Office of
INSPECTOR GENERAL

Semiannual Report

October 1, 1997 - March 31, 1998

UNITED STATES INTERNATIONAL TRADE COMMISSION

April 1998

INSPECTOR GENERAL

UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, D.C. 20436

April 30, 1998

TO: THE COMMISSION AND THE UNITED STATES CONGRESS

I hereby submit this *Semiannual Report: October 1, 1997 - March 31, 1998,* 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 three audit reports addressing a major Commission program area and topics of current government wide interest. We initiated eight new investigations and closed eight investigations; several cases resulted in administrative actions and improved procedures. We reviewed legislation, regulations and internal directives, and served on the Directives Review Committee.

We conducted an **Evaluation of 332 Investigations** and found that the Commission was achieving the desired result of producing a report that addressed the request or statutory requirement within the agreed upon or mandated time frame. We identified several ways to improve the process and assure Commission compliance with Federal regulations. Immediate action was taken on several recommendations. In February 1998, the Office of the United States Trade Representative established new procedures for coordinating the handling of requests for section 332 investigations. In March 1998, the United States Trade Representative provided updated guidance regarding the national security classification of all or portions of reports requested.

We also completed a **Review of the Commission's Implementation of Simplified Acquisition Procedures** to determine what changes the Commission had made to policies and procedures pursuant to the Federal Acquisition Streamlining Act (FASA). We found that Commission guidance does not reflect revised acquisition thresholds and simplified acquisition procedures, and procurement policies do not promote FASA streamlined processes or the use of the purchase card. We made specific recommendations on how the Commission could formulate an agency acquisition policy that reflects both the letter and intent behind acquisition streamlining legislation. This policy would replace the current multi-approval, paper-intensive process.

The OIG completed several efforts related to the **Government Performance and Results Act.** We conducted an inspection of the Commission's Performance Measurement Goals. We found that some goals were not defined or expressed in tangible, measurable objectives as required by the Results Act. Also, responsibility for measuring the goals has not been clearly designated and, even when responsibility was accepted, office directors usually had not developed plans for collecting data. Data were available for measurement of most goals, but were not in a format that we could evaluate to determine whether the Commission was actually achieving its goals.

The OIG completed several other efforts related to the Results Act. Our comments on H.R. 2883, "Government Performance and Results Act Technical Amendments," were incorporated into a consolidated response by the Inspector General community. These comments resulted in substantial changes to the original provisions of the bill. In February 1998, the Inspector General was on a panel "Benchmarking for Success: Implementing GPRA" and spoke about her experience with preparing an OIG Strategic Plan and reviewing the Commission's Strategic Plan.

OIG investigations also had significant results this period as follows:

-- In the prior period, we reported on an investigation of an employee who did not serve on a jury as claimed. He was absent without leave for five days and had made multiple false statements concerning his absences. Based on our findings, the employee was suspended for 21 days.

-- A document determined to contain Confidential Business Information in a pending Commission investigation was found in an unsecured desk and office. The responsible employee was given an oral reprimand.

-- In November 1997, the OIG began investigating abuse of the Commission's car pool subsidy program. Based on the preliminary results of the OIG investigation, to date, five Commission employees have withdrawn from participating in the Commission's car pool program, and three have revised their application. The Commission revised the program in order to deter fraud and abuse and required participants to reapply in April 1998.

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.

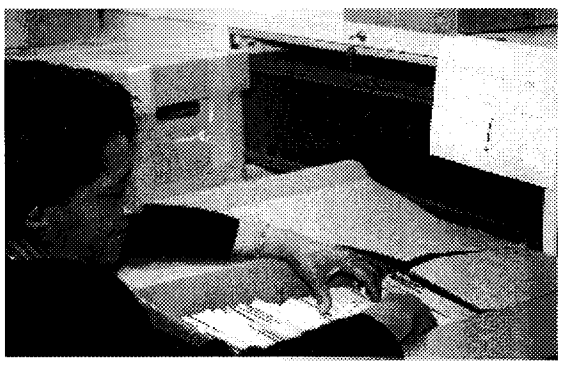
The Commission conducts investigations under several statutory provisions, generally upon petition or complaint, with respect to the impact of imports on U.S. industries. The Commission also provides advice and information, upon request, to the President and the Congress on tariff and trade matters. 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 of the immediately preceding term. Three Commissioner positions currently are filled.

Commissioner Don E. Newquist announced his resignation from the Commission effective January 31, 1998. Mr. Newquist was nominated by President Reagan in January 1988 to fill a vacancy on the Commission and was appointed to a nine-year term in October 1988.

The Commission has an authorized staffing level of 502 permanent positions in FY 1998 of which 385.5 positions are funded at the $41.2 million level. All of its employees are located in one building at 500 E Street, SW, Washington, D.C.

More information concerning the Commission may be obtained at http://www.usitc.gov.



Ophelia McCardell, who provides support services throughout the Commission, assists with the OIG move during the Commission's repaint/recarpet project

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. The Inspector General also recommends and comments 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 1998

An appropriation was enacted on November 13, 1997, which includes $41,200,000 for the salaries and expenses of the International Trade Commission for FY 1998. In the FY 1998 expenditure plan adopted on December 2, 1998, the OIG was allocated $50,000 for audit and review services.

The final staffing plan, dated March 2, 1998, authorized three full time equivalent positions for permanent staff in the OIG based on a funding level of 385.5 positions. This eliminated the excess staffing situation that existed in FY 1997.

Dev Jagadesan joined the OIG staff
as Counsel to the Inspector General
on October 26, 1997

Sharon Smith, the OIG staff assistant, was detailed to the Office of Equal Employment Opportunity as of February 2, 1998, and reassigned to that office effective March 29, 1998.

AUDIT ACCOMPLISHMENTS

Audits and Reviews

Two audit reports were issued during this period. They were:

-- IG-01-98, **Evaluation of 332 Investigations**; and

-- IG-02-98, **Review of Commission's Implementation of Simplified Acquisition Procedures.**

The audit reports are summarized in Attachment B.

As of April 1, 1998, ongoing audits include:

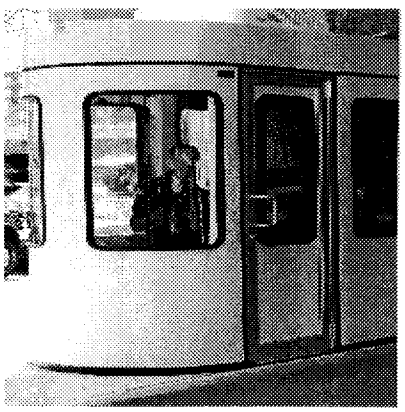
-- Commission's Response to Anticipated FY 1996 Appropriations; and

-- Wage Payments by Associated Management Services, Inc.

Audit Follow up

In March 1998, pending actions on five audit reports were completed. Three of these were identified in the prior semiannual report because the agreed-upon actions had not been completed within one year. One additional report joined that category this period.

IG-01-96, Audit of the LAN Operations. Management agreement was reached on this report on March 15, 1996. Actions completed this period included updating the LAN Administrator Procedures Manual; preparing an ITC Net Security Plan that was reviewed by an independent consultant for compliance with federal regulations; establishing policy and preparing an initial inventory to identify and categorize commercial software on agency systems; testing the ITC Disaster Recovery Plan and correcting a number of points of contact and telephone numbers; and participating in the development of an ITC directive on the use of agency facilities that addressed the authorized use of computer facilities for non-official purposes.



IG-02-96, Review of Building Security. Management agreement was reached on this report on April 30, 1996. Actions completed this period included gaining control over the parking garage; and fully implementing use of x-ray machines and magnetometers located at the main entrance to the building and the loading dock entrance.

IG-03-96, Audit of the USITC Imprest Funds. Management agreement was reached on this report on August 30, 1996. Actions completed this period included canceling the outdated directive on imprest fund operations and issuing an administrative announcement with current procedures.

IG-01-97, Analysis of the USITC's Privacy Act System of Records. Management agreement was reached on this report on March 19, 1997. Actions completed this period included issuing a proposal to amend the Commission rules, revising ITC forms to include a Privacy Act statement, and issuing an administrative announcement to provide employees information about how the Commission maintains certain forms and records that contain Privacy Act Information.

IG-02-97, Audit of the USITC Financial Statements for Fiscal Years 1996 and 1995. Management agreement was reached on this report on March 31, 1997. Actions completed this period included conducting a physical inventory of property, reconciling the fixed asset records, and issuing instructions to cost center managers on the use of a new stamp for the receipt of goods and services.

INSPECTIONS

Reports Issued

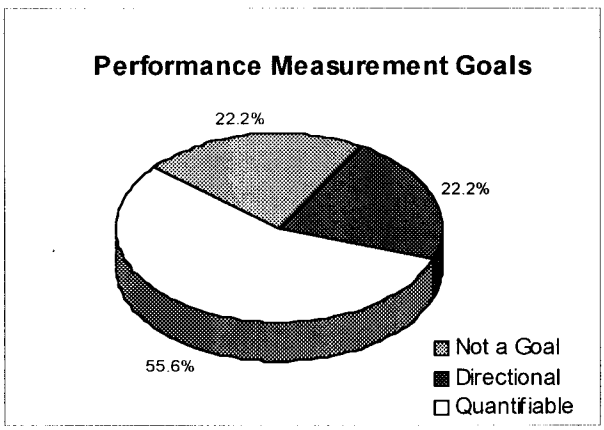
During this period one inspection report was issued.

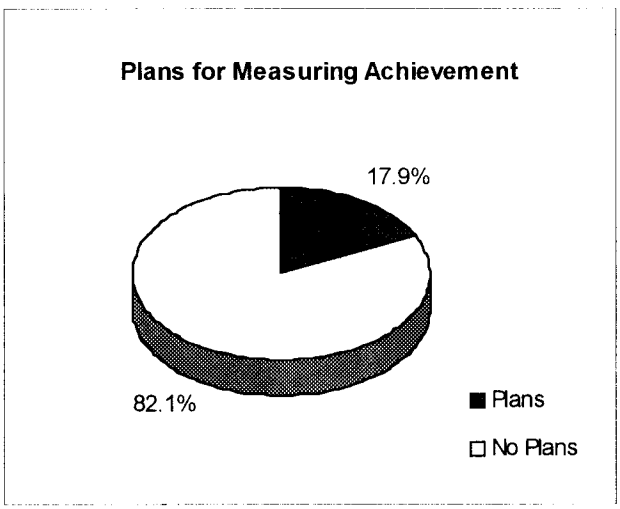
Report No. 1-98 Review of the Commission's Performance Measurement Goals

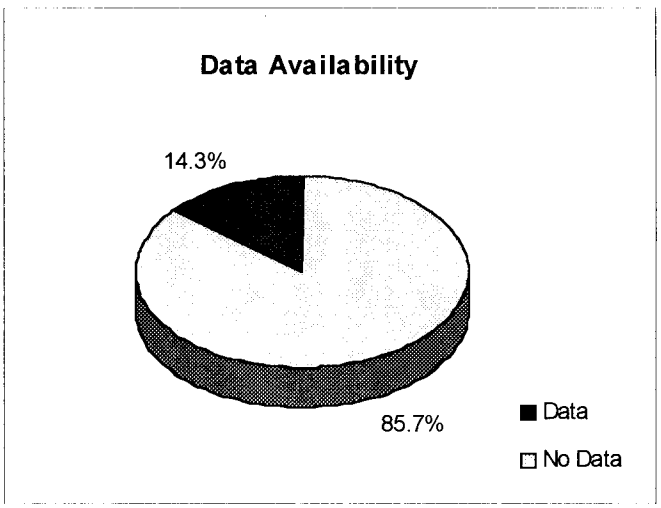
Results Act

We initiated this inspection in December 1997 to evaluate the adequacy of the Commission's plans and preparations for measuring performance, the ability to accurately report on the performance measurement goals contained in the 1997 Strategic Plan, and the achievement of those goals to date.

We found that some goals were not defined or expressed in tangible, measurable objectives. Responsibility for measuring the goals has not been clearly designated and, even when responsibility was accepted, office directors usually had not developed plans for collecting data. Data were available for measurement of most goals, but were not in a format that we could evaluate to determine whether the Commission actually was achieving the goals.







FRAUD, WASTE AND ABUSE

Investigations

A summary of investigative activity is presented below:

Open 10/01/97	6
Initiated	+ 8
Total	14
Closed	- 8
Open 03/30/98	6

Six investigations were open at the beginning of this reporting period. Eight new investigations were initiated during this reporting period. Two of the investigations were open as of September 30, 1997 and six of the new investigations were closed during this reporting period. These involved improper overtime authorization, absence for jury duty, improper handling of confidential business information, improper use of the agency van, abuse of E-mail, private use of Commission mail, accuracy of overtime paid and identification of employee grade and step levels.

Six investigations remain open. These involve appropriateness of supervisory ratios, reimbursement of program functions, procurement of an economic model, wage payments, purchase of business card supplies, and abuse of the car pool subsidy.

CBI Violation

A document determined to contain Confidential Business Information (CBI) in a pending Commission investigation was found in a desk. That desk at various times, as a result of Commission renovations, was left unsecured and was temporarily moved into unsecured environments.

This matter was referred to the Director of Administration. Upon determining who was responsible, the employee was given an oral reprimand for improperly handling CBI.

When not in use and at the close of each day, CBI must be stored in a steel filing cabinet or, when justified, in a secured office Under no circumstances can CBI be left unsecured

(USITC Directive 1355)

Jury Duty

In the last semiannual report, we described our investigation of an employee who claimed to have served on a jury for five days, but in fact was dismissed by the court after one day. The employee was absent without leave for five days and had made multiple false statements concerning his absence.

Based on our findings, the employee was suspended for 21 days. The employee began serving his suspension on November 2 and returned to work on November 23, 1997. The employee subsequently appealed the suspension to MSPB on December 2, 1997. The employee withdrew his appeal on March 10, 1998.

Vehicle Use

The OIG observed an occasion in November 1997 when the Commission van was used to take Commission employees to a luncheon that was predominantly personal in nature. The Commission's Directive on the use of the Commission's vehicle, which prohibited such use, was canceled in 1996. We concluded that no costs needed to be recouped in this case due to the de minimis amount involved but that a Directive should be promptly issued governing the rules and procedures for using the Commission's vehicle. On March 23, 1998, the Commission issued an Administrative Announcement governing the use of agency vehicles.

Drivers Johnny Davis and West Otis
with the agency sedan and van

Car Pool

In November 1997, the OIG began investigating abuse of the Commission's car pool subsidy program. The investigation covered car pool applications for the July - December 1997 and the January - December 1998 time periods. The preliminary results of the OIG investigation are that some employees were potentially fraudulently participating in the car pool program, some employees were misrepresenting criteria that would affect their ranking in the program, and some employees were unaware of the requirements of the program. A check of the records at 33 agencies revealed that 22 of the 56 riders had some significant error on the Commission's car pool application or were participating in some type of commuter subsidy program within their own agency. Five Commission employees to this date have withdrawn from participating in the Commission's car pool program, and three have revised their applications.

As a result of the OIG's preliminary recommendations, the Commission revised the car pool program in order to deter fraud and abuse. A revised application warning of the penalties for making false statements to the government was developed. Participants reapplied in April under new guidelines limiting rider participation to full-time riders.

EEO Reimbursements

We conducted an investigation to determine 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. The Report of Investigation presenting our findings was issued to the Commission on September 30, 1997.

The Director of Administration agreed to formulate an internal rule on eligible EEO expenses which has not yet been developed. We suggested that USITC Directive 3602.1, Imprest Fund Claims and Advances, be revised to set forth which employees are responsible for knowing what constitutes an eligible expense and for attesting to the eligibility of the expenses. USITC Administrative Announcement FY 98-10, Imprest Fund Operations, dated March 23, 1998, which established procedures for obtaining advances and reimbursement from the imprest fund, partially addressed our suggestion.

Additionally, we recommended that the Director of EEO be reimbursed for the expense of an Irish Band. The Director of OFB disagreed that this was an eligible expense. Therefore, OIG and Director of OFB each requested a GAO opinion on the reimbursement. On March 4, 1998, a GAO Attorney stated the opinion regarding this expense would be written within the next couple of months.

Telephone Use

In August 1996, the OIG issued a Report of Investigation on a case of telephone misuse and OIG Inspection Report 15-96, Implementation of Commission Policy on Use of Telephones. In the latter report, we suggested that the Commission policy on payments for unauthorized personal calls be clarified. In accordance with Federal Property Management Regulations, the amount due should be calculated using the commercial rate and an administrative fee per call.

The Commission clarified the policy on unauthorized personal use of telephones in Directive 3551.0, Use of Agency Facilities, issued on March 3, 1998. The Directive authorizes the collection of an administrative fee per call for unauthorized personal calls. The fee was established as $.35 per call in Administrative Order 98-04 issued on March 4, 1998, unless the Office of Finance and Budget determines the fee is substantially different from $.35.

We objected to both the amount and the manner in which the $.35 was determined. Federal regulations state that figure must be calculated based upon an analysis of the cost of identifying and collecting the cost of the unauthorized call. The $.35 amount was selected rather than calculated. Additionally, the regulations state the fee is to be rounded to the nearest dollar. We believe this establishes a minimum charge of $1.00 per call as rounding down would result in no fee.

We previously reported that the Commission had routinely made offsets subject to the Debt Collection Act of 1983 and the Debt Collection Improvement Act of 1996 although it lacked its own regulations in this area. The Commission has operated under interim procedural rules for salary offset, administrative offset and tax refund offset published in the Federal Register on July 16, 1997. Final rules are anticipated to be published within several months.

Review of Legislation, Regulations, and Commission Policy

Legislation and Regulations

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 commented on House Resolution 2883 and reviewed two notices of proposed amendments to the Commission's rules of practice and procedure.

Results Act

In December 1997, OIG commented on H.R. 2883, **"Government Performance and Results Act Technical Amendments"** which would have required IG's to conduct audits of program performance reports every three years. OIG noted the additional burden the amendments would place on Inspectors General as a whole. Additionally, OIG suggested that the audit requirement be changed to a single audit, and the necessity of future audits be left to the discretion of the Inspector General. These comments were incorporated into a consolidated response. The bill, as passed on March 12, 1998, was consistent with the comments submitted and included substantial changes to the original provisions affecting OIGs.

Proposed Rule

Revision of Public Notice, Freedom of Information Act, and Privacy Act Regulations, and Implementation of Electronic Freedom of Information Act Amendments of 1996. In the prior semiannual report period, 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 incorporated the OIG recommendations in Report No. IG-01-97. The revised notice of proposed rulemaking was issued on November 7, 1997, without the amendments to part 200 on Employee Conduct. The Commission did not receive any comments by the close of the comment period on December 16, 1997. The draft notice of final rulemaking was approved by the Commission on April 23, 1998.

Sunset Reviews

Amendments to Parts 201 and 207 of Commission Rules of Practice and Procedure. On October 6, 1997, the OIG reviewed the notice of procedures for the conduct of five-year reviews of antidumping and countervailing duty orders and suspension agreements and provided comments. Most significantly, the OIG said that the draft rule needed to state how the comments received would be made available for rebuttal comments. On October 23, 1997, the Commission published the Notice of Proposed Amendments; the OIG comments were satisfactorily incorporated.

Commission Policy

The Inspector General also has the responsibility to review all proposed Commission directives. The OIG evaluates 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. OIG reviewed and commented on seven draft internal rules concerning use of agency facilities, agency forms and records, imprest fund operations, use of agency vehicles, system of internal rules, property management and the car pool program. Additionally, OIG reviewed the mission and functions statements for all Commission offices.

As previously reported, the Offices of Administration, Management Services and Information Services and the OIG have made a substantial effort in preparing new

policy guidance to help correct the recurring problems with property management. Final issuance of USITC Directive 3550.3, Property Management, was deferred pending development of an internal rule on safeguarding Automated Data Property (ADP) equipment. A draft Administrative Notice on ADP Inventory Procedures was circulated to office directors for comment. A physical inventory, which was needed in order to implement the changes in the new policy and procedures, was completed in March 1998.

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 revising the internal rules structure and process. A draft directive was sent to the Commission for comment in March 1998. The Committee also reviewed the mission and functions statements for each office and made recommendations for improvements and standardization. These statements are undergoing final revisions before Commission review.

Policy for OIG

In the prior reporting period, the OIG revised three directives governing its internal policies. This period, the OIG adopted responsibility for converting one administrative order on review of legislation and regulations into a directive. Directive 1704, Review of Legislation and Regulations, was drafted, distributed to the office directors and Commissioners for comment, and sent to the Chairman on March 30, 1998, for approval.

The OIG also revised its Mission and Functions Statement. Although the Directive was issued on August 21, 1997, a revision was made to conform to the decision to standardize various aspects of the mission and functions statements for each office.

LIAISON ACTIVITIES

ECIE/PCIE

The Inspector General is an active member of the Inspector General community. She is a member of the Executive Council on Integrity and Efficiency (ECIE), which consists primarily of the Inspectors General at the 34 Federal entities designated in the 1988 amendments to the Act. She also participates in activities sponsored by the President's Council on Integrity and Efficiency (PCIE), which consists primarily of the Presidentially-appointed Inspectors General. The ECIE and PCIE have identical functions and joint responsibility to promote integrity and efficiency and to detect and prevent fraud, waste, and abuse in Federal programs.

In February 1997, the Inspector General attended the PCIE/ECIE retreat. She was one of four speakers on a panel **"Benchmarking for Success: Implementing GPRA."** She summarized her experience with preparing an OIG Strategic Plan and reviewing the Commission's Strategic Plan into six lessons learned.

LESSONS LEARNED ON STRATEGIC PLANNING

1. Keep It Simple
2. Do not Limit Goals to What You Can Control
3. Identify Primary (not all) Customers
4. Limit Use of Customer Surveys
5. Build on Current Data Systems
6. Increase OIG and Agency Interface

The OIG also participated in numerous surveys conducted by the PCIE/ECIE. Three efforts had the most significance. She provided input on the effect of a Court holding that would unduly interfere with the ability to conduct investigations of fraud, waste, and abuse by restricting access to employees. She identified nine topics for consideration as proposals for legislative initiatives for changes in the Inspector General Act. She assisted the Inspector General of the Federal Trade Commission in preparing a response to the language proposed by the AICPA's Ethics Committee on the independence of government auditors.

Hotline/EthicsLine

OIG continued its use of EthicsLine to monitor hotline calls and faxes 24 hours a day, 7 days a week. EthicsLine has been successful and economical. To remind employees of EthicsLine existence and function, an administrative announcement was issued in November 1997 with a card that could be detached.

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.

In February 1998, the Commission began hosting several web pages containing general information about OIG on its Internet server . The web pages include the Mission and Functions of the OIG and Hotline contact information. We also established an E-mail hotline that can be accessed through the Internet. The E-mail address, which is IGHotline@usitc.gov, is posted on the Commission's web site.

Any one with Internet access can send an E-mail message to OIG. Visitors to the site are reminded that E-mail messages can be monitored. A disclaimer is posted warning anyone using the E-mail hotline that their messages potentially lose their anonymity and consequently they agree to waive their confidentiality. Therefore, the traditional methods of contacting the OIG hotline are also posted, should confidentiality be an issue.

Inter/IntraNet

Information about the OIG also may be directly accessed on the IGnet at www.ignet.gov or on www.usitc.gov/oig which contains several links to various areas of the IGnet for more in-depth information and OIG reports. The IGnet is also linked to the Commission's homepage.

In March 1998, the OIG began posting audit and inspection reports on the Commission's Intranet. Thus, all Commission employees now have access to Audit and Inspection Reports via their computers.

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 four reviews during this period. These were on Safeguards Available to US Agricultural Producers, the Inspector General Community, Economic Import of Coastwise Trade Laws, and China's Accession to the World Trade Organization.

GAO issued two reports entitled:

-- Assistance Available to U.S. Agricultural Producers under U.S. Trade Law; and

-- Maritime Issues: Assessment of the ITC's 1995 Analysis of the Economic Impact of the Jones Act.

These reports included no recommendations for the Commission.

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. See page 3 discussion on Audit Followup.

(4) No matters were 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) A listing by subject matter is located in Attachment C.

(8), (9) Two audit reports were issued during this period; 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 were no significant management decisions with which I am in disagreement.

SUMMARY OF AUDIT REPORTS

Title: **Evaluation of 332 Investigations**

Report Number: IG-01-98

Report Date: February 27, 1998

Findings: The objective of this evaluation was to determine (1) whether the desired results in conducting section 332 investigations were being achieved, (2) the effectiveness of the process, and (3) compliance with applicable laws and regulations.

We found that section 332 investigations were achieving the desired result of producing a report that addressed the request or statutory requirement within the agreed upon or mandated time frame. We identified several ways to improve the process and ensure Commission compliance with federal regulations.

Recommendations: We recommended that the Director of Operations:

-- Develop guidance on time frames needed to conduct an investigation;

-- Obtain classification instructions for section 332 investigations that comply with terms of the national security classification system;

-- Prepare instructions for marking, handling, and safekeeping classified material;

-- Review all working papers for ongoing investigations and classified reports to ensure that documents are properly classified and marked;

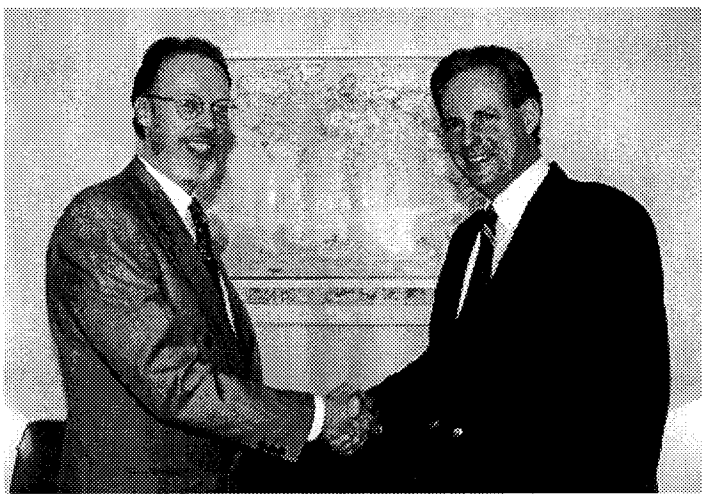
-- Clarify the roles of primary reviewers and others in conducting primary review;

-- Clarify guidance on briefings to evaluate completed studies;

-- Revise Commission rules to correct inaccuracies and delete unnecessary requirements; and

-- Determine the proper record retention policies.

The Director of Operations agreed with most of the findings and recommendations. Although he disagreed with several findings, he agreed to implement the recommended or alternative corrective actions. Immediate action was taken on several recommendations. In February 1998, the Office of the United States Trade Representative established new procedures for coordinating the handling of requests for section 332 investigations. In March 1998, the United States Trade Representative provided updated guidance regarding the national security classification of all or portions of reports requested.



Daniel Leahy, Director of External Relations, with Fred Montgomery, the Assistant U.S. Trade Representative for Policy Coordination, who was designated as the ITC point of contact in February 1998

Auditors from Dembo, Jones, Healy, Pennington & Ahalt, procurement officials, and OIG staff at the exit conference for simplified acquisition procedures

Title: **Review of Commission's Implementation of Simplified Acquisition Procedures**

Report Number: IG-02-98

Report Date: March 19, 1998

Findings: The objective of this review was to 1) determine what changes the Commission had made to policies and procedures pursuant to the Federal Acquisition Streamlining Act (FASA) concerning the use of purchase cards, micro-purchases, and small purchases; and 2) identify ways in which the Commission could further streamline the procurement process.

We found that Commission guidance does not reflect revised acquisition thresholds and simplified acquisition procedures. Current procurement policies do not promote FASA streamlined processes or the use of the purchase card. Instead, the policies set forth a multi-approval, paper-intensive process.

Recommendations: The Commission needs to formulate an agency acquisition policy that: reflects both the letter and intent behind recent acquisition streamlining legislation; encourages and empowers Commission employees to focus on results instead of process; rewards creativity and ingenuity and accepts a degree of risk as part and parcel of the cost of change; permits staff to apply professional judgment as well as knowledge, skills, and abilities inherent to their positions; and replaces written paper-intensive approval points with decision points that can be verified periodically.

We specifically recommended that the Director of Administration:

-- Simplify the procurement process by using bulk funding, eliminating unnecessary forms and approvals, using Visa checks, increasing the use of purchase cards, and automating procedures;

-- Improve internal controls by canceling unneeded purchase card authority, using built-in automated purchase card controls, performing periodic verifications of purchase card transactions, and strengthening record management procedures; and

-- Establish formal requirements for training cardholders before issuance of purchase cards and non-procurement staff on an ongoing basis.

The Director of Administration agreed with the need for a new and significantly revised acquisition policy and implementation of simplified procedures.

AUDIT REPORTS BY SUBJECT MATTER

Report Title	Report Number	Questioned Costs	Unsupported Costs	Ineligible Costs	Funds To Be Put To Better Use
PUBLIC INVESTIGATIONS AND RESEARCH STUDIES					
Evaluation of 332 Investigations	IG-01-98	0	0	0	0
ADMINISTRATION					
Review of Commission's Implementation of Simplified Acquisition Procedures	IG-02-97	0	0	0	0

Table 1

REPORTS WITH QUESTIONED COSTS

	Number of Reports	Dollar Value: Questioned Costs	Dollar Value: 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

	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

Photographs in this semiannual report
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