

Office of INSPECTOR GENERAL

Semiannual Report

April 1 – September 30, 1997



October 1997



UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, D.C. 20436

October 31, 1997

TO: THE COMMISSION AND THE UNITED STATES CONGRESS

I hereby submit this *Semiannual Report: April 1, 1997 - September 30, 1997* which summarizes the major activities and accomplishments of the Office of Inspector General (OIG), U.S. International Trade Commission. 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.

During this period, the OIG issued two inspection reports. In a vulnerability assessment of the Commission's automated information systems, we were unable to obtain unauthorized access to the Commission's internal network through either the publicly accessible Internet gateway or telephone connections. An examination of the Commission ratios of supervisors to employees found that, as of June 1997, the ratio was 1-to-4.7; although this is less than the government-wide ratio 1-to-7 and far less than the 1-to-15 ratio suggested by the National Performance Review, the ratio was generally considered to be appropriate for the Commission.

Ten new investigations were initiated and six investigations were closed. We issued four Reports of Investigations with the following findings:

- An employee did not serve on a jury as claimed, was absent without leave for five days, and made multiple false statements concerning his absences. The case was referred for prosecution to the United States Attorney's Office and the Criminal Division of the District of Columbia Superior Court. Both offices declined prosecution.
- Actual and perceived differences existed in the payments to Commission employees seeking reimbursements for expenses incurred as a result of their involvement in Equal Employment Opportunity related programs and activities.
- Allegations were baseless that official trade data in certain section 332 reports of investigation were being falsified; that 5-20% of trade tables in those reports were substantially incorrect; and that international trade analysts were forbidden to correct trade data.

-- The Commission had no policy on the use of voice mail for ex-Commissioners and there were inconsistencies in the services provided.

In the prior semiannual report, we identified that Commission guidance needs updating and revision. We note that significant progress was made this period to accomplish this goal. Interim rules on debt collection regulations and final Privacy Act notices were published and additional rule changes have been drafted. A Directives Review Committee was formed and has met regularly. The Committee has made significant progress in determining the status of directives, establishing tentative dates for revisions, and revamping the internal rules structure and process. In support of the initiative to reduce and simplify agency policy, the OIG revised and updated three directives governing its internal policies.

Regrettably, we have to report that timely action has not been taken on recommendations in three audit reports. In the prior semiannual report, we identified one audit report for which the agreed upon actions had not been completed within one year. Actions have still not been completed on that report and two additional audit reports now have agreed upon actions that have not been completed within one year. The Chairman, who is the Audit Follow-up Official, has indicated steps will be taken to complete action on these reports during the current semiannual period.

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 subsidized imports or imports sold at less than fair value; directing action against such unfair trade practices as patent, trademark, and copyright infringement; 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 and Vice Chairman are designated by the President and serve 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. Four Commissioner positions are currently filled. There were no changes to the Commissioners during this period.

The Commission had an authorized staffing level of 502 permanent positions in Fiscal Year (FY) 1997 of which 378.5 positions were funded at the \$40.850 million level. All of its employees are located in one building at 500 E Street, SW, Washington, D.C.



Steve McLaughlin, Director of Administration, Shirley Consolvo, Assistant Director of Management Services, and Charlie Sole, Senior Management Analyst, discuss plans for repainting and recarpeting the Commission building space.

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, 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 1997

An appropriation was enacted on September 30, 1996, which includes \$40,850,000 for the salaries and expenses of the International Trade Commission for FY 1997. The conference agreement stipulated that not less than three permanent full time equivalents (FTE) and one temporary FTE will be allocated to the OIG, and contract funds will be provided to the Inspector General at not less than the FY 1996 level.

The FY 1997 Expenditure Plan and FY 1998 Budget, adopted on October 3, 1996, authorized 3 FTEs for permanent staff in the OIG, based on a funding level of 378.5 rather than 378 positions. This provided an additional .5 staff year for permanent staff.

During this period, four students helped with the audit and inspection functions in the OIG. The student assistant hired in the prior period resigned on May 2, 1997. His replacement worked full-time through September 30, 1997. We also hired a summer student who worked ten weeks, resigning on August 8. On July 24, 1997, Commissioner Newquist detailed a summer student to our office for ten weeks, who was extended through September 30.



Students Laurie Trusky, Brian Walsh, and Kim Plikaitis.

On August 21, 1997, Hilaire Henthorne resigned from the ITC. She served as the Counsel to the Inspector General and Chief Investigator from June 1993. Ms. Henthorne significantly contributed to the accomplishments of the OIG by providing legal counsel and services needed to carry out the statutory responsibilities imposed by the Inspector General Act of 1978, as amended.



Hilaire Henthorne, former
Counsel and Chief Investigator

The OIG was allocated \$25,000 for audit and review services in the FY 1997 Expenditure plan. An additional \$25,000 was allocated on April 10, 1997. Three purchase orders were awarded for audits and inspections.

FY 1998

A continuing resolution was passed on September 30, 1997, which provided for the salaries and expenses of the International Trade Commission for FY 1998 at the FY 1997 level through October 23, 1997. We requested authorization for temporary hires of an investigator, a student assistant, and to increase the hours of the attorney and auditor. Approval of these requests is pending further action on the final appropriation.

AUDIT ACCOMPLISHMENTS

Audits and Reviews

No audit reports were issued during this period.

As of October 1, 1997, ongoing efforts included:

- Audit of Commission's Response to Anticipated FY 1996 Appropriations;
- Evaluation of 332 Investigations to Identify Potential Cost Reduction and procedural Streamlining; and
- Three-Part Review of Commission's Implementation of Simplified Acquisitions Procedures.

Audit Followup

In the prior semiannual report, we identified one audit report for which the agreed upon actions had not been completed within one year. Actions have still not been completed on that report and two additional audit reports now have agreed upon actions that have not been completed within one year. This increase was discussed with the Audit Follow-up Official, who indicated steps will be taken to complete action on these reports during the current semiannual period.

The audit reports are as follows:

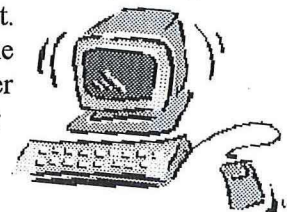
IG-01-96, Audit of the LAN Operations. This report exceeded the one year period on March 15, 1997, and was identified in the prior semiannual report. Action is reportedly completed except for two recommendations on the control of software and development of a security plan.

IG-02-96, Review of Building Security. This report exceeded the one year period on April 30, 1997. Action is reportedly completed on most actions except for those tied to the building lease.

IG-03-96, Audit of USITC Imprest Funds. This report exceeded the one year period on August 30, 1997. Action is reportedly completed on most actions except for revising the obsolete directive.

Property Management

In the OIG's last semiannual report, it was identified that property management was a material weakness and that there still continues to be recurring problems. In conjunction with the Offices of Administration, Management Services and Information Services, a substantial effort has been made in preparing new policy guidance to help correct the problems. The offices coordinated in updating and streamlining the internal guidance on property management. The most significant change was making the Director of the Office of Information Services (OIS) the accountable officer for all Automated Data Processing (ADP) equipment rather than individual office directors.



A revised draft of USITC Directive 3550.3, Property Management was distributed to all office directors and the Commission for comments. Finalization of the Directive is pending development of an internal rule on safeguarding ADP equipment.

Building security

In May and September 1997, the Director of Administration provided current information on actions taken to increase security or be in compliance with new standards set by the Department of Justice for federal buildings. We verified that several actions were completed as reported in May, as follows:

- Interior corridor doors were installed to prohibit entry into Commission space from the loading dock unless the guard station is contacted;
- The number of interior cameras was increased from 12 to 24 and had good views of the area;
- Signs advising of 24 hour surveillance were posted in conspicuous areas; and
- The lock was replaced on the mail room door.



OIG staff member Brian Walsh verified improvements to building security.

INSPECTIONS

Reports Issued

During this period, two inspections were completed and the following reports were issued:

Report No. 4-97 Vulnerability Assessment of the Commission's Automated Information Systems

Report No. 5-97 Examination of Reported Changes in Commission Ratios of Supervisors to Employees

The inspection reports included findings and suggestions to improve operations or internal controls. A summary of the findings in the reports is presented in Attachment B.

Internet

In response to Inspection Report No. 03-97: Evaluation of the Internet as a Means of Public Notice, the Office of Industries modified the Section 332 Procedures Manual to include guidance regarding use of the ITC Web site for posting information on section 332 investigations. Such guidance was added to various previously existing chapters of the documents, and a new chapter specifically related to use of the Web site was added.

FRAUD, WASTE AND ABUSE

Investigations

A summary of investigative activity is presented below:

Open 04/01/97	2
Initiated	+10
Total	12
Closed	-6
Open 09/30/97	6

Two investigations were open at the beginning of this reporting period, April 1, 1997, and ten new investigations were initiated during this reporting period. One of the investigations open as of March 31, 1997, and five of the new investigations were closed during this reporting period. These involved falsification of trade data, procurement of cellular phones, Metro subsidy abuse, voice mail on former Commissioners' phone lines, and use of supervisory resources.

Six investigations remain open. These involve appropriateness of supervisory ratios, reimbursement for program functions, procurement of an economic model, absence for jury duty, wage payments, and improper overtime authorizations.

Telephone policy

In August 1996, the OIG issued a Report of Investigation on a case of phone misuse and OIG Inspection Report 15-96, Implementation of Commission Policy on Use of Telephones. In the latter report, we suggested that: (1) the Commission policy be clarified to ensure that payments for unauthorized personal calls are calculated using the commercial rate and an administrative fee per call in accordance with Federal Property Management Regulations; and (2) administrative offset regulations be promulgated.

We suggested that the Commission clarify the telephone policy via a pen and ink change to USITC Directive 3402.1, Control and Usage of Government-Owned or Provided Telecommunications Systems and Services, as this could be accomplished very quickly. A partial revision of the Directive was drafted, but not by OIS, the office assigned responsibility for the Directive and to whom the suggestion was made. This revision was substantial enough to necessitate revising the entire Directive. Fourteen months after we reported this problem, the policy clarification is still in progress and the Commission practice for collecting payments continues to be inconsistent with federal policy. Even at this late date, we believe that the Commission policy should be clarified immediately via a pen and ink change, and the Directive revision, which could take months more to accomplish, could follow.

The Commission has been statutorily required to have offset regulations since the Debt Collection Act of 1983. The requirement was reiterated in the Debt Collection Improvement Act of 1996. The Commission has routinely made

offsets subject to these laws, although it lacked its own regulations in this area. Interim procedural rules for salary offset, administrative offset and tax refund offset were published in the Federal Register on July 16, 1997, with a sixty day comment period. No comments were received. The Office of Finance and Budget intends to operate under the interim rules for a trial period.

Phones continued to be a topic for allegations and investigations. We reviewed the purchase of cellular phones for two employees and found the supervisor had the authority to determine that a cellular telephone was needed and the bills revealed no discernible irregularities or abuse. We also reviewed Commission policy and practice on the use of voice mail for ex-Commissioners. We found inconsistencies in the practice, and suggested that a policy be adopted. Accordingly, OIS developed a policy that voice mail will be provided for up to 90 days after the effective date of a Commissioner's resignation.



Carolyn Mobley, Telecommunications Specialist, OIS, discussing cellular phones with Laurie Trusky, OIG student assistant.

Jury duty

We conducted an investigation to determine whether an employee actually served on a jury as claimed. We found the employee was summoned for jury duty at the District of Columbia Superior Court, reported for jury duty and was released the same day. The employee did not report for work for the next five days, and repeatedly called in stating that he was serving on a jury. We found that the employee was absent without leave for five days, and made multiple false statements concerning his absences.

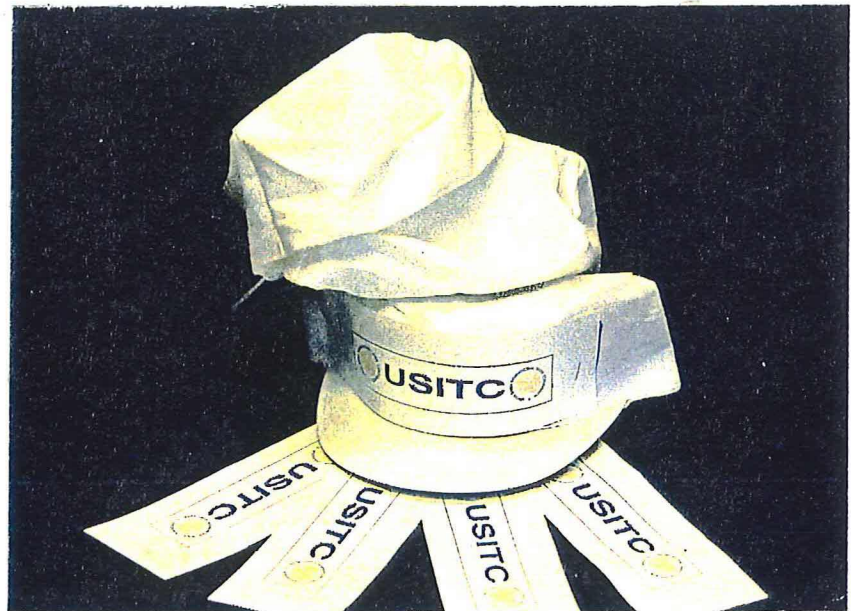
The case was referred for prosecution to the United States Attorney's Office, Public Corruption/Government Fraud Section and the Criminal Division of the District of Columbia Superior Court. Both offices declined prosecution because of the minimal monetary value involved. In July 1997, we issued a Report of Investigation. We concluded that the employee had committed two major offenses in violation of Commission policy. We recommended that appropriate personnel actions be taken.

EEO reimbursements

In September 1997, we issued a Report of Investigation on whether Commission employees seeking reimbursements for expenses incurred as a result of their involvement in Equal Employment Opportunity (EEO) related programs and activities had received disparate treatment. We found actual and perceived differences in the payment of such expenses.

Some of the differences in payments were due to misunderstandings of what are eligible expenses. The Director of Administration is preparing an internal rule on eligible expenses that should improve the consistency of expenses reimbursed. We suggested that the purpose of the items to be purchased be recorded on the plans developed for each EEO program activity.

We found that employees were complying with Commission policy and procedures for approving expenditures and claims. The process was not working well due to different opinions on what items were eligible expenses and the placement of responsibility for determining the eligibility of expenses. We suggested that USITC Directive 3602.1, Imprest Fund Claims and Advances, which is currently being revised, set forth which employees are responsible for knowing what constitutes an eligible expense and for attesting to the eligibility of the expense.



Eligible expense or ineligible gift?

Trade data

In August 1997, we issued a Report of Investigation on an allegation that official trade data in certain section 332 reports of investigation were being falsified; that 5-20% of trade tables in those reports were substantially incorrect; and that international trade analysts were forbidden to correct trade data. We concluded that all of these allegations were baseless.

Review of Legislation, Regulations, and Commission Policy

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. We reviewed one proposed amendment to the Commission Rules of Practice and Procedure as discussed below.

Proposed rule

Revision of Employee Conduct, Public Notice, Freedom of Information Act, and Privacy Act Regulations, and Implementation of Electronic Freedom of Information Act Amendments of 1996. We reviewed the proposed rule amendments to parts 200 and 201 of the Commission's Rules of Practice and Procedure. The proposed amendments to the Privacy Act rules incorporate the OIG recommendations in Report No. IG-01-97.

Privacy Act notice

Pursuant to our recommendations in Audit Report IG-01-97, Analysis of the U.S. International Trade Commission's Privacy Act Systems of Records, issued on October 18, 1996, the Office of the General Counsel prepared a draft notice that we reviewed last period. On April 30, 1997, notice of the Commission's revision of four Privacy Act systems of records and the addition of seven systems of records was published in the Federal Register. The notice provided for public to comment no later than June 9, 1997, and stated that the proposed revisions and additions to the Commission's systems of records would become effective on June 9, 1997, unless otherwise published in the Federal Register. According to the Secretary's Office, no comments on any of the proposed systems of records were received from the public, the Office of Management and Budget or the Congressional committees that had received copies. Accordingly, proposed revisions and additions to the Privacy Act systems of records became effective as of June 9, 1997.

Commission policy

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 economy and efficiency in the administration of programs and operations, and to minimize the potential for fraud or abuse. We reviewed and commented on five draft internal rules concerning use of agency facilities, potential breaches of administrative protective orders, the system of internal rules, mass transit subsidy program, and emergency evacuation.

The Inspector General is also a member of the Directives Review Committee. Other members are the Director of Administration, who is the Chairman, and staff from the Offices of the Vice Chairman, General Counsel, and Management Services. The Committee has made significant progress in determining the status of directives, establishing tentative dates for revisions, and revamping the internal rules structure and process.

Policy for OIG

In support of the initiative to reduce and simplify agency policy, the OIG revised and updated three directives governing its internal policies. The directives were approved by the Chairman with an effective date of August 21, 1997. These are: USITC Directive 1026.1, OIG Mission and Functions Statement; USITC Directive 1702.1, Audit Follow-up; and USITC Directive 1703.1, Detecting and Preventing Fraud, Waste and Abuse.

Hotline/EthicsLine

In May 1997, the OIG established a toll-free EthicsLine that Commission employees can use to anonymously report allegations of fraud, waste and abuse. EthicsLine operated concurrently with the OIG Hotline, a dedicated phone line, until July 1, 1997. A pamphlet describing EthicsLine in more detail was distributed to all employees. Posters advertising EthicsLine were hung throughout the building.

EthicsLine greatly increased the level of service and degree of anonymity for callers. The Hotline was answered by OIG staff during working hours and an answering machine after hours. EthicsLine is staffed 24 hours a day, 7 days a week with trained personnel. Individuals who call EthicsLine are not asked to identify themselves, nor are calls recorded or traceable.

EthicsLine can be reached by calling 1-800-500-0333 or faxing information to 1-800-500-0993. EthicsLine reports allegations to the OIG within one business day of the call.



Former OIG Counsel Hilaire Henthorne hangs poster advertising EthicsLine.

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 Inspector 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.

IGnet

The IGnet was established in mid-1994 to collect and exchange information of interest to the Inspector General community. IGnet is also designed to meet the requirement to provide public access to information through use of electronic information systems. By 1996, IGnet was listed on the web site entitled "The Top Ten or So Most-Used Can't Live Without Them Web Sites for Journalists." In 1997, the "hit" rate on the IGnet was more than 300,000 a month.

During this reporting period, the IGnet's physical home moved from the Small Business Administration to the Department of Health and Human Services (HHS) and changed from a voluntary extracurricular activity to a funded function. The HHS Office of Inspector General agreed to become the permanent host for IGnet with PCIE/ECIE funding. The ECIE OIGs collectively contributed a hard drive for use by the IGnet. We participated in this purchase.

The OIG posted its first document on the IGnet this period – the semiannual report for the six month period ending March 31, 1997. The report may be accessed on the IGnet at www.ignet.gov. The report is also linked to the Commission's homepage.

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. The General Accounting Office initiated one review during this period entitled: Non-Chief Financial Officer Agency Profiles. This review is in the information gathering stage.

INFORMATION REQUIRED BY THE 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) One matter was referred to prosecutorial authorities. There were no prosecutions or convictions.
- (5) No reports were made to the Chairman that information or assistance requested by the Inspector General was unreasonably refused or not provided.
- (6) No audit reports were issued 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:

Vulnerability Assessment of the Commission's Automated Information Systems

Report No. 4-97
September 25, 1997

Findings:

Within the limited parameters of this assessment, we were unable to obtain unauthorized access to the Commission's internal network through either the publicly accessible Internet gateway or telephone connections. However, certain vulnerabilities were identified that could potentially be exploited to obtain such access. We suggested that the Director of Information Services implement the recommendations made in the vulnerability assessment report in order to more fully secure the Commission's automated information systems.

OIS took immediate action on some recommendations. They disabled all unneeded CGI programs, the FINGER service, the VRFY service, and netbios protocol service.

Examination of Reported Changes in Commission Ratios of Supervisors to Employees

Report No. 5-97
September 29, 1997

As of June 1997, the Commission's supervisory ratio was 1-to-4.7 based upon the number supervisory positions designated in accordance with the definitions set forth in Federal law and regulations. This ratio is less than the government-wide ratio 1-to-7 and far less than the 1-to-15 ratio suggested by the National Performance Review. The ratio has remained basically unchanged since 1993 and was not affected by the Reduction-in-Force. We suggested that certain positions be reviewed to ensure supervisory positions are properly designated.



As of June 1997, the Commission had 4.7 employees for every supervisor.

Table 1

REPORTS WITH QUESTIONED COSTS

	Number of Reports	Dollar Value	
		Questioned Costs	Unsupported 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

REPORTS WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE

	<u>Number of Reports</u>	<u>Dollar Value</u>
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

*Photographs in this semiannual report
were taken by
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