



United States
International Trade Commission

Agency Financial Report

Fiscal Year 2021

November 2021



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Message from the Chair

I am pleased to transmit the *FY 2021 Agency Financial Report* for the United States International Trade Commission. This report documents the Commission's financial performance for the fiscal year and discusses our accomplishments and challenges. The report also provides an overview of the agency's programmatic performance. Moreover, I am pleased to report that management's assessment of risks and review of financial controls and financial systems disclosed no material weaknesses, and that the financial and performance data presented here is reliable and complete (see Statement of Assurance, p. 12).

Statutory Mandates

The Commission has three long-standing, important statutory mandates: (1) investigate and make determinations in proceedings involving imports claimed to injure a domestic industry or violate U.S. intellectual property rights; (2) provide independent analysis and information on tariffs, trade, and competitiveness to the Congress and the President; and (3) maintain the Harmonized Tariff Schedule of the United States.

In carrying out these mandates, the Commission independently and objectively investigates unfair trade complaints, impartially administers the relevant trade laws, and helps the President and Congress make informed policy decisions by providing accurate, timely, and insightful analysis on an evolving range of international trade matters.

Since 2016, Congress has added two additional mandates to the Commission's mission. The American Manufacturing Competitiveness Act of 2016, now expired, required the Commission to create and maintain an open and transparent process for consideration of petitions for duty suspensions and reductions. More recently, the United States-Mexico-Canada Agreement Implementation Act of 2020 requires the Commission to conduct investigations and make determinations in response to petitions alleging material harm to the U.S. long-haul trucking industry due to increased competition from cross-border services provided by Mexican trucking firms in the United States.

The Commission reviews its strategic goals and objectives annually within the context of our statutory mandates. During the year, the Commission also continued to apply enterprise-risk-management principles in its planning and budget-formulation processes in order to improve the efficiency and effectiveness of its decision-making in these areas.

Program Accomplishments

I would like to highlight the following accomplishments during the last fiscal year. The Commission made substantial progress toward achieving its strategic objectives in FY 2021; it met or exceeded most of its annual performance goals and improved upon agency performance in other areas. This year, the agency commenced 153 new investigations and completed 141 investigations in the areas of import injury, intellectual property, and industry and economic analysis.

Investigate and Decide

During the year, the Commission conducted import injury and unfair import investigations in an objective manner, met statutory deadlines, produced sound determinations, and provided relief, when warranted, under the relevant statutes. In FY 2021, import injury investigations covered a variety of products across several industry sectors including: fresh, frozen, or chilled blueberries; utility scale wind towers, walk-behind snow throwers, organic soybean meal, raw honey, twist ties, phosphate fertilizer, mattresses, and passenger vehicle and light truck tires. Similarly, unfair import investigations covered a broad range of products including: mobile and wireless devices and other computer and telecommunications products, artificial eyelashes, stud finders, shingled solar modules, home security and heating ventilation and air conditioning (HVAC) systems, swabs used in medical testing, and decorative wood grain paper for use in furniture.

Trade Policy Support and Information

To support the development of well-informed trade policy, the Commission also provided the President and the U.S. Trade Representative (USTR), by delegation, and Congress with high-quality economic analysis and technical support. Intended to fill critical information gaps for policy makers, the Commission's factfinding investigations covered a variety of topics in Fiscal Year (FY) 2021, such as the economic impact of U.S. trade agreements since 1984, COVID-19 related goods, renewable electricity, global economic impact of missing and low pesticide maximum residue levels (MRLs), and effects of imports on U.S. production of cucumbers and squash. The Commission also compiled the 2021 basic edition of the Harmonized Tariff Schedule (HTS) and issued 8 additional Revisions to the HTS to reflect policy changes implemented during the fiscal year.

Organizational Excellence

The Commission also made steady progress on many of its management and administrative goals during FY 2021, particularly in the areas of human resources, financial management, and

information technology. The agency continued to strengthen its strategic planning and performance-management processes, improve internal controls, and incorporate enterprise-risk-management principles into its planning, administrative, and budgeting processes. The Commission also continued to strengthen the security and effectiveness of its information systems, which helps enhance the productivity and efficiency of staff.

Moreover, in FY 2021 the Commission made strides in improving its data governance activities. This last year the Commission's Data Governance Board developed enterprise-wide data governance policies covering data sharing, data quality benchmarks, and data quality plans. The Commission also expanded the release of data on its OpenData page.

The performance information presented herein is complete and accurate. The Commission's Annual Performance Report will fully describe the extent to which the USITC met its FY 2021 performance goals and made progress on its strategic objectives when it is published in February 2022.

FY 2021 Agency Financial Report

The Commission's FY 2021 financial statement audit resulted in an unmodified opinion by the independent accounting firm Harper, Rains, Knight & Company, monitored by the Inspector General. The independent auditors identified no material weaknesses, significant deficiencies, or instances of non-compliance with laws and regulations. During FY 2021, the Commission continued to assess and improve internal controls in accordance with Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. Senior management meets regularly to strengthen oversight of and further improve Commission operations. The Commission complies with the provisions of the Federal Managers' Financial Integrity Act of 1982 (FMFIA), and although it is exempt from the requirements of the Federal Financial Management Improvement Act of 1996 (FFMIA), the Commission has also complied with the key provisions of this statute.

I am providing a modified statement of assurance that our internal controls over operations meet the objectives of FMFIA, as of September 30, 2021, in light of the material weakness described in the Chair's Statement of Assurance section of this report. Additionally, I can provide reasonable assurance that, as of June 30, 2021, the Commission's internal controls over financial reporting were in compliance with FMFIA and OMB Circular A-123, Appendix A, and no material weaknesses were found in the design or operations of the financial internal controls. Furthermore, as required by the Government Card Abuse Prevention Act of 2012 and OMB Circular A-123, Appendix B, I can provide reasonable assurance that, as of September 30, 2021,

the appropriate controls were in place to mitigate the risk of fraud and inappropriate charge card practices.

The financial information presented herein is complete and accurate, and in accordance with law and OMB guidance.

Looking Forward

Trade has become a larger part of the U.S. and global economies, with changes in supply chains, policies, and technologies shaping these trade flows. These dynamics in international trade have increased the complexity and scope of the Commission's analyses. The Commission endeavors to remain at the forefront of informing trade policy, through its analysis of trade and competitiveness-related industry, economic, legal, and nomenclature issues. For more details regarding the Agency Mission Challenges, see p. 50.

The Office of Inspector General (OIG) identified two significant management challenges this year: managing data and internal controls. These challenges continue to require attention and Commission management agrees that these are important challenges and concurs with the OIG's assessment of these challenges (see p. 54).

Working with the President, the USTR, and Congress, as well as U.S. industries, workers, and the public, the agency will continue to execute its mission with independence, integrity, trust, and transparency.

As Chair, I assure you that Commission employees are committed to the agency's mission, and I applaud their efforts during yet another challenging year.



Jason E. Kearns
Chair
November 15, 2021

Management's Discussion and Analysis

Introduction

The United States International Trade Commission (Commission or USITC) Fiscal Year 2021 Agency Financial Report (AFR) presents the results of the Commission's financial performance and demonstrates to the President, Congress, and the public the USITC's commitment to its mission and accountability for the resources entrusted to it. This report is available at www.usitc.gov. The USITC will issue its FY 2021 Annual Performance Report, which fully describes its performance for the fiscal year, when it issues its Congressional Budget Justification (CBJ) for FY 2023.

About the USITC

The USITC is an independent, quasi-judicial federal agency with broad investigative responsibilities on matters of trade. The USITC was established by Congress on September 8, 1916 as the United States Tariff Commission. In 1974, the name was changed to the United States International Trade Commission by section 171 of the Trade Act of 1974.

The Commission has specific responsibilities in the application of U.S. trade laws. The agency investigates, generally at the request of private sector parties, the effects of dumped and subsidized imports on domestic industries and conducts global safeguard investigations. It also adjudicates cases involving imports that allegedly infringe intellectual property rights or otherwise unfairly injure a domestic industry. The Commission also, by law, provides the House Committee on Ways and Means, the Senate Committee on Finance, the President, and, by delegation, the U.S. Trade Representative with objective and thorough analysis and information on trade policy and U.S. competitiveness matters. The Commission also has the responsibility of maintaining the Harmonized Tariff Schedule (HTS) of the United States, the official legal document that specifies the appropriate tariff, if any, applied to imported goods. In addition, the United States-Mexico-Canada Agreement Implementation Act, which entered into force on July 1, 2020, requires the Commission to conduct investigations and make determinations in response to petitions alleging material harm to the U.S. long-haul trucking industry due to increased competition from cross-border services provided by Mexican trucking firms in the United States. The Commission makes most of its information and analysis available to the public through its website to promote a better understanding of international trade issues.

Mission

The Commission investigates and makes determinations in proceedings involving imports claimed to injure a domestic industry or violate U.S. intellectual property rights; provides independent analysis and information on tariffs, trade, and competitiveness; and maintains the U.S. tariff schedule.

Organization

Commissioners

The USITC is headed by six Commissioners, who are nominated by the President and confirmed by the U.S. Senate. Jason E. Kearns, a Democrat, is serving as Chair of the Commission for a term ending June 16, 2022. Randolph J. Stayin, a Republican, is serving as Vice Chair for the same term. Other Commissioners currently serving are, in order of seniority, David S. Johanson, Rhonda K. Schmidlein, and Amy A. Karpel. As of November 15, 2021, there is one vacant commissioner position.

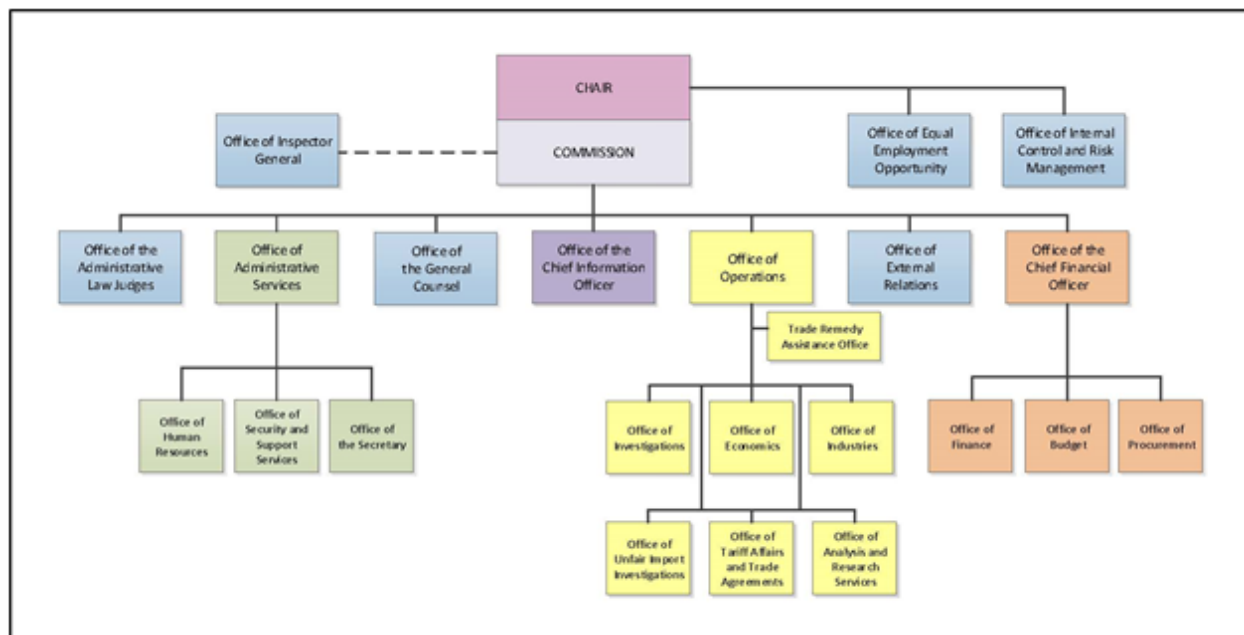
Each of the six Commissioners serves a term of nine years, unless appointed to fill an unexpired term. The terms are set by statute and are staggered so that a different term expires every 18 months.¹ A Commissioner who has served for more than five years is ineligible for reappointment. A Commissioner may, however, continue to serve after the expiration of his or her term until a successor is appointed.

No more than three Commissioners may be members of the same political party. The Chair and the Vice Chair are designated by the President and serve for a statutory two-year term. The Chair may not be of the same political party as the preceding Chair, nor may the President designate two Commissioners of the same political party to serve as Chair and Vice Chair. If the President does not name a new Chair, the most senior Commissioner of a political party other than the outgoing Chair becomes the new Chair by operation of law.² Currently, three Democrats and two Republicans serve as Commissioners.

¹ 19 U.S.C. § 1330, Organization of Commission.

² If the President does not name a Vice Chair, the position remains unfilled.

Office-Level Organizational Chart



USITC staff is organized into offices designed to support the mission of the agency. These include the:

- Office of Administrative Services (OAS), and its subordinate Offices of the Secretary (OSE), Human Resources (OHR), and Security and Support Services (OSSS);
- Office of Equal Employment Opportunity (OEEO).
- Office of External Relations (OER);
- Office of Inspector General (OIG);
- Office of Internal Control and Risk Management (OICRM);
- Office of Operations (OP), and its subordinate Offices of Investigations (INV), Industries (ID), Economics (EC), Tariff Affairs and Trade Agreements (TATA), Unfair Import Investigations (OUII), Analysis and Research Services (OARS), and Trade Remedy Assistance (TRAO);
- Office of the Administrative Law Judges (OALJ);
- Office of the Chief Financial Officer (OCFO), and its subordinate Offices of Budget (OB), Finance (FIN), and Procurement (PR);
- Office of the Chief Information Officer (OCIO);
- Office of the General Counsel (OGC);

Appendix A provides additional information on the individual offices of the USITC.

Strategic Planning and Performance Reporting

The Commission issues a Strategic Plan, an Annual Performance Plan, and an Annual Performance Report in accordance with the Government Performance and Results Act of 1993 (GPRA), as amended by the GPRA Modernization Act of 2010. The Strategic Plan establishes strategic goals, strategic objectives, and long-term performance goals for the Commission. To ensure the effectiveness of strategic planning and budget development, the Commission aligns its budget formulation and execution with its Annual Performance Plan, which establishes performance goals for each fiscal year. The Annual Performance Report provides a detailed review of agency performance in carrying out the agency's Annual Performance Plan.

The Commission current Annual Performance Plans, through FY 2022, set out annual measures that correspond to the broader strategic goals, performance goals, and strategies identified in the Strategic Plan. The Commission's budget justification, on the other hand, describes the operational, human capital, technology, and informational resources required to meet the performance goals. The Commission's current Strategic Plan, for FY 2018–2022, identifies two strategic goals and one overarching management goal, each with corresponding objectives.

Goals	Objectives
Strategic Goal 1 Make sound, objective, and timely determinations in trade remedy proceedings	S1.1 Conduct expeditious and sound investigative proceedings
	S1.2 Promote transparency and understanding of investigative proceedings
Strategic Goal 2 Provide independent, objective, and timely analysis and information on tariffs, trade, and competitiveness	S2.1 Improve analysis and information
	S2.2 Engage and respond to inform and support decision-making on U.S. trade matters
Management Goal Efficiently and effectively advance the agency's mission	M1.1 Attract and develop a skilled, diverse, and flexible workforce
	M1.2 Ensure good stewardship of taxpayer funds

Goals	Objectives
	M1.3 Identify, deliver, and secure reliable enterprise information systems
	M1.4 Evaluate and improve processes and communication

The Commission's strategic goals directly support its mission. The management goal and corresponding objectives relate to four management priority areas: human resources, financial management, information technology, and operational effectiveness. The Commission aims for high performance and goal attainment in each area to fulfill its mission and to support government-wide initiatives.

For each strategic and management objective, the Commission's Annual Performance Plan identifies strategies to meet these objectives and specific performance goals.

The Commission expects to publish a new Strategic Plan covering FY 2022–2026, its Annual Performance Plan for FY 2022–2023, its Annual Performance Report for FY 2021, and its Congressional Budget Justification for FY 2023 in February 2022. The Annual Performance Report will fully describe the extent to which the USITC met its FY 2021 performance goals and made progress on its strategic objectives.

Management Assurances

The Federal Managers' Financial Integrity Act of 1982 (FMFIA) establishes management's responsibility to assess and report on internal controls. Such controls include program, operational, and administrative areas, as well as accounting and financial management. The FMFIA requires federal agencies to establish controls that reasonably ensure obligations and costs are in compliance with applicable law; funds, property, and other assets are safeguarded against waste, loss, unauthorized use, and misappropriation; and revenues and expenditures are properly recorded and accounted for to maintain accountability over the assets.

The FMFIA requires the head of the agency, based on the agency's internal evaluation, to provide an annual Statement of Assurance on the effectiveness of their management, administrative, and financial controls. The Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, implements the FMFIA and defines management's responsibility for enterprise risk management (ERM) and internal control in Federal agencies. Federal leaders and managers are responsible for establishing goals and objectives around operating environments, ensuring compliance with relevant laws and regulations, and managing both expected and unexpected or unanticipated events.

FMFIA Section 2 requires agencies to establish internal controls and systems in accordance with standards prescribed by the Comptroller General who heads the Government Accountability Office (GAO). The GAO *Standards for Internal Control in the Federal Government* (known as the "Green Book") provides an overall framework for establishing and maintaining an effective internal control system. The Green Book defines internal control as a process effected by an entity's oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved. These objectives and related risks can be broadly classified into one or more of the following three categories:

- effectiveness and efficiency of operations;
- reliability of reporting for internal and external use; and
- compliance with applicable laws and regulations.

OMB Circular A-123 requires agencies to submit a single assurance statement consistent with the original requirement of the FMFIA. In addition, OMB Circular A-136, *Financial Reporting Requirements*, requires a separate assessment of the effectiveness of the internal controls over financial reporting as a subset of the overall FMFIA assurance. Agencies must also provide assurances on their process to identify risks and establish controls or integrate existing controls to identified risks. The Chairman's FMFIA assurance statement is primarily based on individual assurance statements from component and assessable unit directors. The individual statements assessed internal controls and risks related to the effectiveness and efficiency of programs and

operations, internal and external reporting, and compliance with laws and regulations based on the following elements:

- agency risk profile;
- internal control assessments (entity and office level);
- specific program level assessments (e.g., acquisition, financial, information technology, privacy); and
- OIG and external oversight reviews, audits, and evaluations.

FMFIA Section 4 requires that agencies annually evaluate and report on whether financial management systems conform to government-wide requirements. The Commission evaluated the Statements on Standards for Attestation Engagements (SSAE 18), *Reporting on Controls at the Service Organization* received from the Department of the Interior (DOI), Interior Business Center (IBC), which is the Commission's financial management shared-services provider for financial and payroll systems.

Appendix A of OMB Circular A-123 also calls for the agency head to provide assurance on the effectiveness of internal control over financial reporting. The Commission assessed internal control at the entity-, process, and transaction levels. The assessment of the effectiveness of process-level controls related to the agency's financial reporting was obtained through detailed test procedures. As part of this effort, the agency performed a review of:

- significant financial reports;
- significant line items and accounts;
- transactions;
- reporting and regulatory requirements; and
- existing deficiencies and corrective action plans.

Chair's Statement of Assurance

Statement of Modified Assurance

U.S. International Trade Commission (Commission) management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of Sections 2 and 4 of the Federal Managers' Financial Integrity Act of 1982 (FMFIA). Management is also responsible for implementing practices that identify, assess, respond, and report on agency risks.

The Commission, faced with the ongoing situation due to the COVID-19 pandemic, has met the objectives of internal control and has increased management attention on risk-management activities. The Commission performed assessments on the specific risks associated with COVID-19, as documentation and discussion of those risks better ensure that we have the proper controls in place to maintain effective and efficient operations, reliable reporting, and legal and regulatory compliance.

The Commission assessed the effectiveness of its risk management framework and system of internal control for Fiscal Year (FY) 2021 in accordance with OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. Based on the results of that assessment, the Commission can provide reasonable assurance that it has effective internal controls over operations, reporting, and compliance with applicable laws and regulations as of September 30, 2021. However, due to the following material weakness, I am submitting a modified statement of assurance.

- Risk in the agency system of internal rules, also known as the directive management system

Management has discussed this weakness, developed a corrective action plan to address it, and has monitored the remediation progress throughout FY 2021.

With respect to the financial systems, the Commission can provide reasonable assurance that it is meeting the objectives of Section 4 of FMFIA. The agency uses a federal shared-services provider, the U.S. Department of the Interior, Interior Business Center (IBC), to process its financial data and payroll. The Commission assessed the *Report on the U.S. Department of the Interior's Description of Its Oracle Federal Financials and Oracle Federal Financials – Virtual Environment Systems and the Suitability of the Design and Operating Effectiveness of Their Controls (SSAE 18 SOC 1 – Type 2 Report)* and the *Report on the U.S. Department of the Interior's Description of Its Federal Personnel and Payroll System and the Suitability of the Design and Operating Effectiveness of Its Controls (SSAE 18 SOC 1 – Type 2 Report)*. The IBC systems comply with Federal financial management system requirements, standards

promulgated by the Federal Accounting Standards Advisory Board, and the U.S. Standard General Ledger at the transaction level.

The Commission also assessed the effectiveness of its internal control over financial reporting, which includes the safeguarding of assets and compliance with applicable laws and regulations, in accordance with Appendix A of OMB Circular A-123. Based on the results of this evaluation, the Commission can provide reasonable assurance that, as of September 30, 2021, its internal control over financial reporting was operating effectively and it had found no material weaknesses in the design or operations of the internal control over financial reporting.



Jason E. Kearns
Chair
November 15, 2021

Overview of Financial Results

Overview of Financial Statements

The following is a brief description of the Commission's principal financial statements, along with their relevance and a description of certain significant balances. The Commission's principal financial statements are the:

- Balance Sheet;
- Statement of Net Cost;
- Statement of Changes in Net Position; and
- Statement of Budgetary Resources.

BALANCE SHEET

The Balance Sheet presents resources owned and managed by the Commission that have future economic benefits (assets) and amounts owed by the agency that will require future payments (liabilities). The difference between assets and liabilities is the residual amount retained by Commission (net position) that is available for future programs and operational requirements.

Assets

What We Own and Manage

Assets are the amount of current and future economic benefits owned or managed by the Commission to achieve its mission. Total assets were \$27.7 million at September 30, 2021, compared to \$27.1 million at September 30, 2020. Fund Balance with Treasury (FBWT) and Property, Plant, and Equipment (PP&E) accounted for 78 percent and 22 percent, respectively, of overall agency assets in FY 2021. The FBWT represents monies held within Treasury that are available for appropriated purposes to make future expenditures and pay liabilities. PP&E is comprised of tangible assets, such as information technology (IT) hardware, internal-use software, furniture, and leasehold improvements.

FBWT increased by \$1.3 million (or 6.5 percent) from FY 2020 to FY 2021, while PP&E decreased by \$797 thousand (or 12 percent). The decrease in PP&E was due to the accumulated depreciation and/or amortization of IT assets in service.

Accounts Receivable decreased from \$4,810 to \$3,330 as the Commission collected on amounts owed from employee debt and sponsored travel.

Liabilities

What We Owe

Liabilities are amounts owed by the Commission for goods and services it has received but not yet paid for—specifically, monies owed to the public and other federal agencies. Total liabilities increased by 6.1 percent from FY 2020 to FY 2021. The Commission’s two most significant liabilities are unfunded leave which accounts for \$6.4 million and the unamortized portion of the rent abatement (\$5.4 million) the Commission received when it signed its 15 year lease agreement with the General Services Administration for its headquarters building.

Other liabilities of note include payroll liabilities (comprised of accrued funded payroll and employer contributions and payroll taxes payable) of \$4.9 million and accounts payable of \$2.4 million.

Net Position

What We Have Done Over Time

Net position comprises Unexpended Appropriations and Cumulative Results of Operations. The net position of the Commission decreased by \$575 thousand from FY 2020 to FY 2021.

STATEMENT OF NET COST

The Statement of Net Cost presents the annual cost of operating the Commission’s programs. It is comprised principally of salaries and associated benefits, rent, and information technology expenditures. The Commission’s cost of operations decreased from \$109.6 million in FY 2020 to \$107.3 million in FY 2021.

STATEMENT OF CHANGES IN NET POSITION

The Statement of Changes in Net Position provides details on the changes to the two components of the changes in net position – total unexpended appropriations and cumulative net results of operations – during FY 2021. The Commission’s net position decreased by \$0.6 million from \$9.1 million in FY 2020 to \$8.5 million in FY 2021. Total unexpended appropriations increased by \$277 thousand from \$14.1 million to \$14.4 million. The Commission’s cumulative results of operations decreased by \$850 thousand, from negative \$5.1 million at the end of FY 2020 to negative \$5.91 million in FY 2021 as net cost of operations exceeded the Commission’s financing resources.

STATEMENT OF BUDGETARY RESOURCES

The Statement of Budgetary Resources summarizes how varying sources of budgetary funding were made available during the fiscal year and their status by the end of the fiscal year. The Commission ended FY 2021 with budgetary resources of \$105 million, a \$2.5 million increase from the previous year. A \$3.6 million increase in the Commission's appropriation from FY 2020 to FY 2021 explains the majority of this increase along with a \$1.1 million decrease in the unobligated balance brought forward from FY 2020.

Limitations on Financial Statements

The Commission's financial statements were prepared in conformity with the hierarchy of accounting principles approved by the Federal Accounting Standards Advisory Board (FASAB) and OMB Circular No. A-136, *Financial Reporting Requirements*.

The principal financial statements have been prepared to report the financial position and results of operations of the Commission, pursuant to the requirements of 31 U.S.C. 3515(b).

The statements have been prepared from the books and records of the Commission in accordance with U.S. Generally Accepted Accounting Principles (GAAP) for Federal entities and the formats prescribed by OMB and are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records.

The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

Management Controls and Compliance with Laws and Regulations

Federal Managers' Financial Integrity Act

The Federal Managers' Financial Integrity Act of 1982 (FMFIA) requires federal agencies to establish internal accounting and administrative controls consistent with standards prescribed by the Comptroller General that reasonably ensure that obligations and costs comply with applicable law; all assets are safeguarded against waste, loss, unauthorized use, and misappropriation; and revenues and expenditures applicable to agency operations are recorded and accounted for properly so that accounts and reliable financial and statistical reports may be prepared and accountability of the assets may be maintained. The FMFIA also requires federal agencies to assess and report on their internal accounting and administrative controls following guidelines established by the Office of Management and Budget (OMB). OMB guidance provides that agencies should assess (1) the effectiveness of the organization's internal controls to support effective and efficient programmatic operations, reliable financial reporting, and compliance with applicable laws and regulations (FMFIA § 2) and (2) whether financial management systems comply with Federal financial management systems requirements (FMFIA § 4).

In accordance with the Accountability of Tax Dollars Act of 2002 (ATDA), the Commission's financial information is audited annually. Additionally, at the end of each fiscal year, management reviews the operating units' performance data to ensure that performance results can be properly supported.

For FY 2021, the Commission evaluated the internal controls over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. In addition, the Commission evaluated the effectiveness of internal control over financial reporting in accordance with the requirements of Appendix A of OMB Circular A-123, assessed the charge card program in accordance with Appendix B of OMB Circular A-123, and tested for improper payments in accordance with Appendix C of OMB Circular A-123. Based on these evaluations, the Commission provides modified assurance that its internal controls were operating effectively.

OMB Circular A-123 was updated in 2016, incorporating ERM as a management responsibility, which reinforces the purpose of the FMFIA. During the past several years, the Commission has used its ERM framework to address the full spectrum of the organization's external and internal risks by understanding the combined impact of risks as an interrelated portfolio.

Federal Financial Management Improvement Act §2 & §4

Under the Federal Financial Management Improvement Act of 1996 (FFMIA), agencies are required to report on whether their financial management systems substantially comply with the federal financial management systems requirements, applicable federal accounting standards, and the USSGL at the transaction level. Since the Commission is not a CFO Act agency, it is not subject to the FFMIA.

The Commission uses IBC to process its financial and payroll transactions. As the servicing organization, IBC provides the Commission with SSAE 18 internal control reports for the financial and payroll systems. The Commission reviewed the SSAE 18 reports and determined that IBC's relevant information-processing objectives and internal controls were adequate. For those IBC control objectives that can only be achieved if complimentary user controls are suitably designed and operating effectively, the Commission ensured that controls were in place and operating effectively. Thus, the Commission's financial management system complied with the requirements of FFMIA and produced records in accordance with USSGL at the transaction level.

Government Performance and Results Act, as amended by the GPRA Modernization Act

The Government Performance and Results Act of 1993 (GPRA) requires a recurring cycle of performance reporting for federal agencies that includes five-year strategic plans, annual performance plans, and annual program performance reports. The GPRA Modernization Act of 2010 updates the Federal Government's performance management framework, retains and amplifies some aspects of the GPRA, reconfirms the requirements of the original GPRA legislation, and requires quarterly performance reporting.

The Commission complied with these legal requirements and followed the guidance provided in OMB Circular A-11, *Preparation, Submission and Execution of the Budget*.

Accountability of Tax Dollars Act

The Accountability of Tax Dollars Act (ATDA) requires the preparation of financial statements by federal agencies that are exempt from the Chief Financial Officers Act of 1990. OMB Circular A-136, *Financial Reporting Requirements*, enables agencies to produce a consolidated Performance and Accountability Report or a separate Agency Financial Report. The Commission has chosen to produce an Agency Financial Report. This report meets the requirements of the ATDA.

The Commission's financial statements are audited each year. The Commission received an unmodified opinion for FY 2021 (see Independent Auditor's Report on p. 24).

Financial Section

Message from the Chief Financial Officer

I am presenting the United States International Trade Commission's financial statements for the FY 2021 Annual Financial Report. The independent accounting firm of Harper, Rains, Knight, & Company, monitored by the Inspector General, issued an unmodified opinion on the Commission's FY 2021 financial statements. These results are possible because of the efforts of the financial management and business professionals across the Commission, whose commitment to promoting financial integrity and applying effective controls ensures high quality, accurate, and reliable information for all of our customers.

The Commission's key accomplishments during the year were:

- Continuing to provide high-quality financial management support to our customers despite being out of the office because of the COVID pandemic
- Transitioned to Oracle Business Intelligence Enterprise Edition, a modern analytical reporting tool
- Meeting its small business procurement and socio-economic goals
- Continuing to refine its budget and expenditure plan processes using our Enterprise Risk Management framework

Looking forward to FY 2022, in addition to sustaining its audit readiness, the Commission will:

- Continue to work with our shared service provider and the Intragovernmental Trading Working Group to ensure a successful transition and implementation of G-Invoicing program, scheduled to go live in October 2022. G-Invoicing is the U.S. Treasury's long-term solution to improve the quality of intragovernmental transactions between federal agencies.
- Convert our procurement processes from paper-based to electronic by acquiring an electronic file management system, which provides full electronic copies and access to our contracts.

We remain committed to ensuring a sound financial management environment. The accomplishments in FY 2021 and the past few years were the result of efforts across the entire organization. The CFO team looks forward to working closely with internal and external stakeholders to make continued improvements to the Commission's financial management and internal controls operations in FY 2022.

Sincerely,

A handwritten signature in black ink, appearing to read "John M. Ascienzo". The signature is fluid and cursive, with a stylized "Z" at the end.

John M. Ascienzo
Chief Financial Officer
November 15, 2021

Inspector General's Transmittal Letter of Independent Auditors' Report

OFFICE OF INSPECTOR GENERAL



UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, DC 20436

November 15, 2021

IG-TT-016

Commissioners:

This memorandum transmits the results of the audit (OIG-AR-22-03) of the Commission's financial statements for the fiscal year ended September 30, 2021. We contracted with the independent certified public accounting firm, Harper, Rains, Knight & Company, P.A., to conduct this audit. The contract required that the audit be performed 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 the auditing standards. These procedures follow the guidelines provided in the GAO/CIGIE Financial Audit Manual (FAM670). In connection with this contract, we reviewed Harper, Rains, Knight & Company's final report and related documentation and made inquiries of its representatives. Our involvement in the audit process included monitoring audit activities, participating in discussions, reviewing audit plans, and the inspection of selected documentation, conclusions, and results.

Our involvement and review of Harper, Rains, Knight & Company's work disclosed no instances where they did not comply, in all material respects, with the U.S. generally accepted government auditing standards; however, this review cannot be construed as an audit, and is not intended to enable us to express, and we do not express, any opinion on the Commission's financial statements. Harper, Rains, Knight & Company is solely responsible for the audit report dated November 10, 2021 and the conclusions expressed in the report.

Thank you for the cooperation and courtesies extended to both Harper, Rains, Knight & Company and my staff during this audit.

Sincerely,

A handwritten signature in blue ink that reads "Rashmi Bartlett". The signature is written in a cursive style with a light blue background.

Rashmi Bartlett
Inspector General

Independent Auditors' Report



Harper, Rains, Knight & Company

Independent Auditors' Report

Inspector General
U.S. International Trade Commission

Report on the Financial Statements

We have audited the accompanying financial statements of the U.S. International Trade Commission (USITC), which comprise the balance sheet as of September 30, 2021, and the related statements of net cost, changes in net position, and budgetary resources, for the fiscal year then ended, and the related notes to the financial statements.

Management's Responsibility

USITC's management is responsible for (1) the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; (2) preparing, measuring, and presenting the Required Supplementary Information (RSI) in accordance with accounting principles generally accepted in the United States of America; (3) preparing and presenting other information included in documents containing the audited financial statements and auditors' report, and ensuring the consistency of that information with the audited financial statements and the RSI; and (4) maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with 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 21-04, *Audit Requirements for Federal Financial Statements*. Those standards and OMB require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. We are also responsible for applying certain limited procedures to RSI and other information included with the financial statements.

Auditors' Responsibility (continued)

An audit of financial statements involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the auditors' assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit of financial statements also involves evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit also included performing such other procedures as we considered necessary in the circumstances.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Financial Statements

In our opinion, USITC's financial statements present fairly, in all material respects, USITC's financial position as of September 30, 2021, and its net cost of operations, changes in net position, and budgetary resources for the fiscal year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The financial statements of USITC for the year ended September 30, 2020, were audited by another auditor who expressed an unmodified opinion on those statements on November 13, 2020.

Required Supplementary Information

Accounting principles generally accepted in the United States of America issued by the Federal Accounting Standards Advisory Board (FASAB) require that the information in the *Required Supplementary Information*, including *Management's Discussion and Analysis*, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by FASAB who considers this information to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the RSI and comparing the information for consistency with management's responses to the auditors' inquiries, the financial statements, and other knowledge we obtained during the audit of the financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit and we do not express an opinion or provide any assurance on the

Required Supplementary Information (continued)

RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on USITC's financial statements. The information in the Message from the Chair, Message from the Chief Financial Officer, Other Accompanying Information, and Appendices sections contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. We read the other information included with the financial statements in order to identify material inconsistencies, if any, with the audited financial statements.

The Message from the Chair, Message from the Chief Financial Officer, Other Accompanying Information, and Appendices sections have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with U.S. *Government Auditing Standards* and OMB Bulletin 21-04, we have also issued our reports dated November 10, 2021, on our consideration of USITC's internal control over financial reporting and the results of our tests of its compliance with certain provisions of laws, regulations, and other matters that are required to be reported under *Government Auditing Standards*. 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 U.S. *Government Auditing Standards* and OMB Bulletin 21-04 in considering USITC's internal control and compliance and should be read in conjunction with this report in considering the results of our audit.

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

Harper, Rams, Knight & Company, P.A.

November 10, 2021
Washington, DC

Certified Public Accountants • Consultants • hrkcpa.com

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Inspector General's Transmittal Letter of Independent Auditors' Report on Internal Control

OFFICE OF INSPECTOR GENERAL



UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, DC 20436

November 15, 2021

IG-TT-017

Commissioners:

This memorandum transmits the Independent Auditor's Report on Internal Control (OIG-AR-22-04) associated with the audit of the Commission's financial statements for Fiscal Year 2021.

We contracted with the independent certified public accounting firm, Harper, Rains, Knight & Company, P.A., to conduct the financial statement audit. The contract required that the audit be conducted in accordance with U.S. generally accepted government auditing standards and these auditing standards require a report on Internal Control to be produced as part of the audit.

Throughout the audit and at its conclusion, my office followed procedures and conducted a final review that included monitoring the performance of the audit, reviewing Harper, Rains, Knight & Company's report, related documentation, and making inquiries of its representatives. Our final review disclosed no instances where Harper, Rains, Knight & Company did not comply, in all material respects, with the U.S. generally accepted government auditing standards; however, this final review cannot be construed as an audit, and is not intended to enable us to express, and we do not express, any opinion on the Commission's internal control. Harper, Rains, Knight & Company is solely responsible for this report dated November 10, 2021, and the conclusions expressed in the report.

Thank you for the courtesies extended to the auditors and my staff during this audit.

Rashmi Bartlett
Inspector General

Independent Auditors' Report on Internal Control



Independent Auditors' Report on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Inspector General
U.S. International Trade Commission

We have audited the accompanying financial statements of the U.S. International Trade Commission (USITC), which comprise the balance sheet as of September 30, 2021, and the related statements of net cost, changes in net position, and budgetary resources, for the fiscal year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 10, 2021. We conducted our audit in accordance with 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 21-04, *Audit Requirements for Federal Financial Statements*.

Internal Control over Financial Reporting

In planning and performing our audit of USITC's financial statements as of and for the year ended September 30, 2021, in accordance with U.S. generally accepted government auditing standards and OMB Bulletin 21-04, *Audit Requirements for Federal Financial Statements*, we considered USITC's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of USITC's internal control over financial reporting. Accordingly, we do not express an opinion on USITC's internal control over financial reporting. We did not consider all internal controls relevant to operating objectives as broadly established by the Federal Managers' Financial Integrity Act of 1982, such as those controls relevant to preparing performance information and ensuring efficient operations.

We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses. A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or

Internal Control over Financial Reporting (continued)

a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

We noted less significant matters involving internal control and its operations which we have reported to USITC management in a separate letter dated November 10, 2021.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and the result of that testing, and not to provide an opinion on the effectiveness of USITC's internal control. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering USITC's internal control. Accordingly, this communication is not suitable for any other purpose.

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

Hoyen, Ramo, Knight & Company, P.A.

November 10, 2021
Washington, DC

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Inspector General's Transmittal Letter of Independent Auditors' Report on Compliance with Laws and Regulations

OFFICE OF INSPECTOR GENERAL



UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, DC 20436

November 15, 2021

IG-TT-018

Commissioners:

This memorandum transmits the Independent Auditor's Report on Compliance with Laws and Regulations (OIG-AR-22-05) associated with the audit of the Commission's financial statements for Fiscal Year 2021.

We contracted with the independent certified public accounting firm, Harper, Rains, Knight & Company, P.A., to conduct this audit. The contract required that the audit be conducted in accordance with U.S. generally accepted government auditing standards and these auditing standards require a report on compliance with laws and regulations to be produced as part of the audit.

The auditors did not identify any instances of noncompliance that would have a direct or material effect on the determination of financial statement amounts.

Throughout the audit and at its conclusion, my office followed procedures and conducted a final review designed to assure that the work performed by non-Federal auditors complied with the auditing standards. Our final review disclosed no instances where Harper, Rains, Knight & Company did not comply, in all material respects, with the U.S. generally accepted government auditing standards; however, this final review cannot be construed as an audit, and is not intended to enable us to express, and we do not express, any opinion on the Commission's compliance with laws and regulations. Harper, Rains, Knight & Company is solely responsible for this report dated November 10, 2021 and the conclusions expressed in the report.

Thank you for the cooperation and courtesies extended to both Harper, Rains, Knight & Company and my staff during this audit.

Sincerely,



Rashmi Bartlett
Inspector General

Independent Auditors' Report on Compliance with Laws and Regulations



Independent Auditors' Report on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Inspector General
U.S. International Trade Commission

We have audited the accompanying financial statements of the U.S. International Trade Commission (USITC), which comprise the balance sheet as of September 30, 2021, and the related statements of net cost, changes in net position, and budgetary resources, for the fiscal year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 10, 2021. We conducted our audit in accordance with 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 21-04, *Audit Requirements for Federal Financial Statements*.

The management of USITC is responsible for complying with laws and regulations applicable to USITC. 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 OMB Bulletin 21-04, including the requirements referred to in the Federal Managers' Financial Integrity Act of 1982. We limited our tests of compliance to these provisions, and we did not test compliance with all laws and regulations applicable to USITC.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether USITC's financial statements are free from material misstatement, we performed tests of its compliance with selected provisions of applicable laws, regulations, and contracts, noncompliance with which would have a direct and material effect on the financial statements. We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards and OMB Bulletin 21-04, *Audit Requirements for Federal Financial Statements*. We caution that noncompliance may occur and not be detected by these tests.

Compliance and Other Matters (continued)

Management is responsible for complying with laws, regulations, and contracts applicable to USITC.

Our responsibility is to test compliance with selected provisions of applicable laws, regulations, and contracts applicable to USITC that have a direct effect on the determination of material amounts and disclosures in USITC's financial statements and perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, and contracts applicable to USITC.

Our tests for compliance with selected provisions of applicable laws, regulations, and contracts disclosed no instances of noncompliance for fiscal year 2021 that would be reportable under U.S. generally accepted government auditing standards or OMB Bulletin 21-04, *Audit Requirements for Federal Financial Statements*. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, and contracts applicable to USITC. Accordingly, we do not express such an opinion.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance and the result of that testing, and not to provide an opinion on the USITC's compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering USITC's compliance. Accordingly, this communication is not suitable for any other purpose.

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

Harper, Raines, Knight & Company, P.A.

November 10, 2021
Washington, DC

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Principal Financial Statements

U.S. INTERNATIONAL TRADE COMMISSION

BALANCE SHEETS

As of September 30, 2021 and 2020

(in dollars)

	2021	2020
Assets:		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	\$ 21,672,220	\$ 20,341,936
Total Intragovernmental	\$ 21,672,220	\$ 20,341,936
With the Public:		
Accounts Receivable (Note 3)	\$ 3,330	\$ 4,810
Property, Plant, and Equipment, net (Note 4)	5,979,832	6,776,426
Total with the Public	\$ 5,983,162	\$ 6,781,236
Total Assets	\$ 27,655,382	\$ 27,123,172
Liabilities:		
Intragovernmental:		
Accounts Payable (Note 6)	\$ 472,346	\$ 259,480
Other (Note 5)	6,354,021	6,454,571
Total Intragovernmental	\$ 6,826,367	\$ 6,714,051
With the Public:		
Accounts Payable (Note 6)	\$ 1,878,135	\$ 1,949,422
Federal Employee [and Veteran] Benefits Payable (Note 5)	6,571,691	6,287,844
Other (Note 5)	3,870,577	3,087,756
Total with the Public	\$ 12,320,403	\$ 11,325,022
Total Liabilities	\$ 19,146,770	\$ 18,039,073
Net Position:		
Unexpended Appropriations	\$ 14,413,966	\$ 14,136,737
Cumulative Results of Operations	(5,905,354)	(5,052,638)
Total Net Position	\$ 8,508,612	\$ 9,084,099
Total Liabilities and Net Position	\$ 27,655,382	\$ 27,123,172

The accompanying notes are an integral part of these financial statements.

U.S. INTERNATIONAL TRADE COMMISSION

STATEMENTS OF NET COST

For the years ended September 30, 2021 and 2020

(in dollars)

	2021	2020
Program Costs:	107,320,658	109,605,243
Total Program Costs	\$ 107,320,658	\$ 109,605,243

The accompanying notes are an integral part of these financial statements.

U.S. INTERNATIONAL TRADE COMMISSION
STATEMENTS OF CHANGES IN NET POSITION
For the years ended September 30, 2021 and 2020
(in dollars)

	2021	2020
Unexpended Appropriations:		
Beginning Balance	\$ 14,136,737	\$ 19,074,036
Budgetary Financing Sources:		
Appropriations Received	103,000,000	99,400,000
Less: Appropriations used	(102,722,771)	(104,337,299)
Total Budgetary Financing Sources	277,229	(4,937,299)
Total Unexpended Appropriations	\$ 14,413,966	\$ 14,136,737
Cumulative Results of Operations:		
Beginning Balance	\$ (5,052,638)	\$ (3,335,119)
Adjustments:		
Correction of Errors (+/-)	12,156	-
Beginning Balance, as adjusted	\$ (5,040,482)	\$ (3,335,119)
Budgetary Financing Sources:		
Appropriations Used	\$ 102,722,771	\$ 104,337,299
Other Financing Sources (Non-Exchange)		
Imputed Financing (Note 9)	3,733,015	3,550,425
Total Financing Sources	106,455,786	107,887,724
Net Cost of Operations	(107,320,658)	(109,605,243)
Net Change	(864,872)	(1,717,519)
Cumulative Results of Operations	\$ (5,905,354)	\$ (5,052,638)
Net Position	\$ 8,508,612	\$ 9,084,099

The accompanying notes are an integral part of these financial statements.

U.S. INTERNATIONAL TRADE COMMISSION

STATEMENTS OF BUDGETARY RESOURCES

For the years ended September 30, 2021 and 2020

(in dollars)

	2021	2020
Budgetary Resources:		
Unobligated Balance from Prior Year Budget		
Authority, net	\$ 2,044,769	\$ 3,126,718
Appropriations (discretionary and mandatory)	103,000,000	99,400,000
Total Budgetary Resources	\$ 105,044,769	\$ 102,526,718
Status of Budgetary Resources:		
New Obligations and Upward Adjustments (total)	\$ 104,693,497	\$ 102,176,579
Unobligated Balance, end of year:		
Apportioned, Unexpired accounts	351,272	316,793
Unapportioned, Unexpired accounts	-	33,346
Unobligated Balance, end of year (total)	351,272	350,139
Total Budgetary Resources	\$ 105,044,769	\$ 102,526,718
Outlays, net and Disbursements, net		
Outlays, net (total) (discretionary and mandatory)	\$ 101,669,716	\$ 103,796,097

The accompanying notes are an integral part of these financial statements.

Financial Statement Footnotes

United States International Trade Commission Notes to Financial Statements September 30, 2021 and 2020

Note 1. Significant Accounting Policies

A. Reporting Entity

The United States International Trade Commission (USITC) is an independent agency of the U.S. Government created by an act of Congress and is headed by six commissioners, appointed by the President and confirmed by the U.S. Senate for nine-year terms. The President designates the chairman and vice chairman, each of whom serve two-year terms. The USITC's budget constitutes a single program in the Budget of the United States. Accordingly, the USITC receives a lump sum appropriation. The appropriated funds are "no year" funds and may be obligated for goods and services that are provided in subsequent fiscal years.

The Commission conducts investigations and reports findings relating to imports, the effect of imports on industry, and unfair import practices. The USITC advises the President on the probable economic effect of proposed trade agreements with foreign countries. The USITC also conducts analytical studies and provides reports on issues relating to international trade and economic policy to Congress and the President.

B. Basis of Accounting and Presentation

The USITC's financial statements conform to Generally Accepted Accounting Principles (GAAP) as promulgated by the Federal Accounting Standards Advisory Board (FASAB). The American Institute of Certified Public Accountants (AICPA) recognizes FASAB Standards as GAAP for federal reporting entities. These principles differ from budgetary reporting principles. The differences relate primarily to the capitalization and depreciation of property, plant, and equipment, as well as the recognition of other long-term assets and liabilities. The statements were prepared in conformity with OMB Circular No. A-136, *Financial Reporting Requirements*.

The financial statements have been prepared from the books and records of the USITC and include all accounts of all funds under the control of the USITC. Accounting principles generally accepted in the United States of America encompass both accrual and budgetary transactions. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt

or payment of cash. Budgetary accounting facilitates compliance with legal constraints and controls over the use of federal funds. The accompanying financial statements for the year ended September 30, 2021 are prepared on the accrual basis of accounting and allow for comparison to the year ended September 30, 2020.

Assets: Intragovernmental assets are those assets that arise from transactions with other federal entities. Funds with the U.S. Treasury represent intragovernmental assets on the USITC's balance sheet. Fiduciary assets are not assets of the USITC and are not recognized on the balance sheet. The USITC holds cease and desist bonds, which are held for non-federal parties that the USITC does not have the authority to use in its operations. See Note 12, Fiduciary Activities, for additional disclosures.

Financing Sources: The USITC has received "no year" appropriations for operations since FY 1993. Appropriations are recognized as a financing source and expensed when related operating expenses are incurred. Differences between appropriations received and those expensed are included as unexpended appropriations. Congress appropriated \$103,000,000 to the USITC for salaries and expenses in FY 2021 and \$99,400,000 in FY 2020.

Fund Balance with the U.S. Treasury: Cash receipts and disbursements are processed by the Treasury. The fund balance with the U.S. Treasury represents appropriated entity funds in the custody of the U.S. Treasury and is available to pay current liabilities and to finance authorized purchase commitments. The USITC's obligated and unobligated fund balances are carried forward until goods or services are received and payments are made, or until such time as funds are deobligated.

C. Property, Plant, and Equipment, Net

The USITC's portfolio of assets includes IT-related equipment, furniture, software, and leasehold improvements. For financial statement reporting purposes, the USITC does not own heritage assets as defined in the FASAB Statements of Federal Financial Accounting Standard (SFFAS) No. 6, *Accounting for Property, Plant, and Equipment*. The USITC therefore reports only the above-mentioned property and equipment in its financial statements. The USITC's operations are housed in a leased structure. In FY 2017, the USITC extended the operating lease agreement with the General Services Administration (GSA) by 15 years for the facility that houses its day-to-day mission operations.

The USITC capitalizes all equipment and furniture when an asset acquisition costs \$50,000 or more and when the acquired asset has a useful life of two or more years. Depreciation expense for equipment and furniture is calculated using the straight-line method over an

estimated economic useful life. Maintenance and license fees associated with equipment are expensed in the accounting period that purchased maintenance and licenses are received.

The USITC capitalizes internal use software (IUS) using the standards defined and prescribed in the SFFAS No. 10, the *Accounting for Internal Use Software*. Accordingly, the USITC begins to accumulate IUS development costs for equipment integral to the functioning and operation of the software, as well as costs for development work associated with an IUS project when accumulated costs reach \$10,000. When the combined accumulated equipment and IUS development costs reach \$250,000, the IUS project is classified for financial statement reporting purposes as a capital asset and reported in the financial statements as an “in progress” capital asset. Equipment integral to the functioning and operation of the software is not depreciated until the software is placed in service. Upon completion and user acceptance testing, IUS and its associated equipment are reclassified as IUS equipment and software. The equipment is depreciated and the software is amortized using the straight-line (S/L) method over an estimated economic useful life. Maintenance and license fees associated with an IUS capital asset are accrued, expensed, and allocated between accounting periods based on period-of-performance timeframes specified in contractual agreements. Commercial software costs that do not meet the capitalization criteria and thresholds are expensed in the accounting period that the purchased software is received.

The USITC capitalizes all leasehold improvement acquisition costs that are \$100,000 or more and that have a useful life of two or more years. The USITC applies the same accounting treatment and standards to leasehold improvements as it does for IUS, when the leasehold improvement involves multiple stages of completion before work acceptance. For financial reporting purposes, all accumulated costs are captured in an “in progress” account and reported on the financial statements. Upon completion and acceptance of work, the costs are reclassified and reported on the financial statements as a leasehold improvement subject to amortization. Leasehold improvements are amortized over either the remaining life of lease term or the estimated economic useful life of the leasehold improvement, whichever is less.

D. Accrued Annual Leave

Accrued annual leave is paid from future funding sources and accordingly is reflected as a liability not covered by budgetary resources. Each quarter the balance in the accrued leave account is adjusted to reflect the current leave balances and pay rates. Sick leave and other types of non-vested leave are expensed as taken.

E. Employee Retirement Plans

Commission employees participate in either the Civil Service Retirement System (CSRS), the Federal Employees Retirement System (FERS), which became effective on January 1, 1987, the Federal Employees Retirement System-Revised Annuity Employees (FERS-RAE), which became effective on January 1, 2013 or the Federal Employees Retirement System-Further Revised Annuity Employees (FRAE), which became effective on January 1, 2014. Most federal employees hired after December 31, 1983, are automatically covered by FERS, FERS-RAE, or FERS-FRAE and Social Security. For employees covered by CSRS, the USITC withheld 7.0 percent of base pay earnings. The Commission matches this withholding, and the sum of the withholding and the matching funds is transferred to the Civil Service Retirement System.

FERS, FERS-RAE, and FERS-FRAE contributions made by employer agencies and covered employees are comparable to the U.S. Government's estimated service costs. For FERS, FERS-RAE and FERS-FRAE covered employees, the Commission made contributions of 17.2 percent, 15.4 and 15.4 percent, respectively, of basic pay. Employees participating in FERS, FERS-RAE or FERS-FRAE are covered under the *Federal Insurance Contribution Act (FICA)* for which both the Commission and employees contributed 6.2 percent of salaries up to \$142,800 and \$137,700 during calendar years 2021 and 2020, respectively, into the Old-Age, Survivors, and Disability Insurance (OASDI) program; both the Commission and employees contribute 1.45 percent of salaries to Medicare's Hospital Insurance (HI) program.

F. Net Position

Net position is the residual difference between assets and liabilities and is composed of unexpended appropriations and the cumulative results of operations. Unexpended appropriations represent the amount of unobligated and unexpended budget authority. Unobligated balances are the amount of appropriations or other authority remaining after deducting the cumulative obligations from the amount available for obligation. Cumulative results of operations are the net result of the USITC's operations since inception.

G. Intragovernmental Activities

The USITC records and reports only those government-wide financial matters for which it is responsible and identifies only those financial matters that the USITC has been granted the budget authority and resources to manage.

H. Use of Estimates

The financial statements are based on the selection of accounting policies and the application of certain accounting estimates, some of which require management to make significant assumptions. Further, the estimates are based on current conditions that may change in the future. Actual results could differ materially from the estimated amounts. The financial statements include information to assist in understanding the effect of changes in assumptions to the related information.

Note 2. Fund Balance with Treasury

Fund Balance with Treasury is an intragovernmental asset. The Commission fund balance represents funds appropriated by Congress for use by the USITC. No funds are restricted; however, in accordance with section 605 of Title 5 of Public Law 105-277, Congressional approval is required under certain reprogramming or transfer actions.

No discrepancies exist between the Fund Balance reflected in the general ledger and the balance in the Treasury accounts.

Fund Balance with Treasury	2021	2020
Status of Fund Balance with Treasury		
Unobligated balance available	351,273	350,139
Obligated balance not yet disbursed	21,320,947	19,991,797
Non-Budgetary FBWT	-	-
Total	\$ 21,672,220	\$ 20,341,936

Note 3. Accounts Receivable

The balance of accounts receivable was \$3,330 and \$4,810 at September 30, 2021 and September 30, 2020, respectively. The non-governmental accounts receivable are for sponsored travel and employee debts. At the end of fiscal year 2020, the agency had long-standing receivables that were deemed uncollectible. As a result, these debts were written off as bad debt expense. All other amounts due may be reported to the Department of the Treasury, Treasury Offset Program if not collected within prescribed collection terms.

Receivable Type	2021	2020
Intragovernmental	\$ -	\$ -
Non-governmental	\$ 3,330	\$ 4,810
Total	\$ 3,330	\$ 4,810

Note 4. Property, Plant, and Equipment, Net

Depreciation and amortization expense was \$2,144,848 and \$1,897,895 for the years ended September 30, 2021 and 2020, respectively, and is included in the accumulated depreciation.

Comparative asset tables summarized by class of property appear below:

Property, Plant, and Equipment as of September 30, 2021

Class of Property	Depreciation/ Amortization Method	Capitalization Threshold for Individual Purchases	Service Life (Years)	Acquisition Cost	Accumulated Depreciation/ Amortization	Book Value
Equipment and Furniture	S/L	50,000	5	9,748,588	7,351,705	2,396,883
Software	S/L	250,000	5	8,319,858	6,516,137	1,803,721
Software in Development	-	-	-	707,638	-	707,638
Leasehold Improvements	S/L	100,000	Varies	8,121,353	7,181,802	939,551
Leasehold Improvements in Progress	-	-	-	132,039	-	132,039
Total				\$ 27,029,476	\$ 21,049,644	\$ 5,979,832

Property, Plant, and Equipment as of September 30, 2020

Class of Property	Depreciation/ Amortization Method	Capitalization Threshold for Individual Purchases	Service Life (Years)	Acquisition Cost	Accumulated Depreciation/ Amortization	Book Value
Equipment and Furniture	S/L	50,000	5	9,031,027	6,626,340	2,404,687
Software	S/L	250,000	5	8,319,858	5,769,829	2,550,029
Software in Development	-	-	-	70,000	-	70,000
Leasehold Improvements	S/L	100,000	Varies	6,648,715	6,508,627	140,088
Leasehold Improvements in Progress	-	-	-	1,611,622	-	1,611,622
Total				\$ 25,681,222	\$ 18,904,796	\$ 6,776,426

Note 5. Liabilities Not Covered by Budgetary Resources

Liabilities not covered by budgetary authority are not charged to the USITC's appropriation. These liabilities include unfunded Federal Employees' Compensation Act (FECA) liability, other liabilities, accrued annual leave, and actuarial FECA liability.

Unfunded FECA Liability: The FECA program is administered by the Department of Labor (DOL). DOL pays valid claims against the USITC and subsequently seeks reimbursement. Reimbursements are paid by the USITC out of current funds.

Other Liabilities: USITC signed a 15 year lease with GSA for its Headquarters building during FY 2017. The lease had several initial months of rent abatement. This liability account established the FY 2017 and FY 2018 free rent less amortization, which began during the third quarter of FY 2018 and will continue through the remaining term of the scheduled lease payments.

Accrued Annual Leave: Accrued annual leave is paid from future funding sources and accordingly is reflected as a liability not covered by budgetary resources. Each quarter the balance in the accrued leave account is adjusted to reflect the current leave balances and pay rates. Sick leave and other types of non-vested leave are expensed as taken.

Actuarial FECA Liability: This represents an estimated liability for future workers compensation claims based on data provided from DOL. DOL calculates the estimate based principally on benefit payments made over the prior 12 quarters.

Liabilities Covered by Budgetary Resources: In contrast to the liabilities identified above, all other liabilities are charged to the USITC's appropriation and thus are covered by budgetary resources. These liabilities include accounts payable, employer contributions of taxes and benefits, payroll taxes, and accrued funded payroll. The composition of accounts payable is described in more detail in Note 6, below.

Liabilities Not Requiring Budgetary Resources: This represents liabilities that have not in the past required and will not in the future require the use of budgetary resources. These liabilities include those in clearing accounts and non-fiduciary deposit funds, such as the FOIA receipts collected under the miscellaneous receipts fund.

Liabilities Not Covered by Budgetary Resources	2021	2020
Intragovernmental		
Unfunded FECA Liability	43,719	18,083
Other Liabilities	5,411,709	5,650,460
Total Intragovernmental	5,455,428	5,668,543
Accrued Annual Leave	6,358,613	6,099,709
Actuarial FECA Liability	74,475	65,622
Total Liabilities Not Covered by Budgetary Resources	11,888,516	11,833,874
Total Liabilities Covered by Budgetary Resources	7,258,254	6,205,199
Total Liabilities	\$ 19,146,770	\$ 18,039,073

Note 6. Accounts Payable

The amounts reported on the Balance Sheet for Accounts Payable represent amounts owed by the USITC to other federal agencies (intragovernmental) and to non-federal entities for goods and services received but not paid by the USITC as of the Balance Sheet date.

Amounts payable to trading partners were \$472,346 and \$259,480 as of September 30, 2021 and 2020, respectively. For FY 2021, amounts were principally owed to GSA, United States Patent and Trademark Office and GPO for IT services and equipment, reimbursable salaries and benefits, as well as government printing services, respectively. For FY 2020, amounts were principally owed to GSA, OPM and DOL for IT services and equipment, software and training, as well as unemployment compensation.

Amounts shown on the Balance Sheet as payable to vendors represent amounts owed by the USITC to non-federal entities for goods and services received by the USITC in support of mission operations as of the Balance Sheet date.

Accounts Payable	2021	2020
Intragovernmental		
Accounts Payable to Trading Partners	\$ 472,346	\$ 259,480
Total Intragovernmental	\$ 472,346	\$ 259,480
Non-Federal		
Accounts Payable to Vendors	\$ 1,878,135	\$ 1,949,422
Total Accounts Payable	\$ 2,350,481	\$ 2,208,902

Note 7. Leases

The USITC has an operating lease for the facility that houses its day-to-day mission operations. In FY 2017, the USITC extended the current operating lease with the General Services Administration (GSA) for a period of 180 months commencing on August 11,

2017. In accordance with the terms of the new Occupancy Agreement, the ITC received total free rent in the amount of \$6.8 million, as well as a broker commission credit totaling \$591 thousand. The full service rent was abated in its entirety from the commencement date of the new lease and was fully exhausted in the third quarter of FY 2018. USITC has no capital leases.

While the leases with the GSA are cancellable, the ITC's intention is to stay in the currently leased space and disclose the amounts that will be paid in the future to the GSA under signed lease agreements. Future minimum lease payments under leases of commercial property due as of September 30, 2021 are as follows:

Fiscal Year	Federal	Non-Federal
2022	\$ 10,063,957	\$ -
Thereafter	\$ 102,945,082	\$ -
Total Future Minimum Lease Payments	\$ 113,009,039	\$ -

Note 8. Commitments and Contingencies

The USITC has certain claims pending against it. USITC management and legal counsel believe that losses, if any, from other claims and lawsuits will not be material to the fair presentation of the USITC's financial statements.

Note 9. Other Financing Sources (Non-Exchange)

Imputed Financing: The amounts remitted to OPM for employees covered by the federal civilian benefit programs generally do not cover the actual cost of the benefits those employees will receive after they retire. Consequently, the USITC has recognized an "imputed financing" equal to the difference between the cost of providing benefits to USITC's employees and the contributions the USITC remitted for them. The amount of imputed financing is calculated based on a formula provided by OPM.

Note 10. Undelivered Orders at the End of the Period

Undelivered orders consist of goods and services ordered and obligated that have not been received. Undelivered orders may be indicative of obligations to cover future delivery of good and services or may represent potential de-obligations. Since the USITC has "no year" funds, it often funds contracts, particularly service contracts, on a calendar year or other annual basis, rather than on a fiscal year basis. Undelivered orders were \$14,062,693 and \$13,786,597 as of September 30, 2021 and September 30, 2020,

respectively. As of September 30, 2021, Federal undelivered orders amounted to \$4,119,970 while \$9,942,724 were classified as nonfederal. For the period ending September 30, 2020 Federal undelivered orders amounted to \$5,469,948 while \$8,316,649 were classified as nonfederal. All undelivered orders were unpaid.

Note 11. Explanation of Differences between the Statement of Budgetary Resources and the Budget of the United States Government

The Budget of the United States Government with actual amounts for the year ended September 30, 2021 has not been published as of the issue date of these financial statements. This document will be available in February 2022 at OMB's website.

For FY 2020 there were no material differences between amounts reported in the Commission's Statement of Budgetary Resources and the actual amounts reported on the President's Budget.

Note 12. Fiduciary Activities

Fiduciary activities are the collection or receipt, and the management, protection, accounting, investment and disposition by the federal government of cash or other assets in which non-federal individuals or entities have an ownership interest that the federal government must uphold.

Fiduciary cash and other assets are not assets of the federal government and accordingly are not recognized on the balance sheet.

Fiduciary Bond Fund 34X6340 was authorized by 19 U.S.C. § 1337, which authorizes USITC to collect cease and desist bonds on behalf of the Federal Government.

U.S International Trade Commission
Schedule of Fiduciary Activity
For the years ended September 30, 2021 and 2020

	2021	2020
	Fiduciary Fund 34X6340	Fiduciary Fund 34X6340
Fiduciary net assets, beginning of year	\$ 906,322	\$ 1,401,074
Cash collections from cease and desist bonds	\$ 3,210,622	\$ 26,981
Cash disbursements to beneficiaries	\$ (3,149,622)	\$ (521,733)
Fiduciary Net Assets, end of year	\$ 967,322	\$ 906,322

Fiduciary Net Assets
As of September 30, 2021 and 2020

	2021	2020
	Fiduciary Fund 34X6340	Fiduciary Fund 34X6340
FIDUCIARY ASSETS		
Cash and cash equivalents	\$ -	\$ -
Fund Balance with Treasury	\$ 967,322	\$ 906,322
Investments	\$ -	\$ -
Other Assets	\$ -	\$ -
Less: Liabilities	\$ -	\$ -
Total Fiduciary Net Assets	\$ 967,322	\$ 906,322

Note 13. Reconciliation of Net Cost of Operations to Budget

Budgetary and financial accounting information differ. Budgetary accounting is used for planning and control purposes and relates to both the receipt and use of cash, as well as reporting the federal deficit. Financial accounting is intended to provide a picture of the government's financial operations and financial position so it presents information on an accrual basis. The accrual basis includes information about costs arising from the consumption of assets and the incurrence of liabilities. The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information. The reconciliation serves not only to identify costs paid for in the past and those that will be paid in the future, but also to assure integrity between budgetary and financial accounting. The analysis below illustrates this reconciliation by listing the key differences between net cost and net outlays.

Reconciliation of Net Operating Cost & Net Budgetary Outlays for the Years Ending September 30, 2021 and 2020 (in dollars)							
	2021				2020		
	Intragovern- mental	With the Public	Total FY2021		Intragovern- mental	With the Public	Total FY2020
Net Operating Cost (SNC)	32,952,157	74,368,501	107,320,658		32,111,587	77,493,656	109,605,243
Components of Net Operating Cost Not Part of the Budgetary Outlays							
Property, plant, and equipment depreciation	-	(2,144,848)	(2,144,848)		-	(1,897,895)	(1,897,895)
Increase/(Decrease) in Assets:							
Accounts receivable, net	-	(1,481)	(1,481)		-	(19,966)	(19,966)
Other assets	-	-	-		(3,195)	3,195	(0)
(Increase)/Decrease in Liabilities:							
Accounts payable	(336,220)	71,286	(264,934)		(146,123)	227,182	81,059
Federal employee [and veteran] benefits payable	-	(283,847)	(283,847)		-	(1,492,276)	(1,492,276)
Other liabilities (Rent abatement, Accrued funded payroll and leave, Employer Contributions and payroll taxes payable)	(14,847)	(544,069)	(558,916)		435,536	(568,584)	(133,048)
Financing Sources:							
Imputed Cost	(3,733,015)	-	(3,733,015)		(3,550,425)	-	(3,550,425)
Total Components of Net Operating Cost Not Part of the Budget Outlays	(4,084,082)	(2,902,959)	(6,987,040)		(3,264,207)	(3,748,344)	(7,012,551)
Components of the Budget Outlays That Are Not Part of Net Operating Cost							
Acquisition of capital assets	-	1,348,254	1,348,254		(3,195)	1,206,600	1,203,405
Total Components of the Budgetary Outlays That Are Not Part of Net Operating Cost	-	1,348,254	1,348,254		(3,195)	1,206,600	1,203,405
Other Temporary Timing Differences	-	(12,156)	(12,156)		-	-	-
Net Outlays	28,868,075	72,801,640	101,669,716		28,844,185	74,951,912	103,796,097

Other Accompanying Information

Management and Performance Challenges

Inspector General's Summary of Management and Performance Challenges



UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, DC 20436

September 27, 2021

IG-TT-011
OIG-MR-21-09

Chair Kearns:

The *Reports Consolidation Act of 2000* requires that the Office of Inspector General (OIG) summarize and assess the most serious management and performance challenges facing Federal agencies and the agencies' progress in addressing them. This summary is known as the Top Management Challenges. By statute, this report is required to be included in the U.S. International Trade Commission's (Commission or USITC) Agency Financial Report.

The Government Performance and Results Modernization Act of 2010 identifies major management challenges as programs or management functions that are vulnerable to waste, fraud, abuse, and mismanagement. A failure to perform well could seriously affect the ability of the Commission to achieve its mission objectives. Each challenge area is related to the USITC's mission and reflects continuing vulnerabilities and emerging issues.

For [FY2021](#), the USITC OIG identified the top management and performance challenges facing the Commission as the following:

- Managing Data
- Internal Controls

For FY2022, we reiterate our FY2021 challenges for managing data and internal controls. These challenges are based on oversight work by the Office of Inspector General, knowledge of the Commission's programs and operations, and observations and discussions with senior leaders.

Managing Data

OMB Circular No. A-123, Appendix A: *Management of Reporting and Data Integrity Risk* requires agencies to provide reasonable assurance on the reliability, validity, and overall quality of data used for internal and external reporting. The guidance emphasizes a risk-based approach towards managing data as an asset and the importance of using high-quality data to support data-driven decisions for improving transparency in the government.

High-quality information relies on a strong governance structure that assigns data ownership and accountability to ensure accuracy, completeness, timeliness, and integrity of data. Data owners should promote a culture that values data by emphasizing the importance of the data collected and how data is maintained over time. In addition, data owners should develop processes and procedures needed to provide reasonable assurance of the quality of data in the system.

The Commission should be able to rely on the quality and integrity of its data across systems, applications, and databases. The value of the information generated by a system is only as good as its quality at entry. The accuracy and completeness of information depend on how we capture, enter, code, and reconcile data at the source of entry. Employees need to understand the importance of the data and, more importantly, how inaccurate or incomplete entries impact the quality of information. Data reconciliation processes should be performed regularly to identify and correct any errors or omissions and improve processes to reduce future errors.

There has been a steady increase in legislation and policy guidance directing agencies to implement sound information management practices and increase the accessibility of data to the public. The President's Management Agenda of 2018 defined data as one of three key drivers to modernizing government for the 21st century. The *Foundations for Evidence-Based Policymaking Act of 2018* (Evidence Act) requires the USITC Chair to establish an agency Data Governance Body to be chaired by the Chief Data Officer, with participation from appropriate senior-level staff and technical experts needed to discuss and set policy on data and data-related topics. USITC's Data Governance Board (DGB) was established in 2020. Even though the DGB's charter states that the board meets at least quarterly, the DGB has elected to meet monthly. It is developing a Data Governance Manual to document agency policies and procedures for managing data. The board's focus has been on the Investigation Data Base System (IDS), a centralized system for investigative data which will replace several legacy systems.

We are encouraged by the Commission's actions to develop and implement policies that govern the collection or creation, management, use, and disclosure of USITC data. As data management strategies, practices, and procedures are defined, it will be critical to educate staff on individual responsibilities and core obligations for managing and protecting data. Data management is everyone's responsibility and not solely the purview of the DGB or system owners. For the governance framework and stewardship processes to succeed, they must apply to all systems/databases, not just those deemed critical or high priority.

Internal Controls:

The *Standards for Internal Control in the Federal Government* (Green Book) defines internal control as “a continuous built-in component of operations, effected by people” and identifies five components for internal control. For a system of internal control to be effective, all five components must be properly designed and implemented. In addition, all five components must be working together in an integrated manner. The overall success of a system of internal control relies on the people, processes, and technology across the organization.

The Commission’s management is responsible for establishing and maintaining a system of internal controls. These internal controls are the organizational environment that includes the plans, policies, and procedures that managers use to ensure their programs and operations achieve the intended results through the effective use of public resources. Management is also responsible for designing control activities at the appropriate levels in the organizational structure. Each operating unit is responsible for determining the appropriate control activities required to reduce risk in the operational processes of their office. The control activities should be documented through policy and procedure, communicated to staff, and monitored for effectiveness. The absence of standard procedures results in inconsistency in how routine operations are performed, reduces the quality of information produced, increases the risk associated with informal decisions made by management overrides, and often results in a lack of documentation to support decisions.

For more than a decade, the Commission has worked hard to strengthen entity-level controls. Senior managers implemented an enterprise risk management program and have increased transparency about organizational risk. This program contributes to robust management discussions on issues such as human capital decisions and budget priorities. Although there is more work to be done, the senior management team has demonstrated an awareness of internal control and implemented a system for ongoing leadership discussions on where controls need to be strengthened.

The control environment is the foundation of an internal control system. One principle of the control environment is to establish an organizational structure, assign responsibility, and delegate authority to meet the objectives of the Commission. In 2015, we completed an audit of the Commission’s directives management system. The audit found that the Commission’s policy directives were not current and contained outdated assignments of responsibility and delegations of authority. Although the Commission had written procedures to assess the directives periodically, the reviews were not performed.

The Commission has designed a new system of internal rules and issued directives focused on structural fundamentals such as mission and function statements. Several additional directives are in various stages of development. While progress has been made since our audit in 2015, the continued delay in updating directives poses a risk that operational processes may not be consistently understood or executed. As directives are finalized, the Commission should monitor the operational effectiveness of the new system of internal rules to ensure it is working as designed and achieving the desired results.

As the Commission begins to consider the post-pandemic operating model, managers need to remain mindful of how these changing conditions may impact the effectiveness of key internal controls in their processes.

I appreciate the Commission's ongoing support for the OIG. We will continue to work with you in addressing these and other challenges the U.S. International Trade Commission faces in achieving its important mission.



Rashmi Bartlett
Inspector General

Chair's Response to the Inspector General's Summary of Management and Performance Challenges



UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, DC 20436

COMMENTS ON MANAGEMENT CHALLENGES IDENTIFIED BY THE INSPECTOR GENERAL

In Management Report: USITC Management and Performance Challenges, dated September 27, 2021, the USITC Inspector General identified two management challenges for the Commission, (1) managing data and (2) internal controls. As required by the Reports Consolidation Act of 2000, the Inspector General also assessed the Commission's progress in addressing these challenges.

The Commission concurs with the Inspector General on the management challenges facing the agency. The Commission is pleased that progress has been made during FY 2021 to address the previously identified management challenges of managing data and internal controls. The Commission will continue its efforts in FY 2022 to address these two challenges.

Management Challenge: Managing Data

The Commission agrees, as recommended by the Inspector General, that we should be able to rely on the quality and integrity of our data across systems, applications, and databases and that employees need to understand the importance of the data. The Commission also agrees that high-quality information relies on a strong governance structure—including defined data ownership and accountability that ensures accuracy, completeness, timeliness, and integrity of data. More importantly, employees need to know how the data's accuracy and how it impacts the quality of information the Commission relies on to accomplish its mission.

We must continue to take a thoughtful, enterprise-wide approach to managing data to ensure that relevant, complete, and available data inform strategic and operational decisions while minimizing enterprise risks. The Chief Data Officer and the Data Governance Board (DGB)—a subcommittee of the Performance Management and Strategic Planning Committee (PMSPC)—continue to work to develop a solid data governance framework that ensures that Commission

data are treated as strategic assets.³ Part of this framework includes policies on reconciliation processes that are critical to ensuring data quality. More importantly, data governance applies to all Commission systems and databases that are managed and not just those data systems that are deemed critical or high priority. These data governance policies further include the responsibility of data owners to document their processes and procedures and to provide a reasonable assurance of the quality of data in their data systems.

During FY 2021 the Commission took several steps to strengthen data governance best practices. The Commission continued to identify and inventory new and existing database systems. As systems were identified, staff captured certain meta data about them including purpose, sensitivity, data types, data owner, and whether the database system had a data dictionary or data quality plan. This last year most of the Commission's efforts were put into documenting and developing standards that assure the quality of database systems while maintaining control of investigative data. As we worked with system owners to document this information, the Commission has identified common uses of the data, redundant systems, whether there is a need for strengthened documentation, who has access to the data, how we input the data, and, if there are conflicting sources in the system of record.

We further approached this effort with an authoritative data source mentality. This mentality and the documentation practices described above ensure that data consumers can trust the data source and will be able to understand the data they are querying. Once IDS is completed, it will generate efficiencies by eliminating duplicate data and improving data accuracy across several data systems. It also will ensure improved internal controls, creating a single authoritative source for data that are used internally and published externally across multiple locations. More importantly, the documentation developed for IDS is now serving as a best practice template for system documentation by other system and data owners to document their own systems. The process of gathering this information and mapping the responses continues to be a critical step in understanding the breadth, depth, and connectedness of data managed at the Commission and will likely be a continuous process.

The Commission is committed to recognizing that data are strategic assets. To that end this last year we have added additional strategic performance goals for FY 2022 and beyond that deal with good data governance. They include, among other things, strengthening agency-wide data governance by establishing enterprise-wide strategies, objectives, and policies for managing data; advancing the Commission's strategic use of data to leverage insights from data and analytics that drive better policy, program, and operational decision-making; and improving data access, transparency, and protection.

³ Data Governance Board membership represents all areas of the Commission including finance, information technology, legal, performance, privacy, risk management, and operations. The DGB's responsibilities include: establishing a standardized, programmatic approach to manage and share data by developing data management standards, priorities, policies, and practices; coordinating and facilitating the implementation of agency-wide data processes and standards; addressing common issues affecting data programs and resources; prioritizing data resource allocations; developing and maintaining a comprehensive data inventory of data assets; coordinating the implementation of the Federal Data Strategy; and conducting strategic reviews.

These efforts align with the Office of Management and Budget's Appendix A to Circular A-123—Reporting and Data Integrity Risk; the Open Data Act; and the Foundations for Evidence-based Policy Making Act. These efforts further the Commission's implementation of best data governance strategies as described in the President's Management Agenda and the resulting Federal Data Strategy, and they also correspond to several annual performance goals in the Commission's Strategic Plan.

Management Challenge: Internal Control

As the Inspector General notes, the Commission has recognized the importance of having strong internal controls and has consistently acknowledged and responded to internal control weaknesses. Since it was first identified as a management challenge, the Commission has been committed to improving and strengthening its system of internal controls and has made significant strides in this critical area. The Commission will continue to improve and refine its internal controls and has undertaken several multi-year corrective action initiatives to ensure that controls are working effectively on a continuous basis.

One ongoing, high priority corrective action initiative is the redesign of the Commission's system of internal rules, which includes the USITC's policy directives and related procedural documents. The system of internal rules sets forth all delegations of authority, provides the foundation of the Commission's control environment, and is essential to ensuring that the USITC's internal policies and procedures are accessible, intelligible, and consistent. The system is also crucial to enforcing accountability among USITC staff as its content sets forth the appropriate standards by which Commission functions should be carried out.

When reviewing the Commission's policy directives in FY 2015, the Inspector General found that many policies were outdated and inconsistent and that the agency's management of this function did not adequately ensure accountability for its upkeep. In response to the Inspector General's findings, the Commission redesigned its entire system of internal rules in order to address the Inspector General's recommendations and to ensure better agencywide management of the program.

The Commission began to implement its new system of internal rules in FY 2018 with the establishment and charter of the Internal Administration Committee (IAC) to govern the development and review of internal policies and procedures. Since 2018, the Commission deployed its new system of internal rules application which addressed a number of limitations found in the prior version and has issued or updated almost 40 Directives, including new or updated mission and functions statements for each Commission office, charters for all agency-wide management committees, and updated policies for key human capital and IT management programs and functions. Each of these Directives has been reviewed by the Office of Internal Controls and Risk Management (ICRM) to confirm that appropriate controls are included in the Directive or to identify areas where controls are needed so that they can be included in the Directive before issuance. The IAC works closely with the ICRM to monitor how effectively these control activities are being integrated into Commission operations. The IAC, in coordination with the Office of the General Counsel, also proactively monitors for new or

changed external requirements that may impact the Commissions policies, procedures, and/or operations. Applicable requirements are analyzed and discussed at monthly IAC meetings as needed, resulting in decisions on the appropriate agency response to each requirement.

Currently, the IAC is working through its project plan to close out the existing internal controls material weakness by the second quarter of FY 2022. This plan requires the issuance of Directives by each major organization within the Commission (the Office of Administrative Services, the Office of the Chief Financial Officer, the Office of the Chief Information Officer, and the Office of Operations) in critical subject areas (e.g., budget policies, the performance management program, reasonable accommodation policies, etc.). Successful completion of this project plan will demonstrate that the current system of internal rules meets the agencies need for responsive and efficient policy implementation and procedural guidance. Closing out the material weakness in internal controls by the end of my Chairship in June remains the highest priority for me.

The Commission is committed to address its management challenges. We appreciate the Inspector General's efforts to identify areas of improvement and her advice on how to successfully improve the efficiency and effectiveness of the agency's operations.



Jason E. Kearns
Chair
November 2, 2021

Summary of Financial Statement Audit and Management Assurances

Table 1: Summary of Financial Statement Audit

Audit Opinion: Unmodified					
Restatement: No					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
<i>Total Material Weaknesses</i>	0	0	0	0	0

Table 2: Summary of Management Assurances

Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)						
Statement of Assurance: Unmodified						
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
<i>Total Material Weaknesses</i>	0	0	0	0	0	0
Effectiveness of Internal Control over Operations (FMFIA § 2)						
Statement of Assurance: Modified						
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Risk in the agency system of internal rules also known as the directive management system	1					1
<i>Total Material Weaknesses</i>	1	0	0	0	0	1
Conformance with Federal Financial Management System Requirements (FMFIA § 4)						
Statement of Assurance: Federal System conform ⁴						
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
<i>Total Non-Conformances</i>	0	0	0	0	0	0
Compliance with Section 803(a) of the FFMIA						
	Agency			Auditor		
1. Federal Financial Management System Requirements	No lack of compliance noted			No lack of compliance noted		
2. Applicable Federal Accounting Standards	No lack of compliance noted			No lack of compliance noted		
3. USSGL at Transaction Level	No lack of compliance noted			No lack of compliance noted		

⁴ The Commission uses IBC, a federal shared-services provider, for its financial systems.

Appendix A

U.S. International Trade Commission Staff Offices

Office of the Administrative Law Judges

The Commission's **Administrative Law Judges (ALJs)** hold hearings and make initial determinations in investigations under section 337 of the Tariff Act of 1930. If, after receipt of a complaint, the Commission decides to institute an investigation, the matter is referred to this office. The Chief ALJ assigns each case on a rotational basis to one of our ALJs. After a discovery process, a formal evidentiary hearing is held in accordance with the Administrative Procedure Act (APA) (5 U.S.C. § 551 et seq.). The ALJ considers the evidentiary record and the arguments of the parties and makes an initial determination (ID), including findings of fact and conclusions of law. The ID becomes the Commission's determination unless the Commission determines to review it. Upon review, the Commission may affirm, reverse, modify, set aside or remand the matter back to the ALJ for further proceedings. Temporary relief may be granted under the statute.

Office of the General Counsel

The **General Counsel** serves as the Commission's chief legal advisor. The Office of the General Counsel (GC) provides legal advice and support to the commissioners and staff on investigations and research studies, represents the Commission in court and before dispute resolution panels and administrative tribunals, and provides assistance and advice on all general administrative-law matters, including personnel, ethics, and contractual issues.

Office of Operations

The Commission's core of investigative, industry, economic, nomenclature, and technical expertise is found within the **Office of Operations (OP)**. The following seven offices are under the supervision of the Director of Operations:

The **Office of Economics (EC)** conducts investigations primarily under section 332 of the Tariff Act of 1930, section 131 of the Trade Act of 1974, and section 105 of the Bipartisan Congressional Trade Priorities and Accountability Act of 2015. EC also provides expert economic analysis for import injury investigations, as well as other industry and economic analysis products.

The **Office of Industries (IND)** conducts investigations primarily under section 332 of the Tariff Act of 1930, section 131 of the Trade Act of 1974, and section 105 of the Bipartisan Congressional Trade Priorities and Accountability Act of 2015. IND maintains technical expertise

related to the performance and global competitiveness of industries and the impact of international trade on those industries for these studies and for import injury investigations. The **Office of Investigations (INV)** supports the Commission's mandate to conduct import injury investigations, including those specified in the Tariff Act of 1930, the Trade Act of 1974, the North American Free Trade Agreement (NAFTA) Implementation Act of 1993, the USMCA Implementation Act, and the Uruguay Round Agreements Act (URAA) of 1994.

The **Office of Tariff Affairs and Trade Agreements (TATA)** implements the Commission's responsibilities with respect to the Harmonized Tariff Schedule of the United States and the International Harmonized System.

The **Office of Unfair Import Investigations (OUII)** participates in adjudicatory investigations, usually involving patent and trademark infringement, conducted under section 337 of the Tariff Act of 1930, both during the pre-institution phase and as a party with no commercial interest in the outcome.

The **Office of Analysis and Research Services (OARS)** provides research and investigative support. It comprises our main library, as well as editorial and statistical services.

The **Trade Remedy Assistance Office (TRAO)** provides information about the benefits and remedies available under U.S. trade laws and assists small businesses seeking relief under those laws.

Office of External Relations

The **Office of External Relations (ER)** develops and maintains liaison between the Commission and our external customers and is our point of contact with USTR and other executive branch agencies, Congress, foreign governments, international organizations, the public, and the media.

Office of the Chief Information Officer

The **Office of the Chief Information Officer (OCIO)** provides information technology leadership, a comprehensive services and applications support portfolio, and a sound technology infrastructure to the Commission and our customers. The OCIO seeks to promote, deliver, and manage the secure and efficient application of technology to our business activities. OCIO comprises a front office and five divisions: Cybersecurity, Service Delivery, Systems Engineering, Network Support, and Data Management.

Office of the Chief Financial Officer

The **Office of the Chief Financial Officer (OCFO)** compiles the Commission's annual budget, prepares the appropriation and authorization requests, and closely monitors budget execution. The OCFO also provides support for acquisitions and is responsible for financial reporting.

Component offices include the Office of Budget, Office of Procurement, and the Office of Finance.

Office of Administrative Services

The **Office of Administrative Services (OAS)** provides human resource services—including collective bargaining with union representatives; management of the system of internal rules; cost center management for personnel, facilities, security, support services and administrative services; information and document management; management of work-life issues; and facilities management services. In addition, it is responsible for all of our physical and personnel security matters. Component offices include the Office of Human Resources, Office of Security and Support Services, and the Office of the Secretary.

Office of Internal Control and Risk Management

The **Office of Internal Control and Risk Management (OICRM)** provides internal control and risk management oversight. The mission of ICRM is to safeguard the Commission through minimizing risks, protecting assets, promoting operational efficiency, and supporting adherence to laws, regulation, rules, and policies. The ICRM reports to the Chair.

Office of Inspector General

The **Office of Inspector General (OIG)** conducts audit, evaluation, inspection, and investigative activities covering all Commission programs and strategic operations. The mission of the OIG is to promote and preserve our effectiveness, efficiency, and integrity of the USITC. The OIG independently plans and conducts activities in accordance with applicable legal regulations, receiving only broad guidance from the Chair.

Office of Equal Employment Opportunity

The **Office of Equal Employment Opportunity (OEEO)** administers the Commission's equal employment opportunity (EEO) program. The Director advises the Chairman, the commissioners, and USITC managers on all EEO issues; manages and coordinates all EEO activities in accordance with relevant EEO laws and Commission regulations; evaluates the sufficiency of our EEO programs and recommends improvements or corrections, including remedial and disciplinary action; encourages and promotes diversity, equity, and inclusion outreach; and monitors recruitment activities to assure fairness in agency hiring practices.

Appendix B

Abbreviations and Acronyms

Acronyms	Terms
AFR	Agency Financial Report
AICPA	American Institute of Certified Public Accountants
ALJ	Administrative Law Judges
APA	Administrative Procedure Act
APP	Annual Performance Plan
APR	Annual Performance Report
ATDA	Accountability of Tax Dollars Act
ATO	Authority to Operate
CDM	Continuous Diagnostics and Mitigation
CoINs	Conflict of Interest System
Commission	United States International Trade Commission
CSM	Configuration Settings Management
CSRS	Civil Service Retirement System
DATA	Digital Accountability and Transparency Act
DataWeb	Interactive Tariff and Trade DataWeb
DHS	Department of Homeland Security
DMF	Death Master File
DNP	Do Not Pay
DOI	Department of Interior
DOL	Department of Labor
EC	Office of Economics
EDIS	Electronic Document Information System
EEO	Equal Employment Opportunity
ER	Office of External Relations
ERM	Enterprise Risk Management
FASAB	Federal Accounting Standards Advisory Board

Acronyms	Terms
FECA	Federal Employees' Compensation Act
FERS	Federal Employees Retirement System
FERS-RAE	Federal Employees Retirement System — Revised Annuity Employees
FERS-FRAE	Federal Employees Retirement System-Further Revised Annuity Employees
FEVS	Federal Employee Viewpoint Survey
FFMIA	Federal Financial Management Improvement Act
FICA	Federal Insurance Contribution Act
FIN	Office of Finance
FISMA	Federal Information Security Management Act
FMFIA	Federal Managers' Financial Integrity Act
FRPP	Federal Real Property Profile
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
GC	General Counsel
GPO	Government Printing Office
GPRA	Government Performance and Results Act
GSA	General Services Administration
HI	Hospital Insurance
HR	Office of Human Resources
HTS	Harmonized Tariff Schedule
HWAM	Hardware Asset Management
IBC	Interior Business Center
ICRM	Internal Control and Risk Management
IND	Office of Industries
INV	Office of Investigations
IPERA	Improper Payments Elimination and Recovery Act
IPERIA	Improper Payments Elimination and Recovery Improvement Act
IPIA	Improper Payments Information Act
IT	Information Technology
IUS	Internal Use Software
LEIE	List of Excluded Individuals/Entities

Acronyms	Terms
MTBPS	Miscellaneous Tariff Bill Petition System
NAFTA	North American Free Trade Agreement
NCCIC	National Cybersecurity and Communications Integration Center
OARS	Office of Analysis and Research Services
OAS	Office of Administrative Services
OASDI	Old-Age, Survivors, and Disability Insurance
OB	Office of Budget
OCFO	Office of the Chief Financial Officer
OCIO	Office of the Chief Information Officer
OIG	Office of Inspector General
OMB	Office of Management and Budget
OP	Office of Operations
OPM	Office of Personnel Management
OUII	Office of Unfair Import Investigations
PMO	Project Management Office
PR	Office of Procurement
SAM	System for Award Management
SE	Office of the Secretary
SFFAS	Statement of Federal Financial Accounting Standards
S/L	Straight-Line
SSAE	Statement on Standards for Attestation Engagements
SSS	Office of Security and Support Services
SWAM	Software Asset Management
TATA	Office of Tariff Affairs and Trade Agreements
TIC	Trusted Internet Connection
TOP	Treasury Offset Program
TRAO	Trade Remedy Assistance Office
URAA	Uruguay Round Agreements Act
USGCB	United States Government Configuration Baseline
USITC	United States International Trade Commission
USSGL	United States Standard General Ledger
USTR	United States Trade Representative

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