United States
International Trade Commission

Agency Financial Report

Fiscal Year 2022

November 2022

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Contents

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Message from the Chairman

I am pleased to transmit the *FY 2022 Agency Financial Report* for the United States International Trade Commission. This report documents the Commission's financial performance for the fiscal year and discusses our accomplishments and challenges. The report also provides an overview of the agency's programmatic performance. Moreover, I am pleased to report that management's assessment of risks and review of financial controls and financial systems disclosed no material weaknesses, and that the financial and performance data presented here is reliable and complete (see Statement of Assurance, p. 12).

Statutory Mandates

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

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

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

Program Accomplishments

I would like to highlight the following accomplishments during the last fiscal year. The Commission made substantial progress toward achieving its strategic objectives in FY 2022; it met or exceeded most of its annual performance goals and improved upon agency performance in other areas. This year, the agency commenced 148 new investigations and completed 152 investigations in the areas of import injury, intellectual property, and industry and economic analysis.

Investigate and Decide

During the year, the Commission conducted import injury and unfair import investigations in an objective manner, met statutory deadlines, produced sound determinations, and provided relief, when warranted, under the relevant statutes. In FY 2022, import injury investigations covered a variety of products across several industry sectors including: sodium nitrite, white grape juice concentrate, wooden bedroom furniture, large residential washers, certain coated paper, oil country tubular goods, granular polytetrafluoroethylene resin, crystalline silicon photovoltaic cells, mobile access equipment and subassemblies, polyester textured yarn, corrosion resistant steel products, and polyethylene retail carrier bags. Similarly, unfair import investigations covered a broad range of products including: mobile and wireless devices and other computer and telecommunications products, barcode scanners, electronic exercise systems, integrated circuits, knitted footwear, toner supply containers, portable battery jump starters, home security and heating ventilation and air conditioning (HVAC) systems, immunoassay kits and test strips, plant-derived recombinant human serum albumins, wood pellet grills, and shingled solar modules.

Trade Policy Support and Information

To support the development of well-informed trade policy, the Commission also provided the President and the U.S. Trade Representative (USTR), by delegation, and Congress with high-quality economic analysis and technical support. Intended to fill critical information gaps for policy makers, the Commission's factfinding investigations covered a variety of topics in Fiscal FY 2022, such as the effects of foreign censorship on trade and U.S. businesses, operation of the trade agreements program (2021), shifts in merchandise trade (2021), and trends in U.S. services trade. Commission staff met with USTR and Congressional staff to discuss topics such as statutory reports, potential factfinding investigations, trade policy support, draft legislation, tariff affairs, safeguards, MTBs, and other issues. The Commission also compiled the 2022 preliminary and basic editions of the Harmonized Tariff Schedule (HTS) and issued 15 additional Revisions to the HTS to reflect policy changes implemented during the fiscal year.

Organizational Excellence

The Commission also made steady progress on many of its management and administrative goals during FY 2022, particularly in the areas of human resources, ongoing operational improvements, and information technology. The agency continued to strengthen its strategic planning and performance-management processes, improve internal controls, and incorporate enterprise- risk-management principles into its planning, administrative, and budgeting processes. The Commission also continued to strengthen the security and effectiveness of its information systems, which helps enhance the productivity and efficiency of staff.

Moreover, in FY 2022 the Commission continued to make strides in improving its data governance activities, by updating and expanding the agency guidance on data governance and leveraging technology to make information available to decision makers in the form they need.

The Commission also continued to develop and deploy cutting edge controls to ensure data are protected from creation through destruction.

The performance information presented herein is complete and accurate. The Commission's Annual Performance Report will fully describe the extent to which the USITC met its FY 2022 performance goals and made progress on its strategic objectives when it is published in February 2023.

FY 2022 Agency Financial Report

The Commission's FY 2022 financial statement audit resulted in an unmodified opinion by the independent accounting firm Harper, Rains, Knight & Company, monitored by the Inspector General. The independent auditors identified no material weaknesses, significant deficiencies, or instances of non-compliance with laws and regulations. During FY 2022, the Commission continued to assess and improve internal controls in accordance with Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control.* Senior management meets regularly to strengthen oversight of and further improve Commission operations. The Commission complies with the provisions of the Federal Managers' Financial Integrity Act of 1982 (FMFIA).

I am providing an unmodified statement of assurance that our internal controls over operations meet the objectives of FMFIA, as of September 30, 2022. Additionally, I can provide reasonable assurance that, as of September 30, 2022, the Commission's internal controls over financial reporting were in compliance with FMFIA and OMB Circular A-123, Appendix A, and no material weaknesses were found in the design or operations of the financial internal controls. Furthermore, as required by the Government Card Abuse Prevention Act of 2012 and OMB Circular A-123, Appendix B, I can provide reasonable assurance that, as of September 30, 2022, the appropriate controls were in place to mitigate the risk of fraud and inappropriate charge card practices.

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

Looking Forward

Trade has become a larger part of the U.S. and global economies, with changes in supply chains, policies, and technologies shaping these trade flows. These dynamics in international trade have increased the complexity and scope of the Commission's analyses. The Commission endeavors to remain at the forefront of informing trade policy, through its analysis of trade and competitiveness-related industry, economic, legal, and nomenclature issues. For more details regarding the Management and Performance Challenges, see p.45.

The Office of Inspector General (OIG) identified two significant management challenges this year: managing data and internal controls. These challenges continue to require attention and Commission management agrees that these are important challenges and concurs with the OIG's assessment of these challenges (see p. 50).

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

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

David S. Johanson
Chairman
November 15, 2022

Management's Discussion and Analysis

Introduction

The United States International Trade Commission (Commission or USITC) Fiscal Year 2022 Agency Financial Report (AFR) presents the results of the Commission's financial performance and demonstrates to the President, Congress, and the public the USITC's commitment to its mission and accountability for the resources entrusted to it. This report is available at www.usitc.gov. The USITC will issue its FY 2022 Annual Performance Report, which fully describes its performance for the fiscal year, when it issues its Congressional Budget Justification (CBJ) for FY 2024.

About the USITC

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

The Commission has specific responsibilities in the application of U.S. trade laws. The agency investigates the effects of allegedly dumped and subsidized imports on domestic industries and conducts global safeguard investigations when domestic industries allege serious injury by increased imports. It also adjudicates cases involving imports that allegedly infringe intellectual property rights or otherwise unfairly injure a domestic industry. The Commission also, by law, provides the House Committee on Ways and Means, the Senate Committee on Finance, and the President or, by delegation, the U.S. Trade Representative with objective and thorough analysis and information on trade policy and U.S. competitiveness matters. The Commission also has the responsibility of maintaining the Harmonized Tariff Schedule (HTS) of the United States, the official legal document that sets out the tariff rates and statistical categories for all merchandise imported into the United States. In addition, the United States-Mexico-Canada Agreement Implementation Act (USMCA), which entered into force on July 1, 2020, requires the Commission to conduct investigations and make determinations in response to any petitions alleging material harm to the U.S. long-haul trucking industry due to increased competition from cross-border services provided by Mexican trucking firms in the United States.

The Commission is committed to transparency, making most of its information and analysis available to the public through its website to promote a better understanding of international trade issues.

Mission

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

Organization

Commissioners

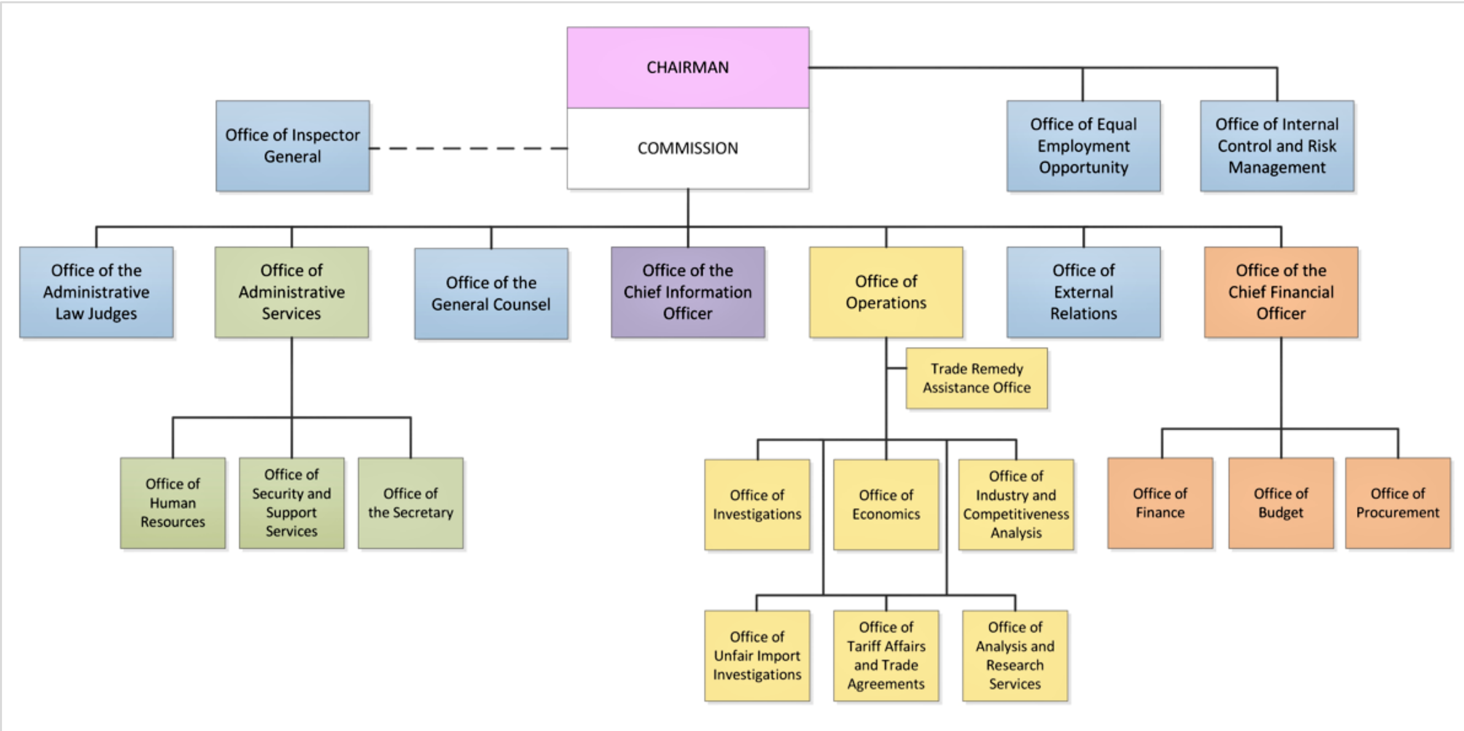
The USITC is headed by six Commissioners, who are nominated by the President and confirmed by the U.S. Senate. David S. Johanson, a Republican, is serving as Chairman of the Commission for a term ending June 16, 2024. Other Commissioners currently serving are, in order of seniority, Rhonda K. Schmidtlein, Jason E. Kearns, Randolph J. Stayin, and Amy A. Karpel. As of November 1, 2022, there is one vacancy on the Commission.

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

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

[1] 19 U.S.C. § 1330, Organization of Commission.
[2] If the President does not name a Vice Chairman, the position remains unfilled.

Office-Level Organizational Chart



USITC Staff

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

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

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

Strategic Planning and Performance Reporting

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

The Commission's current Annual Performance Plan (APP), through FY 2023, sets out annual measures that correspond to the broader strategic goals, performance goals, and strategies identified in the Strategic Plan. The Commission's Congressional Budget Justification, on the other hand, describes the operational, human capital, technology, and informational resources required to meet the performance goals. The Commission's current Strategic Plan, for fiscal years 2022–2026, identifies three strategic goals, each with corresponding objectives.

Goals	Objectives
Strategic Goal 1 Investigate: Conduct reliable and thorough investigations	S1.1 Reliable: Conduct expeditious and transparent proceedings S1.2 Thorough: Engage the public, including stakeholders and experts, and collect all relevant data to inform and support investigations
Strategic Goal 2 Inform: Develop sound and informed analyses and determinations	S2.1 Sound: Apply innovative analysis and make objective determinations S2.2 Informed: Provide clear, relevant, and accurate information in Commission work products

Goals	Objectives
Strategic Goal 3 Perform: Execute and advance organizational excellence	S3.1 People: Attract, develop, and retain a skilled, diverse, and versatile workforce S3.2 Money: Ensure good stewardship of taxpayer funds S3.3 Technology: Implement reliable and secure systems that promote resilience, innovation, and efficiency S3.4 Data: Manage and leverage data as an asset S3.5 Ongoing Operational Improvements: Evaluate and improve processes and communications

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

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

The Commission expects to publish its Annual Performance Plan for FY 2023–2024, its Annual Performance Report for FY 2022, and its Congressional Budget Justification for FY 2024 in February 2023. The Annual Performance Report will fully describe the extent to which the USITC met its FY 2022 performance goals and made progress on its strategic objectives.

Management Assurances

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

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

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

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

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

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

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

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

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

Chairman’s Statement of Assurance

Statement of Unmodified Assurance

U.S. International Trade Commission management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of Sections 2 and 4 of the Federal Managers’ Financial Integrity Act of 1982 (FMFIA).

The Commission conducted its assessment of the effectiveness of its risk management framework and system of internal control for Fiscal Year 2022 in accordance with OMB Circular A-123, *Management’s Responsibility for Enterprise Risk Management and Internal Control*. Based on the results of that assessment, I am providing an unmodified statement of assurance that our internal controls over operations meet the objectives of FMFIA, as of September 30, 2022. During the fiscal year, the Commission made significant progress in addressing the risks and issues related to the agency’s System of Internal Rules. Given this progress, the Commission is able to report that the System of Internal Rules is no longer a material weakness at this time. The Commission understands the importance of having a strong and well-functioning System of Internal Rules, and it will continue to devote particular attention to this area to ensure that progress continues, and ongoing monitoring remains a top priority.

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

The Commission also assessed the effectiveness of its internal control over financial reporting, which includes the safeguarding of assets and compliance with applicable laws and regulations, in accordance with OMB Circular A-123. Based on the results of this evaluation, the Commission can provide reasonable assurance that, as of September 30, 2022, its internal control over financial reporting was operating effectively and it had found no material weaknesses in the design or operations of the internal control over financial reporting.

David S. Johanson
Chairman
November 15, 2022

Forward-Looking Information

The increasing complexity of trade investigations has brought challenges to the ability of the USITC to meet its timeliness goals. In recent years the complexity of all investigations has increased, whether it is the number of countries involved in an import injury investigation, the types of allegations and technology presented in an unfair import investigation, or the questions presented for factfinding investigations.

Because the USITC's workload is unpredictable and varies in scope and complexity the agency must develop and maintain expertise to respond quickly and effectively to policymakers and to petitions filed with the USITC. To ensure that the USITC's staff and work product remain at the forefront of research, the strategies for meeting these goals include identifying priority research areas and strategic investment in analytic tools and staff skills based on anticipated policy priorities and trade needs. The USITC will also continue to meet its workload challenges by deploying multidisciplinary teams of investigators, economists, industry and financial analysts, statisticians, and attorneys drawn from across the USITC, leveraging diverse skills and backgrounds, expertise, and innovative approaches to problem solving.

Looking forward, a substantial portion of the agency's workforce will be eligible to retire. Approximately ten percent of the agency's workforce turns over every year. To accomplish its mission, the USITC requires staff with highly specialized knowledge in areas including trade analysis; nomenclature systems; analytic methods; and government policies, laws, and regulations affecting trade. USITC staff must also be flexible and adaptable, with the ability to perform in different roles to meet fluctuations in the composition and volume of workload. Further, the number of employees must be adequate to perform the increased workload. To support the agency's strategic and management goals the USITC will focus on efficient and effective recruitment of diverse and flexible human capital. The USITC will also need robust succession planning and training in the necessary workforce skills that develop exceptionally competent, engaged, and diverse managers, team leaders, and staff. Finally, in an environment of increasing management and reporting requirements and the prospect of new statutory obligations, it is critical to implement accurate, innovative, and efficient human capital management systems and processes that help support the agency's strategic goals. When considering strategies to carry out this objective, the agency faces internal and external challenges that shape the business environment in which the USITC carries out its mission. These challenges include budget constraints, difficulty in attracting qualified candidates in specific occupations due to disparities between public- and private-sector pay, and adjusting to changing working environments due to the pandemic. These challenges pose a risk to mission accomplishment.

Overview of Financial Results

Overview of Financial Statements

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

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

BALANCE SHEET

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

Assets

What We Own and Manage

Assets are the amount of current and future economic benefits owned or managed by the USITC to achieve its mission. Total assets were $28.3 million at September 30, 2022, compared to $27.7 million at September 30, 2021. Fund Balance with Treasury (FBWT) and Property, Plant, and Equipment (PP&E) accounted for 81 percent and 19 percent, respectively, of overall agency assets in FY 2022. The FBWT represents monies held within Treasury that are available for appropriated purposes to make future expenditures and pay liabilities. PP&E is comprised of tangible assets, such as information technology (IT) hardware, internal-use software, furniture, and leasehold improvements.

FBWT increased by $1.2 million (5.6 percent) from FY 2021 to FY 2022, while PP&E decreased by $616 thousand (10.3 percent). The decrease in PP&E was due to depreciation and/or amortization expense of IT assets in service exceeding the cost of assets acquired during the year.

Accounts Receivable decreased from $3,330 to $2,583 as the USITC collected on amounts owed from employee debts and sponsored travel.

Liabilities

What We Owe

Liabilities are amounts owed by the USITC for goods and services it has received but not yet paid for—specifically, monies owed to the public and other federal agencies. Total liabilities decreased between 2022 and 2021, from $19.1 millon to $15.4 million. The USITC's two most significant liabilities are unfunded leave ($6.2 million) and the unamortized portion of the rent abatement ($4.7 million) the USITC received when it signed its lease agreement with the General Services Administration (GSA) for its headquarters building.

Other liabilities of note include payroll liabilities (comprised of accrued funded payroll and employer contributions and payroll taxes payable) of $1.7 million and accounts payable of $1.9 million.

Net Position

What We Have Done Over Time

Net position comprises Unexpended Appropriations and Cumulative Results of Operations. The net position of the USITC increased by $4.3 million from FY 2021 to FY 2022.

STATEMENT OF NET COST

The Statement of Net Cost presents the annual cost of operating the USITC's programs. It is comprised principally of salaries and associated benefits, rent, and information technology expenditures. Overall cost of operations increased from $107.3 million in FY 2021 to $109.8 million in FY 2022.

STATEMENT OF CHANGES IN NET POSITION

The Statement of Changes in Net Position provides details on the changes to the two components of the changes in net position – total unexpended appropriations and cumulative net results of operations – during FY 2022. The USITC's net position increased by $4.3 million from $8.5 million in FY 2021 to $12.8 million in FY 2022. Total unexpended appropriations increased by $4.1 million from $14.4 million to $18.5 million. Cumulative results of operations increased by $256 thousand, from negative $5.91 million at the end of FY 2021 to negative $5.65 million in FY 2022 as financing resources exceeded net cost of operations.

STATEMENT OF BUDGETARY RESOURCES

The Statement of Budgetary Resources summarizes how varying sources of budgetary funding were made available during the fiscal year and their status by the end of the fiscal year. The USITC ended FY 2022 with budgetary resources of $111 million, a $5.96 million increase from the previous year. A $7 million increase in the USITC's appropriation from FY 2021 to FY 2022 explains the majority of this increase along with a $1 million decrease in the unobligated balance brought forward from FY 2021.

Limitations on Financial Statements

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

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

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

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

Management Controls and Compliance with Laws and Regulations

Federal Managers' Financial Integrity Act

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

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

For FY 2022, the Commission evaluated the internal controls over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. In addition, the Commission evaluated the effectiveness of internal control over financial reporting in accordance with the requirements of Appendix A of OMB Circular A-123, assessed the charge card program in accordance with Appendix B of OMB Circular A-123, and tested for improper payments in accordance with Appendix C of OMB Circular A-123. Based on these evaluations, the Commission provides unmodified assurance that its internal controls were operating effectively.

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

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

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

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

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 USITC made late payments resulting in interest penalties of $1,326 in FY 2022.

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. The USITC refers debts to the Treasury Offset Program (TOP) after agency internal due diligence procedures.

Payment Integrity Information Act

The Payment Integrity Information Act of 2019 amends government-wide improper payment reporting requirements by repealing and replacing the Improper Payments Information Act of 2002 (IPIA), the Improper Payments Elimination and Recovery Act of 2010 (IPERA), the Improper Payments Elimination and Recovery Act of 2012 (IPERIA), and the Fraud Reduction and Data Analytics Act of 2015.

The USITC'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. In addition, the USITC participates in the Do Not Pay (DNP) initiative through IBC, its shared service provider.

Accountability of Tax Dollars Act

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

The USITC's financial statements are audited each year. The USITC received an unmodified opinion for FY 2022 (see Independent Auditors' Report, p. 24).

Financial Section

Message from the Chief Financial Officer

I am presenting the United States International Trade Commission's financial statements for the FY 2022 Annual Financial Report. The AFR provides a comprehensive view of the USITC's financial activities and demonstrates its stewardship and management of public funds. The independent accounting firm of Harper, Rains, Knight, & Company, monitored by the Inspector General, issued an unmodified opinion on the Commission's FY 2022 financial statements, again with no material weaknesses or significant deficiencies. This is the twelfth consecutive year the USITC has received an unmodified opinion, an accomplishment I am quite proud of. These results are possible because of the efforts of the financial management, Contracting Officer's Representatives, and business professionals across the Commission. Their continued commitment to promoting financial integrity and applying effective controls ensures high quality, accurate, and reliable information for all our customers.

The Commission's key accomplishments during the year were:

- Following our participation in working group meetings and testing of the G-Invoicing program with the Interior Business Center and the Intragovernmental Trading Working Group, successfully implemented G-Invoicing by the October 1, 2022 implementation date.
- In conjunction with our financial management shared services provider (Interior Business Center), implementing the Oracle Analytics Server (OAS) reporting tool. OAS replaced the Oracle Business Intelligence Enterprise Edition reporting tool utilized to create financial reports.
- Meeting its small business procurement and socio-economic goals
- Enhancing our Budget Nexus reporting tool and associated processes to provide a more user-friendly method for managers to plan and execute their expenditure plans.

Looking forward to FY 2023, in addition to sustaining its audit readiness, the Commission will:

- Continue working with our governmental trading partners that were not able to implement G-Invoicing by the October 1, 2022 date, so that we will be ready to create Intragovernmental transactions with them by using the G-Invoicing system by October 1, 2023.
- Work to leverage the OAS reporting tool to gain process efficiencies and ensure more efficient month end closing processes.

The unmodified audit opinion and financial accomplishments reflect the USITC's organizational commitment to sound financial management and accountability. The accomplishments in FY 2022 and the past few years were the result of efforts across the entire organization. The CFO team looks forward to working closely with internal and external stakeholders to make continued improvements to the USITC's financial management and internal controls operations in FY 2023.

John M. Ascienzo
Chief Financial Officer
November 15, 2022

Inspector General's Transmittal Letter of Independent Auditors' Report

OFFICE OF INSPECTOR GENERAL

UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, DC 20436

November 15, 2022 IG-UU-012

Commissioners:

We contracted with the independent certified public accounting firm, Harper, Rains, Knight & Company, P.A., to conduct an audit of the financial statements of the U.S. International Trade Commission (USITC or Commission) as of and for the fiscal years ended September 30, 2022 and 2021, and to provide a report on internal control over financial reporting and compliance and other matters. This memorandum transmits the results of the audit (OIG-AR-23-02). The contract required that the audit be performed in accordance with U.S. generally accepted government auditing standards.

My office has policies and procedures designed to assure that work performed by non-Federal auditors complies with auditing standards. These procedures follow the GAO/CIGIE Financial Audit Manual (FAM670) guidelines. In connection with this contract, we reviewed Harper, Rains, Knight & Company's draft and final report and related documentation and made inquiries of its representatives. Our involvement in the audit process included monitoring audit activities, participating in discussions, reviewing audit plans, and inspecting selected documentation, conclusions, and results.

Our involvement and review of Harper, Rains, Knight & Company's work disclosed no instances where they did not comply, in all material respects, with the U.S. generally accepted government auditing standards; however, this review cannot be construed as an audit and is not intended to enable us to express, and we do not express, any opinion on the Commission's financial statements or internal control over financial reporting, or conclusions on compliance and other matters. Harper, Rains, Knight & Company is solely responsible for the audit report dated November 10, 2022, and the conclusions expressed in the report.

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

Sincerely,

Rashmi Bartlett

Rashmi Bartlett
Inspector General

Independent Auditors' Report

Harper, Rains, Knight & Company

Independent Auditors' Report

Inspector General
U.S. International Trade Commission

Report on the Audit of the Financial Statements

Opinion

In accordance with the Accountability of Tax Dollars Act (ATDA), we have audited the financial statements of the U.S. International Trade Commission (USITC). USITC's financial statements comprise the balance sheets as of September 30, 2022, and 2021, and the related statements of net cost, changes in net position, and budgetary resources for the fiscal years then ended, and the related notes to the financial statements.

In our opinion, USITC's financial statements present fairly, in all material respects, USITC's financial position as of September 30, 2022, and 2021, and its net cost of operations, changes in net position, and budgetary resources for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and 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. 22-01, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin No. 22-01 are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of USITC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement or a material weakness when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and OMB Bulletin No. 22-01, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 USITC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Perform other procedures we consider necessary in the circumstances.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America issued by the Federal Accounting Standards Advisory Board (FASAB) require that the information in the Management's

Discussion and Analysis be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by FASAB who considers this information to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the RSI and comparing the information for consistency with management's responses to the auditors' inquiries, the financial statements, and other knowledge we obtained during the audit of the financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit, and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on USITC's financial statements. The information in the Message from the Chairman, Message from the Chief Financial Officer, Other Accompanying Information, Payment Integrity and Appendices sections contain a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. Our opinion on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audits of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to me materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

Report on Internal Control over Financial Reporting

In planning and performing our audit of USITC's financial statements as of and for the year ended September 30, 2022, in accordance with government auditing standards generally accepted in the United States of America (GAGAS), we considered USITC's internal control relevant to the financial statement audit as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of USITC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of USITC's internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's 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 purpose described above, and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies or to express an opinion on the effectiveness of USITC's internal control over financial reporting. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses. However, material weaknesses and significant deficiencies may exist that have not been identified.

During our 2022 audit, we identified deficiencies in USITC's internal control over financial reporting that we do not consider to be material weaknesses or significant deficiencies. Nonetheless, these deficiencies warrant USITC management's attention. We have communicated these matters to USITC management and, where appropriate, will report on them separately.

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, the objectives of which are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and (2) transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

As part of obtaining reasonable assurance about whether USITC's financial statements are free from material misstatement, we performed tests of its compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, that have a direct effect on the determination of material amounts and disclosures in USITC's financial statements, and to perform certain other limited procedures, but not for the purposes of expressing an opinion on USITC's compliance with applicable laws, regulations, contracts, and grant agreements. Accordingly, we do not express such an opinion. We did not test compliance with all laws, regulations, contracts, and grant agreements applicable to USITC. USITC management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to the entity.

Our tests of compliance with these selected provisions of applicable laws, regulations, and contracts, and grant agreements disclosed no instances of noncompliance for the year ended

September 30, 2022, that would be reportable under *Government Auditing Standards* or OMB Bulletin No. 22-01. We caution that noncompliance may occur and not be detected by these tests.

Purpose of the Other Reporting Required by Government Auditing Standards

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* is solely to describe the scope of our testing of internal control and compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on the effectiveness of USITC's internal control or compliance. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Bulletin No. 22-01 in considering the entity's internal control and compliance. Accordingly, these reports are not suitable for any other purpose.

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

November 10, 2022
Washington, DC

Principal Financial Statements

U.S. INTERNATIONAL TRADE COMMISSION
BALANCE SHEETS
As of September 30, 2022 and 2021
(in dollars)

	2022	2021
Assets:		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	$ 22,891,193	$ 21,672,220
Total Intragovernmental	$ 22,891,193	$ 21,672,220
With the Public:		
Accounts Receivable (Note 3)	$ 2,583	$ 3,330
Property, Plant, and Equipment, net (Note 4)	5,363,334	5,979,832
Total with the Public	$ 5,365,917	$ 5,983,162
Total Assets	**$ 28,257,110**	**$ 27,655,382**
Liabilities:		
Accounts Payable (Note 7)	$ 441,765	$ 472,346
Other (Note 6)	5,027,023	6,354,021
Total Intragovernmental	$ 5,468,788	$ 6,826,367
With the Public:		
Accounts Payable (Note 7)	$ 1,917,812	$ 1,878,135
Federal Employee and Veteran Benefits Payable (Note 5)	6,369,926	6,571,691
Other (Note 6)	1,688,009	3,870,577
Total with the Public	$ 9,975,747	$ 12,320,403
Total Liabilities	**$ 15,444,535**	**$ 19,146,770**
Net Position:		
Unexpended Appropriations	$ 18,462,249	$ 14,413,966
Cumulative Results of Operations	(5,649,674)	(5,905,354)
Total Net Position	$ **12,812,575**	**$ 8,508,612**
Total Liabilities and Net Position	**$ 28,257,110**	**$ 27,655,382**

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

U.S. INTERNATIONAL TRADE COMMISSION
STATEMENTS OF NET COST
For the years ended September 30, 2022 and 2021
(in dollars)

	2022	2021
Program Costs:	$ 109,762,108	$ 107,320,658
Total Program Costs	**$ 109,762,108**	**$ 107,320,658**

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

U.S. INTERNATIONAL TRADE COMMISSION
STATEMENTS OF CHANGES IN NET POSITION
For the years ended September 30, 2022 and 2021
(in dollars)

	2022	2021
Unexpended Appropriations:		
Beginning balance	$ 14,413,966	$ 14,136,737
Appropriations received	110,000,000	103,000,000
Appropriations used	(105,951,717)	(102,722,771)
Net Change in Unexpended Appropriations	4,048,283	277,229
Total Unexpended Appropriations	**$ 18,462,249**	**$ 14,413,966**
Cumulative Results of Operations:		
Beginning balance	$ (5,905,354)	$ (5,052,638)
Adjustments:		
Correction of Errors (+/-)	-	12,156
Beginning balance, as adjusted	(5,905,354)	(5,040,482)
Appropriations used	105,951,717	102,722,771
Imputed Financing	4,066,071	3,733,015
Net Cost of Operations	(109,762,108)	(107,320,658)
Net Change in Cumulative Results of Operations	255,680	(864,872)
Total Cumulative Results of Operations	**$ (5,649,674)**	**$ (5,905,354)**
Net Position	**$ 12,812,575**	**$ 8,508,612**

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

U.S. INTERNATIONAL TRADE COMMISSION
STATEMENTS OF BUDGETARY RESOURCES
For the years ended September 30, 2022 and 2021
(in dollars)

	2022	2021
Budgetary Resources:		
Unobligated Balance from Prior Year Budget Authority, net	$ 1,000,532	$ 2,044,769
Appropriations (discretionary and mandatory)	110,000,000	103,000,000
Total Budgetary Resources	**$ 111,000,532**	**$ 105,044,769**
Status of Budgetary Resources:		
New Obligations and Upward Adjustments (total)	$ 108,600,253	$ 104,693,497
Unobligated Balance, end of year:		
Apportioned, Unexpired accounts	2,400,279	351,272
Unobligated Balance, end of year (total)	2,400,279	351,272
Total Budgetary Resources	**$ 111,000,532**	**$ 105,044,769**
Outlays, net and Disbursements, net		
Outlays, net (total) (discretionary and mandatory)	**$** 108,781,026	**$** 101,669,716

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

Financial Statement Footnotes

United States International Trade Commission
Notes to Financial Statements
September 30, 2022 and 2021

Note 1. Significant Accounting Policies

A. Reporting Entity

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

B. Basis of Accounting and Presentation

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

The financial statements have been prepared from the books and records of the USITC and include all accounts of all funds under the control of the USITC. Accounting principles generally accepted in the United States of America encompass both accrual and budgetary transactions. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal constraints and controls over the use of federal funds. The accompanying financial statements for the years ended September 30, 2022 are prepared on the accrual basis of accounting and allow for comparison to the years ended September 30, 2021.

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 nonfederal parties that the USITC does not have the authority to use in its operations. See Note 10, Fiduciary Activities, for additional disclosures.

Financing Sources: The USITC has received no-year appropriations for operations since fiscal year 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 $110,000,000 to the USITC for salaries and expenses in fiscal year 2022 and $103,000,000 in fiscal year 2021.

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

C. Property, Plant, and Equipment, Net

The USITC's portfolio of assets includes IT-related equipment, furniture, software, and leasehold improvements. For financial statement reporting purposes, the USITC does not own heritage assets as defined in the FASAB Statements of Federal Financial Accounting Standard (SFFAS) No. 6, *Accounting for Property, Plant, and Equipment*. The USITC therefore reports only the above-mentioned property and equipment in its financial statements. The USITC's operations are housed in a leased structure.

The USITC capitalizes all equipment and furniture when an asset acquisition costs $50,000 or more and when the acquired asset has a useful life of two or more years. Depreciation expense for equipment and furniture is calculated using the straight-line method over an estimated economic useful life. Maintenance and license fees associated with equipment are expensed in the accounting period that purchased maintenance and licenses are received.

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

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

D. Accrued Funded Payroll and Leave

A liability for accrued funded payroll and leave is accrued as annual leave is earned and is paid when annual leave is taken. At year-end, the balance in the accrued funded payroll and leave account is adjusted to reflect the liability at current pay rates and leave balances.

E. Benefits and Retirement Plans

Federal employee benefits consist of the actuarial portion of future benefits earned by federal employees, but not yet due and payable. These costs include pensions, other retirement benefits, and other post-employment benefits, excluding workers compensation. These benefits are administered by the Office of Personnel Management (OPM) and not the USITC. Since the USITC does not administer the benefit plans, it does not recognize any liability on the Balance Sheet for pensions, other retirement benefits and other postemployment benefits.

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

FERS, FERS-RAE, and FERS-FRAE contributions made by employer agencies and covered employees are comparable to the U.S. Government's estimated service costs. For FERS, FERS-RAE and FERS-FRAE covered employees, the USITC made contributions of 18.32 percent, 16.52 and 16.52 percent, respectively, of basic pay. Employees participating in FERS, FERS-RAE or FERS-FRAE are covered under the *Federal Insurance Contribution Act (FICA)* for which both the USITC and employees contributed 6.2 percent of salaries up to $147,000 and $142,800 during calendar years 2022 and 2021, respectively, into the Old-Age, Survivors, and Disability Insurance (OASDI) program. Both the USITC and employees contribute 1.45 percent of salaries to Medicare's Hospital Insurance (HI) program.

The Thrift Savings Plan under FERS, is a savings plan in which the USITC automatically contributes one percent of base pay and matches any employee contributions up to an additional four percent of base pay. The USITC's contributions are recognized as current operating expenses.

F. Imputed Financing

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

G. 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 amounts 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.

H. 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.

I. 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 USITC fund balance represents funds appropriated by Congress for use by the USITC. No funds are restricted; however, in accordance with Section 605, Title 5 of Public Law 105-277, congressional approval is required under certain reprogramming or transfer actions.

Fund Balance with Treasury	2022	2021
Status of Fund Balance with Treasury		
Unobligated balance available	$ 2,400,279	$ 351,273
Obligated balance not yet disbursed	20,490,914	21,320,947
Total	**$ 22,891,193**	**$ 21,672,220**

Note 3. Accounts Receivable

The balance of accounts receivable was $2,583 and $3,330 as of September 30, 2022 and 2021, respectively. The nonfederal accounts receivable for both years represent transactions related to sponsored travel and employee debts. All amounts due may be reported to the Department of the Treasury, Treasury Offset Program if not collected within prescribed collection terms.

Note 4. Property, Plant, and Equipment, Net

Depreciation and amortization expense was $1,779,502 and $2,144,848 for the years ended September 30, 2022 and 2021, respectively, and is included in the accumulated depreciation.

Property, Plant, and Equipment as of September 30, 2022

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	$ 10,713,810	$ 8,132,566	$ 2,581,244
Software	S/L	250,000	5	8,319,858	7,236,927	1,082,931
Software in Development	-	-	-	721,138	-	721,138
Leasehold Improvements	S/L	100,000	Varies	8,121,353	7,459,652	661,701
Leasehold Improvements (In Progress)	-	-	-	316,320	-	316,320
Total				**$ 28,192,479**	**$ 22,829,145**	**$ 5,363,334**

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

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

Note 5. Liabilities Not Covered by Budgetary Resources

Liabilities not covered by budgetary authority are not charged to the USITC's appropriation. These liabilities include unfunded Federal Employees' Compensation Act (FECA) liability, other liabilities, unfunded 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. Unfunded FECA liability balances were $69 and $43,719 as of September 30, 2022 and 2021, respectively.

Other Liabilities: During FY 2017, USITC signed a 15-year lease with GSA for the headquarter building. The lease included several initial months of rent abatement. A liability account was established to record the rent abatement less amortization, which began during the third quarter of FY 2018 and will continue through the remaining term of the scheduled lease payments. Additional information on other liabilities is discussed in Note 6.

Unfunded Leave: Unfunded 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 current leave balances and pay rates. Sick leave and other types of non-vested leave are expensed as taken. Unfunded leave balances were $6,244,272 and $6,358,613 as of September 30, 2022 and 2021, respectively.

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. Accrued actuarial FECA liability balances were $75,796 and $74,475 as of September 30, 2022 and 2021, respectively.

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 and benefits payable, payroll taxes payable, and accrued funded payroll and leave.

Liabilities Not Requiring Budgetary Resources: This represents liabilities that have not in the past required and will not in the future require the use of budgetary resources. These liabilities include those in clearing accounts and non-fiduciary deposit funds. The USITC does not have any liabilities not requiring budgetary resources to report for fiscal years 2022 and 2021.

Liabilities Not Covered by Budgetary Resources	2022	2021
Intragovernmental		
Unfunded FECA Liability	$ 69	$ 43,719
Other Liabilities	4,695,453	5,411,709
Total Intragovernmental	4,695,522	5,455,428
Unfunded Leave	6,244,272	6,358,613
Actuarial FECA Liability	75,796	74,475
Total Liabilities Not Covered by Budgetary Resources	11,015,590	11,888,516
Total Liabilities Covered by Budgetary Resources	4,428,945	7,258,254
Total Liabilities	**$ 15,444,535**	**$ 19,146,770**

Note 6. Other Liabilities

The amounts reported on the Balance Sheet for other liabilities represent amounts owed by the USITC to other federal agencies (intragovernmental) and amounts payable to other nonfederal entities.

The other intragovernmental liabilities balance is representative of three categories of liabilities – the amortization balance of the rent abatement ($4,695,453 and $5,411,709), employee contributions and payroll taxes payable ($331,501 and $898,593) and unfunded FECA liability ($69 and $43,719). These balances are as of September 30, 2022 and 2021, respectively. The rent abatement is discussed in further detail in Note 8.

Accrued funded payroll and leave liabilities are recognized as nonfederal and amount to $1,688,009 and $3,870,577 as of September 30, 2022 and 2021, respectively.

Note 7. 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 nonfederal entities for goods and services received but not paid in support of mission operations.

Intragovernmental accounts payable were $441,765 and $472,346 as of September 30, 2022 and 2021, respectively. Amounts payable to commercial vendors were $1,917,812 and $1,878,135 as of September 30, 2022 and 2021, respectively.

Note 8. Leases

The USITC has an operating lease for its headquarters building that houses day-to-day mission operations. The USITC extended the current operating lease with the General Services Administration for a period of 180 months commencing on August 11, 2017. In accordance with the terms of the new Occupancy Agreement, the USITC received a rent abatement in the amount of $6.8 million, as well as a broker commission credit totaling $591 thousand. The full-service free rent was abated in its entirety from the commencement date of the new lease and was fully exhausted in the third quarter of fiscal year 2018. USITC has no capital leases.

While the leases with the GSA are cancellable, the ITC's intention is to stay in the currently leased space and disclose the amounts that will be paid in the future to the GSA utilizing annual lease agreements.

As of September 30, 2022, rent expense for operating leases amounted to $9,363,653 (net of rent abatement of $716,256). For September 30, 2021, rent expense for operating leases was $9,486,767 (net of rent abatement of $238,752).

Future minimum lease payments due as of September 30, 2022 are as follows:

Fiscal Year		Federal
2023	$	10,132,434
2024		10,202,965
2025		10,275,611
2026		10,350,438
2027		10,427,509
Thereafter		51,556,126
Total Future Minimum Lease Payments	**$**	**102,945,083**

Note 9. Commitments and Contingencies

The USITC has certain claims and lawsuits pending against it. Agency policy is to include provisions in the financial statements for any losses considered probable and estimable. Management believes that losses from certain other claims and lawsuits are reasonably possible but are not material to the fair presentation of the USITC's financial statements, and provisions for these losses are not included in the financial statements.

Note 10. Undelivered Orders

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 goods and services or may represent potential deobligations. 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 $16,061,969 and $14,062,693 as of September 30, 2022 and 2021, respectively. Federal undelivered orders amounted to $4,195,813 while $11,866,156 were classified as nonfederal in fiscal year 2022. Federal undelivered orders amounted to $4,119,970 while $9,942,723 were classified as nonfederal in fiscal year 2021. All undelivered orders are considered unpaid at the end of the fiscal year.

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

The Budget of the United States Government with actual amounts for the year ended September 30, 2022 has not been published as of the issue date of these financial statements. This document will be available in February 2023 at OMB's website.

For fiscal year 2021, there were no material differences between amounts reported in the Commission's Statement of Budgetary Resources and the actual amounts reported on the President's Budget.

Note 12. Fiduciary Activities

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

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

Fiduciary Bond Fund 34X6340 was authorized by 35 U.S.C. §2513, which authorized the USITC to collect cease and desist bonds on behalf of the federal government.

	2022		2021	
	Fiduciary Fund 34X6340		Fiduciary Fund 34X6340	
Fiduciary net assets, beginning of year	$	967,322	$	906,322
Cash collections from cease-and-desist bonds		148,245		3,210,622
Cash disbursements to beneficiaries		(154,250)		(3,149,622)
Fiduciary Net Assets, end of year	**$**	**961,317**	**$**	**967,322**

	2022		2021	
	Fiduciary Fund 34X6340		Fiduciary Fund 34X6340	
FIDUCIARY ASSETS				
Fund Balance with Treasury	$	961,317	$	967,322
Total Fiduciary Net Assets	**$**	**961,317**	**$**	**967,322**

Note 13. Reconciliation of Net Cost of Operations to Budget

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

Reconciliation of Net Operating Cost & Net Budgetary Outlays for the Years Ending September 30, 2022 and 2021 (in dollars)						
	2022			2021		
	Intra-governmental	With the Public	Total FY2022	Intra-governmental	With the Public	Total FY2021
Net Operating Cost (SNC)	34,848,827	74,913,281	109,762,108	32,952,157	74,368,501	107,320,658
Components of Net Operating Cost Not Part of the Budgetary Outlays						
Property, plant, and equipment depreciation	-	(1,779,502)	(1,779,502)	-	(2,144,848)	(2,144,848)
Increase/(Decrease) in Assets not affecting Budget Outlays:						
Accounts receivable	-	(748)	(748)	-	(1,481)	(1,481)
(Increase)/Decrease in Liabilities not affecting Budget Outlays:						
Accounts payable	30,580	(39,677)	(9,097)	(212,866)	71,287	(141,579)
Salaries and benefits	567,093	2,271,313	2,838,406	(112,566)	(798,910)	(911,476)
Other liabilities (Rent abatement, Unfunded leave, Unfunded FECA)	759,906	113,021	872,927	213,116	(267,757)	(54,641)
Other Financing Sources:						
Federal employee retirement benefit costs paid by OPM and imputed to agency	(4,066,071)	-	(4,066,071)	(3,733,015)	-	(3,733,015)
Total Components of Net Operating Cost Not Part of the Budget Outlays	(2,708,492)	564,407	(2,144,085)	(3,845,331)	(3,141,709)	(6,987,040)
Components of the Budget Outlays Not Part of Net Operating Cost						
Acquisition of capital assets	-	1,163,003	1,163,003	-	1,348,254	1,348,254
Total Components of the Budgetary Outlays Not Part of Net Operating Cost	-	1,163,003	1,163,003	-	1,348,254	1,348,254
Other Temporary Timing Differences	-	-	-	-	(12,156)	(12,156)
Net Outlays	32,140,335	76,640,691	108,781,026	29,106,826	72,562,890	101,669,716
Related Amounts on the Statement of Budgetary Resources						
Outlays, net			108,781,026			101,669,716
Distributed offsetting receipts						
Agency Outlays, Net			108,781,026			101,669,716

Other Accompanying Information

Inspector General's Summary of Management and Performance Challenges

UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, DC 20436

October 24, 2022

IG-UU-011
OIG-MR-23-01

Chairman Johanson:

In accordance with the Reports Consolidation Act of 2000, the U.S. International Trade Commission (USITC or Commission), Office of Inspector General (OIG) identifies the most serious management and performance challenges facing the Commission and provides a brief assessment of the Commission's progress in addressing those challenges. This summary is known as the Top Management Challenges. By statute, this report is required to be included in the Commission's Agency Financial Report.

Congress left the determination and threshold of what constitutes a most serious management and performance challenge to the discretion of the Inspector General. The Government Performance and Results Modernization Act of 2010 identifies major management challenges as programs or management functions that are vulnerable to waste, fraud, abuse, and mismanagement. A failure to perform well in these areas could seriously affect the Commission's ability to achieve its mission objectives. Each challenge area is related to the USITC's mission and reflects continuing vulnerabilities and emerging operational issues.
For FY 2023, the Commission's top management and performance challenges are:

- Data Management
- Internal Controls

The OIG first identified managing data, hereafter known as data management, as a challenge for the Commission in the October 2017 report, *USITC Management and Performance Challenges*. The internal controls management challenge is over ten years old. The same challenges were identified again this year based on oversight work by the Office of Inspector General, knowledge of the Commission's programs and operations, the Commission's strategic plan, annual management plan, enterprise risk management assessments, statements of assurance, and observations and discussions with senior leaders.

Data Management

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

The *Foundations for Evidence-Based Policymaking Act of 2018* (Evidence Act) requires agencies to establish a Data Governance Body to be chaired by the Chief Data Officer (CDO). The Data Governance Body, known at the Commission as the Data Governance Board (DGB), was established in 2020. The DGB includes the senior-level staff and technical experts needed to discuss and set policy on data and data-related topics.

The Commission noted in its *Strategic Plan FY 2022-2026* that data is essential to its work, yet there has not yet been a fully cohesive data-centered approach to supporting the agency's mission. Quality data systems are critical to the Commission's ability to provide relevant and independent information, analysis, and data to Congress, the President, and the United States Trade Representative to support decisions and policymaking on complex trade and competitiveness issues.

The Commission should be able to rely on the quality and integrity of its data across systems, applications, and databases. The value of the information generated by an internal or external system is only as good as its quality at entry. The accuracy and completeness of system information depend on how data are captured, input, and reconciled at the point of entry. Data verification, monitoring, and reconciliation processes should be performed regularly to identify and correct any errors or omissions and improve processes to reduce future errors.
The Commission's plan to improve data management includes activities to develop and implement policies to govern the collection, creation, management, use, and disclosure of USITC data. The table below shows the status of key activities.

Activity	Start Date	Status or Planned Actions
Inventory and documentation of core agency applications and administrative data systems	2018	Complete documentation of core agency applications and administrative data systems by FY 2026
Data Governance Manual	2019	Scheduled to go to the Commission's Internal Administration Committee for review in November 2022
Data Governance Policy	2020	The Commission's Internal Administration Committee is scheduled to review the policy in November 2022, followed by the Chairman's office

Activity	Start Date	Status or Planned Actions
Priority/schedule of data systems to be documented	2022	DGB plans to begin prioritization of systems for documentation in November 2022

According to the CDO, the Commission's first step is to develop and validate the system inventory. The Commission started work on the inventory soon after the OIG identified data management as a challenge in 2017. The Commission's original data inventory in 2017 contained 68 systems. The inventory is still being reviewed by the CDO. Therefore, a current system inventory number is not available. As of October 2022, there are 101 data assets. The Commission's Data Governance Policy and Data Governance Manual are also in development. When complete, they will be important tools in communicating data management expectations, data accuracy goals, and data quality plans. The Commission plans to review both documents in November 2022.

The Commission established a goal in 2022 to document core agency applications and administrative data systems within five years. The CDO told the OIG that a system is documented when it has 1) a system description and standard operating procedure, 2) a data glossary, and 3) a data quality plan.

Of the 101 data assets, 19 have a standard operating procedure, 27 have a data glossary, and three have a data quality plan. Three systems have been fully documented over the past year: 1) the Investigation Data Base System (IDS) - a centralized system for investigative data, 2) the Time & Attendance System, and 3) the Enterprise Risk Management System.

In November 2022, the Data Governance Board will be discussing which systems will be prioritized for review and documentation. If the Commission achieves the goal of documenting core data systems within five years, it will have taken ten years since the OIG first reported the management challenge in October 2017. Furthermore, additional time may elapse before the Data Governance Policy and Data Governance Manual are institutionalized and operational across Commission offices.

One obstacle affecting the Commission's ability to address the data management challenge is that the CDO serves in the role part-time without any dedicated staff. We acknowledge the involvement of other contributors, including office directors who are key members of the DGB and staff from several offices who serve on the OPENData work group. While the commitment of the team is evident, the effort lacks the momentum that a permanent CDO team could offer. The risk of the current approach is that it will be extremely difficult with part-time resources to complete baseline data management activities, periodically review and update system documentation, and respond timely to new requirements. For example, the Commission follows OMB's memorandum M-19-18, *Federal Data Strategy — A Framework for Consistency*, which provides a governmentwide vision for how agencies should manage and use federal data by 2030. Agencies are to implement the Federal Data Strategy by adhering to the requirements of action steps in annual action plans, which are issued by the Federal Data Strategy development team.

Internal Controls:

The Government Accountability Office (GAO) publishes the *Standards for Internal Control in the Federal Government* (The Green Book) which provides federal government managers with the criteria for designing, implementing, and operating an effective internal control system. It defines internal control as "a continuous built-in component of operations, effected by people" and identifies five components for internal control:

1. Control Environment
2. Risk Assessment
3. Control Activities
4. Information and Communication
5. Monitoring

For a system of internal control to be effective, all five components must be properly designed and implemented. In addition, these components must work together in an integrated manner. The overall success of a system of internal control relies on the people, processes, and technology across the organization.

The Commission's management is responsible for establishing and maintaining a system of internal controls. Management is also responsible for designing control activities at the appropriate levels in the organizational structure, such as the plans, policies, and procedures that managers use to ensure their programs and operations achieve the intended results through the effective use of public resources. Each operating unit is responsible for establishing and implementing the control activities required to manage its program area. The control activities should be documented through policies and procedures, communicated to staff, and monitored to confirm they are working as intended. The absence of standard, up-to-date procedures can increase the risk of:

- Inconsistent or incorrect performance of routine operations
- Incomplete and unreliable information produced
- Informal decisions and management override of controls
- A lack of documentation to support decisions

The control environment is the keystone of an internal control system. The GAO's Green Book states that one requirement of the control environment is for management to establish an organizational structure, assign responsibility, and delegate authority to meet the objectives of the Commission. In September 2015, we issued our report, *Audit of Directives Management*. The audit found that the Commission's policy directives were not current and contained outdated assignments of responsibility and delegations of authority. Although the Commission had written procedures to assess the directives periodically, the reviews were not performed.

The former chief administrative officer (CAO) identified an inadequate system of internal rules as a material weakness in September 2015 and began tracking it the following month. This year, the Commission downgraded the material weakness to a significant deficiency based on the fact it had demonstrated the ability to issue directives.

At the end of FY 2022, the Commission had issued 47 directives since FY 2018. Some of the 47 directives were new while others were previous directives that were updated or revised. There are still 49 historical directives in the Commission's internal rules system that have not been formally superseded or rescinded. The Commission estimates it will issue approximately six to eight directives by March 31, 2023. As noted by the former CAO in March 2022, it will take agency-wide support for internal rules to be maintained and kept current. Since the directives are foundational to internal controls, any delays in updating directives pose a risk that Commission policies and procedures are not current and could be inconsistently understood or executed.

The Commission should monitor the operational effectiveness of the system of internal rules to ensure it is working as designed and achieving the desired results. It is also important that directives, policies, and procedures are subject to regular review and revision. This is especially critical given the increased use of telework and new ways of communicating in a hybrid work environment. Managers need to remain mindful of how these changing conditions may impact the effectiveness of key internal controls. The Commission's ability to strengthen internal controls through directives will depend on maintaining up-to-date directives, communicating changes timely, and monitoring whether controls are operating as expected.
We monitor the Commission's efforts to address the management challenges that we identify each year. Our monitoring work includes following up on open recommendations and conducting related audit work. For information on our ongoing and planned audit work, please see our *FY 2023 Annual Plan*.

If you have any questions or wish to discuss our views on the challenges in greater detail, please contact me at (202) 539-9462.

Rashmi Bartlett

Rashmi Bartlett
Inspector General

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

UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, DC 20436

COMMENTS ON MANAGEMENT CHALLENGES
IDENTIFIED BY THE INSPECTOR GENERAL

In Management Report: USITC Management and Performance Challenges, dated October 24, 2022, the USITC Inspector General identified two management challenges for the Commission, (1) managing data and (2) internal controls. As required by the Reports Consolidation Act of 2000, the Inspector General also assessed the Commission's progress in addressing these challenges.

The Commission concurs with the Inspector General on the management challenges facing the agency. The Commission is pleased that progress has been made during FY 2022 to address the previously identified management challenges of managing data and internal controls. The Commission will continue its efforts in FY 2023 to address these two challenges.

Management Challenge: Managing Data

The Commission agrees, as noted by the Inspector General, that we should be able to rely on the quality and integrity of our data across systems, applications, and databases and that employees need to understand the importance of the data they are using. The Commission also believes that high-quality information relies on a strong governance structure—including defined data ownership and accountability that ensures accuracy, completeness, timeliness, and integrity of data. More importantly, employees need to know the data's accuracy and how it impacts the quality of information the Commission relies on to accomplish its mission. For these reasons, we must continue to take a thoughtful, enterprise-wide approach to managing data to ensure that relevant, complete, and available data inform strategic and operational decisions while minimizing enterprise risks.

During FY 2022, the Commission continued to take steps to strengthen its data governance practices and plans to issue updated data governance directives and handbooks in FY 2023. Together, those documents will strengthen the foundation of standards for data governance at the Commission. Moreover, this last fiscal year, the Commission continued to leverage data as a strategic asset. In FY 2022, the Commission used business intelligence tools to make data more readily available such as in the labor cost database system and the Investigations Database System (IDS). We updated, documented, and redeployed the legacy labor cost data system, making those data more readily and reliably available. We also updated IDS to use business intelligence tools to develop data accuracy reports to enable staff to more systematically review data contained within the system.

Moreover, during FY 2023, new processes that we began implementing last fiscal year will continue, such as annual certification of data assets by data owners and documentation standards of new systems. The Commission will continue to identify and inventory new database systems as they are identified, and we will capture important meta data describing those systems, including purpose, sensitivity, data types, data owner, and whether the database system had a data dictionary or data quality plan. We will continue to make a concerted effort to use an authoritative data source mentality when developing new systems. This mentality and the documentation practices described above ensure that users understand and can trust the data that they are querying.

The Commission is committed to strengthening agency-wide data governance by establishing enterprise-wide strategies, objectives, and policies for managing data; advancing the Commission's strategic use of data to leverage insights from data and analytics that drive better policy, program, and operational decision-making; and improving data access, transparency, and protection. To achieve these goals, the Commission agrees that there must be dedicated resources. This fiscal year, the Chief Data Officer, working with the Chief Operating Officer, will be evaluating positions and resource needs to ensure we continue to make progress in these areas. More importantly, these efforts align with the Office of Management and Budget's Appendix A to Circular A-123—Reporting and Data Integrity Risk; the Open Data Act; and the Foundations for Evidence-based Policy Making Act. These efforts further the Commission's implementation of best data governance strategies as described in the President's Management Agenda and the resulting Federal Data Strategy, and they also correspond to several annual performance goals in the Commission's Strategic Plan.

Management Challenge: Internal Control

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

One ongoing, high priority corrective action initiative is the redesign of the Commission's system of internal rules, which includes the USITC's policy directives and related procedural documents. The system of internal rules sets forth all delegations of authority, provides the foundation of the Commission's control environment, and is essential to ensuring that the

USITC's internal policies and procedures are accessible, intelligible, and consistent. The system is also crucial to enforcing accountability among USITC staff as its content sets forth the appropriate standards by which Commission functions should be carried out.

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

The Commission began to implement its new system of internal rules in FY 2018 with the establishment and charter of the Internal Administration Committee (IAC) to govern the development and review of internal policies and procedures. Since 2018, the Commission deployed its new system of internal rules application which addressed a number of limitations found in the prior version. The Commission has issued over 45 Directives and implemented the regular updating of Directives that have been integrated into the new System, including new or updated mission and functions statements for each Commission office, charters for all agency-wide management committees, and updated policies for key human capital and IT management programs and functions. Each of these Directives has been reviewed by the Office of Internal Controls and Risk Management (ICRM) to confirm that appropriate controls are included in the Directive or to identify areas where controls are needed so that they can be included in the Directive before issuance. The IAC works closely with the ICRM to monitor how effectively these control activities are being integrated into Commission operations. The IAC, in coordination with the Office of the General Counsel, also proactively monitors for new or changed external requirements that may impact the Commission's policies, procedures, and/or operations. Applicable requirements are analyzed and discussed at monthly IAC meetings as needed, resulting in decisions on the appropriate agency response to each requirement.

In FY 2022, the Chief Administrative Officer downgraded the internal controls material weakness to a significant deficiency. This means that the Commission has successfully demonstrated that it can, with appropriate oversight and prioritization, effectively develop and issue critical Directives in a timely manner. The significant deficiency remains because there are a number of Directives that still need to be issued or updated and procedural rules that need to be developed and issued before the system can be considered comprehensively updated. This current action plan requires sustained issuance of Directives by each major organization within the Commission (the Office of Administrative Services, the Office of the Chief Financial Officer, the Office of the Chief Information Officer, and the Office of Operations) in critical subject areas (e.g., budget policies, the performance management program, reasonable accommodation policies, etc.) along with associated procedural rules. Successful completion of this project plan will demonstrate that the current system of internal rules meets the agency's need for responsive and efficient policy implementation and procedural guidance. Closing out the significant deficiency in internal controls remains a high priority for the Commission.

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

David S. Johanson
Chairman
November 7, 2022

Summary of Financial Statement Audit and Management Assurances

Table 1: Summary of Financial Statement Audit

					Audit Opinion: Unmodified
					Restatement: No
Material Weaknesses	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Ending Balance**
Total Material Weaknesses	0	0	0	0	0

Table 2: Summary of Management Assurances

Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)						
						Statement of Assurance: Unmodified
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0
Effectiveness of Internal Control over Operations (FMFIA § 2)						
						Statement of Assurance: Unmodified
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Risk in the agency system of internal rules also known as the directive management system	1		1			0
Total Material Weaknesses	1	0	1	0	0	0
Conformance with Federal Financial Management System Requirements (FMFIA § 4)						
						Statement of Assurance: Federal System conform[3]
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Non-Conformances	0	0	0	0	0	0

Compliance with Section 803(a) of the FFMIA[4]		
	Agency	**Auditor**
1. Federal Financial Management System Requirements	Not applicable	Not applicable
2. Applicable Federal Accounting Standards	Not applicable	Not applicable
3. USSGL at Transaction Level	Not applicable	Not applicable

[3] The Commission uses IBC, a federal shared-services provider, for its financial systems.
[4] The FFMIA applies only to Chief Financial Officers Act agencies. The Commission is not a CFO Act agency, so it is not subject to the FFMIA's requirements.

Payment Integrity Information Act Reporting

The Payment Integrity Information Act of 2019 was enacted to prevent and reduce improper payments and improve the integrity of the Federal government’s payments and the efficiency of its programs and activities. OMB issued Memorandum M-21-19, Appendix C to OMB Circular No. A-123, *Requirements for Payment Integrity Improvement,* which modified previous guidance related to improper payments and payment integrity beginning with the Improper Payment Information Act of 2002. OMB Circular A-123 Appendix C contains requirements in the areas of improper payment identification and reporting. It requires agencies to review all programs and activities, identify those that may be susceptible to significant improper payments, estimate annual improper payments in susceptible programs and activities, and report the results of their improper payment activities. Additionally, it defines significant improper payments as annual improper payments in a program that exceed both 1.5 percent of program annual payments and $10 million, or that exceed $100 million, regardless of the error rate. Once those highly susceptible programs and activities are identified, agencies are required to estimate and report the annual amount of improper payments. Generally, an improper payment is any payment that should not have been made or that was made in an incorrect amount under a statutory, contractual, and administrative or other legally applicable requirement.

The USITC reports no significant improper payments and has completed the Annual Data Call required by OMB. The agency’s data call results are included in the comprehensive improper payment data and information report on PaymentAccuracy.gov, in compliance with the reporting requirements under the Payment Integrity Information Act of 2019.

Appendix A

U.S. International Trade Commission Staff Offices

Office of the Administrative Law Judges

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

Office of the General Counsel

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

Office of Operations

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

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

The **Office of Industry and Competitiveness Analysis (ICA)** conducts investigations primarily under section 332 of the Tariff Act of 1930, section 131 of the Trade Act of 1974, and section 105 of the Bipartisan Congressional Trade Priorities and Accountability Act of 2015. IND maintains technical expertise related to the performance and global competitiveness of industries and the impact of international trade on those industries for these studies and for import injury investigations.

The **Office of Investigations (INV)** supports the Commission's mandate to conduct import injury investigations, including those specified in the Tariff Act of 1930, the Trade Act of 1974, the North American Free Trade Agreement (NAFTA) Implementation Act of 1993, the USMCA Implementation Act, and the Uruguay Round Agreements Act (URAA) of 1994.

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

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

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

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

Office of External Relations

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

Office of the Chief Information Officer

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

Office of the Chief Financial Officer

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

Office of Administrative Services

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

Office of Internal Control and Risk Management

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

Office of Inspector General

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

Office of Equal Employment Opportunity

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

Appendix B

Abbreviations and Acronyms

Acronyms	Terms
AFR	Agency Financial Report
AICPA	American Institute of Certified Public Accountants
ALJ	Administrative Law Judges
APP	Annual Performance Plan
APR	Annual Performance Report
ATDA	Accountability of Tax Dollars Act
Commission	United States International Trade Commission
CSRS	Civil Service Retirement System
DNP	Do Not Pay
DOI	Department of Interior
DOL	Department of Labor
EC	Office of Economics
EEO	Equal Employment Opportunity
ER	Office of External Relations
ERM	Enterprise Risk Management
FASAB	Federal Accounting Standards Advisory Board
FECA	Federal Employees' Compensation Act
FERS	Federal Employees Retirement System
FERS-RAE	Federal Employees Retirement System — Revised Annuity Employees
FERS-FRAE	Federal Employees Retirement System-Further Revised Annuity Employees
FFMIA	Federal Financial Management Improvement Act
FICA	Federal Insurance Contribution Act
FIN	Office of Finance
FMFIA	Federal Managers' Financial Integrity Act
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
GC	General Counsel

Acronyms	Terms
GPRA	Government Performance and Results Act
GSA	General Services Administration
HI	Hospital Insurance
HR	Office of Human Resources
HTS	Harmonized Tariff Schedule
HWAM	Hardware Asset Management
ICA	Office of Industry and Competitiveness Analysis
IBC	Interior Business Center
ICRM	Internal Control and Risk Management
INV	Office of Investigations
IPERA	Improper Payments Elimination and Recovery Act
IPERIA	Improper Payments Elimination and Recovery Improvement Act
IT	Information Technology
IUS	Internal Use Software
NAFTA	North American Free Trade Agreement
OARS	Office of Analysis and Research Services
OAS	Office of Administrative Services
OASDI	Old-Age, Survivors, and Disability Insurance
OB	Office of Budget
OCFO	Office of the Chief Financial Officer
OCIO	Office of the Chief Information Officer
OIG	Office of Inspector General
OMB	Office of Management and Budget
OP	Office of Operations
OPM	Office of Personnel Management
OUII	Office of Unfair Import Investigations
PIIA	Payment Integrity Information Act
PR	Office of Procurement
SE	Office of the Secretary
SFFAS	Statement of Federal Financial Accounting Standards
S/L	Straight-Line
SSAE	Statement on Standards for Attestation Engagements
SSS	Office of Security and Support Services

Acronyms	Terms
TATA	Office of Tariff Affairs and Trade Agreements
TOP	Treasury Offset Program
TRAO	Trade Remedy Assistance Office
URAA	Uruguay Round Agreements Act
USITC	United States International Trade Commission
USSGL	United States Standard General Ledger
USTR	United States Trade Representative

Contact Information

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Internet Home Page	http://www.usitc.gov/
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UNITED STATES INTERNATIONAL TRADE COMMISSION