

Office of INSPECTOR GENERAL

Semiannual Report

April 1 - September 30, 1992



October 1992

Date Issued

INSPECTOR GENERAL



UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, D.C. 20436

October 30, 1992

**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 April 1 through September 30, 1992. 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 issued three audit and four inspection reports. The audit reports, which addressed the Commission's workers' compensation program, space utilization charges and local area network administration and controls, did not identify any material weaknesses. Although not material, the findings in the report on the workers' compensation program are noteworthy. We found that the Commission had not developed a comprehensive plan to manage the program in order to provide good service to employees while containing costs; and that the Commission does not have aggressive, informed management of the worker compensation system. We believe that a major obstacle to the implementation of an efficient cost effective program is the relationship with the Department of Labor's Office of Workers' Compensation Program and that in order for there to be any real cost containment in the program, increased coordination and cooperation will be needed.

Without a doubt, the most significant accomplishment this reporting period was the completion of corrective actions on multiple audit reports, some of which identified significant weaknesses and one that was two years old. Employees throughout the Commission cooperated in this effort, but the real credit goes to the staff of the Office of Administration, notably in Finance and Budget and Management Services, who had responsibility and bore the brunt of the work in implementing the corrective actions. Implementation has resulted in some immediate and long-term benefits. For example:

In the personnel/payroll area, new procedures have given staff an increased understanding of the payroll center operations and improved the accuracy of the Commission's records. The adoption of proper approval and recording procedures for overtime/compensatory-time allowed management to see the extent of these expenses and use this information in making policy decisions on future use.

Deleting unnecessary items from the master property list reduced the number of controlled items to a small fraction of what it was previously. This reduction will result in continuing savings in the time and effort required to control, track, and inventory property.

The designation of permanent resources for the Equal Employment Opportunity (EEO) office and updating the EEO Directive will provide stability and assign accountability for this program. A strengthened program will, hopefully, be the first step in improving the Commission's minority profile.

I would also like to thank the Commissioners for their support in audit followup. The corrective actions would not have been completed this period without the Chairman's direction to give corrective actions priority attention. Other Commissioners also expressed opinions that corrective actions should be taken as soon as possible.

We continued to devote a significant amount of time to conducting investigations this period. Five new investigations were initiated and two reports were issued to the Commission on cases involving destruction of confidential business information and the position classification process.

For the most part, the investigations that the OIG conducts identify procedural weaknesses rather than an act of wrongdoing by an individual. On some cases, we suggested that action be taken but did not always followup to determine whether action was taken. Such followup is not required by the standards for investigations. However, several investigations initiated in this period involved procedural weaknesses that had been identified in earlier cases. Therefore, we think that it is a better use of our resources if investigative findings are tracked in a similar manner to audit findings. The Commission directive on conducting investigations will be revised during the current reporting period to reflect this change in policy.

As always, I look forward to working with the Commissioners and the Commission staff in the future.


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.

On June 14, 1992, a new organizational entity entitled Office of the Technical Advisor for Competitiveness and Strategic Planning was established. The Office is responsible for providing professional advice and analysis to support the Commission in its role as advisor to the President and to the Congress on the global competitiveness of U.S. products and other international trade matters.

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. All six positions on the Commission are currently filled.

In June 1992, two designations were made involving the Commission. Don E. Newquist was designated to continue as Chairman of the Commission. He has been serving as Chairman since December 13, 1991. His new term as Chairman will end on June 16, 1994. Peter S. Watson was designated as Vice Chairman for the term expiring June 16, 1994.

The Commission had a single salaries and expense appropriation in the amount of \$42,434,000 for Fiscal Year (FY) 1992. 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 16% of the appropriation was allocated for space rental. The balance of expenses consisted primarily of communications, travel, supplies and equipment.

The Commission had an approved staffing level of 502 permanent positions in FY 1992. 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 1992

The OIG was allocated four staff years. This provided for three full-time permanent positions - the Inspector General, a staff auditor and a staff assistant. The fourth staff year was reserved for temporary staffing needs. Temporary staff included a part-time temporary attorney-advisor to provide independent legal advice to the OIG and assist in OIG investigations.

Funds were not available this period for a summer hire due to Commission-wide budget constraints which resulted in a limited summer hire program. The summer hire position is used to assist with inspections and simple audits, help with office support (such as organizing files), updating the audit universe and annual audit work plan, and miscellaneous projects. The work intended for the summer hire was spread among the other staff, which resulted in delays in issuing an audit report, closing several investigations and accomplishing planned projects.

The OIG's budget allocation included \$50,000 for contract audit services. An audit firm was awarded funds to conduct two reviews during FY 1992.

The Offices of General Counsel (on a limited basis) and Personnel continue to provide support in accordance with the Memoranda of Understanding.

AUDIT ACCOMPLISHMENTS

Audits and Reviews Three audit reports were issued during this period. These were: IG-02-92, Review of the Commission's Workers' Compensation Program; IG-03-92, Review of USITC's Space Utilization Charges; and IG-04-92, Review of USITC's Local Area Network Administration and Controls. Each of these audit reports is summarized in Attachment B.

The only ongoing effort as of September 30, 1992, was a review of the recurring reports process.

INSPECTIONS

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

- No. 8-92 Cash Counts of USITC Imprest Funds
- No. 9-92 Quarterly Review of Travel Expenditures
- No. 10-92 Cash Counts of USITC Imprest Funds
- No. 11-92 Quarterly Review of Travel Expenditures

The inspections had no significant findings, although various suggestions were made to improve 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 4/01/91	5
Initiated	<u>5</u>
Total	10
Closed	<u>1</u>
Open 9/30/92	9

The investigation of a contractor initiated in a prior period was referred to the Department of Justice and the U.S. Attorney's Office for action and investigation by the Federal Bureau of Investigation. The U.S. Attorney's Office declined prosecution on September 24, 1992. Paperwork to close the case will be completed in the current reporting period.

Last period, we found that an employee was in Leave Without Pay (LWOP) status even though the circumstances of the LWOP did not meet the guidelines issued by the Office of Personnel Management. We concluded the LWOP was properly approved because the circumstances met the very broad Commission policy. This case is open pending the revision of Commission policy to reflect the guidelines.

A report was submitted to the Commission on April 21, 1992, on an investigation concerning the destruction of confidential business information. Due to conflicting guidance in Commission regulations and policy, we did not find that any individuals

were guilty of wrongdoing. We stated that additional guidance is needed defining what constitutes the record and that it specifically address the timing of submissions and when documents may be returned or destroyed. This case is open pending issuance of such guidance.

We conducted an investigation of the position classification process as part of a racial discrimination complaint and issued a report on September 30, 1992. We recommended that several steps be taken to ensure that all employees in the Commission have accurate and current position descriptions on file. As requested by the Chairman, we are monitoring the actions taken and will report on the status as of October 31, 1992.

Another case initiated in a prior period concerns the provision of technical assistance to a business. We are monitoring the review which is being conducted by the program office.

We initiated five new cases this period. Four of these cases, which concerned a solicitation of a job interview, a Privacy Act violation, a contractor stock offering and possible stolen checks, were concluded with no findings of wrongdoing. Paperwork to close these cases will be completed in the current reporting period. Another case is very similar to the investigation of the classification review process and is considered part of it.

Hotline

During this period, the OIG developed internal guidance on Hotline Policy and Procedures. Although "Hotline" is a term most commonly associated with the telephone, we adopted a definition similar to other OIG's which classifies all matters referred to the OIG as a Hotline referral regardless of whether that information was brought to our attention via telephone, letter, in person, or by observation. Three forms were developed to track referrals: a complaint form, a situation report and a termination report. The OIG is currently updating the FY 1992 referral files to include these documents.

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. The OIG reviewed implementing regulations for the U.S. - Canada Free Trade Agreement. The OIG did not have any recommendations based on this review concerning the impact of such legislation or administration of programs and operations administered or financed by the Commission or the prevention and detection of fraud and abuse in such programs and operations.

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. Eighteen directives were reviewed during this period.

LIAISON ACTIVITIES

ECIE/ PCIE

A major development during this period was the issuance of an Executive Order that established the Executive Council on Integrity and Efficiency (ECIE). In 1988, the Inspector General Act was amended to include 34 designated Federal entities. Technically, the Inspectors General at these agencies were part of the President's Council on Integrity and Efficiency (PCIE) established in 1981 as a forum for statutory Inspectors General who at that time were only located in the establishment agencies. In practice, the establishment agency and designated Federal entity Inspectors General continued to meet separately as was the established custom. This Executive Order established two Councils, the ECIE and the PCIE, with identical functions and joint responsibility to promote integrity and efficiency and to detect and prevent fraud, waste, and abuse in Federal programs. The Executive Order also provided for coordination between the two Councils.

The Inspector General is an active member of the ECIE. She was a member of the Joint Task Force of ECIE and PCIE Inspectors General to identify and analyze issues of concern to the Inspectors General in the designated Federal entities. The Task Force completed their work and submitted a report to the ECIE Committee that is building upon the Task Force document to prepare a document with guidance for the heads of the designated Federal entities. She and the Inspector General at the Department of Health and Human Services co-sponsored the first joint training seminar between the ECIE and the PCIE; the seminar was on budget issues facing the audit community and generated sufficient interest that a follow-on seminar is planned for next year. The Inspector General also coordinated the process for the 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 Commission activities follows:

Ongoing Reviews 04/01/91	4
Reviews Initiated	<u>6</u>
Total	10
Reviews Completed	<u>3</u>
Ongoing Reviews 9/30/92	7

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

- Study of the Generalized System of Preference Program;
- Review of the ECIE OIG Effectiveness;
- Survey of TQM Implementation in the Federal Government;
- Study on EEO Activities in Smaller Agencies;

- Review of the Future of U.S. Uranium Industry; and
- Survey to Assess Issues Related to Negotiation of the NAFTA.

GAO issued reports on three reviews completed during this period. These are:

- URANIUM ENRICHMENT Unresolved Trade Issues Leave Uncertain Future for U.S. Uranium Industry;
- UKRAINE ENERGY Conditions Affecting U.S. Trade and Investment; and
- CUSTOMS SERVICE Trade Enforcement Activities Impaired by Management Problems.

These reports included no recommendations to the Commission.

**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 three audit reports issued during this period included no recommendations on questioned costs or funds that could be put to better use. See Tables 1 and 2.
- (10) - There are no audit reports issued before the commencement of the reporting period for which no management decision has been made by the end of the reporting period.
- (11) - No significant revised management decisions were made during the reporting period.
- (12) - There are no significant management decisions with which I am in disagreement.

SUMMARY OF THE AUDIT REPORTS

TITLE: REVIEW OF THE COMMISSION'S WORKERS' COMPENSATION PROGRAM

REPORT NUMBER: IG-02-92

REPORT DATE: August 20, 1992

FINDINGS: The objective of this review was to evaluate the Commission's workers' compensation program established in accordance with the Federal Employees Compensation Act (FECA). In accordance with a request from Senator Sasser, our specific objectives were to provide the latest available numbers on total annual cost and the number of people participating in the FECA program; estimate the number of fraudulent or erroneous claims; identify obstacles the Commission encountered concerning this program; and make suggestions for improving the system.

We identified multiple problems, which we attributed to errors rather than fraud, with the administration of the Commission's FECA program. We found that the Commission had not developed a comprehensive plan to manage the FECA program in order to provide good service to employees while containing costs; multiple problems with the program administration including an excessive amount of time charged to continuation of pay (COP) and inaccurate reporting of COP benefits, improper leave buy-back, and inadequate verification and improper recording of payments in the financial records; and that the Commission does not have aggressive, informed management of the worker compensation system.

We believe that a major obstacle to the implementation of an efficient cost effective program is the relationship with the Department of Labor's Office of Workers' Compensation Program (OWCP). Commission staff reported that they had considerable difficulty in obtaining case numbers and information on claims from OWCP and we found a mixed welcome in our effort to review the reports and case files. We believe that in order for there to be any real cost containment in the FECA program, increased coordination and cooperation will be needed between the agencies and OWCP.

RECOMMENDATIONS:

We recommended that the Director of Administration:

- Amend the time charged to COP, provide instruction on the proper procedures for recording and reporting COP, and obtain quarterly reports from the payroll system to use in preparing the quarterly reports on COP;
- Properly complete an employee's repurchase of leave or reverse the conversion of leave;
- Assign responsibility for reviewing the chargeback billings for FECA expenses and correctly record the expenses; and
- Incorporate responsibility for the FECA program into the Office of Personnel mission and function statement, position descriptions and performance plans, provide training to staff with FECA program responsibilities, and develop policies for the FECA program designed to control workers' compensation costs.

The Director of Administration generally agreed with the findings and recommendations.

TITLE: REVIEW OF USITC'S SPACE UTILIZATION CHARGES

REPORT NUMBER: IG-03-92

REPORT DATE: August 24, 1992

FINDINGS: The objectives of this review were to determine whether the Commission's policies, procedures and practices for monitoring space utilization charges are appropriate and properly administered and to identify any potential areas for savings.

We reported three findings. First, the Commission does not monitor to ensure that it is receiving fair value for extra payments for special temperature settings. Second, the storage area at the Navy Yard includes many items that are in disrepair or are no longer of use that need to be excessed before the Commission is forced to vacate this space. Third, quarterly billings for space utilization charges are not reviewed and approved by the cost center manager.

RECOMMENDATIONS: We recommended that the Director of Administration instruct the Director of the Office of Management Services to establish policy and procedures to monitor building temperatures and promptly dispose of all excess property located in the Navy Yard; and instruct the Director of Finance and Budget to provide the rent bill to the cost center manager for review and approval.

The Director of Administration generally agreed with the findings and recommendations. All corrective actions were completed by September 30, 1992, and the Chairman, in his capacity as Audit Follow-up Official, concurred with closing the report on October 5, 1992.

TITLE: REVIEW OF USITC'S LOCAL AREA NETWORK
ADMINISTRATION AND CONTROLS

REPORT NUMBER: IG-04-92

REPORT DATE: September 17, 1992

FINDINGS: The overall objective of this review was to determine whether the Commission has implemented a program that ensures effective management and operation of the Local Area Network (LAN).

We found that the Commission's procedures were sufficient, in all material respects, to provide for effective LAN administration and control. Additional findings were that:

- Dial-up telephone access to the LAN is not properly secured;
- The LAN files for two offices are not backed up on weekends;
- A policy does not exist establishing a frequency standard for virus checking and the practice throughout the Commission is inconsistent;
- A formal system or procedures do not exist to identify the type and number of software packages purchased or in use which is needed to demonstrate compliance with Federal licensing statutes;
- A policy statement does not exist concerning the unauthorized use or duplication of copyrighted software;
- A disaster recovery or contingency plan does not exist for offsite operation of the LAN in the event of a catastrophic incident; and
- The LAN administrator's internal control responsibilities are not set forth in a formal statement.

RECOMMENDATIONS:

We recommended that the Director of Administration implement appropriate policies and procedures or take other needed actions concerning call-back controls, weekend backups, virus scans, software inventory, unauthorized copying of software, disaster recovery (contingency) plans, and LAN internal controls.

The Director of Administration generally agreed with the findings and recommendations.

SUMMARY OF INSPECTION REPORTS

INSPECTION REPORT:

FINDINGS:

No. 8-92
**Cash Counts of USITC
Imprest Funds**
June 9, 1992

The imprest funds were in balance.

No. 9-92
**Quarterly Review of
Travel Expenditures**
July 31, 1992

Very few of the vouchers on which personal time was taken in conjunction with official business provided all of the information required by Federal travel regulations that is needed to determine the correctness of the expenses claimed.

No. 10-92
**Cash Counts of USITC
Imprest Funds**
August 19, 1992

The imprest funds were in balance.

No. 11-92
**Quarterly Review of Travel
Expenditures**
September 18, 1992

Of 68 vouchers with lodging and/or other expenses of \$25 or more, nine were missing required receipts.

**LIST OF AUDIT REPORTS
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 the Commission's Workers' Compensation Program	IG-02-92	\$433	0	0	0
Review of USITC's Space Utilization Charges	IG-03-92	0	0	0	0
Review of USITC's Local Area Network Administration and Controls	IG-04-92	0	0	0	0

Table 1

INSPECTOR GENERAL ISSUED REPORTS WITH
QUESTIONED COSTS FOR THE SIX-MONTH PERIOD
ENDING SEPTEMBER 30, 1992

	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	1	433	0
Subtotals (A + B)	1	433	0
C. For which a management decision was made during the reporting period	1	433	0
(i) Dollar value of disallowed costs	1	433	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 SEPTEMBER 30, 1992

	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, D.C. 20436**

Anyone submitting information may remain anonymous.

