INSPECTOR GENERAL

IG-T-090

UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, D.C. 20436

December 24, 1996

MEMORANDUM

TO: Chairman

FROM: Inspector General Janet Altenhofen

SUBJECT: Inspection Report No. 1-97: Review of USITC's Compliance with the Federal Managers' Financial Integrity Act of 1982

The Federal Managers' Financial Integrity Act of 1982 (the Act hereafter) requires executive agencies to establish internal accounting and administrative controls in accordance with the Comptroller General's standards and related requirements. The Act further requires that agency heads submit an annual statement to the President and the Congress on the adequacy of internal controls and actions taken to correct weaknesses identified. The Commission, which is not defined as an executive agency according to the Office of General Counsel, has elected to comply with the Act since its inception.

The Office of Management and Budget issued a revised Circular A-123, Management Accountability and Control, on June 29, 1995. The revised Circular finalizes earlier unofficial guidance significantly simplifying the internal control review process. Commission Directive 1601.3, Internal Control Reporting Requirements, was revised based on the unofficial guidance and issued in June 1994. The Directive implements a system consistent with the guidance in the final Circular that the annual assessment of management controls should not be process oriented, but rather be based on management knowledge gained from daily operations.

The Inspector General is to report annually to the Chairman on the adequacy of the Commission's review of internal controls. I reviewed and evaluated the Commission's compliance with the Act and applicable guidelines for the fiscal year ended September 30, 1996, the letters of assurance submitted by Commission office directors, and the analysis of the financial systems (other than the property section).

The Commission's report by the Internal Control Officer identifies no material internal control weaknesses for fiscal year 1996. I agree with his assessment that the budgeting core activity does not constitute an internal control weakness and that the weaknesses in the print plant and property management system are nonmaterial weaknesses.

Concerning property management, the Internal Control Officer attributed the problem to the current system in which the Office of Information Services (OIS) installs and transfers computer equipment and the Property Management Officer (PMO), the Director of Management Services tracks the property. OIS attributed the problem to the failure of office directors to complete a form 110 when losing a computer, a responsibility they have as accountable officers. The PMO has no authority to prevent the transfer of equipment if the paperwork is not completed. In Inspection Report 2-96, Verification of August 1995 Property Inventory, dated October 5, 1995, we identified this same problem with accountable officers. The extent that equipment cannot be located is undetermined as the annual property inventory was not conducted in January 1996; a quarterly verification was begun in June 1996, but the process was apparently not completed.

The planned action is to determine where the authority, responsibility and resources should be for property management. This issue has been discussed previously. OIS could be designated the accountable officer for all computer equipment; to assign responsibility for noncomputer equipment and fixed assets to OIS would be inappropriate. Another possibility would be for OIS to adopt a policy that requests for equipment transfers must be submitted on a form 110. We believe an appropriate action, as suggested in the above cited Inspection Report, is that accountable officers and the PMO should be held accountable for fulfilling their responsibilities or that the Commission decide to not control computer equipment.

We identified additional nonmaterial weaknesses for fiscal year 1996, as follows:

Security. Needed improvements in building security and the Local Area Network were begun in fiscal year 1996, but all actions have not been completed. Additional conditions observed during the year are that employees and visitors do not consistently wear identity cards as required and retirees are given identity cards that give them virtually the same access as that provided to employees.

Privacy Act Information. The Commission notice for Privacy Act systems of records is significantly out of date and inaccurate. Further, some Commission forms requesting Privacy Act information do not include a required notice. The Commission had not clearly assigned or established the responsibilities of the Privacy Act Officer; the Officer was subsequently designated, and the responsibilities will be set forth in an appropriate document.

Debt Collection. Although the Commission routinely offsets an employee's salary for debts owed to the government or others, it has not promulgated debt collection regulations required in order to take this action.

Cash Management. Checks submitted by employees for debts owed to the government were not deposited in a timely manner because checks are not sent directly to the Office of Finance and Budget upon receipt.

Telephone Policy. The Commission does not collect for unauthorized phone calls in accordance with Federal regulations.

Time and Attendance. The Commission moved to a new payroll system in fiscal year 1996. The new system has some capabilities that allow time to be recorded in a manner inconsistent with Commission policy. For instance, Commission policy is to record leave in whole hours, but some timekeepers record leave in lesser amounts.

Drug Free Workplace. The Commission has not conducted random drug testing for two years, as required by Commission policy.

I found that the evaluation of the system of internal accounting and administrative control, as described in USITC Internal Control Reporting Requirements, has been carried out in a reasonable and prudent manner in the Commission for the fiscal year ended September 30, 1996. During the review, nothing came to my attention that would indicate that the Commission did not substantially comply with the above-mentioned guidelines. However, we believe that this process is not very effective as evidenced by the nonmaterial weaknesses that we identified, versus those identified by the office directors. This effort is basically a summation of the internal control weaknesses identified by the Office of Inspector General (OIG) during the year. As the Commission sees a summary of the OIG findings every six months, this seems to be a superfluous effort. The Commission voluntarily complies with this Act in submitting an annual report. We suggest that the Commission review the decision to voluntarily comply with the Act considering the effort involved and the results reported.

The Director of Administration reviewed a draft of this report. His comments were incorporated as appropriate.

The above procedures constitute an inspection made in accordance with the President's Council on Integrity and Efficiency's Standards for Inspections.

If you have any questions, please contact me on 205-2210.

cc: Commission
Director, Office of Administration