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 Williamson:

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 2013; Internal Controls, Financial Management, and Using Information Technology to Improve Staff Productivity. 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 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 offices 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. This will require first line supervisors to check, inspect, or review the work of subordinates to make sure the new procedures are being followed.

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 is 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.

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. 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.

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 an unqualified opinion on the 2011 financial statements. In addition the Commission recently hired a Chief Financial Officer to oversee the financial management activities of the Commission.

Using Information Technology to Improve Staff Productivity: Knowledge workers require a stable, productive information technology platform to efficiently and effectively perform their work. Skilled staff are expected to perform their mission whether on or off premises, and the platform supporting their work should be resilient enough to allow work to continue even in the absence of the primary data center.

The CIO has taken steps to prepare for an alternate data center through virtualization and expanded bandwidth. However, the complexity introduced with virtualization and difficulties encountered with the bandwidth upgrade must be understood and addressed to ensure that the alternate data center can function as intended.

Temporary outages such as full fileservers have negatively impacted staff working locally, and a remote access platform inconsistent with the desktop experience has lowered the productivity of Commission staff working offsite. To improve productivity, the Commission should prioritize the appropriate skills and resources in the right areas to ensure that both basic and enhanced services work well and contribute to a stable, consistent environment to effectively serve its staff regardless of their location, or the situation at the primary data center.

In closing, I would like to recognize that the Commission has made improvements in each of these areas during this past year. The cultural challenges that I identified can only be overcome by your continued support and emphasis on 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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