United States International Trade Commission

AGENCY FINANCIAL REPORT

Fiscal Year 2013

CONTENTS

MESSAGE FROM THE CHAIRMAN

I am pleased to transmit the *FY 2013 Agency Financial Report* for the United States International Trade Commission. This report documents the Commission's programmatic and financial performance for the year, and discusses our accomplishments and challenges.

The Commission has three important mandates: (1) to administer U.S. trade remedy laws in a fair and objective manner; (2) to provide the President, the United States Trade Representative, and the Congress with independent analysis, information, and support on matters relating to tariffs, international trade, and U.S. competitiveness; and (3) to maintain the Harmonized Tariff Schedule of the United States. In doing so, the Commission contributes to the development of sound and informed U.S. trade policy. The Commission carries out these mandates primarily through its import injury investigations, intellectual property-based import investigations, industry and economic analysis program, tariff and trade information services, and trade policy support. Strategic goals and strategies are reviewed annually and are designed to promote the mission of the agency.

Program Accomplishments

I would like to highlight the following noteworthy accomplishments for the past year.

The Commission made substantial progress toward its strategic and management goals during FY 2013 by meeting or exceeding the majority of its annual targets for these goals and improving agency performance in other areas. During the year, the agency instituted 86 new investigations and completed 105 investigations. Intellectual property-based import investigations accounted for the majority of investigations during the year.

The Commission's intellectual property-based import investigations and import injury investigations serve the national economic interests of the United States and support a rules-based international trading system by pro¬ducing technically sound determinations and providing effective relief when it is warranted. The Commission has maintained the high quality of its investigations and adjusted to growth in its workload in recent years by adjusting resources within the agency.

The Commission supports sound and informed trade policy formulation by providing the U.S. Trade Repre¬sentative and Congress with high quality investigations and technical support. These investigations cover a wide range of topics and help fill critical information gaps for policy makers. Examples of investigations completed during the year include factors affecting the competitiveness of U.S. olive oil producers, digital trade in the U.S. and global economies, U.S. exports of used electronic products, and renewable energy and related services. In addition, the agency published the 2013 Harmonized Tariff Schedule, along with updates. . Agency staff also provided various types of technical assistance to congressional and executive branch staff throughout the year.

The Commission made steady progress on its management goals during FY 2013. The goals cover human resources, acquisitions, financial management, and information technology. The agency also made significant progress on strengthening strategic planning and overall performance management and continued its efforts to improve its internal controls and business processes, both in administrative and program offices.

FY 2013 Agency Financial Report

The Commission's FY 2013 financial statement audit resulted in an unqualified opinion by the independent accounting firm Castro & Company, LLC, monitored by the Inspector General. The Commission was able to sustain an unqualified opinion as it transforms how it accounts for and reports on its financial operations. The Commission's work is consistent with the provisions of the Federal Managers' Financial Integrity Act of 1982 (FMFIA) and while the Commission is exempt from the requirements of the Federal Financial Management Improvement Act of 1996 (FFMIA), it has complied with the spirit and key provisions of this statute.

I am providing a qualified statement of assurance that the internal controls over operations meet the objectives of FMFIA as of September 30, 2013 with the exception of a 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, 2013 the internal controls over financial reporting were in compliance with FMFIA and OMB Circular A-123, *Management's Responsibility for Internal Control, 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, 2013, 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 Office of Management and Budget guidance. The Commission continues to refine the financial management structure. Most notably, the Commission created an Internal Control Program Manager position and recruited a highly talented individual to implement and manage the Commission's Internal Control Program to ensure compliance with OMB A-123 and move the Commission towards more efficient and effective processes. This step will help to resolve the remaining financial management challenges and place the Commission on a sound path to achieving accountability over its assets.

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

Irving A. Williamson
December 13, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

The United States International Trade Commission (Commission or USITC) FY 2013 Agency Financial Report (AFR) presents the results of the Commission's program and financial performance and demonstrates to the Congress, the President, 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 has chosen to produce an AFR and Annual Performance Report (APR). The USITC will issue its FY 2013 Annual Performance Report when it issues its Congressional Budget Justification in February 2014.

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 U.S. 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 investigates, generally at the request of private sector parties, the effects of dumped and subsidized imports on domestic industries and conducts global safeguard investigations. The USITC also adjudicates cases involving imports that allegedly infringe intellectual property rights. Through such proceedings, the agency supports a rules-based international trading system. The Commission also serves as a federal resource where trade data and other trade policy-related information are gathered and analyzed. The information and analyses are provided largely to the President, the Office of the United States Trade Representative (USTR), and Congress, to facilitate the development of sound and informed U.S. trade policy. The Commission makes most of its information and analysis available through its website to the public to promote a better understanding of international trade issues.

MISSION

The mission of the Commission is to:

- Administer U.S. trade remedy laws within its mandate in a fair and objective manner;
- Provide the President, USTR, and Congress with independent quality analysis, information, and support on matters relating to tariffs and international trade and competitiveness; and
- Maintain the Harmonized Tariff Schedule of the United States (HTS).

In doing so, the Commission serves the public by implementing U.S. law and contributing to the development of sound and informed U.S. trade policy.

ORGANIZATION

Commissioners

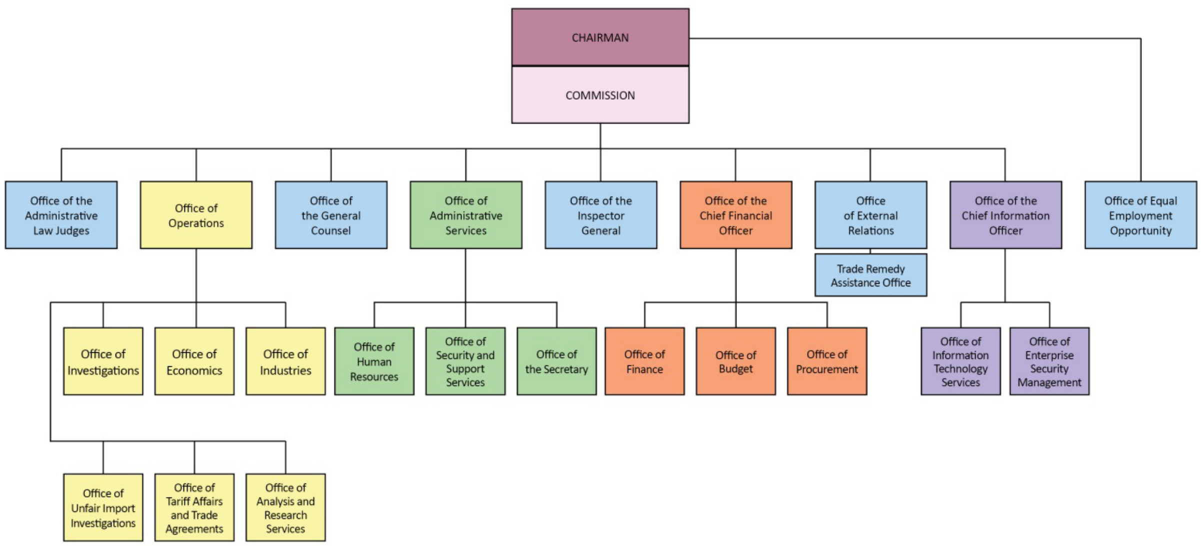
The USITC is headed by six Commissioners, nominated by the President and confirmed by the U.S. Senate. Commissioner Irving A. Williamson, a Democrat, is serving as Chairman of the USITC for the term expiring June 16, 2014. As of the date of issuance of this report, the Commission has no Vice Chairman. Commissioners serving at the end of the fiscal year are, in order of seniority, Shara L. Aranoff, Dean A. Pinkert, David S. Johanson, Meredith M. Broadbent, and F. Scott Kieff.

Each of the six Commissioners serves a term of nine years, unless appointed to fill an unexpired term. The terms are set by statute[1] and are staggered so that a different term expires every 18 months. A Commissioner who has

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

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 and qualified. 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 the Chairman and Vice Chairman. Currently three Democrats and three Republicans serve as Commissioners.

Office-Level Organizational Chart



USITC Staff

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

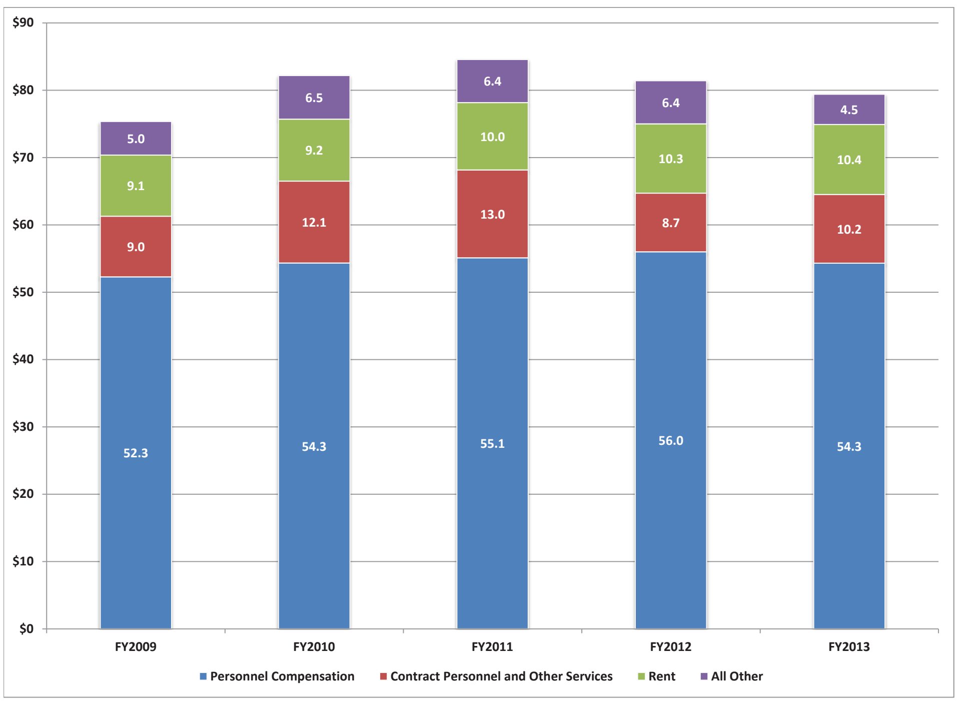
- Office of Operations (OP), and its subordinate Offices of Investigations (INV), Industries (IND), Economics (EC), Tariff Affairs and Trade Agreements (TATA), Unfair Import Investigations (OUII), and Analysis and Research Services (OARS);
- Office of the Administrative Law Judges (OALJ);
- Office of the General Counsel (GC);
- Office of External Relations (ER), which also includes 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), and its subordinate Offices of Enterprise Security Management (ESM) and Information Technology Services (ITS);

- 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 (IG); and
- Office of Equal Employment Opportunity (EEO).

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

RESOURCES

The Commission has received "no year" appropriations for operations since FY 1993. For FY 2013, the Commission obligated a total of $80.1 million; $54.3 million or 68.4 percent was obligated for all employees to include permanent, temporary, and term (figure 1). Rental for occupied space amounted to $10.4 million or 13.1 percent. Contract services obligated was $10.2 million or 12.8 percent and primarily supported network operations. All Other was composed primarily of equipment, supplies, and leasehold improvements that amounted to $4.5 million or 5.7 percent.



Source: USITC Budget Justification Summary FY 2008-2013, Analysis of Change: Obligations.

Performance Goals, Objectives, and Results

The Commission develops annual performance measures and uses the results to evaluate its performance in order 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 2013.

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 (2010 Act). The Strategic Plan establishes strategic 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 Strategic Plan. The Commission's Budget Justification includes its Annual Performance Plan for that year. The Annual Performance Report provides a detailed review of agency performance.

The Performance Plan for FY 2013 set out annual measures that correspond to the broader strategic goals, performance goals, and strategies identified in the Strategic Plan. The FY 2013 Budget Justification describes the operational processes, skills, and technology, as well as the information and other resources required to meet the performance goals.

During FY 2013, the Commission continued to align its planning and reporting with the new reporting requirements laid out in the 2010 Act. In particular, the agency completed a draft of its Strategic Plan for FY 2014–2018, and corresponding Annual Performance Plan for FY 2014–2015. Both documents reflect contributions from staff throughout the agency. The Commission is seeking feedback on its new Strategic Plan from its legislative and executive branch customers, as well as the public. The Strategic Plan and Annual Performance Plans are scheduled to be issued in February 2014.

The FY 2013 and FY 2014 Performance Plan, issued in April 2013, provided specific annual measures and targets for the agency's strategic and management goals. The Commission also conducted a review of the reports it prepares for Congress to determine whether any of them should be identified as outdated or duplicative and identified low-priority program activities. The Commission continued to implement recommendations stemming from internal reviews of both its administrative activities and its functions related to intellectual property-based import investigations.

Human capital and information technology are essential to fulfilling the Commission's mission. The agency regularly updates its Strategic Human Capital Plan, which identifies programs and activities that will further agency efforts to develop and maintain a workforce with the requisite knowledge and skills to fulfill its mission over the long term. The Commission implemented an updated Strategic Human Capital Plan during FY 2010–2011 and completed revisions in FY 2013 to adjust to anticipated funding constraints and changing operational requirements.

The Commission developed a new Information Technology (IT) Strategic Plan, in accordance with the Information Technology Management Reform Act of 1996 (Clinger-Cohen Act) and the Paperwork Reduction Act of 1995 in FY 2012. The Commission's IT Strategic Plan for FY 2012–2016 contains goals and performance measures that relate to or integrate government-wide initiatives and requirements with the Commission's Strategic Goals.

STRATEGIC OPERATIONS AND GOALS

Although the Commission has one program activity set forth in the Budget of the United States, the Commission's Strategic Plan for FY 2009–2014 identifies five strategic Operations and sets strategic goals for each operation as shown below. These Operations reflect the mission and mandates of the Commission, highlighting the benefits that the Commission provides in supporting an open trading system based on the rule of law and the economic interests of the United States. For each strategic goal, the Strategic Plan identifies performance goals, and strategies to meet these goals. The Commission's Annual Performance Plans set forth annual measures and targets by which the agency can assess whether it is making progress toward achieving its performance goals.

Strategic Operation	Strategic Goal
1. Import Injury Investigations	1. Support a rules-based international trading system by producing high-quality and timely import injury determinations based on the following— • an effective exchange of information between the Commission and interested parties • an appropriate investigative record, and • transparent, fair, and equitably implemented procedures
2. Intellectual Property-based Import Investigations	2. Conduct intellectual property-based import investigations in an expeditious, technically sound, and transparent manner, and provide for effective relief when relief is warranted, to support a rules-based international trading system
3. Industry and Economic Analysis	3. Enhance the quality and timeliness of its industry and economic analysis to support sound and informed trade policy formulation
4. Tariff and Trade Information Services	4. Improve the availability of and access to high-quality and up-to-date tariff and international trade information and technical expertise to support the executive and legislative branches, the broader trade community, and the public
5. Trade Policy Support	5. Provide enhanced support to the development of well-informed U.S. international trade policy by quickly responding to executive and legislative branch policymakers' needs for technical support, data, and analysis

MANAGEMENT GOALS

The Commission set four management goals for FY 2013. They are—

- Improve effectiveness and efficiency of hiring practices
- Improve effectiveness and efficiency of acquisitions
- Improve financial management controls
- Use information technology to support productivity gains

SUMMARY OF PERFORMANCE RESULTS

The Commission made substantial progress toward its strategic and management goals during FY 2013 by meeting or exceeding the majority of the annual targets that it established for these goals. During FY 2013 the Commission continued to focus many of its performance goals and measures on the timeliness of its determinations and reports, improvements in the effectiveness of its information collection, improvements in its analytical capabilities, and enhancing communication with and outreach to its customers and the general public. Highlights for each strategic and management goal follow.

Import Injury Investigations

Strategic Goal 1: *Support a rules-based international trading system by producing high-quality and timely import injury determinations based on the following—*

- *an effective exchange of information between the Commission and interested parties*
- *an appropriate investigative record, and*
- *transparent, fair, and equitably implemented procedures*

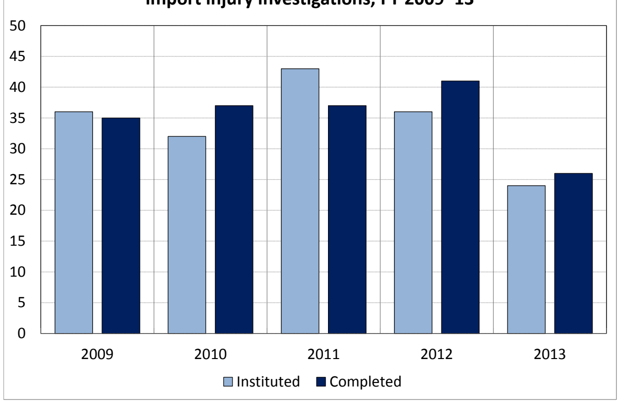
The Commission conducts investigations into the effects on a U.S. industry of unfairly traded imports or an increase in imports and participates in appellate litigation to defend Commission decisions. These proceedings include the following:

- Antidumping and Countervailing Duty (AD/CVD) investigations, five-year (sunset) reviews, and changed circumstances reviews
- global and country-specific safeguard investigations and market disruption investigations
- safeguard investigations under various statutes implementing free trade agreements
- World Trade Organization (WTO) consistency proceedings requested by the U.S. Trade Representative (USTR)

The Commission's work on these investigations ensures that each import injury determination is based on an appropriate investigative record and made within the time limit mandated by statute, and that all procedures are transparent and fair.

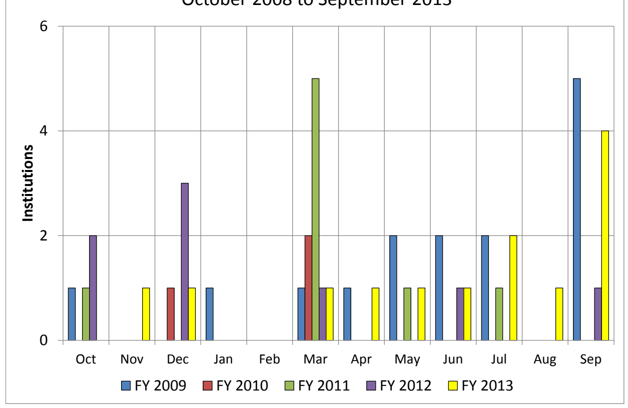
During FY 2013, the Commission met or made significant progress on all of the annual targets associated with this strategic goal. The agency met all of its statutory deadlines. In terms of volume, the Commission's overall caseload level was somewhat lower than the general level of the previous four years (figure 2). However, the pattern of filings continues to be uneven (figure 3) and has made meeting deadlines a challenge.

Figure 2 Institutions and completions of import injury investigations, FY 2009–13



Source: Office of Investigations

Figure 3 New AD/CVD petitions, by filing date, October 2008 to September 2013



Source: Office of Investigations

Much of the information supporting these investigations is proprietary and is supplied by firms involved in these matters. The Commission continued to make significant progress during the year on its effort to collect information electronically, with the goal of offering companies a more efficient way to give the agency information in import injury proceedings and improving data processing efficiency for staff. The ongoing efforts to shift to electronic collection of information should ultimately generate cost savings for the Commission and investigation participants by reducing submission and processing times.

Although the Commission planned to issue a customer feedback survey, it delayed issuance until FY 2014. This is one of a number of customer feedback surveys pertaining to selected agency-wide operations that the Commission plans to issue during FY 2014. The Commission has used such surveys in past years in its efforts to improve the efficiency and effectiveness of its rules and procedures.

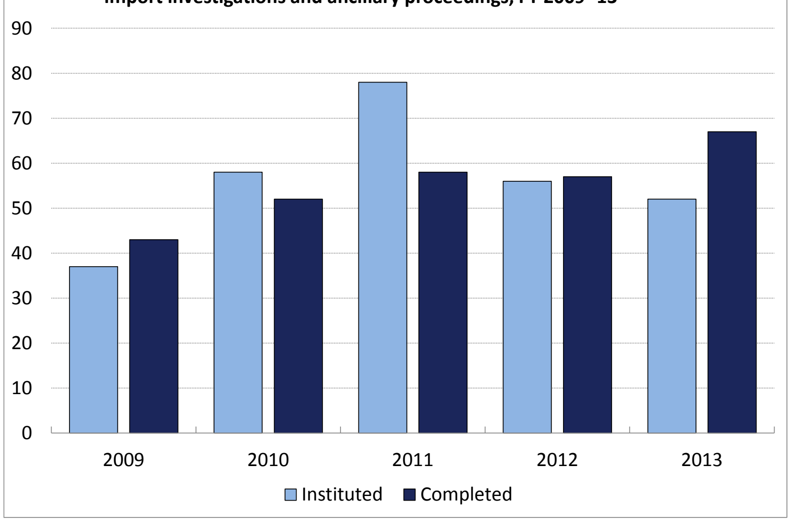
Commission efforts to provide information to its customers were successful in several areas. The agency continued to exceed the targets it set for making information available on its electronic docket information system (EDIS). As in FY 2012, documents filed on EDIS for both import injury and intellectual property-based import investigations were available well within the established timeframes. Ready access to documents is important both to agency staff and to parties to the investigations. In addition, Commission staff outreach to industry groups continued throughout the year.

Intellectual Property-based Import Investigations

Strategic Goal 2: *Conduct intellectual property-based import investigations in an expeditious, technically sound, and transparent manner, and provide for effective relief when relief is warranted, to support a rules-based international trading system*

The Commission investigates alleged unfair methods of competition and unfair acts in the importation of articles into the United States, or in their sale. These section 337 investigations usually involve allegations relating to infringement of U.S. patents and trademarks. If the Commission finds a violation, it may issue an exclusion order barring the imported product from entry into the United States, and it may also direct a respondent to cease and desist from engaging in the unfair practices at issue. The President may, for policy reasons and typically following interagency review, disapprove Commission exclusion and/or cease and desist orders within 60 days of their issuance. Commission determinations may be appealed to the U.S. Court of Appeals for the Federal Circuit.

Figure 4 Institutions and completions of intellectual property-based import investigations and ancillary proceedings, FY 2009–13



Source: Office of Unfair Import Investigations

Although the number of new investigations instituted by the Commission in FY 2013 has leveled off, investigative activity remains at or above the average for the last five years.[2] Moreover, these investigations have grown more complex, due to the number of patents, respondents, and claims, as well as increasing focus on public interest and domestic industry issues. Figure 4 shows investigative activity over the past five years.

The sustained high level of investigative activity in this area has made it difficult for the Commission to fully meet all of its annual targets. In particular, the Commission did not fully meet targets concerning investigative time frames as it continued to work through filings it received in FY 2012.

In recent years, the Commission has redirected resources to address its burgeoning caseload. It undertook a comprehensive review of this Operation during FY 2009–10. The Commission determined, after completion of the review, that achieving the Commission's goals of adjudicating section 337 matters in an efficient, expeditious, technically sound, and transparent manner requires a balance of funding for all offices involved in these matters. As a result, the Commission adjusted the extent to which the Office of Unfair Import Investigations participates in section 337 investigations, in order to maximize that office's contribution within existing resources. It increased the number of Administrative Law Judges (ALJs), as well as attorneys in the Office of the ALJs and the Office of the General Counsel. The agency built a new courtroom in FY 2012 and began using it in early FY 2013.

The Commission also continued to expand its roster of mediators for its section 337 mediation program during FY 2013 and began pilot programs concerning e-discovery case management and the early disposition of certain section 337 investigations during the year. The Commission expects that these actions will contribute to its goal of concluding investigations expeditiously.

The Commission partially met targets associated with its efforts to facilitate the enforcement of exclusion orders during FY 2013; it deferred a feedback survey scheduled for FY 2013 to FY 2014. It also met targets related to improving the information the agency provides to investigation participants and the public. Specifically, outreach efforts and targets set for making information available via EDIS were exceeded.

The Commission regularly seeks feedback from firms involved in Operation 2 investigations and modifies its rules and procedures, as appropriate. The agency began conducting a survey during FY 2012 to help it assess whether its realignment of Operation 2 resources has been effective. This survey will continue during FY 2014.

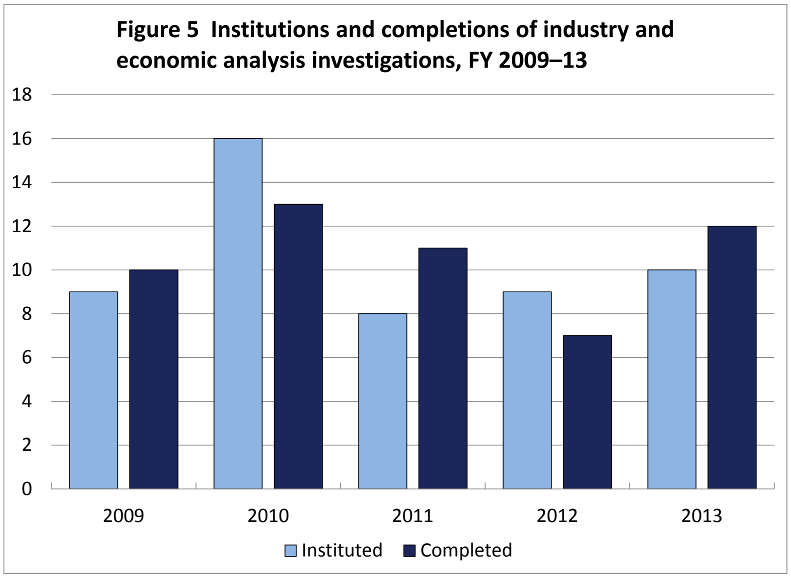
Industry and Economic Analysis

Strategic Goal 3: *Enhance the quality and timeliness of its industry and economic analysis to support sound and informed trade policy formulation*

The Commission's industry and economic analysis provides policymakers in the legislative and executive branches with insightful, independent, and objective information as they evaluate policy options. As a globally recognized leader in the analysis of international trade and industry competitiveness, the Commission provides

2 The average level of institutions for the five year period was 56; completions, 55. In contrast, from 2000–09, new investigations averaged 26 per year.

its customers with high-quality analysis that is both timely and relevant to U.S. trade policy. Figure 4 shows the volume of non-recurring investigations over the past five fiscal years.[3]



Source: Office of Industries, Office of Economics

Industry and Economic Analysis investigations differ significantly in terms of duration, scope, and complexity. In FY 2013, the Commission completed or was conducting investigations on a wide range of new and complex topics that provided unique information and analysis that helped fill critical information gaps for policy makers. Examples include factors affecting the competitiveness of U.S. olive oil producers, digital trade in the U.S. and global economies, U.S. exports of used electronic products, and renewable energy and related services.

The Commission invests in its staff to ensure that they have the relevant industry and economic expertise and continues to develop analytical tools and data resources. These investments allow the agency to quickly respond to changing policy interests and customer needs. The resources developed for this strategic goal are also integral to investigative and other activities that contribute to Strategic Goals 1, 4, and 5.

The agency's efforts in recent years to improve data collection methods through the application of electronic information gathering and manipulation tools have generated efficiencies for survey respondents and Commission staff. The Commission continues to leverage the knowledge gained through these investigations to advance electronic information collection and processing for import injury investigations.

The Commission met the annual targets it set for FY 2013. The agency issued all of its reports to its customers on time. It continued its efforts to improve its communications with its legislative and executive branch customers and to provide them with reports that fulfilled their requirements and were useful inputs into their trade policy analysis or deliberations.

The Commission also met the targets it set concerning its goal to strengthen its analytical capabilities. Of note, the agency improved its capability to assess the impact of non-tariff measures and foreign direct investment,

3 The Commission conducts a number of other statutory investigations on an annual or biennial basis.

continued to focus research on emerging markets, continued to develop unique data and strengthen knowledge regarding global supply chains, and extended its research concerning environmental technologies and services and the links between competitiveness and regulation. These efforts relate to areas of growing interest to U.S. policy officials and have been incorporated to varying degrees in the agency's customer-requested work.

Tariff and Trade Information Services

Strategic Goal 4: *Improve the availability of and access to high-quality and up-to-date tariff and international trade information and technical expertise to support the executive and legislative branches, the broader trade community, and the public*

Tariff and trade information services include maintenance and publication of the HTS, preparation of legislative reports and draft legislation for the Congress, drafting of proclamation annexes to implement trade agreements negotiated by USTR, maintenance of the online Interactive Tariff and Trade DataWeb (DataWeb), and management of Commission trade databases. Services also include contributions to the development of the interagency International Trade Data System (ITDS), maintenance of U.S. commitments under Schedule XX of the General Agreement on Tariffs and Trade/World Trade Organization (GATT/WTO), preparation of the electronic database that supports U.S. submissions to the WTO Integrated Database, and related information gathering, processing, and dissemination activities. Commission staff serve on the U.S. Delegation to the HS-related committees at the World Customs Organization (WCO). A member of the Commission's staff also chairs the interagency 484(f) Committee.

FY 2013 performance goals and targets established for Operation 4 concern providing accurate and timely tariff and trade information and technical services to customers and the public. The Commission met the majority of the targets it set for FY 2013. Revisions to the HTS were posted to the agency's website within targeted timeframes through the third quarter; delays in posting subsequent revisions occurred in the fourth quarter.

In FY 2013, the Commission began to redesign the process it employs for maintaining the HTS. The project, originally scheduled for completion in FY 2013, was delayed because of funding uncertainty. The Commission anticipates that the project, which will result in a unified database capable of generating both the official HTS and various ancillary products, will be completed in the first half of FY 2014. The Commission expects that this effort will lead to production efficiencies when it is completed.

Trade Policy Support

Strategic Goal 5: *Provide enhanced support to the development of well-informed U.S. international trade policy by quickly responding to executive and legislative branch policymakers' needs for technical support, data, and analysis*

The Commission provides trade policymakers with technical expertise, accurate data and information, and objective analysis on international trade and competitiveness issues in order to support the development of well-informed U.S. international trade policy. The Commission's ability to provide prompt responses to requests for trade policy support from both the legislative and executive branches complements and draws upon work in other strategic Operations, most notably Industry and Economic Analysis and Tariff and Trade Information Services. The Commission is a non-voting member of the interagency Trade Policy Staff Committee (TPSC), and its staff participates in various TPSC subcommittees.

During FY 2013 the Commission focused its efforts on giving policy makers timely and responsive staff technical assistance and improving its outreach efforts in this area. The agency met three of the five targets it set for the year and made significant progress on the others.

The Commission met its target regarding responding to requests it received in FY 2013. The agency also met its target regarding deadlines for responses to letters from Congress. During FY 2012, the Commission began implementing an automated system for tracking technical assistance requests, which it refined in FY 2012. Full use of the system was deferred until FY 2014. This system is one piece in a broader agency effort to create more unified methods of collecting, maintaining, and reporting performance information to support performance management efforts. The Commission made progress but did not fully reach its target pertaining to enhancing electronic delivery of national security classified products. The Commission expects to reach this target in FY 2014.

The Commission uses outreach and feedback on its technical assistance efforts both to improve the quality of those products and as a means of gauging which trade policy issues are likely to be of interest to policy makers going forward. Commission efforts to continue outreach to new congressional staff and receive regular feedback from executive branch staff met with mixed success. Feedback from executive branch staff was requested but not consistently provided; new trade committee staff were contacted and briefings offered.

Management Goals

The Commission set management goals for FY 2013 covering human resources, acquisitions, financial management, and information technology. Many of the annual targets set for these goals involved improving performance over baselines the agency established in FY 2012. The Commission met the majority of its FY 2013 targets.

Management Goal 1: *Improve effectiveness and efficiency of hiring practices*

The Commission is committed to hiring and retaining the most talented workforce possible 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 decrease processing time for hiring actions, improve satisfaction with agency hiring practices and employee development and training, and improve documentation pertaining to hiring activities.

The Commission established a baseline for accuracy of hiring records in FY 2012. During FY 2013, the agency began reviewing these records, thereby improving internal controls. Although these procedural changes make comparisons to the baseline difficult, the procedural changes contributed to improvement in overall accuracy for the year.

To make progress on implementing OPM's 80 day hiring model, the Commission developed a database to document hiring milestones. The Commission established a baseline for the time to issue certified candidates to selecting officials, an important component of the hiring process in October 2012. Although the agency made progress during the year, one of the difficulties encountered during the year concerned establishing consistent initiation dates. This inconsistency contributed to the agency not meeting its FY 2013 target.

Agency efforts to improve satisfaction with hiring practices and employee development did not result in sufficient improvements over the FY 2012 baseline. The Commission implemented a number of improvements to its hiring process as well as a training plan during FY 2013, and will continue to focus on these areas during FY 2014.

Management Goal 2: *Improve effectiveness and efficiency of acquisitions*

In FY 2013, the Commission met annual targets to improve the effectiveness and efficiency of acquisitions. Ninety six percent of procurement actions were completed within procurement action lead times; stakeholder satisfaction exceeded targets, and all open procurement files were reviewed during the fiscal year. In addition, the Commission exceeded most socioeconomic goals set for federal agencies by contracting with small and other traditionally disadvantaged businesses.

Management Goal 3: *Improve financial management controls*

As part of its ongoing initiative to improve financial management controls, the Commission is working to better ensure the timeliness and utility of internally distributed financial information, mitigate material weaknesses, and improve internal controls. In FY 2013, the Commission met all of its annual targets. The Commission implemented an internal financial information distribution system to improve access to financial information. The system allows Commission managers to access their budget information from a centralized location and within a defined time frame. In addition, the Commission mitigated material weaknesses identified by the agency's Inspector General in previous years. The Commission refined numerous financial workflow processes and substantially strengthened its internal controls. The Commission will continue to refine its processes to improve the utility of and ensure accuracy, accountability, and transparency regarding financial information.

Management Goal 4: *Use information technology to support productivity gains*

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. In FY 2013, the Commission met the majority of the annual information technology targets. The agency established initial operating capacity at its disaster recovery site and met its records management, system availability, and cybersecurity targets. Although full implementation of the new HTS database did not occur in FY 2013, the agency made steady progress on the project and expects the system to be fully operational in FY 2014. Funding constraints slowed development efforts on other systems that would enhance productivity. In terms of stakeholder feedback, the majority of responses to the annual survey reported general satisfaction with available information technology services.

REVIEWS AND EVALUATIONS

The Commission began the practice of gathering performance data and reporting performance results internally on a quarterly basis during FY 2010 and substantially strengthened the process in FY 2013. For each strategic or management goal, a senior agency manager serves as Goal Leader. Under the general oversight of the Agency Performance and Strategic Planning Committee and the Executive Management Council, the Goal Leaders, Responsible Officials, and staff supplying the data are responsible for verification and validation. The Commission believes that the performance data highlighted in this report are complete and reliable.

Pursuant to the GPRA and the 2010 Act, the Commission conducts program evaluations to improve its plans and operations. The Strategic Plan for FY 2009–2014 and the FY 2011 Performance Plan identified the review of programs and procedures as part of the Commission's strategy for meeting the performance goals set for several strategic Operations.

The Commission did not undertake any comprehensive reviews during FY 2013, but continued a long term project that is assessing agency business practices. The Commission will use the information generated by this effort as a baseline on which it can assess process improvements.

The agency continued to assess the effectiveness of organizational and procedural changes it made in previous fiscal years related to two areas of its operations: intellectual property-based import investigations and its administrative offices. In particular, the agency continues to evaluate the effectiveness of its reallocation of resources devoted to intellectual property investigations and continues to seek feedback from internal and external stakeholders.

The Commission also began to assess two pilot programs related to the early disposition of section 337 investigations and e-discovery case management. Both programs are designed to reduce the length and improve the efficiency of section 337 investigations. This assessment will continue in FY 2014.

Management Assurances

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

The FMFIA requires agencies to annually assess and report on the internal controls that protect the integrity of federal programs (FMFIA Section 2) and whether financial management systems conform to related requirements (FMFIA Section 4). The law requires the head of the agency, based on the agency's internal evaluation, to provide an annual Statement of Assurance on the effectiveness of their management, administrative, and financial controls. Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Internal Control*, implements the FMFIA and defines management's responsibility for internal control in Federal agencies.

The Chairman's FMFIA assurance statement is primarily based on individual assurance statements from component and assessable unit directors. The individual statements assessed internal controls related to the effectiveness of the controls over programs and operations, financial reporting, and compliance with laws and regulations based on internal control assessments, as well as Office of the Inspector General (OIG) reviews, audits, and evaluations.

FMFIA Section 2 requires agencies to establish internal controls and financial systems which provide reasonable assurance that the following objectives are achieved:

- Effective and efficient operations;
- Compliance with applicable laws and regulations; and
- Reliability of financial reporting.

The results of these statements were considered with other sources of information when determining whether any management control weaknesses, deficiencies or non-conformances needed to be reported in the annual assurance statement. Other information sources included, but were not limited to, the following:

- An entity-level control assessment;
- Internal management reviews, self-assessments, and tests of internal controls;
- Management's personal knowledge gained from daily operations;
- Reports from the OIG and external oversight agencies; and
- Annual performance plans and reports pursuant to the Federal Information Security Management Act (FISMA).

FMFIA Section 4 requires that agencies annually evaluate and report on whether financial management systems conform to government-wide requirements. The Commission evaluated the Statement on Standards for Attestation Engagements (SSAE) 16, *Reporting on Controls at the Service Organization* received from the Department of the Interior's (DOI), Interior Business Center (IBC) who is the Commission's financial management shared services provider for financial and payroll systems.

Appendix A of OMB Circular A-123 calls for the agency head to provide a separate statement of assurance on the effectiveness of internal control over financial reporting, in addition to the overall FMFIA assurance statement. The Commission assessed internal control at the entity-level, process, and transaction level.

The effectiveness of process level controls was assessed through detailed test procedures related to the agency's financial reporting objectives. As part of this effort, the agency performed a review of:

- Significant financial reports;
- Significant line items and accounts;
- Transactions;
- Reporting and regulatory requirements; and
- Existing deficiencies and corrective action plans.

The Government Charge Card Abuse Prevention Act of 2012 requires establishing and maintaining safeguards and internal controls for the charge card program. The Commission assessed the charge card program as directed by the guidance provided in OMB Circular A-123 Appendix B, OMB Memorandum M-12-12 *Promoting Efficient Spending to Support Agency Operations*, and OMB Memorandum M-13-21 *Implementation of the Government Charge Card Abuse Prevention Act of 2012*.

The effectiveness of the Commission's charge card program was assessed through issuance, implementation, and monitoring of new policies and procedures for the charge card program established by the Office of the Chief Financial Officer and a purchase card evaluation performed by the Office of Inspector General.

Chairman's Statement of Assurance

STATEMENT OF QUALIFIED ASSURANCE

I am pleased to report on the effectiveness of the internal controls for the U.S. International Trade Commission (USITC). Management is responsible for establishing and maintaining effective internal controls that meet the objectives of the Federal Manager's Financial Integrity Act of 1982 (FMFIA), Sections 2 and 4.

The USITC conducted its annual assessment of the effectiveness of internal control to support effective and efficient programmatic operations and compliance with applicable laws and regulations in accordance with the Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Internal Control.*

Based on the results of this assessment, the USITC can provide a qualified statement of assurance that its internal controls over operations meet the objectives of FMFIA, as of September 30, 2013, with the exception of a material weakness. The Commission recognized that a security risk exists in one of the agency's programs as it relates to compliance with the Federal Information Security Management Act (FISMA) and thus a material weakness was identified. Management discussed this weakness, developed a corrective action plan, and is monitoring implementation of the plan in order to eliminate this weakness by the end of FY2014.

The USITC can provide reasonable assurance that it is fully compliant with Section 4 (Financial Systems) of FMFIA. The Commission uses a federal shared services provider, the Department of Interior's (DOI), Interior Business Center (IBC), for financial systems.

In addition, the USITC conducted its assessment of the effectiveness of internal control over financial reporting, which includes 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 USITC can provide reasonable assurance that as of June 30, 2013, its internal control over financial reporting was operating effectively and that no material weaknesses were found in the design or operations of the internal control over financial reporting.

In accordance with the Government Charge Card Abuse Prevention Act of 2012 and OMB Circular A-123, Appendix B, the USITC established and maintained safeguards and internal controls for the charge card program. During FY2013 the Office of Chief Financial Officer established, implemented, and monitored new policies and procedures for the USITC charge card program ranging from purchase cards, travel cards, fleet card and convenience checks. Additionally, the Office of Inspector General performed an evaluation of the purchase card program. Based on the results provided by the two offices, the USITC can provide reasonable assurance that as of September 30, 2013, the appropriate policies and controls were in place to mitigate the risk of fraud and inappropriate charge card practices.

Irving A. Williamson
November 26, 2013

Overview of Financial Results

OVERVIEW OF FINANCIAL STATEMENTS

The Commission received an unqualified opinion on its FY 2013 financial statements.

Over the course of the fiscal year, the Commission made significant improvements to its internal controls over financial management. The Office of the Chief Financial Officer continues to address financial internal controls and processes to include following through on staffing the office with highly skilled financial management personnel.

Summary of the Balance Sheets and Statements of Changes in Net Position

Assets: At the end of FY 2013, the Commission's balance sheet showed total assets of $18.8 million, a decrease of $4.0 million or 17.4 percent over FY 2012. This was the net result of the $2.9 million (20.3 percent) decrease in Fund Balance with Treasury (due to a decrease in appropriations) and a decrease of $1.0 million (12.3 percent) in Property, Plant and Equipment (PP&E).

Liabilities: At the end of FY 2013, the Commission's total liabilities were $7.6 million, a decrease of $3.0 million or 28.3 percent over FY 2012. The decrease in total liabilities was primarily the result of decreases to accounts payable. Federal accounts payable decreased by $2.5 million (77.8 percent) largely due to the payment of the amounts owed to General Services Administration for leasehold improvements to the second floor of the USITC building. The $859 thousand (34.3 percent) decrease in nonfederal accounts payable is due to a decrease in amounts owed to IT vendors.

Net Position: The Commission's net position on the Balance Sheet and the Statement of Changes in Net Position was $11.3 million, a decrease of $969 thousand or 7.9 percent below the FY 2012 ending net position of $12.2 million. The amount of unexpended appropriations increased $55 thousand (0.7 percent) and cumulative results of operations decreased approximately $1.0 million (22.9 percent).

Summary of the Statement of Net Cost

The Commission's net cost of operations for FY 2013 was $83.2 million, a decrease of $1.5 million or 1.8 percent over FY 2012. The decrease in net cost of operations was the result of less appropriations used.

Statement of Budgetary Resources

The Statement of Budgetary Resources provides information on budgetary resources made available to the Commission and the status of these resources at the end of the fiscal year. For FY 2013, total budgetary resources were $80.4 million. This represents a decrease of $4.0 million, or 4.7 percent, from the FY 2012 total budgetary resources of $84.3 million. The unobligated balance at October 1 decreased by $175 thousand (34.3 percent), prior year recoveries decreased $2.7 million (71.9 percent), appropriation authority decreased $1.1 million (1.4 percent), and offsetting collections increased $38 thousand (55.6 percent).

Additionally, direct obligations were $80.1 million and net outlays totaled $81.8 million this year. This represents a decrease in direct obligations of $3.9 million (4.6 percent) and an increase in net outlays of $362 thousand or 0.4 percent over FY 2012.

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). While 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, the statements 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 objectives of the Federal Manager's Financial Integrity Act of 1982 are to ensure that the Commission's controls and systems provide reasonable assurance that:

- obligations and costs are in compliance with applicable laws;
- funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation;
- revenues and expenditures are properly recorded and accounted for to permit the preparation of accounts and reliable financial reports and to maintain accountability over assets; and
- programs are efficiently and effectively carried out in accordance with applicable laws and management policy.

In accordance with the Accountability of Tax Dollars Act of 2002 (ATDA), the Commission's financial information is audited annually to help assess if these objectives are being met. 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 2013, 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 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 and assessed the charge card program in accordance with Appendix B of OMB Circular A-123. Based on these evaluations, the Commission provides qualified assurance that its internal controls were operating effectively.

GOVERNMENT PERFORMANCE AND RESULTS ACT

The Government Performance and Results Act of 1993 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.

GPRA MODERNIZATION ACT

The Act creates a new government wide framework including (1) long-term federal government priority goals, (2) revised federal government performance plan requirements, (3) quarterly priority progress reviews, and (4) a government-wide performance website.

FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT

Under the Federal Financial Management Improvement Act of 1996 (FFMIA), agencies are required to report on whether their financial management systems substantially comply with the federal financial management systems requirements, applicable federal accounting standards, and the United States Standard General Ledger (USSGL) at the transaction level. Since the Commission is not a CFO Act agency, it is not subject to the FFMIA. The Commission uses the Department of Interior's financial management system and that system is FFMIA compliant. Thus, the Commission's financial management system complied with the requirements of FFMIA and produced records in accordance with USSGL at the transaction level.

FEDERAL INFORMATION SECURITY MANAGEMENT ACT

The Federal Information Security Management Act of 2002 (FISMA) requires each federal agency to establish and maintain an information security program for all non-national security information and information systems. The Commission's information security program plans, implements, evaluates, and documents remedial action to address any deficiencies in its information security policies, procedures, and practices. In addition, FISMA requires the OIG to perform an annual independent evaluation.

During FY 2013, the Commission improved its information security program by (1) developing and implementing a contingency operation site mirroring USITC IT systems; (2) developing and implementing a comprehensive enterprise level database monitoring suite; (3) providing and updating IT security awareness training and specialized role based training for employees with significant information security responsibilities (SISR); (4) creating and issuing a Privileged Access policy regarding SISR; (5) creating and providing walk-in mobile device security presentations; (6) creating and issuing a Mobile Device policy and Mobile Devices on Foreign Travel Tip sheet.

ACCOUNTABILITY OF TAX DOLLARS ACT

ATDA requires the preparation of financial statements by the federal agencies that were exempted by the Chief Financial Officers Act of 1990. OMB Circular No. A-136, *Financial Reporting Requirements*, enables agencies to either produce a consolidated Performance and Accountability Report or to produce a separate Agency Financial Report. The Commission chose to produce an Agency Financial Report. This report meets the requirements of the Act.

IMPROPER PAYMENTS ELIMINATION AND RECOVERY ACT

The Improper Payments Elimination and Recovery Act of 2010 (IPERA), enacted on July 22, 2010, requires the development of policies and procedures for the prevention and detection of improper payments in the federal government. The Act expands on the Improper Payments Information Act of 2002 (IPIA), which requires an initial assessment to identify those programs that are susceptible to significant risk of improper payments.

The Commission's formal, written improper payment identification and recovery plan includes analysis of receivables, analysis of payroll transactions, and sample testing of both payroll and non-payroll disbursements to identify improper payments.

PROMPT PAYMENT ACT

The Prompt Payment Act of 1982, as amended, provides government-wide guidelines for establishing due dates on commercial invoices and provides for interest payment on invoices paid late. The Commission made late payments resulting in interest penalties of $615 in FY 2013.

INSPECTOR GENERAL ACT

The 1988 amendments to the Inspector General Act of 1978 established the Commission's Inspector General (IG). The IG is responsible for overseeing audits, investigations, and inspections of the Commission's programs and operations.

DEBT COLLECTION IMPROVEMENT ACT

The Debt Collection Improvement Act of 1996 requires agencies to review and report annually on their internal standards and policies regarding compromising, writing down, forgiving, or discharging debt. In FY 2013, the Commission referred no debts to Treasury.

ANTI-DEFICIENCY ACT

The Anti-Deficiency Act prohibits federal agencies from obligating or expending federal funds in advance or in excess of an appropriation or apportionment. The Act also prohibits an agency from accepting voluntary services for the United States, or employing personal services not authorized by law, except in cases of emergency involving the safety of human life or the protection of property. The Commission did not have any Anti-Deficiency Act violations during FY 2013.

ECONOMY ACT

The Economy Act of 1933 allows the head of an agency or major organizational unit within a federal agency to place an order with a major organizational unit within the same federal agency or another federal agency for goods or services, if

1. amounts are available;
2. the head of the ordering federal agency or unit decides the order is in the best interest of the United States Government;
3. the federal agency or unit to fill the order is able to provide or get by contract the ordered goods or services; and
4. the head of the federal agency decides ordered goods or services cannot be provided as conveniently or cheaply by a commercial enterprise.

During FY 2013, the Commission had interagency agreements with 14 agencies: Council of the Inspectors General on Integrity and Efficiency, Department of Homeland Security, Department of Labor, Federal Occupational Health, National Archives and Records Administration, General Services Administration, Government Printing Office, Library of Congress, Interior Business Center, National Aeronautics and Space Administration, Office of Personnel Management, United States Postal Service, United States Census Bureau, and the United States Department of Agriculture.

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 2013 Agency Financial Report. The independent public accounting firm of Castro & Company, LLC, monitored by the Inspector General, issued an unqualified opinion on the Commission's FY 2013 financial statements. The unqualified opinion not only represents continued improvement in the Commission's financial management transformation, it also is a testament to the agency's commitment to addressing the ongoing challenges of improving financial management to ensure that we are fiscally responsible stewards of our financial resources.

The Independent Auditor's Report on Internal Control did not cite any material weaknesses or significant deficiencies. The Office of the Chief Financial Officer's progress in successfully addressing financial internal control issues is the beginning of a foundation upon which the agency's internal control program can be structured and implemented across the Commission.

The result of the Independent Auditor's Report on Internal Control is directly attributed to the financial management transformation within the Office of the Chief Financial Officer. It started with the hiring of office staff with the requisite skills to address procurement, budget, financial accounting systems, and internal control issues that have in the past precluded the Commission from achieving full accountability over its financial resources. The financial process transformation began with the newly hired Director of Procurement addressing the procurement process to ensure the Commission's acquisition processes and awards were executed in accordance with Federal regulations. The newly hired Director of Budget developed processes to ensure complete transparency and accuracy of the budget across the Commission. The Systems Analyst ensured that the appropriate financial reports were available and system controls were in place and operating efficiently and effectively. The Financial Controls Manager initiated mapping of the Commission's financial processes and identified key controls to ensure all financial transactions were processed accurately and consistently.

The Commission's most recent hiring of an Internal Control Program Manager will ensure that the progress made in analyzing financial workflows and identifying and testing key internal controls will continue. In addition, process documentation has been initiated this year on a much broader basis throughout the agency. The Commission understands a sustained effort over a long period of time is needed to achieve a mature and effective internal control program.

As a result of our transformation efforts, we have sustained an unqualified audit opinion for FY 2013. I am grateful to the dedicated staff of the Office of the Chief Financial Officer, who worked tirelessly on our transformation to increase accountability for financial resources and improve the quality and accuracy of our financial reporting.

Finally, I remain grateful to the Chairman, the Commissioners, and senior managers for promoting a culture of accountability throughout the agency. Effective financial management remains a key driver of mission success and at the United States International Trade Commission, this starts at the top.

William Dobrzykowski
Chief Financial Officer

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

UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, DC 20436

December 13, 2013 OIG-LL-022

Chairman Williamson:

This memorandum transmits the results of the audit (OIG-AR-14-05) of the Commission's financial statements for the fiscal years ended September 30, 2013 and 2012. The results of this report were presented by the auditors and discussed at the exit conference on December 12, 2013.

We contracted with the independent certified public accounting firm, Castro & Company, LLC, 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 consisted of monitoring audit activities, attending meetings, participating in discussions, and reviewing the audit planning, working papers, 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 and Company is solely responsible for the audit report dated December 9, 2013, 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 M. Heneghan
Inspector General

Independent Auditor's Report

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Independent Auditor's Report

Inspector General
U.S. International Trade Commission

We have audited the accompanying balance sheets of the U.S. International Trade Commission (ITC) as of September 30, 2013 and 2012, and the related statements of net cost, changes in net position, and budgetary resources for the fiscal years then ended.

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. 14-02, *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 audit 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 financial statements presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the ITC as of September 30, 2013 and 2012, 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

Independent Auditor's Report
Page 2

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*, and *Other Accompanying Information,* and *Appendices* is presented for purposes of additional analysis and is 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. 14-02, we have also issued our reports dated December 9, 2013, on our consideration of ITC'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 14-02 in considering the ITC's internal control and compliance, and should be read in conjunction with this report in considering the results of our audit.

Castro & Company, LLC

December 9, 2013
Alexandria, VA

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

UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, DC 20436

December 13, 2013 OIG-LL-023

Chairman Williamson:

This memorandum transmits the Independent Auditor's Report on Internal Control (OIG-AR-14-06) associated with the audit of the Commission's financial statements for fiscal year 2013. The results of this report were presented by the auditors and discussed at the exit conference on December 12, 2013.

We contracted with the independent certified public accounting firm, Castro & Company LLC, 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 and 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 and Company is solely responsible for this report dated December 9, 2013, and the conclusions expressed in the report.

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

Sincerely,

Philip M. Heneghan
Inspector General

Independent Auditor's Report on Internal Control

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Independent Auditor's Report on Internal Control

Inspector General
U.S. International Trade Commission

We have audited the financial statements of the U.S. International Trade Commission (ITC) as of and for the year ended September 30, 2013, and have issued our report thereon dated December 9, 2013. 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. 14-02, *Audit Requirements for Federal Financial Statements*.

In planning and performing our work, we considered ITC's internal control over financial reporting by obtaining an understanding of the design effectiveness of ITC's internal control, determining whether controls had been placed in operation, assessing control risk, and performing tests of ITC'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 ITC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of ITC's internal control over financial reporting. We limited our internal control testing to those controls necessary to achieve the objectives described in the Office of Management and Budget (OMB) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*. 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 second paragraph 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 and 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 ITC management in a separate letter dated December 9, 2013.

Independent Auditor's Report on Internal Control
Page 2

This report is intended solely for the information and use of the management and the Office of Inspector General of ITC, OMB, 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

December 9, 2013
Alexandria, VA

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

UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, DC 20436

December 13, 2013 OIG-LL-024

Chairman Williamson:

This memorandum transmits the Independent Auditor's Report on Compliance with Laws and Regulations (OIG-AR-14-07) associated with the audit of the Commission's financial statements for fiscal year 2013. The results of this report were presented by the auditors and discussed at the exit conference on December 12, 2013.

We contracted with the independent certified public accounting firm, Castro & Company LLC, 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 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 December 9, 2013, 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 M. Heneghan
Inspector General

Independent Auditor's Report on Compliance with Laws and Regulations

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Independent Auditor's Report on
Compliance with Laws and Regulations

Inspector General
U.S. International Trade Commission

We have audited the financial statements of the U.S. International Trade Commission (ITC) as of and for the year ended September 30, 2013, and have issued our report thereon dated December 9, 2013. 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. 14-02, *Audit Requirements for Federal Financial Statements*.

The management of ITC is responsible for complying with laws and regulations applicable to ITC. We performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain other laws and regulations specified in the Office of Management and Budget (OMB) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements,* 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 ITC.

The results of our tests of compliance with applicable laws and regulations, and government-wide policies, described in the preceding paragraph identified no instances of noncompliance that is required to be reported under *Government Auditing Standards* or OMB guidance.

Providing an opinion on compliance with certain provisions of laws and regulations, and government-wide policies was not an objective of our audit, and accordingly, we do not express such an opinion.

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

Castro & Company, LLC

December 9, 2013
Alexandria, VA

Principal Financial Statements

U.S. INTERNATIONAL TRADE COMMISSION
BALANCE SHEET
As of September 30, 2013 and 2012
(in dollars)

	2013	2012
Assets:		
Intragovernmental:		
Fund balance with Treasury (Note 2)	$ 11,575,115	$ 14,524,916
Accounts receivable (Note 3)	26,752	26,752
Total intragovernmental	11,601,867	14,551,668
Accounts receivable (Note 3)	12,602	11,945
Property, plant, and equipment, net (Note 4)	7,214,491	8,222,084
Total Assets	**$ 18,828,960**	**$ 22,785,697**
Liabilities:		
Intragovernmental:		
Accounts payable (Note 6)	$ 698,969	$ 3,152,100
Employer contributions and payroll taxes payable (Note 5)	267,452	212,727
Unfunded FECA liability (Note 5)	3,758	3,567
Total intragovernmental	970,179	3,368,394
Accounts payable (Note 6)	1,642,108	2,501,168
Accrued funded payroll (Note 5)	1,138,347	885,770
Actuarial FECA liability (Note 5)	13,995	94,453
Unfunded leave (Note 5)	3,797,132	3,699,857
Total Liabilities	**$ 7,561,761**	**$ 10,549,642**
Net position:		
Unexpended appropriations	7,828,240	7,773,152
Cumulative results of operations	3,438,959	4,462,903
Total Net Position	**$ 11,267,199**	**$ 12,236,055**
Total Liabilities and Net Position	**$ 18,828,960**	**$ 22,785,697**

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

U.S. INTERNATIONAL TRADE COMMISSION
STATEMENT OF NET COST
For the years ended September 30, 2013 and 2012
(in dollars)

	2013	2012
Program Costs:		
Total Program Costs	**$ 83,249,991**	**$ 84,782,135**

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

U.S. INTERNATIONAL TRADE COMMISSION
STATEMENT OF CHANGES IN NET POSITION
For the years ended September 30, 2013 and 2012
(in dollars)

	2013	2012
Cumulative Results of Operations:		
Beginning balance	$ 4,462,903	$ 1,499,224
Budgetary Financing Sources:		
Appropriations used	78,810,899	84,145,532
Other Financing Sources (Non-Exchange):		
Imputed financing costs (Note 9)	3,415,148	3,600,282
Total Financing Sources	82,226,047	87,745,814
Net Cost of Operations (+/-)	(83,249,991)	(84,782,135)
Net Change	(1,023,944)	2,963,679
Total Cumulative Results of Operations	**$ 3,438,959**	**$ 4,462,903**
Unexpended Appropriations:		
Beginning balance	$ 7,773,152	$ 11,918,684
Budgetary Financing Sources:		
Appropriations received	83,000,000	80,000,000
Less: Other adjustments	(4,134,013)	-
Less: Appropriations used	(78,810,899)	(84,145,532)
Total budgetary financing sources	55,088	(4,145,532)
Total Unexpended Appropriations	7,828,240	7,773,152
Net Position	**$ 11,267,199**	**$ 12,236,055**

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

U.S. INTERNATIONAL TRADE COMMISSION
STATEMENT OF BUDGETARY RESOURCES
For the years ended September 30, 2013 and 2012
(in dollars)

		2013		2012
Budgetary Resources:				
Unobligated balance, brought forward, October 1	$	334,161	$	508,952
Recoveries of prior year unpaid obligations		1,054,548		3,759,118
Appropriations		78,865,987		80,000,000
Spending Authority from Offsetting Collections (discretionary and mandatory)		105,075		67,522
Total Budgetary Resources	**$**	**80,359,771**	**$**	**84,335,592**
Status of Budgetary Resources:				
Obligations Incurred		80,103,240		$84,001,431
Unobligated Balance, End of Year:				
Apportioned		256,531		334,161
Total Status of Budgetary Resources	**$**	**80,359,771**	**$**	**84,335,592**
Change in Obligated Balance:				
Unpaid Obligations, Brought Forward, October 1	$	14,217,507	$	15,496,167
Uncollected customer payments from federal sources, Brought Forward Oct 1		(26,752)		(26,752)
Obligated balance, start of year (net)	$	14,190,755	$	15,469,415
Obligations incurred		80,103,240		84,001,431
Outlays (gross)		(81,920,863)		(81,520,973)
Recoveries of prior year unpaid obligations		(1,054,548)		(3,759,118)
Obligated balance, end of year				
Unpaid obligations, end of year (gross)		11,345,336		14,217,507
Uncollected customer payments from federal sources, end of year		(26,752)		(26,752)
Obligated balance, end of year (net)	**$**	**11,318,584**	**$**	**14,190,755**
Budget Authority and Outlays, Net:				
Budget Authority, gross	$	78,971,062	$	80,067,522
Actual offsetting collections		(105,075)		(67,522)
Budget Authority, net	$	78,865,987	$	80,000,000
Outlays, gross		81,920,863		81,520,973
Actual offsetting collections		(105,075)		(67,522)
Outlays, net	**$**	**81,815,788**	**$**	**81,453,451**

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

United States International Trade Commission
Notes to Financial Statements
September 30, 2013 and 2012

Note 1. Significant Accounting Policies

A. Reporting Entity

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

The Commission conducts investigations and reports findings relating to imports and 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 are prepared on the accrual basis of accounting. The USITC's fiscal year (FY) is October 1 through September 30. FY 2013 and FY 2012 financial statements are presented to allow comparison.

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 disclosure.

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 to the USITC $83,000,000 and $80,000,000 for salaries and expenses in FY 2013 and in FY 2012, respectively. In FY 2013 there was a rescission of $4,134,013.

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

C. Property, Plant, and Equipment, Net

The USITC’s portfolio of assets includes IT-related equipment, furniture, software, and leasehold improvements. For financial statement reporting purposes, the USITC does not own heritage assets or plant, 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 property and equipment in its financial statements. The USITC’s operations are housed in a leased structure. In FY 2007, the USITC entered into a 10-year operating lease with the General Services Administration (GSA) 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 (S/L) 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* and further explained and clarified in the “Federal Financial Accounting and Auditing Technical Release 5, Implementation Guidance on Statement of Federal Financial Accounting Standards 10: 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 development” 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 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 with 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 the 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, or the Federal Employees Retirement System-Revised Annuity Employees (FERS-RAE), which became effective on January 1, 2013. Most federal employees hired after December 31, 1983, are automatically covered by FERS or FERS-RAE, 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 and FERS-RAE contributions made by employer agencies and covered employees are comparable to the U.S. Government's estimated service costs. For FERS and FERS-RAE covered employees, the Commission made contributions of 11.9 percent and 9.6 percent of basic pay, respectively. Employees participating in FERS or FERS-RAE are covered under the *Federal Insurance Contribution Act (FICA)* for which both the Commission and employees contribute 6.2 percent of salaries up to $113,700 during calendar year 2013 and the Commission contributed 6.2 percent and employees contributed 4.2 percent of salaries up to $110,100 during calendar year 2012 into the Old-Age, Survivors, and Disability Insurance (OASDI) program; both the Commission and employees contribute 1.45 percent of salaries (with no upper limit) 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's 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	2013	2012
A. Fund balance		
Appropriated funds	$ 11,575,115	$ 14,524,916
Total	**$ 11,575,115**	**$ 14,524,916**
B. Status of Fund Balance with Treasury		
Unobligated balance available	256,531	334,161
Obligated balance not yet disbursed	11,318,584	14,190,755
Total	**$ 11,575,115**	**$ 14,524,916**

Note 3. Accounts Receivable

The balance of accounts receivable was $39,354 and $38,697 at September 30, 2013 and September 30, 2012, respectively. The intragovernmental receivable is the amount GSA overcharged the Commission for prior period real estate taxes, while the non-governmental amount is principally the amount due from a former employee.

Receivable Type	2013	2012
Intragovernmental	26,752	26,752
Non-governmental	12,602	11,945
Total	**$ 39,354**	**$ 38,697**

Note 4. Property, Plant, and Equipment, Net

Depreciation expense was $2,465,745 and $1,674,595 for fiscal years ending September 30, 2013 and 2012, 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, 2013

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	$ 6,482,048	$ 3,637,510	$ 2,844,538
Software	S/L	100,000	5	3,639,811	3,235,588	404,223
Leasehold Improvements	S/L	50,000	5-13	6,134,496	2,455,989	3,678,507
Leasehold Improvements in Progress	N/A	N/A	N/A	287,223	-	287,223
Total	-	-		**$ 16,543,578**	**$ 9,329,087**	**$ 7,214,491**

Property, Plant, and Equipment as of September 30, 2012

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	$ 5,290,890	$ 2,852,113	$ 2,438,777
Software	S/L	100,000	5	3,639,811	2,507,553	1,132,258
Leasehold Improvements	S/L	50,000	5-13	6,107,107	1,503,675	4,603,432
Leasehold Improvements in Progress	N/A	N/A	N/A	47,617	-	47,617
Total	-	-		**$ 15,085,425**	**$ 6,863,341**	**$ 8,222,084**

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, 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.

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 Covered by Budgetary Resources		2013		2012
Intragovernmental				
Unfunded FECA liability	$	3,758	$	3,567
Total Intragovernmental	$	3,758	$	3,567
Accrued annual leave		3,797,132		3,699,857
Actuarial FECA liability		13,995		94,453
Total liabilities not covered by budgetary resources	$	3,814,885	$	3,797,877
Total liabilities covered by budgetary resources		3,746,876		6,751,765
Total Liabilities	**$**	**7,561,761**	**$**	**10,549,642**

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 $162,228 and $2,619,026 as September 30, 2013 and 2012, respectively. For FY 2013, amounts were principally owed to the Department of Homeland Security (DHS), the Government Printing Office (GPO), and the Office of Personnel Management (OPM) for guard services, printing services, and human resources support services, respectively. Accounts payable to trading partners fluctuate from year to year and the large decrease as of September 30, 2013, is due to the completion of and payment for the 2nd floor leasehold improvement project at the ITC headquarters building.

The amounts reported below as real estate taxes payable, $536,741 and $533,074, represent unpaid property taxes for the periods (1) January 1, 2013 to September 30, 2013, and (2) January 1, 2012 to September 30, 2012, respectively. These amounts represent taxes that are invoiced and generally paid annually in August for the previous calendar year to the GSA. Thus, each fiscal year the Commission recognizes twelve months of real estate tax expense – three months of actual expense (Oct.-Dec.) and nine months of accrued expense (Jan.-Sep.) – as payable at the end of the fiscal year.

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		2013		2012
Intragovernmental				
Accounts payable to trading partners	$	162,228	$	2,619,026
Real estate taxes payable		536,741		533,074
Total Intragovernmental	$	698,969	$	3,152,100
Non-federal				
Accounts payable to vendors		1,642,108		2,501,168
Total Accounts Payable	**$**	**2,341,077**	**$**	**5,653,268**

Note 7. Leases

The USITC has no capital leases. The USITC has operating leases for its buildings and for certain equipment (e.g., copiers). The USITC's lease for its headquarters building amounted to $9.6 million and $9.5 million for FY 2013 and FY 2012, respectively. The total cost of equipment rental is less than $500,000 annually. In FY 2007, the USITC entered into a 10-year operating lease with the General Services Administration (GSA) for the facility that houses its day-to-day mission operations. Future minimum lease payments under leases of commercial property due as of September 30, 2013 are as follows:

Fiscal Year		
2014	$	9,585,646
2015		9,687,269
2016		9,785,246
2017		8,103,796
Total Future Minimum Lease Payments	**$**	**37,161,957**

Note 8. Commitments and Contingencies

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

Note 9. Other Financing Sources (Non-Exchange)

Imputed Financing: The amounts remitted to OPM for employees covered by the federal civilian benefit programs generally do not cover the actual cost of the benefits those employees will receive after they retire. 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 $7,598,459 and $7,465,741 in FY 2013 and FY 2012, respectively.

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

For FY 2012 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. The President's Budget with actual numbers for FY 2013 has not yet been published. It is expected to be published by the Office of the President in February 2014.

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	2013		2012	
Fiduciary net assets, beginning of year	$	364,172	$	407,098
Cash collections from cease and desist bonds		8,289		36,225
Cash disbursements to beneficiaries		(210,000)		(79,151)
Fiduciary Net Assets, end of year	**$**	**162,461**	**$**	**364,172**

Note 13. Reconciliation of Net Cost of Operations to Budget

A reconciliation of net cost of operations to budget is presented below to show the relationship between accrual-based (financial accounting) information in the statement of net cost and obligation-based (budgetary accounting) information in the statement of budgetary resources. This reconciliation ensures that the proprietary and budgetary accounts in the financial management system are in balance. For FY 2013, the USITC reconciled the difference between the $80.1 million in obligated resources and the $83.2 million in the net cost of operations by adjusting for offsetting collections/adjustments/recoveries, imputed financing, financing resources not part of the net cost of operations, and depreciation. The details of this reconciliation are as follows:

Reconciliation of Net Cost of Operations to Budget	2013	2012
Resources Used to Finance Activities:		
Budgetary resources obligated:		
Obligations incurred	$ 80,103,240	$ 84,001,431
Less: Spending authority from offsetting collections and recoveries	1,159,623	3,826,640
Obligations net of offsetting collections and recoveries	78,943,617	80,174,791
Other Resources:		
Imputed financing from costs absorbed by others	3,415,148	3,600,282
Total Resources Used to Finance Activities	**82,358,765**	**83,775,073**
Resources Used to Finance Items Not Part of the Net Cost of Operations:		
Change in budgetary resources obligated for goods, services, and benefits ordered but not yet provided	132,718	(3,970,742)
Resources that fund expenses recognized in prior periods	656	(9,520)
Resources that finance the acquisition of assets	1,458,153	4,748,869
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	**1,591,527**	**768,607**
Total Resources Used to Finance the Net Cost of Operations	**80,767,238**	**83,006,466**
Components of Net Cost of Operations that will Not Require or Generate Resources in the Current Period:		
Components Requiring or Generating Resources in Future Periods:		
Increase / decrease in annual leave liability	97,275	128,386
Increase / decrease workers' compensation	(80,267)	(27,312)
Components Requiring or Generating Resources in Future Periods	**17,008**	**101,074**
Components Not Requiring or Generating Resources:		
Depreciation and amortization	2,465,745	1,674,595
Total Components of Net Cost of Operations that will Not Require or Generate Resources in the Current Period	**2,482,753**	**1,775,669**
Net Cost of Operations	**$ 83,249,991**	**$ 84,782,135**

OTHER ACCOMPANYING INFORMATION

Management and Performance Challenges

Inspector General's Summary of Management and Performance Challenges

UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, DC 20436

November 15, 2013 OIG-LL-018

Chairman Williamson:

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

I have identified two management and performance challenges for fiscal year 2014; Internal Controls and Using Information Technology to Improve Staff Productivity. These challenges were identified based on work by the Office of Inspector General, input from Commission management, and knowledge of the Commission's programs and operations.

Internal Controls:

The Commission's management is responsible for establishing and maintaining a system of internal controls. 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.

Documented and consistent policies and procedures are necessary to provide a reasonable level of assurance that offices are operating in an efficient and effective manner. However, the policies and procedures are only effective if they are functioning as intended, monitored, and updated. Based on the results of audits, evaluations, and other reviews, we continue to find policies and procedures that are outdated, inefficient, and ineffective.

The Commission has had a long-standing culture of undocumented and informal processes to complete daily tasks. The Commission has taken steps to address this weakness by establishing a business process mapping team to document the flow of existing business processes. The process maps will allow the Commission an opportunity to perform an analysis of its processes to look for areas for improvement by identifying redundant and ineffective processes, performance gaps, or areas of risk. It also provides the Commission with a baseline illustrative process that can be used to begin establishing and documenting formal procedures. While this is a step in the right direction, many challenges remain in the areas of on-going monitoring for effectiveness and continual process improvement to gain efficiencies.

The Commission also faces similar challenges in the area of risk assessment. Documented procedures to identify, validate, assess, mitigate, monitor, and report on organizational risk are necessary to provide a reasonable level of assurance that the Commission is managing risk at acceptable levels.

Performing risk assessments is a fundamental element within a system of internal controls that has not been a structured part of the Commission's management activities. The Commission does not have risk assessment guidelines or procedures. Instead, management has been self-reporting risks and their potential impacts on an ad hoc basis without a reliable framework in place to assess and validate the information presented. The Commission has recently taken steps to begin developing a risk assessment framework, but many challenges remain in educating management on risk identification, prioritization, management, and reporting.

The Commission has recognized the importance of having strong internal controls throughout the agency. This is evidenced by the Commission's acknowledgement of the risks identified in our reports and the management decisions they have made to address our recommendations. Additionally, an Internal Control Program Manager was hired within the Office of the Chief Financial Officer. The Internal Control Program Manager has been working one-on-one with office directors and designated representatives to promote awareness of internal controls and develop an effective program. The success of this program is heavily reliant upon senior staff remaining engaged and actively managing the system of internal controls within their area of responsibility to ensure they are operating effectively.

The most significant challenge will be to manage the cultural changes associated with implementing new systems of internal control throughout the Commission. This will require first line supervisors to check, inspect, or review the work of subordinates to make sure the new procedures are being followed. It will also require all executives to understand and manage the internal and external risks associated with the Commission and the programs they direct.

The Commission has been committed to improving and strengthening the internal control environment. At the same time, the Commission understands that the effort must engage leaders broadly, ensure buy-in across programmatic and administrative offices and 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.

<u>Using Information Technology to Improve Staff Productivity</u>:

Information Technology should be an enabler for the USITC knowledge workers to operate more effectively and efficiently. For this to happen means there are two foundational requirements: 1) a stable, productive information technology platform and 2) an environment receptive to change and automation.

In our annual Inspector General Cyberscope Fiscal Year 2012 submission to the Office of Management and Budget (through the Chairman), we identified deficiencies in 7 of 11 information technology program areas evaluated. Reliability and performance of the network are directly impacted by three of those areas: Continuous Monitoring, Configuration Management, and Incident Response and Reporting. Continuous Monitoring, when implemented, will enable real-time identification of issues and expedite their resolution, improving the performance of the network as a whole. A mature, successful computing platform requires an understanding and management of the configuration of systems on the network. If the configuration is understood and consistent, it minimizes errors and enables more consistent performance. If incidents are properly identified, analyzed, and reported, then the Commission will gain the knowledge needed to understand the source of incidents and enable it to make educated decisions on strategies to reduce these incidents and mitigate the risk they pose.

Information technology should be seen as a supporting, fundamental resource, and not as an entity unto itself. Until this concept is embraced, Commission staff will continue to be frustrated and look for ways to be productive despite the technology of the Commission. If the Commission can improve the flexibility, reliability, and performance of its technology, Commission staff will use it to transform the way they work, resulting in a better, more efficient work product.

The Commission faces many challenges implementing information technology solutions to improve staff productivity. To improve productivity, the Commission should prioritize the appropriate skills and resources in the right areas to ensure that both basic and enhanced services work well and contribute to a stable, consistent environment to effectively serve its staff regardless of their location, or the situation at the primary data center.

Progress in both of these areas is being made as demonstrated in the quarterly performance review meetings. These meetings grapple with questions of: how to measure performance, how much control is too much, is there a better or cheaper way, can we automate this? These questions challenge the culture of "it's always been done this way" a culture that can only be overcome by your support and emphasis on improving the efficiency and effectiveness of the Commission programs and operations.

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

Philip M. Heneghan
Inspector General

Chairman's Response to 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 his memorandum dated November 15, 2013, the USITC Inspector General identified two management challenges for FY 2013, one on internal controls and one on the use of information technology to improve staff productivity. As required by the Reports Consolidation Act of 2000, he also assessed the USITC's progress in addressing these challenges.

The Commission concurs with the Inspector General on the management challenges and is pleased that progress has been made during FY 2013. The Commission will continue its efforts in FY 2014 to address successfully these challenges.

Management Challenge: Internal Control

The Commission recognizes that internal control management touches all areas of the organization and affects the administrative, programmatic, information technology, security, compliance, and financial controls at the entity as well as office-level. Due to the complexity of the actions that need to be taken and the limited availability of resources, the Commission remains realistic regarding the timeline to complete remediation actions related to this management challenge. The multi-year effort to transform the management structure and culture of the Commission, which is underway, has the support of the Chairman, the Commissioners, and the members of the agency's Senior Executive Service (SES).

During the past few years the Commission focused much of its efforts on implementing financial controls, as evidenced by the recent unqualified audit opinions. The Commission is now expanding its efforts to establish and implement an effective internal control system that addresses agency-wide processes. The Commission is planning to focus on the development of a risk based internal control structure and expand its business process mapping efforts throughout the agency in order to continue to establish, implement, and monitor strong and effective internal controls.

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Using Information Technology to Improve Staff Productivity

Information technology is integral to the Commission's operations and the productivity of its staff. The Commission recognizes that more needs to be done in this area to support and improve staff productivity, and is committed to doing so.

Staff frequently perform Commission work while off premises, and should be able to do so at all times and especially in the event that the primary data center becomes unavailable. Recently, the Commission made operational an alternate/disaster recovery data center and implemented remote access improvements. The Commission also recently tested and confirmed the operation of this data recovery center and is now in the process of expanding its capabilities.

Through the Office of the CIO, the Commission is investing significant effort into upgrading the Commission's aged technology platform that supports many of the services delivered to both the public and ITC employees. During this past year, the agency transitioned to open source database technologies, which significantly reduced costs and provided efficiency gains. Additional upgrade work continues on the replacement of obsolete network assets and technology. The Commission recognizes that it must continue to work to ensure that its IT resources are available to staff in a way that enhances their productivity and protects the security of government information assets, and the Commission intends to expand the feedback it is obtaining from staff and the public in order to make the appropriate improvements.

As the Commission's operational units continue to document and define their business activities, this knowledge will enable the Commission to plan and deploy technology that will increase these units' efficiency and effectiveness. For example, the Commission is in the process of significantly automating the management of the Harmonized Tariff Schedule so that it can be updated more efficiently and so that it can minimize the risk of human error. Also, the Commission has developed a sophisticated database to assess trends and facilitate its resource planning for its 337 investigations. As additional business processes are evaluated, the Commission will continue to evaluate its commitment of resources towards applying technology to enhance productivity.

The now-operational alternate/disaster recovery data center addresses a number of the deficiencies cited in the annual Inspector General Cyberscope Fiscal Year 2012 submission. The Commission will make progress on the remaining items by prioritizing and assigning the appropriate resources necessary to address remaining deficiencies.

Irving A. Williamson

Irving A. Williamson
November 27, 2013

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SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

Table 1. Summary of Financial Statement Audit (as of September 30, 2013)

Audit Opinion: Unqualified					
Restatement: No					
Material Weaknesses	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Ending Balance**
Inadequate Internal Controls over Financial Reporting	✓[1]		✓[1]		
Inadequate Controls over Accounts Payable, Expenditures, and Obligations	✓		✓		
Total Material Weaknesses	2	0	2	0	0

[1] Inadequate Internal Controls over Financial Reporting was a significant deficiciency in FY 2012.

Table 2. Summary of Management Assurances (as of September 30, 2013)

Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)						
Statement of Assurance: Unqualified						
Material Weaknesses	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
Inadequate Internal Controls over Financial Reporting	✓[2]		✓[2]			
Inadequate Controls over Accounts Payable, Expenditures, and Obligations	✓		✓			
Total Material Weaknesses	2	0	2	0	0	0

Effectiveness of Internal Control over Operations (FMFIA § 2)

Statement of Assurance: Qualified						
Material Weaknesses	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
Security risk in an agency program as it relates to compliance with the Federal Information Security Management Act (FISMA)		✓				✓
Total Material Weaknesses	0	1	0	0	0	1

Compliance with financial management system requirements (FMFIA § 4)

Statement of Assurance: Unqualified [3]						
Non-Conformances	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
Total Non-Conformances	0	0	0	0	0	0

Compliance with Federal Financial Management Improvement Act (FFMIA)

	Commission	**Auditor**
1. System requirements	No noncompliance noted	No noncompliance noted
2. Accounting Standards	No noncompliance noted	No noncompliance noted
3. USSGL at Transaction Level	No noncompliance noted	No noncompliance noted

[2] Inadequate Internal Controls over Financial Reporting was a significant deficiency in FY 2012.

[3] The Commission uses a federal shared services provider, the Department of Interior's (DOI), Interior Business Center (IBC), for financial systems.

IMPROPER PAYMENTS INFORMATION REPORTING DETAILS

The IPERA of 2010, enacted on July 22, 2010, requires the development of policies and procedures for the prevention and detection of improper payments in the federal government. The Act defines an improper payment to mean any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements. In addition, an improper payment includes any payment to an ineligible recipient, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), and any payment that does not account for credit for applicable discounts. The Act also defines a payment for an ineligible good or service to mean making a payment for any good or service that is rejected under any provision of any contract, grant, lease, cooperative agreement, or any other funding mechanism.

Risk assessment

The USITC has only one program for budget purposes and for FY 2013 the Commission expended approximately $83.2 million. seventy-one percent of that program was obligated for salaries and benefit payments for federal employees. The FY 2013 Statement on Standards for Attestation Engagements (SSAE) 16 examination and testing of the controls applicable to the processing of personnel transactions by the Oracle Federal Financials (OFF) application indicated that processes and controls in place as of September 30, 2013 were operating effectively to safeguard data from waste, fraud, abuse and destruction. Also, controls associated with the Federal Personnel Payroll System (FPPS) prevent the likelihood of over payments at the transaction level. As a result, salaries and benefits are not susceptible to significant risk of material improper payment. In addition, none of the USITC's other major cost centers are funded at more than $10 million. Thus, it is unlikely that the USITC has any programs that are susceptible to significant risks of material improper payments as defined in the Act.

It is USITC's policy to classify both over and under payments as improper payments, regardless of the amount. It is also USITC's policy to use the absolute value of over and under payments to determine reportable improper payments. It is USITC's policy to track and report on controllable improper payments. Controllable improper payments include payments specifically approved in advance by USITC. In addition, the USITC will report on the status of recovered and unrecovered improper payments. However, IPAC withdrawals from the Treasury account by other government agencies are uncontrollable payments. These are considered transfers of funds rather than improper payments because there is no cost to the Treasury. As a result, IPAC transfers are not tracked and reported for improper payment purposes. For FY 2013, $15.4 million IPAC transfers occurred which left approximately $8.9 million at risk for improper payments.

Recovery auditing

The Improper Payments Elimination and Recovery Act of 2010 replaced the recovery auditing program contained in the National Defense Authorization Act of 2002. The 2010 Act requires agencies to conduct recovery audits with respect to each program and activity of the agency that expends $1,000,000 or more annually, if conducting such audits would be cost-effective. Once USITC has identified an improper payment, it is USITC's policy to aggressively correct the improper payment.

Accountability for Reducing and Recovering Improper Payments

The Chief Financial Officer is the designated official responsible for establishing policies and procedures to assess USITC program risks of improper payments. The Director of Finance is responsible for taking actions to reduce improper payments and reporting results of the actions taken to reduce and recover improper payments. In addition, USITC reviews, in coordination with the Inspector General, internal policies and procedures on an annual basis to ensure that cost-beneficial control procedures are in place to prevent and detect improper payments. In FY 2010, the USITC implemented a cost effective recovery auditing program to recover improper payments as mandated by the Act. Specifically, on a quarterly basis, USITC reviews the accounts receivable subsidiary ledgers, randomly selects transactions from the cash disbursements subsidiary ledger, and reviews personnel payroll transactions to identify improper payments. When an underpayment is identified, the Office of Finance promptly pays the additional amount upon identification of, and receipt of appropriate documentation for, the correct amount. When overpayments are identified, the Office of Finance promptly sets up a receivable and notifies the party of the amount(s) to be recovered. For ongoing contracts, the Office of Finance offsets the amount to be recovered on the next billing. In the event that a party does not refund an overpayment within three months of receiving notification of the improper payment, the Office of Finance notifies the Office of the General Counsel of the disputed amount and requests remedial action. During FY 2013 the Office of Finance did not identify any improper payments.

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 petition, 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 the Commission's six 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 and modify it or send the matter back to the ALJ for further consideration. Temporary relief may be granted in certain cases.

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. The Office of Economics 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. The Office of Industries maintains technical expertise related to the performance and global competitiveness of U.S. industries and the impact of international trade on those industries for these studies and import injury investigations.

- The Office of Investigations (INV) conducts import injury investigations to fulfill the Commission's investigative mandates, 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 HTS 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 to the litigation with no commercial interest in the outcome.
- The Office of Analysis and Research Services (OARS) provides research and investigative support. It comprises the library, editorial, knowledge resources, and statistical services.

Office of External Relations

The Office of External Relations (ER) develops and maintains liaison between the Commission and its diverse 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. The Commission's Trade Remedy Assistance Office, located in the Office of External Relations, provides information about the benefits and remedies available under the 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. Through its staff and subsidiary offices, the OCIO seeks to promote, deliver, and manage the secure and efficient application of technology to the Commission's business activities. Component offices include Information Technology Services (ITS) and Enterprise Security 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 the Commission's internal control program in accordance with FMFIA 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; facilities management services, and is responsible for all Commission 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 the effectiveness, efficiency, and integrity of the Commission. 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.

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APPENDIX B

Glossary of Acronyms and Abbreviations

ATDA	Accountability of Tax Dollars Act
AD/CVD	Antidumping and Countervailing Duty
AICPA	American Institute of Certified Public Accountants
ALJs	Administrative Law Judges
Commission	United States International Trade Commission
CSRS	Civil Service Retirement System
DataWeb	Interactive Tariff and Trade DataWeb
DHS	Department of Homeland Security
DOL	Department of Labor
EC	Office of Economics
EDIS	Electronic Document Information System
ER	Office of External Relations
FASAB	Federal Accounting Standards Advisory Board
FECA	Federal Employees' Compensation Act
FERS	Federal Employees Retirement System
FFMIA	Federal Financial Management Improvement Act
FICA	Federal Insurance Contribution Act
FISMA	Federal Information Security Management Act
FMFIA	Federal Managers' Financial Integrity Act
GAAP	Generally Accepted Accounting Principles
GATT/WTO	General Agreement on Tariffs and Trade/World Trade Organization
GC	General Counsel
GPRA	Government Performance and Results Act
GSA	General Services Administration
HTS	Harmonized Tariff Schedule

ID	Initial Determination
IG	Inspector General
IND	Office of Industries
INV	Office of Investigations
IPERA	Improper Payments Elimination and Recovery Act
IPIA	Improper Payments Information Act
IT	Information Technology
ITDS	International Trade Data System
ITS	Information Technology Services
IUS	Internal Use Software
NAFTA	North American Free Trade Agreement
NIST	National Institute of Standards and Technology
OARS	Office of Analysis and Research Services
OAS	Office of Administrative Services
OCIO	Office of the Chief Information Officer
OEEO	Office of Equal Employment Opportunity
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
SFFAS	Statement of Federal Financial Accounting Standards
TATA	Office of Tariff Affairs and Trade Agreements
Treasury	U.S. Department of Treasury
URAA	Uruguay Round Agreements Act
USITC	United States International Trade Commission
USSGL	United States Standard General Ledger
USTR	United States Trade Representative
WCO	World Customs Organization
WTO	World Trade Organization

Contact Information

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Internet Home Page	http://www.usitc.gov/
Strategic Plan Internet Site	http://www.usitc.gov/press_room/documents/strategic_plan_2009-2014.pdf
Agency Financial Report (AFR)	
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