

U.S. International Trade Commission

Audit of Off-Site Facilities



OIG-AR-17-02

November 4, 2016



Office of Inspector General

The U.S. International Trade Commission is an independent, nonpartisan, quasi-judicial federal agency that provides trade expertise to both the legislative and executive branches of government, determines the impact of imports on U.S. industries, and directs actions against certain unfair trade practices, such as patent, trademark, and copyright infringement. USITC analysts and economists investigate and publish reports on U.S. industries and the global trends that affect them. The agency also maintains and publishes the Harmonized Tariff Schedule of the United States.

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UNITED STATES INTERNATIONAL TRADE COMMISSION

OFFICE OF INSPECTOR GENERAL

WASHINGTON, DC 20436

November 4, 2016

IG-OO-33

Chairman Williamson:

This memorandum transmits the Office of Inspector General's final report, *Audit of Off-Site Storage Facilities*, OIG-AR-17-02. In finalizing the report, we analyzed management's comments to our draft report and have included those comments in their entirety as Appendix A.

This audit focused on whether the Commission was effectively managing its off-site storage facilities, by storing only those assets that were necessary and at a reasonable cost.

We identified three problem areas and issued 11 recommendations. In the next 30 days, please provide me with your management decisions describing the specific actions that you will take to implement each recommendation.

Thank you for the courtesies extended to my staff during this audit.

Philip M. Heneghan
Inspector General

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 Appendix 1: Management Comments.....A

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Results of Audit

The purpose of this audit was to answer the question:

- Did the Commission effectively manage its off-site storage facilities?

No. The Commission did not effectively manage its off-site storage facilities.

For the purpose of this audit, “effectively manage” was defined as the Commission storing only those assets that are necessary and at a reasonable cost.

We identified two off-site storage facilities for review. The first facility was a warehouse, located in District Heights, Maryland used to store excess furniture, supplies, and building materials (“warehouse”). The warehouse is also used as a staging area for surplus equipment being transferred to the United States Department of Agriculture’s Centralized Excess Property Operations warehouse for disposal. We found that the Commission did not effectively manage this facility. We found that the warehouse space exceeded the needs of the Commission’s inventory and many of the items stored at the warehouse were unnecessary and obsolete. We also identified oversight problems with managing the inventory of the assets stored in the warehouse.

The second facility was located in Warrenton, Virginia, and included two units at a CubeSmart self-storage company (“CubeSmart”). The units were used to store legacy foreign trade publications from the Commission’s main library collection. We found the library’s CubeSmart space was fully utilized and the annual costs of the units were reasonable. We did not opine on the value or necessity of the books, and relied on the results of an evaluation performed by Commission staff familiar with the subject matter at the time the books were moved to storage. The library did effectively manage its CubeSmart location based on the definition. We did find areas for improving the management of the facilities, as well as a risk related to the potential loss of assets due to a HVAC unit in the ceiling of one of the storage areas. We also identified a procurement-related problem that is being addressed separately in a letter to management.

These issues are explained in the three problem areas we identified: 1) the Commission did not effectively manage its inventory; (2) The Commission did not effectively monitor its space; and (3) the Commission did not have effective internal management reporting.

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Problem Areas

Problem Area 1: The Commission did not effectively manage its inventory.

The Commission is responsible for managing its inventory to account and safeguard its assets, understand turnover and frequency of use to maintain proper inventory levels, and to dispose of unnecessary items to reduce space requirements.

Warehouse Inventory Management

As part of the audit, we reconciled the barcode data from the inventory management system to actual items in the warehouse. We found that the inventory list was not complete or accurate. We were unable to locate 36 items from the list that were supposed to be in the warehouse. We found 43 furniture items in the warehouse that were not on inventory list. We also found a section in the warehouse that contained system furniture that was not barcoded. The inconsistencies resulted because the Commission did not perform reconciliation of data entered into the inventory management system and did not provide proper oversight of inventory activities. In addition, we found that the Commission did not maintain an inventory of non-furniture items, such as pallets of carpet tiles, flooring, and office supplies. If the Commission cannot account for the assets they have, then they do not know what is missing. The lack of internal control over the warehouse inventory is a fraud risk that provides “opportunity” for the potential loss of assets.

We also found that the Commission was storing unnecessary items at the warehouse that should have been disposed of—for example, wheel writer ribbons, USITC promotional backpacks, a garage door opener kit, and boxes of print copies of the Harmonized Tariff Schedule. There were also three brand new bookcases, purchased years ago and stored in the warehouse because the depth of the shelves was too shallow for the requestor. Because the warehouse space is so large and the availability of storage space is not an issue, there is no incentive for the Commission to monitor its inventory to dispose of obsolete and unnecessary items. As a result, the Commission paid to store many items that were not being used.

We also requested information on the turnover of items from the warehouse. The Commission’s inventory management system could only provide dates related to when the record was created and the last date the record was updated. The Commission should have information to monitor how long items have been sitting on shelves and understand the turnover of frequently used items to manage its space efficiently and to determine whether they are maintaining the proper inventory items.

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CubeSmart Inventory Management:

We requested an inventory of the publications stored at the CubeSmart location to verify the items in the storage units. We were provided with an excel spreadsheet that had 231 rows that contained individual titles, however there were many holdings per title. When we requested more detailed information on the inventory, we were told we would need to look at the full bibliographic record to understand the frequency of the publication and any deviations. We could not confirm how many actual books or publications were in the storage units.

We also requested information on the number of instances retrieval services were provided from the CubeSmart location. There were no records to identify how many times a publication was retrieved from the storage units to support Commission work. Due to the nature of the publications, we did not opine on the necessity of the assets however, management should have historical information on the frequency of use to assist in making informed decisions on space and asset management.

Recommendation 1: The Chief Administrative Officer assess the current inventory holdings and dispose of unnecessary items.

Recommendation 2: The Chief Administrative Officer develop a process to monitor and reconcile the data in the inventory management system.

Recommendation 3: The Chief Administrative Officer modify the Commission's inventory management system to collect data on the frequency and use of warehouse inventory items.

Recommendation 4: The Director of Operations maintain an itemized inventory of assets stored off-site.

Recommendation 5: The Director of Operations develop a system to track retrieval services provided from off-site locations for Commission work.

Problem Area 2: The Commission did not effectively manage its space.

The Executive Office of the President of the United States issued the National Strategy for Efficient Use of Real Property in 2015 to "improve the efficiency and cost effectiveness of Federal office and warehouse space." The strategy focuses on identifying opportunities to reduce and promote the more efficient use of the Federal office and warehouse footprint through asset disposal and better space utilization.

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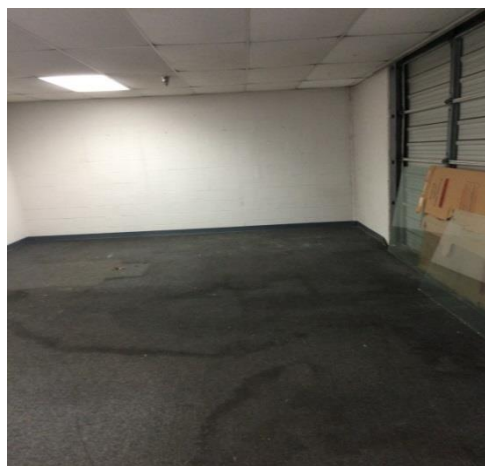
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Warehouse Space Management

The Commission leases a 7,138 square foot warehouse in District Heights, Maryland through the General Services Administration, at an estimated annual cost of \$80,857.92 to store furniture, equipment, supplies, and building materials. The warehouse also serves as a staging area for surplus furniture and information technology equipment that will be transferred to the United States Department of Agriculture Centralized Excess Property Operations (USDA-CEPO) for disposal.

During our site visit to the warehouse, we found that the Commission was not managing its space to reduce the size of its footprint or to minimize the costs for off-site storage. We found empty rooms, empty shelves, partially filled shelves, and unused floor space throughout the warehouse.

We estimated that one section of the warehouse that included empty rooms and unused space accounted for about 22% of the total space. The Commission was paying approximately \$17,700 each year for the space that was not being used.



Management explained they had been aware of the underutilized space at the warehouse for several years, but had decided to wait until after the building lease expired before making any decisions to reduce the warehouse space.

The Commission is currently in the process of negotiating a new contract for warehouse space through the General Services Administration. The Commission has requested a 43% reduction in square footage for the new warehouse lease. The 43% reduction in space was determined by guessing what the Commission's future warehouse needs would be and was not based on any actual data or formal analysis. As a result, there is no assurance that the reduction will efficiently meet the warehouse needs of the Commission nor that additional space will not be needed.

CubeSmart Space Management

Our visit to the CubeSmart location found that both units had two sets of shelving that were filled to capacity. In addition, there were books stacked on the floors of each unit and on the top of each shelf. Although the storage units were full, we did observe some minor water damage related to the HVAC system in one of the units. There was also exposure to the outside from a hole in the right hand corner of the unit. The Commission

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had taken steps to protect the books by placing plastic over the books that sit beneath the HVAC unit and also performs visual site inspections of the unit after major storms. While both of these steps may lessen the impact of future damage, there is still a risk that the rare books could be ruined by water, if there were another problem with the HVAC unit.

Main Library Space

We also made several visits to the Main Library to determine if the existing space was being fully used to offset the need for off-site storage units at the CubeSmart location. The main library had several sitting areas and a computer kiosks area, which we never observed anyone using. When we questioned how often these common areas were used, we were unable to get a definitive response and were told the use was infrequent.



The evolution of technology and wide availability of information on the internet has changed how research is performed and how physical space is used. Staff now has access to most publications, e-books, subscriptions, and other reference material from their desktop. These underutilized common areas could be renovated to provide more storage for the library titles currently stored at the CubeSmart location.

The Commission's main library faces a potential space reduction, while at the same time, consolidating resources with the law library. The Commission needs to use its existing physical space efficiently and continue to consider how advances in technology will affect future library holdings and library usage.

Recommendation 6: The Chief Administrative Officer confirm the Commission's warehouse space requirements based on actual data.

Recommendation 7: The Director of Operations assess the use of space in the main library to determine if common areas should be eliminated to increase on-site storage capacity.

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Problem Area 3: The Commission did not have effective internal management reporting.

The Government Accountability Office's Standards for Internal Control in the Federal Government (Green Book), issued September 2014, states that "management should obtain relevant data from reliable internal and external sources in a timely manner to make informed decisions and evaluate the entity's performance in achieving key objectives and addressing risks."

During the performance of this audit, we requested documentation from the Office of Security and Support Services, the Library Division, the Office of the Chief Information Officer, and the Office of Procurement. We found either the Commission did not have the information, or the information provided could not be relied on because it was not complete, accurate, or relevant. Some specific examples include:

- The Inventory Management System data was not accurate, did not consistently collect cost data, did not include non-furniture assets, and did not track items from the date of acquisition through disposal.
- The Storage Titles spreadsheet did not provide an actual count of each book maintained in the CubeSmart storage units.
- The Office of Security and Support Services and the Library Division could not provide information on the frequency of use of items stored.
- The security event logs provided by the Office of the Chief Information for the three public use computer kiosks showed that the computers were not used, but the information could not be relied upon to assert long term use due to time period limitations of data.
- The USITC Form 110A, Use of Offsite Transfers Only, was not properly completed (missing barcodes and used for onsite transfers).
- Fleet Management Log records contained inconsistent data based on the number of miles recorded and the corresponding location visited.

The lack of relevant and reliable internal management reports prevents management from making informed decisions about their operations. Management must collect the right information in order to measure performance and report on the efficiency or effectiveness of its operations. Without sound, reliable data, management cannot substantiate assertions related to performance, levels of services provided, budget requests, space requirements, or increased staffing needs.

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Recommendation 8: The Chief Administrative Officer modify the Inventory Management System to track asset movement from the point of purchase through disposal.

Recommendation 9: The Chief Administrative Officer develop a process to monitor source documents (USITC Form 110A, fleet management logs, disposal records, and contractual documents) for accuracy and completeness.

Recommendation 10: The Chief Administrative Officer develop a process to reconcile the data in the inventory management system to the source documentation.

Recommendation 11: The Director of Operations develop a process to measure the frequency of use of library resources.

Management Comments and Our Analysis

On October 20, 2016, Chairman Williamson provided management comments on the draft report. He agreed with the findings and will develop management decisions that address the recommendations from the report.

Objective, Scope, and Methodology

Objective: Does the Commission effectively manage its off-site storage facilities?

For the purpose of this audit, “effectively manage” is defined as the Commission storing only those assets that are necessary and at a reasonable cost.

Scope: We identified two facilities that we would review during the performance of this audit, the USITC warehouse located in District Heights, Maryland, that is managed by the Office of Security and Support Services and the CubeSmart storage units located in Warrenton, Virginia, that is managed by the Office of Operations. The audit was performed from June through September 2016. The scope was increased after the start of the audit to include a review of space within the Commission due to the similarities of usage of the space. The first space was the Main Library, where the Commission keeps the rest of its book collection, and the second space was the P1 storage area that is used to store miscellaneous supplies and furniture.

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Methodology:

- Interview staff to gain understanding of usage of facilities;
 - obtain and verify inventory data;
 - review documentation of receiving, retrieval, and disposal of assets;
 - perform site visit;
 - obtain and review contract data;
 - obtain and review cost data; and
 - perform analysis of data.
-

GAGAS Statement

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

APPENDIX A: Management Comments on Draft Report



UNITED STATES INTERNATIONAL TRADE COMMISSION

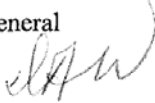
WASHINGTON, DC 20436

C081-OO-007

October 20, 2016

MEMORANDUM

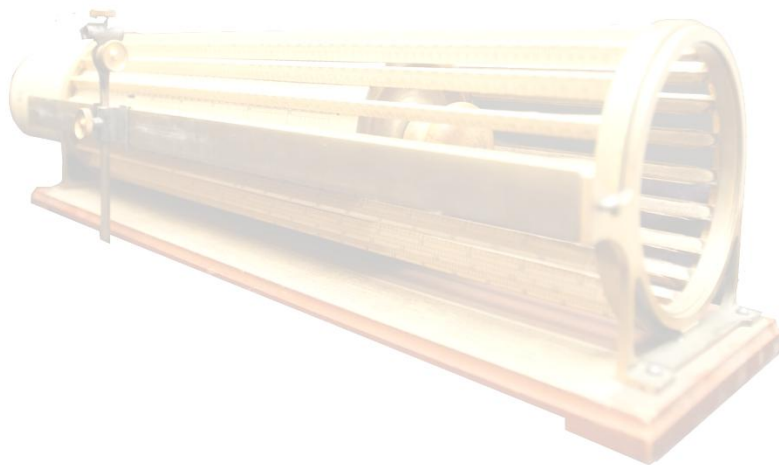
TO: Philip M. Heneghan, Inspector General

FROM: Irving A. Williamson, Chairman 

SUBJECT: Response to Draft Report – Audit of Off-Site Storage Facilities

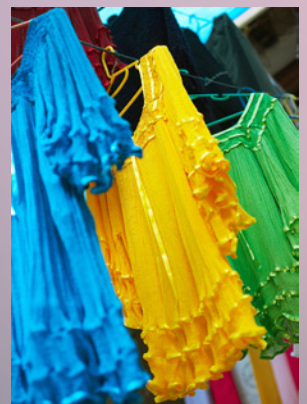
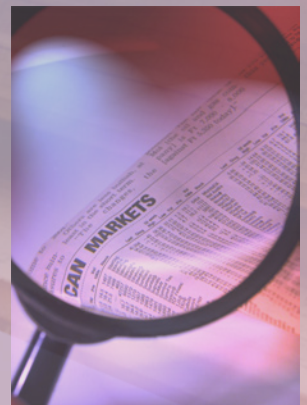
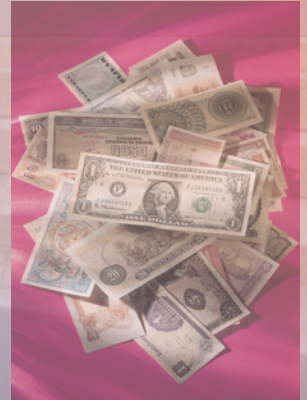
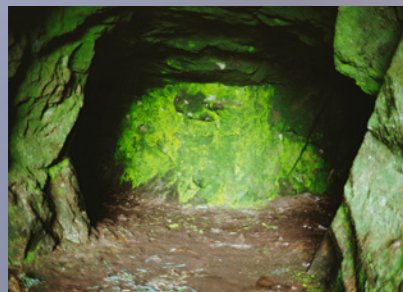
We have reviewed the draft report of the audit of off-site storage facilities. I appreciate the opportunity to review the report and provide comments.

The draft report identified three areas for improvement for the Commission, (1) management of its inventory, (2) monitoring of its space, and (3) internal management reporting. We agree with these findings and we will develop management decisions to address the 11 recommendations in the draft report.



“Thacher’s Calculating Instrument” developed by Edwin Thacher in the late 1870s. It is a cylindrical, rotating slide rule able to quickly perform complex mathematical calculations involving roots and powers quickly. The instrument was used by architects, engineers, and actuaries as a measuring device.

To Promote and Preserve the Efficiency, Effectiveness, and Integrity of the U.S. International Trade Commission



U.S. International Trade Commission
Office of Inspector General
500 E Street, SW
Washington, DC 20436

Office: 202-205-6542
Fax: 202-205-1859
Hotline: 202-205-6542
OIGHotline@USITC.GOV