

Office of INSPECTOR GENERAL

Semiannual Report

October 1, 1994 - March 31, 1995



April 1995

Date Issued



UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, D.C. 20436

April 28, 1995

**OFFICE OF INSPECTOR GENERAL
SEMIANNUAL REPORT**

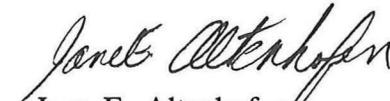
TO THE COMMISSION AND THE UNITED STATES CONGRESS

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, 1994, through March 31, 1995. 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.

Despite significant staff vacancies and external assignments, the OIG had a very productive period. Seven inspection reports were issued. Six new investigations were initiated and two investigations were closed, resulting in six open investigations at the end of the period. The OIG devoted considerable resources to reviewing and commenting on six proposed amendments to the Commission Rules of Practice and Procedure, some of which implemented audit recommendations. The OIG also commented on six directives.

I had the opportunity to testify on March 1, 1995, before the Subcommittee of the House Committee on Appropriations which has oversight responsibility for the Commission. The Subcommittee invited the Inspectors General from all of the entities for which they have oversight to testify on recommendations for budgetary savings and spending reductions. My testimony concentrated on findings in two audit reports - an Evaluation of the Commission's Role in Preparing Recurring Reports and a Review of Ways to Increase the Economy and Efficiency of the Section 337 Process.

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


Jane E. Altenhofen
Inspector General

COMMISSION PROFILE

The Commission is a quasi-judicial, independent, nonpartisan agency established by Congress with broad investigative powers on matters of trade. The Commission has a unique mission to develop factual, objective research and information on a wide variety of matters pertaining to international trade. Major Commission activities include: determining whether U.S. industries are materially injured by reason of 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. No changes were made to the Commission during this period.

The Commission has a single salaries and expense appropriation in the amount of \$44,500,000 for fiscal year (FY) 1995, including an appropriation of \$42,500,000 and a carry-over from FY 1994 of \$2,000,000. 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 has an authorized staffing level of 502 permanent positions in FY 1995, of which 456 positions are 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 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 1995 The OIG was allocated three and a half staff years. This provided for three full-time positions (the Inspector General, an auditor and a staff assistant) and one half-time permanent position (attorney-advisor). A graduate student employee assisted with audit, inspection, and investigative functions.

OIG resources were strained this reporting period by other duties and staff vacancies. The Inspector General devoted considerable time to training and developmental assignments related to participation in the Commission's Senior Executive Service Development Program. The auditor resigned on March 3, 1995, after being on extended leave. The OIG staff assistant was detailed to the Office of the Director of Operations for one week and was subsequently selected for a position in that Office, to which he reported for duty on March 10, 1995. The graduate student accepted a permanent position in another Federal agency on October 27, 1994; his position was vacant until January 8, 1995, when a new graduate student reported for duty.

Efforts are underway to restore OIG staffing. The auditor and staff assistant positions have been announced; however, due to potential cutbacks in the Commission's appropriation, we agreed to announce the auditor position as part-time. The OIG has also been allocated \$6,500 for a summer employee.

The OIG's budget allocation includes \$50,000 for contract audit services. A firm was awarded funds to conduct one audit.

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

Procurement Issues We reported significant difficulties with procurement-related issues in the prior semiannual report. We spent a considerable amount of OIG resources on these issues again this period and were able to resolve several items.

One issue previously identified concerned the Commission's policy on advisory and consultant services and the need to exempt the OIG from a Commission review process that can give the appearance of interfering with the Inspector General's authority to conduct audits and investigations. This issue was resolved in January 1995, when a revised Administrative Order was issued. The Inspector

General will follow the notification policy to the Commission, but retains final authority to address any comments and notify the Contracting Officer to proceed with the procurement.

As the Contracting Officer's Technical Representative, in June 1994, the Inspector General recommended not to extend an option year for the audit services contract, and to procure audit services through other means. In October 1994, after five months, the Procurement Division proceeded with her request to obtain audit services through a purchase order. This change was intended to significantly simplify the procurement process, but regrettably, provided only temporary relief. Additional steps were taken in March 1995 to improve the process; however, these steps do not provide a permanent and acceptable solution.

The continuing significant problems encountered in procuring services indicate a need for clarification of the procurement authority given in the Inspector General Act, including whether legal advice to the Contracting Officer on procurement of services for the OIG should be provided by the Counsel to the Inspector General or the General Counsel to the Commission. We will pursue this issue in the following period.

AUDIT ACCOMPLISHMENTS

Audits and Reviews No audit reports were issued during this period. As of March 31, 1995, the one on-going effort was an audit of the Commission's FYs 1993 and 1994 financial statements.

Significant Findings In the prior semiannual report, we identified a significant finding in an audit of property and supplies management. We reported that the Commission's master property list was not accurate despite actions taken since November 1991 when the property was first identified as having material internal control weaknesses.

One of our recommendations was that inventories be conducted quarterly in FY 1995 to improve the reconciliation process. We conducted an inspection to evaluate the inventory scheduled for the end of the first quarter and found that the property system had been significantly improved. The next quarterly inspection will again cover the reconciliation process for trackable property and also review fixed assets which were not included in the first inspection.

INSPECTIONS

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

- Report No. 1-95 Cash Counts of USITC Imprest Funds
- Report No. 2-95 Review of USITC's Compliance with the Federal Manager's Financial Integrity Act of 1982
- Report No. 3-95 Cash Counts of USITC Imprest Funds

operations. This provision was significantly changed in later versions of the proposed legislation.

We reviewed six proposed amendments to the Commission's Rules. These were:

- Interim implementing rules for limited disclosure of confidential business information relating to the Uruguay Round Agreements Act (URAA), 19 CFR Part 206;
- Interim implementing rules required under the URAA for Section 337 investigations, 19 CFR Part 210;
- Amendments to rules governing investigations of whether domestic industries are injured by subsidized imports or imports sold at less than fair value, 19 CFR Parts 201 and 207;
- Amendments to rules governing publication of Federal Register notices and service of documents on other federal agencies, 19 CFR Part 210; and
- Amendments to rules regarding allowing counsel who are signatories to an Administrative Protective Order to retain confidential business information for certain periods and purposes, 19 CFR Part 210.

In March 1995, we proposed language revising the Commission's Rules to clarify provisions on initial denial authority concerning requests for OIG documents under the Freedom of Information Act (FOIA) and Privacy Act. These revisions are currently under review by the Commission.

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

- Property management
- Time off as an incentive award; and
- Office symbols on outgoing correspondence.

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.

In January 1995, the Inspector General was designated as the ECIE liaison to the PCIE Professional Development Committee and Chair of an ECIE ad hoc Committee on Professional Development. As such, she participated in planning the first two PCIE forums, the first of which focussed on chronic problems whose

solutions have evaded the Inspector General Community, and the second of which considered the Inspectors General mission in today's austere environment. She also assisted in organizing the Forum on Improving ECIE with the Deputy Director for Management of the Office of Management and Budget held on March 9, 1995.

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 three that were completed.

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 09/30/94	4
Reviews Initiated	<u>0</u>
Total	4
Reviews Completed	<u>1</u>
Ongoing Reviews 03/31/95	3

GAO issued one report entitled: INTERNATIONAL TRADE Assessment of the Generalized System of Preferences Program. The report included no recommendations for the Commission.

Commission Projects

The National Performance Review reported that the nature of OIG operations has sometimes resulted in an adversarial role with agency personnel and recommended that the Inspector General's method of operation be more collaborative. In support of this recommendation, the OIG has become involved in the following Commission projects:

- The OIG staff assistant continued his role as one of the USITC contacts for the Federal Workplace HIV/AIDS Education Initiative. In support of this, he helped organize training for supervisors and employees.
- The OIG Counsel was the office coordinator for the 1994 Combined Federal Campaign (CFC). She drafted a notice emphasizing the voluntary and confidential nature of CFC contributions that the CFC Vice Chairman sent to all Commission employees.

To further enhance a spirit of cooperation and consultation, and to help reduce the occurrence of future problems or issues related to waste, fraud and abuse, the OIG also increased its liaison efforts within the Commission. For example, the OIG Counsel met occasionally with an Assistant General Counsel and/or the Director of Personnel to discuss recent legal developments and policy trends in administrative law, including federal personnel law, federal tort liability statutes, and FOIA and Privacy Act issues.

**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 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) - No audit reports were issued during this period.
- (8), (9) - No audit reports were issued during this period; therefore, there were 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 INSPECTION REPORTS

INSPECTION REPORT:

FINDINGS:

No. 01-95
**Cash Counts of USITC
Imprest Funds**
October 25, 1994

The alternate funds for both the Office of Management Services and the Office of Finance and Budget were in balance. The Office of Finance and Budget's and the Office of Management Services' main funds had minor differences.

No. 02-95
**Review of USITC's Compliance with
the Federal Manager's Financial
Integrity Act of 1982**
December 22, 1994

The system of internal accounting and administrative control, as described in USITC Internal Control Reporting Requirements, had been carried out in a reasonable and prudent manner in the Commission for the FY ended September 30, 1994.

No. 03-95
**Cash Counts of USITC
Imprest Funds**
January 26, 1995

The imprest funds were in balance.

No. 04-95
**Quarterly Review of Federal
Travel Expenditures**
January 30, 1995

We found that, in almost all cases except those defined as hardship, electronic funds transfer was used for travel advances and reimbursements; therefore, the Commission was in compliance with Federal standards.

No. 05-95
**Compliance with Requirements
of Public Law 101-121 on Lobbying
Activities**
February 3, 1995

We found that the Commission was in compliance with regulations governing the reporting of companies whose contracts were estimated to be in excess of \$100,000.

No. 06-95
**Verification of December 1994
Property Inventory**
February 13, 1995

We found the inventory was properly conducted and the property system had been significantly improved in the last four months.

No. 07-95
**Quarterly Review of Federal
Travel Expenditures**
March 31, 1995

We found that less than half of all employee nights spent on business travel through January 1995 were spent in hotels/motels that were in compliance with "the Hotel and Motel Fire Safety Act of 1990." This was significantly less than the 65% required by law for FY 1995.

Table 1

**INSPECTOR GENERAL ISSUED REPORTS WITH
QUESTIONED COSTS FOR THE SIX-MONTH PERIOD
ENDING MARCH 31, 1995**

	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 report 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, 1995**

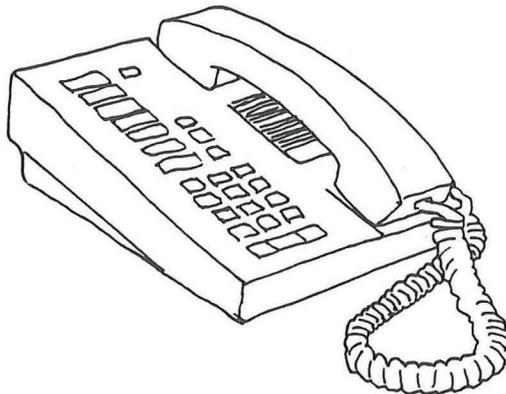
	Number of Reports	Dollar Value
a For which no management decision has been made by the commencement of the period	0	0
B. Which were issued during the report period	0	0
Subtotals (A + B)	0	0
C. For which a management decision was made during the reporting period	0	0
(i) Dollar value of recommendations 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

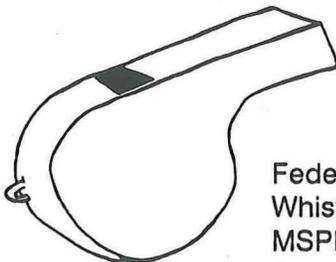
HOTLINE

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.

