



United States
International Trade Commission

Agency Financial Report

Fiscal Year 2019

November 2019



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Message from the Chairman

I am pleased to transmit the *FY 2019 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.

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. The American Manufacturing Competitiveness Act of 2016 added an additional important statutory mandate to create and maintain an open and transparent process for consideration of petitions for duty suspensions and reductions.

The Commission reviews its strategic goals and objectives annually. 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 2019; it met or exceeded most of its annual performance goals and improved upon agency performance in other areas. This year, the agency commenced 124 new investigations and completed 130 investigations in the areas of import injury, intellectual property, and industry and economic analysis.

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 statute.

In FY 2019, our import injury investigations covered a broad range of products, including: many different types of aluminum, iron, and steel products; ferroalloys such as magnesium; chemicals and textile products, such as glycine, acetone, strontium chromate, and polyester textured yarn; agriculture products, including tomatoes and dried tart cherries; high tech and consumer goods, including quartz surface products, mattresses, residential washers, solar cells, and ceramic tiles; other manufactured goods, such as fabricated structural steel, wind towers, stainless steel kegs, and glass containers; and office supplies, such as staples. Our unfair import investigations covered a wide-range of products, including mobile devices, tablets and other computer and telecommunication products, magnetic storage tapes, LED lighting, height adjustable desks, baby carriers, intraoral scanners, food service equipment, luxury vinyl tile, printer cartridges, and fashion dresses.

To support the development of well-informed trade policy, the Commission provided the U.S. Trade Representative and Congress with high-quality economic analysis and technical support. Intended to fill critical information gaps for policy makers, the Commission's fact-finding investigations covered a variety of topics in 2019, such as global digital trade, free trade agreements, recent developments in U.S. trade and investment with sub-Saharan Africa, possible modifications to the Generalized System of Preferences, and the effects of temporary duty suspensions and reductions on the U.S. economy. The Commission also compiled the 2019 basic edition of the Harmonized Tariff Schedule (HTS) and issued 14 additional Revisions to the HTS to reflect policy changes implemented during the fiscal year.

Throughout the year, the Commission continued its efforts to improve the effectiveness of its investigative and research processes. These improvements helped it to absorb increases in its statutory workload.

The Commission also made steady progress on many of its management and administrative goals during 2019, 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.

FY 2019 Agency Financial Report

The Commission's FY 2019 financial statement audit resulted in an unmodified opinion by the independent accounting firm Castro & Company, LLC, 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 2019, 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 followed the provisions of the Federal Managers' Financial Integrity Act of 1982 (FMFIA). Although the Commission is exempt from the requirements of the Federal Financial Management Improvement Act of 1996 (FFMIA), it has 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, 2019, in light of the material weakness described in the Chairman's Statement of Assurance section of this report. Additionally, I can provide reasonable assurance that, as of June 30, 2019, 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, 2019, 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.

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

A handwritten signature in black ink, appearing to read "David S. Johanson", with a long horizontal flourish extending to the right.

David S. Johanson
Chairman
November 15, 2019

Management's Discussion and Analysis

Introduction

The United States International Trade Commission (Commission or USITC) Fiscal Year 2019 Agency Financial Report (AFR) presents the results of the Commission's program and 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 2019 Annual Performance Report (APR), which fully describes its performance for the fiscal year, when it issues its Congressional Budget Justification (CBJ) for FY 2021.

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 agency was given new statutory responsibilities in the American Manufacturing Competitiveness Act of 2016 to accept, analyze, and report to Congress on petitions seeking temporary suspension or reduction of tariffs. 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

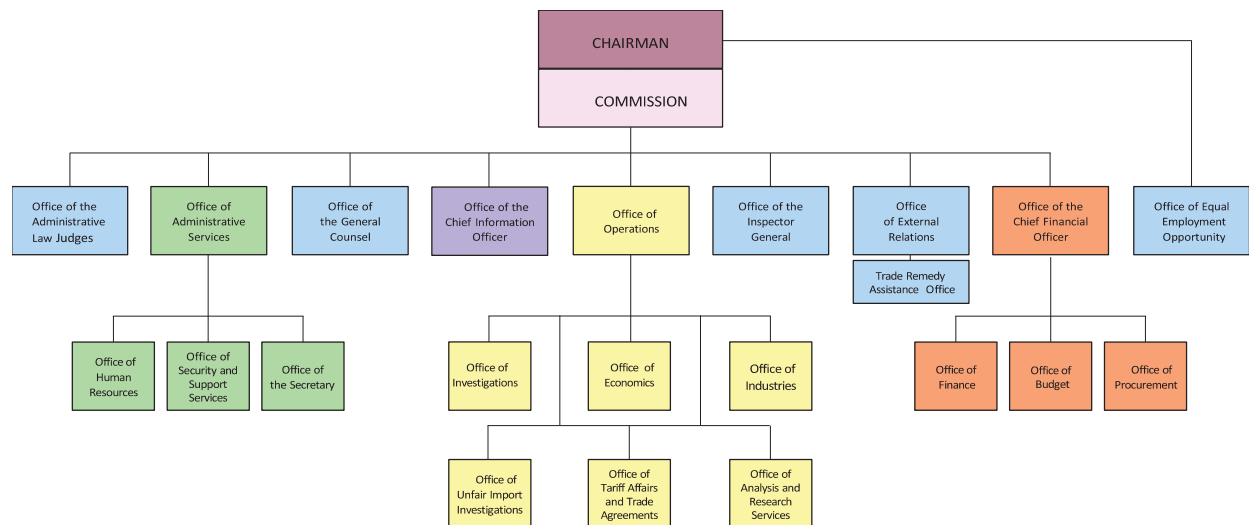
The USITC is headed by six Commissioners, who are nominated by the President and confirmed by the U.S. Senate. David S. Johanson, the senior Republican, is serving as the Chairman of the Commission by operation of law. As of the issuance date of this report, the Commission has no Vice Chairman. Other commissioners currently serving, in order of seniority, are Rhonda K. Schmittlein, Jason E. Kearns, Randolph J. Stayin, and Amy A. Karpel. There is currently 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 Chairman and the Vice Chairman are designated by the President and serve for a statutory two-year term. The Chairman may not be of the same political party as the preceding Chairman, nor may the President designate two Commissioners of the same political party to serve as Chairman and Vice Chairman. If the President does not name a new Chairman, the most senior Commissioner of a political party other than the outgoing Chairman becomes the new Chairman 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 Chairman, the position remains unfilled.

Office-Level Organizational Chart



USITC Staff

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

- Office of Operations (OP), and its subordinate Offices of Investigations (INV), Industries (IND), Economics (EC), Tariff Affairs and Trade Agreements (TATA), Unfair Import Investigations (OUII), and Analysis and Research Services (OARS);
- Office of the Administrative Law Judges (ALJ);
- Office of the General Counsel (GC);
- Office of External Relations (ER), including the Trade Remedy Assistance Office (TRAO);
- 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 Administrative Services (OAS), and its subordinate Offices of the Secretary (SE), Human Resources (HR), and Security and Support Services (SSS);
- Office of the Inspector General (OIG); and
- Office of Equal Employment Opportunity (EEO).

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

Performance Goals, Objectives, and Results

The Commission develops annual performance goals and uses the results to evaluate its performance to improve its ability to fulfill its mission efficiently and effectively. This section summarizes the Commission's strategic planning and management activities and provides an overview of its performance during FY 2019.

Commission Strategic Planning and Management

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 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. The Annual Performance Report provides a detailed review of agency performance in carrying out the agency's Annual Performance Plan.

The Commission issued its Annual Performance Plan for FY 2019. This performance plan provides specific annual performance goals that support the agency's strategic and management goals and objectives. During the year, the Commission continued to integrate enterprise risk management into its planning, budget formulation, and budget execution processes.

The performance plan sets out annual measures that correspond to the broader strategic goals, performance goals, and strategies identified in the Strategic Plan. The Commission's budget justification describes the operational processes, human capital, and technology, as well as the information and other resources, required to meet the performance goals.

Strategic Goals and Management Priorities

Although the Commission has one program activity set forth in the Budget of the United States Government, the Commission's Strategic Plan for FY 2018–2022 identifies two strategic goals and corresponding strategic objectives.

Goals	Objectives
Strategic Goal 1 Investigate and Decide: Make sound, objective, and timely determinations in trade remedy proceedings	S1.1 Reliable Process: Conduct expeditious and sound investigative proceedings S1.2 Clear Proceedings: Promote transparency and understanding of investigative proceedings
Strategic Goal 2 Inform: Provide independent, objective, and timely analysis and information on tariffs, trade, and competitiveness	S2.1 Innovation: Improve analysis and information S2.2 Communication: 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 People: Attract and develop a skilled, diverse, and flexible workforce M1.2 Money: Ensure good stewardship of taxpayer funds M1.3 Technology: Identify, deliver, and secure reliable enterprise information systems M1.4 Operational Effectiveness: Evaluate and improve processes and communication

The Commission's strategic goals directly support the agency's mission. The management goal and corresponding objectives relate to four management priority areas: human resources, financial management, information technology, and operational effectiveness. The agency focuses on 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.

Summary of Performance Results

The Commission made substantial progress toward its strategic and management goals during FY 2019 by meeting or exceeding the majority of its annual performance goals. The agency focused on improving the timeliness of its determinations, enhancing its analytical and management capabilities, achieving efficiencies in its information collection and other data management activities, improving internal controls, enhancing cybersecurity, improving data presentation, enhancing transparency by making data and modeling applications available, and enhancing communication with and outreach to its customers and the general public.

The Commission made progress on its goals despite facing a continued high investigative caseload. Highlights for each strategic and management goal follow below.

Investigate and Decide: Make sound, objective, and timely determinations in trade remedy proceedings

The Commission administers and applies U.S. laws assessing injury to U.S. industries caused by subsidized and dumped imports, increased imports that injure a domestic industry, and imports that infringe a domestic intellectual property right or otherwise unfairly injure a domestic industry. U.S. laws, court decisions, and U.S. international obligations require the Commission to reach its determinations based on transparent procedures and a well-developed record. The Commission, and the Administrative Law Judges in unfair import investigations under section 337 (which are most often intellectual property-based), must consistently perform thorough investigations and make sound factual findings. The record in each investigation must be developed and analyzed in an objective manner, and the resulting determinations must be well-reasoned, timely, and consistent with the law.

In terms of volume, the Commission's overall investigation caseload remained relatively high in FY 2019.³

Strategic Objective 1.1 Reliable Process: Conduct expeditious and sound investigative proceedings

The Commission has a reputation for conducting prompt, thorough, and independent investigations and engaging in sound decision-making. Timely decisions are critical to the Commission's mission because import injury investigations have statutory deadlines. Moreover, the statute states that section 337 investigations should be resolved at the earliest practicable time. Timely decisions relieve the business uncertainty these disputes cause for private sector participants.

During FY 2019, the Commission met or partially met most performance goals associated with this strategic objective. The Commission met its statutory deadlines throughout the year, as it delivered its import injury determinations on time. The Commission also made progress on a number of the performance goals associated with section 337 investigations. In FY 2019 Commission staff advanced efforts to reduce the length of investigations, by continuing to analyze the impact of the Commission's rules regarding early disposition, as well as the eDiscovery and initial case management pilot programs. The agency will continue to evaluate these initiatives in FY 2020. The high caseload, relatively low settlement rate, and the five-week government shutdown contributed in part to an increase in the average length of section 337 investigations concluded on the merits, which increased from 15.8 months in FY 2018 to 17.7

³ In FY 2019, the Commission instituted 59 import injury investigations and reviews and completed 61. By comparison, there were 56 institutions and 62 completions in FY 2018. The caseload under section 337 declined in FY 2019, as 58 investigations commenced and 60 investigations were completed. By comparison, 74 commenced and 61 were completed in FY 2018.

months in FY 2019. Similarly, the agency did not meet goals associated with reducing the length of specific phases of section 337 investigations. However, the Commission partially met its goal to complete ancillary proceedings on a timely basis, as it met its target for remands from the U.S. Court of Appeals for the Federal Circuit, but not for proceedings to enforce its remedial orders.

In addition, the Commission continued to make significant progress on its efforts to collect information electronically, surpassing its goal of transmitting or receiving 90 percent of import injury questionnaires electronically. During FY 2019, the Commission also evaluated agency decision-making based on an analysis of judicial and NAFTA panel remands from FY 2018 to determine if there were any patterns or issues that the Commission could consider going forward. This ongoing evaluation, which began in FY 2014, will continue during FY 2020 and will include any remands from FY 2019.

Strategic Objective 1.2 Clear Proceedings: Promote transparency and understanding of investigative proceedings

The Commission recognizes the importance of providing stakeholders in its investigative proceedings with information on the Commission's decision-making process. The Commission promotes transparency by providing accurate, accessible, and timely public information about its investigative proceedings. Investigation participants, as well as the public, benefit by having a more detailed and broader understanding of investigative procedures and processes.

During FY 2019, the agency met or made progress on most performance goals for this objective. The agency met its target of posting information on its import injury investigation case webpages within specific timeframes. In addition, the Commission continued to meet or exceed performance goals related to public outreach to external groups through participation in conferences and other events and availability of documents in the Electronic Document Information System (EDIS).

The agency partially met its goal pertaining to developing or enhancing investigation data systems. It was not able to add electronic service to EDIS, as resources were redirected to completing other information technology priorities, and in part due to scheduling disruptions from the government shutdown.

Inform: Produce independent, objective, and timely analysis and information on tariffs, trade, and competitiveness

By statute, the Commission is responsible for providing independent advice, analysis, and information to Congress, the President, and the Office of the United States Trade Representative (USTR) in a number of areas. In response to U.S. policy makers' requests, the

Commission and its staff provide objective information and analysis on a variety of topics, both through formal investigations under section 332 and other provisions and informal expert assistance. To fulfill its mission, the Commission must provide the highest caliber of information and analysis to U.S. policy makers and the public. Providing this information in a timely manner assists policy makers when they are engaged in trade negotiations or when they are undertaking legislative or other policy actions that affect the U.S. economy and industry competitiveness.

In FY 2019, active Commission fact-finding investigations covered a wide range of topics, such as: global digital trade, free trade agreements (USMCA, US-Japan, US-EU, and US-UK), recent developments in U.S. trade and investment with sub-Saharan Africa, possible modifications to the Generalized System of Preferences, and the effects of temporary duty suspensions and reductions on the U.S. economy.⁴ Commission staff also provided technical support to Congress and USTR throughout the year on a variety of trade-related and competitiveness-related issues.

The Commission also publishes and maintains the Harmonized Tariff Schedule (HTS) of the United States, which serves as the basis for collecting customs duties, compiling trade data, and formulating many trade actions. The HTS is vital to U.S. businesses, government agencies, and others involved in trade that depend upon access to accurate, current tariff rates and useful trade data. During FY 2019, the agency updated the HTS 15 times.⁵

Strategic Objective 2.1 Innovation: Improve analysis and information

The Commission often receives requests from policy makers that cover issues or areas that have not been evaluated extensively by academics or policy analysts. The requests may require application of different analytic approaches and cover topics that have limited publicly available data. To address these requests, the Commission continuously improves and enhances its information collection processes and analytic methods, as well as the way it maintains and provides information. To better respond to shifts in public policy priorities, the agency established performance goals regarding improvements in information quality, development of analytic tools, and investment in human capital, which enable the agency to respond to shifts in public policy priorities.

The Commission met its performance goals supporting the objective of producing high-quality analysis, information, and insights. During the year, the agency also enhanced economic modeling capabilities with a focus on analysis of U.S. industries and conducted analysis on topics such as: East Asia-Pacific's participation in the global value chain for electronic products;

⁴ In FY 2019, seven new fact-finding investigations were instituted and nine were completed. By comparison, in FY 2018, five new fact-finding investigations were instituted and four were completed. In addition, the Commission published reports related to six recurring investigations in both fiscal years.

⁵ Prior to FY 2018, the Commission typically updated the HTS two to four times per year.

modeling export dependency and trade in intermediate goods; the emerging importance of the global cobalt industry; the effect of imports on consumers and producers in different U.S. regions; the effects of trade policy on U.S. industry employment and profits; and the extent of recent innovation in China. Additionally, the Commission continued to measure the extent to which basic research efforts undertaken by staff directly or indirectly contribute to the Commission's statutory work. The Commission also met its goals pertaining to the accuracy of the HTS and collecting information to improve the HTS search tool.

Strategic Objective 2.2 Communication: Engage and respond to inform and support decision-making on U.S. trade matters

Accessible and timely trade and competitiveness information and analysis are often necessary for the USTR and Congress to meet negotiation schedules or make time-sensitive decisions. The agency's customers expect it to adhere to statutory deadlines, relevant regulations, and requested delivery dates. The information the Commission provides must be clear and easily accessible.

During FY 2019, the Commission met most performance goals supporting this objective. Agency staff regularly met with its congressional and executive branch customers throughout the year. The Commission used feedback it received from these customers to help prioritize its research and other capacity-building efforts.

The agency updated the interactive graphics for this year's [*Recent Trends in U.S. Services Trade*](#) report. In addition, the agency made various types of modeling information and data available to the public on its website, including a new partial equilibrium modeling portal. The Commission did not meet its performance goal for response timeliness to public inquiries concerning the HTS, as it was not able to catch up with the backlog generated by the five-week government shutdown and also handle the increased number of HTS updates.

Efficiently and effectively advance the agency's mission

The Commission is committed to continuous process improvement and support for the Commission's strategic goals and mission. Four management objectives support management's goal of advancing the agency's mission in efficient and effective ways. These management objectives concern three functional areas (human resources, financial management and information technology) and one cross-cutting area (operational effectiveness). The FY 2019 performance goals reflect agency management priorities.

Management Objective 1.1 People: Attract and develop a skilled, diverse, and flexible workforce

The Commission is committed to hiring and retaining a highly talented workforce as human capital is critical for mission attainment. As part of the management initiative to improve effectiveness and efficiency in this area, the Commission is working to ensure that position descriptions for onboard personnel are up-to-date and to improve satisfaction with agency hiring practices, employee development, and training.

In FY 2019, the Commission met performance goals concerning human capital. The agency met its target to update 25 percent of employee position descriptions. It met its goal to provide staff with opportunities for leadership development. It also met goals concerning stakeholder satisfaction with recruiting efforts and opportunities for professional development, as measured by the Federal Employee Viewpoint Survey (FEVS). Finally, the agency met its target pertaining to offering developmental details for agency staff.

Management Objective 1.2 Money: Ensure good stewardship of taxpayer funds

Financial oversight and sound stewardship of appropriated funds are fundamental aspects of the accountability and transparency taxpayers deserve. The Commission has established three long-term performance goals: (1) improve the agency's financial management reports; (2) improve the efficiency and effectiveness of the acquisition process; and (3) maintain an annual unmodified audit opinion on the agency's financial statements.

In FY 2019, the Commission made important progress on annual performance goals relating to accurate and timely financial reporting, but did not fully meet the targets set for the year. The agency made improvements to its budget execution planning tool, which allowed for more effective planning of procurement actions. It also met targets pertaining to status reporting of procurement actions and the accuracy of procurement files. The agency also achieved an unmodified audit opinion on its FY 2019 financial statements. Although the agency did not meet its goal regarding the timeliness of procurement actions, it improved its performance over that of FY 2018.

Management Objective 1.3 Technology: Identify, deliver, and secure reliable enterprise information systems

Information technology directly and indirectly supports the Commission's mission-related activities. The Commission is committed to using information technology to drive productivity gains in its mission and support functions. The agency also has dedicated a significant effort to enhancing cybersecurity.

In FY 2019, the Commission met most of its annual goals. The agency met its targets pertaining to the implementation and verification of security configuration settings on new workstations and servers, and the elimination of servers without baseline settings, but did not meet its target pertaining to the maintenance of these baseline settings. The agency also met its goal of system availability to users at 99 percent or greater for six mission essential systems (email, local area network, EDIS, remote access, SharePoint, and HTS). Similarly, the agency met its goal to make its major data sources open data compliant. In addition, the agency met its goal to ensure that its defined information systems have valid Authorization to Operate (ATO).

Management Objective 1.4 Operational Effectiveness: Evaluate and improve processes and communication

Operational effectiveness involves continually improving functional performance, both in terms of agency-wide processes and internal and external communication. During FY 2019, the Commission met most of the annual goals pertaining to this objective.

The Commission regularly seeks feedback from its customers and employees on various aspects of its operations. The agency uses feedback to help prioritize improvements in agency operations and to improve the functionality and utility of information it provides on its website and through web applications. In FY 2019, the Commission met its goal of making continuous improvements to the Commission's web presence, as measured by its website satisfaction score. The agency also made progress in improving the information it provides to the public by working to expand the scope of reports and other documents that are section 508 compliant.

In recent years, the Commission has made significant improvements in the management of its administrative and program operations. During FY 2019, the agency refined and further strengthened its budget formulation process and various program-related procedures. The agency also conducted risk assessments and agency-wide reviews on a quarterly basis. The agency made significant progress implementing its system of internal rules, though it did not fully meet its FY 2019 target.

The Commission also set goals pertaining to the safety and security of its workplace. The agency provided increased training opportunities for employees, monitored processes pertaining to security designations for positions within the agency, and met targets for employee feedback on specific FEVS questions.

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, which reasonably ensure that obligations and costs comply 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 its management, administrative, and financial controls. 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 unanticipated events.

FMFIA Section 2 requires agencies to establish internal controls and systems in accordance with standards prescribed by the Comptroller General of the United States, who leads the U.S. Government Accountability Office (GAO). GAO's *Standards for Internal Control in the Federal Government* (Green Book) provides agencies with 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. 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 primarily bases his FMFIA assurance statement on individual assurance statements from component and assessable unit directors. Those individual statements assess 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
- Office of Inspector General 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's Interior Business Center, which is the Commission's shared-services provider for financial-management and payroll systems.

In addition, Appendix A of OMB Circular A-123 directs 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. Based on detailed test procedures, the Commission assessed the effectiveness of process level controls related to the agency's financial reporting. As part of this effort, the agency performed reviews of:

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

Chairman'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 conducted its assessment of the effectiveness of its risk management framework and system of internal control for Fiscal Year (FY) 2019 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, 2019. 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 2019.

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's (DOI's) 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 DOI IBC systems are compliant 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, 2019, 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.

A handwritten signature in black ink, appearing to read "David S. Johanson", with a long horizontal flourish extending to the right.

David S. Johanson
Chairman
November 15, 2019

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 \$32.2 million at September 30, 2019, compared to \$32.4 million at September 30, 2018. Fund Balance with Treasury (FBWT) and Property, Plant, and Equipment (PP&E) accounted for 76.7 percent and 23.2 percent, respectively, of overall agency assets in FY 2019. 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 decreased by \$0.7 million (or 2.7 percent) from FY 2018 to FY 2019, while PP&E increased by \$0.7 million (or 9.8 percent). The increase in PP&E was due to the acquisition of IT assets.

Accounts Receivable decreased by \$121 thousand as the Commission collected on amounts owed from its trading partners.

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 remained steady between the two fiscal years, increasing by about 1 percent from FY 2018 to FY 2019. The Commission’s most significant liability is the unamortized portion of the rent abatement (\$6.1 million) the Commission received when it signed a new 15 year lease agreement with General Services Administration in FY 2017 for its headquarters building. Accrued annual leave (\$4.7 million), which represents amounts owed to employees for their unused annual leave upon separation from federal service, is the next largest.

Other liabilities of note include payroll liabilities (comprised of accrued funded payroll and employer contributions and payroll taxes payable) of \$3.2 million and accounts payable of \$2.5 million. Payroll liabilities increased by \$0.5 million (21 percent) due to increases in the number of employees and the number of days of accrued payroll, while accounts payable decreased by \$0.2 million (7 percent).

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 \$0.3 million, or 2 percent, from FY 2018 to FY 2019.

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 increased from \$93.9 million in FY 2018 to \$99.7 million in FY 2019, largely because the Commission’s salaries and benefits increased during FY 2019 and the rent abatement ceased in FY 2018.

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 2019. The Commission’s net position decreased marginally by \$0.3 million (2 percent) from \$16.0 million in FY 2018 to \$15.7 million in FY 2019. Total unexpended appropriations decreased by \$1.0 million, from \$20.1 million to \$19.1 million, largely because the \$9.6 million increase in appropriations used outpaced the \$7.3 million increase in the beginning balance of unexpended appropriations. The Commission’s cumulative results of operations increased by \$0.8 million, from negative \$4.1 million at the end of FY 2018 to negative \$3.3 million in FY 2019 as financing sources exceeded the Commission’s net cost of operations.

STATEMENT OF BUDGETARY RESOURCES

The Statement of Budgetary Resources summarizes how varying sources of budgetary funding were made available during the year and their status by the end of the fiscal year. The Commission ended FY 2019 with budgetary resources of \$104.2 million, an \$8.3 million increase over the previous year. While the \$1.3 million increase in the Commission’s appropriation from FY 2018 to FY 2019 partially explains the increase, the bulk of the increase (\$7 million) was the result of a financial system requirement to deobligate prior year contracts and the subsequent reobligation of those contracts in the current fiscal year.

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 (FMFIA)

The Federal Managers' Financial Integrity Act of 1982 requires federal agencies to establish internal accounting and administrative controls, consistent with standards prescribed by the Comptroller General of the United States. These controls must 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 properly recorded and accounted for so that the agency may prepare reliable financial and statistical reports and maintain accountability of its assets. 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 independently 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 2019, 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 updated Circular A-123 in 2016 and incorporated enterprise risk management (ERM) as a management responsibility, which reinforces the purpose of the FMFIA. For 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 (FFMIA)

The Federal Financial Management Improvement Act of 1996 requires Chief Financial Officers Act of 1990 (CFO Act) agencies to report on whether their financial management systems substantially comply with federal financial management systems requirements, applicable federal accounting standards, and the U.S. Standard General Ledger (USSGL) at the transaction level. Because the Commission is not a CFO Act agency, it is not subject to the FFMIA. However, the Commission nonetheless seeks to comply with the FFMIA's requirements.

The Commission uses the Department of the Interior's (DOI's) Interior Business Center (IBC) as its servicing organization to process its financial and payroll transactions. IBC provides the Commission with Statement on Standards for Attestation Engagements (SSAE 18) internal control reports for the financial and payroll systems. The Commission reviewed the SSAE 18 reports and determined that DOI IBC's relevant information-processing objectives and internal controls were adequate. For those DOI IBC control objectives that can be achieved only if complimentary user controls are suitably designed and operating effectively, the Commission ensured that such 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 (GPRA)

The Government Performance and Results Act of 1993, as amended by the GPRA Modernization Act of 2010, requires a recurring cycle of performance reporting for federal agencies. This cycle involves five-year strategic plans, annual performance plans, and annual program performance reports. The GPRA Modernization Act of 2010 updated 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 the requirements specified by the law and followed the guidance provided in OMB Circular A-11, *Preparation, Submission and Execution of the Budget*.

Accountability of Tax Dollars Act (ATDA)

The Accountability of Tax Dollars Act of 2002 (ATDA) requires federal agencies exempt from the CFO Act to prepare financial statements. OMB Circular A-136, *Financial Reporting Requirements*, requires agencies to produce either a consolidated Performance and Accountability Report with financial statements, or a separate Agency Financial Report. The Commission chose to produce an Agency Financial Report. This report meets the requirements of the ATDA.

The Commission's financial statements are independently audited each year. The Commission received an unmodified audit opinion for FY 2019 (see Independent Auditor's Report on page 29).

Financial Section

Message from the Chief Financial Officer

I am pleased to present the United States International Trade Commission's financial statements for the FY 2019 Annual Financial Report. The independent accounting firm of Castro & Company, LLC, monitored by the Inspector General, again issued an unmodified opinion on the Commission's FY 2019 financial statements. Along with our ninth consecutive unmodified opinion, the Independent Auditor's Report on Internal Control found no material weaknesses or significant deficiencies in the design and operation of internal controls over financial reporting. These results are only 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:

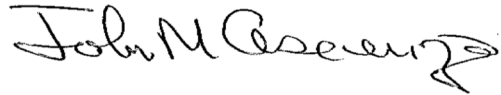
- Continued to expand the implemented electronic invoicing through the government-wide Invoice Processing Platform
- Successfully transitioned to SmartPay 3, the federal government's new purchase, travel, fleet, and integrated charge card services and related payment solutions program.
- Again met all of its small business procurement and socio-economic goals
- Refined its budget and expenditure plan processes through the use of our Enterprise Risk Management framework

Looking forward to FY 2020, in addition to sustaining its audit readiness, the Commission will:

- Transition, along with all Interior Business Center (IBC) client agencies, to Oracle Business Intelligence Enterprise Edition, a modern analytical reporting tool
- Improve and where possible automate the processes for purchase card transaction and invoice approvals
- Continue to improve its financial management reports in order to meet the growing needs of managers throughout the Commission

We are pleased with our progress and accomplishments, and we remain committed to ensuring a sound financial management environment. The accomplishments in FY 2019 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 further improvements to the Commission's financial management and internal controls operations in FY 2020.

A handwritten signature in black ink, reading "John M. Ascienzo". The signature is written in a cursive, flowing style with a large, stylized "J" and "A".

John M. Ascienzo
Chief Financial Officer
November 15, 2019

Inspector General's Transmittal Letter of Independent Auditor's Report

OFFICE OF INSPECTOR GENERAL



UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, DC 20436

November 15, 2019

IG-RR-030

Chairman Johanson:

This memorandum transmits the results of the audit (OIG-AR-20-04) of the Commission's financial statements for the fiscal years ended September 30, 2018 and 2019. We contracted with the independent certified public accounting firm, Castro & Company 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/PCIE Financial Audit Manual (FAM650). In connection with this contract, we reviewed Castro & 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 Castro & 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. Castro & Company is solely responsible for the audit report dated November 15, 2019 and the conclusions expressed in the report.

Thank you for the cooperation and courtesies extended to both Castro & Company and my staff during this audit.

Sincerely,



Philip Heneghan

Independent Auditor's Report



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Independent Auditor's Report on the Financial Statements

Inspector General
U.S. International Trade Commission

We have audited the accompanying balance sheets of the U.S. International Trade Commission (USITC) as of September 30, 2019 and 2018 and the related statements of net cost, changes in net position, and budgetary resources for the fiscal years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with the 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 No. 19-03, *Audit Requirements for Federal Financial Statements*. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the agency'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 agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as

evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion on the Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the USITC as of September 30, 2019 and 2018, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary and Other Information

U.S. generally accepted accounting principles require that the information in the *Required Supplementary Information*, including *Management's Discussion and Analysis*, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The supplementary information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. We have applied certain limited procedures to the required supplementary information 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 information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The information presented in the Message from the Chairman, Chief Financial Officer, Other Accompanying Information, and Appendices is presented for purposes of additional analysis and are not required as part of the basic financial statements. Such information has not been subjected to auditing procedures applied by us in the audit of the basic 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 No. 19-03, we have also issued our reports dated November 15, 2019, on our consideration of the 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 19-03 in considering the 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.

Castro & Company, LLC

Alexandria, VA

November 15, 2019

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

OFFICE OF INSPECTOR GENERAL



UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, DC 20436

November 15, 2019

OIG-RR-032

Chairman Johanson:

This memorandum transmits the Independent Auditor's Report on Internal Control (OIG-AR-20-06) associated with the audit of the Commission's financial statements for fiscal year 2019.

We contracted with the independent certified public accounting firm, Castro & Company 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 Castro & Company's report, related documentation, and making inquiries of its representatives. Our final review disclosed no instances where Castro & 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. Castro & Company is solely responsible for this report dated November 15, 2019, and the conclusions expressed in the report.

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

Sincerely,

Philip Heneghan
Inspector General

Independent Auditor's Report on Internal Control



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Independent Auditor's 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 financial statements of the U.S. International Trade Commission (USITC), which comprise the balance sheets as of September 30, 2019 and 2018, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated November 15, 2019. We conducted our audit in accordance with the 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 No. 19-03, *Audit Requirements for Federal Financial Statements*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended September 30, 2019, we considered the USITC's internal control over financial reporting by obtaining an understanding of the design effectiveness of the USITC's internal control, determining whether controls had been placed in operation, assessing control risk, and performing tests of the USITC's controls as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not to express an opinion on the effectiveness of the USITC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the USITC's internal control over financial reporting. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 19-03. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982 (FMFIA), such as those controls relevant to ensuring efficient operations.

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 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 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 purposes described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies 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 15, 2019.

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 the USITC's internal control. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the 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.



Alexandria, VA
November 15, 2019

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

OFFICE OF INSPECTOR GENERAL



UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, DC 20436

November 15, 2019

IG-RR-031

Chairman Johanson:

This memorandum transmits the Independent Auditor's Report on Compliance with Laws and Regulations (OIG-AR-20-05) associated with the audit of the Commission's financial statements for fiscal year 2019.

We contracted with the independent certified public accounting firm, Castro & Company LLC, to conduct this audit. The contract required that the audit be conducted in accordance with U.S. generally accepted government auditing standards 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 Castro & 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. Castro & Company is solely responsible for this report dated November 15, 2019 and the conclusions expressed in the report.

Thank you for the cooperation and courtesies extended to both Castro & Company and my staff during this audit.

Sincerely,



Philip Heneghan
Inspector General

Independent Auditor's Report on Compliance with Laws and Regulations



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Independent Auditor's 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 financial statements of the U.S. International Trade Commission (USITC), which comprise the balance sheets as of September 30, 2019 and 2018, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated November 15, 2019. We conducted our audit in accordance with the 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 No. 19-03, *Audit Requirements for Federal Financial Statements*.

The management of USITC is responsible for complying with laws and regulations applicable to the 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 OMB Bulletin No. 19-03, including the requirements referred to in the Federal Managers' Financial Integrity Act of 1982 (FMFIA). We limited our tests of compliance to these provisions, and we did not test compliance with all laws and regulations applicable to the USITC.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the USITC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests of compliance disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 19-03.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results 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 the USITC's compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of 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.

Castro & Company, LLC

Alexandria, VA
November 15, 2019

Principal Financial Statements

U.S. INTERNATIONAL TRADE COMMISSION

BALANCE SHEETS

As of September 30, 2019 and 2018

(in dollars)

	2019	2018
Assets:		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	\$ 24,738,033	\$ 25,435,266
Account Receivable (Note 3)	0	126,025
Total Intragovernmental	\$ 24,738,033	\$ 25,561,291
Accounts Receivable (Note 3)	\$ 24,776	\$ 19,589
Property, Plant, and Equipment, net (Note 4)	7,470,916	6,806,429
Total Assets	\$ 32,233,725	\$ 32,387,309
Liabilities:		
Intragovernmental:		
Accounts Payable (Note 6)	\$ 287,917	\$ 410,290
Employer Contributions and Payroll Taxes Payable (Note 5)	582,421	489,602
Unfunded FECA Liability (Note 5)	5,162	3,151
Other (Note 5)	6,127,964	6,605,467
Total Intragovernmental	\$ 7,003,464	\$ 7,508,510
Accounts Payable (Note 6)	\$ 2,176,604	\$ 2,235,934
Accrued Funded Payroll (Note 5)	2,519,171	2,082,059
Employer Contributions and Payroll Taxes Payable (Note 5)	97,884	81,283
Actuarial FECA Liability (Note 5)	44,274	23,574
Unfunded Leave (Note 5)	4,653,411	4,426,482
Total Liabilities	\$ 16,494,808	\$ 16,357,842
Net position:		
Unexpended Appropriations	\$ 19,074,036	\$ 20,136,099
Cumulative Results of Operations	(3,335,119)	(4,106,632)
Total Net Position	\$ 15,738,917	\$ 16,029,467
Total Liabilities and Net Position	\$ 32,233,725	\$ 32,387,309

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, 2019 and 2018

(in dollars)

	2019	2018
Program Costs:		
Total Program Costs	\$ 99,654,289	\$ 93,867,104

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, 2019 and 2018
(in dollars)

	2019	2018
Unexpended Appropriations:		
Beginning Balance	\$ 20,136,099	\$ 12,872,111
Budgetary Financing Sources:		
Appropriations Received	95,000,000	93,700,000
Less: Appropriations used	(96,062,063)	(86,436,012)
Total Budgetary Financing Sources	(1,062,063)	7,263,988
Total Unexpended Appropriations	\$ 19,074,036	\$ 20,136,099
Cumulative Results of Operations:		
Beginning Balance	\$ (4,106,632)	\$ (788,657)
Budgetary Financing Sources:		
Appropriations Used	\$ 96,062,063	\$ 86,436,012
Other Financing Sources (Non-Exchange)		
Imputed Financing (Note 9)	4,363,739	4,113,117
Total Financing Sources	100,425,802	90,549,129
Net Cost of Operations	(99,654,289)	(93,867,104)
Net Change	771,513	(3,317,975)
Cumulative Results of Operations	\$ (3,335,119)	\$ (4,106,632)
Net Position	\$ 15,738,917	\$ 16,029,467

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, 2019 and 2018
 (in dollars)

	2019	2018
Budgetary Resources:		
Unobligated Balance from Prior Year Budget Authority, net	\$ 9,198,210	\$ 2,244,634
Appropriations	95,000,000	93,700,000
Total Budgetary Resources	\$ 104,198,210	\$ 95,944,634
Status of Budgetary Resources:		
New Obligations and Upward Adjustments	\$ 103,815,828	\$ 95,445,915
Unobligated Balance, end of year:		
Unexpired unobligated balance	382,382	498,719
Expired unobligated balance	0	0
Unobligated Balance, end of year (total)	382,382	498,719
Total Budgetary Resources	\$ 104,198,210	\$ 95,944,634
Outlays, net		
Outlays, net (total) (discretionary and mandatory)	\$ 95,697,233	\$ 86,317,438

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

United States International Trade Commission
Notes to Financial Statements
September 30, 2019 and 2018

Note 1. Significant Accounting Policies

A. Reporting Entity

The United States International Trade Commission 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, 2019 are prepared on the accrual basis of accounting and allow for comparison to the year ended September 30, 2018.

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 \$95,000,000 to the USITC for salaries and expenses in FY 2019 and \$93,700,000 in FY 2018.

Fund Balance with the U.S. Treasury: Cash receipts and disbursements are processed by the U.S. 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 \$100,000, 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 \$50,000 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 13.91 percent, 9.15 percent and 11.90 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 \$132,900 and \$128,400 during calendar years 2019 and 2018, 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	2019	2018
Status of Fund Balance with Treasury		
Unobligated balance available	382,382	498,719
Obligated balance not yet disbursed	24,355,651	24,936,547
Total	\$ 24,738,033	\$ 25,435,266

Note 3. Accounts Receivable

The balance of accounts receivable was \$24,776 and \$145,614 at September 30, 2019 and 2018, respectively. The non-governmental accounts receivable are for sponsored travel, vendor and employee debts. These items may be reported to the Department of the Treasury, Treasury Offset Program if not collected within prescribed collection terms.

Receivable Type	2019	2018
Intragovernmental	0	126,025
Non-governmental	24,776	19,589
Total	\$ 24,776	\$ 145,614

Note 4. Property, Plant, and Equipment, Net

Depreciation and amortization expense was \$503,911 and \$611,596 for the years ended September 30, 2019 and 2018, 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, 2019

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	\$ 7,569,298	\$ 5,974,665	\$ 1,594,633
Software	S/L	\$ 100,000	5	5,424,943	4,573,857	851,086
Software in Development				3,019,866	-	3,019,866
Leasehold Improvements	S/L	\$ 50,000	Varies	6,648,714	6,458,379	190,335
Construction in Progress				1,814,996	-	1,814,996
Total				\$ 24,477,817	\$ 17,006,901	\$ 7,470,916

Property, Plant, and Equipment as of September 30, 2018

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	\$ 6,336,502	\$ 5,805,161	\$ 531,341
Software	S/L	\$ 100,000	5	4,715,908	4,324,943	390,965
Software in Development				3,551,632	-	3,551,632
Leasehold Improvements	S/L	\$ 50,000	Varies	6,459,464	6,372,806	86,658
Construction in Progress				2,245,833	-	2,245,833
Total				\$ 23,309,339	\$ 16,502,910	\$ 6,806,429

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: During FY 2017, USITC signed a 15 year lease with GSA for its headquarters building. 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. It 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	2019	2018
Intragovernmental		
Unfunded FECA Liability	5,162	3,151
Other Liabilities	6,127,964	6,605,467
Total Intragovernmental	6,133,126	6,608,618

Accrued Annual Leave	4,653,411	4,426,482
Actuarial FECA Liability	44,274	23,574
Total Liabilities Not Covered by Budgetary Resources	10,830,811	11,058,674
Total Liabilities Covered by Budgetary Resources	5,663,997	5,299,168
Total Liabilities Not Requiring Budgetary Resources	0	0
Total Liabilities	\$ 16,494,808	\$ 16,357,842

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 \$287,917 and \$410,290 as of September 30, 2019 and 2018, respectively. For FY 2019, amounts were principally owed to GSA and DOL for IT services and equipment and unemployment compensation costs, respectively. For FY 2018, amounts were principally owed to GSA, DHHS and GPO for rent, security control assessments and printing services.

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	2019	2018
Intragovernmental		
Accounts Payable to Trading Partners	287,917	410,290
Total Intragovernmental	287,917	410,290
Non-Federal		
Accounts Payable to Vendors	2,176,604	2,235,934
Total Accounts Payable	\$ 2,464,521	\$ 2,646,224

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 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, 2019 are as follows:

Fiscal Year	
2020	9,932,929
2021	9,997,475
2022	10,063,957
Thereafter	102,945,082
Total Future Minimum Lease Payments	\$ 132,939,443

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)

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. As a consequence, 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

\$18,691,655 and \$19,637,379 as of September 30, 2019 and 2018, respectively. As of September 30, 2019, federal undelivered orders amounted to \$6,242,361 while \$12,449,294 were classified as non-federal. As of September 30, 2018, federal undelivered orders amounted to \$7,148,599 while \$12,488,780 were classified as non-federal. 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, 2019 has not been published as of the issue date of these financial statements. This document will be available in February 2020 on OMB's website.

For FY 2018 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 net assets held by the USITC consist of cease and desist bonds held for non-Federal recipients.

Fiduciary Assets	2019	2018
Fiduciary net assets, beginning of year	\$ 5,337,710	\$ 4,686,609
Collections from cease and desist bonds	587,774	651,101
Disbursements to beneficiaries	(4,524,411)	0
Fiduciary Net Assets, end of year	\$ 1,401,073	\$ 5,337,710

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 Year Ending September 30, 2019 (in dollars)			
	Intragovernmental	With the Public	Total FY2019
Net Operating Cost (Statement of Net Costs)	30,158,913	69,495,376	99,654,289
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Property, plant, and equipment depreciation	-	(503,991)	(503,991)
Increase/(Decrease) in Assets not affecting Budget Outlays:			
Accounts receivable	(126,025)	5,187	(120,838)
Other assets	(17,295)	17,295	-
(Increase)/Decrease in Liabilities not affecting Budget Outlays:			
Accounts payable	122,373	59,331	181,704
Salaries and benefits	(92,819)	(453,714)	(546,533)
Other liabilities (Rent abatement, Unfunded leave, Unfunded FECA)	475,492	(247,629)	227,863
Other Financing Sources:			
Federal employee retirement benefit costs paid by OPM and imputed to agency	(4,363,739)	-	(4,363,739)
Total Components of Net Operating Cost Not Part of the Budget Outlays	(4,002,013)	(1,123,521)	(5,125,534)
Components of the Budget Outlays That Are Not Part of Net Operating Cost			
Acquisition of capital assets	(17,295)	1,185,773	1,168,478
Total Components of the Budgetary Outlays That Are Not Part of Net Operating Cost	(17,295)	1,185,773	1,168,478
Other Temporary Timing Differences	-	-	-
Net Outlays	26,139,605	69,557,628	95,697,233

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 30, 2019

IG-RR-023

OIG-MR-19-09

Chairman Johanson:

This memorandum transmits the Inspector General's summary of the top management and performance challenges facing the Commission and briefly assesses management's progress in addressing these challenges.

I have identified two management and performance challenges for fiscal year 2020: Managing Data and Internal Controls. These challenges were identified based on work by the Office of Inspector General, input from Commission management, and knowledge of the Commission's programs and operations.

Managing Data

Information drives decision-making in an organization, and this information is derived from data in the Commission's systems and databases. An organization needs complete, accurate, and consistent enterprise data to make timely and effective decisions. Thus, the underlying business processes and practices for the creation, storage, and use of data should be designed

to allow key information to be entered consistently across applications, systems, and databases.

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 highlights the importance of using high quality data to support data-driven decisions and improve transparency in government. Properly managed data is essential for the development of timely, reliable, and accurate reporting. Managers should identify information needs, understand the characteristics of the data, and determine the appropriate level of detail required to ensure data is collected to develop useable and relevant management reports. As such, the format and content of management reports should contain a sufficient level of information to meet the purpose for which those reports were developed. Properly designed reports with relevant and timely information serve to help effectively manage day-to-day operations, support the decision-making process, evaluate performance, and communicate information across the organization.

Effective organization of data is critical to obtain useful and relevant information that is versatile for a variety of purposes across all levels of the organization. The Commission should have a flexible and adaptable coding structure organized to generate useful information in a timely manner that is accurate and complete, with minimal human interaction. The codes should follow a systematic method of assignment based on a logical flow of data that allows detailed information to be aggregated to meet the needs of managers at every level of the Commission. This logical structure must be considered when determining the level of data necessary to provide the desired information. Inconsistent methods of assigning and entering codes increase the risk that aggregations of data will be incomplete and information from different systems will provide conflicting results.

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

The Commission's systems were developed for a specific need or to solve a single problem. The data within these systems was not seen as an enterprise resource. Because these systems were

developed for a single purpose, their functionality, access, and reporting capabilities are limited. Without staff knowing how the information from various systems and subsystems is defined, captured, and updated, misleading information can be produced and excess staff time might be needed to attempt to reconcile multiple data sets across the organization.

The Commission needs to take a thoughtful, enterprise-wide approach to manage data to ensure it is relevant, complete, and available when necessary to make good strategic and operational decisions and manage enterprise risks. The Commission's strategy should use all data assets across the organization to meet its financial and nonfinancial reporting objectives.

Internal Controls:

The Commission's management is responsible for establishing and maintaining a system of internal controls. These internal controls are the plans, policies, procedures, and organizational environment that managers use to ensure their programs and operations are achieving the intended results through the effective use of public resources.

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 effectively designed, implemented, and operating. In addition, all five components must be working together in an integrated manner.

The control environment is the foundation for a system of internal control. One principal of the control environment is the establishment of an organizational structure, assignment of responsibility, and delegations of authority to meet the objectives of the Commission. In 2015, we completed an audit of the Commission's directives management system, which included a review of these control environment elements. The audit found that the Commission's policy directives were not current, contained outdated assignments of responsibility, and outdated delegations of authority. Although the Commission had written procedures to periodically assess the directives, the reviews were not performed. This lack of monitoring led to weaknesses in each of the five components of internal control. Monitoring is necessary to determine if the system of internal control is properly designed, working as intended, and achieving the desired results. The lack of accountability meant that individuals had roles and responsibilities within the process, but no one was held accountable for the overall success of the Commission's directives system.

The Commission has consistently acknowledged and responded to individual internal control weaknesses identified in reports issued by the Office of Inspector General; however, there is

still an underlying assumption that because specific actions were completed, all internal control problems have been resolved. Recently, the Commission has signaled a cultural change in this area by thoughtfully and effectively designing a new system of internal rules and focusing on structural fundamentals such as mission and function statements for each office. Management needs to continue to monitor and review their processes to ensure that controls work effectively and achieve the desired results.

The Enterprise Risk Management Program continues to mature and has been integrated into the budget process to assist management in making informed decisions. Because enterprise risk management is an iterative process, the Commission must keep management focused on maturing its processes and procedures, ensuring that program risk assessments are completed and used to inform the enterprise risk, identifying new and emerging risks, reevaluating the risks' impact/probability scores for reasonableness, and assessing whether mitigation strategies are working effectively.

The Commission must continue the engagement of senior management in all aspects of internal control to ensure buy-in across programmatic and administrative offices and to make certain it can be sustained over a long period of time in order to achieve a mature and effective internal control program. The Commission will be challenged to manage and drive the cultural changes associated with the development and implementation of an effective organizational internal control program.

I will continue to work with you, the other Commissioners, and management to reassess our goals and objectives to ensure that my focus can continue to remain on the risks and priorities of the Commission.



Philip M. Heneghan
Inspector General

Chairman'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 30, 2019, 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 2019 to address the previously identified management challenges of managing data and internal controls. The Commission will continue its efforts in FY 2020 to address these two challenges.

Management Challenge: Managing Data

As noted by the Inspector General, many Commission systems, more specifically in the administrative area, were developed to address specific needs or to solve single problems and therefore not viewed as an enterprise resource. As a result, the functionality, access, and reporting capabilities of these systems are limited. Furthermore, Commission staff have to spend additional time reconciling multiple data sets across the organization. During the reporting period the Commission continued to make headway in its efforts to address these and other data management issues.

The Commission has continued inventorying its data systems. As these data systems are inventoried, the Commission is capturing the purpose of each system, the types of data in the system, its owner, and whether it has a data dictionary. As system owners provide this information, the Commission is identifying common uses of the data, redundant systems, whether there is a need for strengthened documentation, who has access to the data, how is the data input, and, if there are conflicting sources, which one is the system of record. Staff have also worked to reconcile this inventory across other inventories to ensure completeness. Gathering this information and mapping the responses is an important step in understanding the breadth, depth, and connectedness of data managed at the Commission.

In FY 2018 the Commission reviewed all of its Budget Object Classification Codes (BOCs) in order to make sure they complied with Office of Management and Budget guidance. BOCs are the government-wide numeric codes used to classify the nature of services or items purchased by all government agencies; thus, it is crucial that they are correct. As a result of this review, a number of the Commission's BOCs were revised, and starting in FY 2019 all Commission BOCs are in compliance with government-wide standards. Starting in FY 2018 and continuing into FY 2019 the Commission has been leveraging the work performed in connection with the Digital Accountability and Transparency (DATA) Act reporting requirements to ensure the internal procurement documentation (PRISM), externally reported procurement data (Federal Procurement Data System), and accounting data (Oracle) are all consistent. In support of these requirements, the Commission documented and standardized a number of processes, automated the reconciliation of the three data sources noted, and identified and corrected errors (to the extent possible) between internal and external procurement data. As a result, the Commission's processes are more efficient and effective, and its data are more accurate.

The Commission also completed the review of its time and attendance processes, policies, and procedures, and the reporting capabilities of the underlying time system. As a result, we expect to be able to utilize the electronic time and attendance (T&A) system instead of the current paper-based system to record the request and approval for paid and unpaid overtime. Perhaps even more important was the fact that the review process resulted in the Commission reviewing and strengthening its procedures for recording time, which has already resulted in more accurate timekeeping. Since payroll costs account for 70 percent of the Commission's budget, any increase in the quality of such data is important.

Other data management activities include developing an integrated data system that will allow us to share and analyze administrative data associated with Commission statutory investigations consistently. This activity merges section 337 info with other major data systems covering import injury and fact-finding investigations. It also ensures improved internal controls

for data used internally and published externally. Work on this integrated data system is underway and the system is expected to be completed by the end of FY 2021.

The Commission's efforts to manage its data align with the Office of Management and Budget's Appendix A to Circular A-123 – *Management of Reporting and Data Integrity Risk*. If the Commission's data are not managed effectively, the agency will continue to be exposed to a number of risks, such as strategic risk inherent to the formulation, assumptions, or execution of the Commission's strategies to meet its strategic objectives; operational risk that impedes the successful activities of the Commission; reporting risk that reports will not be timely or accurate; and, compliance risk inherent to the Commission's commitment and ability to comply with applicable laws and regulations. The efforts also correspond to several annual performance goals.

Finally, the Commission plans, as recommended by the Inspector General, to take a thoughtful, enterprise-wide approach to managing data to ensure data are relevant, complete, and available to inform strategic and operational decisions while minimizing enterprise risks. As such, these efforts are now being led by the newly appointed Chief Data Officer and will be overseen by the newly established Data Governance Board, a subcommittee that will be part of the Performance Management and Strategic Planning Committee.

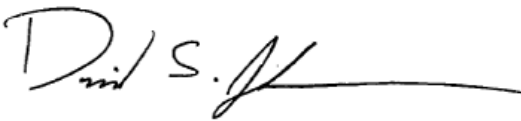
Management Challenge: Internal Control

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 the issue of internal controls was first identified as a management challenge, the Commission has been committed to improving and strengthening its system of internal control, 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 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.

The Inspector General, when reviewing the Commission's policy directives, 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. In January of 2018, the Commission issued three Directives which set forth a new design for the system, including streamlined approval procedures and agency-wide oversight of both policy development and review activities. In May of 2018, the Chairman chartered an agencywide management committee to carry out the implementation of the new system. In June of 2019, the Commission deployed its new System of Internal rules online repository which addressed a number of limitations found in the prior version. Also during FY 2019, the Commission issued 17 new Directives, the most in a single fiscal year in over two decades, following its new streamlined development and approval procedures. By the end of the current calendar year, the Commission expects to have issued updated Mission and Functions Statements for all of its offices. By the end of FY 2020, the Commission expects to have issued new Directives in all of its major administrative policy areas.

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

A handwritten signature in dark ink, appearing to read "David S. Johanson", with a long horizontal flourish extending to the right.

David S. Johanson
Chairman
November 14, 2019

Summary of Financial Statement Audit and Management Assurances

Table 1: Summary of Financial Statement Audit

Audit Opinion: Unmodified					
Restatement: No					
	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Material Weaknesses					
<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						
	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Material Weaknesses						
<i>Total Material Weaknesses</i>	0	0	0	0	0	0
Effectiveness of Internal Control over Operations (FMFIA § 2)						
Statement of Assurance: Modified						
	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Risk in an agency information technology (IT) program as it relates to compliance with a law/regulation related to IT systems	1		1			0
Risk in the agency system of internal rules, also known as the directive management system	1					1
<i>Total Material Weaknesses</i>	2	0	1	0	0	1
Conformance with Federal Financial Management System Requirements (FMFIA § 4)						
Statement of Assurance: Federal System conform⁶						
	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Non-Conformances						
<i>Total Non-Conformances</i>	0	0	0	0	0	0

⁶ The Commission uses a federal shared-services provider, the Department of the Interior's Interior Business Center (IBC), for its financial management system of record.

Compliance with Section 803(a) of the Federal Financial Management Improvement Act (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. U.S. Standard General Ledger at Transaction Level	No lack of compliance noted	No lack of compliance noted

Payment Integrity

The information presented in this report complies with guidance provided in the *Improper Payments Information Act of 2002* (IPIA) as amended by the *Improper Payments Elimination and Recovery Act of 2010* (IPERA) and the *Improper Payments Elimination and Recovery Improvement Act of 2012* (IPERIA), Office of Management and Budget (OMB) Circular A-136, and Appendix C of OMB Circular A-123, M-15-02, *Requirements for Effective Estimation and Remediation of Improper Payments*.

The guidance requires agencies to assess every Federal program and dollar for improper payment risk, measure the accuracy of payments annually, and initiate program improvements to ensure payment errors are reduced. On November 20, 2009, *Executive Order 13520—Reducing Improper Payments and Eliminating Waste in Federal Programs*, was issued for the purpose of intensifying efforts to eliminate payment error, waste, fraud, and abuse in the major programs administered by the Federal government, while continuing to ensure that the right people receive the right payment for the right reason at the right time. The supporting website, <https://paymentaccuracy.gov/>, contains the following information.

- Current and historical rates and amounts of improper payments for Federal agencies.
- Why improper payments occur.
- What agencies are doing to reduce and recover improper payments.

Program Review

The USITC has only one program for budget purposes. The FY 2019 appropriated funding for the program is \$95 million in appropriations. All of the agency's transactions are for employee payroll and benefits, intra-governmental and non-Federal transactions.

The USITC does not maintain its own financial management system, but uses a shared service provider to process all accounting transactions to include payroll and benefits. The IBC is subject to external audit in accordance with the Standards for Attestation Engagements (SSAE) 18, *Attestation Standards: Clarification and Recodification*. The OCFO examines the SSAE 18 audit results annually to determine if the shared service provider's internal controls are operating effectively and evaluates the internal controls required to supplement the shared service provider's controls as outlined in the SSAE 18.

Intra-governmental transactions, accounts payables, and payments to agency employees are reviewed as part of the agency's internal control program under OMB Circular A-123, Appendix A, *Internal Control over Financial Reporting* and Appendix C, *Requirements for Effective Estimation and Remediation of Improper Payments*.

Based on OMB Circular A-123, Appendix C, Part I.A.9. Step 1, all programs and activities were reviewed to identify those that were susceptible to significant improper payments. For FY 2019 the USITC non-Federal payments was \$14.3 million (vendor disbursements and non-federal accounts payable) and payroll was \$68.1 million for a combined total of \$82.4 million. IPERA defines "significant" as either (1) improper payments that exceed both \$10 million and 1.5 percent of program disbursements; or (2) improper payments in excess of \$100 million. Significant improper payments in the USITC's program needed to exceed both \$1.2 million (1.5 percent improper payment rate) and \$10 million of all non-Federal payments and payments to Federal employees. The improper payments identified by USITC in FY 2019 are beneath the defined thresholds for significant improper payment reporting.

In addition, the following risk factors, likely to contribute to improper payments, were applied to the USITC's appropriated funds.

1. Any new programs or activity in the agency.
2. Complexity of the activity with respect to correct payments amounts.
3. Volume of payments made annually.
4. Whether payment decisions were made outside the agency.
5. Recent major changes in activity funding, authority, practice, or procedures.
6. Level, experience, and quality of training for personnel responsible for certifying that payments are accurate.
7. Inherent risks of improper payments due to the nature of agency operations.
8. Significant deficiencies in the audit reports of the agency that included Inspector General audit findings or external financial audit findings.
9. Results from prior improper payment work.

The USITC maintains a Financial Risk Management and Internal Control Plan that is updated annually with an internal control test plan. The annual Plan addresses review of general ledger accounts (volume and nature) and known process or personnel deficiencies that may contribute to an improper payment. Of the nine risk factors listed above factor number six has generated improper payments discovered during annual internal control testing.

Improper Payments Strategy

The IPERA Act of 2010 requires agencies to conduct payment recapture audits with respect to each program and activity of the agency that expends \$1 million or more annually, if conducting such audits would be cost-effective. The USITC addresses proper management of payments by:

- preventing payment errors through documented processes and internal controls;
- detecting overpayment and underpayments through control testing; and
- establishing a process with the U.S. Treasury (Treasury Offset Program) to recapture overpayments when identified.

Our Financial Internal Control and Risk Management Plan contributes to our efforts to identify improper payments.

Do Not Pay (DNP) Initiative

The OCFO reviews the System for Award Management (SAM) database prior to each acquisition award to ensure the vendor is registered to do business with the Federal government. For post award payments, the IBC sends the weekly payee file to the Treasury's DNP Business Center for continuous monitoring. The data sources currently used are listed below.

- Death Master File (DMF).
- Systems for Awards Management-Exclusion Records – Private.
- List of Excluded Individuals/Entities (LEIE).
- System for Award Management (SAM) Entity Registration Records, Private.

	Number of payments reviewed for improper payments	Dollars of payments reviewed for improper payments	Number of payments stopped	Dollars of payments stopped	Number of improper payments reviewed and not stopped	Dollars of improper payments reviewed and not stopped
Reviews with the DMF only	All agency payments submitted to shared service provider	\$15.8M ⁷	0	0	0	0
Reviews with all other databases ⁸	All agency payments submitted to shared service provider	\$15.8M	0	0	0	0

Recapture of Improper Payments Reporting

The IPERA Act of 2010 replaced the recovery auditing program contained in the National Defense Authorization Act of 2002. It requires agencies to conduct recovery audits with respect to each program and activity of the agency that expends \$1 million or more annually, if conducting such audits would be cost-effective.

Once the OCFO has identified an improper payment with a non-Federal vendor, it is USITC's policy to aggressively correct the improper payment. Upon research and analysis of supporting documentation the vendor is contacted for resolution (underpayment to the agency). If it is an ongoing contract, the OCFO will offset the amount to be recovered on the next billing. For all other contracts the vendor is contacted and a receivable is established for collection. If the vendor does not provide payment within a reasonable timeframe, the debt is referred to the Treasury Offset Program for collection. If an improper payment is identified as an overpayment to the USITC the vendor is promptly paid.

The following table summarizes cumulative improper payments (in millions) through FY 2019.⁹

Reason for Improper Payment	Overpayment	Underpayment	Total Amount Overpayment Recaptured	Total Amount Underpayment Paid
Failure to verify vendor invoice amount	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
Administrative processing	0.0	0.0	0.0	0.0
Total	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0

⁷ \$15.8M was cash disbursements paid to non-Federal vendors. Any resulting matches are provided to the OCFO for determination of payment.

⁸ Databases are 1) Systems for Awards Management-Exclusion Records – Private; 2) List of Excluded Individuals/Entities (LEIE); and 3) System for Award Management (SAM) Entity Registration Records, Private.

⁹ USITC aggregate overpayments was less than \$20,000.

Fraud Reduction

OMB Circular A-123 and the GAO Green Book calls for agencies to adhere to leading practices for managing fraud risk. Standards now require agencies to take a closer look at fraud risks (GAO principle 8 shown below) and identify fraud risk factors and programs with increased susceptibility for fraud.

COSO Framework of Internal Control

Control environment	Risk assessment	Control activities	Information & communication	Monitoring activities
1. Demonstrates commitment to integrity and ethical values 2. Exercises oversight responsibilities 3. Establishes structure, authority, and responsibility 4. Demonstrates commitment to competence 5. Enforces accountability	6. Define objectives and risk tolerances 7. Identifies, analyzes, and responds risk 8. Assesses fraud risk 9. Identifies and analyzes and responds to change	10. Designs control activities 11. Selects and develops general controls for the system 12. Deploys and implements control activities	13. Uses relevant, quality information 14. Communicates internally 15. Communicates externally	16. Performs ongoing monitoring activities 17. Evaluates issues and remediates deficiencies

The USITC maintains an annual Financial Internal Control and Risk Management Plan that identifies, through quantitative and qualitative analysis, transactional areas that are susceptible to inaccuracies and/or fraud. The plan contains specific process areas that are tested throughout the fiscal year to ensure the process results are accurate and reasonable.

The following financial controls are in place to prevent potential fraud, waste and abuse within the government purchase card program.

- The purchase card has a limit of \$10,000 per cardholder.
- A Purchase Card Handbook is published defining the roles and rules of the program. The handbook is reviewed and updated periodically.

- The Purchase Card Coordinator reviews all purchase cardholders statements and supporting receipts on a monthly basis.
- The Purchase Card Coordinator reviews the Cardholder History Report obtained from the servicing bank to review what purchase cardholders have procured during the quarter.
- The Purchase Card Coordinator writes a monthly report summarizing all purchase card activity.
- Any purchases that are deemed suspect are referred to the agency's Inspector General.

Government travel cards issued to USITC employees are not deemed a fraud risk as the travel card account is the cardholder's financial responsibility and not the agency's. Travel card usage by an individual cardholder is reviewed monthly by the OCFO for any suspected misuse.

Reduce the Footprint

The Commission leases all buildings under an intra-agency agreement with GSA and as such does not provide square footage data to the Federal Real Property Profile (FRPP).

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 (GC)** serves as the Commission's chief legal advisor. The GC and the staff attorneys provide legal advice and support to the Commissioners and staff on investigations and research studies, represent the Commission in court and before dispute resolution panels and administrative tribunals, and provide assistance and advice on general administrative matters, including personnel, labor relations, and contract 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 six offices are under the supervision of the Director:

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 2104 of the Trade Act of 2002. 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 2104 of the Trade Act of 2002. 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 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, 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.

Office of External Relations

The **Office of External Relations (ER)** develops and maintains liaison between the Commission and our external customers and is the point of contact with USTR and other executive branch agencies, Congress, foreign governments, international organizations, the public, and the media. Our Trade Remedy Assistance Office (TRAO), located in ER, provides information about the benefits and remedies available under U.S. trade laws and assists small businesses seeking relief under those laws.

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 its 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. In addition, the OCFO manages our internal control program in accordance with law and related guidance. 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; 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 Human Resources, Security and Support Services, and the Office of the Secretary.

Office of Inspector General

The **Office of Inspector General (OIG)** provides audit, evaluation, inspection, and investigative support services covering all Commission programs and strategic operations. The mission of the OIG is to promote and preserve our effectiveness, efficiency, and integrity. The OIG activities are planned and conducted based on requirements of laws and regulations, requests from management officials, and allegations received from Commission personnel and other sources.

Office of Equal Employment Opportunity

The **Office of Equal Employment Opportunity (OEEO)** administers the Commission’s affirmative action program. The Director advises the Chairman, the Commission, and USITC managers on all EEO issues; manages and coordinates all EEO activities in accordance with relevant EEO laws and EEO Commission regulations; evaluates the sufficiency of the Agency’s EEO programs and recommends improvements or corrections, including remedial and disciplinary action; encourages and promotes diversity 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

Acronyms	Terms
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
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

Acronyms	Terms
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
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

Acronyms	Terms
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

Acronyms	Terms
USGCB	United States Government Configuration Baseline
USITC	United States International Trade Commission
USSGL	United States Standard General Ledger
USTR	United States Trade Representative
VULN	Vulnerability Management

Contact Information

United States International Trade Commission	500 E Street, SW Washington, DC 20436
General Information Number	202-205-2000
Internet Home Page	http://www.usitc.gov/
Strategic Plan Internet Site	http://usitc.gov/press_room/documents/USITC_2014-2018_StrategicPlan_final.pdf
Agency Financial Report (AFR):	
AFR Internet Site	http://www.usitc.gov/strategic_plan.htm
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