United States
International Trade Commission

Agency Financial Report

Fiscal Year 2016

November 2016

Contents

Message from the Chairman 1
Management's Discussion and Analysis 4
Introduction 4
About the USITC 4
Performance Goals, Objectives, and Results 7
Management Assurances 17
Chairman's Statement of Assurance 19
Overview of Financial Results 21
Management Controls and Compliance with Laws and Regulations 22
Financial Section 29
Message from the Chief Financial Officer 29
Inspector General's Transmittal Letter of Independent Auditor's Report 31
Independent Auditor's Report 32
Inspector General's Transmittal Letter of Independent Auditor's Report on Internal Control 35
Independent Auditor's Report on Internal Control 36
Inspector General's Transmittal of Independent Auditor's Report on Compliance with Laws and Regulations 38
Independent Auditor's Report on Compliance with Laws and Regulations 39
Principal Financial Statements 40
Other Accompanying Information 55
Combined Schedule of Spending 55
Management and Performance Challenges 56
Inspector General's Summary of Management and Performance Challenges 56
Chairman's Response to Inspector General's Summary of Management and Performance Challenges 60
Summary of Financial Statement Audit and Management Assurances 66
Improper Payments Information Reporting Details 68
Freeze the Footprint 71
Appendix A 73
Appendix B 76

Message from the Chairman

I am pleased to transmit the *FY 2016 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.

The Commission has three long-standing, important statutory mandates: (1) to make determinations in proceedings involving imports that allegedly injure a domestic industry or that violate U.S. intellectual property rights; (2) to provide independent tariff, trade and competitiveness-related analysis to the Congress and the President; and (3) to 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 American Manufacturing Competitiveness Act of 2016 added an additional important statutory mandate to create and maintain an open and transparent process for consideration of petitions for duty suspensions and reductions.

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

Program Accomplishments

I would like to highlight the following accomplishments in the last fiscal year.

The Commission made substantial progress toward achieving its strategic objectives in FY 2016; it met or exceeded most of its annual performance goals and improved upon agency performance in other areas. This year, the agency instituted 143 new investigations and completed 122 investigations in the areas of import injury, intellectual property, and industry and economic analysis. This represented a substantial increase in the agency's workload as the number of new investigations increased 44 percent over the number of investigations instituted in FY 2015.

Consistent with its performance goals, the Commission conducted import injury and unfair import investigations in a timely and objective manner, produced sound determinations, and provided relief when warranted under the statute. In FY 2016, our import injury investigations covered a broad range of products, including various types of steel and steel products, truck and bus tires, residential washers, and different types of paper, among other things. Our unfair import investigations covered a similarly wide array of products, including personal transportation devices, sleep apnea devices, computer and telecommunication products, arrowheads, dental implants, 3D cinema cameras, footwear products, beverage brewing capsules, and light emitting diodes, among other things.

To support the development of well-informed trade policy the Commission provided the U.S. Trade Representative and Congress with high-quality economic analysis and technical support. Intended to fill critical information gaps for policy makers, the Commission's fact-finding investigations covered a variety of topics in 2016, including the effects of U.S. restrictions on U.S. exports to Cuba, the likely impact of the Trans-Pacific Partnership Agreement on the U.S. economy, a retrospective analysis of Trade Promotion Authority, and the competitiveness of the U.S. aluminum industry. In addition, the agency compiled the 2016 Harmonized Tariff Schedule and its updates.

Throughout the year, the Commission continued its efforts to improve the effectiveness of its investigative and research processes. These improvements helped it to absorb the significant increase in its investigative and research workload. In the third quarter of FY 2016, the agency also mustered resources to develop and deploy the secure electronic system to accept petitions for duty suspensions and reductions.

The Commission also made steady progress on its management and administrative goals during 2016, particularly in the areas of human resources, financial management, and information technology management. 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 will help enhance the productivity and efficiency of staff.

FY 2016 Agency Financial Report

The Commission's FY 2016 financial statement audit resulted in an unmodified opinion by the independent accounting firm Castro & Company, LLC, 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 2016, the Commission continued to assess and improve internal controls in accordance with OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control.* Senior management meets regularly to strengthen the oversight and further improve Commission operations. The Commission followed the provisions of the Federal Managers' Financial Integrity Act of 1982 (FMFIA). Although the Commission is exempt from the requirements of the Federal Financial Management Improvement Act of 1996 (FFMIA), it has complied with the key provisions of this statute.

I am providing a modified statement of assurance that our internal controls over operations meet the objectives of FMFIA, as of September 30, 2016, in light of the material weaknesses described in the Chairman's Statement of Assurance section of this report. Additionally, I can provide reasonable assurance that, as of June 30, 2016, 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, 2016, the appropriate controls were in place to mitigate the risk of fraud and inappropriate charge card practices.

The financial information presented herein is complete and accurate, and in accordance with law and Office of Management and Budget guidance.

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

Irving A. Williamson
Chairman
November 15, 2016

Management's Discussion and Analysis

Introduction

The United States International Trade Commission (Commission or USITC) FY 2016 Agency Financial Report (AFR) presents the results of the Commission's program and financial performance and demonstrates to the Congress, the President, and the public, the USITC's commitment to its mission and accountability for the resources entrusted to it. This report is available at www.usitc.gov. The USITC will issue its FY 2016 Annual Performance Report, which fully describes is performance for the fiscal year, when it issues its Congressional Budget Justification in 2017.

About the USITC

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

The Commission has specific responsibilities in the application of U.S. trade laws. The agency investigates, generally at the request of private sector parties, the effects of dumped and subsidized imports on domestic industries and conducts global safeguard investigations. 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, the President, and, by delegation, the U.S. Trade Representative with objective, thorough, and succinct analysis and information on trade policy and U.S. competitiveness matters. The Commission also has the responsibility of maintaining the U.S. Harmonized Tariff Schedule, the official legal document that specifies the appropriate tariff, if any, applied to imported goods. In addition, the agency was given new statutory responsibilities in the American Manufacturing Competitiveness Act of 2016 to accept, analyze, and report to Congress on petitions seeking temporary suspensions or reduction of tariffs. The Commission makes most of its information and analysis available through its website to the public to promote a better understanding of international trade issues.

Mission

Consistent with its statutory mandate, the Commission makes determinations in proceedings involving imports claimed to injure a domestic industry or violate U.S. intellectual property rights; provides independent tariff, trade and competitiveness-related analysis and information; and maintains the U.S. tariff schedule.

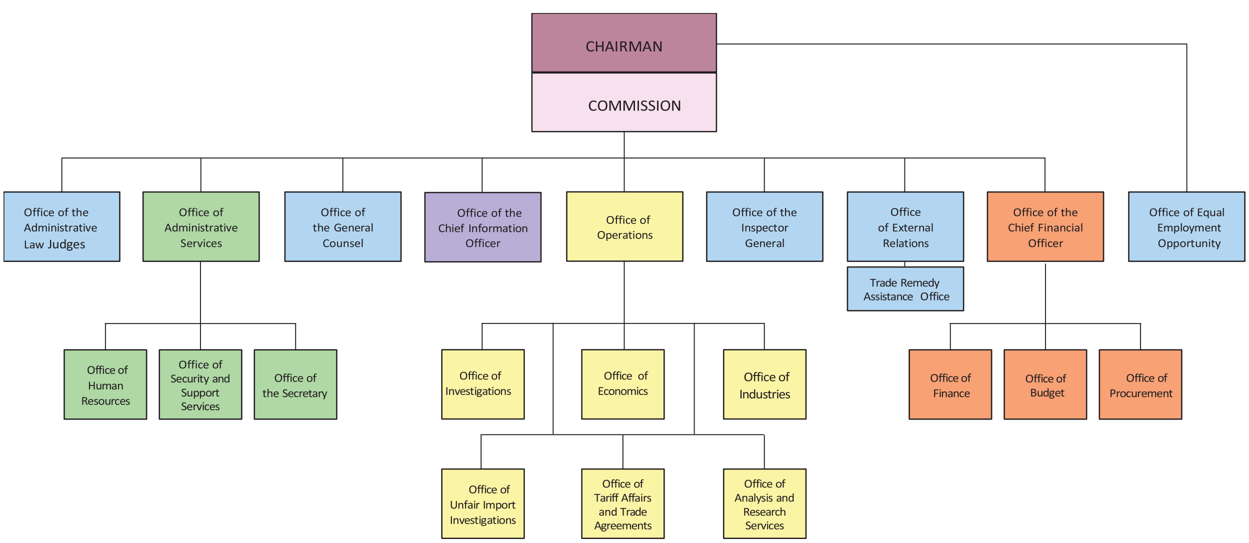
Organization

Commissioners

The USITC is headed by six Commissioners, who are nominated by the President and confirmed by the U.S. Senate. Irving A. Williamson, a Democrat, is serving as Chairman. David S. Johanson, a Republican, is serving as Vice Chairman. Other Commissioners currently serving are, in order of seniority, Dean A. Pinkert, Meredith M. Broadbent, F. Scott Kieff, and Rhonda K. Schmidtlein.

Each of the six Commissioners serves a term of nine years, unless appointed to fill an unexpired term. The terms are set by statute[1] and are staggered so that a different term expires every 18 months. A Commissioner who has served for more than five years is ineligible for reappointment. A Commissioner may, however, continue to serve after the expiration of his or her term until a successor is appointed and qualified. No more than three Commissioners may be members of the same political party. The Chairman and the Vice Chairman are designated by the President and serve for a statutory two-year term. The Chairman may not be of the same political party as the preceding Chairman, nor may the President designate two Commissioners of the same political party to serve as Chairman and Vice Chairman. Currently three Democrats and three Republicans serve as Commissioners.

Office-Level Organizational Chart



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

USITC Staff

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

- Office of Operations (OP), and its subordinate Offices of Investigations (INV), Industries (IND), Economics (EC), Tariff Affairs and Trade Agreements (TATA), Unfair Import Investigations (OUII), and Analysis and Research Services (OARS);
- Office of the Administrative Law Judges (ALJ);
- Office of the General Counsel (GC);
- Office of External Relations (ER), including the Trade Remedy Assistance Office (TRAO);
- Office of the Chief Financial Officer (OCFO), and its subordinate Offices of Budget (OB), Finance (FIN), and Procurement (PR);
- Office of the Chief Information Officer (OCIO);
- Office of Administrative Services (OAS), and its subordinate Offices of the Secretary (SE), Human Resources (HR), and Security and Support Services (SSS);
- Office of the Inspector General (OIG); and
- Office of Equal Employment Opportunity (EEO).

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

Performance Goals, Objectives, and Results

The Commission develops annual performance goals and uses the results to evaluate its performance in order to fulfill its mission efficiently and effectively. This section summarizes the Commission's strategic planning and management activities and provides an overview of its performance during FY 2016.

Commission Strategic Planning and Management

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

During FY 2014, the Commission issued its Strategic Plan for FY 2014–2018. During FY 2016, the agency issued its corresponding Annual Performance Plan for FY 2016–2017. This Performance Plan provides specific annual performance goals that support the agency's strategic and management goals and objectives. During the year, the Commission continued to integrate enterprise risk management into its planning, budget formulation, and budget execution processes.

The Performance Plan sets out annual measures that correspond to the broader strategic goals, performance goals, and strategies identified in the Strategic Plan. The Commission's FY 2017 Budget Justification describes the operational processes, human capital, and technology, as well as the information and other resources, required to meet the performance goals.

Strategic Goals and Management Priorities

Although the Commission has one program activity set forth in the Budget of the United States Government, the Commission's Strategic Plan for FY 2014–2018 identifies two strategic goals and corresponding strategic objectives.

Goals	Objectives
Strategic Goal 1 Investigate and Decide: Produce sound, objective, and timely determinations in investigative proceedings	S1.1 Reliable Process: Conduct expeditious and technically sound investigative proceedings S1.2 Clear Proceedings: Promote transparency and understanding of investigative proceedings
Strategic Goal 2 Inform: Produce objective, high-quality, and responsive tariff, trade, and competitiveness-related analysis and information	S2.1 Timely: Deliver timely and accessible analysis and information S2.2 Effective: Produce high-quality analysis and information and strategic insights to support the development of the U.S. trade agenda
Management Goal Achieve agency-wide efficiency and effectiveness to advance agency mission	M1.1 People: Efficiently and effectively recruit and develop highly qualified and flexible human capital M1.2 Money: Provide good stewardship of taxpayer funds M1.3 Technology: Deliver high-performing and secure networks and services
Cross-cutting Objectives	C.1 Use feedback to improve agency operations and enhance employee and customer satisfaction C.2 Improve the resource and performance management capabilities of Commission managers

The Commission's strategic goals directly support the agency's mission. The management goal and corresponding objectives relate to three management priority areas: human resources, financial management, and information technology. The agency focuses on high performance and goal attainment in each area to fulfill its mission and to support government-wide initiatives such as those to prevent improper payments, strengthen cybersecurity, and ensure open data. Cross-cutting objectives focus on enhancing transparency and management effectiveness.

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

Summary of Performance Results

The Commission made substantial progress toward its strategic and management goals during FY 2016 by meeting or exceeding the majority of its annual performance goals. The agency focused on improving the timeliness of its determinations, enhancing its analytical and management capabilities, achieving efficiencies in its information collection and other data management activities, improving internal controls, enhancing cybersecurity, developing data presentation tools, and enhancing communication with and outreach to its customers and the general public.

The Commission made progress on its goals despite facing substantial increases in its investigative caseload and new statutory requirements. The new statutory requirements, mandated by the American Manufacturing and Competitiveness Act of 2016 and the Bipartisan Congressional Trade Priorities and Accountability Act of 2015, made it necessary for the Commission to reprioritize resources across the agency. Highlights for each strategic and management goal follow.

Investigate and Decide: Produce sound, objective, and timely determinations in investigative proceedings

The Commission administers and applies U.S. laws assessing injury to U.S. industries caused by subsidized and dumped imports, increased imports that injure a domestic industry, and imports that infringe a domestic intellectual property right or otherwise unfairly injure a domestic industry. U.S. laws, court decisions, and U.S. international obligations require the Commission to reach its determinations based on transparent procedures and a well-developed record. The Commission, and the Administrative Law Judges in unfair import investigations under section 337 (which are most often intellectual property-based), must consistently perform thorough investigations and make sound factual findings. The record in each investigation must be developed and analyzed in an objective manner, and the resulting determinations must be well-reasoned, timely, and consistent with the law.

In terms of volume, the Commission's overall investigation caseload increased significantly in FY 2016.[2]

Strategic Objective 1.1 Reliable Process: Conduct expeditious and technically sound investigative proceedings

The Commission has a reputation for conducting prompt, thorough, and independent investigations and engaging in sound decision-making. Timely decisions are critical to the Commission's mission because import injury investigations have statutory deadlines, while section 337 investigations are required by Congress to be resolved at the earliest practicable

[2] Import injury investigation activity increased significantly in FY 2016, as 57 investigations and reviews were instituted and 51 were completed. In contrast, there were 47 institutions and 47 completions in FY 2015. The case load under section 337 also increased significantly in FY 2016, with 55 new investigations instituted and 24 new ancillary actions filed bringing the total of new 337 investigations for the fiscal year to 79. During the year, 64 investigations were completed. In contrast, there were a total of 47 institutions and 50 completions in FY 2015.

time. Timely decisions relieve the business uncertainty these disputes cause for private sector participants.

During FY 2016, the Commission met all but one of the performance goals associated with this strategic objective.

The Commission met its statutory deadlines throughout the year, as it delivered its import injury determinations on time.

The Commission also made significant progress on a number of the performance goals associated with its section 337 investigations. Commission staff remained focused in FY 2016 on ways to reduce the length of investigations, while the agency continued its analysis of public comments with respect to proposed changes to its procedural rules, although they were not published in FY 2016. Despite the significant increase in new investigations and ancillary proceedings, the average length of section 337 investigations concluded on the merits increased only slightly from 15.6 months in FY 2015 to 15.8 months in FY 2016. At the same time, the Commission met its goal to complete ancillary proceedings on a timely basis. During the year, the Commission evaluated the effectiveness and efficiency of three pilot programs pertaining to the conduct of section 337 investigations, and developed recommendations based on these evaluations. The Commission will continue such efforts in the future.[3]

In addition, the Commission continued to make significant progress on its efforts to collect information electronically, surpassing its goal of transmitting or receiving 90 percent of import injury questionnaires electronically. During FY 2016, the Commission also evaluated agency decision-making based on an analysis of judicial and NAFTA panel remands from FY 2015 to determine if there were any patterns or issues that the Commission could consider going forward. This ongoing evaluation, which began in FY 2014, will continue during FY 2017 and will include any remands from FY 2016.

Strategic Objective 1.2 Clear Proceedings: Promote transparency and understanding of investigative proceedings

The Commission recognizes the importance of providing stakeholders in its investigative proceedings with information on the Commission's decision-making process. The Commission promotes transparency by providing accurate, accessible, and timely public information about its investigative proceedings. Investigation participants, as well as the public, benefit by having a more detailed and broader understanding of investigative procedures and processes.

---

[3] The three pilot programs concern early disposition, initial disclosures, and e-discovery case management. In addition, the Commission recently implemented a pilot program to test an expedited process for modifications and advisory opinions.

During FY 2016, the agency met or made substantial progress on most performance goals for this objective. Two goals—completing development and deployment of the Title VII data system (a new system designed to provide information regarding its import injury [Title VII] investigations) and adding electronic service capability to the agency's Electronic Document Information System (EDIS)—were deferred to free up resources to develop the Miscellaneous Tariff Bill Petition System (MTBPS) by the deadline mandated in the American Manufacturing and Competitiveness Act of 2016. In addition, Commission staff developed a web-based survey to collect feedback from Title VII participants, but delayed its issuance to FY 2017.

The agency met its target of posting information on its import injury investigation case webpages within specific timeframes during FY 2016. In addition, the Commission continued to meet or exceed performance goals related to public outreach and availability of documents in the Commission's Electronic Document Information System (EDIS). The Commission conducted outreach to bar groups and others through participation in conferences and other events.

Inform: Produce objective, high-quality, and responsive tariff, trade, and competitiveness-related analysis and information

By statute, the Commission is responsible for providing independent advice, analysis, and information to Congress, the President, and the Office of the United States Trade Representative (USTR) in a number of areas. In response to U.S. policy makers' requests, the Commission and its staff provide objective information and analysis on a variety of topics, both through formal investigations under section 332 and other provisions and informal expert assistance. To fulfill its mission, the Commission must provide the highest caliber of information and analysis to U.S. policy makers and the public. Providing this information in a timely manner assists policy makers when they are engaged in trade negotiations or when they are undertaking legislative or other policy actions that affect the U.S. economy and industry competitiveness.

In FY 2016, active Commission fact-finding investigations covered a wide range of topics, such as: an analysis of U.S. exports to Cuba; a retrospective on Trade Promotion Authority; the likely impact on the U.S. economy of the Trans-Pacific Partnership Agreement, and the global competitiveness of the U.S. aluminum industry.[4] Commission staff also provided technical support to Congress and USTR throughout the year on a variety of trade and competitiveness-related issues.

The Commission also publishes and maintains the Harmonized Tariff Schedule of the United States (HTS), which serves the U.S. government as the basis for collecting customs duties,

[4] In FY 2016, seven new fact-finding investigations were instituted and eight were completed.

compiling trade data, and formulating many trade actions. The HTS is vital to U.S. businesses, government agencies, and others involved in trade that depend upon access to accurate, current tariff rates and useful trade data. The agency continued to refine its electronic system for maintaining and searching the HTS, which it deployed in FY 2015.

Strategic Objective 2.1 Timely: Deliver timely and accessible analysis and information

Timely trade and competitiveness information and analysis are often necessary for the Commission's customers in the Administration and Congress to meet negotiation schedules or make time-sensitive decisions. The agency's customers expect it to adhere to statutory deadlines, relevant regulations, and requested delivery dates. The information the Commission provides must be timely, clear, and easily accessible.

During FY 2016, the Commission met or made progress on achieving most of the annual performance goals supporting the objective of providing timely and accessible analysis and information. The agency made significant progress in improving information it provides to the public by publishing reports that are section 508 compliant, although it did not fully meet its target for the year.[5] The agency also updated the interactive graphics for this year's *Trade Shifts* report, and developed a statutorily required import monitoring tool. The agency made progress in updating and strengthening internal controls associated with operational processes, including its fact-finding reports process and new MTB petition processing system. In doing so, it continued to evaluate processes and to identify ways to improve efficiency.

The Commission narrowly missed its performance goal related to the accuracy of HTS information. However, the agency exceeded its annual target for response timeliness to public inquiries concerning the HTS. The Commission continued to make progress toward the goal of developing a new trade data system to replace the DataWeb, but chose to delay completion of the project in order to divert resources to the development of the MTBPS portal. The agency expects to deploy the replacement system in FY 2017. The agency also had to defer work on developing on-line technical information modules for the public and staff, due to workload constraints, although some modules were produced for internal use. The agency has discontinued this goal for FY 2017 and FY 2018 because it expects statutory workload to continue at higher than average levels.

[5] Although statutory reports posted to the website were 508 compliant, certain staff research products published early in the fiscal year were not fully compliant.

Strategic Objective 2.2 Effective: Produce high-quality analysis and information and strategic insights to support the development of the U.S. trade agenda

The Commission often receives requests from policy makers that cover issues or areas that have not been evaluated extensively by academics or policy analysts. The requests may require application of different analytic approaches and cover topics that have limited publicly available data. To address these requests, the Commission continuously improves and enhances its information collection processes and analytic methods, as well as the way it maintains and provides information. To better respond to shifts in public policy priorities, the agency established performance goals regarding acquisition of information, development of analytical tools, and investment in human capital, which enable the agency to respond to shifts in public policy priorities.

The Commission met the three performance goals that support the objective of producing high-quality analysis, information, and insights. The agency regularly met with its congressional and executive branch customers throughout the year. The Commission used feedback it received from these customers to help prioritize its research and other capacity-building efforts. During the year, the agency also enhanced its economic modeling capabilities; expanded its analysis of topics such as energy markets, different types of non-tariff measures, supply chains, the effects of trade and trade policy on labor markets, and the role of small and medium-sized enterprises in trade. Moreover, it furthered its research capabilities related to the impact of trade-related agreements through its analysis of the Trans Pacific Partnership Agreement and the economic impact of U.S. trade agreements implemented under trade authorities procedures since 1984.

Additionally, the Commission measured the extent to which its basic research efforts directly or indirectly contribute to its statutory work, using a more efficient approach for tracking research to requested products that was developed in FY 2015.

Achieve agency-wide efficiency and effectiveness to advance agency mission

The Commission is committed to continuous process improvement and support for the Commission's strategic goals and mission. Three management objectives and two cross-cutting objectives support management's goal of advancing the agency's mission in an efficient and effective way. These management objectives align with three functional areas: human resources; budget, acquisitions, and finance; and information technology. The FY 2016 performance goals reflect agency management priorities.

Management Objective 1.1 People: Efficiently and effectively recruit and develop highly qualified and flexible human capital

The Commission is committed to hiring and retaining a highly talented workforce as human capital is critical for mission attainment. As part of the management initiative to improve effectiveness and efficiency in this area, the Commission is working to decrease processing time for hiring actions, improve documentation pertaining to hiring activities, and improve satisfaction with agency hiring practices, employee development, and training.

In FY 2016, the Commission met most of its performance goals concerning human capital. The agency continued to make progress in strengthening internal controls pertaining to documentation, but narrowly missed the target it set for file accuracy.[6] The agency also delayed efforts to automate human capital management processes because of unexpected system compatibility issues. The agency exceeded its goal to complete 85 percent of hiring actions within established timeframes. It also met goals concerning stakeholder satisfaction with recruiting efforts and opportunities for professional development, as measured by the Federal Employee Viewpoint Survey (FEVS).

Management Objective 1.2 Money: Provide good stewardship of taxpayer funds

Financial oversight and sound stewardship of appropriated funds are fundamental aspects of the accountability and transparency taxpayers deserve. The President has directed federal agencies to improve efficiency, while maintaining and delivering high-quality services. The Commission has established three long-term performance goals: (1) improve the agency's financial management reports; (2) improve the efficiency and effectiveness of the acquisition process; and (3) maintain an annual unmodified audit opinion on the agency's financial statements.

In FY 2016, the Commission met annual performance goals relating to accurate and timely financial reporting and status reporting of procurement actions. However, the agency did not meet its goal of reducing the share of procurement actions that exceeded the established timeframes in comparison with FY 2015 levels. The OCFO is evaluating the capabilities of business intelligence software to meet agency financial needs, and continues to refine its Expenditure Plan ID report, which provides near real time financial activity by budget line item. The agency also achieved an annual unmodified audit on the agency's FY 2016 financial statements, as it did for FY 2015.

[6] The target for FY 2016 was 97 percent; 94 percent of the files were found accurate and complete when reviewed in FY 2016.

Management Objective 1.3 Technology: Use information technology to support productivity gains

Information technology directly and indirectly supports the Commission's mission-related activities. The Commission is committed to using information technology to drive productivity gains in its mission and support functions. The agency also has dedicated a significant effort to enhancing cybersecurity.

In FY 2016, the Commission met or made progress on over half of its annual information technology targets. The agency met its goal of improving system availability to users over FY 2015 levels. The agency met its goal of improvement in user satisfaction for information technology service and delivery, based on survey results. The agency also met its FY 2016 goal to review and update its information technology management policies. To help ensure a robust security posture, the agency deployed HSPD-12 during FY 2016. Although the agency was unable to deploy Trusted Internet Connection (TIC) in FY 2016, it deployed TIC in its offsite data center in early FY 2017, and plans to deploy TIC at headquarters by mid-December 2016. The agency also made progress on implementing and verifying security configuration baselines for all enterprise wide operating systems installed on new hardware during FY 2016, though it did not fully meet its target. Similarly, the agency made progress on its goal to make its major systems open data compliant, but was not able to reach its goal of 100 percent compliance because of budget and staffing constraints as resources were redirected to developing the MTBPS portal. Decisions to delay completion of new or redesigned systems such as DataWeb, EDIS, and the Title VII data system also delayed efforts to conduct an independent security assessment to issue an Authorization to Operate (ATO) for each of these systems.

Cross-cutting objectives

The Commission set two cross-cutting objectives in its FY 2014–2018 Strategic Plan. Both support improvements in various aspects of the agency's operations.

Cross-cutting Objective 1: Use feedback to improve agency operations and enhance employee and customer satisfaction

The Commission regularly seeks feedback from its customers and employees on various aspects of its operations. The agency uses feedback to help prioritize improvements in agency operations and to improve the functionality and utility of information it provides on its website and through web applications.

In FY 2016, the Commission met most of the performance goals supporting this objective. The agency met its goal of showing improvement over its FY 2015 FEVS baseline results (employee engagement and global satisfaction indices). The agency also met its goal of making continuous improvements to the Commission's web presence, as measured by its website satisfaction score. However, the agency delayed issuing a new survey to measure user satisfaction with EDIS pending enhancements to EDIS that it expects to make available during FY 2017.

Cross-cutting Objective 2: Improve the resource and performance management capabilities of Commission managers

In recent years the Commission has made significant improvements in the management of its administrative and program operations. Although it has continued to set performance goals focused on incremental automation and consolidation of financial, administrative, and operational information, the agency recognizes that there are limits to this approach. The agency set a long-term performance goal to develop and implement an integrated enterprise management system. The agency expects that this likely will be a framework used to integrate multiple, smaller systems, and that the framework will allow for development of integrated reports. The agency made progress in assessing management's data and reporting needs, and acquired business intelligence software late in FY 2016. The Commission expects to make significant progress on its overall assessment of agency data and reporting needs and begin using the software to develop improved reports in FY 2017.

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 (Government Accountability Office). The Government Accountability Office (GAO) *Standards for Internal Control in the Federal Government* (known as 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 16), *Reporting on Controls at the Service Organization* received from the Department of the Interior's (DOI), Interior Business Center (IBC), who is the Commission's financial management shared services provider for financial and payroll systems.

Appendix A of OMB Circular A-123 calls for the agency head to also provide assurance on the effectiveness of internal control over financial reporting. The Commission assessed internal control at the entity-level, process, and transaction level. 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 Modified Assurance

The United States International Trade Commission's 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). Management is also responsible for implementing practices that identify, assess, respond, and report on risks.

The Commission conducted its assessment of the effectiveness of its risk management framework and system of internal control for Fiscal Year (FY) 2016 in accordance with OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control.* Based on the results of the assessment, the Commission can provide reasonable assurance that it has effective internal controls over operations, reporting, and compliance with applicable laws and regulations as of September 30, 2016. However, due to the following material weaknesses, I am submitting a modified statement of assurance.

- Risk in an agency IT program as it relates to compliance with a law/regulation related to systems
- Risk in an agency IT program as it relates to compliance with a law/regulations related to networks
- Risk in an agency IT program as it relates to insufficient program resources to meet its mission and objectives
- Risk in the agency system of internal rules also known as the directive management system

With respect to the status of material weaknesses, the Commission remediated one of three reported in FY 2015 and made progress on the other two (related to IT systems and networks). However, during the course of FY 2016, the Commission has identified one new material weakness in the information technology management program that relates to program resources, and one new material weakness that relates to its system of internal rules. Management has discussed all four of these weaknesses, has developed corrective action plans to address them, and will monitor the implementation of these action plans as remediation progresses throughout FY 2017.

With respect to the financial systems, the Commission can provide reasonable assurance that it is fully compliant with the objectives of Section 4 of FMFIA. The agency uses a federal shared services provider, the U.S. Department of Interior's 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 Financial System and the Suitability of the Design and Operating Effectiveness of Its Controls (SSAE 16 – 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 16 – Type 2 Report)*. The systems are compliant with Federal financial management system requirements, standards promulgated by FASAB, and the U.S. Standard General Ledger (USSGL) at the transaction level.

The Commission also assessed the effectiveness of its internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with Appendix A of OMB Circular A-123. Based on the results of this evaluation, the Commission can provide reasonable assurance that, as of September 30, 2016, its internal control over financial reporting was operating effectively and that no material weaknesses were found in the design or operations of the internal control over financial reporting.

Irving A. Williamson
Chairman
November 15, 2016

Overview of Financial Results

Overview of Financial Statements

The Commission received an unmodified opinion on its FY 2016 financial statements.

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

Assets: At the end of FY 2016, the Commission's balance sheet showed total assets of $22.5 million, an increase of $2.4 million or 11.7 percent over FY 2015. This was due to an increase in Fund Balance with Treasury of $2.2 million (14.6 percent) and a decrease in Accounts Receivable (nonfederal) of $2,284 (10.6 percent).

Liabilities: At the end of FY 2016, the Commission's total liabilities were $9.9 million, an increase of $1.3 million or 14.5 percent over FY 2015. The 14.5 percent increase is due to an increase in employer contributions and payroll taxes payable, nonfederal accounts payable and employee related payroll accounts.

Net Position: The Commission's net position on the Balance Sheet and the Statement of Changes in Net Position at the end of FY 2016 was $12.5 million, an increase of $1.1 million or 9.6 percent over FY 2015. The increase is due primarily to an increase in unexpended appropriations of $1 million.

Summary of the Statement of Net Cost

The Commission's net cost of operations for FY 2016 was $90.9 million, an increase of $3.1 million or 3.6 percent over FY 2015. The increase in net cost of operations was primarily the result of more operating and program expenses.

Statement of Budgetary Resources

The Statement of Budgetary Resources provides information on budgetary resources made available to the Commission and the status of these resources at the end of the fiscal year. For FY 2016, total budgetary resources were $90.7 million. This represents an increase of $4.7 million, or 5.5 percent, from the FY 2015 total budgetary resources of $85.9 million. The Commission was appropriated $88.5 million in FY 2016 and $84.5 million in FY 2015. Prior year recoveries increased $709 thousand (66.8 percent).

Additionally, direct obligations were $90.3 million and net outlays totaled $86.3 million this fiscal year. This represents an increase in direct obligations of $4.7 million (5.5 percent) and an increase in net outlays of $4.4 million or 5.3 percent over FY 2015.

Limitations on Financial Statements

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

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

The statements have been prepared from the books and records of the Commission in accordance with U.S. Generally Accepted Accounting Principles (GAAP) for Federal entities and the formats prescribed by OMB 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 (FMFIA)

The objectives of the Federal Manager's Financial Integrity Act of 1982 are to ensure that the Commission's controls and systems provide reasonable assurance that:

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

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

For FY 2016, the Commission evaluated the internal controls over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with Office of Management and Budget (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 qualified assurance that its internal controls were operating effectively.

OMB Circular A-123 was updated this year, incorporating Enterprise Risk Management (ERM) as a management responsibility, which reinforces the purpose of the FMFIA. During the past fiscal year, the Commission also evaluated the organization's external and internal risks using an established ERM framework.

Government Performance and Results Act (GPRA), 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. This cycle involves 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 Commission complied with the requirements specified by the law and followed the guidance provided in OMB Circular A-11 (2016), *Preparation, Submission and Execution of the Budget.* For example, the Commission:

- Held quarterly reviews of agency performance goals, to monitor progress, better understand challenges, factors affecting change, and the costs of delivery.
- Issued the agency's combined Annual Performance Plan for FY 2016 – 2017 and Annual Performance Report for FY 2015 (APP-APR). The APP-APR described the agency's programmatic and management goals for FY 2016 and FY 2017, documented the agency's performance and accomplishments for FY 2015, and discussed challenges going forward.

Federal Financial Management Improvement Act (FFMIA)

Under the Federal Financial Management Improvement Act of 1996, agencies are required to report on whether their financial management systems substantially comply with the federal financial management systems requirements, applicable federal accounting standards, and the United States Standard General Ledger (USSGL) at the transaction level. Since the Commission is not a CFO Act agency, it is not subject to the FFMIA.

The Commission uses the Interior Business Center (IBC) to process its financial and payroll transactions. IBC provides the Commission SSAE 16 internal control reports for the financial and payroll systems. The Commission reviewed the SSAE 16 reports and determined that the servicing organization's relevant information processing objectives and internal controls were adequate. For those servicing providers' control objectives that can only be achieved if complimentary user controls are suitably designed and operating effectively, the Commission ensured controls were in place and operating effectively. Thus, the Commission's financial management system complied with the requirements of FFMIA and produced records in accordance with USSGL at the transaction level.

Federal Information Security Management Act of 2002, as amended by the Federal Information Security Modernization Act of 2014

The Federal Information Security Management Act of 2002 (FISMA 2002) requires each federal agency to establish and maintain an information security program for all non-national security information and information systems. To further improve cybersecurity and clarify oversight responsibilities, Congress passed Federal Information Security Modernization Act of 2014 (FISMA 2014). FISMA 2014 is intended to address the increasing sophistication of cybersecurity attacks, promote the use of automated security tools with the ability to continuously monitor and diagnose the security posture of federal agencies, and provide for improved oversight of federal agencies' information security programs.

The agency last submitted its FISMA report on November 13, 2015 in compliance with OMB memorandum M-16-03. In its submission, the Commission reported the progress made toward meeting the 2015 FISMA metrics.

This fiscal year, the Commission completed key initiatives to strengthen its information security program, which included:

- implementation of the United States Government Configuration Baseline (USGCB), a Federal government-wide initiative;
- implementation of the federally mandated Homeland Security Presidential Directive 12, required for physical access to building and offices, and logical access to the USITC network;

- implementation of the four technical capabilities identified within Phase 1 of the DHS Continuous Diagnostics and Mitigation (CDM) program:
    - Hardware Asset Management (HWAM)
    - Software Asset Management (SWAM)
    - Vulnerability Management (VUL)
    - Configuration Settings Management (CSM);
- coordination with DHS National Cybersecurity & Communications Integration Center (NCCIS) to conduct numerous external cybersecurity assessments of USITC systems; and
- employment of the DHS NCCIS to monitor the integrity and privacy of USITC web connections.

Accountability of Tax Dollars Act

ATDA requires the preparation of financial statements by the federal agencies that were exempted by the Chief Financial Officers Act of 1990. OMB Circular A-136, *Financial Reporting Requirements*, enables agencies to produce a consolidated Performance and Accountability Report or a separate Agency Financial Report. The Commission chose to produce an Agency Financial Report. This report meets the requirements of the Act.

The Commission's financial statements are audited each year. The Commission received an unmodified opinion for FY 2016 (see Independent Auditor's Report on page 32).

Improper Payments Elimination and Recovery Act

The Improper Payments Elimination and Recovery Act of 2010 (IPERA), enacted on July 22, 2010, and amended by the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA), requires the development of policies and procedures for the prevention and detection of improper payments in the federal government. The Act expands on the Improper Payments Information Act of 2002 (IPIA), which requires an initial assessment to identify those programs that are susceptible to significant risk of improper payments.

The Commission's formal, written improper payment identification and recovery plan includes analysis of receivables, analysis of payroll transactions, and sample testing of both payroll and non-payroll disbursements to identify improper payments. In addition, the Commission participates in the Do Not Pay (DNP) initiative through its shared service provider.

FY 2016 testing for improper payments showed that the USITC can provide reasonable assurance that its internal control over the payment issuance or receipt of payments was operating effectively and that no material weaknesses were found in the design or operations of the internal controls over disbursement or receivable payments (see Improper Payments Information Reporting Details on page 68).

Prompt Payment Act

The Prompt Payment Act of 1982, as amended, provides government-wide guidelines for establishing due dates on commercial invoices and provides for interest payment on invoices paid late. The Commission made late payments resulting in interest penalties of $152 in FY 2016.

Government Charge Card Abuse Prevention Act

The Government Charge Card Abuse Prevention Act requires establishing and maintaining safeguards and internal controls for the charge card program.

The Commission assessed the charge card program as directed by the guidance provided in OMB Circular A-124 Appendix B, OMB Memorandum M-12-12 *Promoting Efficient Spending to Support Agency Operations*, and OMB Memorandum M-13-21 *Implementation of the Government Charge Card Abuse Prevention Act of 2012*. The agency reviewed and updated the Charge Card Management plan to help prevent improper payments and deter misuse of cards. Additionally, the Inspector General conducted its 2016 Charge Card Risk Assessment and determined that the Commission's risk of illegal, improper, or erroneous use of purchase cards increased during the last two months of the fiscal year; however the overall risk for the purchase card program remained low.

Digital Accountability and Transparency (DATA) Act

The Digital Accountability and Transparency Act of 2014 is intended to make Federal spending data more accessible, searchable, and reliable. The U.S. Department of the Treasury (Treasury) and OMB are leading the government-wide implementation of the DATA Act.

The Commission, like other small agencies, relies on its shared service provider (in our case, the U.S. Department of the Interior, Interior Business Center (IBC)) to do the bulk of the work required by the DATA Act. As our shared service provider, IBC has all of the Commission's accounting data, and has access to all of the Commission's procurement data through USA Spending. Under the Commission's agreement with IBC, IBC will map data elements to the DATA Act schema and provide the resulting data to the Commission. The Commission will then verify the data and submit it in the proper format to OMB.

Notwithstanding the fact that we are relying upon IBC to do the bulk of the DATA Act implementation, during FY 2016, the Commission has developed and updated its own implementation plan, and is following the OMB's and Treasury's recommended eight step implementation plan (Organize Team, Review Elements, Inventory Data, Design& Strategize, Execute Broker, Test Broker Implementation, Update Systems, and Submit Data). IBC communicates its DATA Act implementation progress to the Commission on a regular basis, and we expect to be able to report our spending data as envisioned by the DATA Act in time to meet the by the May, 2017 deadline.

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 Commission refers debts to the Treasury Offset Program (TOP). Further information is available in Other Accompanying Information, Improper Payments Information Reporting Details.

Anti-Deficiency Act

The Anti-Deficiency Act prohibits federal employees from:

- making or authorizing an expenditure from, or creating or authorizing an obligation under, any appropriation or fund in excess of the amount available in the appropriation or fund unless authorized by law;
- involving the government in any obligation to pay money before funds have been appropriated for that purpose, unless otherwise allowed by law;
- accepting voluntary services for the United States, or employing personal services not authorized by law, except in cases of emergency involving the safety of human life or the protection of property; and
- making obligations or expenditures in excess of an apportionment or reapportionment, or in excess of the amount permitted by agency regulations.

The agency implemented effective internal controls to track commitments, and ensured managers are knowledgeable about the current year's appropriations and budget to ensure compliance. The agency did not have any Anti-Deficiency Act violations during FY 2016.

Economy Act

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

- amounts are available;
- the head of the ordering federal agency or unit decides the order is in the best interest of the United States Government;

- the federal agency or unit to fill the order is able to provide, or obtain by contract, the ordered goods or services; and
- the head of the federal agency decides ordered goods or services cannot be provided as conveniently or cheaply by a commercial enterprise.

During FY 2016, the Commission had interagency agreements with 11 agencies: Department of Homeland Security, Department of Interior, Department of Health and Human Services, General Services Administration, Council of Inspectors General on Integrity and Efficiency, National Archives and Records Administration, Office of Personnel Management, United States Department of State, Government Printing Office, United States Postal Service, and the Department of Labor.

Financial Section

Message from the Chief Financial Officer

I am pleased to present the United States International Trade Commission's financial statements for the FY 2016 Annual Financial Report. The independent accounting firm of Castro & Company, LLC, monitored by the Inspector General, issued an unmodified opinion on the Commission's FY 2016 financial statements. Along with the unmodified opinion, the Independent Auditor's Report on Internal Control found no material weaknesses or significant deficiencies in the design and operations of the Commission's system of internal controls over financial reporting. This is the third straight year the Commission has received a clean audit opinion with no findings of material weaknesses or significant deficiencies. Behind this success is not only the exceptional work performed by the CFO team, but also the efforts of Cost Center Managers and Contracting Officer's Representatives throughout the Commission. Of course, none of the improvement would have been possible without the commitment and support of the current Chairman and previous Chairmen.

During the past year there were several key accomplishments. For example, the Commission:

- Met all of its small business procurement and socio-economic goals.
- Integrated Enterprise Risk Management into the Commission's budget formulation and expenditure plan processes. Senior managers across the agency used the ERM. framework to identify, assess, and manage risks, and the Commission only committed and expended funds on the highest-ranked initiatives and programs.
- Updated the Concur Travel System Guide, Travel handbook, Government Credit Card Management Plan, and the Financial Management Manual, to assist agency personnel understand and comply with travel and financial processes.
- Developed and utilized management reports that integrate budget planning data with transactional data. These new reports provide cost center managers with the detailed information necessary to link budget planning to budget execution.
- Documented each office's internal controls, tested selected controls, and implemented changes to improve the controls as needed.

Looking forward to FY 2017, in addition to sustaining its audit readiness, the Commission will:

- continue the development of transactional reports that that promote the reconciliation of account balances across Offices,
- expand its internal controls program and test and evaluate key controls, and also incorporate the risk process into the ongoing activities of the Commission,

- develop and automate financial management reports that meet the needs of managers throughout the Commission, and
- improve and where possible automate the processes for purchase card transaction and invoice approvals.

We are pleased with our progress and accomplishments, and we remain committed to ensuring a sound financial management environment. The accomplishments in FY 2016 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 further improvements to the Commission's financial management and internal controls operations in FY 2017.

John M. Ascienzo
Chief Financial Officer
November 15, 2016

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

UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, DC 20436

November 8, 2016 OIG-OO-034

Chairman Williamson:

This memorandum transmits the results of the audit (OIG-AR-17-03) of the Commission’s financial statements for the fiscal years ended September 30, 2016 and 2015.

We contracted with the independent certified public accounting firm, Castro & Company to conduct this audit. The contract required that the audit be performed in accordance with U.S. generally accepted government auditing standards.

My office has policies and procedures that are designed to provide assurance that work performed by non-Federal auditors complies with the auditing standards. These procedures follow the guidelines provided in the GAO/PCIE Financial Audit Manual (FAM650). In connection with this contract, we reviewed Castro & Company’s final report and related documentation and made inquiries of its representatives. Our involvement in the audit process included monitoring audit activities, participating in discussions, reviewing audit plans, and the inspection of selected documentation, conclusions, and results.

Our involvement and review of Castro & Company’s work disclosed no instances where they did not comply, in all material respects, with the U.S. generally accepted government auditing standards; however, this review cannot be construed as an audit, and is not intended to enable us to express, and we do not express, any opinion on the Commission’s financial statements. Castro & Company is solely responsible for the audit report dated November 8, 2016, and the conclusions expressed in the report.

Thank you for the cooperation and courtesies extended to both Castro & Company and my staff during this audit.

Sincerely,

Philip M. Heneghan
Inspector General

Independent Auditor's Report

Castro & Company
Auditors ✓ Advisors

1711 King Street
Suite C
Alexandria, VA 22314
Phone: 703.229.4440
Fax: 703.859.7603
Phone 703.248.2610

Independent Auditor's Report

Inspector General
U.S. International Trade Commission

We have audited the accompanying balance sheet of the U.S. International Trade Commission (USITC) as of September 30, 2016 and the related statements of net cost, changes in net position, and budgetary resources for the fiscal year then ended. The financials statements of the USITC as of September 30, 2015 were audited by other auditors whose report dated November 5, 2015, expressed an unmodified opinion on those statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and, Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the audit considers internal control relevant to the agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the fiscal year 2016 financial statements referred to above present fairly, in all material respects, the financial position of the USITC as of September 30, 2016, and the related statements of net cost, changes in net position, and budgetary resources for the year then ended in accordance with accounting principles generally accepted in the United States of America. The fiscal year 2015 financial statements were audited by other auditors whose report dated November 5, 2015 expressed an unmodified opinion on those statements.

Required Supplementary and Other Information

U.S. generally accepted accounting principles require that the information in the *Required Supplementary Information*, including *Management's Discussion and Analysis*, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The supplementary information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The information presented in the Message from the Chairman, Message from the Chief Financial Officer, Other Accompanying Information, and Appendices is presented for purposes of additional analysis and is not required as part of the basic financial statements. Such information has not been subjected to auditing procedures applied by us in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with U.S. *Government Auditing Standards* and OMB Bulletin No. 15-02, we have also issued our reports dated November 8, 2016, on our consideration of the USITC's internal control over financial reporting and the results of our tests of its compliance with certain provisions of laws, regulations, and other matters that are required to be reported under *Government Auditing Standards*. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with U.S. *Government Auditing Standards* and OMB Bulletin 15-02 in considering the USITC's internal control and compliance, and should be read in conjunction with this report in considering the results of our audit.

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

Castro & Company, LLC

November 8, 2016
Alexandria, VA

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

UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, DC 20436

November 8, 2016 OIG-OO-035

Chairman Williamson:

This memorandum transmits the Independent Auditor's Report on Internal Control (OIG-AR-17-04) associated with the audit of the Commission's financial statements for fiscal year 2016.

We contracted with the independent certified public accounting firm, Castro & Company to conduct the financial statement audit. The contract required that the audit be conducted in accordance with U.S. generally accepted government auditing standards and these auditing standards require a report on Internal Control to be produced as part of the audit.

Throughout the audit and at its conclusion, my office followed procedures and conducted a final review that included monitoring the performance of the audit, reviewing Castro & Company's report and related documentation, and making inquiries of its representatives. Our final review disclosed no instances where Castro & Company did not comply, in all material respects, with the U.S. generally accepted government auditing standards; however, this final review cannot be construed as an audit, and is not intended to enable us to express, and we do not express, any opinion on the Commission's internal control. Castro & Company is solely responsible for this report dated November 8, 2016, and the conclusions expressed in the report.

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

Sincerely,

Philip M. Heneghan
Inspector General

Independent Auditor's Report on Internal Control

Castro & Company
Auditors ✓ Advisors

1711 King Street
Suite C
Alexandria, VA 22314
Phone: 703.229.4440
Fax: 703.859.7603
Phone 703.248.2610

Independent Auditor's Report on Internal Control

Inspector General
U.S. International Trade Commission

We have audited the financial statements of the U.S. International Trade Commission (USITC) as of and for the year ended September 30, 2016, and have issued our report thereon dated November 8, 2016. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*.

In planning and performing our work, we considered the USITC's internal control over financial reporting by obtaining an understanding of the design effectiveness of the USITC's internal control, determining whether controls had been placed in operation, assessing control risk, and performing tests of the USITC's controls as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not to express an opinion on the effectiveness of the USITC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the USITC's internal control over financial reporting. We limited our internal control testing to those controls necessary to achieve the objectives described in the Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982 (FMFIA), such as those controls relevant to ensuring efficient operations.

Our consideration of internal control over financial reporting was for the limited purposes described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. During our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies may exist that have not been identified.

We noted less significant matters involving internal control and its operations which we have reported to the USITC management in a separate letter dated November 8, 2016.

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

Castro & Company, LLC

November 8, 2016
Alexandria, VA

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

UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, DC 20436

November 8, 2016 OIG-OO-036

Chairman Williamson:

This memorandum transmits the Independent Auditor's Report on Compliance with Laws and Regulations (OIG-AR-17-05) associated with the audit of the Commission's financial statements for fiscal year 2016.

We contracted with the independent certified public accounting firm, Castro & Company, to conduct the financial statement audit. The contract required that the audit be conducted in accordance with U.S. generally accepted government auditing standards and these auditing standards require a report on compliance with laws and regulations to be produced as part of the audit.

The auditors did not identify any instances of noncompliance that would have a direct or material effect on the determination of financial statement amounts.

Throughout the audit and at its conclusion, my office followed procedures and conducted a final review designed to assure that the work performed by non-Federal auditors complied with the auditing standards. Our final review disclosed no instances where Castro & Company did not comply, in all material respects, with the U.S. generally accepted government auditing standards; however, this final review cannot be construed as an audit, and is not intended to enable us to express, and we do not express, any opinion on the Commission's compliance with laws and regulations. Castro & Company is solely responsible for this report dated November 8, 2016, and the conclusions expressed in the report.

Thank you for the cooperation and courtesies extended to both Castro & Company and my staff during this audit.

Sincerely,

Philip M. Heneghan
Inspector General

Independent Auditor's Report on Compliance with Laws and Regulations

Castro & Company
Auditors ✓ Advisors

1711 King Street
Suite C
Alexandria, VA 22314
Phone: 703.229.4440
Fax: 703.859.7603
Phone 703.248.2610

**Independent Auditor's Report on
Compliance with Laws and Regulations**

Inspector General
U.S. International Trade Commission

We have audited the financial statements of the U.S. International Trade Commission (USITC) as of and for the year ended September 30, 2016, and have issued our report thereon dated November 8, 2016. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*.

The management of the USITC is responsible for complying with laws and regulations applicable to the USITC. We performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain other laws and regulations specified in the Office of Management and Budget (OMB) Bulletin No. 15-02, including the requirements referred to in the Federal Managers' Financial Integrity Act of 1982 (FMFIA). We limited our tests of compliance to these provisions, and we did not test compliance with all laws and regulations applicable to the USITC.

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

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

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

Castro & Company, LLC

November 8, 2016
Alexandria, VA

Principal Financial Statements

U.S. INTERNATIONAL TRADE COMMISSION
BALANCE SHEETS
As of September 30, 2016 and 2015
(in dollars)

	2016	2015
Assets:		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	$ 17,442,797	$ 15,219,682
Total Intragovernmental	17,442,797	15,219,682
Accounts receivable (Note 3)	19,337	21,621
Property, plant, and equipment, net (Note 4)	4,988,807	4,853,440
Total Assets	**$ 22,450,941**	**$ 20,094,743**
Liabilities:		
Intragovernmental:		
Accounts payable (Note 6)	899,271	905,523
Employer contributions and payroll taxes payable (Note 5)	459,672	406,633
Unfunded FECA liability (Note 5)	624	281
Total Intragovernmental	1,359,567	1,312,437
Accounts payable (Note 6)	2,263,137	1,616,501
Accrued funded payroll (Note 5)	1,967,575	1,549,031
Employer contributions and payroll taxes payable (Note 5)	73,724	–
Actuarial FECA liability (Note 5)	5,756	2,611
Unfunded leave (Note 5)	4,244,131	4,176,277
Total Liabilities	**$ 9,913,890**	**$ 8,656,857**
Net position:		
Unexpended appropriations	11,779,418	10,741,995
Cumulative results of operations	757,633	695,891
Total Net Position	12,537,051	11,437,886
Total Liabilities and Net Position	**$ 22,450,941**	**$ 20,094,743**

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, 2016 and 2015

(in dollars)

	2016	2015
Program Costs:		
Total Program Costs	**$ 90,874,039**	**$ 87,754,048**

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, 2016 and 2015
(in dollars)

	2016	2015
Cumulative Results of Operations:		
Beginning balance	$ 695,891	$ 2,268,067
Budgetary Financing Sources:		
Appropriations used	87,462,577	82,849,176
Other Financing Sources (Non-Exchange)		
Imputed financing costs (Note 9)	3,473,204	3,332,697
Total Financing Sources	90,935,781	86,181,873
Net Cost of Operations	(90,874,039)	(87,754,048)
Net Change	61,742	(1,572,175)
Cumulative Results of Operations	**$ 757,633**	**$ 695,891**
Unexpended Appropriations:		
Beginning balance	$ 10,741,995	$ 9,091,170
Budgetary Financing Sources:		
Appropriations received	88,500,000	84,500,000
Appropriations used	(87,462,577)	(82,849,176)
Total Budgetary Financing Sources	1,037,423	1,650,824
Total Unexpended Appropriations	11,779,418	10,741,995
Net Position	**$ 12,537,051**	**$ 11,437,886**

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, 2016 and 2015
(in dollars)

	2016	2015
Budgetary Resources:		
Unobligated balance, brought forward, Oct 1	$ 341,652	$ 342,442
Recoveries of unpaid prior year obligations	1,770,774	1,061,425
Other changes in unobligated balance (+/-)	70,767	–
Unobligated balance from prior year budget authority, net	2,183,193	1,403,867
Appropriations	88,500,000	84,500,000
Spending authority from offsetting collections (discretionary and mandatory)	–	43,367
Total Budgetary Resources	**$ 90,683,193**	**$ 85,947,234**
Status of Budgetary Resources:		
New obligations and upward adjustments	90,346,227	85,605,581
Unobligated balance, end of year:		
Apportioned, unexpired accounts	336,966	341,652
Unobligated balance, end of year (total)	336,966	341,652
Total Budgetary Resources	**$ 90,683,193**	**$ 85,947,234**
Change in Obligated Balance:		
Unpaid Obligations		
Unpaid obligations, brought forward, Oct 1	14,878,030	12,321,105
New obligations and upward adjustments	90,346,227	85,605,581
Outlays (gross)	(86,347,652)	(81,987,231)
Recoveries of prior year unpaid obligations	(1,770,774)	(1,061,425)
Unpaid obligations, end of year	17,105,831	14,878,030
Memorandum (non-add) Entries:		
Obligated balance, start of year (net)	$ 14,878,030	$ 12,321,105
Obligated balance, end of year (net)	$ 17,105,831	$ 14,878,030
Budget Authority and Outlays, Net:		
Budget authority, gross	88,500,000	84,543,367
Actual offsetting collections	(70,767)	(43,367)
Recoveries of prior year paid obligations (discretionary and mandatory)	70,767	
Budget authority, net	**$ 88,500,000**	**$ 84,500,000**
Outlays, gross	86,347,652	81,987,231
Actual offsetting collections	(70,767)	(43,367)
Outlays, net	**$ 86,276,885**	**$ 81,943,865**

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

United States International Trade Commission
Notes to Financial Statements
September 30, 2016 and 2015

Note 1. Significant Accounting Policies

A. Reporting Entity

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

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

B. Basis of Accounting and Presentation

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

The financial statements have been prepared from the books and records of the USITC and include all accounts of all funds under the control of the USITC. Accounting principles generally accepted in the United States of America encompass both accrual and budgetary transactions. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal constraints and controls over the use of federal funds. The accompanying financial statements are prepared on the accrual basis of accounting. The USITC's fiscal year (FY) is October 1 through September 30, 2016. FY 2015 financial statements are presented to allow comparison.

Assets: Intragovernmental assets are those assets that arise from transactions with other federal entities. Funds with the U.S. Treasury represent intragovernmental assets on the USITC's balance sheet. Fiduciary assets are not assets of the USITC and are not recognized on the balance sheet. The USITC holds cease and desist bonds, which are held for non-federal parties that the USITC does not have the authority to use in its operations. See Note 12, Fiduciary Activities, for additional disclosures.

Financing Sources: The USITC has received "no year" appropriations for operations since FY 1993. Appropriations are recognized as a financing source and expensed when related operating expenses are incurred. Differences between appropriations received and those expensed are included as unexpended appropriations. Congress appropriated $88,500,000 to the USITC for salaries and expenses in FY 2016 and $84,500,000 in FY 2015.

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

C. Property, Plant, and Equipment, Net

The USITC's portfolio of assets includes IT-related equipment, furniture, software, and leasehold improvements. For financial statement reporting purposes, the USITC does not own heritage assets or plant, as defined in the FASAB Statements of Federal Financial Accounting Standard (SFFAS) No. 6, *Accounting for Property, Plant, and Equipment*. The USITC therefore reports only the above-mentioned property and equipment in its financial statements. The USITC's operations are housed in a leased structure. In FY 2007, the USITC entered into a 10-year operating lease with the General Services Administration (GSA) for the facility that houses its day-to-day mission operations.

The USITC capitalizes all equipment and furniture when an asset acquisition costs $50,000 or more and when the acquired asset has a useful life of two or more years. Depreciation expense for equipment and furniture is calculated using the straight-line 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 $100,000, the IUS project is classified for financial statement reporting purposes as a capital asset and reported in the financial statements as an “in 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 $50,000 or more and that have a useful life of two or more years. The USITC applies the same accounting treatment and standards to leasehold improvements as it does for IUS, when the leasehold improvement involves multiple stages of completion before work acceptance. For financial reporting purposes, all accumulated costs are captured in an “in progress” account and reported on the financial statements. Upon completion and acceptance of work, the costs are reclassified and reported on the financial statements as a leasehold improvement subject to amortization. Leasehold improvements are amortized over either the remaining life of lease term or the estimated economic useful life of the leasehold improvement, whichever is less.

D. Accrued Annual Leave

Accrued annual leave is paid from future funding sources and accordingly is reflected as a liability not covered by budgetary resources. Each quarter the balance in the accrued leave account is adjusted to reflect the current leave balances and pay rates. Sick leave and other types of non-vested leave are expensed as taken.

E. Employee Retirement Plans

Commission employees participate in 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 withheld 7.0 percent of base pay earnings. The Commission matches this withholding, and the sum of the withholding and the matching funds is transferred to the Civil Service Retirement System.

FERS, 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 Commission made contributions of 13.55 percent, 13.08 and 11.9 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 Commission and employees contributed 6.2 percent of salaries up to $118,500 during calendar years 2016 and 2015, respectively, into the Old-Age, Survivors, and Disability Insurance (OASDI) program; both the Commission and employees contribute 1.45 percent of salaries (with no upper limit) to Medicare's Hospital Insurance (HI) program.

F. Net Position

Net position is the residual difference between assets and liabilities and is composed of unexpended appropriations and the cumulative results of operations. Unexpended appropriations represent the amount of unobligated and unexpended budget authority. Unobligated balances are the amount of appropriations or other authority remaining after deducting the cumulative obligations from the amount available for obligation. Cumulative results of operations are the net result of the USITC's operations since inception.

G. Intragovernmental Activities

The USITC records and reports only those government-wide financial matters for which it is responsible and identifies only those financial matters that the USITC has been granted the budget authority and resources to manage.

H. Use of Estimates

The financial statements are based on the selection of accounting policies and the application of certain accounting estimates, some of which require management to make significant assumptions. Further, the estimates are based on current conditions that may change in the future. Actual results could differ materially from the estimated amounts. The financial statements include information to assist in understanding the effect of changes in assumptions to the related information.

Note 2. Fund Balance with Treasury

Fund Balance with Treasury is an intragovernmental asset. The Commission fund balance represents funds appropriated by Congress for use by the USITC. No funds are restricted; however, in accordance with section 605 of Title 5 of Public Law 105-277, Congressional approval is required under certain reprogramming or transfer actions.

No discrepancies exist between the Fund Balance reflected in the general ledger and the balance in the Treasury accounts.

Fund Balance with Treasury	2016	2015
Fund balance		
Appropriated funds	$ 17,442,797	$ 15,219,682
Total	**$ 17,442,797**	**$ 15,219,682**
Status of Fund Balance with Treasury		
Unobligated balance available	336,966	341,652
Obligated balance not yet disbursed	17,105,831	14,878,030
Total	**$ 17,442,797**	**$ 15,219,682**

Note 3. Accounts Receivable

The balance of accounts receivable was $19,337 and $21,621 at September 30, 2016 and September 30, 2015, respectively. The non-federal receivable is for parking associated with the Commission’s leased building and vendor and employee debts entered in the Treasury Offset Program.

Receivable Type	2016	2015
Non-federal	$ 19,337	$ 21,621
Total	**$ 19,337**	**$ 21,621**

Note 4. Property, Plant, and Equipment, Net

Depreciation and amortization expense was $1,838,183 and $1,893,265 for fiscal years ending September 30, 2016 and 2015, respectively, and is included in the accumulated depreciation.

Comparative asset tables summarized by class of property appear below:

Property, Plant, and Equipment as of September 30, 2016

Class of Property	Depreciation/ Amortization Method	Capitalization Threshold for Individual Purchases	Service Life (Years)	Acquisition Cost	Accumulated Depreciation/ Amortization	Book Value
Equipment and Furniture	S/L	$ 50,000	5	$ 6,095,996	$ 4,882,230	$ 1,213,766
Software	S/L	100,000	5	4,588,321	3,894,504	693,817
Software in Development	–	–	–	1,584,129	–	1,584,129
Leasehold Improvements	S/L	50,000	Varies	6,459,464	5,418,513	1,040,951
Leasehold Improvements in Progress	–	–	–	456,144	–	456,144
Total				**$ 19,184,054**	**$ 14,195,247**	**$ 4,988,807**

Property, Plant, and Equipment as of September 30, 2015

Class of Property	Depreciation/ Amortization Method	Capitalization Threshold for Individual Purchases	Service Life (Years)	Acquisition Cost	Accumulated Depreciation/ Amortization	Book Value
Equipment and Furniture	S/L	$ 50,000	5	$ 5,841,331	$ 4,250,143	$ 1,591,188
Software	S/L	100,000	5	4,588,321	3,704,802	883,519
Software in Development	–	–	–	–	–	–
Leasehold Improvements	S/L	50,000	Varies	6,459,464	4,402,119	2,057,345
Leasehold Improvements in Progress	–	–	–	321,388	–	321,388
Total	**–**	**$ –**	**–**	**$ 17,210,504**	**$ 12,357,064**	**$ 4,853,440**

Note 5. Liabilities Not Covered by Budgetary Resources

Liabilities not covered by budgetary authority are not charged to the USITC's appropriation. These liabilities include unfunded Federal Employees' Compensation Act (FECA) liability, accrued annual leave, and actuarial FECA liability.

Unfunded FECA Liability: The FECA program is administered by the Department of Labor (DOL). DOL pays valid claims against the USITC and subsequently seeks reimbursement. Reimbursements are paid by the USITC out of current funds.

Accrued Annual Leave: Accrued annual leave is paid from future funding sources and accordingly is reflected as a liability not covered by budgetary resources. Each quarter the balance in the accrued leave account is adjusted to reflect the current leave balances and pay rates. Sick leave and other types of non-vested leave are expensed as taken.

Actuarial FECA Liability: This represents an estimated liability for future workers compensation claims based on data provided from DOL. DOL calculates the estimate based principally on benefit payments made over the prior 12 quarters.

Liabilities Covered by Budgetary Resources: In contrast to the liabilities identified above, all other liabilities are charged to the USITC's appropriation and thus are covered by budgetary resources. These liabilities include accounts payable, employer contributions of taxes and benefits, payroll taxes, and accrued funded payroll. The composition of accounts payable is described in more detail in Note 6, below.

Liabilities Not Covered by Budgetary Resources	2016	2015
Intragovernmental		
Unfunded FECA liability	$ 624	$ 281
Total Intragovernmental	624	281
Accrued annual leave	4,244,131	4,176,277
Actuarial FECA liability	5,756	2,611
Total liabilities not covered by budgetary resources	4,250,511	4,179,169
Total liabilities covered by budgetary resources	5,663,379	4,477,688
Total Liabilities	**$ 9,913,890**	**$ 8,656,857**

Note 6. Accounts Payable

The amounts reported on the Balance Sheet for Accounts Payable represent amounts owed by the USITC to other federal agencies (intragovernmental) and to non-federal entities for goods and services received but not paid by the USITC as of the Balance Sheet date.

Amounts payable to trading partners were $67,383 and $177,713 as of September 30, 2016 and 2015, respectively. For FY 2016, amounts were principally owed to DOI and OPM for software licenses and background investigations, as well as GPO and GSA for publications and IT services/equipment. For FY 2015, amounts were principally owed to GSA for administrative support services.

The amounts reported below as real estate taxes payable, $831,888 and $727,810, represent unpaid property taxes for the periods (1) January 1, 2016 to September 30, 2016, and (2) January 1, 2015 to September 30, 2015, respectively. These amounts represent taxes that are invoiced and generally paid annually by September for the previous calendar year to GSA. Thus, each fiscal year the Commission recognizes twelve months of real estate tax expense – three months of actual expense (Oct-Dec) and nine months of accrued expense (Jan–Sep).

Amounts shown on the Balance Sheet as payable to vendors represent amounts owed by the USITC to non-federal entities for goods and services received by the USITC in support of mission operations as of the Balance Sheet date.

Accounts Payable	2016	2015
Intragovernmental		
Accounts payable to trading partners	$ 67,383	$ 177,713
Real estate taxes payable	831,888	727,810
Total Intragovernmental	899,271	905,523
Non-federal		
Accounts payable to vendors	2,263,137	1,616,501
Total Accounts Payable	**$ 3,162,408**	**$ 2,522,024**

Note 7. Leases

The USITC has operating leases for its buildings and no capital leases. The USITC's lease for its headquarters building amounted to $9.2 million and $10 million for FY 2016 and FY 2015, respectively. In FY 2007, the USITC entered into a 10-year operating lease with the GSA for the facility that houses its day-to-day mission operations. Future minimum lease payments under leases of commercial property due as of September 30, 2016 are as follows:

Calendar Year	
2016 (Oct-Dec)	$ 2,304,553
2017 (prorated for partial year)	8,113,855
Total Future Minimum Lease Payments	**$ 10,418,408**

Note 8. Commitments and Contingencies

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

Note 9. Other Financing Sources (Non-Exchange)

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

Note 10. Undelivered Orders at the End of the Period

Undelivered orders consist of goods and services ordered and obligated that have not been received. Undelivered orders may be indicative of obligations to cover future delivery of good and services or may represent potential de-obligations. Since the USITC has "no year" funds, it often funds contracts, particularly service contracts, on a calendar year or other annual basis, rather than on a fiscal year basis. Undelivered orders were $11,442,452 and $10,400,343 as of September 30 FY 2016 and FY 2015, respectively.

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

For FY 2015 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. There are no material differences between the amounts reported in the Commission's Statement of Budgetary Resources for FY 2016 and the Consolidated And Further Continuing Appropriations Act, 2016.

Note 12. Fiduciary Activities

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

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

Fiduciary net assets held by the USITC consist of cease and desist bonds held for non-Federal recipients.

Fiduciary Assets	2016		2015	
Fiduciary net assets, beginning of year	$	158,814	$	156,624
Cash collections from cease and desist bonds		2,466		2,190
Fiduciary Net Assets, end of year	**$**	**161,280**	**$**	**158,814**

Note 13. Reconciliation of Net Cost of Operations to Budget

A reconciliation of net cost of operations to budget is presented below to show the relationship between accrual-based (financial accounting) information in the statement of net cost and obligation-based (budgetary accounting) information in the statement of budgetary resources. This reconciliation ensures that the proprietary and budgetary accounts in the financial management system are in balance. For FY 2016, the USITC reconciled the difference between the $90.3 million in obligated resources and the $90.9 million in the net cost of operations and for FY 2015, the difference between the $85.6 million in obligated resources and the $87.8 million in the net cost of operations by adjusting for offsetting collections, adjustments, recoveries, imputed financing, financing resources not part of the net cost of operations, and depreciation. The details of these reconciliations are as follows:

Reconciliations of Net Cost of Operations to Budget	2016	2015
Resources Used to Finance Activities:		
Budgetary resources obligated:		
Obligations incurred	$ 90,346,227	$ 85,605,581
Less: Spending authority from offsetting collections and recoveries	1,841,541	1,104,792
Net Obligations	88,504,686	84,500,789
Other Resources:		
Imputed financing from costs absorbed by others	3,473,204	3,332,697
Total Resources Used to Finance Activities	**91,977,890**	**87,833,486**
Resources Used to Finance Items Not Part of the Net Cost of Operations:		
Change in budgetary resources obligated for goods, services, and benefits ordered but not yet provided	1,042,109	1,651,614
Resources that fund expenses recognized in prior periods	(2,284)	9,676
Resources that finance the acquisition of assets	1,973,550	510,639
Total Resources Used to Finance Items Not Part of the net Cost of operations	**3,013,375**	**2,171,929**
Total resources Used to Finance the Net Cost of Operations	**88,964,515**	**85,661,557**
Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period:		
Components Requiring or Generating Resources in Future Periods:		
Increase/decrease in annual leave liability	67,853	197,695
Increase/decrease in worker's compensation	3,488	1,531
Components Requiring or Generating Resources in Future Periods	71,341	199,226
Components Not Requiring or Generating Resources:		
Depreciation and amortization	1,838,183	1,893,265
Total Components of Net Cost of Operations That Will Not Require or Generate Resources in Current Period	**1,909,524**	**2,092,491**
Net Cost of Operations	**$ 90,874,039**	**$ 87,754,048**

Other Accompanying Information

Combined Schedule of Spending

U.S. INTERNATIONAL TRADE COMMISSION
COMBINED SCHEDULE OF SPENDING
For the years ended September 30, 2016 and September 30, 2015
(in dollars)

	2016	2015
What Money is Available to be Spent?		
Total resources	$ 90,683,193	$ 85,947,234
Less amount available but not agreed to be spent	(336,966)	(341,652)
Less amount not available to be spent	–	–
Total Amounts Agreed to be Spent	**$ 90,346,227**	**$ 85,605,582**
How Was the Money Spent?		
General Fund		
Personnel Compensation and Benefits	$ 61,090,824	$ 59,385,520
Space Rental	10,537,417	10,161,697
Contractual Services	10,823,779	9,754,301
Supplies	1,695,347	1,753,760
Acquisition of Assets	4,287,264	1,710,620
Other (all remaining BOCs)	1,911,595	2,839,684
Total Amounts Agreed to be Spent/Issued	**$ 90,346,227**	**$ 85,605,582**
Who Did the Money Go To?		
Federal Entities	$ 12,873,090	$ 13,794,412
Non-Federal Entities	77,473,137	71,811,170
Total Amounts Agreed to be Spent	**$ 90,346,227**	**$ 85,605,582**

Management and Performance Challenges

Inspector General's Summary of Management and Performance Challenges

UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, DC 20436

September 13, 2016

IG-OO-026
OIG-MR-16-15

Chairman Williamson:

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

I have identified two management and performance challenges for fiscal year 2017: 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.

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. Last year 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 directives were not current, and the directives contained outdated assignments of responsibility and delegations of authority. The 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. One of the underlying reasons was the lack of accountability; 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 recognized the importance of having strong internal controls. 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 the problems have been resolved. Management needs to take further actions to ensure that controls work effectively and achieve the desired results.

The Commission has shown continued commitment towards improving and strengthening the internal control environment. 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:

Daily attention to the four foundational, critical security controls remain the cornerstone of securing 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 plans to deploy new technologies to meet shifting priorities and goals, such as a new data center and the implementation of a portal to support work on miscellaneous tariff bills. New projects introduce new risks as the focus moves from maintenance operations to developing and deploying new systems.

The most secure and functional network is one which is best understood by technical staff. A simpler network is easier to understand and maintain, and maximizes the chance to achieve effective security. The Commission should continue work to simplify its network, by continuing to refine and minimize its unnecessary applications, eliminate unnecessary internet protocol (IP) address space and subnetworks, and rely on built-in functionality of modern software instead of maintenance intensive add-ons such as third-party email archiving software.

The transition to a new Help Desk and IT engineering contracts also present opportunities and challenges. Recent experience demonstrated a challenge to maintain progress in secure configurations, when staff laptops were deployed, only to be removed the next day because they were found to have vulnerabilities due to missing patches.

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.

The Commission's professional staff require a consistent and stable IT foundation, which is required to work effectively today. This foundation must be developed and managed effectively to enhance, and not delay, the work of Commission staff. If the Commission's IT systems do not work effectively, staff are unnecessarily stressed, deadlines are risked, and staff are forced to find alternate means of accomplishing their work. The Commission should continue to focus on the delivery of and maintenance of a stable technology platform to serve 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 remains on the risks and priorities of the Commission.

Philip M. Heneghan
Inspector General

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

UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, DC 20436

**COMMENTS ON MANAGEMENT CHALLENGES
IDENTIFIED BY THE INSPECTOR GENERAL**

In his memorandum dated September 13, 2016, the USITC Inspector General identified two management challenges for FY 2016, one on internal controls and one on the management of information technology (IT) at the Commission. 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 and is pleased that progress has been made to address these areas during FY 2016. The Commission will continue its efforts in FY 2017 to successfully address these challenges.

Internal Control

As the Inspector General notes in his memorandum, the Commission has recognized the importance of having strong internal controls and has consistently acknowledged and responded to internal control weaknesses. Since the issue of internal controls was first identified as a management challenge, the Commission has been committed to improving and strengthening its internal control environment and, as discussed below, has made significant strides in this critical area. The Commission will continue to provide resources to bolster its internal controls environment 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 which has consumed significant resources relates to the improvement of the Commission's directives management system; the Inspector General's memorandum noted that the system is outdated and lacked accountability for its upkeep. Senior management and staff established an Internal Rules working group that met regularly throughout Fiscal Year 2016 to review the Commission's current system of internal rules and directives to address the issues identified by the Inspector General. The working group found that in order to update the directive management system it had at the same to update its entire system of internal rules. As of October 2016, the working group had completed drafts of policy and procedure documents that form the basis for a new system of internal rules and had sent documentation to the General Counsel for legal sufficiency review. Once legal sufficiency review is completed by the General Counsel, the entire suite of proposed policies and procedures will be transmitted to the Commission for review by early 2017. The proposed system clearly defines the various internal rules, procedures for drafting internal rules and review procedures once the rule is implemented, and provides accountability in case procedures are not followed. Implementing the new internal rules system will be a priority for the Commission in FY 2017.

The Commission has also implemented numerous program improvements that advance the agency's understanding and utilization of internal control and risk management. Among these are changes made to the agency's annual Statement of Assurance process, incorporation of improved governance activities and the further progression of its Enterprise Risk Management (ERM) program.

The Commission incorporated newly revised Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Controls* requirements and best practices into its Statement of Assurance process, developing new internal control templates that tied directly to the Government Accountability Office (GAO) *Standards for Internal Control in the Federal Government* (Green Book) and expanded the sources of documentary evidence used to develop findings. The Director of Internal Control and Risk Management (ICRM) met with Office Directors throughout the year to coordinate their assessments and discuss findings based on these standards.

This fiscal year, the Commission asked the agency's Performance Management and Strategic Planning Committee (PMSPC) to serve as the internal control oversight board to monitor risk management and internal control systems. The PMSPC met regularly throughout the year to review risk management and internal control documentation, make assessments, and recommend action and prioritization of resources.

During the past fiscal year, the Commission used its established 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. The ERM framework provides the Commission with better insight about how to most effectively prioritize resource allocations to ensure successful mission delivery. Since its inception in FY 2014, the Commission's ERM has evolved, through continuous assessment, program enhancements and management/committee participation to its current state in which the program is integrated within various agency activities where risk discussions occur as part of decision-making processes. The ERM program at the Commission is endorsed by leadership, well documented, structured and permits the sharing of risk information across the agency to better prepare for unanticipated events.

As the agency further develops and integrates enterprise risk management and internal control activities into its management processes, a mature and effective system of risk management and internal control can be achieved. This effort has the full support of leadership and senior management across the agency.

IT Management

The Commission has continued to build on the momentum of the last year in improving the IT platforms for stabilizing operations, supporting mission functions, and reducing cybersecurity risks. While accomplishing these goals, the Office of the Chief Information Officer (OCIO) has begun implementing infrastructure modernizations that will improve the current network, optimize the network configuration architecture for the new dual datacenter project, and enable future plans for cloud utilization.

The Commission has dedicated significant resources to improving its hardware configuration management and risk mitigation by initiating its dual datacenter project. The dual data center model eliminates the need for disaster recovery scenarios, as either data center will always be available to serve as the primary should the other fail. We remain on schedule to deliver 80% replication of all applications by early 2017.

The Commission has also made significant progress closing out management decisions (MDs) in response to IG findings or self-initiated external assessments. Twenty-five MDs were closed during FY 2016. Twelve of those MDs were in response to IG findings and the actions taken to close them out, including expanded whitelisting, device management, and patching have improved our security posture, and have allowed the Commission to better manage its IT assets, particularly in the areas of hardware and software inventory. The Commission also closed out thirteen management decisions in response to medium and high level findings identified in the OCIO's self-initiated DHS assessment. These actions have remediated vulnerabilities and improved network security and functionality. The Commission remains committed to addressing and closing out additional management decisions in FY 2017.

As discussed below, in FY 2016, the Commission made significant advances in IT asset inventory management, configuration management, and cybersecurity.

The Commission has made several changes in order to better manage its software and hardware assets. Hardware is inventoried biannually and assigned ownership based on use and location. Software is scanned regularly for security, license administration, whitelisting management, and baseline compliance. Software and hardware inventories are being transitioned to a customized Manage Engine module to also enable financial reporting requirements.

In order to improve device management, security, and operability, the United States Government Configuration Baseline (USGCB) has been applied and maintained for all workstations; bringing the Commission into compliance with the Federal government-wide mandate. Mobile device configurations are managed via our secure, containerized MaaS360 solution. These standardized configurations improve the Commission's ability to manage and safeguard network devices against intrusion or exposure to vulnerabilities, as well as ensuring optimal operations.

To improve our Cybersecurity posture, the Commission asked DHS a self-initiated Risk and Vulnerability Assessment (RVA) by DHS identified risks that were immediately remediated. The DHS Infrastructure Vulnerability Scan service remains in continual operation, scanning the Commission's network on a weekly basis for any new vulnerabilities and providing detailed reports on findings. The Commission is also enrolled to utilize DHS' Continuous Diagnostics and Mitigation (CDM) program which is scheduled to deploy in March, 2017. This service provides tools to allow Cybersecurity resources to identify risks in a timely manner and prioritize for mitigation based on potential impact.

The Commission is deploying new technologies to meet shifting priorities and goals while at the same time seeking to avoid introducing unnecessary risk to daily operations. In response to competing demands for finite IT resources, the Commission created a new Project Management Group to identify and mitigate potential risks earlier in project lifecycles. The group works with various offices throughout the agency to address their IT requirements for various projects, and mitigates risks with the use of standards, oversight, and open and transparent communications.

The implementation of a portal to support work on miscellaneous tariff bills posed challenges due to the amount of work required in a very short timeframe, but the Commission was able to accomplish this major task on time by reprioritizing and diverting resources from other projects. In FY 2017, the Commission expects to restore resources to these other projects to ensure that core operations and maintenance functions are not being compromised or exposed to undue risk due to resource constraints. We continue to evaluate our network architecture and configurations to ensure the optimal level of compliance to security standards, operational requirements, and maintainability.

In FY 2016 the Commission signed a new Service Desk contract. The integration of the new Service Desk has been virtually seamless and the Commission has already benefitted from operational improvements such as the recent deployment of self-help portal to allow users to report and track issues, search a knowledge base to find solutions to common issues, and even allow a user to independently unlock a network account or reset a password. The Commission should continue to achieve operational efficiencies from the new Service Desk contract as we continue to look for ways to enhance the work of Commission staff.

The Commission also enhanced its business systems in an effort to improve the effectiveness of the Commission's operations. OCIO continues to support previously completed and deployed information solutions for 337 investigations and HTS. Development work is underway for a new version of EDIS, a portal for filing and reviewing Miscellaneous Tariff Bill Petitions, and a re-designed DataWeb – including the recently deployed Trade Monitoring component. The Commission recently procured, and is in the process of deploying, an enterprise Business Intelligence solution to improve information accessibility and dissemination, and decision making. The Commission will continue to focus on taking advantage of automation in these areas to improve the effectiveness and efficiency of all of the Commission's work and will move forward as rapidly as budgetary resources allow.

The Commission also recognizes the importance of a stable network to accomplish the agency's mission. Network switches for our entire headquarters facility were replaced to ensure uninterrupted connectivity. Improved automatic server monitors were deployed. Our obsolete wired visitor network was replaced and outdated servers were retired. A study was also performed on our current Citrix environment in order to identify current deficiencies and areas of potential improvement; these issues will be addressed as part of the data center modernization effort.

The Commission remains committed to improving its system of internal rules, its risk management process, and its IT management's performance. We appreciate the Inspector

General's efforts to identify areas of improvement and his advice on how to successfully improve the efficiency and effectiveness of our operations.

Irving A. Williamson
Chairman
November 15, 2016

Summary of Financial Statement Audit and Management Assurances

Table 1: Summary of Financial Statement Audit (as of September 30, 2016)

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 (as of September 30, 2016)

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: Modified						
Material Weaknesses	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
Risk in an agency IT program as it relates to compliance with a law/regulation related to systems	✓					✓
Risk in an agency IT program as it relates to compliance with a law/regulation related to networks	✓					✓
Risk in an agency IT program as it relates to compliance with a law/regulation related to network users	✓		✓			
Risk in an agency IT program as it relates to insufficient program resources to meet its mission and objectives		✓				✓
Risk in the agency system of internal rules also known as the directive management system		✓				✓
Total Material Weaknesses	3	2	1	0	0	4

Compliance with financial management system requirements (FMFIA § 4)						
Statement of Assurance: Unmodified[1]						
Non-Conformances	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
Total Non-Conformances	0	0	0	0	0	0

Compliance with Federal Financial Management Improvement Act (FFMIA)		
	Commission	**Auditor**
1. System requirements	No lack of substantial compliance noted	No lack of substantial compliance noted
2. Accounting Standards	No lack of substantial compliance noted	No lack of substantial compliance noted
3. USSGL at Transaction Level	No lack of substantial compliance noted	No lack of substantial compliance noted

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

Improper Payments Information Reporting Details

The information presented in this report complies with guidance provided in the *Improper Payments Information Act of 2002* (IPIA) as amended by the *Improper Payments Elimination and Recovery Act of 2010* (IPERA) and the *Improper Payments Elimination and Recovery Improvement Act of 2012* (IPERIA), Office of Management and Budget (OMB) Circular A-136, and Appendix C of OMB Circular A-123, M-15-02, *Requirements for Effective Estimation and Remediation of Improper Payments*.

Program Review and Risk assessment

The USITC has only one program for budget purposes. The FY 2016 appropriated funding for the program is $88.5 million in appropriations. All of the agency's transactions are for employee payroll and benefits, intra-governmental and non-Federal transactions.

The USITC does not maintain its own financial management system, but uses a shared service provider (Interior Business Center/Department of Interior (IBC/DOI)) to process all accounting transactions to include payroll and benefits. The IBC is subject to external audit in accordance with the *Standards for Attestation Engagements (*SSAE) 16. The Office of the CFO (OCFO) examines the SSAE 16 audit results annually to determine if the shared service provider's internal controls are operating effectively to preclude destruction of records, fraud, waste, and abuse. In addition, the USITC evaluates the internal controls required to supplement the shared service provider's controls as outlined in the SSAE 16.

Intra-governmental transactions, accounts payables, and payments to agency employees are reviewed as part of the agency's internal control program under OMB Circular A-123, Appendix A, *Internal Control over Financial Reporting* and Appendix C, *Requirements for Effective Estimation and Remediation of Improper Payments*.

For FY 2016 the USITC non-Federal payment was $14.8 million (disbursements plus accounts payable) and payroll was $60.4 million for a combined total of $75.2 million. IPERA defines "significant" as either (1) improper payments that exceed both $10 million and 1.5% of program disbursements; or (2) improper payments in excess of $100 million. Significant improper payments in the USITC's program needed to exceed both $1,128,345 (1.5% improper payment rate) and $10 million of all non-Federal payments and payments to Federal employees. The improper payments identified by USITC in FY 2016 were less than 0.02%; well beneath the defined thresholds for significant improper payment reporting.

Improper Payments Strategy

The 2010 Act requires agencies to conduct payment recapture audits with respect to each program and activity of the agency that expends $1 million or more annually, if conducting such audits would be cost-effective. The USITC addresses proper management of payments by:

- preventing payment errors through documented processes and internal controls,
- detecting overpayment and underpayments through control testing, and
- establishing a process with the U.S. Treasury (Treasury Offset Program) to recapture overpayments when identified.

Our financial internal control program contributes to our efforts to identify improper payments.

Do Not Pay (DNP) Initiative

The OCFO reviews the System for Award Management (SAM) database prior to each acquisition award to ensure the vendor is registered to do business with the Federal government. For post award payments, the IBC sends the weekly payee file to the Treasury's DNP Business Center for continuous monitoring. The data sources currently used are:

- Death Master File (DMF),
- Systems for Awards Management-Exclusion Records – Private,
- List of Excluded Individuals/Entities (LEIE), and
- System for Award Management (SAM) Entity Registration Records, Private.

Any resulting matches are provided to the OCFO for determination of payment.

	Number of payments reviewed for improper payments	Dollars of payments reviewed for improper payments	Number of payments stopped	Dollars of payments stopped	Number of improper payments reviewed and not stopped	Dollars of improper payments reviewed and not stopped
Reviews with the DMF only	All agency payments submitted to shared service provider	$ 12.6M[2]	0	0	0	0
Reviews with all other databases[3]	All agency payments submitted to shared service provider	$ 12.6M	0	0	0	0

[2] $12.6M was cash disbursements paid to non-Federal vendors. Total non-Federal payments were $14.8M; difference of $2.2M was accounts payable or amounts obligated to be paid.

[3] Databases are 1) Systems for Awards Management-Exclusion Records – Private; 2) List of Excluded Individuals/Entities (LEIE); and 3) System for Award Management (SAM) Entity Registration Records, Private.

Payment Recapture Audits

The IPERA Act of 2010 replaced the recovery auditing program contained in the National Defense Authorization Act of 2002. The 2010 Act requires agencies to conduct recovery audits with respect to each program and activity of the agency that expends $1 million or more annually, if conducting such audits would be cost-effective.

Once the OCFO has identified an improper payment with a non-Federal vendor, it is USITC's policy to aggressively correct the improper payment. Upon research and analysis of supporting documentation the vendor is contacted for resolution (underpayment to the agency). If it is an ongoing contract, the OCFO will offset the amount to be recovered on the next billing. For all other contracts the vendor is contacted and a receivable is established for collection. If the vendor does not provide payment the debt is entered into the TOP. If an improper payment is identified as an overpayment to the USITC the vendor is promptly paid.

The table below shows the result of improper payments (in millions of dollars) identified during FY 2016.[4]

Reason for Improper Payment	Overpayments	Underpayments	FY 2016 Amount Recaptured in FY 2016
Failure to correctly verify vendor invoice amount	$ 0.0	$ 0.0	$ 0.0
Administrative processing	0.0	0.0	0.0
Total	**$ 0.0**	**$ 0.0**	**$ 0.0**

The following table shows cumulative overpayments (in millions of dollars) to include FY 2016.

Reason for Improper Payment	Overpayments	Underpayments	Amount Recaptured thru FY 2016
Failure to correctly verify vendor invoice amount	$ 0.0	$ 0.0	$ 0.0
Administrative processing	0.0	0.0	0.0
Total	**$ 0.0**	**$ 0.0**	**$ 0.0**

Overpayment recovery of total outstanding balance for vendor overpayments is expected to be between 80 - 90% for FY 2017. Recovery of employee overpayments is expected to be between 45 – 55% of outstanding balances for FY 2017.

[4] USITC overpayments were less than $50,000 cumulative to include FY 2016.

Freeze the Footprint

The Commission leases all buildings under an intra-agency agreement with GSA and as such does not provide square footage data to the Federal Real Property Profile (FRPP).

Appendix A

U.S. International Trade Commission Staff Offices

Office of the Administrative Law Judges

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

Office of the General Counsel

The **General Counsel (GC)** serves as the Commission's chief legal advisor. The GC and the staff attorneys provide legal advice and support to the Commissioners and staff on investigations and research studies, represent the Commission in court and before dispute resolution panels and administrative tribunals, and provide assistance and advice on general administrative matters, including personnel, labor relations, and contract issues.

Office of Operations

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

The **Office of Economics (EC)** conducts investigations primarily under section 332 of the Tariff Act of 1930, section 131 of the Trade Act of 1974, and section 2104 of the Trade Act of 2002. EC also provides expert economic analysis for import injury investigations, as well as other industry and economic analysis products.

The **Office of Industries (IND)** conducts investigations primarily under section 332 of the Tariff Act of 1930, section 131 of the Trade Act of 1974, and section 2104 of the Trade Act of 2002. The Office of Industries maintains technical expertise related to the performance and global competitiveness of industries and the impact of international trade on those industries for these studies and 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, and the Uruguay Round Agreements Act (URAA) of 1994.

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

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

The **Office of Analysis and Research Services (OARS)** provides research and investigative support. It comprises the library, editorial, knowledge resources, and statistical services.

Office of External Relations

The **Office of External Relations (ER)** develops and maintains liaison between the Commission and its external customers and is the point of contact with USTR and other executive branch agencies, Congress, foreign governments, international organizations, the public, and the media. The Commission's Trade Remedy Assistance Office (TRAO), located in ER, provides information about the benefits and remedies available under U.S. trade laws and assists small businesses seeking relief under those laws.

Office of the Chief Information Officer

The **Office of the Chief Information Officer (OCIO)** provides information technology leadership, a comprehensive services and applications support portfolio, and a sound technology infrastructure to the Commission and its customers. The OCIO seeks to promote, deliver, and manage the secure and efficient application of technology to the Commission's 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. In addition, the OCFO manages the Commission's internal control program in accordance with FMFIA guidance. Component offices include the Office of Budget, Office of Procurement, and the Office of Finance.

Office of Administrative Services

The **Office of Administrative Services (OAS)** provides human resource services—including collective bargaining with union representatives—information and document management; management of work life issues; facilities management services, and is responsible for all Commission physical and personnel security matters. Component offices include Human Resources, Security and Support Services, and the Office of the Secretary.

Office of Inspector General

The **Office of Inspector General (OIG)** provides audit, evaluation, inspection, and investigative support services covering all Commission programs and strategic operations. The mission of the OIG is to promote and preserve the effectiveness, efficiency, and integrity of the Commission. The OIG activities are planned and conducted based on requirements of laws and regulations, requests from management officials, and allegations received from Commission personnel and other sources.

Office of Equal Employment Opportunity

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

Appendix B

Abbreviations and Acronyms

Acronyms	Terms
AFR	Agency Financial Report
AICPA	American Institute of Certified Public Accountants
ALJ	Administrative Law Judges
APA	Administrative Procedure Act
APP	Annual Performance Plan
APR	Annual Performance Report
ATDA	Accountability of Tax Dollars Act
ATO	Authority to Operate
CDM	Continuous Diagnostics and Mitigation
Commission	United States International Trade Commission
CSM	Configuration Settings Management
CSRS	Civil Service Retirement System
DATA	Digital Accountability and Tranparency Act
DataWeb	Interactive Tariff and Trade DataWeb
DHS	Department of Homeland Security
DMF	Death Master File
DNP	Do Not Pay
DOI	Department of Interior
DOL	Department of Labor
EC	Office of Economics

Acronyms	Terms
EDIS	Electronic Document Information System
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
FEVS	Federal Employee Viewpoint Survey
FFMIA	Federal Financial Management Improvement Act
FICA	Federal Insurance Contribution Act
FIN	Office of Finance
FISMA	Federal Information Security Management Act
FMFIA	Federal Managers' Financial Integrity Act
FRPP	Federal Real Property Profile
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
GC	General Counsel
GPO	Government Printing Office
GPRA	Government Performance and Results Act

Acronyms	Terms
GSA	General Services Administration
HI	Hospital Insurance
HR	Office of Human Resources
HTS	Harmonized Tariff Schedule
HWAM	Hardware Asset Management
IBC	Interior Business Center
ICRM	Internal Control and Risk Management
IND	Office of Industries
INV	Office of Investigations
IPERA	Improper Payments Elimination and Recovery Act
IPERIA	Improper Payments Elimination and Recovery Improvement Act
IPIA	Improper Payments Information Act
IRGC	Internal Rules Governance Control Board
IT	Information Technology
IUS	Internal Use Software
LEIE	List of Excluded Individuals/Entities
MD	Management Decisions
MTBPS	Miscellaneous Tariff Bill Petition System
NAFTA	North American Free Trade Agreement
NCCIS	National Cybersecurity and Communications Integration Center
OARS	Office of Analysis and Research Services
OAS	Office of Administrative Services

Acronyms	Terms
OASDI	Old-Age, Survivors, and Disability Insurance
OB	Office of Budget
OCFO	Office of the Chief Fiancial 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
PMO	Project Management Office
PMSPC	Performance Management and Strategic Planning Committee
PR	Office of Procurement
RVA	Risk and Vulnerability Assessment
SAM	System for Award Management
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
TATA	Office of Tariff Affairs and Trade Agreements
TIC	Trusted Internet Connection
TOP	Treasury Offset Program
TRAO	Trade Remedy Assistance Office

Acronyms	Terms
URAA	Uruguay Round Agreements Act
USGCB	United States Government Configuration Baseline
USITC	United States International Trade Commission
USSGL	United States Standard General Ledger
USTR	United States Trade Representative
VUL	Vulnerability Management

Contact Information

United States International Trade Commission	500 E Street, SW Washington, DC 20436
General Information Number	202-205-2000
Internet Home Page	http://www.usitc.gov/
Strategic Plan Internet Site	http://usitc.gov/press_room/documents/USITC_2014-2018_StrategicPlan_final.pdf
Agency Financial Report (AFR)	
AFR Internet Site	http://www.usitc.gov/strategic_plan.htm
AFR Contact	Debra Straub
AFR Telephone	202-205-3184
AFR E-mail Address	debra.straub@usitc.gov
AFR Fax Number	202-205-1914

UNITED STATES INTERNATIONAL TRADE COMMISSION