UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, DC 20436
CO80-HH-004

March 3, 2010

MEMORANDUM

TO: Philip M. Heneghan, Inspector General

FROM: Chairman Shara L. Aranoff *sla*

SUBJECT: Management Decisions on Recommendations Found in the Independent Auditor's Audit Report and Management Letter Concerning the Audit of the U.S. International Trade Commission's financial statements for Fiscal Year 2009

The Commission's FY 2009 financial statement audit resulted in a disclaimer of opinion by the independent auditor. The subsequent audit report and management letter identified serious weaknesses in the Commission's systems of internal control. Management has made decisions on each of the recommendations contained in the audit report and management letter and created a plan to remedy the identified weaknesses. Implementing this plan to address the auditor's recommendations will require changes not just in financial management, but in the culture of the Commission as well. The decisions and supporting tasks identified below will support these changes and provide me the ability to monitor the implementation of the action plan.

AUDIT REPORT RECOMMENDATIONS

AR 1. Recommendation:

Management should ensure that the general ledger is closed as soon as possible after year end. Furthermore, management should not allow transactions that occur in the subsequent fiscal year to be processed until the general ledger from the preceding fiscal year is closed. This is to maintain the integrity of the balances as of September 30th.

Management Decision:

Management will:

AR 1.1 Document a step-by-step plan to close the general ledger at the end of the fiscal year.
Target Date: August 13, 2010

AR 2. Recommendation:

Management should review and analyze the quarterly financial statements to identify and document any significant variances in a timely manner, as required by the Office of Management and Budget (OMB) Circular A-136.

Management Decision

Management will:

AR 2.1 Document a step-by-step plan to prepare, review, and analyze quarterly statements.
Target Date: March 31, 2010

AR 2.2 Prepare, review and analyze FY 2010 Q1 statements.
Target Date: Completed January 29, 2010

AR 2.3 Prepare, review and analyze FY 2010 Q2 statements.
Target Date: April 21, 2010

AR 2.4 Prepare, review and analyze FY 2010 Q3 statements.
Target Date: July 21, 2010

AR 3. Recommendation:

Management should perform a review of its internal controls consistent with the requirements of OMB Circular A-123 to ensure the objectives of the Federal Managers' Financial Integrity Act (FMFIA) are achieved and documented.

Management Decision:

Management will:

AR 3.1 Develop a plan to establish internal control systems prioritizing the areas identified in the financial statement audit as the areas to develop first.
Target Date: April 12, 2010

AR 3.2 Develop policies and procedures for the ITC's FMFIA process.
Target Date: April 23, 2010

AR 4. Recommendation:

Management should establish formal policies and procedures to ensure ITC is able to comply with applicable accounting, financial management and reporting standards and regulations. These policies and procedures should incorporate adequate segregation of duties, as well as a sufficient level of review and approval process.

Management Decision:

Management will:

AR 4.1 Develop policies and procedures for Property, Plant, and Equipment (PP&E).
Target Date: March 12, 2010

AR 4.2 Develop policies and procedures for Accruals.
Target Date: March 19, 2010

AR 4.3 Develop policies and procedures for Accounts Payables.
Target Date: March 26, 2010

AR 4.4 Develop policies and procedures for Reconciling Fund Balance with Treasury.
Target Date: April 2, 2010

AR 4.5 Develop policies and procedures for all other financial reporting areas.
Target Date: May 14, 2010

AR 5. Recommendation:

Management should review its current organizational structure to ensure adequate resources are allocated to the ITC financial management. In addition, management should provide training to the financial staff on federal accounting and reporting requirements, as well as the accounting servicer's financial system.

Management Decision:

Management will:

AR 5.1 Analyze financial management organization and operations and assess resource allocation. Report findings, options, and recommendations.
Target Date: August 30, 2010

AR 5.2 Train financial management in the new internal control procedures.
Target Date: July 16, 2010

AR 6. Recommendation:

Management should implement a formal procedure requiring the Office of Facilities Management to report to the Office of Finance, at least quarterly, to ensure that PP&E is properly stated in the accounting records, and the quarterly financial statements due to OMB, as outlined in OMB Circular A-136.

Management Decision:

Management will:

AR 6.1 Develop policies and procedures for Offices of Facilities Management and the Chief Information Officer to report quarterly on PP&E (See AR 4.1).
Target Date: March 12, 2010

AR 7. Recommendation:

Management should prepare reconciliations between the fixed asset report and the accounting records, on a quarterly basis. Both the Director of the Office of Finance and the Director of the Office of Facilities Management should review and approve the reconciliations. Management should also ensure differences noted during the reconciliation process are promptly resolved.

Management Decision

Management will:

AR 7.1 Prepare a reconciliation between the fixed asset report and the accounting records for Q1 in FY 2010
Target Date: March 15, 2010

AR 7.2 Prepare a reconciliation between the fixed asset report and the accounting records for Q2 in FY 2010
Target Date: April 16, 2010

AR 7.3 Prepare a reconciliation between the fixed asset report and the accounting records for Q3 in FY 2010
Target Date: July 16, 2010

AR 7.4 Prepare a reconciliation between the fixed asset report and the accounting records for Q4 in FY 2010
Target Date: October 15, 2010

AR 8. Recommendation:

Management should establish and document formal policies and procedures to ensure PP&E is being capitalized, depreciated, monitored, and reported in accordance with applicable accounting standards OMB regulations.

Management Decision:

Management will:

AR 8.1 Establish and document formal policies and procedures to ensure PP&E is being capitalized, depreciated, monitored, and reported properly.
Target Date: May 14, 2010

AR 9. Recommendation:

Management should formalize and periodically update policies and procedures to provide guidance to management and staff in performing their responsibilities specific to financial management. These procedures should incorporate, at a minimum, routine accounting procedures and financial reporting requirements to ensure the timeliness and accuracy of financial operations.

Management Decision:

Management will:

AR 9.1 Document routine accounting procedures.
Target Date: May 28, 2010

AR 9.2 Document financial reporting requirements.
Target Date: May 28, 2010

AR 10. Recommendation

Management should conduct a more detailed and routine review of its expenditures to ensure transactions are properly supported, classified, or reported in the proper period.

Management Decision:

Management will:

AR 10.1 Document detailed and routine review of expenditures to ensure transactions are properly supported, classified, or reported in the proper period.
Target Date: April 23, 2010

AR 10.2 Document a process for periodic management review of expenditures.
Target Date: April 30, 2010

AR 11. Recommendation:

Management should enhance controls over the monitoring of obligation balances to ensure the amounts remaining are needed and legally valid. Specifically, a report of open obligations should be generated on a regular basis, at least quarterly, for management to review and certify obligations are complete and accurate.

Management Decision:

Management will:

AR 11.1 Document controls over the monitoring of obligation balances to ensure the amounts remaining are needed and legally valid.
Target Date: April 23, 2010

AR 11.2 Document a process for periodic management review of open obligations.
Target Date: April 30, 2010

AR 12. Recommendation:

Management should provide additional training to ITC staff specific to ITC's procurement policies and procedures, as well as the Federal Acquisition Regulation to enhance compliance with the applicable requirements.

Management Decision:

Management will provide training to staff specific to ITC's procurement policies and procedures. Management will:

AR 12.1 Identify staff that engages in procurement related processes.
Target Date: April 30, 2010

AR 12.2 Develop a training class.
Target Date: May 28, 2010

AR 12.3 Present training to staff.
Target Date: June 18, 2010.

AR 13. Recommendation:

Management should implement procedures surrounding manual journal vouchers to ensure transactions are properly reviewed and approved. Formalizing accounting policies and procedures should help to reduce the number of manual journal vouchers.

Management Decision:

Management will document procedures for manual journal vouchers. Management will:

AR 13.1 Establish a journal voucher log.
Target Date: Completed

AR 13.2 Document procedures for journal voucher transactions.
Target Date: April 30, 2010

AR 13.3 Document a process for management review and approval.
Target Date: April 30, 2010

MANAGEMENT LETTER RECOMMENDATIONS

ML 1. Recommendation:

Management should update or develop written accounting policies and procedures to ensure that ITC fully complies with applicable laws, regulations, and other authoritative guidance. At a minimum, the accounting policies and procedures should sufficiently incorporate the requirements of: (1) the Accountability of Tax Dollar Act of 2002; (2) OMB Circulars A-136, Financial Reporting Requirements; (3) OMB Circular 123, Management's Responsibility for Internal Control; and (4) the accounting standards issued by the Federal Accounting Standards Advisory Board.

Management Decision:

Management will follow the decisions and action plans described under numbers four and nine above, as they address this recommendation. Management will:

ML 1.1 Develop policies and procedures for Property, Plant, and Equipment (PP&E).
Target Date: March 12, 2010

ML 1.2 Develop policies and procedures for Accruals.
Target Date: March 19, 2010

ML 1.3 Develop policies and procedures for Accounts Payables.
Target Date: March 26, 2010

ML 1.4 Develop policies and procedures for Reconciling Fund Balance with Treasury.
Target Date: April 2, 2010

ML 1.5 Develop policies and procedures for all other financial reporting areas.
Target Date: May 14, 2010

ML 1.6 Document routine accounting procedures.
Target Date: May 28, 2010

ML 1.7 Document financial reporting requirements.
Target Date: May 28, 2010

ML 2. Recommendation:

Management should develop a systematic approach (e.g., log) to monitor, review and approve all manual journal vouchers. The approval should be completed by an individual separate from the individual that prepared the journal voucher. Evidence of the preparer and approver should be documented through the use of signatures.

Management Decision:

Management will follow the management decision and action plan described under number thirteen above, as it addresses this recommendation. Management will:

ML 2.1 Establish a journal voucher log.
Target Date: Completed

ML 2.2 Document procedures for journal voucher transactions.
Target Date: April 30, 2010

ML 2.3 Document a process for management review and approval.
Target Date: April 30, 2010

ML 3. Recommendation

Management should provide additional procurement related training to all staff involved in procurement actions throughout the agency. This should include, at a minimum, individuals that (1) request goods or services; (2) review and approve the request; (3) process the procurement request in the contracting office; (4) receive the goods or services ordered; and (5) serve as the Contracting Officer's Technical Representative.

Furthermore, ITC procurement officials should ensure the documentation supporting the procurement action is as comprehensive and properly maintained in the contract file to facilitate compliance with applicable laws, regulations, and policies and procedures.

Management Decision:

Management will follow the management decision and action plan described under number twelve above, as it addresses this recommendation. Management will:

ML 3.1 Identify staff that engages in procurement related processes.
Target Date: April 30, 2010

ML 3.2 Develop a training class.
Target Date: May 28, 2010

ML 3.3 Present training to staff.
Target Date: June 18, 2010.

ML 4. Recommendation:

Management should provide training to all agency staff involved in the reviewing and approving of obligations and invoices. The training should ensure to incorporate the requirements of fiscal law; financial reporting; responsibilities of the COTR; and the role and responsibilities of the certifying officer.

Management Decision:

Management will follow the management decisions and action plans described under numbers ten and eleven above, as they address this recommendation. Management will:

ML 4.1 Document detailed and routine review of expenditures to ensure transactions are properly supported, classified, or reported in the proper period.
Target Date: April 23, 2010

ML 4.2 Document a process for periodic management review of expenditures.
Target Date: April 30, 2010

ML 4.3 Document controls over the monitoring of obligation balances to ensure the amounts remaining are needed and legally valid.
Target Date: April 23, 2010

ML 4.4 Document a process for periodic management review of open obligations.
Target Date: April 30, 2010

ML 5. Recommendation

Management should implement policies and procedures surrounding custodial activity. The procedures should, at a minimum, comply with the reporting requirements of the Department of Treasury and the Federal Accounting Standards Advisory Board.

Management Decision:

Management will:

ML 5.1 Document policies and procedures for custodial activity.
Target Date: May 14, 2010

ML 6. Recommendation

Management should implement and document procedures to verify, validate, and support the performance measures reported in the Performance and Accountability Report.

Management Decision:

Management will:

ML 6.1 Document procedures to verify and validate the data to support performance measures reported in the Performance and Accountability Report.
Target Date: June 11, 2010