

U.S. International Trade Commission

Audit of Directives Management



OIG-AR-15-14

September 2, 2015



Office of Inspector General

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UNITED STATES INTERNATIONAL TRADE COMMISSION

OFFICE OF INSPECTOR GENERAL

WASHINGTON, DC 20436

September 2, 2015

IG-NN-025

Chairman Broadbent:

This memorandum transmits the Office of Inspector General's final report, *Audit of Directives Management*, OIG-AR-15-14. This audit focused on whether the Commission management directives were current. In finalizing the report, we analyzed management's comments to our draft report and have included those comments in their entirety as Appendix A.

This audit identified four problem areas related to internal control weaknesses within the management of the Commission's directives system. This report contains 11 recommendations to address the problem areas. In the next 30 days, please provide me with your management decisions describing the specific actions that you will take to implement each recommendation.

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

Philip M. Heneghan
Inspector General

U.S. International Trade Commission

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Results of Audit

The purpose of this audit was to answer the question:

- Are the Commission's policy directives current?

No. The Commission's policy directives were not current.

The Commission's system of internal rules serves to communicate administrative policies, procedures, guidance, and other administrative material related to the activities of the agency.

The directives are the policies that define the Commission's governance culture and play a key role in internal control activities. Policies assign responsibility and accountability to meet the objectives of the Commission, set the tone for employee conduct and expected behavior, and set the direction for how the Commission complies with certain laws and regulations in its daily operations. In order for policies to be effective they should be current, relevant, readily accessible, and easily understood.

The Commission's directives management policy was not effective. The definitions for each different type of internal rule were not clear, standards were not followed, the approval process did not catch unsuitable content under standard headings, and required periodic reviews were not conducted.

Over 30% of the Commission's directives referred to offices that no longer exist. Other regularities we found included: authorities cited that no longer exist, procedures described that are no longer practiced, organizational changes not accurately reflected, and superseded delegations of authority with a status of "current."

These outdated directives demonstrate weaknesses within all five components of internal control and create a risk to the efficiency and effectiveness of Commission operations.

- Control Environment: Outdated assignments of responsibility and delegations of authority.
- Risk Assessment: Unresponsive to changes that impact policies and procedures.
- Control Activities: Outdated policy, outdated procedures, and ineffective procedures.
- Communication and Information: Inefficient access to relevant and reliable policy.
- Monitoring: Periodic reviews of policies are not conducted.

We identified four problem areas: (1) The directives policy was not effective; (2) The directives were out of date; (3) the directives were not presented in a consistent or standard format; (4) the directives were not easy to use. Each of these problem areas are discussed in detail in this report.

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Problem Areas

Problem Area 1:

Directives Management Policy was not Effective

In order for policies to be effective they should be current, relevant, readily accessible, and easily understood. In June 1998, the Commission issued *Directive 0001.4, System of Internal Rules*. It is the overarching policy document for communicating policies, procedures, delegations of authority, guidelines, and organizational changes.

The Commission's policy was not clear or readily accessible. *Directive 0001.4* identified three categories of internal rule, (1) Directive, (2) Administrative Order, and (3) Administrative Notice. The definitions for each category were not well defined and overlapped in the types of communication that were issued under each category. Because of the overlap, it was confusing as to where a policy could be located, and staff would have to search through multiple directories and scroll through several screens of documents to find the information they were looking for.

Table 1: Areas of Overlap

| Category of Internal Rule | Area of Overlap | | |
|---------------------------|-----------------|------------------|-------------------|
| | <i>Policy</i> | <i>Procedure</i> | <i>Delegation</i> |
| Directive | X | X | |
| Administrative Order | X | | X |
| Administrative Notice | X | X | X |
| Handbook (not defined) | X | X | |

In addition, *Directive 0001.4* did not define key terms such as policy, procedure, guideline, instruction, delegation of authority, or agency designations. The lack of guidance resulted in internal rules that contained a mixture of different types of communication. The end product was confusing and difficult for staff to differentiate between policy, procedure, and guidance when trying to interpret and apply the internal rules.

The last section of the directive addressed a requirement for the Office of Administration to manage three-year periodic reviews of internal rules to ensure they were "current and necessary."

The Office of Administration initiated a review 2009, but it was not completed. They explained the reason the review was not completed was due to "lack of interest in the process," that the process "created a lot of work for offices that had numerous directives" and that "program offices didn't have time to review them." The Commission has not attempted to perform a three year review of its directives since the unsuccessful review in 2009. Updates to directives are

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initiated by managers and the role of the Office of Administration has been to coordinate the approval process rather than manage the Commission's system of internal rules.

The Office of Administration has not performed a review of *Directive 0001.4* in over 15 years. The directive did not meet the standard format and content requirements, the clearance and approval process was outdated, and implementation issues with the periodic review process have not been addressed.

The periodic review process is an internal control designed to manage the risks associated with outdated directives. A deficiency in internal control exists when the design, implementation, or operation of a control does not allow management to achieve control objectives and address related risks.

Recommendation 1: Update policy to clearly define the different types of internal rules.

Recommendation 2: Define standard format and content requirements for each type of internal rule.

Recommendation 3: Develop a quality review process to ensure internal rules comply with the standards.

Recommendation 4: Deploy an effective process to perform periodic reviews of the directives.

Problem Area 2:

Internal Control over Policy Directives was Ineffective

The Government Accountability Office *Standards for Internal Control in the Federal Government* (Green Book), issued September 2014, addresses the five components and 17 principals of internal control. Within the control environment component, principal 3 states: "Management should establish an organizational structure, assign responsibility, and delegate authority to achieve the entity's objectives." The Commission demonstrates compliance with this standard through the issuance of mission and function statements.

We compared the mission and function statements to the Commission's current organizational chart to determine whether organizational changes had been properly reflected and updated in the directives system. At the time of our review, four of the 21 offices did not have a mission and function statement. We also found that other internal rules impacted by the organizational changes had not been updated to reflect the changes. As a result, over 30% of the Commission's directives refer to offices that no longer exist. The outdated directives reflect deficiencies in the

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Commission's control environment. The Green Book advises that when a principle or component is not effective, then the internal control system cannot be effective.

We then reviewed eight directives that cited 30 authorities to determine if they were current. We identified three¹ references that were out of date, and one that incorrectly identified a contract from 1988 as the authority for the policy.

Strong, clear, policies are a strategy to mitigate legal risks to the Commission. However, if the policy does not reflect current laws, regulations, or authorities, individuals can believe they are complying with the law when in fact they are not. The policies then become a liability.

Recommendation 5: Assign a current owner/office to each directive.

Recommendation 6: Document interrelated and dependent directives to understand how changing one policy may affect another.

Recommendation 7: Develop a schedule to perform periodic reviews of the directives.

Problem Area 3:

Directives were not Presented in a Consistent or Standard Format

Directives should be issued in a standard, consistent format to enable efficient use. Of the 74 directives reviewed, only two followed the standard format prescribed in the Administrative Notice, *Instructions for Preparing Directives*.

During our audit we identified irregularities in the format and content of the Commission's policy directives. Some examples include:

- Instances where documents were formatted similar to the standard guideline; others were presented in memo style; and one included a table of contents.
- Inconsistencies in the order of information.
- Interchangeably using the terms authority/reference and scope/applicability/coverage.
- Adding additional content headings; such as objective and procedure.

¹ Chapter 201.45.107 of the Federal Information Resources Management Regulation was removed in 1996; The Federal Personnel Manual was abolished in 2001; and Executive Order 13162 was revoked by Executive Order 13562 in 2010.

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Due to the vast differences in the look and feel of the Commission's directives, users do not know what to expect when they open a policy directive, and are required to search through the document to find the information they are looking for.

We also found a number of directives had a notation on the first page stating "pen and ink changes are shown in bold and italics." These directives had deletions identified with strikethroughs, and insertions showing in bold, italics, and sometimes underlined within the original document. When we questioned staff regarding the "pen and ink" updates, we were told that the process allows "pen and ink" changes, however there was not a documented procedure to support this statement. The "pen and ink" changes raise questions regarding the quality of the Commission's review and approval process for these directives.

Additionally, we identified inconsistencies in the content of information provided for designations and delegations of authority. Agency designations stem from a policy, regulation, law or other authoritative source. Many of the Commission's internal rules did not include the authority under which the designation was issued or the responsibilities associated with the delegation. With no authority cited or core duties identified, the Commission cannot know what these individuals are responsible for under the designation.

Recommendation 8: Develop a review and approval process based on each different type of internal rule.

Recommendation 9: Require delegations of authority and agency designations to include authoritative sources and core responsibilities.

Problem Area 4:

Directives were Difficult to Use

The Commission should provide personnel with information in the right place, at the right time, and in a useful format. The Commission's directives are available to employees through the agency's intranet. The intranet page has specific links for Directives, Handbooks, Administrative Orders, and Administrative Notices.

The Commission did not follow a systematic process for issuing and maintaining its directives. As a result, it was difficult to differentiate between a policy document and a procedural document; duplicative and outdated information was scattered between the different links; and conflicting information was scattered between different policy directives. Examples include:

- Delegations of authority scattered between directives and administrative orders.

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- Five directives on performance management that contained overlapping and inconsistent processes.
- Two directives that contained different notification requirements for reporting breaches and a third breach policy issued as an administrative order.
- One directive stated “not available for viewing” and provided information on who to contact.
- Superseded delegations of authority had a status of “current.”

The lack of organization in the Commission’s directive structure did not support efficient access to complete or current information; it was difficult and confusing for staff to determine which policy to follow, or identify which office was responsible for certain actions. The cultural tone of the Commission’s system of internal rules portrayed acceptance of disorganization, lack of quality, and reliance on word of mouth rather than written policy.

Recommendation 10: Centralize delegations of authority and agency designations into a single document.

Recommendation 11: Archive internal rules that are out of date.

Management Comments and Our Analysis

On August 10, 2015, Chairman Meredith Broadbent provided management comments on the draft report. She agreed with the findings and will institute management decisions that address the recommendations from the report.

Objective, Scope, and Methodology

Objective:

Are the Commission’s policy directives current?

Scope:

This audit focused on policy directives, however, it was necessary to review other types of documents within the Commission’s system of internal rules to obtain and validate information.

The Office of Inspector General directives and Commissioner’s Offices were excluded from this audit.

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The review of legal authorities cited was to determine if the citation still existed and was not reviewed for applicability.

Methodology:

1. Understand directives management process;
2. Ensure policy directives are in-line with current organizational structure; and
3. Review a non-statistical sample of references to determine if cited authorities are current; the sample is based on random units and results cannot be extrapolated to the entire population.

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

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APPENDIX A: Management Comments on Draft Report

Chairman



UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, DC 20436

CO84-NN-005

August 10, 2015

MEMORANDUM

TO: Philip M. Heneghan, Inspector General

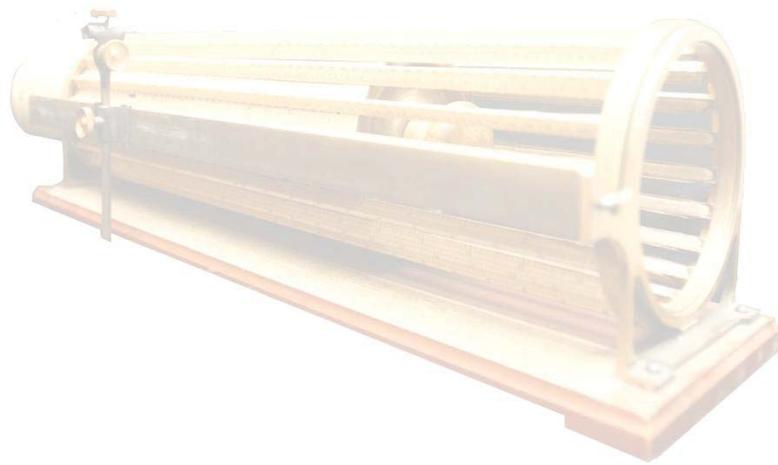
FROM: Meredith M. Broadbent, Chairman *MBR*

SUBJECT: Response to the Inspector General's Draft Audit of Directives Management

I am in receipt of the Inspector General's draft report, *Audit of Directives Management*, dated July 8, 2015. I appreciate the opportunity to review this report and provide comments.

The Inspector General's draft report stated that for the considered period of the investigation, the Commission's policy directives were not current. According to the report, the directives policy was not effective. Moreover, several directives were out of date, non-standardized, and were not as easy to use as they could be. We agree with the findings and the Commission will institute management decisions that address the recommendations put forth in this draft report.

Thank you again for your review.



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

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



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