U.S. International Trade Commission

USITC Management and Performance Challenges

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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

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Chairman Okun:

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 three management challenges for fiscal year 2011; Internal Controls, Financial Management, and Information Technology Security. 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.

Internal Controls: The Commission's management is responsible for establishing and maintaining a system of internal controls that can ensure effective and efficient operations, reliable financial reporting, and compliance with laws and regulations. Reviews performed over the past year have identified issues associated with weak or non-existent internal controls. The most significant weaknesses identified were noncompliance with the *Federal Manager's Financial Integrity Act* and OMB Circular A-123, *Management's Responsibility for Internal Control*.

Although initially identified in the financial management area, the internal control weaknesses appear to be a systemic problem throughout the Commission. The Commission has a long standing culture of undocumented and informal processes to complete daily tasks. Documented and consistent processes and procedures are necessary to provide a reasonable level of assurance that the administrative units are operating in an efficient and cost-effective manner. The most significant challenge will be to manage the cultural changes associated with the implementing new systems of internal control throughout the Commission.

The Commission is addressing the internal control weaknesses related to financial statement preparation. In March, a contract was awarded to a firm to review and evaluate existing

internal controls, design and implement a comprehensive, agency-wide internal control system that will comply with applicable laws and regulations and to provide temporary staffing in order to support the creation of the new internal control program.

Financial Management: The Commission is responsible to ensure that managers have access to timely, reliable, and practical information to make informed decisions. The Commission does not have the systems or core competencies required to integrate and coordinate budget formulation, execution, and financial reporting into a comprehensive financial management program that provides accountability for agency funds and provides essential data to managers for decision making purposes.

The Commission's budget formulation and execution process is not transparent because information on past execution in not available to decision makers. This means that decisions impacting resource allocations for agency operations are being made without sufficient input from key stakeholders who have the necessary information. The lack of communication with stakeholders, documented procedures, and defined methodologies for determining budget priorities does not provide reasonable assurance that all the Commission priorities are being considered when budget decisions are being made.

The Commission does not have the appropriate technical systems expertise to provide managers with adequate, timely financial information to administer budget execution activities. The lack of timely and practical financial reports deprive managers of information needed to effectively monitor the expenditure of funds, evaluate program performance, and make informed financial decisions on their programs and operations.

The Commission does not have the necessary technical and analytical skills required to provide the appropriate management of agency resources in accordance with laws and regulations. Budget formulation, budget execution, accounting, and financial reporting should be fully integrated and have transparent processes that promote accountability and deter potential fraud, waste, and abuse of agency budgetary resources. The management challenge will be to transform the current approach to financial management from an accounting exercise to a process that provides transparency and accountability in the formulation, execution, performance, and management of agency budgetary resources.

As a result of its disclaimer on the 2009 financial statements the Commission has recognized the importance and necessity of instituting a system of stronger internal controls and is implementing corrective actions to address financial management deficiencies.

Information Technology Security: In order for the Commission to fulfill its core strategic goals, the public must trust that their proprietary business information will be protected. The Commission must ensure that the proper security controls are in place to protect and secure sensitive data. Information technology is a constantly evolving field. As a result, the Commission faces many challenges and must remain diligent in its efforts to maintain the security, integrity, and availability of agency systems.

The use of information technology is an integral component of the Commission's day-to-day operations, including communications with the public. The Commission currently does not

have a disaster contingency plan in place to restore data and operations if an event were to occur that disabled the network. Without a plan, the Commission may not be able to restore core business functions or minimize the disruption of services. This management challenge will require dedicated funding, skilled resources, and time to resolve. The Chief Information Office has also identified this as the most critical risk facing the Commission.

The Commission's regularly collects and uses sensitive proprietary business data, such as intellectual property, while conducting investigations. The sensitive nature of the investigations and the data itself make the Commission's information systems high risk targets for attacks. As the technologies evolve, attempts to breach networks become more sophisticated and harder to defend. This will require the Commission to provide continuous refinement and improvement to the information security program.

The Commission has taken positive steps to address information technology security. Recent actions include, hiring an experienced Chief Information Officer, focusing resources on continuity of operations efforts, and shifting the priorities of information security activities to risk rather than compliance.

In closing, I would like to recognize the commitment the Commission has made to implement corrective actions in order to resolve recommendations over the past year. The cultural challenges that I identified can only be overcome by your continued support and dedication to improving the integrity of the Commission programs and operations. I will continue to work with you, the other Commissioners, and management to reassess our goals and objectives to ensure that my focus remains on the risks and priorities of the Commission.

Philip M. Heneghan
Inspector General

"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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