U.S. International Trade Commission

USITC Management and Performance Challenges

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Office of Inspector General

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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 and performance challenges for fiscal year 2012; Internal Controls, Financial Management, and Information Technology-Location Independence. 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. Recent reviews have identified areas 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, 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 demonstrating that offices are operating in an efficient and cost-effective manner.

The most significant challenge will be to manage the cultural changes associated with implementing new systems of internal control throughout the Commission. In many instances, this will require first line supervisors to check, inspect, or review the work of subordinates to make sure the new procedures are being followed, respect uniform

procedures instead of creating side processes based on personality, and avoid the creation of "cuff systems" as a work around to dysfunctional, antiquated processes.

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

The Commission's budget formulation and execution process is not transparent because timely and accurate information is not available to decision makers. As a result, decisions impacting resource allocations for Commission operations are made without sufficient input from key stakeholders who have relevant and accurate information. Lack of communication with stakeholders, few documented procedures, and no defined methodologies for determining budget priorities reveals that not all Commission priorities are 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 regarding their programs and operations.

The Commission does not have personnel with 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 recognized the importance and necessity of instituting a system of stronger internal controls and is implementing corrective actions to address financial management deficiencies. Improvements resulted in a qualified opinion on the 2010 financial statements and the decision of the Commission to recruit for a Chief Financial Officer. These small steps produced improvements; however, the Commission must follow through with permanent financial management reforms or the short term gains will be lost.

Information Technology-Location Independence: Presently, Commission staff must work from their desks if they want to access the full suite of Commission data and mission-specific applications. In addition, the Commission depends upon perfect, uninterrupted

performance and connectivity from its sole data center in order to function, even at a basic level.

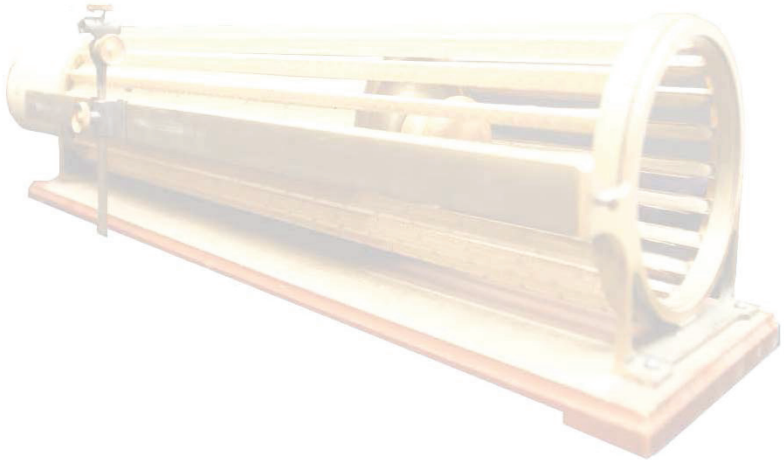
The Commission's present network configuration does not allow staff to efficiently work without regard to physical location, or to continue working in the event of an outage impacting the data center; however, these restrictions could be avoided through the implementation of additional systems including: office-wide wireless connectivity, increased bandwidth, high performance remote access, and a secondary data center.

Any number of events could cause the loss of the Commission's data center, including power outages, HVAC problems, or an inadvertent virtual or physical cut to the Commission's Internet access. Should any of these risks occur, the result will be a total loss of email, EDIS, and other critical Commission functions until an alternate data center can be established.

If the Commission can successfully implement wireless, increase bandwidth, and establish an alternate data center, it will enable its staff to function regardless of the state of the Commission's primary data center or physical location. In responding to the challenge of supporting contingency planning and enabling a mobile workforce, the CIO has taken steps to virtualize many of the Commission servers and signed a contract to expand the bandwidth capability of the network.

In closing, I would like to recognize the commitment the Commission has made to implementing 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 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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