U.S. International Trade Commission

Audit of 2010 Financial Statement

OIG-AR-11-02

November 10, 2010

UNITED STATES INTERNATIONAL TRADE COMMISSION

Office of Inspector General

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

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OFFICE OF INSPECTOR GENERAL

UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, DC 20436

November 10, 2010 OIG-HH-030

Chairman Okun:

This memorandum transmits the results of the audit (OIG-AR-11-02) of the Commission's financial statements for the fiscal years ended September 30, 2010 and 2009. 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.

My office has policies and procedures that are designed to provide assurance that work performed by non-Federal auditors complies with U.S. generally accepted government auditing standards. These procedures follow the guidelines provided in the GAO/PCIE Financial Audit Manual (FAM 650).

In connection with this contract, we reviewed Castro & Company's report and related documentation and made inquiries of its representatives. Our involvement in the audit process consisted of monitoring audit activities; reviewing auditor independence and qualifications; attending meetings; participating in discussions; and reviewing audit planning, working papers, conclusions, and results. Our review disclosed no instances where Castro & Company did not comply, in all material respects, with U.S. generally accepted government auditing standards. However, our review cannot be construed as an audit in accordance with the U.S. generally accepted government auditing standards. It was 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 8, 2010 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,

Philip M. Heneghan
Inspector General

Castro & Company
Accountants • Consultants

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Independent Auditor's Report

Inspector General
U.S. International Trade Commission

We have audited the accompanying balance sheet of the U.S. International Trade Commission (ITC) as of September 30, 2010, and the related statements of net cost, changes in net position, and budgetary resources for the fiscal year then ended. These financial statements are the responsibility of ITC management. Our responsibility is to express an opinion on these financial statements based on our audit.

We were engaged to audit the accompanying balance sheet of the ITC as of September 30, 2009, and the related statements of net cost, changes in net position, budgetary resources and custodial activity for the fiscal year then ended. Because of the matters discussed in our Independent Auditor's Report dated November 6, 2009, we were unable to express an opinion on the balance sheet as of September 30, 2009, and the related statements of net cost, changes in net position, budgetary resources, and custodial activity for the fiscal year then ended.

As discussed in Note 14 to the fiscal year (FY) 2010 financial statements, for comparative purposes, ITC restated numerous line items reflected in the fiscal year 2009 balance sheet, and the related statements of net cost, changes in net position, and budgetary resources. Management determined a restatement of certain FY 2009 balances was necessary to correct several of the material errors identified in our Independent Auditor's Report on Internal Control dated November 6, 2009. However, management was unable to correct many of the deficiencies related to undelivered orders, accounts payable and expenditures. Accordingly, our opinion on the FY 2009 financial statements, as restated for comparative purposes within the FY 2010 financial statements, does not differ from that opinion expressed in our previous report dated November 6, 2009.

Except as discussed in the following paragraph, 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. 07-04, *Audit Requirements for Federal Financial Statements*, as amended. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We were unable to obtain sufficient audit evidence to support ITC's financial statement amounts as of and for the fiscal year ended September 30, 2010 for undelivered orders and the related accounts payable and net position; nor were we able to satisfy ourselves as to the associated balances reported on the balance sheet and statement of budgetary resources by other auditing procedures. As a result,

we were unable to apply auditing procedures necessary to audit in accordance with the standards and OMB guidance.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding the undelivered orders and the related accounts payable and net position, the financial statements referred to in the first paragraph above, present fairly, in all material respects, the financial position of the ITC as of September 30, 2010, and the related statements of net cost, changes in net position, and budgetary resources for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The information presented in the Management's Discussion and Analysis is not a required part of ITC's financial statements, but is considered supplementary information required by U.S. generally accepted accounting principles and OMB Circular No. A-136, *Financial Reporting Requirements*. The other accompanying information has not been subjected to the auditing procedures applied in our audit of the basic financial statements and accordingly, we express no opinion on it.

The information presented in the Message from the Chairman and Performance Section is presented for purposes of additional analysis and is not required as part of the financial statements. However, we have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. Such information has not been subjected to auditing procedures, and accordingly, we express no opinion on it.

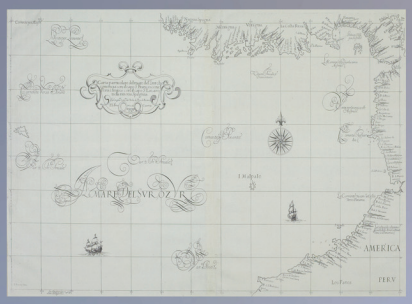
In accordance with *Government Auditing Standards*, we have also issued our reports dated November 8, 2010, on our consideration of ITC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and other matters. The purpose of those reports 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 *Government Auditing Standards* and should be considered in assessing the results of our audit.

Castro & Company, LLC

November 8, 2010
Alexandria, VA

"Thacher's Calculating Instrument" developed by Edwin Thacher in the late 1870's. 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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