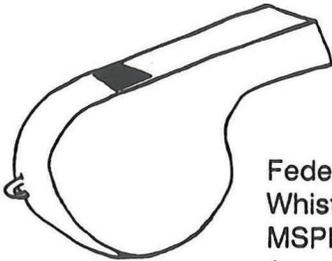
HOTLINE

202-205-2217



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

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



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

