

# Office of INSPECTOR GENERAL

*Semi-Annual Report*

*April 1 – September 30, 1989*



UNITED STATES  
INTERNATIONAL  
TRADE COMMISSION

*October*

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UNITED STATES INTERNATIONAL TRADE COMMISSION

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WASHINGTON, D.C. 20436

October 31, 1989

OFFICE OF INSPECTOR GENERAL  
SEMIANNUAL REPORT

TO THE COMMISSION AND THE UNITED STATES CONGRESS

This is the first Semiannual Report for the Office of Inspector General (OIG) of the U.S. International Trade Commission. It summarizes our major activities and accomplishments from April 1, 1989 to September 30, 1989. Section 5 of the Inspector General Act of 1978, as amended, requires that the Chairman transmit this report to the appropriate committees or subcommittees of the Congress within 30 days of its receipt.

The bulk of our efforts during this first period was directed at establishing an office able to fulfill the requirements imposed by the Act. This work involved development of audit policies and procedures, working arrangements, and planning activities.

Regrettably, we have to report that the Commission did not support the Inspector General's request to increase the OIG's in-house audit capability. The OIG currently consists of two positions, the Inspector General and a staff assistant. A third position for a full-time auditor was requested to provide audit services to the Commission with greater economy and efficiency. The Chairman and Vice Chairman supported this request, but the majority of the Commission did not, at least in part because the OIG had been in operation for only a short time.

We would like to express our appreciation to the members and employees of the Commission whose cooperation and support facilitated many of the results documented in this report. We look forward to working with the Commissioners and the Commission's employees in the future to promote economy and efficiency in the Commission's programs and management practices.

*Jane E. Altenhofen*

Jane E. Altenhofen  
Inspector General

## INTRODUCTION

This is the first semiannual report issued by the Office of Inspector General (OIG), United States International Trade Commission. It is issued pursuant to the Inspector General Act of 1978, as amended, (hereafter referred to as the IG Act), and covers the six-month period from April 1, 1989 through September 30, 1989.

### COMMISSION PROFILE

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**Mission**            The Commission is a quasi-judicial, independent, bipartisan 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 economics and trade development.

Under numerous statutes governing the conduct of U.S. trade, the Commission conducts investigations to determine the extent of the impact of imports on U.S. producers and manufacturers. In connection with these proceedings, six Commissioners - Presidential appointees serving 9-year terms - conduct public hearings, evaluate testimony and other information, and report their findings to the President, the Congress, other Federal agencies, and the public.

**Activities**        Commission activities include:

- Making recommendations to the President regarding relief for industries seriously injured by increasing imports;
- Determining whether U.S. industries are materially injured by imports that benefit from pricing below fair value or subsidization;
- Directing actions, subject to Presidential disapproval, against unfair trade practices such as patent infringement;
- Advising the President whether agricultural imports interfere with price-support programs of the U.S. Department of Agriculture;

- Conducting studies on trade and tariff issues and monitoring import levels; and
- Participating in the development of uniform statistical data on imports, exports, and domestic production and the establishment of an international harmonized commodity code.

**Resources**

The Commission had a single salaries and expense appropriation in the amount of \$35,958,000 for Fiscal Year (FY) 1989. Approximately 70% of the Commission's appropriation was dedicated to personnel compensation and benefits, reflecting the labor intensive nature of the Commission's mission. In addition, approximately 15% of the appropriation was spent on space rental. The balance consists primarily of communications, travel, supplies, equipment, and other services.

The Commission had an approved staffing level of 502 permanent positions in FY 1989. All of its employees are located in one building at 500 E Street S.W., Washington, D.C.

## THE OFFICE OF INSPECTOR GENERAL

On October 18, 1988, the President signed the Inspector General Act Amendments of 1988 (P.L. 100-504) which required 33 designated Federal entities, including the Commission, to each establish an OIG within 180 days. Prior to this law, the Commission had not had an internal audit office. All audit functions had been performed under contract with a public accounting firm.

The Commission's OIG was officially established on February 2, 1989. The Office actually began operations on April 17, 1989, when the Inspector General position was filled.

### OFFICE OPERATIONS

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#### Mission and Functions

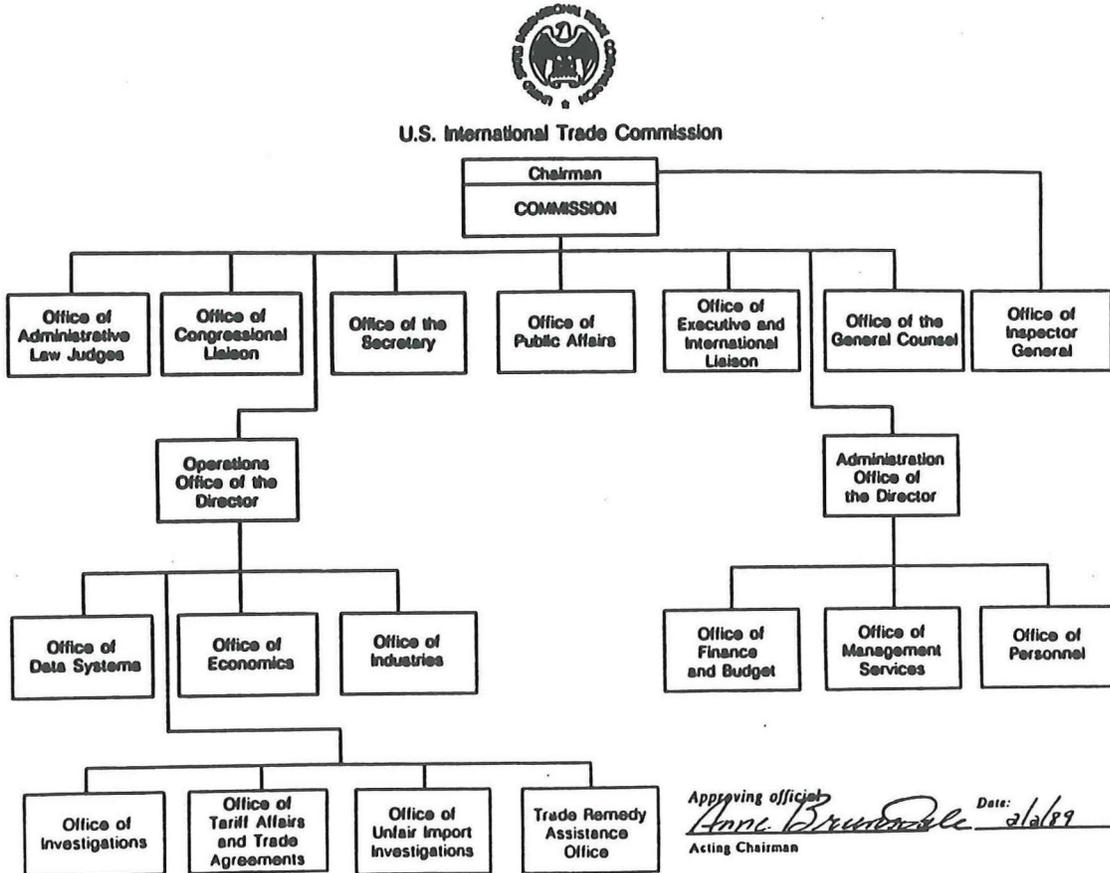
The Inspector General is responsible for directing and carrying out all audits and investigations relating to Commission programs and operations; and for recommending and commenting on proposed legislation, regulations and procedures as to their economy, efficiency and effectiveness. The functions of the OIG are to:

1. Conduct, supervise, and coordinate audits and investigations relating to the programs and operations of the Commission.
2. Review existing and proposed legislation and regulations relating to programs and operations and report semiannually to the Chairman concerning the impact of such legislation or regulations on the economy and efficiency in the administration of the Commission's programs and operations or the prevention and detection of fraud and abuse in such programs and operations.
3. Recommend policies for and conduct, supervise, or coordinate other activities carried out or financed by the Commission for the purpose of promoting economy and efficiency in the administration of, or preventing and detecting fraud and abuse in, its programs and operations.

4. Recommend policies for and conduct, supervise, or coordinate relationships between the Commission and other Federal agencies, and other entities as appropriate, with respect to (A) all matters relating to the promotion of economy and efficiency in the administration of, or the prevention and detection of fraud and abuse in, programs and operations administered or financed by the Commission, or (B) the identification and prosecution of participants in such fraud or abuse.
5. Select and appoint personnel necessary to carry out the functions of the OIG in accordance with the IG Act.
6. Keep the Chairman, the Commission, and the Congress, as appropriate, fully and currently informed, by means of statutory and non-statutory reports, concerning fraud and other serious problems, abuses, and deficiencies relating to the administration of programs and operations administered or financed by such establishment, recommend corrective action concerning such problems, abuses, and deficiencies, and report on the progress made in implementing such corrective action.
7. Establish guidelines for determining when it shall be appropriate to use non-Federal auditors; and take appropriate steps to assure that any work performed by non-Federal auditors complies with the standards established by the Comptroller General.
8. Report expeditiously to the Attorney General whenever the Inspector General has reasonable grounds to believe there has been a violation of Federal criminal law.
9. Report annually to the Chairman on the adequacy of the Commission's system of internal controls as required by the Federal Managers' Financial Integrity Act.

INDEPENDENCE

Organization The IG Act requires that the OIG and its personnel be free from personal or external impairments to independence and be organizationally independent and maintain an independent attitude and appearance. To fulfill the IG Act's mandate for independence and neutrality, the Inspector General reports directly to the Chairman of the Commission and has no program responsibilities. An organization chart for the Commission as of September 30, 1989, showing the relationship of the OIG to the other offices is shown below.



Memoranda of Understanding

The IG Act provides specific authority to the Inspector General regarding personnel practices. Section 6(a) (7) of the IG Act empowers an Inspector General to exercise independent personnel authority in the employment of such officers and employees as may be necessary to fulfill responsibilities under the IG Act. The legislative history and Office of Personnel Management decisions make it clear that the Congress was aware that it was essential that Inspectors General have personnel authority in order to prevent any compromise of the OIG operations. The Inspector General and the Director of the Office of Personnel signed a Memorandum of Understanding (MOU) to record and codify the working relationships between their Offices.

A MOU was also signed by the General Counsel and the Inspector General. The MOU provides a vehicle for the OIG to obtain legal advice from the General Counsel's Office.

These agreements recognize the independence of the Inspector General, while providing the OIG with the means to obtain competent and timely legal advice from the General Counsel's Office upon request, and to obtain services from the Office of Personnel.

Budget Procedures

The Inspector General has initiated one additional effort to ensure the independence of the OIG. Based on input from the General Accounting Office, the Inspector General recommended to the Chairman that the Commission's directive on Budget Policies and Procedures be revised to incorporate the following provisions:

1. the OIG will be a separate line item in the Commission's budget submitted to Congress; and
2. the Inspector General's budget request will be submitted unchanged to the Chairman.

In FY 1989, the Commission's Budget Office forwarded a copy of each Office's budget request, including the OIG, to the Commission, and the OIG was a separate line item in the FY 1991 budget package. However, these practices were informal rather than established by policy and could be changed at any time.

After notifying the entire Commission, the Chairman instructed the Director of Administration to make these changes. The Director of Administration estimates the revised Directive will be issued in December 1989.

## RESOURCES

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FY 1989 In FY 1989, the OIG was allocated \$117,000. This provided funding for two permanent positions, the Inspector General and a staff assistant, for the portion of the fiscal year that they were on board, and \$62,000 for contract audit services.

FY 1990 In July 1989, as part of the Commission's budget process, the OIG prepared a budget request for FYs 1990 and 1991. In order to estimate the resources required by the OIG, the Inspector General developed an Audit Universe that identified all of the Commission programs, activities, and functions and estimated an audit cycle for each item. The Audit Universe indicated five to six audit work years are needed annually.

To meet the anticipated workload, the OIG submitted a budget request for \$186,000 which provided for three positions, adding a full-time auditor, and \$50,000 for contract services. The OIG intended to continue using contract audit services for some financial and administrative audits, but believed an additional in-house auditor was needed to conduct program audits.

The Chairman and the Vice-Chairman supported the Inspector General's request for an additional audit position. However, due to objections expressed by the majority of the Commission, a FY 1990 staffing plan was approved with only the current two positions for the OIG.

The objections voiced by several Commissioners included that the OIG had only been in existence for a short while and that more experience was needed to determine the proper staffing level. The Commissioners indicated that contract or temporary personnel could be used instead. The Inspector General is reviewing these options.

## AUDIT ACCOMPLISHMENTS

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### Policies and Procedures

One of the first efforts of the Inspector General was to prepare an Audit Policies and Procedures Directive. This Directive, which was issued on August 3, 1989, establishes policy and procedures for conducting audits and assigns responsibilities for implementing the policy. Significant areas addressed in the Directive are the Audit Work Plan, Audit Requests, Audit Procedures on involving notifications and conferences, audit reporting, and audit followup.

The Inspector General also participated extensively in the development of the Audit Followup Directive which was prepared by the Office of Administration. The Chairman is the Commission's Audit Followup Official.

### Audit Work Plans

An audit work plan was issued in July for FY 1989 and in September for FY 1990. Audits were selected based on various criteria, including:

- statutory and regulatory requirements,
- requests from Commissioners and Office Directors,
- evaluation of risk and significance, and
- Congressional interest.

The Audit Work Plans provided for a mix of programmatic, financial, and administrative audits. Efforts ongoing as of September 30, 1989 included:

1. Survey of Statistical Methods Used to Gather Data;
2. Review of the Commission's Compliance with the Federal Managers' Financial Integrity Act;
3. Review of Implementation of Administrative Protective Order Provision; and
4. Audit of the Commission's Imprest Funds.

Financial  
Audit

Prior to the establishment of the OIG, the Commission had arranged for a public accounting firm to audit the Commission's FY 1987 and 1988 financial statements. The auditor's report was received during this reporting period, but the audit work was completed in January of 1989, so the report was not issued by the Inspector General.

The auditors reported that:

- o The Commission's financial statements as of September 30, 1988 and September 30, 1987, present fairly, in all material respects, the financial position of the Commission as of September 30, 1988 and 1987, and the results of its operations and changes in its financial position for the years then ended, in conformity with generally accepted accounting principles for Federal agencies.
- o During their examination, they did not become aware of any condition believed to be a material weakness of internal controls.
- o For the items tested, the Commission complied with those provisions of laws and regulations, noncompliance with which could have a material effect on the financial statements. For the items not tested, nothing came to their attention that caused them to believe that the Commission was not in compliance with laws or regulations, noncompliance with which could have a material effect on the Commission's financial statements.

Section 5(a)  
Data

Section 5(a) of the IG Act, requires certain information and statistics to be included in the semiannual reports. As set forth below, the OIG has no significant issues to report.

- Based on the activities accomplished during the reporting period, we have not identified any significant problems, abuses or deficiencies relating to the administration of programs and operations.

- We have not yet issued any audit reports, so there are no recommendations or statistical tables on either questioned costs or funds that could be put to better use.
- As this is the first semiannual report of the Inspector General, there are no significant recommendations which have been previously described in earlier semiannual reports and on which corrective action has not been completed. Furthermore, we reviewed prior reports issued by public accounting firms and the General Accounting Office and did not identify any open recommendations at the beginning of the reporting period. Accordingly, no management decisions were made or revised during this period.
- No matters were referred to prosecutive authorities, either by the OIG or by the Commission prior to the OIG's establishment, nor were there any prosecutions or convictions, in the reporting period.
- No reports were made to the Chairman that information or assistance requested by the Inspector General was unreasonably refused or not provided.

#### AUDIT RELATED ACTIVITIES

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##### PCIE

The President's Council on Integrity and Efficiency (PCIE) was established in 1981 to coordinate and implement Government-wide activities to combat fraud and waste in Federal programs and operations to promote economy and efficiency. The Inspectors General from the 33 agencies designated in the IG Act Amendments of 1988 form the Coordinating Conference of the PCIE.

The Inspector General has been an active member of the PCIE's Coordinating Conference. The Inspector General is the representative for the Coordinating Conference to the PCIE Standards Subcommittee, Audit Committee; and is a member of the Coordinating Conference's Task Force developing an Audit Manual for use by the 33 designated agencies

In addition, the Commission has hosted the Coordinating Conference meetings since August 1989.

General  
Accounting  
Office

The IG 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.

To accomplish this, the Inspector General accumulated prior reports issued by the General Accounting Office (GAO) on Commission activities. She also met with the GAO Group Director for trade agencies to discuss audits that may be scheduled by GAO on Commission activities and suggestions they had for potential audits for the OIG's Audit Work Plan.

The Chairman designated the Inspector General as GAO Liaison in July 1989. The Inspector General had requested this assignment because liaison responsibilities, which are commonly assigned to the OIGs, help to foster a good working relationship with the GAO. However, a majority of the Commissioners objected to this assignment on the basis that all GAO contacts did not involve audits of Commission activities and the IG Act did not require that the Inspector General be liaison. After conferring with the Commissioners and the Inspector General, the Chairman changed the designation of GAO Liaison to the Director of the Office of Administration.

The Inspector General and the GAO Liaison, established procedures to keep the OIG informed of all GAO audits of Commission activities in order for the Inspector General to fulfill the legal mandate to coordinate audits relating to the programs and operations of the Commission.

GAO initiated two reviews this period that involved Commission activities, as follows:

1. New Inspectors General at Designated Federal Entities, and
2. U.S. Trade Policy Management.

Both of these reviews are currently ongoing.

There were no ongoing GAO reviews at the beginning of the reporting period and no reports were issued on Commission activities.



