United States
International Trade Commission

Agency Financial Report

Fiscal Year 2018

November 2018

Contents

Message from the Chairman

I am pleased to transmit the *FY 2018 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) investigate and make determinations in proceedings involving imports claimed to injure a domestic industry or violate U.S. intellectual property rights; (2) provide independent analysis and information on tariffs, trade, and competitiveness to the Congress and the President; and (3) maintain the Harmonized Tariff Schedule of the United States. In carrying out these mandates, the Commission independently and objectively investigates unfair trade complaints, impartially administers the relevant trade laws, and helps the President and Congress make informed policy decisions by providing accurate, timely, and insightful analysis on an evolving range of international trade matters. The 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 its decision-making in these areas.

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 2018; it met or exceeded most of its annual performance goals and improved upon agency performance in other areas. This year, the agency commenced 135 new investigations and completed 127 investigations in the areas of import injury, intellectual property, and industry and economic analysis.

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 2018, our import injury investigations covered a broad range of products, including many different types of aluminum, iron, and steel products; ferroalloys such as silicon metal and silicomanganese; biodiesel, chemicals, and textile products; agriculture products including ripe olives and fresh tomatoes; high tech and consumer goods including solar cells, large civil aircraft, and residential washers; other manufactured goods, such as wind towers and large power transformers; office supplies, such as staples and rubber bands; and wood and paper products such as softwood lumber, hardwood plywood, multilayered wood flooring, and uncoated groundwood paper. Our unfair import investigations covered a wide-range of products, including mobile devices, tablets and other computer and telecommunication products, digital video receivers, LED lighting, height adjustable desks, packaging for fresh produce, fuel pumps, intraoral scanners, various types of beverage containers, amorphous metals, gaming consoles and jump ropes.

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 2018, such as recent developments in U.S. trade and investment with sub-Saharan Africa, possible modifications to the Generalized System of Preferences, and advice on modifications to duty rates for certain motor vehicles under the U.S.-Korea Free Trade Agreement. The Commission also compiled the 2018 basic edition of the Harmonized Tariff Schedule (HTS) and, as of October 1, had issued 12 Revisions to the HTS to reflect policy changes that were put in place during the calendar year.

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.

The Commission also made steady progress on many of its management and administrative goals during 2018, 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 2018 Agency Financial Report

The Commission's FY 2018 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 2018, the Commission continued to assess and improve internal controls in accordance with the 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, 2018, 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, 2018, 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, 2018, 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.

David S. Johanson
Chairman
November 15, 2018

Management's Discussion and Analysis

Introduction

The United States International Trade Commission (Commission or USITC) Fiscal Year 2018 Agency Financial Report (AFR) presents the results of the Commission's program and financial performance and demonstrates to the President, Congress, and the public the USITC's commitment to its mission and accountability for the resources entrusted to it. This report is available at www.usitc.gov. The USITC will issue its FY 2018 Annual Performance Report (APR), which fully describes is performance for the fiscal year, when it issues its Congressional Budget Justification (CBJ) in FY 2019.

About the USITC

The USITC is an independent, quasi-judicial federal agency with broad investigative responsibilities on matters of trade. The USITC was established by Congress on September 8, 1916 as the United States Tariff Commission. 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 and thorough 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

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

Organization

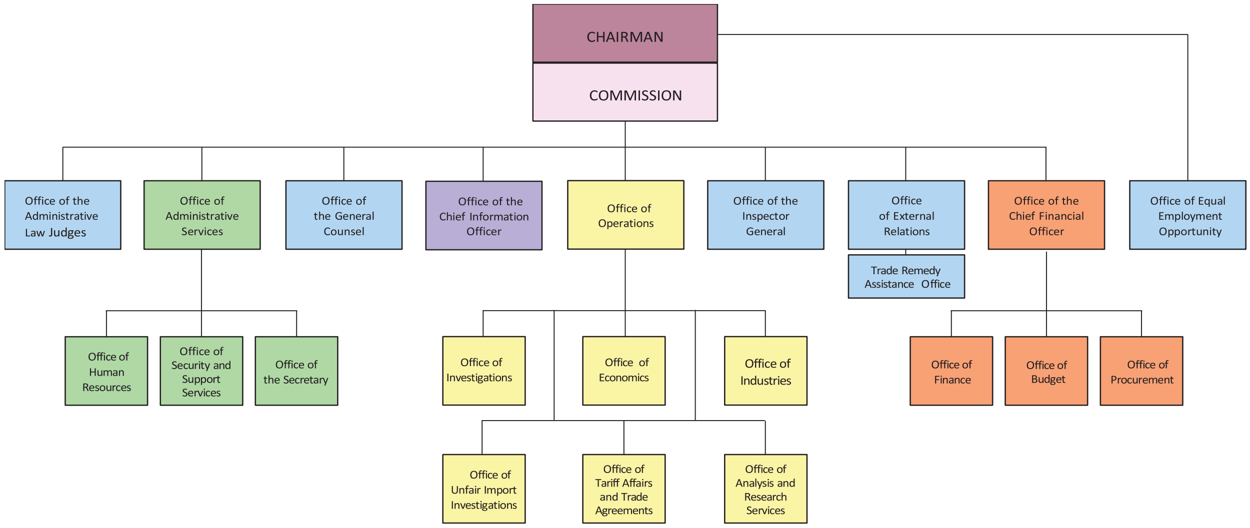
Commissioners

The USITC is headed by six Commissioners, who are nominated by the President and confirmed by the U.S. Senate. David S. Johanson, the senior Republican, is serving as the Chairman of the Commission by operation of law. As of the date of issuance of this report, the Commission has no Vice Chairman. Other Commissioners currently serving, in order of seniority, are Irving A. Williamson, Meredith M. Broadbent, Rhonda K. Schmidtlein, and Jason E. Kearns. There is currently one vacant commissioner position.

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

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

Office-Level Organizational Chart



USITC Staff

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

- Office of Operations (OP), and its subordinate Offices of Investigations (INV), Industries (IND), Economics (EC), Tariff Affairs and Trade Agreements (TATA), Unfair Import Investigations (OUII), and Analysis and Research Services (OARS);
- Office of the Administrative Law Judges (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 2018.

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. 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 2018, the Commission issued its Strategic Plan for FY 2018–2022. During FY 2018, the agency issued its corresponding Annual Performance Plan for FY 2018–2019. 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 2019 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 2018–2022 identifies two strategic goals and corresponding strategic objectives.

Goals	Objectives
Strategic Goal 1 Investigate and Decide: Make sound, objective, and timely determinations in trade remedy proceedings	S1.1 Reliable Process: Conduct expeditious and sound investigative proceedings S1.2 Clear Proceedings: Promote transparency and understanding of investigative proceedings
Strategic Goal 2 Inform: Provide independent, objective, and timely analysis and information on tariffs, trade and competitiveness	S2.1 Innovation: Improve analysis and information S2.2 Communication: Engage and respond to inform and support decision-making on U.S. trade matters
Management Goal Efficiently and effectively advance the agency's mission	M1.1 People: Attract and develop a skilled, diverse, and flexible workforce M1.2 Money: Ensure good stewardship of taxpayer funds M1.3 Technology: Identify, deliver, and secure reliable enterprise information systems M1.4 Operational Effectiveness: Evaluate and improve processes and communication

The Commission's strategic goals directly support the agency's mission. The management goal and corresponding objectives relate to four management priority areas: human resources, financial management, information technology, and operational effectiveness. The agency focuses on high performance and goal attainment in each area to fulfill its mission and to support government-wide initiatives.

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

Summary of Performance Results

The Commission made substantial progress toward its strategic and management goals during FY 2018 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 a continued high investigative caseload. Highlights for each strategic and management goal follow.

Investigate and Decide: Make sound, objective, and timely determinations in trade remedy 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 remained high in FY 2018.[2]

Strategic Objective 1.1 Reliable Process: Conduct expeditious and 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. Moreover, the statute states that section 337 investigations should be resolved at the earliest practicable time. Timely decisions relieve the business uncertainty these disputes cause for private sector participants.

During FY 2018, the Commission met all but two 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 progress on a number of the performance goals associated with its section 337 investigations. Commission staff remained

[2] In FY 2018, the Commission instituted 56 import injury investigations and reviews and completed 62. In contrast, there were 66 institutions and 62 completions in FY 2017. The case load under section 337 increased in FY 2018, as 74 investigations commenced and 61 investigations were completed. In contrast, 67 commenced and 61 were completed in FY 2017.

focused in FY 2018 on ways to reduce the length of investigations, by continuing to analyze the impact of the Commission's rules regarding early disposition, as well as the eDiscovery and initial case management pilot programs and promulgating rules regarding severance of investigations where appropriate. The agency will continue to evaluate these initiatives in FY 2019. Despite an increasing case load, the average length of section 337 investigations concluded on the merits increased only slightly from 15.1 months in FY 2017 to 15.8 months in FY 2018. The Commission met goals associated with reducing the length of specific phases of 337 investigations. At the same time, the Commission partially met its goal to complete ancillary proceedings on a timely basis, as two of these matters exceeded established targets.

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 2018, the Commission also evaluated agency decision-making based on an analysis of judicial and NAFTA panel remands from FY 2017 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 2019 and will include any remands from FY 2018.

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.

During FY 2018, the agency met or made progress on most performance goals for this objective. The agency met its target of posting information on its import injury investigation case webpages within specific timeframes. In addition, the Commission continued to meet or exceed performance goals related to public outreach to external groups through participation in conferences and other events and availability of documents in EDIS.

The agency did not meet goals pertaining to developing or enhancing investigation data systems and adding electronic service to its Electronic Document Information System (EDIS), as resources were directed to completing other information technology priorities.

Inform: Produce independent, objective, and timely analysis and information on tariffs, trade, and competitiveness

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 2018, active Commission fact-finding investigations covered a wide range of topics, such as: global digital trade, recent developments in U.S. trade and investment with sub-Saharan Africa, possible modifications to the Generalized System of Preferences, and advice on modifications to duty rates for certain motor vehicles under the U.S.-Korea Free Trade Agreement.[3] 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, 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.

Strategic Objective 2.1 Innovation: Improve analysis and information

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 improvements in information quality, development of

[3] In FY 2018, five new fact-finding investigations were instituted and 4 were completed. In addition, the Commission published reports related to six recurring investigations.

analytic tools, and investment in human capital, which enable the agency to respond to shifts in public policy priorities.

The Commission met its performance goals supporting the objective of producing high-quality analysis, information, and insights. During the year, the agency also enhanced economic modeling capabilities by focusing research on refining various types of models and conducted analysis on topics such as: trade in value added; the impact of sanitary and phytosanitary (SPS) barriers to trade in agricultural products, accounting for firm heterogeneity in economic modeling, and competitive conditions affecting U.S. exports of medical technology in emerging markets. Additionally, the Commission continued to measure the extent to which basic research efforts undertaken by staff directly or indirectly contribute to Commission's statutory work. The Commission also met its goals pertaining to the accuracy of the HTS and collecting information to ultimately improve the HTS search tool.

Strategic Objective 2.2 Communication: Engage and respond to inform and support decision-making on U.S. trade matters

Accessible and timely trade and competitiveness information and analysis are often necessary for the USTR 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 clear and easily accessible.

During FY 2018, the Commission met its performance goals supporting this objective. Agency staff 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.

The agency updated the interactive graphics for this year's *Trade Shifts* report, *Recent Trends* report, and the *Year in Trade.* In addition, the agency made various types of modeling information and data available to the public on its website as well as a newly reengineered DataWeb—a tool that provides the public access to U.S. trade data. The Commission also met its performance goal for response timeliness to public inquiries concerning the HTS.

Efficiently and effectively advance the agency's 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 concern one cross-cutting area (operational effectiveness) and three functional areas (human resources; budget, acquisitions, and finance; and information technology). The FY 2018 performance goals reflect agency management priorities.

Management Objective 1.1 People: Attract and develop a skilled, diverse, and flexible workforce

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 ensure that position descriptions for onboard personnel are up to date and to improve satisfaction with agency hiring practices, employee development, and training.

In FY 2018, the Commission met or made progress on its performance goals concerning human capital. The agency met its target to update 25 percent of employee position descriptions. It also met its goal to provide staff with opportunities for leadership development. It also met goals concerning stakeholder satisfaction with recruiting efforts and opportunities for professional development, as measured by the Federal Employee Viewpoint Survey (FEVS). The agency also made significant progress in offering developmental details for agency staff and initiated an agency-wide, staff-sponsored and managed skill-sharing pilot program.

Management Objective 1.2 Money: Ensure good stewardship of taxpayer funds

Financial oversight and sound stewardship of appropriated funds are fundamental aspects of the accountability and transparency taxpayers deserve. 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 2018, the Commission met annual performance goals relating to accurate and timely financial reporting and status reporting of procurement actions. The OCFO and the OCIO made progress on Expenditure Plan ID reporting using business intelligence software and expects to make further progress on these reports, which provide near real time financial activity by budget line, during FY 2019. The agency also achieved an unmodified audit opinion on its FY 2018 financial statements, as it did for FY 2017. Although the agency did not meet its goal regarding the timeliness of procurement actions, it improved its performance over that of FY 2017.

Management Objective 1.3 Technology: Identify, deliver, and secure reliable enterprise information systems

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 2018, the Commission met three of its annual goals and made progress on its other goals. The agency achieved HSPD-12 compliance in the second quarter and migrated email service to a cloud provider by the end of FY 2018. The agency also exceeded its target pertaining to the implementation and verification of security configuration settings on workstations and servers. Although the agency met its goal of system availability to users at 99 percent or greater for five systems, email and SharePoint availability lagged. Similarly, the agency made progress on its goal to make its major systems open data compliant. In addition, the agency did not fully meet its goal to ensure that its information systems have valid Authorization to Operate (ATO), though it expects to achieve the goal during FY 2019.

Management Objective 1.4 Operational Effectiveness: Evaluate and improve processes and communication

Operational effectiveness involves continually improving functional performance, both in terms of agency-wide processes and internal and external communication. During FY 2018, the Commission met the majority of the annual goals pertaining to this objective.

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 2018, the Commission met its goal of making continuous improvements to the Commission's web presence, as measured by its website satisfaction score. The agency also made progress in improving the information it provides to the public by working to expand the scope of reports and other documents that are section 508 compliant.

In recent years the Commission has made significant improvements in the management of its administrative and program operations. During FY 2018, the agency refined and further strengthened its budget formulation process and various program-related procedures. The agency also conducted risk assessments and agency-wide reviews on a quarterly basis. The agency made significant progress implementing its system of internal rules, though it did not fully meet its FY 2018 target. Similarly, the agency made progress on developing more useful management reports, but did not fully meet its targets for the year.

The Commission also set new goals pertaining to the safety and security of its workplace. The agency provided increased training opportunities for employees, refined processes pertaining to security designations for positions within the agency, and set targets for employee feedback on specific FEVS questions. Although the agency did not meet its target for response to a FEVS question about preparation for security threats, it did meet the other new goals.

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. 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 of the 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 18), *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) 2018 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, 2018. 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 the agency system of internal rules also known as the directive management system

Management has discussed these weaknesses, has developed corrective action plans to address them, and has monitored the remediation progress throughout FY 2018.

With respect to the financial systems, the Commission can provide reasonable assurance that it is meeting the objectives of Section 4 of FMFIA. The agency uses a federal shared services provider, the U.S. Department of 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 Financials and Oracle Federal Financials – Virtual Environment Systems and the Suitability of the Design and Operating Effectiveness of Their Controls (SSAE 18 SOC 1 – Type 2 Report)* and the *Report on the U.S. Department of the Interior's Description of Its Federal Personnel and Payroll System and the Suitability of the Design and Operating Effectiveness of Its Controls (SSAE 18 SOC 1 – Type 2 Report)*. The 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, 2018, 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.

David S. Johanson
Chairman
November 15, 2018

Overview of Financial Statement Results

Financial Statement Highlights

The Commission received an unmodified audit opinion on its FY 2018 financial statements.

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

Assets: At the end of FY 2018, the Commission's balance sheet showed total assets of $32.4 million, an increase of $8.9 million over FY 2017. This was primarily due to an increase in Fund Balance with Treasury of $7.3 million and an increase in Property, Plant and Equipment of $1.4 million.`

Liabilities: At the end of FY 2018, the Commission's total liabilities were $16.4 million, an increase of $5 million over FY 2017. The increase is primarily due to the rent abatement from General Services Administration (GSA) on the USITC headquarters building.

Net Position: The Commission's net position on the Balance Sheet and the Statement of Changes in Net Position at the end of FY 2018 was $16.0 million, an increase of $3.9 million over FY 2017. This is the net effect of a $7.2 million increase to unexpended appropriations and an offsetting $3.3 million decrease in cumulative results of operations.

Summary of the Statement of Net Cost

The Commission's net cost of operations for FY 2018 was $93.9 million, a decrease of $967,387 from FY 2017. The decrease in net cost of operations was the result of a slight reduction in 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 2018, total budgetary resources were $95.9 million. This represents an increase of $200 thousand from the FY 2017 total budgetary resources of $95.7 million. The Commission was appropriated $93.7 million in FY 2018 and $91.5 million in FY 2017.

Additionally, direct obligations were $95.4 million for both fiscal years. Net outlays totaled $86.3 million for FY 2018 and represents a decrease in net outlays of $4.5 million from FY 2017.

Limitations on Principal 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

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

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

For FY 2018, the Commission evaluated the internal controls over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. In addition, the Commission evaluated the effectiveness of internal control over financial reporting in accordance with the requirements of Appendix A of OMB Circular A-123, assessed the charge card program in accordance with Appendix B of OMB Circular A-123, and tested for improper payments in accordance with Appendix C of OMB Circular A-123. Based on these evaluations, the Commission provides modified assurance that its internal controls were operating effectively.

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

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

The Government Performance and Results Act of 1993 requires a recurring cycle of performance reporting for federal agencies. This cycle involves five-year strategic plans, annual performance plans, and annual program performance reports. 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 (2018), *Preparation, Submission and Execution of the Budget.*

Accountability of Tax Dollars Act

The ATDA requires the preparation of financial statements by 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 has chosen to produce an Agency Financial Report. This report meets the requirements of the ATDA.

The Commission's financial statements are audited each year. The Commission received an unmodified audit opinion for FY 2018 (see Independent Auditor's Report on page 28).

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 2018 Annual Financial Report. The independent accounting firm of Castro & Company, LLC, monitored by the Inspector General, issued an unmodified audit opinion on the Commission's FY 2018 financial statements. Our unmodified opinion, along with no material weaknesses or significant deficiencies, is the result of the efforts of the Commission's financial management and business professionals, whose commitment to promoting financial integrity and applying effective controls ensures high quality, accurate, and reliable information for all of our customers.

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

- Developed and implemented an annual acquisition plan that successfully integrates the budget, procurement, and finance functions, facilitating the orderly flow of procurement activity and ensuring the proper execution of the Commission's expenditure plan
- Again met all of its small business procurement and socio-economic goals
- Issued new versions of the Concur Travel System Guide, Contracting Officer's Representative Handbook, Purchase Card Handbook, and the Financial Management Manual, to assist agency personnel understand and comply with travel and financial processes
- Successfully met the reporting requirements of the DATA Act

Looking forward to FY 2019, in addition to sustaining its audit readiness, the Commission will:

- Expand upon our success implementing the Invoice Processing Platform (IPP), a secure, Web-based service that more efficiently manages government invoicing from purchase order through payment notification, at no charge to the Commission or its vendors, by increasing the number of vendors using the system
- Explore the acquisition of a contract writing system that is integrated with our accounting system
- Transition, along with all Interior Business Center client agencies, to Oracle Business Intelligence Enterprise Edition, a modern analytical reporting tool

- Upgrade to a more recent version of the Oracle Federal Financial software, providing additional functionality

We are pleased with our progress and accomplishments, and we remain committed to ensuring a sound financial management environment. The accomplishments in FY 2018 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 2019.

John M. Ascienzo
Chief Financial Officer
November 15, 2018

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

OFFICE OF INSPECTOR GENERAL

UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, DC 20436

November 9, 2018 IG-QQ-21

Chairman Johanson:

This memorandum transmits the results of the audit (OIG-AR-19-03) of the Commission's financial statements for the fiscal year ended September 30, 2018 and 2017. 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 9, 2018 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 Heneghan
Inspector General

Independent Auditor's Report

Castro & Company
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Independent Auditor's Report on the Financial Statements

Inspector General
U.S. International Trade Commission

We have audited the accompanying balance sheets of the U.S. International Trade Commission (USITC) as of September 30, 2018 and 2017 and the related statements of net cost, changes in net position, and budgetary resources for the fiscal years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 19-01, *Audit Requirements for Federal Financial Statements*. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor 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 presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion on the Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the USITC as of September 30, 2018 and 2017, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary and Other Information

U.S. generally accepted accounting principles require that the information in the *Required Supplementary Information*, including *Management's Discussion and Analysis*, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board, who considers it to be 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, Chief Financial Officer, Other Accompanying Information, and Appendices is presented for purposes of additional analysis and are 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. 19-01, we have also issued our reports dated November 9, 2018, 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

19-01 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, U.S. 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 9, 2018
Alexandria, VA

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

OFFICE OF INSPECTOR GENERAL

UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, DC 20436

November 9, 2018 OIG-QQ-22

Chairman Johanson:

This memorandum transmits the Independent Auditor's Report on Internal Control (OIG-AR-19-04) associated with the audit of the Commission's financial statements for fiscal year 2018.

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, 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 9, 2018, and the conclusions expressed in the report.

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

Sincerely,

Philip Heneghan
Inspector General

Independent Auditor's Report on Internal Control

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Independent Auditor's Report on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Inspector General
U.S. International Trade Commission

We have audited the financial statements of the U.S. International Trade Commission (USITC), which comprise the balance sheets as of September 30, 2018 and 2017, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated November 9, 2018. 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. 19-01, *Audit Requirements for Federal Financial Statements*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended September 30, 2018, 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 OMB Bulletin No. 19-01. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982 (FMFIA), such as those controls relevant to ensuring efficient operations.

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

Our consideration of internal control over financial reporting was for the limited purposes described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies. However, material weaknesses 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 USITC management in a separate letter dated November 9, 2018.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and the result of that testing, and not to provide an opinion on the effectiveness of the USITC's internal control. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the USITC's internal control. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the management and the USITC Office of Inspector General, OMB, the 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 9, 2018
Alexandria, VA

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

OFFICE OF INSPECTOR GENERAL

UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, DC 20436

November 9, 2018 IG-QQ-23

Chairman Johanson:

This memorandum transmits the Independent Auditor's Report on Compliance with Laws and Regulations (OIG-AR-19-05) associated with the audit of the Commission's financial statements for fiscal year 2018.

We contracted with the independent certified public accounting firm, Castro & Company LLC, to conduct this 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 9, 2018 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 Heneghan
Inspector General

Independent Auditor's Report on Compliance with Laws and Regulations

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Independent Auditor's Report on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Inspector General
U.S. International Trade Commission

We have audited the financial statements of the U.S. International Trade Commission (USITC), which comprise the balance sheets as of September 30, 2018 and 2017, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated November 9, 2018. 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. 19-01, *Audit Requirements for Federal Financial Statements*.

The management of 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. 19-01, 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the USITC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests of compliance disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 19-01.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on the USITC's compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the USITC's compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of management and the USITC Office of Inspector General, OMB, the 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 9, 2018
Alexandria, VA

Principal Financial Statements

U.S. INTERNATIONAL TRADE COMMISSION
BALANCE SHEETS
As of September 30, 2018 and 2017
(in dollars)

	2018	2017
Assets:		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	$ 25,435,266	$ 18,052,705
Account Receivable (Note 3)	126,025	0
Total Intragovernmental	$ 25,561,291	$ 18,052,705
Accounts Receivable (Note 3)	$ 19,589	$ 5,000
Property, Plant, and Equipment, net (Note 4)	6,806,429	5,409,850
Total Assets	**$ 32,387,309**	**$ 23,467,555**
Liabilities:		
Intragovernmental:		
Accounts Payable (Note 6)	$ 410,290	$ 1,176,218
Employer Contributions and Payroll Taxes Payable (Note 5)	489,602	476,236
Unfunded FECA Liability (Note 5)	3,151	1,509
Other (Note 5)	6,605,467	1,633,222
Total Intragovernmental	$ 7,508,510	$ 3,287,185
Accounts Payable (Note 6)	$ 2,235,934	$ 1,340,180
Accrued Funded Payroll (Note 5)	2,082,059	2,111,482
Employer Contributions and Payroll Taxes Payable (Note 5)	81,283	76,478
Actuarial FECA Liability (Note 5)	23,574	8,554
Unfunded Leave (Note 5)	4,426,482	4,560,222
Total Liabilities	**$ 16,357,842**	**$ 11,384,101**
Net position:		
Unexpended Appropriations	$ 20,136,099	$ 12,872,111
Cumulative Results of Operations	(4,106,632)	(788,657)
Total Net Position	$ 16,029,467	$ 12,083,454
Total Liabilities and Net Position	**$ 32,387,309**	**$ 23,467,555**

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, 2018 and 2017
(in dollars)

	2018	2017
Program Costs:		
Total Program Costs	**$ 93,867,104**	**$ 94,834,491**

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, 2018 and 2017

(in dollars)

	2018	2017
Unexpended Appropriations:		
Beginning Balance	$ 12,872,111	$ 11,779,418
Budgetary Financing Sources:		
Appropriations Received	93,700,000	91,500,000
Less: Appropriations used	(86,436,012)	(90,407,307)
Total Budgetary Financing Sources	**7,263,988**	**1,092,693**
Total Unexpended Appropriations	**$ 20,136,099**	**$ 12,872,111**
Cumulative Results of Operations:		
Beginning Balance	$ (788,657)	$ 757,633
Budgetary Financing Sources:		
Appropriations Used	$ 86,436,012	$ 90,407,307
Other Financing Sources (Non-Exchange)		
Imputed Financing Costs (Note 9)	4,113,117	2,880,894
Total Financing Sources	90,549,129	93,288,201
Net Cost of Operations	(93,867,104)	(94,834,491)
Net Change	(3,317,975)	(1,546,290)
Cumulative Results of Operations	**$ (4,106,632)**	**$ (788,657)**
Net Position	**$ 16,029,467**	**$ 12,083,454**

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, 2018 and 2017
(in dollars)

	2018	2017
Budgetary Resources:		
Unobligated Balance from Prior Year Budget Authority, net	$ 2,244,634	$ 4,247,389
Appropriations	93,700,000	91,500,000
Total Budgetary Resources	**$ 95,944,634**	**$ 95,747,389**
Status of Budgetary Resources:		
New Obligations and Upward Adjustments	$ 95,445,915	$ 95,442,723
Unobligated Balance, end of year:		
Apportioned, Unexpired Accounts	498,719	304,666
Unobligated Balance, end of year (total)	498,719	304,666
Total Budgetary Resources	**$ 95,944,634**	**$ 95,747,389**
Outlays, net		
Outlays, net (total) (discretionary and mandatory)	$ 86,317,438	$ 90,890,092

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

United States International Trade Commission
Notes to Financial Statements
September 30, 2018 and 2017

Note 1. Significant Accounting Policies

A. Reporting Entity

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

B. Basis of Accounting and Presentation

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

The financial statements have been prepared from the books and records of the USITC and include all accounts of all funds under the control of the USITC. Accounting principles generally accepted in the United States of America encompass both accrual and budgetary transactions. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal constraints and controls over the use of federal funds. The accompanying financial statements for the year ended September 30, 2018 are prepared on the accrual basis of accounting and allow for comparison to the year ended September 30, 2017.

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 $93,700,000 to the USITC for salaries and expenses in FY 2018 and $91,500,000 in FY 2017.

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

C. Property, Plant, and Equipment, Net

The USITC's portfolio of assets includes IT-related equipment, furniture, software, and leasehold improvements. For financial statement reporting purposes, the USITC does not own heritage assets as defined in the FASAB Statements of Federal Financial Accounting Standard (SFFAS) No. 6, *Accounting for Property, Plant, and Equipment*. The USITC therefore reports only the above-mentioned property and equipment in its financial statements. The USITC's operations are housed in a leased structure. In FY 2017, the USITC extended the operating lease agreement with the General Services Administration (GSA) by 15 years 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 either the Civil Service Retirement System (CSRS), the Federal Employees Retirement System (FERS), which became effective on January 1, 1987, the Federal Employees Retirement System-Revised Annuity Employees (FERS-RAE), which became effective on January 1, 2013 or the Federal Employees Retirement System-Further Revised Annuity Employees (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 13.70 percent, 11.90 percent and 11.90 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 $128,400 and $127,200 during calendar years 2018 and 2017, respectively, into the Old-Age, Survivors, and Disability Insurance (OASDI) program; both the Commission and employees contribute 1.45 percent of salaries 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	2018	2017
Status of Fund Balance with Treasury		
Unobligated balance available	498,719	304,666
Obligated balance not yet disbursed	24,936,547	17,748,039
Total	**$ 25,435,266**	**$ 18,052,705**

Note 3. Accounts Receivable

The balance of accounts receivable was $145,614 and $5,000 at September 30, 2018 and September 30, 2017, respectively. The non-governmental accounts receivable are for sponsored travel, vendor and employee debts. These items may be reported to the Department of the Treasury, Treasury Offset Program if not collected within prescribed collection terms.

Receivable Type	2018	2017
Intragovernmental	126,025	0
Non-governmental	19,589	5,000
Total	**$ 145,614**	**$ 5,000**

Note 4. Property, Plant, and Equipment, Net

Depreciation and amortization expense was $611,596 and $1,696,066 for the years ended September 30, 2018 and 2017, 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, 2018

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	$ 6,336,502	$ 5,805,161	$ 531,341
Software	S/L	100,000	5	4,715,908	4,324,943	390,965
Software in Development	–	–	–	3,551,632	–	3,551,632
Leasehold Improvements	S/L	50,000	Varies	6,459,464	6,372,806	86,658
Leasehold Improvements in Progress	–	–	–	2,245,833	–	2,245,833
Total				**$ 23,309,339**	**$ 16,502,910**	**$ 6,806,429**

Property, Plant, and Equipment as of September 30, 2017

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	$ 6,336,502	$ 5,452,221	$ 884,281
Software	S/L	100,000	5	4,715,908	4,139,474	576,434
Software in Development	–	–	–	3,289,176	–	3,289,176
Leasehold Improvements	S/L	50,000	Varies	6,459,464	6,299,618	159,846
Leasehold Improvements in Progress	–	–	–	500,113	–	500,113
Total				**$ 21,301,163**	**$ 15,891,313**	**$ 5,409,850**

Note 5. Liabilities Not Covered by Budgetary Resources

Liabilities not covered by budgetary authority are not charged to the USITC’s appropriation. These liabilities include unfunded Federal Employees’ Compensation Act (FECA) liability, other liabilities, 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.

Other Liabilities: During FY 2017, USITC signed a 15 year lease with GSA for its headquarters building. The lease had several initial months of rent abatement. This liability account established the FY 2017 and FY 2018 free rent less amortization, which began during the third quarter of FY 2018. It will continue through the remaining term of the scheduled lease payments.

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 Requiring Budgetary Resources: This represents liabilities that have not in the past required and will not in the future require the use of budgetary resources. These liabilities include those in clearing accounts and non-fiduciary deposit funds, such as the FOIA receipts collected under the miscellaneous receipts fund. The details of these liabilities are as follows:

Liabilities Not Covered by Budgetary Resources	2018	2017
Intragovernmental		
Unfunded FECA Liability	3,151	1,509
Other Liabilities	6,605,467	1,633,222
Total Intragovernmental	6,608,618	1,634,731
Accrued Annual Leave	4,426,482	4,560,222
Actuarial FECA Liability	23,574	8,554
Total Liabilities Not Covered by Budgetary Resources	11,058,674	6,203,507
Total Liabilities Covered by Budgetary Resources	5,299,168	5,180,594
Total Liabilities Not Requiring Budgetary Resources	-	-
Total Liabilities	**$ 16,357,842**	**$ 11,384,101**

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 $410,290 and $508,800 as of September 30, 2018 and 2017, respectively. For FY 2018, amounts were principally owed to GSA and

GPO for building renovations and printing services. For FY 2017, amounts were principally owed to GSA, DHHS and GPO for rent, security control assessments and printing services.

The amounts reported below as real estate taxes payable, $0 and $667,418 represent unpaid property taxes for the periods January 1, 2018 to September 30, 2018, and January 1, 2017 to September 30, 2017, respectively. These amounts represent taxes that are invoiced and generally paid annually by September for the previous calendar year to the GSA. Thus, each fiscal year the Commission recognizes twelve months of real estate tax expense – three months of actual expense (October – December) and nine months of accrued expense (January – September).

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	2018	2017
Intragovernmental		
Accounts Payable to Trading Partners	410,290	508,800
Real Estate Taxes Payable	-	667,418
Total Intragovernmental	410,290	1,176,218
Non-Federal		
Accounts Payable to Vendors	2,235,934	1,340,180
Total Accounts Payable	**$ 2,646,224**	**$ 2,516,398**

Note 7. Leases

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

While the leases with the GSA are cancellable, the ITC's intention is to stay in the currently leased space and disclose the amounts that will be paid in the future to the GSA under signed lease agreements. Future minimum lease payments under leases of commercial property due as of September 30, 2018 are as follows:

Fiscal Year	
2019	9,870,264
2020	9,932,929
2021	9,997,475
Thereafter	113,009,039
Total Future Minimum Lease Payments	**$ 142,809,707**

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 $19,637,379 and $12,567,446 as of September 30, 2018 and September 30, 2017, respectively. As of September 30, 2018, Federal undelivered orders amounted to $7,148,599 while $12,488,780 were classified as nonfederal. All undelivered orders were unpaid.

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

The Budget of the United States Government with actual amounts for the year ended September 30, 2018 has not been published as of the issue date of these financial statements. This document will be available in February 2019 on OMB's website.

For FY 2017 there were no material differences between amounts reported in the Commission's Statement of Budgetary Resources and the actual amounts reported on the President's Budget.

Note 12. Fiduciary Activities

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

Fiduciary cash and other assets are not assets of the federal government and accordingly are not recognized on the balance sheet. Fiduciary net assets held by the USITC consist of cease and desist bonds held for non-Federal recipients.

Fiduciary Assets	2018	2017
Fiduciary net assets, beginning of year	4,686,609	161,280
Cash collections from cease and desist bonds	651,101	4,525,329
Fiduciary Net Assets, end of year	**$ 5,337,710**	**$ 4,686,609**

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 2018, the USITC reconciled the difference between the $95.4 million in obligated resources and the

$93.9 million in the net cost of operations and for FY 2017, the difference between the $95.4 million in obligated resources and the $94.8 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:

Reconciliation of Net Cost of Operations to Budget	2018	2017
Resources Used to Finance Activities:		
Budgetary Resources Obligated:		
New obligations and upward adjustments	$ 95,445,915	$ 95,442,723
Less: Spending Authority From Offsetting Collections and Recoveries	1,939,968	3,910,423
Net Obligations	93,505,947	91,532,300
Other Resources:		
Imputed Financing From Costs Absorbed by Others	4,113,117	2,880,894
Total Resources Used to Finance Activities	**$ 97,619,064**	**$ 94,413,194**
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	$ 7,069,934	$ 1,124,994
Resources that fund expenses recognized in prior periods	140,614	(14,337)
Resources that finance the acquisition of assets	2,008,175	2,117,109
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	**$ 9,218,723**	**$ 3,227,766**
Total Resources Used to Finance the Net Cost of Operations	**$ 88,400,341**	**$ 91,185,428**
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	$ (133,740)	$ 316,091
Increase/Decrease in Worker's Compensation	16,662	3,684
Increase/Decrease in Other Liabilities	4,972,245	1,633,222
Components Requiring or Generating Resources in Future Periods	$ 4,855,167	$ 1,952,997
Components Not Requiring or Generating Resources:		
Depreciation and amortization	611,596	1,696,066
Total Components of Net Cost of Operations That Will Not Require or Generate Resources in Current Period	**5,466,763**	**3,649,063**
Net Cost of Operations	**$ 93,867,104**	**$ 94,834,491**

Other Accompanying Information

Management and Performance Challenges

Inspector General's Summary of Management and Performance Challenges

UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, DC 20436

October 15, 2018

IG-QQ-019
OIG-MR-19-01

Chairman Johanson:

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

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

Managing Data

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

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

Properly managed data is essential for the development of timely, reliable, and accurate reporting. Managers should identify information needs, understand the characteristics of the data, and determine the appropriate level of detail required to ensure data is collected to develop useable and relevant management reports. Management reports should be based on a clear purpose and meet the defined needs of the intended user. As such, the format and content of management reports should contain a sufficient level of information to meet the purpose for which those reports were developed. Properly designed reports with relevant and timely information serve to help effectively manage day-to-day operations, support the decision-making process, evaluate performance, and communicate information across the organization.

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

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

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

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

<u>Internal Controls:</u>

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

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

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

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

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

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

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

IT Management

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

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

Taking advantage of automation should improve the integrity, effectiveness, and efficiency of all the Commission's work.

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

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

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

Philip M. Heneghan
Inspector General

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

UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, DC 20436

COMMENTS ON MANAGEMENT CHALLENGES IDENTIFIED BY THE INSPECTOR GENERAL

In Management Report: USITC Management and Performance Challenges, dated October 15, 2018, the USITC Inspector General identified three management challenges for the Commission, (1) managing data, (2) internal controls, and (3) the management of information technology (IT). As required by the Reports Consolidation Act of 2000, the Inspector General also assessed the Commission's progress in addressing these challenges.

The Commission concurs with the Inspector General on the management challenges facing the agency. The Commission is pleased that progress has been made during FY 2018 to address the three previously identified management challenges of managing data, internal controls and managing IT. The Commission will continue its efforts in FY 2019 to address these three challenges.

Management Challenge: Managing Data

As noted by the Inspector General, many Commission systems, more specifically in the administrative area, were developed to address specific needs or to solve single problems and therefore not viewed as an enterprise resource. As a result, the functionality, access, and reporting capabilities of these systems are limited. Furthermore, Commission staff have to spend additional time reconciling multiple data sets across the organization. During the reporting period the Commission continued to make headway in its efforts to address these and other data management issues.

The Commission has continued inventorying its data systems. As these data systems are inventoried, the Commission is capturing the purpose of each system, the types of data in the system, its owner, and whether it has a data dictionary. As system owners provide this information, the Commission is identifying common uses of the data, redundant systems, whether there is a need for strengthened documentation, who has access to the data, how is the data input, and, if there are conflicting sources, which one is the system of record. Staff have worked to reconcile this inventory across other inventories to ensure completeness. Gathering this information and mapping the responses is an important step in understanding the breadth, depth, and connectedness of data managed at the Commission.

During the reporting period the Commission reviewed all of its Budget Object Classification Codes (BOCs) in order to make sure they complied with Office of Management and Budget guidance. BOCs are the government-wide numeric codes used to classify the nature of services or items purchased by all government agencies; thus, it is crucial that they are correct. As a result of this review, a number of the Commission's BOCs were revised, and now all Commission BOCs are in compliance with government-wide standards. At the same time, the Commission leveraged the work performed in connection with the Digital Accountability and Transparency (DATA) Act reporting requirements to ensure the internal procurement documentation (PRISM), externally reported procurement data (Federal Procurement Data System), and accounting data (Oracle) are all consistent. In support of these requirements, the Commission documented and standardized a number of processes, automated the reconciliation of the three data sources noted, and identified and corrected errors between internal and external procurement data. As a result, the Commission has more efficient and effective processes and more accurate data.

The Commission also began to review its time and attendance processes, policies, and procedures, and the reporting capabilities of the underlying time system. In particular, we are researching the possibility of utilizing the electronic time and attendance system instead of the current paper-based system to record the request and approval for paid and unpaid overtime. Since payroll costs account for 70 percent of the Commission's budget, it is quite possible that some of the findings from that effort will be addressed as part of this particular management and performance challenge.

Other new data management activities include the early stages of developing an integrated data system that will allow us to share and analyze administrative data associated with Commission statutory investigations consistently. This activity merges 337 Info with other major data systems covering import injury and fact-finding investigations. It also ensures improved internal controls for data used internally and published externally. Work on this integrated data system has begun and the system is expected to be completed in the upcoming fiscal years.

The Commission's efforts to manage its data align with the Office of Management and Budget's proposed Appendix A to Circular A-123 -- Reporting and Data Integrity Risk. If the Commission's data is not managed effectively, the agency will continue to be exposed to a number of risks, such as strategic risk inherent to the formulation, assumptions, or execution of the Commission's strategy; operational risk that impedes the successful activities of the Commission; reporting risk that reports will not be timely or accurate; and, compliance risk inherent to the Commission's commitment and ability to comply with applicable laws and regulations. The efforts also correspond to several annual performance goals.

Finally, the Commission plans, as recommended by the Inspector General, to take a thoughtful, enterprise-wide approach to managing data to ensure data are relevant, complete, and available to inform strategic and operational decisions while minimizing enterprise risks.

Management Challenge: Internal Control

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

One ongoing high priority corrective action initiative is the redesign of the Commission's system of internal rules, which includes the USITC's policy directives and related procedural documents. The system of internal rules sets forth all delegations of authority, provides the foundation of the Commission's control environment, and is essential to ensuring the USITC's internal policies and procedures are accessible, intelligible, and consistent. The system is also crucial to enforcing accountability among USITC staff as its content sets forth the appropriate standards by which Commission functions should be carried out.

The Inspector General, when reviewing the Commission's policy directives, found that many policies were outdated and inconsistent and that the agency's management of this function did not adequately ensure accountability for its upkeep. Senior management and staff established a working group to address the issues identified by the Inspector General. The working group found problems similar to those identified by the Inspector General across its system of internal rules and concluded that, in order to remediate the issues identified, the Commission would have to redesign its policies and procedures for managing the entire system of internal rules and update all content within it. This effort was a tremendous undertaking that raised issues central to agency governance and organization. Though the process for addressing the Inspector General's findings has been lengthy, it has been necessary to ensure that these critical issues are addressed effectively as well as to prevent future reoccurrences of the dynamics that led to significant problems with the current system. The Commission will continue to dedicate significant resources to address this management challenge, and implementing the new system of internal rules will be a priority for the Commission over the coming fiscal years.

Management Challenge: IT Management

The Commission continued to make substantial improvements to its IT platforms, modernizing the infrastructure, stabilizing operations, supporting mission functions, and reducing cybersecurity risks. While accomplishing these goals, the Office of the Chief Information Officer (OCIO) made significant progress toward full compliance with all IT mandates.

OCIO has implemented the four technical capabilities identified within the DHS Continuous Diagnostics and Mitigation (CDM) program; Hardware Asset Management (HWAM), Software Asset Management (SWAM), Vulnerability Management (VULN), and Configuration Settings Management (CSM). These four capabilities directly correlate to the four foundational, critical security controls identified in the Inspector General's report.

In addition, the Commission is enrolled in the Department of Homeland Security (DHS) Continuous Monitoring as a Service (CMaaS) program. This program provides small agencies access to CDM capabilities provided and managed by DHS in the cloud to include HWAM, SWAM, VULN, and CSM. The DHS CMaaS solution supports automated reporting of every agency's risk posture across the federal-enterprise. OCIO staff are currently working with DHS integrators to deploy the solution in FY 2019.

The Commission continues to identify and implement business systems that will automate and improve the effectiveness of the Commission's operations. In FY 2018, OCIO staff deployed re-engineered versions of the Electronic Document Information System (EDIS) and DataWeb applications which included technology updates to improve usability and security features. Updates to EDIS included an improved process for more accurate filings, enhancements to the document search and reporting capabilities, and improvements to support the timely review of filed documents. DataWeb was updated with a new user interface which incorporated significant input from both internal and external users to improve usability and access to trade data. In addition, significant enhancements were made to the Harmonized Tariff Schedule (HTS) Data Management System to improve the accuracy of data edits and to automate incorporation of unusually large updates to the HTS for Miscellaneous Tariff Bills and broad new tariffs on China. OCIO staff actively met with stakeholders in the Office of Operations to review and refine the requirements for a web-based application and database to support business operations and reporting related to both Title VII and intellectual property investigations. Initial development on this project began late in FY 2018 with phased deployment of initial capabilities planned throughout FY 2019. In addition to that effort, OCIO staff will begin implementing the capability to electronically serve documents to authorized parties in both intellectual property and Title VII investigations, resulting in a significant improvement to the agency's continuity of operations capability for conducting investigations.

To continue to provide a more stable and secure technology infrastructure, OCIO has undertaken several key initiatives to modernize Commission IT systems. The Commission migrated its end user Operating System (OS) to the most recent version (Microsoft Windows 10). In parallel, all new Windows servers are built on the most recent version of the OS. All operating systems within the Commission are deployed using security baseline recommendations from the Defense Information Systems Agency (DISA). These modernized operating systems provide enhanced security and help to ensure vendor support for the system's lifecycle. OCIO also modernized the Commission's IT system backup solution; the new solution supports more reliable backups, file archiving, compression, and enables cloud backups. The Commission awarded a contract for managed print services at the end of FY 2018 to replace its existing end-of-life printer/copiers with new devices and incorporate printer management as a single unified service.

The Commission has re-evaluated and improved its plan to relocate its data center to a remote location. This will provide greater accessibility and availability to users, all the while increasing security and improving performance. OCIO continues to work on preparing the existing equipment for its relocation to the remote location, which is scheduled to occur in January of 2019.

The Commission is also focusing on building a stable and secure technology platform to help carry out its mission. To achieve this goal, the Commission continues to follow its strategic vision which has a major focus on cloud computing. OCIO is currently in the final stages of migrating all of its email capabilities to a Federal Risk and Authorization Management Program (FedRAMP) approved cloud service provider. This cloud-based solution is replacing the Commission's aging on-site solution and should provide a much more reliable delivery of service. The Commission expects to complete its cloud email migration by the end of the calendar year. Shortly thereafter, OCIO will begin to transition additional office processing capabilities to a cloud solution. In addition the Commission has procured a number of new FedRAMP authorized cloud-based Software-as-a-Service (SaaS) solutions to address the needs of Mission components—to include secure online surveys and e-discovery.

In FY 2018, the Commission improved its remote computing posture by replacing its longstanding remote access solution with a more modern Virtual Private Network-based (VPN) solution. The VPN solution increased the reliability for users engaged in remote work and most importantly helped the agency meet its Personnel Identity Verification (PIV) card requirement for remote access.

The Commission is committed to address its management challenges. 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 the agency's operations.

David S. Johanson
Chairman
November 14, 2018

Summary of Financial Statement Audit and Management Assurances

Table 1: Summary of Financial Statement Audit

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

Table 2: Summary of Management Assurances

Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)						
Statement of Assurance: Unmodified						
Material Weaknesses	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
Total Material Weaknesses	0	0	0	0	0	0

Effectiveness of Internal Control over Operations (FMFIA § 2)						
Statement of Assurance: 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	1					1
Risk in the agency system of internal rules also known as the directive management system	1					1
Total Material Weaknesses	2	0	0	0	0	2

Compliance with Federal Financial Management System Requirements (FMFIA § 4)						
Statement of Assurance: Unmodified[4]						
Non-Compliance	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
Total Non-Compliances	0	0	0	0	0	0

Compliance with Section 803(a) of the Federal Financial Management Improvement Act (FFMIA)		
	Agency	**Auditor**
1. Federal Financial Management System Requirements	No lack of compliance noted	No lack of compliance noted
2. Applicable Federal Accounting Standards	No lack of compliance noted	No lack of compliance noted
3. USSGL at Transaction Level	No lack of compliance noted	No lack of compliance noted

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

Payment Integrity

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*.

The guidance requires agencies to assess every Federal program and dollar for improper payment risk, measure the accuracy of payments annually, and initiate program improvements to ensure payment errors are reduced. On November 20, 2009, *Executive Order 13520—Reducing Improper Payments and Eliminating Waste in Federal Programs*, was issued for the purpose of intensifying efforts to eliminate payment error, waste, fraud, and abuse in the major programs administered by the Federal government, while continuing to ensure that the right people receive the right payment for the right reason at the right time. The supporting website, https://paymentaccuracy.gov/, contains the following information.

- Current and historical rates and amounts of improper payments for Federal agencies.
- Why improper payments occur.
- What agencies are doing to reduce and recover improper payments.

Program Review

The USITC has only one program for budget purposes. The FY 2018 appropriated funding for the program is $93.7 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 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) 18, *Attestation Standards: Clarification and Recodification*. The OCFO examines the SSAE 18 audit results annually to determine if the shared service provider's internal controls are operating effectively and evaluates the internal controls required to supplement the shared service provider's controls as outlined in the SSAE 18.

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*.

Based on OMB Circular A-123, Appendix C, Part I.A.9. Step 1, all programs and activities were reviewed to identify those that were susceptible to significant improper payments. For FY 2018 the USITC non-Federal payments was $16.6 million (vendor disbursements and non-federal accounts payable) and payroll was $63.3 million for a combined total of $79.9 million. IPERA defines “significant” as either (1) improper payments that exceed both $10 million and 1.5 percent of program disbursements; or (2) improper payments in excess of $100 million. Significant improper payments in the USITC’s program needed to exceed both $1.2 million (1.5 percent improper payment rate) and $10 million of all non-Federal payments and payments to Federal employees. The improper payments identified by USITC in FY 2018 are beneath the defined thresholds for significant improper payment reporting.

In addition, the following risk factors, likely to contribute to improper payments, were applied to the USITC’s appropriated funds.

1. Any new programs or activity in the agency.
2. Complexity of the activity with respect to correct payments amounts.
3. Volume of payments made annually.
4. Whether payment decisions were made outside the agency.
5. Recent major changes in activity funding, authority, practice, or procedures.
6. Level, experience, and quality of training for personnel responsible for certifying that payments are accurate.
7. Inherent risks of improper payments due to the nature of agency operations.
8. Significant deficiencies in the audit reports of the agency that included Inspector General audit findings or external financial audit findings.
9. Results from prior improper payment work.

The USITC maintains a Financial Risk Management and Internal Control Plan that is updated annually with an internal control test plan. The annual Plan addresses review of general ledger accounts (volume and nature) and known process or personnel deficiencies that may contribute to an improper payment. Of the nine risk factors listed above factor number six has generated improper payments discovered during annual internal control testing.

Improper Payments Strategy

The IPERA Act of 2010 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 and Risk Management Plan 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 listed below.

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

	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	$ 14.4M[5]	0	0	0	0
Reviews with all other databases[6]	All agency payments submitted to shared service provider	$ 14.4M	0	0	0	0

[5] $14.4M was cash disbursements paid to non-Federal vendors. Any resulting matches are provided to the OCFO for determination of payment.

[6] 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.

Recapture of Improper Payments Reporting

The IPERA Act of 2010 replaced the recovery auditing program contained in the National Defense Authorization Act of 2002. It 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 Treasury Offset Program. If an improper payment is identified as an overpayment to the USITC the vendor is promptly paid.

The table below summarizes improper payments (in millions) identified during FY 2018.[7]

Reason for Improper Payment	Overpayment	Underpayment	Total Amount Overpayment Recaptured	Total Amount Underpayment Paid
Failure to verify vendor invoice amount	$ 0.0	$ 0.0	$ 0.0	$ 0.0
Administrative processing	0.0	0.0	0.0	0.0
Total	**$ 0.0**	**$ 0.0**	**$ 0.0**	**$ 0.0**

The following table summarizes cumulative improper payments (in millions) through FY 2018.

Reason for Improper Payment	Overpayment	Underpayment	Total Amount Overpayment Recaptured	Total Amount Underpayment Paid
Failure to verify vendor invoice amount	$ 0.0	$ 0.0	$ 0.0	$ 0.0
Administrative processing	0.0	0.0	0.0	0.0
Total	**$ 0.0**	**$ 0.0**	**$ 0.0**	**$ 0.0**

The recovery rate of employee overpayments is expected to be between 40 percent and 50 percent and a recovery rate of 100 percent is expected for employee underpayments for FY 2019.

[7] USITC overpayments for FY 2018 were less than $50,000.

Fraud Reduction

OMB Circular A-123 and the GAO Green Book calls for agencies to adhere to leading practices for managing fraud risk. Standards now require agencies to take a closer look at fraud risks (GAO principle 8 shown below) and identify fraud risk factors and programs with increased susceptibility for fraud.

Control environment	Risk assessment	Control activities	Information & communication	Monitoring activities
1. Demonstrates commitment to integrity and ethical values 2. Exercises oversight responsibilities 3. Establishes structure, authority, and responsibility 4. Demonstrates commitment to competence 5. Enforces accountability	6. Define objectives and risk tolerances 7. Identifies, analyzes, and responds risk 8. **Assesses fraud risk** 9. Identifies and analyzes and responds to change	10. Designs control activities 11. Selects and develops general controls for the system 12. Deploys and implements control activities	13. Uses relevant, quality information 14. Communicates internally 15. Communicates externally	16. Performs ongoing monitoring activities 17. Evaluates issues and remediates deficiencies

COSO Framework of Internal Control

The USITC maintains an annual Financial Internal Control and Risk Management Plan that identifies, through quantitative and qualitative analysis, transactional areas that are susceptible to inaccuracies and/or fraud. The plan contains specific process areas that are tested throughout the fiscal year to ensure the process results are accurate and reasonable.

The following financial controls are in place to prevent potential fraud, waste and abuse within the government purchase card program.

- The purchase card has a limit of $10,000 per cardholder.
- A Purchase Card Handbook is published defining the roles and rules of the program. The handbook is reviewed and updated periodically.
- The Purchase Card Coordinator reviews all purchase cardholders statements and supporting receipts on a quarterly basis.

- The Purchase Card Coordinator reviews the Cardholder History Report obtained from the servicing bank to review what purchase cardholders have procured during the quarter.
- The Purchase Card Coordinator writes a quarterly report summarizing all purchase card activity.
- Any purchases that are deemed suspect are referred to the agency's Inspector General.

Government travel cards issued to USITC employees are not deemed a fraud risk as the travel card account is the cardholder's financial responsibility and not the agency's. Travel card usage by an individual cardholder is reviewed monthly by the OCFO for any suspected misuse.

The Office of Human Resources and the Office of Finance are reviewing internal controls, processes and procedures to identify possible areas for fraud within payroll processing.

Reduce 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 our 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. IND maintains technical expertise related to the performance and global competitiveness of industries and the impact of international trade on those industries for these studies and 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 Harmonized Tariff Schedule of the United States and the International Harmonized System.

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

The **Office of Analysis and Research Services (OARS)** provides research and investigative support. It comprises 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 our 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. Our 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 our business activities. OCIO comprises a front office and five divisions: Cybersecurity, Service Delivery, Systems Engineering, Network Support, and Data Management.

Office of the Chief Financial Officer

The **Office of the Chief Financial Officer (OCFO)** compiles the Commission's annual budget, prepares the appropriation and authorization requests, and closely monitors budget execution. The OCFO also provides support for acquisitions and is responsible for financial reporting. 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 our effectiveness, efficiency, and integrity. 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
CoINs	Conflict of Interest System
Commission	United States International Trade Commission
CSM	Configuration Settings Management
CSRS	Civil Service Retirement System
DATA	Digital Accountability and Transparency 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

Acronyms	Terms
EC	Office of Economics
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

Acronyms	Terms
GPRA	Government Performance and Results Act
GSA	General Services Administration
HI	Hospital Insurance
HR	Office of Human Resources
HTS	Harmonized Tariff Schedule
HWAM	Hardware Asset Management
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
IT	Information Technology
IUS	Internal Use Software
LEIE	List of Excluded Individuals/Entities
MTBPS	Miscellaneous Tariff Bill Petition System
NAFTA	North American Free Trade Agreement
NCCIC	National Cybersecurity and Communications Integration Center
OARS	Office of Analysis and Research Services
OAS	Office of Administrative Services
OASDI	Old-Age, Survivors, and Disability Insurance

Acronyms	Terms
OB	Office of Budget
OCFO	Office of the Chief Financial Officer
OCIO	Office of the Chief Information Officer
OIG	Office of Inspector General
OMB	Office of Management and Budget
OP	Office of Operations
OPM	Office of Personnel Management
OUII	Office of Unfair Import Investigations
PMO	Project Management Office
PR	Office of Procurement
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
SWAM	Software Asset Management
TATA	Office of Tariff Affairs and Trade Agreements
TIC	Trusted Internet Connection
TOP	Treasury Offset Program
TRAO	Trade Remedy Assistance Office
URAA	Uruguay Round Agreements Act

Acronyms	Terms
USGCB	United States Government Configuration Baseline
USITC	United States International Trade Commission
USSGL	United States Standard General Ledger
USTR	United States Trade Representative
VULN	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
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