

U.S. International Trade Commission

USITC Management and Performance Challenges



OIG-MR-19-01

October 15, 2018



Office of Inspector General

The U.S. International Trade Commission is an independent, nonpartisan, quasi-judicial federal agency that provides trade expertise to both the legislative and executive branches of government, determines the impact of imports on U.S. industries, and directs actions against certain unfair trade practices, such as patent, trademark, and copyright infringement. USITC analysts and economists investigate and publish reports on U.S. industries and the global trends that affect them. The agency also maintains and publishes the Harmonized Tariff Schedule of the United States.

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Chairman Johanson:

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

I have identified three management and performance challenges for fiscal year 2018: Managing Data, Internal Controls, and IT Management. These challenges were identified based on work by the Office of Inspector General, input from Commission management, and knowledge of the Commission's programs and operations.

Managing Data

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

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

Properly managed data is essential for the development of timely, reliable, and accurate reporting. Managers should identify information needs, understand the characteristics of the data, and determine the appropriate level of detail required to ensure data is collected to develop useable and relevant management reports. Management reports should be based on a clear

purpose and meet the defined needs of the intended user. As such, the format and content of management reports should contain a sufficient level of information to meet the purpose for which those reports were developed. Properly designed reports with relevant and timely information serve to help effectively manage day-to-day operations, support the decision-making process, evaluate performance, and communicate information across the organization.

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

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

The Commission's systems were developed for a specific need or to solve a single problem. The data within these systems was not seen as an enterprise resource. Because these systems were developed for a single purpose, their functionality, access, and reporting capabilities are limited. Without staff knowing how the information from various systems and subsystems is defined, captured, and updated, misleading information can be produced and excess staff time might be needed to attempt to reconcile multiple data sets across the organization.

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

Internal Controls:

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

The *Standards for Internal Control in the Federal Government* (Green Book) defines internal control as “a continuous built-in component of operations, effected by people” and identifies five components for internal control. In order for a system of internal control to be effective, all five components must be effectively designed, implemented, and operating. In addition, all five components must be working together in an integrated manner.

The control environment is the foundation for a system of internal control. One principal of the control environment is the establishment of an organizational structure, assignment of responsibility, and delegations of authority to meet the objectives of the Commission. In 2015, we completed an audit of the Commission’s directives management system, which included a review of these control environment elements.

The audit found that the Commission’s policy directives were not current, contained outdated assignments of responsibility, and outdated delegations of authority. Although the Commission had written procedures to periodically assess the directives, the reviews were not performed. This lack of monitoring led to weaknesses in each of the five components of internal control. Monitoring is necessary to determine if the system of internal control is properly designed, working as intended, and achieving the desired results. The lack of accountability meant that individuals had roles and responsibilities within the process, but no one was held accountable for the overall success of the Commission’s directives system.

The Commission has consistently acknowledged and responded to internal control weaknesses identified in reports issued by the Office of Inspector General. However, even with the strides taken by the Commission over the past five years, there is still an underlying assumption that because specific actions were completed, all internal control problems have been resolved. Management needs to continually monitor and review their processes to ensure that controls work effectively and achieve the desired results.

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

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

IT Management

The Commission has improved its operational focus on the four foundational, critical security controls necessary to secure the Commission's network. These controls are: (1) Inventory of authorized and unauthorized devices, (2) Inventory of authorized and unauthorized software; (3) Secure configurations for hardware and software on mobile device laptops, workstations, and servers; and (4) Continuous vulnerability assessment and remediation.

The Commission has identified and begun to implement business systems that will automate and improve the effectiveness of the Commission's operations. These new systems include collecting electronic data for some Title VII investigations, consolidating different databases of 337 data, cataloging external administrative reports in a manageable database, and modernizing the Harmonized Tariff Schedule business processes and information systems. Taking advantage of automation should improve the integrity, effectiveness, and efficiency of all the Commission's work.

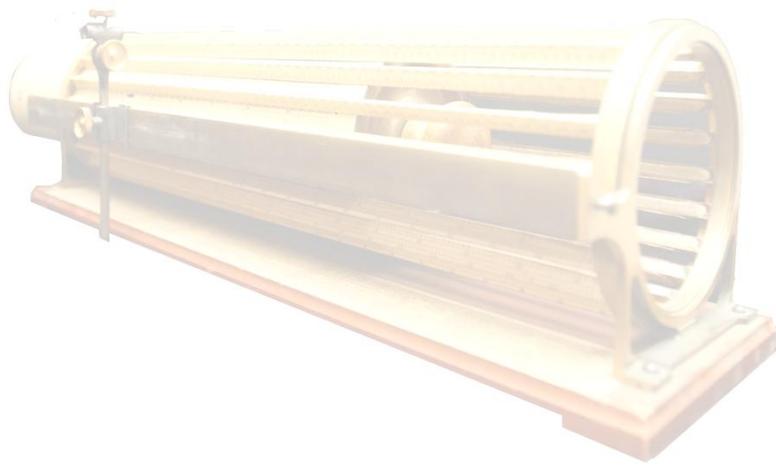
Modern computing platforms have the potential to provide staff with a high level of availability and the features they need to get their jobs done, while also providing high levels of information security. The Commission is working to modernize its systems by taking advantage of cloud opportunities to enhance functionality and reduce the management complexity of its network.

The Commission's professional staff require a consistent and stable IT foundation that is developed and managed effectively to enhance the work done by Commission staff. If the Commission's IT systems do not work effectively, staff are unnecessarily stressed, deadlines are risked, and results-oriented staff will use alternative means of accomplishing their work on unmanaged devices. The Commission should continue to focus on the delivery and maintenance of stable and secure technology platforms that serves its staff.

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

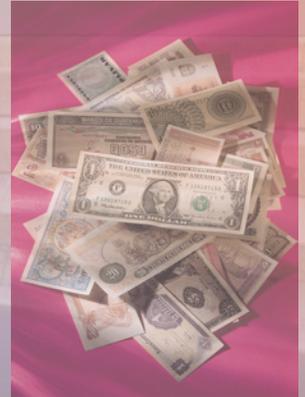


Philip M. Heneghan
Inspector General



“Thacher’s Calculating Instrument” developed by Edwin Thacher in the late 1870s. It is a cylindrical, rotating slide rule able to quickly perform complex mathematical calculations involving roots and powers quickly. The instrument was used by architects, engineers, and actuaries as a measuring device.

To Promote and Preserve the Efficiency, Effectiveness, and Integrity of the U.S. International Trade Commission



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