U.S. International Trade Commission

Report on Compliance with Laws and Regulations for 2010

OIG-AR-11-04

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.

Commissioners

Deanna Tanner Okun, Chairman
Irving A. Williamson, Vice Chairman
Charlotte R. Lane
Daniel R. Pearson
Shara L. Aranoff
Dean A. Pinkert

OFFICE OF INSPECTOR GENERAL

UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, DC 20436

November 10, 2010 OIG-HH-032

Chairman Okun:

This memorandum transmits the Independent Auditor's Report on Compliance with Laws and Regulations (OIG-AR-11-04) associated with the audit of the Commission's financial statements for fiscal year 2010. 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. These standards require a report on Compliance with Laws and Regulations.

My office has policies and procedures which assure 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, my office 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 compliance with laws and regulations. Castro & Company is solely responsible for the audit report dated November 8, 2010 and the conclusions expressed in the report.

Based on the conclusion reached in Castro & Company's report, I recommend that:

1. The Commission seek advice from the General Counsel on how to make the transit program fully compliant with applicable laws and regulations; and
2. The Commission bring the transit program into compliance.

In the next 30 days, please provide me with your management decisions describing the specific actions that you will take to implement these two recommendations.

Sincerely,

Philip M. Heneghan
Inspector General

Castro & Company
Accountants • Consultants

2121 Eisenhower Ave.
Suite 606
Alexandria, VA 22314
Phone: 703.229.4440
Fax: 703.859.7603
www.castroco.com

Independent Auditor's Report on
Compliance with Laws and Regulations

Inspector General
U.S. International Trade Commission

We have audited the financial statements of the U.S. International Trade Commission (ITC) as of and for the year ended September 30, 2010, and have issued our report thereon dated November 8, 2010. The report states except for undelivered orders and other related accounts discussed therein, we expressed an opinion on the balance sheet 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.

The management of ITC is responsible for complying with laws and regulations applicable to ITC. 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 the Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements,* as amended, including the requirements referred to in the Federal Managers' Financial Integrity Act of 1982 (FMFIA). We limited our tests of compliance to these provisions, and we did not test compliance with all laws and regulations applicable to ITC.

The results of our tests of compliance with applicable laws and regulations, and government-wide policies described in the preceding paragraph disclosed one instance of reportable noncompliance that is required to be reported under *Government Auditing Standards* or OMB guidance and is described in the following paragraphs.

Title 5 United States Code (U.S.C.) Section 7905, *Programs to encourage commuting by means other than single-occupancy motor vehicles*, "allows a program to involve such options as Transit passes; Furnishing space, facilities, or services to bicyclists; and any non-monetary [incentive] which the agency head may otherwise offer under any other provision of law or other authority." Furthermore, Executive Order 13150 requires, "by no later than October 1, 2000, Federal agencies shall implement a transportation fringe benefit program that offers qualified Federal employees the option to exclude from taxable wages and compensation, consistent with section 132 of title 26, United States Code, employee commuting costs incurred through the use of mass transportation and vanpools, not to exceed the maximum level allowed by law."

The Government Accountability Office's (GAO) *Principles of Federal Appropriations Law*, Chapter 4, Section J (pages 271–274) states, "agencies must generally obtain parking accommodations through the General Services Administration (GSA) under the Federal Property and Administrative Services Act of 1949, as amended (Ch. 288, 63 Stat. 377 (June 30, 1949)), unless they have independent statutory authority or a delegation from GSA."

ITC does not have independent statutory or delegated authority to procure space and facilities to provide for employee parking. As such, ITC's program provides benefits that do not fully comply with the requirements of *GAO Principles of Federal Appropriations Law*. In addition, ITC's

program is also inconsistent with the requirements of 5 U.S.C. Section 7905, *Programs to encourage commuting by means other than single-occupancy motor vehicles*, and Executive Order 13150, *Federal Workforce Transportation*.

Providing an opinion on compliance with certain provisions of laws and regulations, and government-wide policies was not an objective of our audit, and accordingly, we do not express such an opinion.

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

Castro & Company, LLC

November 8, 2010
Alexandria, VA

Chairman

UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, DC 20436

November 8, 2010

Thomas Castro, Partner
Castro and Company, LLC
2121 Eisenhower Avenue, Suite 606
Alexandria, VA 22314

Dear Mr. Castro:

The draft Report on Compliance with Laws and Regulations identified one instance of non-compliance related to the Commission's transit subsidy and parking program. I have asked our General Counsel to analyze the laws surrounding the program and provide recommendations for how to bring the Commission into compliance.

Thank you for bringing this instance of non-compliance to our attention; we will resolve it as quickly as possible.

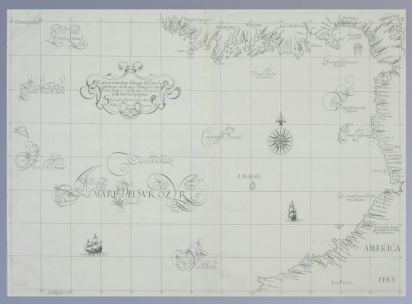
Sincerely,

Deanna Tanner Okun

cc: Philip M. Heneghan
Inspector General

"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



U.S. International Trade Commission
Office of Inspector General
500 E Street, SW
Washington, DC 20436

Office: 202-205-2210
Fax: 202-205-1859
Hotline: 877-358-8530
OIGHotline@USITC.gov