



United States  
International Trade Commission

# Agency Financial Report

Fiscal Year 2020

November 2020





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## Message from the Chair

I am pleased to transmit the *FY 2020 Agency Financial Report* for the United States International Trade Commission (“Commission” or “agency”). This report documents the Commission’s financial performance for the fiscal year and discusses our accomplishments and challenges. The report also provides an overview of the agency’s programmatic performance.

The Commission has three long-standing, important statutory mandates: (1) investigate and make determinations in proceedings involving complaints alleging injury to a domestic industry, violations of intellectual property rights, or other unfair methods of competition, in connection with imported goods; (2) provide independent analysis and information on tariffs, trade, and competitiveness to the Congress and the President; and (3) maintain the Harmonized Tariff Schedule of the United States. In carrying out these mandates, the Commission independently and objectively investigates and administers the relevant trade laws. Further, the Commission provides relevant, timely, and technical expertise and analysis to the President and Congress to make informed policy decisions on an evolving range of trade issues. The American Manufacturing Competitiveness Act of 2016 added an additional statutory mandate to create and maintain an open and transparent process for consideration of petitions for temporary duty suspensions and reductions. More recently, the United States-Mexico-Canada Agreement Implementation Act, which entered into force on July 1, 2020, added another mandate – requiring the Commission to conduct investigations and make determinations in response to petitions alleging material harm to the U.S. long-haul trucking industry due to increased competition from cross-border services provided by Mexican trucking firms in the United States.

The Commission annually reviews its strategic goals and objectives within the context of our statutory mandates. This year, the Commission continued to apply enterprise-risk-management principles in its planning and budget-formulation processes to improve the efficiency and effectiveness of its decision-making in these areas. Further, faced with unprecedented challenges related to the COVID-19 pandemic, the Commission met its objectives related to internal controls and has increased management attention on risk-management activities. With respect to COVID-19, the Commission performed specific risks assessments to ensure that we have the appropriate controls in place to maintain effectiveness and efficiency in operations, reliable reporting, and compliance with laws and regulations.

### Program Accomplishments

I would like to highlight the following accomplishments during the last fiscal year.

The Commission made substantial progress toward achieving its strategic objectives in FY 2020; it met most of its annual performance goals and improved upon agency performance in other areas. This year, the agency commenced 138 new investigations and completed 141 investigations in the areas of import injury, intellectual property, and industry and economic analysis.

During the year, the Commission conducted all investigations in an objective manner, met statutory deadlines, produced sound determinations, and provided relief when warranted under the statute.

In FY 2020, our import injury investigations covered a broad range of products, including: chemical products including corrosion inhibitors, methionine, and phosphate fertilizers; industrial metal inputs and products such as chassis and subassemblies, common alloy aluminum sheet, and fluid end blocks; downstream products such as standard steel welded wire mesh, metal lockers, non-refillable steel cylinders; and consumer-related products such as twist ties, vertical shaft engines, walk-behind lawn mowers, and wood mouldings and millwork. Our unfair import investigations covered a wide range of products, including mobile devices, tablets and other computer and telecommunication products, LED lighting, height adjustable desks, electronic candles, food service equipment, luxury vinyl tile, unmanned aerial vehicles, and printing cartridges.

To support the development of well-informed trade policy, the Commission provided the U.S. Trade Representative and Congress with high-quality economic analysis and technical support. Intended to fill critical information gaps for policy makers, the Commission's fact-finding investigations covered a variety of topics in FY 2020, such as the global impact of missing and low pesticide maximum residue levels; the proposed free trade agreement with Kenya; recent developments in U.S. trade and investment with sub-Saharan Africa; possible modifications to the Generalized System of Preferences; and COVID-19 related goods. Other investigations that were formally instituted during the year, but extend into FY 2021 include: renewable electricity; seafood obtained via illegal, unreported, and unregulated fishing; conditions of competition for raspberries for processing; the economic impact of trade agreements implemented under trade authorities procedures; and the effects of the Canada-European Union Trade Agreement on the U.S. lobster industry.

The Commission also compiled the 2020 basic edition of the Harmonized Tariff Schedule (HTS) and issued 30 additional Revisions to the HTS to reflect policy changes implemented during the fiscal year.

Throughout the year, the Commission continued its efforts to improve the effectiveness of its investigative and research processes. It also made progress on developing its investigations data system and enhancing the functionality of its electronic document information system. Moreover, other IT investments made during the first half of the year allowed the agency to quickly and effectively shift to mandatory telework. All of these improvements helped the Commission to absorb increases in its statutory workload and carry out its responsibilities during the pandemic.

The Commission also made steady progress on many of its management and administrative goals during FY 2020, particularly in the areas of human resources, financial management, and information technology. The agency continued to strengthen its strategic planning and performance-management processes, improve internal controls, and incorporate enterprise-risk-management principles into its planning, administrative, and budgeting processes. The Commission also continued to strengthen the security and effectiveness of its information systems, which helps enhance the productivity and efficiency of staff.

### **FY 2020 Agency Financial Report**

The Commission's FY 2020 financial statement audit resulted in an unmodified opinion by the independent accounting firm Castro & Company, LLC, monitored by the Inspector General. The independent auditors identified no material weaknesses, significant deficiencies, or instances of non-compliance with laws and regulations. During FY 2020, the Commission continued to assess and improve internal controls in accordance with Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. Senior management meets regularly to strengthen oversight of and further improve Commission operations. The Commission followed the provisions of the Federal Managers' Financial Integrity Act of 1982 (FMFIA). Although the Commission is exempt from the requirements of the Federal Financial Management Improvement Act of 1996 (FFMIA), it has also complied with the key provisions of this statute.

I am providing a modified statement of assurance that our internal controls over operations meet the objectives of FMFIA, as of September 30, 2020, in light of the material weakness described in the Chair's Statement of Assurance section of this report. Additionally, I can provide reasonable assurance that, as of June 30, 2020, the Commission's internal controls over financial reporting were in compliance with FMFIA and OMB Circular A-123, Appendix A, and no material weaknesses were found in the design or operations of the financial internal controls. Furthermore, as required by the Government Card Abuse Prevention Act of 2012 and OMB Circular A-123, Appendix B, I can provide reasonable assurance that, as of September 30, 2020,

the appropriate controls were in place to mitigate the risk of fraud and inappropriate charge card practices.

The financial information presented herein is complete and accurate, and in accordance with law and OMB guidance.

As Chair, I assure you that Commission employees are committed to the agency's mission, and I applaud their efforts during a very challenging year.

A handwritten signature in blue ink, appearing to read 'J. Kearns', with a stylized flourish extending to the right.

Jason E. Kearns  
Chair  
November 16, 2020

# Management's Discussion and Analysis

## Introduction

The United States International Trade Commission (Commission or USITC) Fiscal Year 2020 Agency Financial Report (AFR) presents the results of the Commission's program and financial performance and demonstrates to the President, Congress, and the public the USITC's commitment to its mission and accountability for the resources entrusted to it. This report is available at [www.usitc.gov](http://www.usitc.gov). The USITC will issue its FY 2020 Annual Performance Report, which fully describes its performance for the fiscal year, when it issues its Congressional Budget Justification (CBJ) for FY 2022.

## About the USITC

The USITC is an independent, quasi-judicial federal agency with broad investigative responsibilities on matters of trade. The USITC was established by Congress on September 8, 1916 as the United States Tariff Commission. In 1974, the name was changed to the United States International Trade Commission by section 171 of the Trade Act of 1974.

The Commission has specific responsibilities in the application of U.S. trade laws. The agency investigates, generally at the request of private sector parties, the effects of dumped and subsidized imports on domestic industries and conducts global safeguard investigations. It also adjudicates cases involving imports that allegedly infringe intellectual property rights or otherwise unfairly injure a domestic industry. The Commission also, by law, provides the House Committee on Ways and Means, the Senate Committee on Finance, the President, and, by delegation, the U.S. Trade Representative with objective and thorough analysis and information on trade policy and U.S. competitiveness matters. The Commission also has the responsibility of maintaining the Harmonized Tariff Schedule (HTS) of the United States, the official legal document that specifies the appropriate tariff, if any, applied to imported goods. In addition, the agency was given the specific statutory responsibility in the American Manufacturing Competitiveness Act of 2016 to accept, analyze, and report to Congress on petitions seeking temporary suspension or reduction of tariffs. More recently, the United States-Mexico-Canada Agreement Implementation Act, which entered into force on July 1, 2020, requires the Commission to conduct investigations and make determinations in response to petitions alleging material harm to the U.S. long-haul trucking industry due to increased competition from cross-border services provided by Mexican trucking firms in the United States. The Commission makes most of its information and analysis available to the public through its website to promote a better understanding of international trade issues.

## Mission

The Commission investigates and makes determinations in proceedings involving imports claimed to injure a domestic industry or violate U.S. intellectual property rights; provides independent analysis and information on tariffs, trade, and competitiveness; and maintains the U.S. tariff schedule.

## Organization

### Commissioners

The USITC is headed by six Commissioners, who are nominated by the President and confirmed by the U.S. Senate. Jason E. Kearns, a Democrat, is serving as Chair of the Commission for a term ending June 16, 2022. Randolph J. Stayin, a Republican, is serving as Vice Chair. Other Commissioners currently serving are, in order of seniority, David S. Johanson, Rhonda K. Schmidlein, and Amy A. Karpel. There is currently one vacant commissioner position.

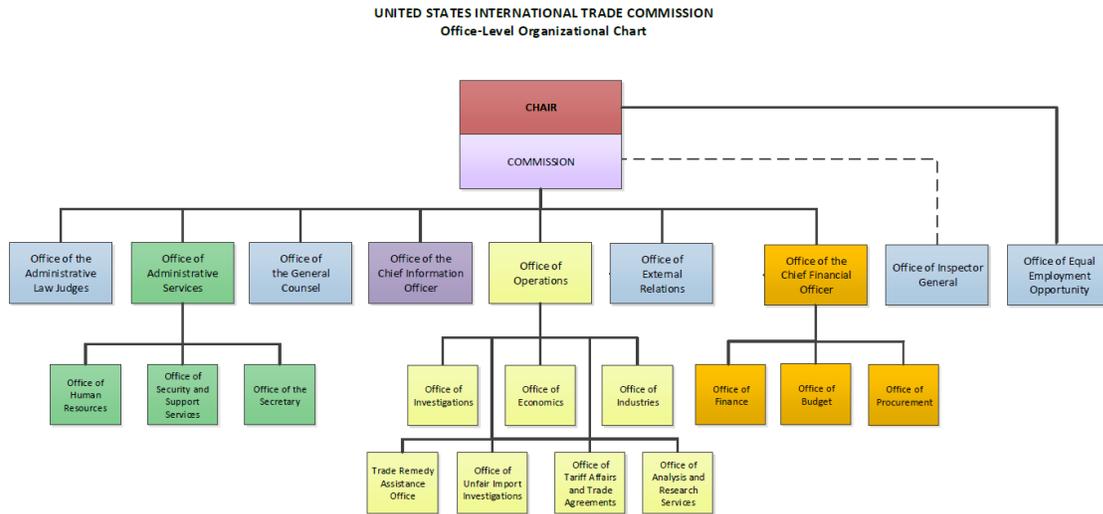
Each of the six Commissioners serves a term of nine years, unless appointed to fill an unexpired term. The terms are set by statute and are staggered so that a different term expires every 18 months.<sup>1</sup> A Commissioner who has served for more than five years is ineligible for reappointment. A Commissioner may, however, continue to serve after the expiration of his or her term until a successor is appointed. No more than three Commissioners may be members of the same political party. The Chair and the Vice Chair are designated by the President and serve for a statutory two-year term. The Chair may not be of the same political party as the preceding Chair, nor may the President designate two Commissioners of the same political party to serve as Chair and Vice Chair. If the President does not name a new Chair, the most senior Commissioner of a political party other than the outgoing Chair becomes the new Chair by operation of law.<sup>2</sup> Currently, three Democrats and two Republicans serve as Commissioners.

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<sup>1</sup> 19 U.S.C. § 1330, Organization of Commission.

<sup>2</sup> If the President does not name a Vice Chair, the position remains unfilled.

## Office-Level Organizational Chart



## USITC Staff

USITC staff is organized into offices designed to support the mission of the agency. These include the:

- Office of Operations (OP), and its subordinate Offices of Investigations (INV), Industries (IND), Economics (EC), Tariff Affairs and Trade Agreements (TATA), Unfair Import Investigations (OUII), Analysis and Research Services (OARS), and Trade Remedy Assistance (TRAO);
- Office of the Administrative Law Judges (ALJ);
- Office of the General Counsel (GC);
- Office of External Relations (ER);
- Office of the Chief Financial Officer (OCFO), and its subordinate Offices of Budget (OB), Finance (FIN), and Procurement (PR);
- Office of the Chief Information Officer (OCIO);
- Office of Administrative Services (OAS), and its subordinate Offices of the Secretary (SE), Human Resources (HR), and Security and Support Services (SSS);
- Office of the Inspector General (OIG); and
- Office of Equal Employment Opportunity (EEO).

Appendix A provides additional information on the individual offices of the USITC.

## **Performance Goals, Objectives, and Results**

The Commission develops annual performance goals and uses the results to evaluate its efforts to improve its ability to fulfill its mission efficiently and effectively. This section summarizes the Commission's strategic planning and management activities and provides an overview of its performance during FY 2020.

### **Commission Strategic Planning and Management**

The Commission issues a Strategic Plan, an Annual Performance Plan, and an Annual Performance Report in accordance with the Government Performance and Results Act of 1993 (GPRA), as amended by the GPRA Modernization Act of 2010. The Strategic Plan establishes strategic goals, strategic objectives, and performance goals for the Commission. To ensure the effectiveness of strategic planning and budget development, the Commission aligns its budget formulation and execution with its Annual Performance Plan. The Annual Performance Report provides a detailed review of agency performance in carrying out the agency's Annual Performance Plan.

The Commission issued its Annual Performance Plan for FY 2020. This performance plan provides specific annual performance goals that support the agency's strategic and management goals and objectives. During the year, the Commission further integrated enterprise risk management into its planning, budget formulation, and budget execution processes.

The performance plan sets out annual measures that correspond to the broader strategic goals, performance goals, and strategies identified in the Strategic Plan. The Commission's budget justification describes the operational processes, human capital, and technology, as well as the information and other resources, required to meet the performance goals.

### **Strategic Goals and Management Priorities**

Although the Commission has one program activity set forth in the Budget of the United States Government, the Commission's Strategic Plan for FY 2018–2022 identifies two strategic goals and corresponding strategic objectives, as well as one overarching management goal.

Goals	Objectives
<b>Strategic Goal 1</b> Investigate and Decide: Make sound, objective, and timely determinations in trade remedy proceedings	S1.1 Reliable Process: Conduct expeditious and sound investigative proceedings S1.2 Clear Proceedings: Promote transparency and understanding of investigative proceedings
<b>Strategic Goal 2</b> Inform: Provide independent, objective, and timely analysis and information on tariffs, trade, and competitiveness	S2.1 Innovation: Improve analysis and information S2.2 Communication: Engage and respond to inform and support decision-making on U.S. trade matters
<b>Management Goal</b> Efficiently and effectively advance the agency's mission	M1.1 People: Attract and develop a skilled, diverse, and flexible workforce M1.2 Money: Ensure good stewardship of taxpayer funds M1.3 Technology: Identify, deliver, and secure reliable enterprise information systems M1.4 Operational Effectiveness: Evaluate and improve processes and communication

The Commission's strategic goals directly support the agency's mission. The management goal and corresponding objectives relate to four management priority areas: human resources, financial management, information technology, and operational effectiveness. The agency focuses on high performance and goal attainment in each area to fulfill its mission and to support government-wide initiatives.

For each strategic and management objective, the Commission's Annual Performance Plan identifies strategies to meet these objectives and specific performance goals.

## Summary of Performance Results

The Commission made substantial progress toward accomplishing its strategic and management objectives during FY 2020 by meeting the majority of its annual performance goals. The agency focused on improving the timeliness of its determinations; enhancing its analytical and management capabilities; achieving efficiencies in its information collection and other data management activities; improving internal controls; enhancing cybersecurity; improving data presentation; enhancing transparency by making data and modeling applications available; and enhancing communication with and outreach to Congress, the U.S. Trade Representative, investigation participants, and the general public.

The Commission made progress on most of its performance goals despite facing a continued high investigative caseload and new statutory requirements. Moreover, the agency had to adjust its operations as it contended with the many challenges presented by the COVID-19 pandemic. Highlights for each strategic and management goal follow below.

### **Investigate and Decide: Make sound, objective, and timely determinations in trade remedy proceedings**

The Commission administers and applies U.S. laws assessing injury to U.S. industries caused by subsidized and dumped imports, increased imports that injure a domestic industry, and imports that infringe a domestic intellectual property right or otherwise unfairly injure a domestic industry. U.S. laws, court decisions, and U.S. international obligations require the Commission to reach its determinations based on transparent procedures and a well-developed record. The Commission, and the Administrative Law Judges in unfair import investigations under section 337 (which are most often intellectual property-based), must consistently conduct thorough investigations and make sound factual findings. The record in each investigation must be developed and analyzed in an objective manner, and the resulting determinations must be well-reasoned, timely, and consistent with the law.

In terms of volume, the Commission's overall investigation caseload remained high in FY 2020.<sup>3</sup>

#### **Strategic Objective 1.1** Reliable Process: Conduct expeditious and sound investigative proceedings

The Commission values its reputation for conducting prompt, thorough, and independent investigations and engaging in sound decision-making. Timely decisions are critical to the Commission's mission because import injury investigations have statutory deadlines. Moreover, the statute states that section 337 investigations should be resolved at the earliest practicable time. Timely decisions relieve the business uncertainty these disputes cause for private sector participants and ensure timely relief for meritorious claims.

During FY 2020, the Commission met or partially met most performance goals associated with this strategic objective. The Commission met its statutory deadlines throughout the year, as it delivered its import injury determinations on time, despite a sustained increase in caseload and challenges associated with adjusting to operating in a virtual environment as a result of COVID-19.

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<sup>3</sup> In FY 2020, the Commission instituted 76 import injury investigations and reviews and completed 69. By comparison, there were 59 institutions and 61 completions in FY 2019. The caseload under section 337 declined somewhat in FY 2020, as the Commission commenced 52 investigations and completed 67 investigations. By comparison, the Commission commenced 58 investigations and completed 60 in FY 2019.

The Commission also made progress on a number of the performance goals associated with section 337 investigations. In FY 2020, Commission staff advanced efforts to reduce the length of investigations by continuing to analyze the impact of the Commission's rules regarding severing and early disposition of investigations, as well as the eDiscovery and initial case management pilot programs. The agency will continue to evaluate some of these initiatives in FY 2021. The high caseload, low settlement rate, and delays in hearings and Commission proceedings due to the lapse in funding in FY 2019 contributed to an increase in the average length of section 337 investigations concluded on the merits, which rose from 17.7 months in FY 2019 to 18.6 months in FY 2020.<sup>4</sup> Similarly, the agency did not meet goals associated with reducing the length of specific phases of 337 investigations. The Commission partially met its goal to complete ancillary proceedings on a timely basis, as it met its targets, both within and out of the redesign pilot for modifications, but not for proceedings remanded from the Court of Appeals for the Federal Circuit.

In addition, the Commission continued to make progress in its effort to evaluate the burden of responding to notices of institution in certain import injury review proceedings and to develop options to reduce that burden for parties to these proceedings, though it did not fully meet its goal for FY 2020. During FY 2020, the Commission also evaluated agency decision-making based on an analysis of judicial and NAFTA panel remands from FY 2019 to determine if there were any patterns or issues that the Commission could consider for internal process improvements. Although the Commission retired this performance goal in FY 2020, it plans to continue these evaluations in future years.

### **Strategic Objective 1.2** Clear Proceedings: Promote transparency and understanding of investigative proceedings

The Commission recognizes the importance of providing stakeholders in its investigative proceedings with information on the Commission's decision-making process. The Commission promotes transparency by providing accurate, accessible, and timely public information about its investigative proceedings. Investigation participants and the public benefit from a more detailed and broader understanding of investigative procedures and processes.

During FY 2020, the agency met most performance goals for this objective. The agency met its target of posting information on its import injury investigation case webpages within specific timeframes. In addition, the Commission continued to meet or exceed performance goals related to public outreach to external groups through participation in conferences and other events and the timely availability of documents in the Electronic Document Information System (EDIS).

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<sup>4</sup> The 35-day government shutdown began on December 22, 2018 and ended on January 25, 2019.

The agency met its goal pertaining to developing or enhancing investigation data systems. It was not able to fully meet its goal of adding electronic service to EDIS, as budget constraints led to resources being redirected to other information technology priorities.

### **Inform: Produce independent, objective, and timely analysis and information on tariffs, trade, and competitiveness**

By statute, the Commission is responsible for providing independent advice, analysis, and information to Congress, the President, and the Office of the United States Trade Representative (USTR) in a number of areas. In response to U.S. policy makers' requests, the Commission and its staff provide objective information and analysis on a variety of topics, both through formal investigations and informal expert assistance under section 332 and other statutory provisions. To fulfill its mission, the Commission must provide the highest caliber of information and analysis to U.S. policy makers and the public. Providing this information in a timely manner assists policy makers when they are engaged in trade negotiations or when they are undertaking legislative or other policy actions that affect the U.S. economy and industry competitiveness.

In FY 2020, the Commission formally instituted fact-finding investigations covering a wide range of topics, such as: the global impact of missing and low pesticide maximum residue levels; the proposed free trade agreement with Kenya; COVID-19 related goods; renewable electricity; seafood obtained via illegal, unreported, and unregulated fishing; conditions of competition for raspberries for processing; the economic impact of trade agreements implemented under trade authorities procedures;<sup>5</sup> the effects of the Canada-European Union Trade Agreement on the U.S. lobster industry; and possible modifications to the Generalized System of Preferences.<sup>6</sup> Commission staff also provided trade policy support to Congress and USTR throughout the year on a variety of trade- and competitiveness-related issues.

The Commission also publishes and maintains the Harmonized Tariff Schedule (HTS) of the United States, which serves as the basis for collecting customs duties, compiling trade data, and formulating many trade actions. The HTS is vital to U.S. businesses, government agencies, and others involved in trade that depend upon access to accurate, current tariff rates and useful

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<sup>5</sup> This is the second of two reports required by section 105(f)(2) of the Bipartisan Congressional Trade Priorities and Accountability Act of 2015.

<sup>6</sup> Factfinding investigations comprise work the Commission conducts under various statutes such as section 332 of the Trade Act of 1930, section 131 of the Tariff Act of 1974, and section 105 of the Bipartisan Congressional Trade Priorities and Accountability Act of 2015. In FY 2020, the Commission instituted ten new fact-finding investigations and completed five. By comparison, in FY 2019, the Commission instituted seven new fact-finding investigations and completed nine. In addition, the Commission published reports related to five recurring investigations in FY 2020 and six in FY 2019.

trade data. During FY 2020, the agency updated the HTS 30 times in addition to the 2020 basic edition.<sup>7</sup>

### **Strategic Objective 2.1** Innovation: Improve analysis and information

The Commission often receives requests from policy makers that cover issues or areas that have not been evaluated extensively by academics or policy analysts. The requests may require application of different analytic approaches and cover topics that have limited publicly available data. To address these requests, the Commission continuously improves and enhances its information-collection processes and analytic methods, as well as the way it maintains and provides information. To better respond to shifts in public policy priorities, the agency established performance goals regarding improvements in information quality, development of analytic tools, and investment in human capital.

The Commission met its performance goals supporting the objective of producing high-quality analysis, information, and insights. During the year, the agency also enhanced economic modeling capabilities on topics such as the analysis of U.S. industries and industry behavior, foreign direct investment, the impact of trade on wages, and trade policy uncertainty. The agency also continued its research regarding China. Additionally, the Commission continued to measure how capacity-building research efforts undertaken by staff directly or indirectly contribute to the Commission's statutory work. The Commission also met its goal on the accuracy of the HTS, despite the record-high number of HTS updates. Due to the unusually high workload in this area, the Commission was unable to make progress on collecting information to improve the HTS search tool.

### **Strategic Objective 2.2** Communication: Engage and respond to inform and support decision-making on U.S. trade matters

Accessible and timely trade and competitiveness information and analysis are often necessary for the USTR and Congress to meet negotiation schedules or make time-sensitive decisions. These entities expect the Commission to adhere to statutory deadlines, relevant regulations, and requested delivery dates. The information the Commission provides must be clear and easily accessible.

During FY 2020, the Commission met most performance goals supporting this objective. Agency staff regularly met with congressional and executive branch officials throughout the year. The Commission used feedback it received to help prioritize its research and other capacity-building efforts.

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<sup>7</sup> In FY 2019, the Commission updated the HTS 15 times. Prior to FY 2018, the Commission typically updated the HTS two to four times per year.

The agency updated the interactive graphics for this year's [Recent Trends in U.S. Services Trade and Shifts in U.S. Merchandise Trade](#) reports. In addition, the agency made various types of modeling information and data available to the public on its website. The Commission missed its performance goal for response timeliness to public inquiries concerning the HTS, as it was not able to address all inquiries within the performance goal timeline while also handling the increased number of HTS updates and other statutory workload.

### **Efficiently and effectively advance the agency's mission**

The Commission is committed to continuous process improvement and support for the Commission's strategic goals and mission. Four management objectives support management's goal of advancing the agency's mission in efficient and effective ways. These management objectives concern three functional areas (human resources, financial management and information technology) and one cross-cutting area (operational effectiveness). The FY 2020 performance goals reflect agency management priorities.

#### **Management Objective 1.1 People: Attract and develop a skilled, diverse, and flexible workforce**

The Commission is committed to hiring and retaining a highly talented workforce as human capital is critical for mission attainment. As part of the management initiative to improve effectiveness and efficiency in this area, the Commission is working to ensure that position descriptions for onboard personnel are up-to-date and to improve satisfaction with agency hiring practices, employee development, and training.

Based on available information, the Commission met performance goals concerning human capital in FY 2020. The agency met its target to update employee position descriptions. It also provided staff with opportunities for leadership development and offered developmental details for agency staff. As the Federal Employee Viewpoint Survey (FEVS) was delayed because of the COVID-19 pandemic, the Commission does not have the results required to determine whether it met goals concerning stakeholder satisfaction with recruiting efforts and opportunities for professional development.

#### **Management Objective 1.2 Money: Ensure good stewardship of taxpayer funds**

Financial oversight and sound stewardship of appropriated funds are fundamental aspects of the accountability and transparency taxpayers deserve. The Commission has established three long-term performance goals: (1) improve the agency's financial management reports; (2) improve the efficiency and effectiveness of the acquisition process; and (3) maintain an annual unmodified audit opinion on the agency's financial statements.

In FY 2020, the Commission made important progress on annual performance goals relating to accurate and timely financial reporting but did not fully meet the targets set for the year. The agency met its target pertaining to improvements to the budget formulation process. The agency also made improvements to its budget execution planning tool, which allowed for more effective planning of procurement actions. It met targets pertaining to status reporting of procurement actions and the accuracy of procurement files. The agency also achieved an unmodified audit opinion on its FY 2020 financial statements. The agency did not meet its goal regarding the timeliness of procurement actions, as it was hampered by an increased number of procurement actions in the fourth quarter, as well as challenges created by the COVID-19 pandemic.

### **Management Objective 1.3** Technology: Identify, deliver, and secure reliable enterprise information systems

Information technology directly and indirectly supports the Commission's mission-related activities. The Commission is committed to using information technology to drive productivity gains in its mission and support functions. The agency also has dedicated a significant effort to enhancing cybersecurity.

In FY 2020, the Commission met all of its annual goals. The agency met its targets pertaining to the implementation and verification of security configuration settings on new workstations and servers, maintenance of baseline settings, and the elimination of servers without baseline settings. The agency achieved system availability to users at 99 percent or greater for six mission essential systems (email, local area network, EDIS, remote access, SharePoint, and DataWeb). Similarly, the agency made its major data sources open-data compliant. In addition, the agency ensured that its defined information systems have valid Authorization to Operate (ATO). Finally, the agency implemented cloud-based solutions for priorities established in FY 2019.

### **Management Objective 1.4** Operational Effectiveness: Evaluate and improve processes and communication

Operational effectiveness involves continually improving functional performance, both in terms of agency-wide processes and internal and external communications. During FY 2020, the Commission met or advanced most of the annual goals pertaining to this objective.

The Commission regularly seeks feedback from Congress, the USTR, agency employees, and the public on various aspects of its operations. The agency uses feedback to help prioritize improvements in agency operations and to improve the functionality and utility of information it provides on its website and through web applications. In FY 2020, the Commission met its goal of making continuous improvements to the Commission's web presence, as measured by

its website satisfaction score. The agency also made progress in improving the information it provides to the public by working to expand the scope of reports and other documents that are section 508 compliant, though it did not fully meet its target as a result of challenges presented by high workload levels and the COVID-19 pandemic.

In recent years, the Commission has made significant improvements in the management of its administrative and program operations. During FY 2020, the agency refined and further strengthened its budget formulation process and various program-related procedures. The agency also conducted risk assessments and agency-wide reviews on a quarterly basis. The agency made significant progress implementing its system of internal rules, though it did not fully meet its FY 2020 target, in part because of resources being diverted to address issues related to the COVID-19 pandemic.

The Commission also set goals pertaining to the safety and security of its workplace. The agency provided training opportunities for employees and monitored processes pertaining to security designations for positions within the agency. As a result of delays in issuing the FEVS, the Commission does not yet know whether it met targets for employee feedback on specific FEVS questions related to health, safety, and security. However, during the course of the year, the agency issued internal surveys to employees on topics such as health, safety, and security and used staff responses to help inform its COVID-19 planning efforts.

## Management Assurances

The Federal Managers' Financial Integrity Act of 1982 (FMFIA) establishes management's responsibility to assess and report on internal controls. Such controls include program, operational, and administrative areas, as well as accounting and financial management. The FMFIA requires federal agencies to establish controls that reasonably ensure obligations and costs are in compliance with applicable law; funds, property, and other assets are safeguarded against waste, loss, unauthorized use, and misappropriation; and revenues and expenditures are properly recorded and accounted for to maintain accountability over the assets.

The FMFIA requires the head of the agency, based on the agency's internal evaluation, to provide an annual Statement of Assurance on the effectiveness of their management, administrative, and financial controls. The Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, implements the FMFIA and defines management's responsibility for enterprise risk management (ERM) and internal control in Federal agencies. Federal leaders and managers are responsible for establishing goals and objectives around operating environments, ensuring compliance with relevant laws and regulations, and managing both expected and unexpected or unanticipated events.

FMFIA Section 2 requires agencies to establish internal controls and systems in accordance with standards prescribed by the Comptroller General who heads the Government Accountability Office (GAO). The GAO *Standards for Internal Control in the Federal Government* (known as the "Green Book") provides an overall framework for establishing and maintaining an effective internal control system. The Green Book defines internal control as a process effected by an entity's oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved. These objectives and related risks can be broadly classified into one or more of the following three categories:

- effectiveness and efficiency of operations;
- reliability of reporting for internal and external use; and
- compliance with applicable laws and regulations.

OMB Circular A-123 requires agencies to submit a single assurance statement consistent with the original requirement of the FMFIA. In addition, OMB Circular A-136, *Financial Reporting Requirements*, requires a separate assessment of the effectiveness of the internal controls over financial reporting as a subset of the overall FMFIA assurance. Agencies must also provide assurances on their process to identify risks and establish controls or integrate existing controls to identified risks. The Chairman's FMFIA assurance statement is primarily based on individual assurance statements from component and assessable unit directors. The individual statements assessed internal controls and risks related to the effectiveness and efficiency of programs and

operations, internal and external reporting, and compliance with laws and regulations based on the following elements:

- agency risk profile;
- internal control assessments (entity and office level);
- specific program level assessments (e.g., acquisition, financial, information technology, privacy); and
- OIG and external oversight reviews, audits, and evaluations.

FMFIA Section 4 requires that agencies annually evaluate and report on whether financial management systems conform to government-wide requirements. The Commission evaluated the Statements on Standards for Attestation Engagements (SSAE 16), *Reporting on Controls at the Service Organization* received from the Department of the Interior (DOI), Interior Business Center (IBC), which is the Commission's financial management shared-services provider for financial and payroll systems.

Appendix A of OMB Circular A-123 also calls for the agency head to provide assurance on the effectiveness of internal control over financial reporting. The Commission assessed internal control at the entity-, process, and transaction levels. The assessment of the effectiveness of process-level controls related to the agency's financial reporting was obtained through detailed test procedures. As part of this effort, the agency performed a review of:

- significant financial reports;
- significant line items and accounts;
- transactions;
- reporting and regulatory requirements; and
- existing deficiencies and corrective action plans.

# Chair's Statement of Assurance

## Statement of Modified Assurance

U.S. International Trade Commission (Commission) management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of Sections 2 and 4 of the Federal Managers' Financial Integrity Act of 1982 (FMFIA). Management is also responsible for implementing practices that identify, assess, respond to, and report on agency risks.

The Commission, faced with an unprecedented situation due to the COVID-19 pandemic, has met the objectives of internal control and has increased management attention on risk-management activities. The Commission assessed the specific risks associated with COVID-19, as documentation and discussion of those risks better ensure that we have the proper controls in place to maintain effective and efficient operations, reliable reporting, and legal and regulatory compliance.

The Commission assessed the effectiveness of its risk management framework and system of internal control for Fiscal Year (FY) 2020 in accordance with OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. Based on the results of that assessment, the Commission can provide reasonable assurance that it has effective internal controls over operations, reporting, and compliance with applicable laws and regulations as of September 30, 2020. However, due to the following material weakness, I am submitting a modified statement of assurance.

- Risk in the agency system of internal rules, also known as the directive management system

Management has discussed this weakness, developed a corrective action plan to address it, and has monitored the remediation progress throughout FY 2020.

With respect to the financial systems, the Commission can provide reasonable assurance that it is meeting the objectives of Section 4 of FMFIA. The agency uses a federal shared-services provider, the U.S. Department of the Interior Interior Business Center (IBC), to process its financial data and payroll. The Commission assessed the *Report on the U.S. Department of the Interior's Description of Its Oracle Federal Financials and Oracle Federal Financials – Virtual Environment Systems and the Suitability of the Design and Operating Effectiveness of Their Controls (SSAE 18 SOC 1 – Type 2 Report)* and the *Report on the U.S. Department of the Interior's Description of Its Federal Personnel and Payroll System and the Suitability of the Design and Operating Effectiveness of Its Controls (SSAE 18 SOC 1 – Type 2 Report)*. The IBC systems comply with Federal financial management system requirements, standards

promulgated by the Federal Accounting Standards Advisory Board, and the U.S. Standard General Ledger at the transaction level.

The Commission also assessed the effectiveness of its internal control over financial reporting, which includes the safeguarding of assets and compliance with applicable laws and regulations, in accordance with Appendix A of OMB Circular A-123. Based on this evaluation, the Commission can provide reasonable assurance that, as of September 30, 2020, its internal control over financial reporting was operating effectively, and it had found no material weaknesses in the design or operations of the internal control over financial reporting.



Jason E. Kearns  
Chair  
November 16, 2020

## Overview of Financial Results

### Overview of Financial Statements

The following is a brief description of the Commission's principal financial statements, along with their relevance and a description of certain significant balances. The Commission's principal financial statements are the:

- Balance Sheet;
- Statement of Net Cost;
- Statement of Changes in Net Position; and
- Statement of Budgetary Resources.

### BALANCE SHEET

The Balance Sheet presents resources owned and managed by the Commission that have future economic benefits (assets) and amounts owed by the agency that will require future payments (liabilities). The difference between assets and liabilities is the residual amount retained by Commission (net position) that is available for future programs and operational requirements.

#### Assets

##### *What We Own and Manage*

Assets are the amount of current and future economic benefits owned or managed by the Commission to achieve its mission. Total assets were \$27.1 million at September 30, 2020, compared to \$32.2 million at September 30, 2019. Fund Balance with Treasury (FBWT) and Property, Plant, and Equipment (PP&E) accounted for 75 percent and 25 percent, respectively, of overall agency assets in FY 2020. The FBWT represents monies held within Treasury that are available for appropriated purposes to make future expenditures and pay liabilities. PP&E is comprised of tangible assets, such as information technology (IT) hardware, internal-use software, furniture, and leasehold improvements.

FBWT decreased by \$4.4 million (or 17.8 percent) from FY 2019 to FY 2020, while PP&E decreased by \$0.7 million (or 9.3 percent). The decrease in PP&E was due to the accumulated depreciation and/or amortization of IT assets in service.

Accounts Receivable decreased by \$20 thousand as the Commission collected on amounts owed as well as wrote off uncollectible debt as a bad debt expense.

## Liabilities

### *What We Owe*

Liabilities are amounts owed by the Commission for goods and services it has received but not yet paid for—specifically, monies owed to the public and other federal agencies. Total liabilities increased by 9.4 percent from FY 2019 to FY 2020. The Commission’s most significant liability is unfunded leave which accounts for \$6.1 million. The unamortized portion of the rent abatement (\$5.6 million) the Commission received when it signed a 15 year lease agreement with the General Services Administration in 2017 for its headquarters building, is the next largest.

Other liabilities of note include payroll liabilities (comprised of accrued funded payroll and employer contributions and payroll taxes payable) of \$4 million and accounts payable of \$2.2 million.

## Net Position

### *What We Have Done Over Time*

Net position comprises Unexpended Appropriations and Cumulative Results of Operations. The net position of the Commission decreased by \$6.6 million, or 42.3 percent, from FY 2019 to FY 2020.

## STATEMENT OF NET COST

The Statement of Net Cost presents the annual cost of operating the Commission’s programs. It is comprised principally of salaries and associated benefits, rent, and information technology expenditures. The Commission’s cost of operations increased from \$99.7 million in FY 2019 to \$109.6 million in FY 2020, largely because the Commission’s salaries and benefits increased during FY 2020.

## STATEMENT OF CHANGES IN NET POSITION

The Statement of Changes in Net Position provides details on the changes to the two components of the changes in net position – total unexpended appropriations and cumulative net results of operations – during FY 2020. The Commission’s net position decreased significantly by \$6.6 million (42.3 percent) from \$15.7 million in FY 2019 to \$9.1 million in FY 2020. Total unexpended appropriations decreased by \$5 million, from \$19.1 million to \$14.1 million, largely because the Commission utilized more of its appropriations for operations than what was appropriated in FY 2020. The Commission’s cumulative results of operations decreased by \$1.7 million, from negative \$3.3 million at the end of FY 2019 to negative \$5.1 million in FY 2020 as financing sources exceeded the Commission’s net cost of operations.

## **STATEMENT OF BUDGETARY RESOURCES**

The Statement of Budgetary Resources summarizes how varying sources of budgetary funding were made available during the year and their status by the end of the fiscal year. The Commission ended FY 2020 with budgetary resources of \$102.5 million, a \$1.7 million decrease from the previous year. A \$4.4 million increase in the Commission's appropriation from FY 2019 to FY 2020 partially explains part of the difference, however a \$6.1 million decrease in the unobligated balance from the prior fiscal year was also a significant difference between the two fiscal years. This decrease was the result of a financial system requirement to deobligate prior year contracts and the subsequent reobligation of those contracts in the current fiscal year.

## **Limitations on Financial Statements**

The Commission's financial statements were prepared in conformity with the hierarchy of accounting principles approved by the Federal Accounting Standards Advisory Board (FASAB) and OMB Circular No. A-136, *Financial Reporting Requirements*.

The principal financial statements have been prepared to report the financial position and results of operations of the Commission, pursuant to the requirements of 31 U.S.C. 3515(b).

The statements have been prepared from the books and records of the Commission in accordance with U.S. Generally Accepted Accounting Principles (GAAP) for Federal entities and the formats prescribed by OMB and are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records.

The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

## Management Controls and Compliance with Laws and Regulations

### Federal Managers' Financial Integrity Act

The Federal Managers' Financial Integrity Act of 1982 (FMFIA) requires federal agencies to establish internal accounting and administrative controls consistent with standards prescribed by the Comptroller General that reasonably ensure that obligations and costs comply with applicable law; all assets are safeguarded against waste, loss, unauthorized use, and misappropriation; and revenues and expenditures applicable to agency operations are recorded and accounted for properly so that accounts and reliable financial and statistical reports may be prepared and accountability of the assets may be maintained. The FMFIA also requires federal agencies to assess and report on their internal accounting and administrative controls following guidelines established by the Office of Management and Budget (OMB). OMB guidance provides that agencies should assess (1) the effectiveness of the organization's internal controls to support effective and efficient programmatic operations, reliable financial reporting, and compliance with applicable laws and regulations (FMFIA § 2) and (2) whether financial management systems comply with Federal financial management systems requirements (FMFIA § 4).

In accordance with the Accountability of Tax Dollars Act of 2002 (ATDA), the Commission's financial information is audited annually. Additionally, at the end of each fiscal year, management reviews the operating units' performance data to ensure that performance results can be properly supported.

For FY 2020, the Commission evaluated the internal controls over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. In addition, the Commission evaluated the effectiveness of internal control over financial reporting in accordance with the requirements of Appendix A of OMB Circular A-123, assessed the charge card program in accordance with Appendix B of OMB Circular A-123, and tested for improper payments in accordance with Appendix C of OMB Circular A-123. Based on these evaluations, the Commission provides modified assurance that its internal controls were operating effectively.

OMB Circular A-123 was updated in 2016, incorporating ERM as a management responsibility, which reinforces the purpose of the FMFIA. During the past several years, the Commission has used its ERM framework to address the full spectrum of the organization's external and internal risks by understanding the combined impact of risks as an interrelated portfolio.

## **Federal Financial Management Improvement Act §§ 2 & 4**

Under the Federal Financial Management Improvement Act of 1996 (FFMIA), agencies are required to report on whether their financial management systems substantially comply with the federal financial management systems requirements, applicable federal accounting standards, and the USSGL at the transaction level. Since the Commission is not a CFO Act agency, it is not subject to the FFMIA.

The Commission uses IBC to process its financial and payroll transactions. As the servicing organization, IBC provides the Commission with SSAE 18 internal control reports for the financial and payroll systems. The Commission reviewed the SSAE 18 reports and determined that IBC's relevant information-processing objectives and internal controls were adequate. For those IBC control objectives that can only be achieved if complimentary user controls are suitably designed and operating effectively, the Commission ensured that controls were in place and operating effectively. Thus, the Commission's financial management system complied with the requirements of FFMIA and produced records in accordance with USSGL at the transaction level.

## **Government Performance and Results Act, as amended by the GPRA Modernization Act**

The Government Performance and Results Act of 1993 (GPRA) requires a recurring cycle of performance reporting for federal agencies that includes five-year strategic plans, annual performance plans, and annual program performance reports. The GPRA Modernization Act of 2010 updates the Federal Government's performance management framework, retains and amplifies some aspects of the GPRA, reconfirms the requirements of the original GPRA legislation, and requires quarterly performance reporting.

The Commission complied with these legal requirements and followed the guidance provided in OMB Circular A-11 (2018), *Preparation, Submission and Execution of the Budget*.

## **Accountability of Tax Dollars Act**

The Accountability of Tax Dollars Act (ATDA) requires the preparation of financial statements by federal agencies that are exempt from the Chief Financial Officers Act of 1990. OMB Circular A-136, *Financial Reporting Requirements*, enables agencies to produce a consolidated Performance and Accountability Report or a separate Agency Financial Report. The Commission has chosen to produce an Agency Financial Report. This report meets the requirements of the ATDA.

The Commission's financial statements are audited each year. The Commission received an unmodified opinion for FY 2020 (see Independent Auditor's Report on page 31).

# Financial Section

## Message from the Chief Financial Officer

I am presenting the United States International Trade Commission's financial statements for the FY 2020 Annual Financial Report. The independent accounting firm of Castro & Company, LLC, monitored by the Inspector General, issued an unmodified opinion on the Commission's FY 2020 financial statements. These results are possible because of the efforts of the financial management and business professionals across the Commission, whose commitment to promoting financial integrity and applying effective controls ensures high quality, accurate, and reliable information for all of our customers.

The Commission's key accomplishments during the year were:

- Continuing to provide high-quality financial management support to our customers despite being out of the office for the last half of the year because of the COVID pandemic.
- Implementing a new financial management report that consolidated previously discrete budget reports and data and increased the frequency of our reporting, creating calendar-based reports to provide a budget execution/requisition timeline for our customers.
- Meeting its small business procurement and socio-economic goals.
- Continuing to refine its budget and expenditure plan processes using our Enterprise Risk Management framework.

Looking forward to FY 2021, in addition to sustaining its audit readiness, the Commission will:

- Transition, along with all Interior Business Center (IBC) client agencies, to Oracle Business Intelligence Enterprise Edition, a modern analytical reporting tool.
- Continue to work with our shared service provider and the Intragovernmental Trading Working Group to ensure a successful transition and implementation of G-Invoicing program, scheduled to go live in October 2022. G-Invoicing is the U.S. Treasury's long-term solution to improve the quality of intragovernmental transactions between federal agencies.
- Convert our procurement processes from paper-based to electronic by acquiring an electronic file management system, which provides full electronic copies and access to our contracts.

We remain committed to ensuring a sound financial management environment. The accomplishments in FY 2020 and the past few years were the result of efforts across the entire organization. The CFO team looks forward to working closely with internal and external stakeholders to make further improvements to the Commission's financial management and internal controls operations in FY 2021.

A handwritten signature in black ink that reads "John M. Ascienzo". The signature is written in a cursive style with a prominent flourish at the end.

John M. Ascienzo  
Chief Financial Officer  
November 16, 2020

# Inspector General's Transmittal Letter of Independent Auditor's Report

OFFICE OF INSPECTOR GENERAL



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## UNITED STATES INTERNATIONAL TRADE COMMISSION

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WASHINGTON, DC 20436

November 13, 2020

IG-SS-018

Commissioners:

This memorandum transmits the results of the audit (OIG-AR-21-01) of the Commission's financial statements for the fiscal year ended September 30, 2019 and 2020. We contracted with the independent certified public accounting firm, Castro & Company to conduct this audit. The contract required that the audit be performed in accordance with U.S. generally accepted government auditing standards.

My office has policies and procedures that are designed to provide assurance that work performed by non-Federal auditors complies with the auditing standards. These procedures follow the guidelines provided in the GAO/CIGIE Financial Audit Manual (FAM670). In connection with this contract, we reviewed Castro & Company's final report and related documentation and made inquiries of its representatives. Our involvement in the audit process included monitoring audit activities, participating in discussions, reviewing audit plans, and the inspection of selected documentation, conclusions, and results.

Our involvement and review of Castro & Company's work disclosed no instances where they did not comply, in all material respects, with the U.S. generally accepted government auditing standards; however, this review cannot be construed as an audit, and is not intended to enable us to express, and we do not express, any opinion on the Commission's financial statements. Castro & Company is solely responsible for the audit report dated November 13, 2020 and the conclusions expressed in the report.

Thank you for the cooperation and courtesies extended to both Castro & Company and my staff during this audit.

Sincerely,

A handwritten signature in blue ink, appearing to read "M. J. Haberstroh".

Michael J Haberstroh  
Acting Inspector General

## Independent Auditor's Report



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### Independent Auditor's Report on the Financial Statements

Inspector General  
U.S. International Trade Commission

We have audited the accompanying balance sheets of the U.S. International Trade Commission (USITC) as of September 30, 2020 and 2019 and the related statements of net cost, changes in net position, and budgetary resources for the fiscal years then ended, and the related notes to the financial statements.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 19-03, *Audit Requirements for Federal Financial Statements*. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as

Independent Auditor's Report  
Page 2

evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

***Opinion on the Financial Statements***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the USITC as of September 30, 2020 and 2019, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Required Supplementary and Other Information***

U.S. generally accepted accounting principles require that the information in the *Required Supplementary Information*, including *Management's Discussion and Analysis*, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The supplementary information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The information presented in the Message from the Chairman, Chief Financial Officer, Other Accompanying Information, and Appendices is presented for purposes of additional analysis and are not required as part of the basic financial statements. Such information has not been subjected to auditing procedures applied by us in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with U.S. *Government Auditing Standards* and OMB Bulletin No. 19-03, we have also issued our reports dated November 13, 2020, on our consideration of USITC's internal control over financial reporting and the results of our tests of its compliance with certain provisions of laws, regulations, and other matters that are required to be reported under *Government Auditing Standards*. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with U.S. *Government Auditing Standards* and OMB Bulletin

Independent Auditor's Report

Page 3

19-03 in considering the USITC's internal control and compliance and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management and the USITC Office of Inspector General, OMB, U.S. Government Accountability Office, and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

*Castro & Company, LLC*

Alexandria, VA

November 13, 2020

## Inspector General's Transmittal Letter of Independent Auditor's Report on Internal Control

OFFICE OF INSPECTOR GENERAL



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### UNITED STATES INTERNATIONAL TRADE COMMISSION

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WASHINGTON, DC 20436

November 13, 2020

IG-SS-019

Commissioners:

This memorandum transmits the Independent Auditor's Report on Internal Control (OIG-AR-21-02) associated with the audit of the Commission's financial statements for fiscal year 2020.

We contracted with the independent certified public accounting firm, Castro & Company to conduct the financial statement audit. The contract required that the audit be conducted in accordance with U.S. generally accepted government auditing standards and these auditing standards require a report on Internal Control to be produced as part of the audit.

Throughout the audit and at its conclusion, my office followed procedures and conducted a final review that included monitoring the performance of the audit, reviewing Castro & Company's report, related documentation, and making inquiries of its representatives. Our final review disclosed no instances where Castro & Company did not comply, in all material respects, with the U.S. generally accepted government auditing standards; however, this final review cannot be construed as an audit, and is not intended to enable us to express, and we do not express, any opinion on the Commission's internal control. Castro & Company is solely responsible for this report dated November 13, 2020, and the conclusions expressed in the report.

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

Sincerely,

Michael J Haberstroh  
Acting Inspector General

## Independent Auditor's Report on Internal Control



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### **Independent Auditor's Report on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

Inspector General  
U.S. International Trade Commission

We have audited the financial statements of the U.S. International Trade Commission (USITC), which comprise the balance sheets as of September 30, 2020 and 2019, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated November 13, 2020. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 19-03, *Audit Requirements for Federal Financial Statements*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements as of and for the year ended September 30, 2020, we considered USITC's internal control over financial reporting by obtaining an understanding of the design effectiveness of USITC's internal control, determining whether controls had been placed in operation, assessing control risk, and performing tests of USITC's controls as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not to express an opinion on the effectiveness of USITC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of USITC's internal control over financial reporting. We limited our internal control testing to those controls necessary to achieve the objectives described in the OMB Bulletin No. 19-03. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982 (FMFIA), such as those controls relevant to ensuring efficient operations.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in

Independent Auditor's Report on Internal Control

Page 2

internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purposes described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies. However, material weakness or significant deficiencies may exist that have not been identified.

We noted less significant matters involving internal control and its operations which we have reported to USITC management in a separate letter dated November 13, 2020.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and the result of that testing, and not to provide an opinion on the effectiveness of USITC's internal control. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering USITC's internal control. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the management and the USITC Office of Inspector General, OMB, the Government Accountability Office, and Congress, and is not intended to be and should not be used by anyone other than these specified parties.



Alexandria, VA  
November 13, 2020

## Inspector General's Transmittal Letter of Independent Auditor's Report on Compliance with Laws and Regulations

OFFICE OF INSPECTOR GENERAL



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### UNITED STATES INTERNATIONAL TRADE COMMISSION

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WASHINGTON, DC 20436

November 13, 2020

IG-SS-020

Commissioners:

This memorandum transmits the Independent Auditor's Report on Compliance with Laws and Regulations (OIG-AR-21-03) associated with the audit of the Commission's financial statements for fiscal year 2020.

We contracted with the independent certified public accounting firm, Castro & Company LLC, to conduct this audit. The contract required that the audit be conducted in accordance with U.S. generally accepted government auditing standards and these auditing standards require a report on compliance with laws and regulations to be produced as part of the audit.

The auditors did not identify any instances of noncompliance that would have a direct or material effect on the determination of financial statement amounts.

Throughout the audit and at its conclusion, my office followed procedures and conducted a final review designed to assure that the work performed by non-Federal auditors complied with the auditing standards. Our final review disclosed no instances where Castro & Company did not comply, in all material respects, with the U.S. generally accepted government auditing standards; however, this final review cannot be construed as an audit, and is not intended to enable us to express, and we do not express, any opinion on the Commission's compliance with laws and regulations. Castro & Company is solely responsible for this report dated November 13, 2020 and the conclusions expressed in the report.

Thank you for the cooperation and courtesies extended to both Castro & Company and my staff during this audit.

Sincerely,

A handwritten signature in blue ink, appearing to read "M. J. Haberstroh".

Michael J Haberstroh  
Acting Inspector General

## Independent Auditor's Report on Compliance with Laws and Regulations



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### Independent Auditor's Report on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Inspector General  
U.S. International Trade Commission

We have audited the financial statements of the U.S. International Trade Commission (USITC), which comprise the balance sheets as of September 30, 2020 and 2019, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated November 13, 2020. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 19-03, *Audit Requirements for Federal Financial Statements*.

The management of USITC is responsible for complying with laws and regulations applicable to USITC. We performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain other laws and regulations specified in OMB Bulletin No. 19-03, including the requirements referred to in the Federal Managers' Financial Integrity Act of 1982. We limited our tests of compliance to these provisions, and we did not test compliance with all laws and regulations applicable to USITC.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the USITC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests of compliance disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 19-03.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on the USITC's compliance. This report is an

Independent Auditor's Report on Compliance with Laws and Regulations

Page 2

integral part of an audit performed in accordance with *Government Auditing Standards* in considering the USITC's compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of management and the USITC Office of Inspector General, OMB, the Government Accountability Office, and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Castro & Company, LLC

Alexandria, VA  
November 13, 2020

## Principal Financial Statements

U.S. INTERNATIONAL TRADE COMMISSION

### BALANCE SHEETS

As of September 30, 2020 and 2019

(in dollars)

	2020	2019
<b>Assets:</b>		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	\$ 20,341,936	\$ 24,738,033
<b>Total Intragovernmental</b>	<b>\$ 20,341,936</b>	<b>\$ 24,738,033</b>
Accounts Receivable (Note 3)	\$ 4,810	\$ 24,776
Property, Plant, and Equipment, net (Note 4)	6,776,426	7,470,916
<b>Total Assets</b>	<b>\$ 27,123,172</b>	<b>\$ 32,233,725</b>
<b>Liabilities:</b>		
Intragovernmental:		
Accounts Payable (Note 6)	\$ 259,480	\$ 287,917
Employer Contributions and Payroll Taxes Payable (Note 5)	786,028	582,421
Unfunded FECA Liability (Note 5)	18,083	5,162
Other (Note 5)	5,650,460	6,127,964
<b>Total Intragovernmental</b>	<b>\$ 6,714,051</b>	<b>\$ 7,003,464</b>
Accounts Payable (Note 6)	\$ 1,949,422	\$ 2,176,604
Accrued Funded Payroll (Note 5)	3,087,756	2,519,171
Employer Contributions and Payroll Taxes Payable (Note 5)	122,513	97,884
Actuarial FECA Liability (Note 5)	65,622	44,274
Unfunded Leave (Note 5)	6,099,709	4,653,411
<b>Total Liabilities</b>	<b>\$ 18,039,073</b>	<b>\$ 16,494,808</b>
<b>Net position:</b>		
Unexpended Appropriations	\$ 14,136,737	\$ 19,074,036
Cumulative Results of Operations	(5,052,638)	(3,335,119)
<b>Total Net Position</b>	<b>\$ 9,084,099</b>	<b>\$ 15,738,917</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 27,123,172</b>	<b>\$ 32,233,725</b>

The accompanying notes are an integral part of these financial statements.

U.S. INTERNATIONAL TRADE COMMISSION

**STATEMENTS OF NET COST**

For the years ended September 30, 2020 and 2019

(in dollars)

	2020	2019
Program Costs:	109,605,243	99,654,289
<b>Total Program Costs</b>	<b>\$ 109,605,243</b>	<b>\$ 99,654,289</b>

The accompanying notes are an integral part of these financial statements.

U.S. INTERNATIONAL TRADE COMMISSION  
**STATEMENTS OF CHANGES IN NET POSITION**  
 For the years ended September 30, 2020 and 2019  
 (in dollars)

	2020	2019
<b>Unexpended Appropriations:</b>		
Beginning Balance	\$ 19,074,036	\$ 20,136,099
<b>Budgetary Financing Sources:</b>		
Appropriations Received	99,400,000	95,000,000
Less: Appropriations used	(104,337,299)	(96,062,063)
<b>Total Budgetary Financing Sources</b>	<b>(4,937,299)</b>	<b>(1,062,063)</b>
<b>Total Unexpended Appropriations</b>	<b>\$ 14,136,737</b>	<b>\$ 19,074,036</b>
<b>Cumulative Results of Operations:</b>		
Beginning Balance	\$ (3,335,119)	\$ (4,106,632)
<b>Budgetary Financing Sources:</b>		
Appropriations Used	\$ 104,337,299	\$ 96,062,063
<b>Other Financing Sources (Non-Exchange)</b>		
Imputed Financing (Note 9)	3,550,425	4,363,739
Total Financing Sources	107,887,724	100,425,802
Net Cost of Operations	(109,605,243)	(99,654,289)
Net Change	(1,717,519)	771,513
<b>Cumulative Results of Operations</b>	<b>\$ (5,052,638)</b>	<b>\$ (3,335,119)</b>
<b>Net Position</b>	<b>\$ 9,084,099</b>	<b>\$ 15,738,917</b>

The accompanying notes are an integral part of these financial statements.

U.S. INTERNATIONAL TRADE COMMISSION  
**STATEMENTS OF BUDGETARY RESOURCES**  
 For the years ended September 30, 2020 and 2019  
 (in dollars)

	2020	2019
<b>Budgetary Resources:</b>		
Unobligated Balance from Prior Year Budget Authority, net	\$ 3,126,718	\$ 9,198,210
Appropriations	99,400,000	95,000,000
<b>Total Budgetary Resources</b>	<b>\$ 102,526,718</b>	<b>\$ 104,198,210</b>
<b>Status of Budgetary Resources:</b>		
New Obligations and Upward Adjustments	\$ 102,176,579	\$ 103,815,828
Unobligated Balance, end of year:		
Unexpired unobligated balance	316,793	382,382
Unexpired, unapportioned balance	33,346	0
Unobligated Balance, end of year (total)	350,139	382,382
<b>Total Budgetary Resources</b>	<b>\$ 102,526,718</b>	<b>\$ 104,198,210</b>
<b>Outlays, net</b>		
Outlays, net (total) (discretionary and mandatory)	\$ 103,796,097	\$ 95,697,233

The accompanying notes are an integral part of these financial statements.

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**United States International Trade Commission**  
**Notes to Financial Statements**  
**September 30, 2020 and 2019**

**Note 1. Significant Accounting Policies**

**A. Reporting Entity**

The United States International Trade Commission (USITC) is an independent agency of the U.S. Government created by an act of Congress and is headed by six commissioners, appointed by the President and confirmed by the U.S. Senate for nine-year terms. The President designates the chairman and vice chairman, each of whom serve two-year terms. The USITC's budget constitutes a single program in the Budget of the United States. Accordingly, the USITC receives a lump sum appropriation. The appropriated funds are "no year" funds and may be obligated for goods and services that are provided in subsequent fiscal years.

The Commission conducts investigations and reports findings relating to imports, the effect of imports on industry, and unfair import practices. The USITC advises the President on the probable economic effect of proposed trade agreements with foreign countries. The USITC also conducts analytical studies and provides reports on issues relating to international trade and economic policy to Congress and the President.

**B. Basis of Accounting and Presentation**

The USITC's financial statements conform to Generally Accepted Accounting Principles (GAAP) as promulgated by the Federal Accounting Standards Advisory Board (FASAB). The American Institute of Certified Public Accountants (AICPA) recognizes FASAB Standards as GAAP for federal reporting entities. These principles differ from budgetary reporting principles. The differences relate primarily to the capitalization and depreciation of property, plant, and equipment, as well as the recognition of other long-term assets and liabilities. The statements were prepared in conformity with OMB Circular No. A-136, *Financial Reporting Requirements*.

The financial statements have been prepared from the books and records of the USITC and include all accounts of all funds under the control of the USITC. Accounting principles generally accepted in the United States of America encompass both accrual and budgetary transactions. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal constraints and controls over the use of federal funds. The accompanying financial

statements for the year ended September 30, 2020 are prepared on the accrual basis of accounting and allow for comparison to the year ended September 30, 2019.

*Assets:* Intragovernmental assets are those assets that arise from transactions with other federal entities. Funds with the U.S. Treasury represent intragovernmental assets on the USITC's balance sheet. Fiduciary assets are not assets of the USITC and are not recognized on the balance sheet. The USITC holds cease and desist bonds, which are held for non-federal parties that the USITC does not have the authority to use in its operations. See Note 12, Fiduciary Activities, for additional disclosures.

*Financing Sources:* The USITC has received "no year" appropriations for operations since FY 1993. Appropriations are recognized as a financing source and expensed when related operating expenses are incurred. Differences between appropriations received and those expensed are included as unexpended appropriations. Congress appropriated \$99,400,000 to the USITC for salaries and expenses in FY 2020 and \$95,000,000 in FY 2019.

*Fund Balance with the U.S. Treasury:* Cash receipts and disbursements are processed by the Treasury. The fund balance with the U.S. Treasury represents appropriated entity funds in the custody of the U.S. Treasury and is available to pay current liabilities and to finance authorized purchase commitments. The USITC's obligated and unobligated fund balances are carried forward until goods or services are received and payments are made, or until such time as funds are deobligated.

### **C. Property, Plant, and Equipment, Net**

The USITC's portfolio of assets includes IT-related equipment, furniture, software, and leasehold improvements. For financial statement reporting purposes, the USITC does not own heritage assets as defined in the FASAB Statements of Federal Financial Accounting Standard (SFFAS) No. 6, *Accounting for Property, Plant, and Equipment*. The USITC therefore reports only the above-mentioned property and equipment in its financial statements. The USITC's operations are housed in a leased structure. In FY 2017, the USITC extended the operating lease agreement with the General Services Administration (GSA) by 15 years for the facility that houses its day-to-day mission operations.

The USITC capitalizes all equipment and furniture when an asset acquisition costs \$50,000 or more and when the acquired asset has a useful life of two or more years. Depreciation expense for equipment and furniture is calculated using the straight-line method over an estimated economic useful life. Maintenance and license fees

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associated with equipment are expensed in the accounting period that purchased maintenance and licenses are received.

The USITC capitalizes internal use software (IUS) using the standards defined and prescribed in the SFFAS No. 10, the *Accounting for Internal Use Software*. Accordingly, the USITC begins to accumulate IUS development costs for equipment integral to the functioning and operation of the software, as well as costs for development work associated with an IUS project when accumulated costs reach \$10,000. When the combined accumulated equipment and IUS development costs reach \$100,000, the IUS project is classified for financial statement reporting purposes as a capital asset and reported in the financial statements as an “in progress” capital asset. Equipment integral to the functioning and operation of the software is not depreciated until the software is placed in service. Upon completion and user acceptance testing, IUS and its associated equipment are reclassified as IUS equipment and software. The equipment is depreciated and the software is amortized using the straight-line (S/L) method over an estimated economic useful life. Maintenance and license fees associated with an IUS capital asset are accrued, expensed, and allocated between accounting periods based on period-of-performance timeframes specified in contractual agreements. Commercial software costs that do not meet the capitalization criteria and thresholds are expensed in the accounting period that the purchased software is received.

The USITC capitalizes all leasehold improvement acquisition costs that are \$50,000 or more and that have a useful life of two or more years. The USITC applies the same accounting treatment and standards to leasehold improvements as it does for IUS, when the leasehold improvement involves multiple stages of completion before work acceptance. For financial reporting purposes, all accumulated costs are captured in an “in progress” account and reported on the financial statements. Upon completion and acceptance of work, the costs are reclassified and reported on the financial statements as a leasehold improvement subject to amortization. Leasehold improvements are amortized over either the remaining life of lease term or the estimated economic useful life of the leasehold improvement, whichever is less.

#### **D. Accrued Annual Leave**

Accrued annual leave is paid from future funding sources and accordingly is reflected as a liability not covered by budgetary resources. Each quarter the balance in the accrued leave account is adjusted to reflect the current leave balances and pay rates. Sick leave and other types of non-vested leave are expensed as taken.

## **E. Employee Retirement Plans**

Commission employees participate in either the Civil Service Retirement System (CSRS), the Federal Employees Retirement System (FERS), which became effective on January 1, 1987, the Federal Employees Retirement System-Revised Annuity Employees (FERS-RAE), which became effective on January 1, 2013 or the Federal Employees Retirement System- Further Revised Annuity Employees (FRAE), which became effective on January 1, 2014. Most federal employees hired after December 31, 1983, are automatically covered by FERS, FERS-RAE, or FERS-FRAE and Social Security. For employees covered by CSRS, the USITC withheld 7.0 percent of base pay earnings. The Commission matches this withholding, and the sum of the withholding and the matching funds is transferred to the Civil Service Retirement System.

FERS, FERS-RAE, and FERS-FRAE contributions made by employer agencies and covered employees are comparable to the U.S. Government's estimated service costs. For FERS, FERS-RAE and FERS-FRAE covered employees, the Commission made contributions of 15.81 percent, 13.94 and 14.09 percent, respectively, of basic pay. Employees participating in FERS, FERS-RAE or FERS-FRAE are covered under the *Federal Insurance Contribution Act (FICA)* for which both the Commission and employees contributed 6.2 percent of salaries up to \$137,700 and \$132,900 during calendar years 2020 and 2019, respectively, into the Old-Age, Survivors, and Disability Insurance (OASDI) program; both the Commission and employees contribute 1.45 percent of salaries to Medicare's Hospital Insurance (HI) program.

## **F. Net Position**

Net position is the residual difference between assets and liabilities and is composed of unexpended appropriations and the cumulative results of operations. Unexpended appropriations represent the amount of unobligated and unexpended budget authority. Unobligated balances are the amount of appropriations or other authority remaining after deducting the cumulative obligations from the amount available for obligation. Cumulative results of operations are the net result of the USITC's operations since inception.

## **G. Intragovernmental Activities**

The USITC records and reports only those government-wide financial matters for which it is responsible and identifies only those financial matters that the USITC has been granted the budget authority and resources to manage.

## H. Use of Estimates

The financial statements are based on the selection of accounting policies and the application of certain accounting estimates, some of which require management to make significant assumptions. Further, the estimates are based on current conditions that may change in the future. Actual results could differ materially from the estimated amounts. The financial statements include information to assist in understanding the effect of changes in assumptions to the related information.

### Note 2. Fund Balance with Treasury

Fund Balance with Treasury is an intragovernmental asset. The Commission fund balance represents funds appropriated by Congress for use by the USITC. No funds are restricted; however, in accordance with section 605 of Title 5 of Public Law 105-277, Congressional approval is required under certain reprogramming or transfer actions.

No discrepancies exist between the Fund Balance reflected in the general ledger and the balance in the Treasury accounts.

Fund Balance with Treasury	2020	2019
Status of Fund Balance with Treasury		
Unobligated balance available	350,139	382,382
Obligated balance not yet disbursed	19,991,797	24,355,651
<b>Total</b>	<b>\$ 20,341,936</b>	<b>\$ 24,738,033</b>

### Note 3. Accounts Receivable

The balance of accounts receivable was \$4,810 and \$24,776 at September 30, 2020 and September 30, 2019, respectively. The non-governmental accounts receivable are for sponsored travel, vendor and employee debts as well as credits due from Citibank relating to travel and purchase card refunds. At the end of fiscal year 2020, the agency had some long standing debts that could not be collected from former employees and sponsored travel. As a result, these debts were written off as bad debt expense. All other amounts due may be reported to the Department of the Treasury, Treasury Offset Program if not collected within prescribed collection terms.

Receivable Type	2020	2019
Intragovernmental	\$ -	\$ -
Non-governmental	\$ 4,810	\$ 24,776
<b>Total</b>	<b>\$ 4,810</b>	<b>\$ 24,776</b>

### Note 4. Property, Plant, and Equipment, Net

Depreciation and amortization expense was \$1,897,895 and \$503,991 for the periods ended September 30, 2020 and 2019, respectively, and is included in the accumulated depreciation.

Comparative asset tables summarized by class of property appear below:

#### Property, Plant, and Equipment as of September 30, 2020

Class of Property	Depreciation/ Amortization Method	Capitalization Threshold for Individual Purchases	Service Life (Years)	Acquisition Cost	Accumulated Depreciation/ Amortization	Book Value
Equipment and Furniture	S/L	\$ 50,000	5	9,031,027	6,626,340	2,404,687
Software	S/L	100,000	5	8,319,858	5,769,829	2,550,029
Software in Development	-	-	-	70,000	-	70,000
Leasehold Improvements	S/L	50,000	Varies	6,648,715	6,508,627	140,088
Leasehold Improvements in Progress	-	-	-	1,611,622	-	1,611,622
<b>Total</b>				<b>\$ 25,681,222</b>	<b>\$ 18,904,796</b>	<b>\$ 6,776,426</b>

#### Property, Plant, and Equipment as of September 30, 2019

Class of Property	Depreciation/ Amortization Method	Capitalization Threshold for Individual Purchases	Service Life (Years)	Acquisition Cost	Accumulated Depreciation/ Amortization	Book Value
Equipment and Furniture	S/L	\$ 50,000	5	7,569,298	5,974,665	1,594,633
Software	S/L	100,000	5	5,424,943	4,573,857	851,086
Software in Development	-	-	-	3,019,866	-	3,019,866
Leasehold Improvements	S/L	50,000	Varies	6,648,714	6,458,379	190,335
Leasehold Improvements in Progress	-	-	-	1,814,996	-	1,814,996
<b>Total</b>				<b>\$ 24,477,817</b>	<b>\$ 17,006,901</b>	<b>\$ 7,470,916</b>

## Note 5. Liabilities Not Covered by Budgetary Resources

Liabilities not covered by budgetary authority are not charged to the USITC's appropriation. These liabilities include unfunded Federal Employees' Compensation Act (FECA) liability, other liabilities, accrued annual leave, and actuarial FECA liability.

**Unfunded FECA Liability:** The FECA program is administered by the Department of Labor (DOL). DOL pays valid claims against the USITC and subsequently seeks reimbursement. Reimbursements are paid by the USITC out of current funds.

**Other Liabilities:** During FY 2017, USITC signed a 15 year lease with GSA for the headquarter building. The lease has several initial months of rent abatement. This liability account establishes the FY 2017 and FY 2018 free rent less amortization, which began during the third quarter of FY 2018 and will continue through the remaining term of the scheduled lease payments.

**Accrued Annual Leave:** Accrued annual leave is paid from future funding sources and accordingly is reflected as a liability not covered by budgetary resources. Each quarter the balance in the accrued leave account is adjusted to reflect the current leave balances and pay rates. Sick leave and other types of non-vested leave are expensed as taken.

**Actuarial FECA Liability:** This represents an estimated liability for future workers compensation claims based on data provided from DOL. DOL calculates the estimate based principally on benefit payments made over the prior 12 quarters.

**Liabilities Covered by Budgetary Resources:** In contrast to the liabilities identified above, all other liabilities are charged to the USITC's appropriation and thus are covered by budgetary resources. These liabilities include accounts payable, employer contributions of taxes and benefits, payroll taxes, and accrued funded payroll. The composition of accounts payable is described in more detail in Note 6, below.

**Liabilities Not Requiring Budgetary Resources:** This represents liabilities that have not in the past required and will not in the future require the use of budgetary resources. These liabilities include those in clearing accounts and non-fiduciary deposit funds, such as the FOIA receipts collected under the miscellaneous receipts fund.

Liabilities Not Covered by Budgetary Resources	2020	2019
Intragovernmental		
Unfunded FECA Liability	18,083	5,162
Other Liabilities	5,650,460	6,127,964
<b>Total Intragovernmental</b>	<b>5,668,543</b>	<b>6,133,126</b>
Accrued Annual Leave	6,099,709	4,653,411
		<b>Page 51</b>

Actuarial FECA Liability	65,622	44,274
Total Liabilities Not Covered by Budgetary Resources	11,833,874	10,830,811
Total Liabilities Covered by Budgetary Resources	6,205,199	5,663,997
Total Liabilities Not Requiring Budgetary Resources	-	-
<b>Total Liabilities</b>	<b>\$ 18,039,073</b>	<b>\$ 16,494,808</b>

### Note 6. Accounts Payable

The amounts reported on the Balance Sheet for Accounts Payable represent amounts owed by the USITC to other federal agencies (intragovernmental) and to non-federal entities for goods and services received but not paid by the USITC as of the Balance Sheet date.

Amounts payable to trading partners were \$259,480 and \$287,917 as of September 30, 2020 and 2019, respectively. For FY 2020, amounts were principally owed to GSA, OPM and DOL for IT services and equipment, software and training, as well as unemployment compensation. For FY 2019, amounts were principally owed to GSA and DOL for IT services and equipment, and unemployment compensation costs, respectively.

Amounts shown on the Balance Sheet as payable to vendors represent amounts owed by the USITC to non-federal entities for goods and services received by the USITC in support of mission operations as of the Balance Sheet date.

Accounts Payable	2020	2019
Intragovernmental		
Accounts Payable to Trading Partners	\$ 259,480	\$ 287,917
Total Intragovernmental	259,480	287,917
Non-Federal		
Accounts Payable to Vendors	1,949,422	2,176,604
<b>Total Accounts Payable</b>	<b>\$ 2,208,902</b>	<b>\$ 2,464,521</b>

### Note 7. Leases

The USITC has an operating lease for the facility that houses its day-to-day mission operations. In FY 2017, the USITC extended the current operating lease with the General Services Administration (GSA) for a period of 180 months commencing on August 11, 2017. In accordance with the terms of the new Occupancy Agreement, the ITC will receive total free rent in the amount of \$6.8 million, as well as a broker commission credit totaling \$591 thousand. The full service rent was abated in its entirety from the commencement date of the new lease and was fully exhausted in the third quarter of FY 2018. USITC has no capital leases.

While the leases with the GSA are cancellable, the ITC's intention is to stay in the currently leased space and disclose the amounts that will be paid in the future to the

GSA under signed lease agreements. Future minimum lease payments under leases of commercial property due as of September 30, 2020 are as follows:

Fiscal Year		Federal	Non-Federal
2021	\$	9,997,475	\$ -
2022	\$	10,063,957	\$ -
Thereafter	\$	102,945,082	\$ -
<b>Total Future Minimum Lease Payments</b>	<b>\$</b>	<b>123,006,514</b>	<b>\$ -</b>

### Note 8. Commitments and Contingencies

The USITC has certain claims pending against it. USITC management and legal counsel believe that losses, if any, from other claims and lawsuits will not be material to the fair presentation of the USITC's financial statements.

### Note 9. Other Financing Sources (Non-Exchange)

Imputed Financing: The amounts remitted to OPM for employees covered by the federal civilian benefit programs generally do not cover the actual cost of the benefits those employees will receive after they retire. As a consequence, the USITC has recognized an "imputed financing" equal to the difference between the cost of providing benefits to USITC's employees and the contributions the USITC remitted for them. The amount of imputed financing is calculated based on a formula provided by OPM.

### Note 10. Undelivered Orders at the End of the Period

Undelivered orders consist of goods and services ordered and obligated that have not been received. Undelivered orders may be indicative of obligations to cover future delivery of good and services or may represent potential de-obligations. Since the USITC has "no year" funds, it often funds contracts, particularly service contracts, on a calendar year or other annual basis, rather than on a fiscal year basis. Undelivered orders were \$13,786,597 and \$18,691,655 as of September 30, 2020 and September 30, 2019, respectively. As of September 30, 2020, Federal undelivered orders amounted to \$5,469,948 while \$8,316,649 were classified as nonfederal. For the year September 30, 2019 Federal undelivered orders amounted to \$6,242,361 while \$12,449,294 were classified as nonfederal. All undelivered orders were unpaid.

### Note 11. Explanation of Differences between the Statement of Budgetary Resources and the Budget of the United States Government

The Budget of the United States Government with actual amounts for the year ended September 30, 2020 has not been published as of the issue date of these financial statements. This document will be available in February 2021 at OMB’s website. For FY 2019 there were no material differences between amounts reported in the Commission’s Statement of Budgetary Resources and the actual amounts reported on the President’s Budget.

**Note 12. Fiduciary Activities**

Fiduciary activities are the collection or receipt, and the management, protection, accounting, investment and disposition by the federal government of cash or other assets in which non-federal individuals or entities have an ownership interest that the federal government must uphold. Fiduciary cash and other assets are not assets of the federal government and accordingly are not recognized on the balance sheet.

Fiduciary Bond Fund 34X630 was authorized by 35 USC 2513, which authorized USITC to collect cease and desist bonds on behalf of the Federal Government.

**U.S International Trade Commission  
Schedule of Fiduciary Activity  
For the years ended September 30, 2020 and 2019**

	2020	2019
	Fiduciary Fund 34X6340	Fiduciary Fund 34X6340
Fiduciary net assets, beginning of year	\$ 1,401,074	\$ 5,337,710
Cash collections from cease and desist bonds	26,981	587,774
Cash disbursements to beneficiaries	(521,733)	(4,524,411)
<b>Fiduciary Net Assets, end of year</b>	<b>\$ 906,322</b>	<b>\$ 1,401,073</b>

**Fiduciary Net Assets  
As of September 30, 2020 and 2019**

	2020	2019
	Fiduciary Fund 34X6340	Fiduciary Fund 34X6340
<b>FIDUCIARY ASSETS</b>		
Cash and cash equivalents		
Fund Balance with Treasury	\$ 906,322	\$ 1,401,073
Investments	-	-
Other Assets	-	-
Less: Liabilities	-	-
<b>Total Fiduciary Net Assets</b>	<b>\$ 906,322</b>	<b>\$ 1,401,073</b>

**Note 13. Reconciliation of Net Cost of Operations to Budget**

Budgetary and financial accounting information differ. Budgetary accounting is used for planning and control purposes and relates to both the receipt and use of cash, as well as reporting the federal deficit. Financial accounting is intended to provide a picture of the government's financial operations and financial position so it presents information on an accrual basis. The accrual basis includes information about costs arising from the consumption of assets and the incurrence of liabilities. The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information. The reconciliation serves not only to identify costs paid for in the past and those that will be paid in the future, but also to assure integrity between budgetary and financial accounting. The analysis below illustrates this reconciliation by listing the key differences between net cost and net outlays.

Reconciliation of Net Operating Cost & Net Budgetary Outlays for the Period Ending September 30, 2020 and 2019 (in dollars)						
	2020			2019		
	Intra governmental	With the Public	Total FY2020	Intra governmental	With the Public	Total FY2019
<b>Net Operating Cost (SNC)</b>	\$32,111,587	\$77,493,656	\$109,605,243	\$30,158,913	\$69,495,376	\$99,654,289
<b>Components of Net Operating Cost Not Part of the Budgetary Outlays</b>						
Property, plant, and equipment depreciation	-	(1,897,895)	(1,897,895)	-	(503,991)	(503,991)
<b>Increase/(Decrease) in Assets not affecting Budget Outlays:</b>						
Accounts receivable	-	(19,966)	(19,966)	(126,025)	5,187	(120,838)
Other assets	(3,195)	3,195	-	(17,295)	17,295	-
<b>(Increase)/Decrease in Liabilities not affecting Budget Outlays:</b>						
Accounts payable	28,437	227,182	255,619	122,373	59,331	181,704
Salaries and benefits	(203,607)	(593,214)	(796,821)	(92,819)	(453,714)	(546,533)
Other liabilities (Rent abatement, Unfunded leave, Unfunded FECA)	464,583	(1,467,646)	(1,003,063)	475,492	(247,629)	227,863
<b>Other Financing Sources:</b>						
Federal employee retirement benefit costs paid by OPM and imputed to agency	(3,550,425)	-	(3,550,425)	(4,363,739)	-	(4,363,739)
<b>Total Components of Net Operating Cost Not Part of the Budget Outlays</b>	<b>(3,264,207)</b>	<b>(3,748,344)</b>	<b>(7,012,551)</b>	<b>(4,002,013)</b>	<b>(1,123,521)</b>	<b>(5,125,534)</b>

<b>Components of the Budget Outlays That Are Not Part of Net Operating Cost</b>							
	Acquisition of capital assets	(3,195)	1,206,600	1,203,405	(17,295)	1,185,773	1,168,478
<b>Total Components of the Budgetary Outlays That Are Not Part of Net Operating Cost</b>		(3,195)	1,206,600	1,203,405	(17,295)	1,185,773	1,168,478
<b>Other Temporary Timing Differences</b>		-	-	-	-	-	-
<b>Net Outlays</b>		<b>\$28,844,185</b>	<b>\$74,951,912</b>	<b>\$103,796,097</b>	<b>\$26,139,605</b>	<b>\$69,557,628</b>	<b>\$95,697,233</b>

# Other Accompanying Information

## Management and Performance Challenges

### Inspector General's Summary of Management and Performance Challenges



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## UNITED STATES INTERNATIONAL TRADE COMMISSION

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WASHINGTON, DC 20436

September 29, 2020

IG-SS-016  
OIG-MR-20-15

Chair Kearns:

This memorandum transmits the Inspector General's summary of the top management and performance challenges facing the Commission and briefly assesses management's progress in addressing these challenges. I have identified two management and performance challenges for fiscal year 2021: Managing Data and Internal Controls. These challenges were identified based on work by the Office of Inspector General, input from Commission management, and knowledge of the Commission's programs and operations.

#### Managing Data

OMB Circular No. A-123, Appendix A: *Management of Reporting and Data Integrity Risk*, requires agencies to provide reasonable assurance on the reliability, validity and overall quality of data used for internal and external reporting. The guidance emphasizes a risk-based approach towards managing data as an asset and the importance of using high-quality data to support data-driven decisions for improving transparency in the government.

High-quality information can only be achieved by having a deliberate methodology on how to organize, standardize, and collect the necessary data elements to meet reporting objectives. Properly organized data allows information to be collected at a granular level which then allows data to be aggregated to meet the reporting needs of staff in different organizations and managers at different levels in the agency. The data collection process should be standardized with clear data definitions to promote uniformity and provide consistency in how information is recorded, interpreted, and communicated.

High-quality information relies on a strong governance structure that assigns data ownership and accountability to ensure accuracy, completeness, timeliness, and integrity of data. Data owners should promote a culture that values data by emphasizing the importance of the data collected and how data is maintained over time. In addition, data owners should develop processes and procedures needed to provide reasonable assurance of the quality of data in the system.

The Commission should be able to rely on the quality and integrity of its data across systems, applications, and databases. The value of the information generated by a system is only as good as its quality at the point of entry. The accuracy and completeness of information depends on how we capture, enter, code, and reconcile data at the source of entry. Employees need to understand the importance of the data and, more importantly, how inaccurate, or incomplete entries impact the quality of information. Data reconciliation processes should be performed regularly to identify and correct any errors or omissions and improve the processes to reduce future errors.

Earlier this year, the Commission's Chief Data Officer established a data accuracy rate benchmark of 95% for internal data systems. To accomplish this, system owners will need to develop standard procedures for the collection, data entry, maintenance, and reconciliation of data. Effective organization and standardization of data is critical to obtain useful and relevant information that can be used for a variety of purposes across all levels of the organization. Even if the data meets the 95% accuracy rate for a system, the inconsistent definitions and values between systems can make it difficult to leverage the multiple datasets to produce enterprise-level information without requiring human interaction to normalize the data.

A clear example of this is personnel cost data, which represents approximately 65% of the agency's budget. Personnel data resides in multiple systems across the Commission, including payroll, time and attendance, travel, and financial system. The absence of standards results in different methods for entering organizational information such as office names, office and division acronyms, and which level within the organizational hierarchy staff are assigned within the system.

The Commission's financial management codes should be the authoritative source for standardizing how organizational and personnel data is recorded in agency systems. The naming conventions for offices should align with agency directives, and standard office acronyms should be defined. The organizational hierarchy should have a documented methodology of assigning codes based on the structure and relationships between the offices. Codes should remain stable (without sacrificing flexibility) to allow data to be compared over time.

There has been a steady increase in legislation and policy guidance directing agencies to implement sound information management practices and increase the accessibility of data to the public. Most recently, the *Foundations for Evidence-Based Policymaking Act of 2018* (Evidence Act), requires the development of a Strategic Information Resources Plan to include an Open Data Plan that complies with the *OPEN Government Data Act*. Although technical guidance is forthcoming, these plans must describe the Commission's goals and efforts to make agency datasets more accessible to the public.

Additionally, the President's Management Agenda lays out a long-term vision to leverage data as a strategic asset. The intent is to improve the use of data for decision-making, accountability, and transparency across the Federal Government and further enable accessibility to the public. The framework walks through the process of identifying information needs, understanding the characteristics of the data, and determining the appropriate level of detail required to ensure the correct data is collected in order to develop useable and relevant information for internal and external users.

The Commission should adopt a thoughtful, enterprise-wide approach to data management that builds a culture of data quality. There must be a balanced structure of people, processes, and technology to provide assurance over the quality of data without instituting overly rigid manual processes that are inefficient and unsustainable given the limited human resource capacity of the Commission.

#### Internal Controls:

The *Standards for Internal Control in the Federal Government* (Green Book) defines internal control as "a continuous built-in component of operations, effected by people" and identifies five components for internal control. For a system of internal control to be effective, all five components must be properly designed, and implemented. In addition, all five components must be working together in an integrated manner.

The Commission's management is responsible for establishing and maintaining a system of internal controls. These internal controls are the organizational environment that includes the plans, policies, and procedures that managers use to ensure their programs and operations are achieving the intended results through an effective use of public resources.

Over the past ten years, the Commission has worked hard to strengthen entity level controls. Senior managers implemented an enterprise risk management program and have an increased transparency about organizational risk. This program contributes to robust management discussions on issues such as human capital decisions and budget priorities. Although there is more work to be done, the senior management team has an awareness of internal control and knowledge of where controls need to be strengthened.

The control environment is the foundation of an internal control system. One principle of the control environment is to establish an organizational structure, assign responsibility, and delegate authority to meet the objectives of the Commission. In 2015, we completed an audit of the Commission's directives management system. The audit found that the Commission's policy directives were not current and contained outdated assignments of responsibility and delegations of authority. Although the Commission had written procedures to periodically assess the directives, the reviews were not performed.

The Commission has designed a new system of internal rules and issued directives focused on structural fundamentals such as mission and function statements. There are several additional directives that are in various stages of development. While progress has been made, the delay in updating policy brings added risk to the underlying operational processes that are dependent on the overarching policy directives. It is equally important for the Commission to monitor the effectiveness of the new system of internal rules to ensure it is working as designed and achieving the desired results.

Management is responsible for designing control activities at the appropriate levels in the organizational structure. Each operating unit is responsible for determining the appropriate control activities required to reduce risk in the operational processes of their office. The control activities should be documented through policy and procedure, communicated to staff, and monitored for effectiveness. The absence of standard procedures results in inconsistency in how routine operations are performed, reduces the quality of information produced, increases the risk associated with informal decisions made by management overrides, and often results in a lack of documentation to support decisions.

The overall success of a system of internal control relies on the people, process, and technology across the organization. The five components of internal control should be applied at every

level of management within the Commission. The Commission must continue the engagement of senior management but also ensure buy-in across programmatic and administrative offices to be successful in establishing an internal control program that can be sustained.

As the Commission navigates the many challenges brought on by the pandemic, managers need to remain mindful of how these changing conditions may impact the effectiveness of key internal controls in their processes.

I will continue to work with you, the other Commissioners, and management to reassess the goals of our office to ensure that my focus can continue to remain on the most important risks and priorities of the Commission.



Rhonda L. Turnbow  
Acting Inspector General

## Chair's Response to the Inspector General's Summary of Management and Performance Challenges



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### UNITED STATES INTERNATIONAL TRADE COMMISSION

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WASHINGTON, DC 20436

#### COMMENTS ON MANAGEMENT CHALLENGES IDENTIFIED BY THE INSPECTOR GENERAL

In Management Report: USITC Management and Performance Challenges, dated September 29, 2020, the USITC Inspector General identified two management challenges for the Commission, (1) managing data and (2) internal controls. As required by the Reports Consolidation Act of 2000, the Inspector General also assessed the Commission's progress in addressing these challenges.

The Commission concurs with the Inspector General on the management challenges facing the agency. The Commission is pleased that progress has been made during FY 2020 to address the previously identified management challenges of managing data and internal controls. The Commission will continue its efforts in FY 2021 to address these two challenges.

#### **Management Challenge: Managing Data**

The Commission agrees, as recommended by the Inspector General, that we must take a thoughtful, enterprise-wide approach to managing data to ensure that relevant, complete, and available data inform strategic and operational decisions while minimizing enterprise risks. As such, these efforts are being led by the Chief Data Officer and will be largely overseen by the newly established Data Governance Board—a subcommittee of the Performance Management and Strategic Planning Committee (PMSPC)—to ensure that Commission data are treated as a strategic asset.

As noted by the Inspector General, many Commission systems, more specifically in the administrative area, were developed to address specific needs or to solve single problems and therefore not viewed as an enterprise resource. As a result, the functionality, access, and reporting capabilities of many of these systems are limited. Further, reporting capabilities, if any, are limited to the database systems themselves such that data contained within those systems do not answer questions across systems. Consequently, Commission staff must spend additional time reconciling multiple data sets across the organization. During the reporting period, the Commission continued to make headway in its efforts to address these and other data management issues. For example, the Commission created the Investigations Database System (IDS), which reduces data by creating away to report out across multiple systems from a single authoritative source. This not only reduces the burden to manage multiple database systems but also improves data accuracy across them.

During FY 2020, the Commission continued to identify and inventory new and existing database systems. As systems were identified, staff captured certain meta data about them including purpose, sensitivity, data types, data owner, and whether the database system had a data dictionary or data quality plan. As we worked with system owners to document this information, the Commission is identifying: common uses of the data, redundant systems, whether there is a need for strengthened documentation, who has access to the data, how we input the data, and, if there are conflicting sources, which one is the system of record. Gathering this information and mapping the responses continues to be a critical step in understanding the breadth, depth, and connectedness of data managed at the Commission and will likely be a continuous process.

In FY 2019, the Commission leveraged the work performed in connection with the Digital Accountability and Transparency (DATA) Act reporting requirements to ensure consistency of the internal procurement documentation (PRISM), externally reported procurement data (Federal Procurement Data System), and accounting data (Oracle). In support of these requirements, the Commission documented and standardized several processes, worked to automate data reconciliation steps, and further identified and corrected errors between internal and external procurement data. As a result, the Commission developed a better understanding of how to approach the important step of documenting data quality and processes to make processes and internal controls more effective and efficient.

In FY 2020, we took these lessons learned a step further. The Chair designated senior staff members to the newly established Data Governance Board with membership representing all areas of the Commission including finance, information technology, legal, performance, privacy, risk management, and operations. This board's responsibilities include: establishing a

standardized, programmatic approach to manage and share data by developing data management standards, priorities, policies, and practices; coordinating and facilitating the implementation of agency-wide data processes and standards; addressing common issues affecting data programs and resources; prioritizing data resource allocations; developing and maintaining a comprehensive data inventory of data assets; coordinating the implementation of the Federal Data Strategy; and conducting strategic reviews. This year, the board developed its charter and began development of a data governance manual. Furthermore, the board established a data accuracy benchmark for Commission database systems to ensure Commission data are treated as a strategic asset. Once completed, this framework for required documentation will inform system and data owners on how to develop data dictionaries and data quality plans.

Other data management activities include the continued development of IDS, which will allow the Commission to share and analyze data associated with Commission statutory investigations. This activity continues to merge 337Info with other major database systems covering import injury and other fact-finding investigations. Once completed, it will generate efficiencies by eliminating duplicate data and improving data accuracy. It also will ensure improved internal controls for data used internally and published externally across multiple locations and will create a single authoritative source for this type of information. Work on IDS continues to be underway and is expected to be completed by the end of FY 2021. The documentation developed for this system will serve as a best practice template of system documentation that can be used by other system and data owners to document their own systems. Finally, since labor costs represent over 65 percent of the Commission's budget, we will work to document the time and attendance system and revamp the reporting capabilities in FY 2021.

These efforts to manage data align with the Office of Management and Budget's proposed Appendix A to Circular A-123—Reporting and Data Integrity Risk; the Open Data Act; and the Foundations for Evidence-based Policy Making Act. These efforts further the Commission's implementation of best data governance strategies as described in the President's Management Agenda and the resulting Federal Data Strategy, and they also correspond to several annual performance goals in the Commission's Strategic Plan.

### **Management Challenge: Internal Control**

As the Inspector General notes, the Commission has recognized the importance of having strong internal controls and has consistently acknowledged and responded to internal control weaknesses. Since it was first identified as a management challenge, the Commission has been committed to improving and strengthening its system of internal controls and has made significant strides in this critical area. The Commission will continue to improve and refine its

internal controls and has undertaken several multi-year corrective action initiatives to ensure that controls are working effectively on a continuous basis.

One ongoing, high priority corrective action initiative is the redesign of the Commission's system of internal rules, which includes the USITC's policy directives and related procedural documents. The system of internal rules sets forth all delegations of authority, provides the foundation of the Commission's control environment, and is essential to ensuring that the USITC's internal policies and procedures are accessible, intelligible, and consistent. The system is also crucial to enforcing accountability among USITC staff as its content sets forth the appropriate standards by which Commission functions should be carried out.

When reviewing the Commission's policy directives in FY 2015, the Inspector General found that many policies were outdated and inconsistent and that the agency's management of this function did not adequately ensure accountability for its upkeep. In response to the Inspector General's findings, the Commission redesigned its entire system of internal rules in order to address the Inspector General's recommendations and to ensure better agencywide management of the program.

The Commission began to implement its new system of internal rules in FY 2018 with the establishment and charter of the Internal Administration Committee (IAC) to govern the development and review of internal policies and procedures. Since 2018, the Commission deployed its new system of internal rules application which addressed a number of limitations found in the prior version and has issued or updated more than 30 Directives, including new or updated mission and functions statements for each Commission office and updated policies for key human capital and IT management programs and functions. Each of these Directives has been reviewed by the Division of Internal Controls and Risk Management (ICRM) to confirm that appropriate controls are included in the Directive or to identify areas where controls are needed so that they can be included in the Directive before issuance. The IAC works closely with the ICRM to monitor how effectively these control activities are being integrated into Commission operations. In FY 2020, the IAC, in coordination with the Office of the General Counsel, began to proactively monitor for new or changed external requirements that may impact the Commission's policies, procedures, and/or operations. Applicable requirements are analyzed and discussed at monthly IAC meetings, resulting in decisions on the appropriate agency response to each requirement.

Currently, the Commission is reviewing new and updated charters for each of its agency-wide management committees with issuance expected during Q1 of FY 2021. The IAC has prioritized the next 15 Directives for development during FY 2021, including policy Directives in key agency-wide management areas. Beginning in FY 2021, the Internal Administrative Committee

will be working with Commission offices to ensure that the procedures for key functions are documented and recorded into the system of internal rules. The IAC has reviewed the Office of Inspector General's open recommendations and corresponding management responses and will begin this process by ensuring these procedures are completed and recorded into the system of internal rules as desk procedures. Finally, the IAC will convene a working group in FY 2021 to work with the Office of the Chief Information Officer and agency office directors to develop and deploy a system for tracking the fulfilment of external reporting requirements. This effort will help to ensure that offices assigned responsibilities to satisfy reporting requirements in their mission and functions statements and relevant program Directives do so consistently and in a timely manner.

The Commission is committed to address its management challenges. We appreciate the Inspector General's efforts to identify areas of improvement and her advice on how to successfully improve the efficiency and effectiveness of the agency's operations.



Jason E. Kearns  
Chair  
November 12, 2020

## Summary of Financial Statement Audit and Management Assurances

**Table 1:** Summary of Financial Statement Audit

<b>Audit Opinion: Unmodified</b>					
<b>Restatement: No</b>					
<b>Material Weaknesses</b>	<b>Beginning Balance</b>	<b>New</b>	<b>Resolved</b>	<b>Consolidated</b>	<b>Ending Balance</b>
<i>Total Material Weaknesses</i>	0	0	0	0	0

**Table 2:** Summary of Management Assurances

Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)						
Statement of Assurance: Unmodified						
<b>Material Weaknesses</b>	<b>Beginning Balance</b>	<b>New</b>	<b>Resolved</b>	<b>Consolidated</b>	<b>Reassessed</b>	<b>Ending Balance</b>
<i>Total Material Weaknesses</i>	0	0	0	0	0	0
Effectiveness of Internal Control over Operations (FMFIA § 2)						
Statement of Assurance: Modified						
<b>Material Weaknesses</b>	<b>Beginning Balance</b>	<b>New</b>	<b>Resolved</b>	<b>Consolidated</b>	<b>Reassessed</b>	<b>Ending Balance</b>
Risk in the agency system of internal rules also known as the directive management system	1					1
<i>Total Material Weaknesses</i>	1	0	0	0	0	1
Conformance with Federal Financial Management System Requirements (FMFIA § 4)						
Statement of Assurance: Federal System conform <sup>8</sup>						
<b>Non-Conformances</b>	<b>Beginning Balance</b>	<b>New</b>	<b>Resolved</b>	<b>Consolidated</b>	<b>Reassessed</b>	<b>Ending Balance</b>
<i>Total Non-Conformances</i>	0	0	0	0	0	0
Compliance with Section 803(a) of the FFMIA						
	Agency			Auditor		
1. Federal Financial Management System Requirements	No lack of compliance noted			No lack of compliance noted		
2. Applicable Federal Accounting Standards	No lack of compliance noted			No lack of compliance noted		
3. USSGL at Transaction Level	No lack of compliance noted			No lack of compliance noted		

<sup>8</sup> The Commission uses IBC, a federal shared-services provider, for its financial systems.

## Payment Integrity

The information presented in this report complies with guidance provided in the *Improper Payments Information Act of 2002* (IPIA) as amended by the *Improper Payments Elimination and Recovery Act of 2010* (IPERA) and the *Improper Payments Elimination and Recovery Improvement Act of 2012* (IPERIA), Office of Management and Budget (OMB) Circular A-136, and Appendix C of OMB Circular A-123, M-15-02, *Requirements for Effective Estimation and Remediation of Improper Payments*.

The guidance requires agencies to assess every Federal program and dollar for improper payment risk, measure the accuracy of payments annually, and initiate program improvements to ensure payment errors are reduced. On November 20, 2009, *Executive Order 13520—Reducing Improper Payments and Eliminating Waste in Federal Programs*, was issued for the purpose of intensifying efforts to eliminate payment error, waste, fraud, and abuse in the major programs administered by the Federal government, while continuing to ensure that the right people receive the right payment for the right reason at the right time. The supporting website, <https://paymentaccuracy.gov/>, contains the following information.

- Current and historical rates and amounts of improper payments for Federal agencies.
- Why improper payments occur.
- What agencies are doing to reduce and recover improper payments.

### Program Review

The USITC has only one program for budget purposes. The FY 2020 appropriated funding for the program is \$99.4 million in appropriations. All of the agency's transactions are for employee payroll and benefits, intra-governmental and non-Federal transactions.

The USITC does not maintain its own financial management system, but uses a shared service provider to process all accounting transactions to include payroll and benefits. The IBC is subject to external audit in accordance with the Standards for Attestation Engagements (SSAE) 18, *Attestation Standards: Clarification and Recodification*. The OCFO examines the SSAE 18 audit results annually to determine if the shared service provider's internal controls are operating effectively and evaluates the internal controls required to supplement the shared service provider's controls as outlined in the SSAE 18.

Intra-governmental transactions, accounts payables, and payments to agency employees are reviewed as part of the agency's internal control program under OMB Circular A-123, Appendix

*A, Internal Control over Financial Reporting and Appendix C, Requirements for Effective Estimation and Remediation of Improper Payments.*

Based on OMB Circular A-123, Appendix C, Part I.A.9. Step 1, all programs and activities were reviewed to identify those that were susceptible to significant improper payments. For FY 2020 the USITC non-Federal payments was \$15.9 million (vendor disbursements and non-federal accounts payable) and payroll was \$74.6 million for a combined total of \$90.5 million. IPERA defines “significant” as either (1) improper payments that exceed both \$10 million and 1.5 percent of program disbursements; or (2) improper payments in excess of \$100 million. Significant improper payments in the USITC’s program needed to exceed both \$1.2 million (1.5 percent improper payment rate) and \$10 million of all non-Federal payments and payments to Federal employees. The improper payments identified by USITC in FY 2020 are beneath the defined thresholds for significant improper payment reporting.

In addition, the following risk factors, likely to contribute to improper payments, were applied to the USITC’s appropriated funds.

1. Any new programs or activity in the agency.
2. Complexity of the activity with respect to correct payments amounts.
3. Volume of payments made annually.
4. Whether payment decisions were made outside the agency.
5. Recent major changes in activity funding, authority, practice, or procedures.
6. Level, experience, and quality of training for personnel responsible for certifying that payments are accurate.
7. Inherent risks of improper payments due to the nature of agency operations.
8. Significant deficiencies in the audit reports of the agency that included Inspector General audit findings or external financial audit findings.
9. Results from prior improper payment work.

The USITC maintains a Financial Risk Management and Internal Control Plan that is updated annually with an internal control test plan. The annual Plan addresses review of general ledger accounts (volume and nature) and known process or personnel deficiencies that may contribute to an improper payment. Of the nine risk factors listed above factor number six has generated improper payments discovered during annual internal control testing.

## Improper Payments Strategy

The IPERA Act of 2010 requires agencies to conduct payment recapture audits with respect to each program and activity of the agency that expends \$1 million or more annually, if conducting such audits would be cost-effective. The USITC addresses proper management of payments by:

- preventing payment errors through documented processes and internal controls;
- detecting overpayment and underpayments through control testing; and
- establishing a process with the U.S. Treasury (Treasury Offset Program) to recapture overpayments when identified.

Our Financial Internal Control and Risk Management Plan contributes to our efforts to identify improper payments.

## Do Not Pay (DNP) Initiative

The OCFO reviews the System for Award Management (SAM) database prior to each acquisition award to ensure the vendor is registered to do business with the Federal government. For post award payments, the IBC sends the weekly payee file to the Treasury’s DNP Business Center for continuous monitoring. The data sources currently used are listed below.

- Death Master File (DMF).
- Systems for Awards Management-Exclusion Records – Private.
- List of Excluded Individuals/Entities (LEIE).
- System for Award Management (SAM) Entity Registration Records, Private.

	Number of payments reviewed for improper payments	Dollars of payments reviewed for improper payments	Number of payments stopped	Dollars of payments stopped	Number of improper payments reviewed and not stopped	Dollars of improper payments reviewed and not stopped
Reviews with the DMF only	All agency payments submitted to shared service provider	\$15.9M <sup>9</sup>	0	0	0	0
Reviews with all other databases <sup>10</sup>	All agency payments submitted to shared service provider	\$15.9M	0	0	0	0

<sup>9</sup> \$15.9M was cash disbursements paid to non-Federal vendors. Any resulting matches are provided to the OCFO for determination of payment.

<sup>10</sup> Databases are 1) Systems for Awards Management-Exclusion Records – Private; 2) List of Excluded Individuals/Entities (LEIE); and 3) System for Award Management (SAM) Entity Registration Records, Private.

## Recapture of Improper Payments Reporting

The IPERA Act of 2010 replaced the recovery auditing program contained in the National Defense Authorization Act of 2002. It requires agencies to conduct recovery audits with respect to each program and activity of the agency that expends \$1 million or more annually, if conducting such audits would be cost-effective.

Once the OCFO has identified an improper payment with a non-Federal vendor, it is USITC's policy to aggressively correct the improper payment. Upon research and analysis of supporting documentation the vendor is contacted for resolution (underpayment to the agency). If it is an ongoing contract, the OCFO will offset the amount to be recovered on the next billing. For all other contracts the vendor is contacted and a receivable is established for collection. If the vendor does not provide payment within a reasonable timeframe, the debt is referred to the Treasury Offset Program for collection. If an improper payment is identified as an overpayment to the USITC the vendor is promptly paid.

The following table summarizes cumulative improper payments (in millions) through FY 2020.<sup>11</sup>

Reason for Improper Payment	Overpayment	Underpayment	Total Amount Overpayment Recaptured	Total Amount Underpayment Paid
Failure to verify vendor invoice amount	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
Administrative processing	0.0	0.0	0.0	0.0
<b>Total</b>	<b>\$ 0.0</b>	<b>\$ 0.0</b>	<b>\$ 0.0</b>	<b>\$ 0.0</b>

<sup>11</sup> USITC aggregate overpayments was less than \$1,000.

## Fraud Reduction

OMB Circular A-123 and the GAO Green Book calls for agencies to adhere to leading practices for managing fraud risk. Standards now require agencies to take a closer look at fraud risks (GAO principle 8 shown below) and identify fraud risk factors and programs with increased susceptibility for fraud.

COSO Framework of Internal Control

Control environment	Risk assessment	Control activities	Information & communication	Monitoring activities
1. Demonstrates commitment to integrity and ethical values	6. Define objectives and risk tolerances	10. Designs control activities	13. Uses relevant, quality information	16. Performs ongoing monitoring activities
2. Exercises oversight responsibilities	7. Identifies, analyzes, and responds risk	11. Selects and develops general controls for the system	14. Communicates internally	17. Evaluates issues and remediates deficiencies
3. Establishes structure, authority, and responsibility	8. <b>Assesses fraud risk</b>	12. Deploys and implements control activities	15. Communicates externally	
4. Demonstrates commitment to competence	9. Identifies and analyzes and responds to change			

The USITC maintains an annual Financial Internal Control and Risk Management Plan that identifies, through quantitative and qualitative analysis, transactional areas that are susceptible to inaccuracies and/or fraud. The plan contains specific process areas that are tested throughout the fiscal year to ensure the process results are accurate and reasonable.

The following financial controls are in place to prevent potential fraud, waste and abuse within the government purchase card program.

- The purchase card has a limit of \$10,000 per cardholder.
- A Purchase Card Handbook is published defining the roles and rules of the program. The handbook is reviewed and updated periodically.
- The Purchase Card Coordinator reviews all purchase cardholders statements and supporting receipts on a monthly basis.

- The Purchase Card Coordinator reviews the Cardholder History Report obtained from the servicing bank to review what purchase cardholders have procured during the quarter.
- The Purchase Card Coordinator writes a monthly report summarizing all purchase card activity.
- Any purchases that are deemed suspect are referred to the agency's Inspector General.

Government travel cards issued to USITC employees are not deemed a fraud risk as the travel card account is the cardholder's financial responsibility and not the agency's. Travel card usage by an individual cardholder is reviewed monthly by the OCFO for any suspected misuse.

## **Reduce the Footprint**

The Commission leases all buildings under an intra-agency agreement with GSA and as such does not provide square footage data to the Federal Real Property Profile (FRPP).

# Appendix A

## U.S. International Trade Commission Staff Offices

### Office of the Administrative Law Judges

The Commission's **Administrative Law Judges (ALJs)** hold hearings and make initial determinations in investigations under section 337 of the Tariff Act of 1930. If, after receipt of a complaint, the Commission decides to institute an investigation, the matter is referred to this office. The Chief ALJ assigns each case on a rotational basis to one of our ALJs. After a discovery process, a formal evidentiary hearing is held in accordance with the Administrative Procedure Act (APA) (5 U.S.C. 551 et seq.). The ALJ considers the evidentiary record and the arguments of the parties and makes an initial determination (ID), including findings of fact and conclusions of law. The ID becomes the Commission's determination unless the Commission determines to review it. Upon review, the Commission may affirm, reverse, modify, set aside or remand the matter back to the ALJ for further proceedings. Temporary relief may be granted under the statute.

### Office of the General Counsel

The **General Counsel (GC)** serves as the Commission's chief legal advisor. The GC and the staff attorneys provide legal advice and support to the Commissioners and staff on investigations and research studies, represent the Commission in court and before dispute resolution panels and administrative tribunals, and provide assistance and advice on general administrative matters, including personnel, labor relations, and contract issues.

### Office of Operations

The Commission's core of investigative, industry, economic, nomenclature, and technical expertise is found within the **Office of Operations (OP)**. The following seven offices are under the supervision of the Director:

The **Office of Economics (EC)** conducts investigations primarily under section 332 of the Tariff Act of 1930, section 131 of the Trade Act of 1974, and section 2104 of the Trade Act of 2002. EC also provides expert economic analysis for import injury investigations, as well as other industry and economic analysis products.

The **Office of Industries (IND)** conducts investigations primarily under section 332 of the Tariff Act of 1930, section 131 of the Trade Act of 1974, and section 2104 of the Trade Act of 2002. IND maintains technical expertise related to the performance and global competitiveness of

industries and the impact of international trade on those industries for these studies and import injury investigations.

The **Office of Investigations (INV)** supports the Commission's mandate to conduct import injury investigations, including those specified in the Tariff Act of 1930, the Trade Act of 1974, the North American Free Trade Agreement (NAFTA) Implementation Act of 1993, and the Uruguay Round Agreements Act (URAA) of 1994.

The **Office of Tariff Affairs and Trade Agreements (TATA)** implements the Commission's responsibilities with respect to the Harmonized Tariff Schedule of the United States and the International Harmonized System.

The **Office of Unfair Import Investigations (OUII)** participates in adjudicatory investigations, usually involving patent and trademark infringement, conducted under section 337 of the Tariff Act of 1930, both during the pre-institution phase and as a party with no commercial interest in the outcome.

The **Office of Analysis and Research Services (OARS)** provides research and investigative support. It comprises our main library, as well as editorial and statistical services.

The **Trade Remedy Assistance Office (TRAO)** provides information about the benefits and remedies available under U.S. trade laws and assists small businesses seeking relief under those laws.

### **Office of External Relations**

The **Office of External Relations (ER)** develops and maintains liaison between the Commission and our external customers and is the point of contact with USTR and other executive branch agencies, Congress, foreign governments, international organizations, the public, and the media.

### **Office of the Chief Information Officer**

The **Office of the Chief Information Officer (OCIO)** provides information technology leadership, a comprehensive services and applications support portfolio, and a sound technology infrastructure to the Commission and its customers. The OCIO seeks to promote, deliver, and manage the secure and efficient application of technology to our business activities. OCIO comprises a front office and five divisions: Cybersecurity, Service Delivery, Systems Engineering, Network Support, and Data Management.

## **Office of the Chief Financial Officer**

The **Office of the Chief Financial Officer (OCFO)** compiles the Commission’s annual budget, prepares the appropriation and authorization requests, and closely monitors budget execution. The OCFO also provides support for acquisitions and is responsible for financial reporting. In addition, the OCFO manages our internal control program in accordance with law and related guidance. Component offices include the Office of Budget, Office of Procurement, and the Office of Finance.

## **Office of Administrative Services**

The **Office of Administrative Services (OAS)** provides human resource services—including collective bargaining with union representatives; information and document management; management of work-life issues; and facilities management services. In addition, it is responsible for all of our physical and personnel security matters. Component offices include Human Resources, Security and Support Services, and the Office of the Secretary.

## **Office of Inspector General**

The **Office of Inspector General (OIG)** conducts audit, evaluation, inspection, and investigative activities covering all Commission programs and strategic operations. The mission of the OIG is to promote and preserve our effectiveness, efficiency, and integrity of the USITC. The OIG independently plans and conducts activities in accordance with applicable legal regulations, receiving only broad guidance from the Chair.

## **Office of Equal Employment Opportunity**

The **Office of Equal Employment Opportunity (OEEO)** administers the Commission’s affirmative action program. The Director advises the Chairman, the Commission, and USITC managers on all EEO issues; manages and coordinates all EEO activities in accordance with relevant EEO laws and EEO Commission regulations; evaluates the sufficiency of the Agency’s EEO programs and recommends improvements or corrections, including remedial and disciplinary action; encourages and promotes diversity outreach; and monitors recruitment activities to assure fairness in agency hiring practices.

# Appendix B

## Abbreviations and Acronyms

Acronyms	Terms
AFR	Agency Financial Report
AICPA	American Institute of Certified Public Accountants
ALJ	Administrative Law Judges
APA	Administrative Procedure Act
APP	Annual Performance Plan
APR	Annual Performance Report
ATDA	Accountability of Tax Dollars Act
ATO	Authority to Operate
CDM	Continuous Diagnostics and Mitigation
CoINs	Conflict of Interest System
Commission	United States International Trade Commission
CSM	Configuration Settings Management
CSRS	Civil Service Retirement System
DATA	Digital Accountability and Transparency Act
DataWeb	Interactive Tariff and Trade DataWeb
DHS	Department of Homeland Security
DMF	Death Master File
DNP	Do Not Pay
DOI	Department of Interior
DOL	Department of Labor
EC	Office of Economics
EDIS	Electronic Document Information System
EEO	Equal Employment Opportunity
ER	Office of External Relations
ERM	Enterprise Risk Management

Acronyms	Terms
FASAB	Federal Accounting Standards Advisory Board
FECA	Federal Employees' Compensation Act
FERS	Federal Employees Retirement System
FERS-RAE	Federal Employees Retirement System — Revised Annuity Employees
FERS-FRAE	Federal Employees Retirement System-Further Revised Annuity Employees
FEVS	Federal Employee Viewpoint Survey
FFMIA	Federal Financial Management Improvement Act
FICA	Federal Insurance Contribution Act
FIN	Office of Finance
FISMA	Federal Information Security Management Act
FMFIA	Federal Managers' Financial Integrity Act
FRPP	Federal Real Property Profile
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
GC	General Counsel
GPO	Government Printing Office
GPRA	Government Performance and Results Act
GSA	General Services Administration
HI	Hospital Insurance
HR	Office of Human Resources
HTS	Harmonized Tariff Schedule
HWAM	Hardware Asset Management
IBC	Interior Business Center
ICRM	Internal Control and Risk Management
IND	Office of Industries
INV	Office of Investigations
IPERA	Improper Payments Elimination and Recovery Act
IPERIA	Improper Payments Elimination and Recovery Improvement Act
IPIA	Improper Payments Information Act
IT	Information Technology
IUS	Internal Use Software

Acronyms	Terms
LEIE	List of Excluded Individuals/Entities
MTBPS	Miscellaneous Tariff Bill Petition System
NAFTA	North American Free Trade Agreement
NCCIC	National Cybersecurity and Communications Integration Center
OARS	Office of Analysis and Research Services
OAS	Office of Administrative Services
OASDI	Old-Age, Survivors, and Disability Insurance
OB	Office of Budget
OCFO	Office of the Chief Financial Officer
OCIO	Office of the Chief Information Officer
OIG	Office of Inspector General
OMB	Office of Management and Budget
OP	Office of Operations
OPM	Office of Personnel Management
OUII	Office of Unfair Import Investigations
PMO	Project Management Office
PR	Office of Procurement
SAM	System for Award Management
SE	Office of the Secretary
SFFAS	Statement of Federal Financial Accounting Standards
S/L	Straight-Line
SSAE	Statement on Standards for Attestation Engagements
SSS	Office of Security and Support Services
SWAM	Software Asset Management
TATA	Office of Tariff Affairs and Trade Agreements
TIC	Trusted Internet Connection
TOP	Treasury Offset Program
TRAO	Trade Remedy Assistance Office
URAA	Uruguay Round Agreements Act
USGCB	United States Government Configuration Baseline
USITC	United States International Trade Commission
USSGL	United States Standard General Ledger

Acronyms	Terms
USTR	United States Trade Representative
VULN	Vulnerability Management

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