



TABLE OF CONTENTS

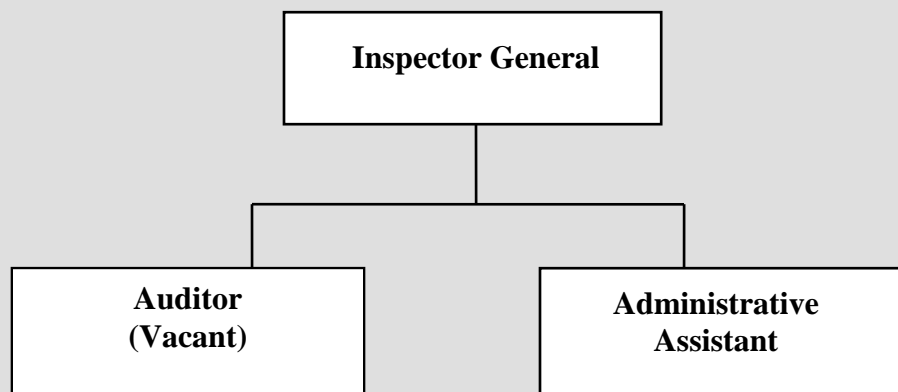
OFFICE OF INSPECTOR GENERAL.....	1
PROVISIONS OF THE IG REFORM ACT OF 2008.....	2
COMMISSION'S TOP MANAGEMENT CHALLENGES.....	4
COMMISSION PROFILE.....	7
AUDIT ACTIVITY.....	8
Reports Issued During this Period	8
On-Going Audits.....	9
Audit Follow-Up	10
INSPECTION and EVALUATION ACTIVITY.....	11
INVESTIGATION ACTIVITY.....	11
Summary of Investigative Activity	
UNREASONABLE REFUSAL OF INFORMATION OR ASSISTANCE.....	12
OTHER ACTIVITIES.....	13
REPORTING REQUIREMENTS INDEX.....	16
Table 1: AUDIT REPORTS WITH QUESTIONED COSTS.....	18
Table 2: AUDIT REPORTS WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE.....	19
GLOSSARY.....	20

THE OFFICE OF INSPECTOR GENERAL

The Commission established the Office of Inspector General (OIG) pursuant to the 1988 amendments to the *Inspector General Act* (IG Act). The OIG is headed by an Inspector General (IG), who reports directly to the Chairman and Congress. As set forth in the IG Act, as amended, the IG has the authority and responsibility to conduct objective and independent audits, reviews and investigations of the agency's programs and operations. Specifically, the IG is responsible for promoting economy, efficiency, and effectiveness within the Commission; preventing and detecting fraud, waste, abuse, and mismanagement in the Commission's programs and operations; providing comments and recommendations on proposed legislation, regulations, and procedures affecting the Commission; and keeping the Chairman and the Congress fully and currently informed of problems in agency programs and operations.

The OIG organization consists of three staff positions: the Inspector General, appointed on a six month term expiring July 7, 2009; an auditor (vacant); and an administrative assistant. In addition, Treasury Inspector General for Tax Administration has agreed to provide legal services and advice to OIG on an as-needed basis through a Memorandum of Understanding.

Office of Inspector General: Organization



Provisions of the IG Reform Act of 2008

On October 14, 2008, the IG Reform Act of 2008 was signed into law (P.L. 111-409). With the exception of amendments over the years to add new Inspectors General, this legislation was the first major action on IG reform since the passage of the 1988 amendments. The goal of the IG Reform Act of 2008 was to further enhance IG independence, create the CIGIE, and improve operations. Provided below are the Act's major provisions:

IG INDEPENDENCE

Appointment and Removal of IGs: IGs are to be appointed without regard to political affiliation, and solely on the basis of integrity and demonstrated ability in accounting, auditing, financial analysis, law, management analysis, public administration, or investigations. Before an IG can be removed or transferred, an agency head must provide the Congress with 30-days advance written notice, which would include the reasons for removal or transfer.

IG Pay: Salary adjustments were made for IGs who are presidentially appointed and Senate confirmed, and IGs who are appointed by their agency head. IGs are prohibited from receiving cash awards or cash bonuses.

Separate Counsel for IGs: Each IG will obtain legal advice from a counsel either reporting directly to the IG or another IG.

Direct Budget Submission: IGs will send to the heads of their respective agencies their budget request, which will specify the amount requested for IG training and identify resources necessary to support the CIGIE. Further, the President's budget will include any comments from an IG who concludes that the budget submitted by the President would substantially inhibit the IG from performing the duties of the office.

OIGs Established as Discrete Agencies: OIGs are defined as separate agencies and the IGs will have the functions, powers, and duties of an agency head for voluntary separation/buyouts, early outs, reemploying annuitants, waiving mandatory separation for law enforcement officers, and all provisions relating to SES.

COUNCIL ON INTEGRITY AND EFFICIENCY

Council of the Inspectors General on Integrity and Efficiency: The Act, by statute, combines the former PCIE and ECIE into one council, and includes legislative IGs and other officials. The Act established the Council as "an independent entity" in the executive branch and provided it with the ability to financially support its activities. An Integrity

Committee, which would receive, review, and refer for investigation allegations of wrongdoing that are made against IGs or senior staff, was also established.

OPERATIONAL IMPROVEMENTS

Subpoena Power: The Act clarifies subpoena power as extending to electronically stored information and "any tangible thing."

OIG Web site: Reports must be posted on the OIG Web site not later than 3 days after the report is made publicly available. Any posted report must include a summary of OIG findings and be searchable and downloadable. Further, a direct link for the OIG's hotline must be on the OIG homepage.

Statistics for Evaluations/Inspections: Statistical results from evaluation and inspection reports are to be included in OIG semiannual reports in connection with audit report statistics.

Statistics for Evaluations/Inspections: Statistical results from evaluation and inspection reports are to be included in OIG semiannual reports in connection with audit report statistics.

Extending Authorities to Agency Appointed IGs: Provisions under the Program Fraud Civil Remedies Act and the law enforcement authority under the IG Act, as amended, were extended to include agency appointed IG's.

COMMISSION'S TOP MANAGEMENT CHALLENGES

The Office of Inspector General is required by statute to annually report the top management challenges facing the U.S. International Trade Commission. In addition, OIG regularly discusses the Commission's progress in addressing these challenges in the *Semi-annual Report to Congress*. This assessment is based on information from OIG audit and inspection work, a general knowledge of the Commission's programs and activities, and input from management on what challenges the agency is facing and the efforts the agency has taken to address the challenges.

Management Challenge: Information Technology Security

In Fiscal Year (FY) 2008, the Commission made noticeable progress in strengthening information security practices. Based on the work performed for the FY 2008 FISMA audit, and except for the discrepancies noted as part of the audit, OIG determined that the Commission's information security program, consisting of plans, policies, procedures, and security controls, is in place and is generally consistent with the FISMA requirements.

However, information security continues to be a challenge government wide. The FY 2008 FISMA audit results identified four areas in which the Commission should implement corrective actions to help further ensure that its information security risk management program and practices comply with applicable NIST standards and guidelines and FISMA requirements. OIG made 14 new recommendations to improve the Commission's information security program. In addition, there still remain four open recommendations from prior year reviews. Together, the recommendations are designed to improve the effectiveness of Commission's information security control program taken as a whole. Timely implementation of the all corrective actions is essential to reducing risk to Commission systems and information.

The Commission's Privacy Act Program, managed by the Chief Information Officer, is intended to ensure that the Agency fulfills the Privacy Act of 1974 requirements enacted to balance a person's right to privacy with the Federal Governments' need for information to carry out its responsibilities. The protection of Personally Identifiable Information is a priority to the Commission, but is an area of vulnerability as with all government agencies.

Securing system from cyber threats is clearly the most difficult piece of the challenge because these threats represent a moving target: they increase in number and sophistication

almost daily. As the Commission incorporates wireless and other technologies to support operations and workplace flexibilities, they invite new risks that must be anticipated and mitigated.

Finally, the Commission recently brought on-line the latest version of the Electronic Documents Imaging System. Introduction of this mission critical system holds inherently higher risk, as with any new system. OIG encourages the Commission to closely monitor and continue to test this system.

Management Challenge: Financial Management

During this reporting period, the OIG audited the Commission's 2008 and 2007 financial statements. Based on the findings, the OIG issued an unqualified opinion on the statements along with recommendations to strengthen internal controls over procurement, property and cash.

However, the Commission still faces the challenge of integrating and implementing a new financial system, Oracle Federal Financials. This major application upgrade, while providing a more responsive and reliable financial system, has required re-training of accounting, procurement, and budget staff as well as cost center managers. The Commission is faced with the challenge of developing financial policies and procedures from ground zero, and enforcing those procedures on a consistent basis to ensure continued high marks on the reliability of the financial statements and position. In addition, the anticipated integration between the procurement and the financial systems did not occur as planned. The Commission is continuing to work with the National Business Center in developing procurement system requirements.

Procurement and Contract Management

Procurement and contracts historically have been areas subject to fraud and waste throughout the government, and effectively managing them is a continuing challenge. With significant contracting activities in services and mission critical purchases in information technology, vigilant oversight mechanisms become all the more important. Poor oversight, lax controls, and fraudulent billing are just a few examples of the Commission's vulnerability to procurement fraud. The lack of an integrated financial – procurement system further complicates efforts to track and reconcile procurement activities. OMB continues to impose additional controls over procurement processes and the Commission will be challenged to meet these standards in a timely fashion.

Management Challenge: Strategic Management of Human Capital

The Commission's ability to successfully execute activities in support of its mission depends on a highly skilled and experienced workforce. Currently the Commission has a vacancy rate of at least 12 percent. Workload has been steadily increasing in the areas of intellectual property-based import investigation and import injury investigations, putting further strain on Commission staff. In order to counter the staff shortage, the Commission offers many recruitment and retention programs such as: re-location expenses; retention bonuses; reimbursement of student loans; professional development and training; telecommuting; and commuter subsidies.

The Commission has a Strategic Human Capital Management Plan that is an essential component for strategic planning. In FY 2009, the Commission is continuing to manage and refine a new performance management system, which it considers to be the first step in implementing a pay for performance system.

COMMISSION PROFILE

<http://www.usitc.gov>

The Commission is an independent, quasi-judicial federal agency with broad investigative responsibilities on matters of trade. Its mission is to: administer U.S. trade remedy laws within its mandate in a fair and objective manner; provide the President, the U.S. Trade Representative (USTR) and the Congress with independent, quality analysis, information, and support on matters of tariffs and international trade and competitiveness; and maintain the Harmonized Tariff Schedule of the U.S. In so doing, the Commission serves the public by implementing U.S. law and contributing to the development of sound and informed U.S. trade policy. Major Commission activities include:

- **Import Injury Investigations**
- **Intellectual Property-Based Investigations**
- **Industry and Economic Analysis**
- **Tariff and Trade Information Services**
- **Trade Policy Support**

The six Commissioners are appointed by the President and confirmed by the Senate. They each serve one nine-year term, unless appointed to fill an unexpired term. No more than three Commissioners may be of the same political party. The Chairman and Vice Chairman are designated by the President and serve a 2-year statutory term. The Chairman is responsible, within statutory limits, for the administrative functions of the Commission.

The current Chairman is Shara L. Aranoff and the Vice Chairman is Daniel R. Pearson. The other Commissioners are Deanna Tanner Okun, Charlotte R. Lane, Irving A. Williamson, and Dean A. Pinkert.

AUDIT ACTIVITY

Reports Issued October 1, 2008 to March 31, 2009

The OIG issued two audit reports during this period:

Independent Auditor's Report of the U.S. International Trade Commission's Financial Statements for Fiscal Years 2008 and 2007 and the Commission's Management Challenges OIG-01-09 (November 14, 2008)

The *Chief Financial Officers Act of 1990* (Public Law 101-576, commonly referred to as the "CFO Act"), as amended requires the Office of Inspector General, or an independent external auditor as determined by the Inspector General, to audit the agency financial statements. Under a contract monitored by the OIG, Brown and Company LLP, an independent certified public accounting firm (IPA), performed the audit of the USITC Fiscal Year 2008 financial statements. Based on the findings, the OIG issued an unqualified opinion on the statements.

The OIG is responsible for oversight of the financial statement audit. This includes: 1) reviewing the auditors approach and planning for the audit; 2) evaluating the qualifications and independence of the auditors; 3) monitoring the work of the auditors; 4) examining audit documents and reports to ensure compliance with Government Auditing Standards and OMB Bulletin No. 08-24 *Audit Requirements for Federal Financial Statements*; and 5) other procedures the OIG deems necessary to oversee the contract and audit.

The IPA found no internal control deficiencies and no reportable noncompliance with laws and regulations. As part of the audit, the OIG reported on the top management challenges facing the Commission, as well as recent OIG activities relating to each challenge.

Management Letter for the Fiscal Year 2008 Audit of the U.S. International Trade Commission's Financial Statements (March 25, 2009)

In connection with the independent audit of the Commission's fiscal years 2008 and 2007 financial statements (see above audit description), the IPA developed a management letter that identified issues not required to be included in the financial statement audit report. To improve financial management, the OIG report addresses several weaknesses:

- For the Oracle Federal Financials system, develop written procedures for payroll, year end accounts payable estimation, depreciation calculations, and reconciling all aspects of Fund Balance with Treasury;
- Document procedures for processing personnel actions, and provide staff back up for this function;
- Establish review procedures for calculating imputed financing;
- Strengthen internal controls to avoid unauthorized commitments of funds

The report makes five recommendations that will assist the Commission in correcting these deficiencies. All recommendations identify certain weaknesses in the Commission's internal control systems. Most notable was the error in imputed costs of over three million dollars, which was identified and corrected by the audit before the statements were finalized. An uncorrected entry of that amount would have been a material misstatement and resulted in a 'qualified' opinion of the FY 2008 financial statements. OIG will conduct follow up audit work to confirm the effective application of those corrective actions plans.

On-Going Audits

During this reporting period, the OIG is in the process of conducting the following audit:

Federal Information Security Management Act Fiscal Year 2009 Performance Audit

This annual review is being conducted by KPMG LLP under a performance based contract with OIG. The entrance conference was conducted in March, at which time management, the OIG, and KPMG discussed the audit scope and ways to ensure an efficient and effective audit process for FY 2009. A timeline was established for the audit, along with requests to management for necessary documentation and information concerning the Commission's information systems. KPMG and OIG will develop and provide notice of findings and recommendations (NFR) to management as issues are identified and developed. The NFR informs management of potential audit findings and allow management the opportunity to respond to the issues before the final audit report is issued.

OIG Audit Follow-Up Activity

Actions on OIG recommendations remain incomplete from three audits reported in previous semiannual reports.

Federal Information Security Management Act Fiscal Year 2008 Performance Audit, OIG -02-08 (September 30, 2008)

OIG issued 14 new recommendations designed to the Commission's information security program. The Commission agreed with all the recommendations and has provided corrective action plans for each item. OIG continues to monitor and evaluate the Commission's progress on correcting these weaknesses.

Management Letter for the Fiscal Year 2007 Audit of the U.S. International Trade Commission's Financial Statements, OIG-AR-01-08 (January 29, 2008)

The audit addressed the non-materials findings that were identified in the FY 2007 financial statement audit. One recommendation remains open. The Commission did not have policies and procedures for several areas essential for effective internal controls and accurate financial reporting. The recommendations addressed procedures for payroll, yearend accounts payable, estimation and depreciation calculations, reconciling all aspects of Fund Balance with Treasury, and documented procedures for processing personnel actions.

Evaluation of the U.S. International Trade Commission's Fiscal Year 2005 Information Security Program and Practices, OIG-AR-04-05 (September 27, 2005)

The OIG conducted an audit to determine whether the Commission implemented corrective actions in regards to technical security issues identified in prior reviews. The audit resulted in 23 recommendations, all of which were agreed to by management. As of March 2009, four recommendations remain open. Due to the sensitive content of this audit, report distribution was limited.

INSPECTION and EVALUATION ACTIVITY

No inspections or evaluations were performed during this reporting period.

INVESTIGATIONS

The OIG investigates possible violations of laws, rules, and regulations, mismanagement, abuse of authority, and waste of funds. These investigations may result either from our own audit, inspection and other work or in response to allegations, complaints, and information received from employees, other government agencies, contractors, and other concerned individuals. The objective of this program is to ensure the integrity of the Commission and assure individuals fair, impartial, and independent investigations.

Summary of Investigative Activity

During this reporting period one case was opened and is currently under investigation. A summary of investigative activity is presented below.

Case Workload			Referrals Processed			Investigative Results	
Open (10/01/08)	0		Received from Hotline	3		Referrals for Prosecution	0
Initiated	1		Referred to OIG Audit & Inspection Division	2		Referrals Declined for Prosecution	0
Closed	0		Referred to Commission	0		Administrative Action	0
Open (03/31/09)	1		Referred to other Federal Agencies	1			
			Evaluated but No Investigation Initiated	2			

Unreasonable Refusal of Information or Assistance

Per the IG Act of 1978 (as amended) Section 5(a) 5, the semiannual report is to contain a report on any activities that fall under Section 6(b) 2 as follows:

(b) (1) Upon request of an Inspector General for information or assistance under subsection (a) (3), the head of any Federal agency involved shall, insofar as is practicable and not in contravention of any existing statutory restriction or regulation of the Federal agency from which the information is requested, furnish to such Inspector General, or to an authorized designee, such information or assistance.

(2) Whenever information or assistance requested under subsection (a)(1) or (a)(3) is, in the judgment of an Inspector General, unreasonably refused or not provided, the Inspector General shall report the circumstances to the head of the establishment involved without delay.

On March 5, 2009, in the course of conducting an investigation regarding contractor activities, certain procurement files were removed forcibly from the possession of the Inspector General by a Commission employee. The Chairman of the Commission was immediately notified of the situation, and the IG asked that the files be returned, intact and unaltered. The Office of the Chairman did not comply with this request. OIG subsequently obtained legal advice from the Office of the Chief Counsel, Treasury Inspector General for Tax Administration. On April 27, 2009, the OIG and Office of the Chairman agreed the original files would be secured by OIG while under examination and review. The OIG and the Office of the Chairman continue to work to resolve this issue and OIG has proposed a written policy to clarify OIG authorities.

OTHER ACTIVITIES

Legislative Review

Inspector General Act Amendments

During this reporting period, the OIG monitored and reviewed H.R. 928, S. 1723, and S. 2324, which were ultimately passed as Public Law 110-409, the Inspector General Reform Act of 2008.

Memorandum of Understanding with Treasury Inspector General for Tax Administration

Per the IG Act Amendments of 2008, each federal Inspector General is required to retain independent counsel or retain counsel from another Inspector General through a reimbursable agreement. OIG did not have in-house counsel after October 2008, and has since reached agreement with the Office of the Chief Counsel of the Treasury Inspector General for Tax Administration. The Office of the Chief Counsel will provide legal services, advice and legislative review to OIG on a reimbursable basis. OIG anticipate this to be a cost saving measure compared to past practice of hiring a part-time (32 hour per week) GS-15 attorney. Cost savings can be applied to audit and investigative work.

Contractor Fraud Reporting Form

Changes to the Federal Acquisition Regulations on November 12, 2008 required all federal contractors to disclose to Inspectors General credible evidence of a violation of Federal criminal law involving fraud, conflict of interest, bribery, or a gratuity violation, or a violation of the civil False Claims Act, where such evidence arises in connection with a federal contract. The Rule requires such disclosure even as to conduct that occurred before December 12, 2008.

In response to this new mandate, OIG worked with the Office of the Chief Information Officer to develop and activate an electronic reporting form on the OIG website. OIG used the General Services Agency template as a basis for the form. The form was activated in March 2009. However through malicious cyber attack a few weeks later, the reporting form and the USITC website was disabled. At the date of the report, OIG does not yet have a working contractor fraud reporting form on its website. The CIO organization is working to resolve the issue.

OIG Database

OIG has worked since June 2008, to modify and activate an existing but nonfunctional database. The OIG database maintains an electronic archive of all OIG reports back to 1992, status of recommendations, FOIA requests, investigations and inspections data. Once active, the database will streamline request for OIG work products and FOIA requests.

Searchable website

Per the IG Act Amendments of 2008, OIG is continuing to work with the CIO organization to develop the OIG website into a fully searchable site for those users seeking certain information on audits, inspection, and semi-annual reports. The fully searchable function is expected to be operational by July 2009.

Redesigned OIG Webpage

Per the IG Act Amendments of 2008, the OIG website has been redesigned, with the assistance of the CIO organization, and should be on-line in June 2009. The main USITC webpage (www.usitc.gov) now has more prominent link to the OIG page.

Project on Government Oversight Report

OIG participated in the questionnaire distributed by POGO for the report “Inspectors General: Accountability is a Balancing Act.” OIG also reviewed the report and will consider incorporating some of the recommendations into its practices.

Freedom of Information Act Requests

OIG responded to one FOIA request during this period related to an investigation.

Directives Review

During this period, no Commission directives required OIG review.

Government Accountability Office

During this period, the GAO issued no reports related to Commission activities.

Liaison Activities

Council of Inspectors General on Integrity and Efficiency

The Inspector General is an active and participating member of the Council of the Inspectors General on Integrity and Efficiency (CIGIE).

On October 14, 2008 the IG reform Act of 2008 established the Council of the Inspectors General on Integrity and Efficiency (CIGIE) as the unified council of all statutory IGs to provide government-wide coordination of and focus on the activities of the OIG community. OMB’s Deputy Director for Management services is the Executive Chairperson, and IGs elected by the CIGIE members, serve as the Chairperson and Vice Chairperson and collectively manage the Council’s day-to-day activities. An Executive Council, comprised of selected IGs, provides corporate leadership and long-term planning. Standing committees exist to examine important issues and promote integrity, accountability, and excellence in government.



The mission of the Council is to address integrity, economy, and effectiveness issues that transcend individual Government agencies; and increase the professionalism and effectiveness of personnel by developing policies, standards, and approaches to aid in the establishment of a well trained and highly skilled workforce in the OIGs.

REPORTING REQUIREMENTS INDEX

Reporting requirements required by the *Inspector General Act of 1978*, as amended (1988) are listed below:

IG ACT	DESCRIPTION	PAGE
Section 4(a)(2)	Review of Legislation	13
Section 5(a)(1)	Significant Problems, Abuses, and Deficiencies	None
Section 5(a)(2)	Recommendations with Respect to Significant Problems, Abuses, and Deficiencies	None
Section 5(a)(3)	Recommendation Included Previous Semiannual Reports on Which Corrective Action has not Been Completed	11
Section 5(a)(4)	Matters Referred to Prosecuting Authorities	None
Section 5(a)(5)	Summary of Instances Where Information or Assistance was Unreasonably Refused	13
Section 5(a)(7)	Summary of Significant Reports	9
Section 5(a)(8)	Questioned and Unsupported Costs	18
Section 5(a)(9)	Recommendations that Funds Be Put to Better Use	19
Section 5(a)(10)	Summary of Audit Reports Issued Before the Start of the	None



	Reporting Period for Which no Management Decision Has Been Made	
Section 5(a)(11)	Significant revised management decisions	None
Section 5(a)(12)	Management Decision with Which the Inspector General is in Disagreement	None

Table 1: AUDIT REPORTS WITH QUESTIONED COSTS

	Number of Reports	Questioned Costs	Unsupported Costs
A. For which no management decision has been made by the commencement of the period	0	0	0
B. Which were issued during the reporting period	0	0	0
Subtotals (A + B)	0	0	0
C. For which a management decision was made during the reporting period	0	0	0
(i) Dollar value of disallowed costs	0	0	0
(ii) Dollar value of costs not disallowed	0	0	0
D. For which no management decision has been made by the end of the reporting period	0	0	0
E. Reports for which no management decision was made within six months of issuance	0	0	0

**Table 2: AUDIT REPORTS WITH RECOMMENDATIONS
THAT FUNDS BE PUT TO BETTER USE**

	Number of Reports	Dollar Value
A. For which no management decision has been made by the commencement of the period	0	0
B. Which were issued during the reporting period	0	0
Subtotals (A + B)	0	0
C. For which a management decision was made during the reporting period	0	0
(i) Dollar value of recommendations that were agreed to by management	0	0
(ii) Dollar value of recommendations that were not agreed to by management	0	0
D. For which no management decision has been made by the end of the reporting period	0	0
E. Reports for which no management decision was made within six months of issuance	0	0

GLOSSARY

The following definitions apply to the terms used in this report.

Questioned cost	means a cost that is questioned because of: (1) an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; (2) a finding that, at the time of the audit, such cost is not supported by adequate documentation; or (3) a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.
Unsupported cost	means a cost that is questioned because at the time of the audit, such cost is not supported by adequate documentation.
Disallowed cost	means a questioned cost that management, in a management decision, has sustained or agreed should not be charged to the Government.
Recommendations that funds be put to better use	means a recommendation that funds could be used more efficiently if management of an establishment took actions to implement and complete the recommendation, including: (1) reduction in outlays; (2) deobligation of funds from programs or operations; (3) withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds; (4) costs not incurred by implementing recommended improvements related to the operations of the establishment, a contractor or grantee; (5) avoidance of unnecessary expenditures noted in preaward reviews of contract or grant agreements; or (6) any other savings which are specifically identified.

OIG Points of Contact

Phone	202-205-2210	Hotline:
Fax	202-205-1859	1-800-500-0333
OIG internet	www.usitc.gov/oig	OIGHotline@usitc.gov