

U.S. DEPARTMENT OF COMMERCE
Office of Inspector General



*INTERNATIONAL TRADE
ADMINISTRATION*

*The Commercial Service Needs to
Improve Management of its
Operations in Turkey*

Final Inspection Report No. IPE-15370/March 2003

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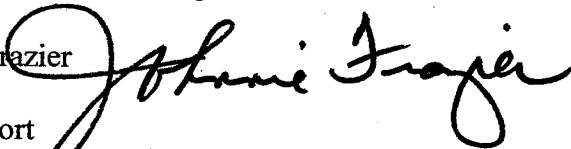


UNITED STATES DEPARTMENT OF COMMERCE
The Inspector General
Washington, D.C. 20230

MAR 14 2003

MEMORANDUM FOR: Grant Aldonas
Under Secretary for International Trade

Maria Cino
Assistant Secretary and Director General of the
United States and Foreign Commercial Service

FROM: Johnnie Frazier 

SUBJECT: Final Report
*International Trade Administration: The Commercial Service
Needs to Improve Management of its Operations in Turkey*
(IPE-15370)

As a follow-up to our December 13, 2002, draft report, attached is the final report on our inspection of the Commercial Service's operations in Turkey. A copy of your response to our draft report is included in its entirety as Appendix B of the report.

We appreciate the Commercial Service's concurrence with nearly all of our recommendations and the concrete steps taken thus far to implement the recommendations. Please provide an action plan addressing the open or unresolved recommendations within 60 calendar days.

We thank the personnel in ITA headquarters and CS Turkey for the assistance and courtesies extended to us during our review. If you have any questions or comments about our report, please feel free to contact me on (202) 482-4661.

Attachment

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EXECUTIVE SUMMARY

Turkey, situated between Europe and Asia, is a crucial U.S. strategic ally in part because it borders Iraq, Iran, and Syria. Bilateral trade between the U.S. and Turkey reached \$6.1 billion in 2001, down 9 percent from an all-time high in 2000. Top U.S. exports to Turkey include commercial and military aircraft, machinery, cotton, tobacco, medical equipment, and organic chemicals. The only Muslim country in the North Atlantic Treaty Organization, Turkey is also actively seeking membership in the European Union.

Turkey has experienced severe economic and political problems in recent years. A serious banking crisis, in November 2000, along with other economic and political disturbances, shook currency markets and led foreign investors to pull some \$5.0 billion out of Turkish banks. International Monetary Fund loans have helped to stabilize the economy and, as a condition of the loans, economic reforms are continuing. The problems with the economy also contributed to the partial collapse of the government earlier this year, and early elections were held on November 3, 2002.

Despite political and economic uncertainties, there are indications that Turkey's economy is recovering better than expected. Economists have revised economic growth forecasts from three to four percent for 2002. In addition, the Turkish stock market has responded very favorably to the election results.

The Commercial Service (CS) has its 21st largest post operation in Turkey, with a budget of \$1.34 million in fiscal year 2002. At the time of our review, the post employed three American officers and 11 Foreign Service Nationals (FSNs). CS Turkey has offices in Ankara (the capital), Istanbul, and Izmir. The post has a rich and diverse portfolio of programs, including one of the most active advocacy programs in the Commercial Service to assist U.S. firms in competition for large projects. In addition, CS Turkey supports a full trade events program to assist small to medium-sized firms. The post is also the lead coordinator on the energy sector for "Showcase Europe" and has Armenia and Turkmenistan as constituent posts. We conducted our on-site inspection of the post between September 16 and 26, 2002.

We found that CS Turkey is a post in transition. The new Senior Commercial Officer (SCO) arrived in Ankara in August 2002, and a new Principal Commercial Officer (PCO) arrived in Istanbul in February 2002. Current economic conditions will require the post to reassess its strategy to better capture export successes. The post will also be challenged by its need to improve its performance results and standing in the Commercial Service's cost-benefit model that reflects agency investments in Turkey. We believe that CS Turkey's future success will depend on strong management and administration of the post, both by the SCO in Ankara and by the Commercial Service's Office of International Operations (OIO) in Washington. Our specific findings are as follows:

Management of the Post Needs to be Strengthened. Our review found that CS Turkey is a post of great contrast. While the post was highly praised by members of the diplomatic mission in Turkey, staff from other ITA offices, and most of its clients for being responsive and results-oriented, we found numerous problems that hampered post operations, including some untimely and inadequate products and services, inaccurate performance reporting of export successes, and the inappropriate use of government funds allocated for official entertainment. In addition, we found that oversight of the post by OIO needs improvement. Specifically, when OIO managers or staff visit a post in an oversight role, they should prepare trip reports highlighting what was discussed with the officers and FSNs, which post operations were reviewed, and any issues or concerns that need attention. Matters requiring follow-up action by the post and/or headquarters should be tracked until completion. Such oversight was not provided by OIO in the past few years.

Other issues needing attention include FSN performance appraisals, which were not prepared in a timely manner, and resulted in delays in within-grade increases by up to a year for some FSN staff. Further, the administrative assistants in Ankara and Istanbul need job descriptions that accurately reflect the scope and breadth of the work they actually do. Also, given the post's location, security is a serious concern. We have particular concerns about a plan set forth by the State Department to improve security in Ankara. Finally, security upgrades may be needed in Izmir (see page 7).

CS Turkey Is Meeting the Needs of Most Customers, but Improvements Are Needed. Many of the clients we spoke with during our inspection were pleased with the post's efforts to support U.S. trade and business interests in Turkey. However, upon closer inspection of the post's products and services, we found several issues of concern. Specifically, some services and market research products did not meet the guidelines provided in the *Commercial Service Operations Manual*. We also found that reporting on market developments in Turkey could be improved, and the post should be producing more market research, particularly given the on-going privatization efforts in key sectors such as telecommunications and energy. Finally, as noted above, CS Turkey's reporting of export successes, the Commercial Service's key performance measure, has been inconsistent, and some reported export successes are factually inaccurate. Based on our review of a sample of 27 export successes submitted in 2002, we found 8 problematic cases in which the post overstated the value of the success and/or took credit for a success when CS Turkey was not involved (see page 21).

Financial Operations and Administrative Matters Are Generally in Order, But Some Problematic Areas Need to be Addressed. Much of CS Turkey's financial management and administrative operations that we reviewed are effectively run. For example, collections, inventory, time and attendance records, budget, and procurements were properly managed. However, we also found some areas where improvements are needed. Specifically, official representation funds were used for parties that appeared not to be of an official nature as well as bulk alcohol purchases, which are not allowed under Commercial Service guidelines. Additionally, it appeared that some inappropriate use of

the vehicles occurred. Unfortunately, because the vehicle logs were inadequately maintained, it was not feasible to determine all uses of the post vehicles. In another case, we found that an officer was delinquent in paying bills for the government-issued travel card by nearly five months, and the card was ultimately cancelled. However, the officer's supervisors were unaware of this problem until we brought it to their attention. We also found problems with the petty cash fund in Izmir and suggest that there be improved oversight of the fund by the officers in Ankara. Finally, the post is managing its use of International Cooperative Administrative Support Services (ICASS) reasonably well, but we were able to identify a few categories where ICASS costs could be further reduced (see page 40).

On page 50, we offer recommendations to address our concerns.



The Commercial Service concurred with nearly all of our recommendations. Specifically, the Assistant Secretary and Director General of the U.S. and Foreign Commercial Service's response to our draft report stated that "our post and headquarters operations either have taken action on the recommendations, or have indicated how they will address them. Our answers to each of the IG recommendations reflect a united US&FCS response that provides you with a comprehensive Commercial Service approach to all the issues raised in the IG report. We appreciate the report and the opportunity to strengthen the Commercial Service management team overseas, not only in Turkey, but in other CS posts as well."

The Director General's response outlines many specific actions that have already been taken to strengthen the Commercial Service's oversight of its operations in Turkey and to address problems that we discussed in this report that may be systemic and impact worldwide Commercial Service operations. We discuss some of these specific improvements and the Commercial Service's response to our recommendations following each section in this report. The Commercial Service did not immediately concur with and was considering our recommendation that the *CS Operations Manual* be revised to explicitly require that all export successes be confirmed with the U.S. client. We request that the Commercial Service provide an update on actions taken to address this recommendation in its action plan.

INTRODUCTION

Pursuant to the Inspector General Act of 1978, as amended, and the Omnibus Trade and Competitiveness Act of 1988, the Commerce OIG periodically evaluates the operations of the Commercial Service (CS).¹ Under these authorities, we conducted an inspection of CS operations in Turkey.

Inspections are reviews the OIG undertakes to provide agency managers with timely information about operations. One of the main goals of an inspection is to encourage effective, economical, and efficient operations. Inspections are also conducted to identify or prevent fraud, waste, and abuse in federal programs. By asking questions, identifying problems, and suggesting solutions, the OIG helps managers determine how best to quickly address issues identified during the inspection. Inspections may also highlight effective programs or operations, particularly if their success may be useful or adaptable for agency managers or program operations elsewhere.

This inspection was conducted in accordance with the *Quality Standards for Inspections* issued by the President's Council on Integrity and Efficiency. Our fieldwork was conducted from July 22 to November 15, 2002, with our on-site visit to the post from September 16 to 26, 2002. During the review and at its conclusion, we discussed our findings with the Senior Commercial Officer (SCO) in Ankara, as well as the Regional Director for Europe and the Deputy Assistant Secretary for International Operations at CS headquarters. We briefed the CS Director General and her deputy on October 17, 2002, and held an extensive teleconference with the former SCO on November 5, 2002.

OBJECTIVES, SCOPE, AND METHODOLOGY

Our purpose was to assess the management, program, and financial and administrative practices of CS Turkey, including its development and achievement of goals and objectives, the economy and efficiency of the operation, and the post's compliance with applicable regulations and other managerial guidance. We also examined the post's coordination with other organizations in achieving the overall goals of the International Trade Administration and the Department. Specifically, we sought to determine whether CS Turkey is:

- planning, organizing, and controlling its work and resources effectively and efficiently;
- operating effectively, meeting the needs of U.S. exporters, and helping increase exports and market access; and
- using appropriate internal controls and financial management practices.

¹ The organization is also known as the U.S. and Foreign Commercial Service.

We also sought to:


- identify “best practices” and innovations that could be useful to other CS posts and operations;
- assess CS Turkey's role and participation in trade compliance efforts; and
- evaluate infrastructure issues at the post, including information technology, security, and other facilities-related matters.

In conducting our inspection, we reviewed strategies and plans developed by the Commercial Service to increase exports to Turkey. We also reviewed the post’s organizational structure and operating approaches used in conducting its activities; interviewed appropriate Commerce and State Department personnel, as well as other U.S. agency personnel involved in trade promotion; examined pertinent files and records relating to the post’s operations, including financial and administrative issues; and met or spoke with officials from U.S. and foreign firms and trade associations. We also interviewed a sample of clients by e-mail and telephone concerning their evaluation of and satisfaction with the post’s products and services.

BACKGROUND



Turkey, the world's 27th largest economy, has a population of 67.8 million and a landmass slightly larger than Texas. Situated between Europe and Asia, and bordered by Iraq, Iran and Syria, Turkey is a crucial and strategic U.S. ally. It is the only Muslim country in the North Atlantic Treaty Organization (NATO), and is a founding member of the World Trade Organization (WTO). Turkey is actively seeking membership in the European Union (EU), but has yet to be admitted. The country's recent economic woes have not bolstered its standing with EU members, especially since Turkey experienced a 9.4 percent drop in its gross national income (GNI) in 2001.² Loans from the International Monetary Fund have brought some stability and prompted continuing economic reforms. However, austerity measures imposed as a condition of the loans, such as the cancellation of Turkish Treasury guarantees required for international financing, have delayed or cancelled many large government projects. The economic crisis also contributed to a partial collapse of the government, forcing early elections on November 3, 2002. Despite political and economic uncertainties, Turkey's economy is recovering better than expected in 2002. Economists have revised the country's economic forecast from three to four percent growth by the end of the year. Economic recovery is expected to be spurred by deregulation of key industrial sectors, particularly energy and telecommunications. Turkey's young and growing population, which is one of the largest in Europe, and a robust underground economy³ should further fuel the recovery. However, any potential conflict in the region, particularly with Iraq, could lead to regional instability and derail Turkey's hopes for a full economic recovery. While some business sectors could grow as part of a war mobilization and recovery effort involving Iraq, most Turkish officials fear consequences similar to those that resulted in a huge loss of tourism revenue following the 1991 Persian Gulf War.

 Key Statistics 2001	
GNI	\$168.3 Bil.
GNI Per Capita	\$2,540
US Exports	\$3.09 Bil.
US Imports	\$3.05 Bil.
Population	67.8 Mil.
Unemployment	10.6%
GNI Growth	-9.4% (2001) +4% (2002)
Underground Economy	Estimated at 30 to 40% of GNI
Total Area	780,580 sq km

² US Department of State, 09/02, *Background Notes: Turkey*; The World Bank has changed the term "Gross National Product (GNP)" to "Gross National Income (GNI)." See World Bank Website www.worldbank.org/data/changinterm.html, November 2002.

³ Experts agree that Turkey's underground economy is a significant portion of current GNI, but disagree on its size, which some experts say accounts for as much as 30 to 40 percent of GNI. Sources: Fethi Ogunc, *Estimating the Underground Economy in Turkey*, Central Bank of Turkey, September 2000; Melih Dogan, *Erbakan's Turkey: Ready for Business*; Middle East Quarterly, June 1997, Volume 4-2.

Turkish Trade and Investment

Turkey is the 33rd largest export market for the United States. In 2001, U.S.-Turkey bilateral trade reached \$6.1 billion, down 9 percent from an all time high in 2000. U.S. exports totaled \$3.09 billion while its imports from Turkey were \$3.05 billion. Top U.S. exports to Turkey include commercial and military aircraft, machinery, cotton, tobacco, medical equipment, and organic chemicals.⁴

The United States is Turkey's fourth largest supplier, holding an 8 percent import market share in 2001. U.S. high-tech products, whether commercial or military, have been particularly competitive, but EU products have dominated Turkey's market. Most EU industrial products enter Turkey duty-free because of the customs union that was formed with the EU in 1996. However, U.S. companies have also benefited, as average tariffs on non-EU industrial products dropped by 50 percent when Turkey formed the customs union.

According to Turkish and U.S. sources, the United States was also the fourth largest investor in Turkey in 2001, after France, Holland and Germany.⁵ Total cumulative U.S. direct investment in Turkey in 2000, according to Commerce's Bureau of Economic Analysis, was nearly \$1.4 billion.⁶

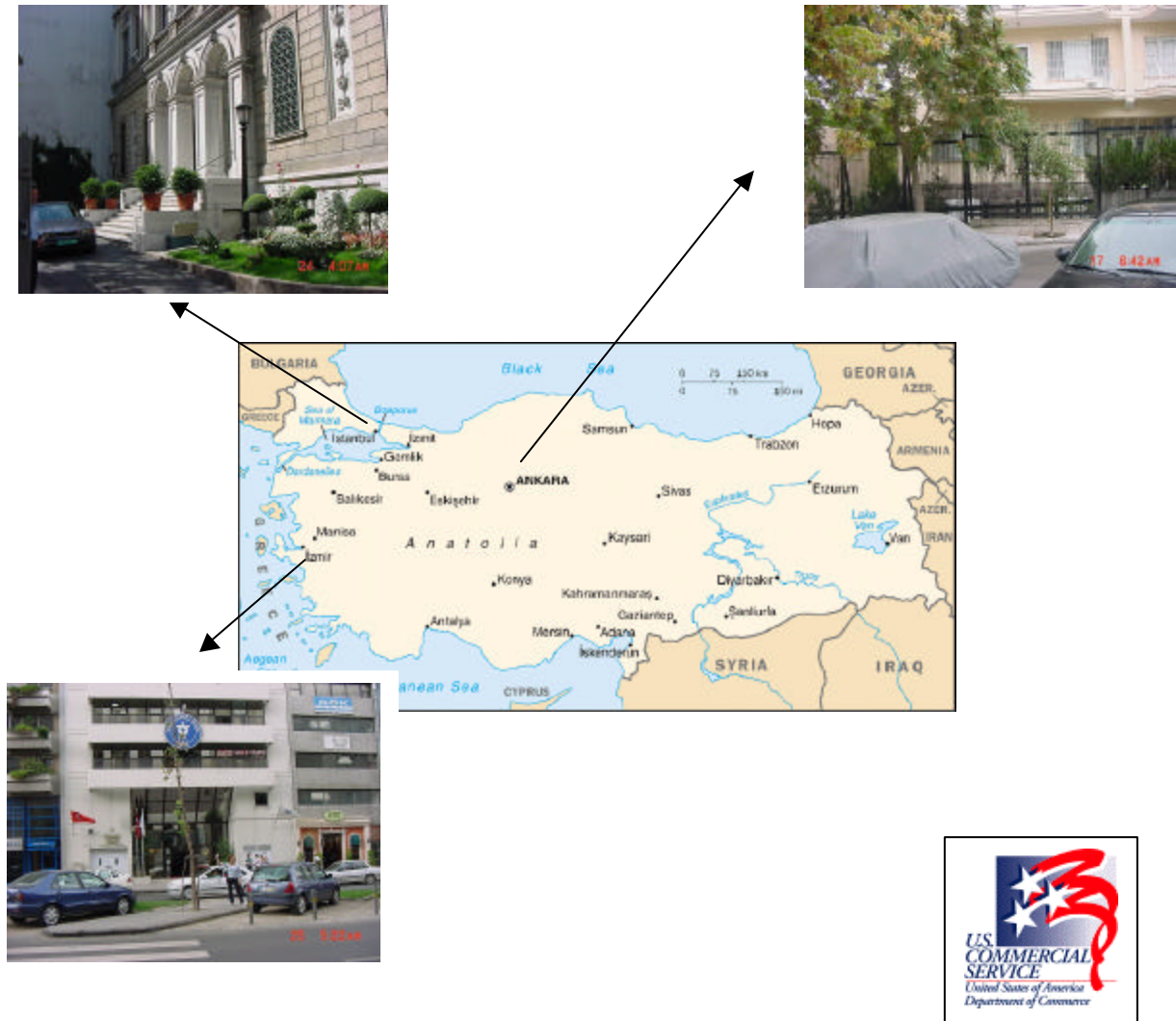
Commercial Service Operations in Turkey

The Commercial Service's post in Turkey is its 21st largest, in terms of dollars, with a fiscal year 2002 budget of approximately \$1.3 million. This figure includes American officer salaries, International Cooperative Administrative Support Services (ICASS) costs, Foreign Service National (FSN) salaries, office and residential leases, and direct program support. The post has concentrated its resources in two locations—Ankara (with two officers and five FSNs) and Istanbul (one officer and five FSNs), but it also has a presence in Izmir (one FSN). CS Turkey is organized under the Office of International Operations' (OIO) Europe region and is managed by a Regional Director located in Washington.

⁴ US Census Bureau, *US Trade Balance with Turkey*, see www.census.gov/foreign-trade/balance, last revised October 10, 2002.

⁵ Turkish Embassy in the US, *US Investments in Turkey*, www.turkishembassy.org/businesseconomy; last revised June 16, 2002. Unofficial estimates place the US as the top investor in Turkey.

⁶ Prior to the signing of a bilateral tax treaty in 1998, much US origin capital was invested in Turkey through third-country subsidiaries, U.S. Department of Commerce, *2002 Country Commercial Guide* (Turkey), 2002. Information on U.S. direct investment for 2001 is not yet available.



CS Turkey, which has a wide and diverse portfolio, provides a variety of services to American firms interested in the Turkish market, as well as Turkish firms seeking U.S. products and services. It has an active trade events program to support small to medium-sized firms seeking to export to Turkey. It also provides advocacy on high-dollar government tenders, usually to large companies. The Department of Commerce's advocacy program supports U.S. firms by ensuring that U.S. bids are given full and fair consideration on international project tenders. Advocacy has been one of CS Turkey's most active portfolios, but recent government austerity measures, which have limited the number of viable government projects, will require the post to change its strategy to capture export successes. However, Turkish military tenders for hardware and equipment will continue to provide U.S. firms with high-dollar opportunities.

CS Turkey has the lead on the energy sector for “Showcase Europe,” which is a regional initiative that coordinates the services and activities of Commercial Services offices throughout Europe and the Baltic Rim states, Russia, and the independent states that were formerly part of the Soviet Union. The Showcase Europe initiative is based on the concept of approaching Europe as a single regional market. To increase effectiveness, resources are pooled to coordinate foreign business and government participation in U.S.-sponsored trade events and pavilions throughout the region. CS Turkey also has responsibility for the Department of Commerce’s Afghan reconstruction initiative and the Appalachian Turkish Trade Project, which is part of the Department of Commerce’s Rural Export Initiative. Finally, Armenia and Turkmenistan are constituent posts, meaning the SCO in Turkey has responsibility for the Commercial Service operations in those countries.⁷ In Armenia, there is one Commercial Service FSN who reports to the SCO in Ankara, and in Turkmenistan, the SCO works with the State Department’s economic officer assigned to Ashgabad, the capital.

Measuring Post Performance

The Commercial Service uses an Overseas Resource Allocation Model (ORAM) and a cost-benefit model to evaluate each post’s performance. The ORAM takes into account many quantitative factors such as mission requirements, workload, market share and barriers, and per capita gross domestic product. The number of constituent posts managed by a Senior Commercial Officer (SCO) is also considered. These factors are evaluated to derive a country cost-benefit ratio, which also takes into account the benefits (i.e., export successes) divided by the variable costs of operating the post. This ratio is calculated using a three-year rolling average. Based on the cost-benefit ratio, the Commercial Service ranks each overseas post and then, for ease of analysis, divides them into five groups, or quintiles. CS Turkey ranked in the fourth quintile for fiscal year 2001, which is one quintile below where it should be performing according to the ORAM.

⁷ In addition, during the last five years, the SCO in Turkey also had responsibility at one time or another for a third partnership post, Georgia, as well as Uzbekistan and Azerbaijan, which had staffing gaps in 1999-2000.

OBSERVATIONS AND CONCLUSIONS

I. Management of the Post Needs to Be Strengthened

CS Turkey is a post of great contrast. On one hand, the ambassador and the consul general in Istanbul, and other elements of the U.S. diplomatic mission in Turkey, gave the post and its staff high marks for being responsive, cooperative, and easy to work with. Staff in other ITA offices, such as Market Access and Compliance and Trade Development, as well as the U.S. business community, echoed this praise.

In contrast, our review of the post's operations, revealed an office that has suffered in recent years from insufficient management oversight and internal control, which were reflected in a number of deficiencies. The problems resulting from inadequate management of the post, by both the former SCO and by OIO managers in Washington, are discussed in more detail throughout this report. We found that internal controls for key financial and administrative operations were inadequate. We also questioned the effectiveness and reporting of certain post products and services, including inaccurate reports of export successes.

Other management deficiencies include the fact that personnel policies were not always followed for the FSN staff. For example, FSN performance appraisals were not prepared in a timely manner and, as a result, within-grade increases were delayed for some FSN staff by up to a year. Furthermore, while work plans and job descriptions were in place and current for most FSN staff, we found that the administrative assistants in Ankara and Istanbul need job descriptions that more accurately reflect the scope and breadth of the work they actually do. Also, given the post's geographic location, security is a serious concern and we found that some security upgrades are needed in Izmir and planned security upgrades in Ankara still need to be finalized.

The new SCO arrived at the post in early August 2002, and he has taken steps to strengthen the management of the office. We are hopeful that many of the changes that the new SCO has put in place will improve operations and increase productivity. However, he will need to carefully mold a cohesive and supportive management team and staff to carry out his agenda for the post. Washington headquarters' oversight will be a critical part of the equation for success, and managers there must also provide effective leadership and oversight.

A. *Lack of adequate management oversight contributed to problems in CS Turkey*

During our visit, we noted that the post management did not (1) adequately oversee CS Turkey's products and services (see page 21 and 24), (2) manage the post's export success program (see page 30), and (3) adhere to Commercial Service and/or State Department guidelines for the use of

representation funds and government vehicles (see pages 40 and 43). In summary, and as will be discussed in more detail throughout this report, the former SCO did not provide sufficient leadership and management oversight to the staff in order to ensure that post operations were effective and efficient.

Responsibility for these deficiencies also lies with OIO management in Washington. Although OIO managers advised us that they did not know about many of the problems we found, they were aware of or suspected some of the problems, such as possible personal use of government vehicles. However, they never fully investigated or dealt with them. For example, the current Regional Director for Europe visited Turkey once in 2001 and once in 2002 and suspected that there were problems. But, he never documented those problems in trip reports, because he claims that they were not required at the time, nor did he communicate them verbally to the Deputy Assistant Secretary for International Operations. In fact, the SCO's performance appraisal, covering the period June 1, 2001, to May 30, 2002, made no mention of problems. Rather, it discussed his impressive performance and recommended that the SCO be given serious consideration for promotion.

The former SCO told us that he received no notification from management over the past year of any concerns about his performance or that of the post. His prior year's appraisal (October 1, 2000, to May 31, 2001) did mention some concerns, many of which the former SCO took issue with in his comments on the appraisal. However, the appraisal made no mention of what we consider to be the post's biggest deficiency in fiscal year 2000—its lack of reported export successes (see page 30).

We recognize that the Regional Directors, and OIO in general, oversee many posts from a distance. Under such conditions, it is difficult to stay fully apprised of post operations and staff activities. However, the current Regional Director for Europe visited CS Turkey twice, most recently in May 2002 for the European Region SCO Conference. Other regional staff also made several trips to the post. In addition, all posts must report to Washington on a regular basis, so problems with core products and export successes in Turkey could have been caught without a site visit. Unfortunately, neither management's trips and suspicions nor the spotty performance evident in the reports from the post prompted anyone to document or deal with problems or concerns raised regarding CS Turkey.

Inadequate oversight is but one area that OIO needs to improve. Another is its development and training of SCOs and other senior officers. Specifically, we believe that OIO did not provide the former SCO with the types of assignments and training earlier in his career that might have given him the knowledge and tools to prevent many of the problems identified in this report. We were told that he took on several difficult assignments prior to serving in Turkey. But, in being allowed to do so, the former SCO was not afforded the opportunity to serve under more seasoned officers to learn and master the basics of managing a CS post before being assigned as an SCO. Additionally, the former SCO was not required to take much administrative and management training during his nearly 13-year

career with the Commercial Service. In fact, during his entire 5-year tour in Turkey, he took only one training course—a 2-day seminar entitled “Equal Employment Opportunity and Diversity Awareness for Managers and Supervisors.” We believe that such deficiencies in officers’ knowledge and experience are indicative of a larger and more serious problem, which is systemic to the process the Commercial Service uses to develop and train foreign commercial service officers. For example training and development efforts appear haphazard, and many times, the training an officer receives is determined more by the availability of courses rather than the needs of the officer. In addition, officers’ performance plans generally do not discuss training needs.

Clearly, Commercial Service management should give more careful consideration to the strengths and weaknesses of each officer and the types of training each might need to strengthen his or her management and administrative abilities. We recognize that the exigencies of the service often require that officers be sent out to a post with little or no notice. However, OIO does a disservice to its officers and the diplomatic missions abroad if it does not do all it can to adequately prepare its officers to do their jobs successfully. That being said, the ultimate responsibility for sound management and effective guardianship of government resources at a post rests with the SCO. At any time, the former SCO in Turkey could have referred to the *CS Operations Manual*, which is available online, for guidance, taken available management training online, or asked for any other training he felt he needed.

In sum, the Commercial Service must do a better job of recognizing, documenting, and finding remedies for problematic post operations. For this reason, we are recommending that OIO managers and staff who visit a post prepare trip reports that detail what was discussed with the officers and FSNs, which post operations were reviewed, and any issues or concerns that need attention. Visiting OIO personnel should also discuss any serious issues they identify with the SCO and/or other responsible post officers, as well as document these matters in officer performance appraisals, if warranted. Matters requiring follow-up action by the post and/or headquarters should be tracked until completion.

In addition, the Commercial Service needs to ensure that officers assigned to SCO positions, no matter how small the post, are adequately prepared for their assignments. Thus, we recommend that OIO (1) provide its junior officers with assignments that will foster their development into well-rounded senior officers, (2) require officers to attend as much training as necessary, in particular managerial and finance and administrative training, prior to being sent out to serve as an SCO, (3) include training requirements in officers’ performance plans to ensure that necessary training is taken, and (4) consider creating a mandatory online training course on the basics of managing a post, with components on programmatic, financial, and administrative matters. The online course should include a quiz and a printable completion certificate that would be kept in the officer’s file. Thus when classroom training is not available at the time an officer is assigned to a post, he or she at least would have access to some basic information that might prevent management problems later.

We are pleased to note that OIO, after being briefed on our initial review results, took some immediate steps to improve its managerial control and oversight of overseas posts. It developed a checklist for OIO managers and staff to use when visiting a post to ensure that key items are discussed and/or reviewed, and documented. In addition, OIO has developed a self-certification form that SCOs will be required to sign, attesting to their completion of certain important managerial duties or tasks, such as the preparation of FSN performance appraisals. We believe that these actions are positive steps toward strengthening the Commercial Service's oversight of overseas posts, and we look forward to further improvements as the bureau implements our other recommendations.



In responding to our draft report, the Assistant Secretary and Director General of the U.S. and Foreign Commercial Service stated that with respect to Commercial Service's European operations, the Service is considering dividing the region into two smaller and separate regions. The current Regional Director for Europe oversees 34 SCOs and 44 country operations, approximately double that of the other three OIO regions. The Director General believes that the Europe region is too large for any one Regional Director to oversee and that a separation of the region would lead to a better organized and more manageable operation. We agree with the Director General and would support such a split of the OIO Europe region.

The Director General further stated that OIO has taken immediate action by requiring mandatory trip reports be written by OIO country managers for each post visit. We would like to see this requirement broadened to also include Regional Directors and the Deputy Assistant Secretary for International Operations. Additionally, we would like to see this requirement formalized through inclusion in the *CS Operations Manual*. We would appreciate the Commercial Service addressing this issue in its action plan.

With regard to our recommendation on training, the Director General stated that in fiscal year 2002, OIO conducted a new SCO training course that included administrative and financial management elements. Additionally, she noted that OIO developed a training matrix that identifies specific mandatory and recommended courses for officers at various stages of their careers. The Commercial Service also recognizes the problem with junior officers not receiving the training, mentoring, and developmental assignments necessary to allow them to develop into well-rounded senior officers. To help correct the problem, additional junior officer slots at multi-officer posts were created in 1998, bringing the total of such positions to 29. Also, the Director General reported that the Commercial Service's assignments panel has been taking steps to minimize the assignment of less experienced officers to jobs above their grade levels. For example, occurrences of so-called "stretch" assignments were reportedly down by 28 percent between 2001 and 2003, for FS-03 level officers.

Further, the Director General indicates that the Commercial Service has established an Office of Professional Development that will track employees' completed training and compare that to recommended courses for their grade and level of responsibility. Finally, the Office of Professional Development is in the process of completing the development of a new "administration management" course. Commercial Service plans call for two modules to be implemented in the fourth quarter of fiscal year 2003 that are specifically designed for (1) officers managing administrative operations at post and (2) SCOs with administrative management and operations responsibility. According to Commercial Service plans, these courses will eventually be offered via the Commercial Service College—the Service's online learning center.

We are encouraged by the Commercial Service's reported actions to improve officer training. We believe that increased focus and attention on providing appropriate training for officers, based on where they are in their career, is key to improving the management and operations of all Commercial Service posts. However, the recommendation about including training requirements in officers' performance plans to ensure that necessary training is taken was not addressed in the Commercial Service's response to our draft report. In addition, it was not clear whether the "administration management" course is to be mandatory for SCOs, as we suggested. We request that these issues be addressed in the Commercial Service's action plan.

B. *Personnel policies were not followed for FSN staff*

Management and supervision of the FSN staff are an important part of the SCO's and PCO's responsibilities and are critical to ensuring that the staff are doing the work necessary to meet the goals and objectives set forth in the post's Strategic Commercial Plan. An essential tool for providing feedback on employee performance is through the performance appraisal process. Unfortunately, former post officials did not follow many personnel policies for the FSN staff. Specifically, the former SCO and former PCO in Istanbul did not complete performance appraisals in a timely manner for some FSNs. As a result, within-grade increases for some staff were delayed, in one case by as long as 12 months. Although the staff eventually received their pay increases retroactively, the lack of attention to the timely preparation of performance appraisals is unfair to the FSNs.

Performance appraisals were not prepared in a timely manner

The *Foreign Affairs Handbook*, Section H-135.5, requires American officers to prepare annual performance appraisals for all FSNs. According to the *Handbook*, the Department of State's personnel officer at post establishes policies for FSN appraisals, in consultation with other post officials. These policies are then publicized so that all post personnel, supervisors, and employees know them and can ask questions if they are not clear. The personnel officer provides supervisors of FSN

employees with the forms, notifies them of due dates, and reviews all FSN performance appraisals to ensure that the performance rating is supported adequately by the supervisor's narrative summary.

The rating official—in the case of CS Turkey, the SCO or PCO—is responsible for the work of, and gives assignments to the staff. Specifically, the officers must:

- at the beginning of the rating period, explain to each employee the duties of the position and requirements for satisfactory performance,
- discuss strengths, weaknesses, and ways to improve performance with the employee,
- give recognition for superior performance, and
- take appropriate action when the employee's performance is substandard.

Further, the *Handbook* states that performance evaluation is a continuing process and an integral part of any supervisor's responsibilities. Periodic performance reviews help supervisors to clear up any misunderstandings about their expectations, recognize ability and point the way to developmental training, and build a strong relationship based on mutual confidence.

The former SCO was responsible for preparing appraisals annually for the five FSNs in Ankara, as well as the FSN in Izmir. While he could have delegated this responsibility to the commercial attaché, for various reasons, he chose not to. Therefore, the SCO was directly responsible for preparing six appraisals annually. However, four of the six appraisals he completed in 2002, right before he left post, covered a time period of over three years because he had not done the required annual appraisals for those persons. In Istanbul, the former PCO was responsible for writing performance appraisals for the five FSNs under his charge. However, he too was not always timely in his submission of performance appraisals. In fact, he left post in April 2001, without completing the necessary performance appraisals for his staff. Thus, the former SCO ended up preparing appraisals for the Istanbul FSNs in October 2001, and again in 2002, immediately before his departure from post. Table 1 contains a summary of performance appraisals for the FSNs.

Table 1: Summary of CS Turkey FSN Performance Appraisal Submissions

FSN	1999	2000	2001	2002
Ankara 1	Completed ^a	Delinquent	Delinquent	Completed ^c
Ankara 2	Completed ^a	Delinquent	Delinquent	Completed ^c
Ankara 3	N/A ^d	Completed	Delinquent	Completed ^b
Ankara 4	Delinquent	Delinquent	Delinquent	Completed ^c
Ankara 5	Delinquent	Completed ^b	Delinquent	Completed ^a
Izmir 1	Delinquent	Delinquent	Delinquent	Completed ^c
Istanbul 1	Completed	Completed	Completed	Completed
Istanbul 2	Completed	Delinquent	Completed ^b	Completed
Istanbul 3	Completed	Delinquent	Completed ^b	Completed
Istanbul 4	Completed	Completed	Completed	Completed
Istanbul 5	Completed	Completed	Completed	Completed

Source: FSN Personnel Files located in the State Department Personnel Office, U.S. Embassy Ankara

^a Appraisal covered more than a two-year period

^b Appraisal covered more than a one-year period

^c Appraisal covered a three-year period or more

^d Employee began employment with the Commercial Service in 2000

According to the embassy personnel officer, the personnel office sends notices to American officers 30 days prior to appraisal due dates. We reviewed each FSN's personnel file and found repeated delinquent notices sent from the personnel officer and the Administrative Counselor to the former SCO to remind him of his responsibility to prepare the appraisals. In response to these notices, the former SCO wrote back to the embassy personnel office, "I have unfortunately not been able to write appraisals for my staff given my hectic schedule." Further, the SCO wrote in these memos that the overdue appraisals would be submitted shortly. Despite these responses, the former SCO did not submit many of the overdue performance appraisals until immediately before his departure from post. Similar reminders were sent to the former PCO to notify him of the delinquent performance appraisals and his obligation to complete them. In addition, the current PCO was responsible for preparing one FSN evaluation since her arrival at post. However, based on information we obtained from the Consulate personnel office, the PCO was a few weeks delinquent in completing this evaluation. When we discussed this issue with the PCO, she stated that she knew that evaluations are to be prepared annually, however she was overwhelmed with other tasks and prepared the evaluation as soon as she could.

Within-grade increases were delayed as a result of delinquent performance appraisals

Within-grade increases, or salary increments, within each grade of the salary schedule, are provided to reward employees financially for satisfactory performance and length of service. Within-grade

increases, as provided in the local compensation plan, are *mandatory* if performance standards are met. An employee’s work must be of “an acceptable level of competence” in order for the employee to be eligible for an increase.

Because post managers did not prepare performance appraisals for the FSNs in a timely manner, many within-grade increases were delayed—for some FSNs, each annual within-grade increase was delayed for four consecutive years. As shown in Table 2, 7 of the 11 CS Turkey FSNs were impacted by this problem. The remainder were at the top of the pay schedule for their grade and thus were ineligible for step increases. While the FSNs did eventually get paid retroactively for their step increases, every one of them told us that they would have much preferred receiving their step increases when they were due.

Table 2: Delayed FSN Within-Grade Increases

FSN	Increase Due Date	Increase Effective Date	Months Late
1	June 1998	March 1999	9
	April 2000	January 2001	9
	April 2001	January 2002	9
	April 2002	August 2002	4
2	June 2001	January 2002	7
	June 2002	July 2002	1
3	October 1999	March 2000	5
4	October 1998	February 1999	4
	January 2001	January 2002	12
5	August 2000	January 2001	5
	January 2002	April 2002	3
6	May 1998	July 1998	2
	May 1999	July 1999	2
	May 2000	February 2001	9
7	July 1998	September 1998	2
	July 1999	September 1999	2
	July 2000	February 2001	7
	July 2001	October 2001	3

Source: FSN Personnel Files located in the State Department Personnel Office, U.S. Embassy Ankara

Again, the embassy personnel office and Administrative Counselor sent repeated reminders and notices to the former SCO and former PCO asking for performance appraisals so that within-grade increases could be processed. Specifically, the personnel office memos stated, “no action authorizing the within-

grade increase can be taken until the performance appraisals are received.” In response to some of these notices, the former SCO asked the former commercial attaché to write a memo requesting that the personnel office process the within-grade increases for two FSNs because the FSNs’ work was satisfactory. The embassy personnel office did take action based on this memo from the former commercial attaché. Lastly, staff in the personnel office told us that for other FSNs, they resorted to sending the former SCO a memo that would merely require him to check a box to state whether an employee’s performance was satisfactory. According to the personnel office staff, this was truly a last resort and was not standard practice, but was necessary to prevent further delays in processing step increases for the Commercial Service’s FSNs.

Based on our observations and discussions with the former SCO, OIO headquarters staff, and other mission employees, it appears that CS Turkey’s FSN staff is highly dedicated, experienced, and knowledgeable. Therefore, they should be recognized for their efforts and accomplishments. The lack of timely performance appraisals and the subsequent delays in payment of step increases is not a good way to manage and motivate employees. When we discussed this issue with the former SCO, he stated that he knew about the requirement for annual performance appraisals. He explained that he was also aware that delinquent performance appraisals often resulted in delayed within-grade increases. However, although he believed that the FSNs deserved recognition and better treatment, he allowed other tasks at post to take priority.

To remedy this situation, we recommend that OIO remind the former CS Turkey officers, as well as all SCOs and PCOs, of the importance of following personnel policies and their responsibility to complete FSN performance appraisals when they are due. The self-certification form, as discussed in the previous section, should help ensure that FSN appraisals get done by forcing SCOs to certify that they have completed them. OIO, of course, will need to monitor completion of those forms and take corrective action when officers do not carry out their responsibilities. In addition, OIO staff should check with each post’s personnel office on an annual basis to verify that all FSN performance appraisals have been submitted and ask if there are any other personnel issues involving the post. The new SCO has already implemented a tracking system (in addition to the mission’s tracking system) to remind him when appraisals are due. We recommend that the current PCO in Istanbul also track appraisal due dates and prepare appraisals when they are due.

Lack of appraisals may have contributed to inadequate training and awards

In addition to supporting step increases for eligible FSNs, performance appraisals also serve as the foundation of employee development. According to the *Foreign Affairs Handbook*, supervisors are responsible for training and developing employees to help them improve their job performance and reach their full potential. During our review, we asked each CS Turkey employee questions about training. Nearly every FSN stated that they needed additional training to improve their job

performance, particularly in the area of computer software programs such as word processing, presentations, spreadsheets, and e-Menu. Their requests for additional training seemed reasonable and directly related to their Commercial Service jobs.

To address employee training concerns, the new SCO asked each FSN to complete a "Training Needs Assessment Survey" to identify areas for additional training. It includes training in the following categories: software, market research, interpersonal communication, writing skills, and administrative and financial management. Further, the current SCO will continue to allow two hours per week for FSNs to complete on-line training they believe is relevant to their job, a practice begun under the former SCO. The FSNs told us that they are very encouraged by the current SCO's training and development policy and believe it will improve their job performance.

Regarding performance awards, during his five-year tour in Turkey, the former SCO did not nominate any FSNs for cash awards, although he did do the work necessary to secure promotions for several FSNs in both Ankara and Istanbul. He also secured (1) a Department of Commerce Bronze Medal Award for the entire staff in 1999, to recognize the staff's outstanding efforts in supporting regional work and (2) an award for three CS Turkey staff members for their assistance during the President's November 1999, visit to Turkey. As per policy, cash did not accompany these two awards. We recognize that cash awards are not mandatory, but they are a management tool to reward good work and also motivate employees. The former SCO told us that he feels badly that he did not secure cash awards for his staff and that several FSNs deserved such recognition for their work. He commented that, in lieu of cash awards, he did his best to verbally recognize good work in his staff when he saw it and also give non-monetary awards when appropriate. For example, for their help in planning the SCO conference in May 2002, the staff was recognized with certificates at the conference.

During the first month of his tour in Turkey, the new SCO nominated five FSNs for cash awards based on their achievement in meeting specific performance goals in the previous year. He also implemented a policy that cash awards will be considered annually for the FSNs with the most export successes, as well as two awards for administrative work. Although the mission policy states that awards may only be given every other year, the new SCO sought an exception for the Commercial Service FSNs. During our visit, the FSN staff commented that they were encouraged by the recent awards. While CS Turkey is now making use of the performance award system, we suggest that OIO reiterate to all SCOs and PCOs the importance of following personnel policies, including the policy of recommending deserving staff for awards when appropriate.



In her response, the Director General noted that OIO has developed and implemented a new SCO Administrative Certification to help SCOs better manage their posts. This Certification form requires

the SCO to certify that all appraisals are complete and work plans are in place on a semi-annual basis. The Director General also indicated that OIO staff would verify these certifications during site visits. In addition, the need to complete performance appraisals will be included in the periodic notices that OIO issues during the year to remind SCOs of their key responsibilities.

We believe that the Commercial Service's actions on the rest of our recommendation, as outlined in its response, meet our intent.

C. *Administrative assistants in Ankara and Istanbul need current job descriptions*

Work plans for staff are in place and are current. Job descriptions are also current, except for the two administrative assistants, one in Ankara and one in Istanbul. Both are still classified as secretaries, but each has taken on much additional responsibility in recent years. For example, between the two of them, they handle nearly all of the financial and administrative tasks to ensure the smooth operation of the post. In addition, both have responsibility for several smaller sectors, such as jewelry, household consumer goods, and toys/games. For the most part, the job descriptions currently in place do not take into account the scope and breadth of the work actually done by the administrative assistants.

Therefore, we recommend that the SCO work with the commercial attaché and PCO to complete new job descriptions for the two administrative assistants to reflect their current duties and responsibilities and submit them to the embassy's Human Resources Officer for review and classification. To that end, during our visit, the commercial attaché had already prepared a draft position description for the administrative assistant in Ankara. However, the PCO has yet to do the same.



According to the Commercial Service's response to our draft report, the new SCO has already submitted the revised job description for the Administrative Assistant position in Ankara to the embassy's Human Resources Officer for review and classification. Further, the PCO in Istanbul submitted a revised job description for the Administrative Assistant position in Istanbul to the consulate's Human Resources Officer on December 30, 2002. The Commercial Service's actions meet the intent of our recommendation.

D. *Post security is a major concern*

The State Department is responsible for the security of the CS Turkey staff and offices in both Ankara (because it is located within the embassy compound) and in Istanbul (because it is within the consulate grounds). In Ankara, the Commercial Service is on the first floor of an annex building on the embassy compound that is adjacent to a public street. Other occupants of the building are Agriculture, the Caspian Finance Center, the Drug Enforcement Administration, and the embassy health unit. There have been times, in particular during a nearly three-month stretch in the summer of 2001, when security

threats prompted State's Regional Security Officer to order the Commercial Service to move out of the annex and share space with other tenants closer to the middle of the compound. Of course this is disruptive to operations, but it is also unnerving to the staff to be working under such conditions.

During our visit, a team from the State Department's Overseas Building Operations (OBO) office in Washington was also in Ankara to assess the security situation of not only the annex building where the Commercial Service is located, but several other buildings both inside and outside the embassy compound. In early November 2002, the OBO team recommended that security enhancements be made to the annex building to make it more secure.

We are concerned that the plan set forth by OBO will drastically reduce the amount of office space allocated to the Commercial Service. It calls for reorganizing the offices to put six staff members in the space now occupied by three. It does not address the fact that CS Turkey currently has seven staff members on board in Ankara. The cramped conditions, the inability to have private meetings (the SCO would be the only one with a private office), and the lack of storage for files, will almost certainly affect productivity. For these reasons, we recommend that Commercial Service headquarters petition OBO to reconsider its plan and research other options for improving the security of the annex building in Ankara.

The consulate compound in Istanbul is located on the corner of two public streets, with CS Istanbul in the annex building that is right on the corner. Given the precarious situation of the Istanbul consulate, OBO decided to build a new consulate several years ago. The new consulate is almost complete (see Exhibit A) and plans call for the Commercial Service staff to move to the new building in late April 2003. By all accounts, the new consulate will be a vast improvement over the current situation.

Exhibit A: New U.S. Consulate in Istanbul



The Commercial Service has responsibility for ensuring security of its office in Izmir since it is not collocated with a State Department facility. This office is staffed by one FSN and a secretary, who is paid by the Izmir Chamber of Commerce. Commerce's Office of Security reviewed the office, located on the fifth floor of the Izmir Chamber of Commerce building, in November 1997. At the time of the review, two deficiencies were cited—a lack of fire extinguishers and the lack of an emergency evacuation plan or bomb threat procedures. At the time of our inspection, the office had two fire extinguishers, one in the receptionist/library area and the other in the office of the FSN. Both fire extinguishers appeared to be in good working order and according to the FSN, they are checked and maintained by crew from the U.S. Air Force contingent located nearby. The office is still deficient on

the second item. No emergency evacuation plan and bomb threat procedures exist for the office. In addition, we are concerned about the open access of the office. While there is some limited controlled access security in the lobby of the building, the Commercial Service office door is open to anyone in the building, leaving both the FSN and her secretary vulnerable. Because the office was last reviewed prior to the new security standards being put in place after the bombings of the two U.S. embassies in East Africa in 1998, this might be a problem that needs to be addressed. Thus, we recommend that (1) an emergency evacuation plan and bomb threat procedures be immediately prepared for the Izmir office and (2) OIO's security contingent or the embassy's Regional Security Officer⁸ ensure that the Izmir office meets current security standards.



The Director General, in responding to our draft report, stated that OIO's Overseas Building Manager has met with OBO's Project Manager to discuss the Commercial Service's concerns regarding the changes to improve security of the annex building in Ankara. Based on this meeting, as well as requests from Embassy Ankara's Administrative section, OBO conducted a second trip to Ankara and offered a compromise solution to increase security while minimizing the loss of space to the Commercial Service. The new SCO, in consultation with his staff, has accepted this compromise. The Commercial Service's actions meet the intent of our recommendation.

With regard to the Izmir office, we were separately provided copies of the newly created evacuation plan and bomb threat procedures for the office. We reviewed the plan and procedures and found them to be sufficient. The response to the draft report stated that our recommendation that a security review of the Izmir office be conducted was implemented. We request that the results of this review be provided to us in the action plan.

E. Changes made by the new SCO should improve operations and productivity

To deal with the challenge of finding export successes amidst a changing Turkish economy, the new SCO developed a Strategic Commercial Plan for Fiscal Year 2003. The plan was discussed and critiqued by all CS Turkey staff during a strategic planning conference held in late August 2002. The plan calls for a move away from CS Turkey's previous strategy of relying on U.S. company participation in large government-funded projects for export successes.

Instead, CS Turkey's strategy will be to (1) conduct extensive outreach to Turkish companies to persuade them to buy American products and services rather than those from the European Union and (2) encourage and facilitate communication between Turkish and American firms by conducting a series of "Doing Business With the USA" seminars. The plan is aggressive, calling for 70 export successes to

⁸ The Regional Security Officer could perform the necessary review on a cost reimbursable basis.

be reported in fiscal year 2003, up from 50 reported in 2002. In addition, the plan requires that 13 Industry Sector Analyses (ISAs) be submitted, up from 11 in 2002, and 150 International Market Insights (IMIs) be submitted, versus just 12 in 2002 (see Appendix A for a description of these products). To reach these objectives, each commercial specialist or assistant is to prepare at least two IMIs per month and two ISAs per year,⁹ with the first one due on December 31, 2002, and the second one on April 30, 2003.

The SCO has also directed staff to routinely get out of the office to meet with clients, to more facilitate export successes. In addition, he has reorganized the reporting structure within the office to better clarify the chain of command, particularly with respect to the commercial attaché in Ankara. The attaché now oversees all financial and administrative operations of the entire post and reviews all written products, including export successes, for Ankara, Istanbul, and Izmir. Two of the three trade specialists in Ankara and the trade specialist in Izmir also report to him. All day-to-day operations in Istanbul will continue to be managed by the PCO. Of course, overall responsibility for the operations of the post still remains with the SCO, who will also have final review and approval authority for all written products.

We are hopeful that the changes put in place by the new SCO will improve operations and productivity, but OIO management should still provide adequate oversight. In addition, if CS Turkey is able to meet its export success goals and avoid substantial cost increases in fiscal year 2003, it should also be able to improve its ranking in the OIO cost-benefit model (as described in the Background section of this report). At the time of our visit, the new SCO was reviewing records to see where costs might be cut or, at a minimum, contained.

⁹ One FSN in Istanbul is only required to do one ISA because her assigned industry sectors do not require two ISAs.

II. CS Turkey Is Meeting the Needs of Most Customers, but Improvements Are Needed

CS Turkey has a rich and diverse portfolio of programs that features a full menu of trade events to support small to medium-sized firms and one of the Commercial Service's more active advocacy programs to help firms competing for major projects. The Department of Commerce's advocacy program helps ensure that U.S. firms have a level playing field when competing against foreign competitors whose governments may provide other incentives to win major project contracts. CS Turkey also plays a crucial role in supporting U.S. defense sales to Turkey, one of the largest importers of U.S. defense-related equipment in the world. As the lead coordinator on the energy sector for Showcase Europe, the post spearheaded an innovative webcast¹⁰ on energy opportunities in Europe and Eurasia. It is active in several other efforts, such as the Appalachian Turkish Trade Project and Afghan reconstruction. In addition, it is responsible for the operations of two constituent posts—one serving Armenia and the other, Turkmenistan.

We queried U.S. businesses as well as the American Turkish Council, the U.S. Business Council of the Turkish Foreign Economic Relations Board, the Turkish American Business Association, and other groups that work to expand U.S. trade (ie, multiplier groups) about the post's efforts in support of U.S. trade and business interests in Turkey. Most were very pleased with the job it was doing. In particular, they praised the former SCO for his charisma, strong oratory skills, and responsiveness to their organizations.

Despite the post's excellent reputation, our close inspection of the post's operations, products and services raised several concerns. Specifically, while most customers are satisfied with the products and services they received from CS Turkey, some products were delivered late. In addition, some market research did not meet *CS Operations Manual* guidelines, and reporting on market developments in Turkey was poor. Additionally, CS Turkey's performance—particularly with regard to the key measure of export successes—was inconsistent, sometimes overstated, and often less successful than that of similarly sized European posts. We noted eight instances in which the post claimed credit for export successes worth \$1.745 million, but we are questioning \$1.664 million of that amount because the post overstated the values and/or took credit for a success when CS Turkey was not involved.

A. *Most customers are satisfied with CS Turkey's products and services, but problems exist*

Our client surveys revealed that most customers in fiscal year 2002 were satisfied with the products and services provided by CS Turkey, but there were exceptions due to timeliness of products delivered or lack of follow-up (see Table 3). Customers only ordered 12 products and services from CS Turkey in fiscal year 2002 (see Appendix A for descriptions of Commercial Service products and services). Of

¹⁰ The Commercial Service offers a series of video broadcasts on global trade opportunities via the internet through www.globalspeak.com

these customers, we successfully contacted eight with the following results: four customers were very satisfied; three customers were satisfied; and one customer was unsure. The customer who was unsure of CS Turkey’s service complained that while the quality of his International Partner Search (IPS) was acceptable, he received the report too late—only one day before his meetings. Another customer commented that while he was satisfied with his Gold Key, he was dissatisfied with follow-up by post. Other customers commented on the high quality of their Gold Keys. Two customers specifically praised FSN staff (the FSN covering the energy sector and the FSN in Izmir) for providing excellent Gold Keys. The products and services we reviewed were produced when the former SCO was still assigned to the post.

Our review of due dates for products and services revealed that one IPS and two International Company Profiles (ICP) delivered by post in fiscal year 2002 were late – one by up to 11 business days. The *CS Operations Manual* specifies that IPS reports must be completed within 15 business days from receipt of payment and that ICP reports must be completed within 10 business days of receipt of payment.

Table 3: Customer Satisfaction Survey of CS Turkey Customers, Fiscal Year 2002

Product	Location	Feedback	Status	Comments
<i>International Partner Search</i>				
Client 1	Istanbul	Unsure	11 business days late	Information late, not provided until day before meeting.
<i>International Company Profiles</i>				
Client 2	Istanbul	Very Satisfied	11 business days late	Comprehensive, satisfied need
Client 3	Ankara	Very Satisfied	4 business days late	Good product, but a post’s responsiveness depends on how busy they are with other projects
<i>Gold Key Service</i>				
Client 4	Ankara	Satisfied	On time	
Client 5	Ankara	Satisfied	On time	
Client 6	Ankara	Satisfied	On time	Dissatisfied w/ follow-up
Client 7	Ankara	Very Satisfied	On time	Praise for FSN covering energy
Client 8	Ankara	Very Satisfied	On time	Praise for FSN in Izmir

The former SCO could not explain why the products were late and indicated that he had delegated responsibility for the program to the commercial attaché in Ankara and the PCO in Istanbul because he was too busy to manage the programs. He said that if any delays occurred in March, it was because March is an unusually busy month for CS Turkey. Several events, including the conferences for the American Turkish Council and the Appalachian Turkish Trade Project, are held in March. However, none of the delays in products and services we identified occurred in March. The SCO added that the post kept in close contact with its clients to update them on the status of products and services. Nevertheless, per the *CS Operations Manual*, the SCO is responsible for the quality and timeliness of all post products and services and should ensure that the staff meets established service schedules and quality standards. We note that the commercial attaché and PCO also have a role to play in monitoring the due dates of the post's products and services, but that the ultimate responsibility rests with the SCO.

While CS Turkey has clearly provided several excellent products and services in fiscal year 2002, its performance has been inconsistent and more oversight is needed. We recommend that the new SCO work closely with his commercial attaché, the PCO in Istanbul and FSN staff to ensure that all post products and services are of high quality and timely. Also, the SCO should review guidelines on customer care, particularly follow-up procedures, with the commercial attaché, the PCO in Istanbul, and FSN staff. In addition, the SCO should consider (1) formal training for all staff on customer care and (2) establishing a mentoring system among FSN staff where more successful FSNs can be a resource to less experienced FSNs. We recommend that the OIO Regional Director's office increase its management oversight of the post and monitor its performance more carefully. We also recommend that CS management reiterate to the former SCO that he needs to better manage core products and services at his next posting and that his failure to do so could jeopardize the reputation of the Commercial Service.



In responding to our draft report, the Assistant Secretary and Director General of the U.S. and Foreign Commercial Service agreed with our recommendation and directed the SCO to adopt procedures, such as multi-tier reviews by the commercial attaché and the PCO in Istanbul, to ensure the quality and timeliness of CS Turkey's products and services. In addition, the SCO has directed all staff to take online training in customer service no later than June 30, 2003. He has also developed a pilot program where more senior commercial specialists mentor and help more junior colleagues on advocacy and client counseling. The actions taken meet the intent of our recommendations.

The Commercial Service also has taken steps to strengthen management oversight of CS Turkey's performance, to include its core products, services, and export successes. Specifically, CS Turkey's Strategic Plan, which prioritizes the mix of products and services offered by post, will be compared with the actual results achieved by the post. In addition, the staff in OIO's Europe region will be informed by

the Commercial Service's Export Promotion Services when post's products and services are not delivered on a timely basis or to the satisfaction of the customer. The Commercial Service's actions meet the intent of our recommendations.

Finally, the Commercial Service agreed with our recommendation that the former SCO be counseled about his responsibilities as SCO. The Regional Director for Europe has met twice with the former SCO as has the new Regional Director for the Western Hemisphere who oversees the former SCO's next posting. They discussed management and training issues with him and the need to address any weaknesses which may affect his ability to effectively and efficiently manage post operations in the future.

B. Reporting on market research and market developments needs improvement

Industry Sector Analyses (ISA) are market research reports that help U.S. companies assess market opportunities for their products and services. A key Commercial Service product, ISAs provide information on specific industries, such as their market potential, demand trends, market size, competition, market access information, regulations, distribution practices, and key contacts. International Market Insights (IMIs) are brief reports on specific foreign market developments and upcoming opportunities for U.S. businesses. Both ISAs and IMIs are provided free of charge to U.S. exporters through Commercial Service websites or via the Commercial Service's domestic offices.

We found that the majority of CS Turkey's ISAs were not submitted in a timely manner and that some did not meet guidelines contained in the *CS Operations Manual*. Specifically, 2 of the 11 submitted did not include basic market statistics. We also found that CS Turkey produced 75 percent fewer IMIs in fiscal year 2002 than it had in the previous year.

ISAs were not timely and some did not meet Commercial Service guidelines

At the time of our August 2002, inquiry to Export Promotion Services (EPS), which coordinates ISA production worldwide for CS, the post had not submitted any of the 11 ISAs it had scheduled for fiscal year 2002, including one that the post chose to produce voluntarily. One ISA was nearly 9 months late. As shown in Table 4, by the end of the fiscal year, post did meet all of its ISA commitments with the majority of the reports submitted during the last 30 days of the fiscal year.

**Table 4: Status of Scheduled Industry Sector Analyses for Fiscal Year 2002
(as of August 2002)**

ISA	Due Date	Location	Status
Eco-Tourism	09/30/02	Istanbul	On time
Tourism Infrastructure	05/01/02	Ankara	4 months late
Heating, Ventilation Commercial Utility	12/31/01	Istanbul	8 months late
Vehicles	06/10/02	Izmir	2 months late
IT Trends	03/15/02	Ankara	5 months late
Defense	06/03/02	Ankara	3 months late
Energy	Voluntary-N/A	Ankara	Completed
Energy Resources	03/15/02	Ankara	6 months late
Radiology	09/02/02	Istanbul	On time
Renewable Energy	05/15/02	Ankara	3 months late
Safety, Security	09/16/02	Istanbul	On time

Source: Export Promotion Services, Commercial Service

Submitting so many ISA reports late is a poor management practice and raises concerns about management oversight and the post's ability to prioritize and handle its workload. More significantly, U.S. exporters, particularly small- and medium-sized firms, who rely heavily on ISAs, were deprived of important industry information about Turkey's markets throughout most of the fiscal year.

While CS Turkey produced several excellent ISAs in fiscal year 2002, we reviewed two on tourism that lacked basic statistics on total market size, market trends, import market, competition, etc. While useful information was provided in these reports, the reports were not very helpful to U.S. exporters making crucial decisions about the appropriateness of an industry sector for their particular products and services. In addition, U.S. exporters cannot make useful comparisons of different country markets without having the same basic statistics for those markets. For these reasons, the *CS Operations Manual* and EPS guidelines specify that all ISAs should contain the same market statistics as cited above. EPS indicated that if a post had difficulty finding market statistics on an industrial sector, it could target a subsector, which had more market information or select an entirely new industry sector after consulting with their office. The *Manual* further states that "the SCO is ultimately responsible for the [ISA] program at post, in close cooperation with the SCO's Regional Director in the Office of International Operations (OIO) . . ."

When asked about the problems with the post's ISA program, the former SCO indicated that he did not manage the program and was not aware of timeliness and quality issues. He said that he had delegated the responsibility to the commercial attaché in Ankara and the PCO in Istanbul. The former SCO did not know that the post had not submitted any of its ISA obligations at the time of his departure, which was less than two months before the end of the fiscal year. He could not explain why any of the ISA submissions were late. However, he did agree that the SCO is ultimately responsible for the ISA program per the *CS Operations Manual*. We note that the commercial attaché and PCO also have some responsibility for monitoring the post's ISAs, but the SCO is the one who should have ensured that the ISA program was working well. We are also concerned that OIO management was not aware that the ISAs were late and that the reports did not always meet standards.

The new SCO indicated that the post has selected more appropriate ISA topics for fiscal year 2003 and he has adopted a two-deadline approach for all ISAs. One half of ISAs will be due in December and the other half will be due in April of each fiscal year. In addition, he has changed the internal review process for ISAs. The commercial attaché in Ankara will now review and approve all ISAs (including those from Istanbul) to ensure consistency in quality. In addition, the SCO redistributed guidelines on writing ISAs to all staff via e-mail on October 10, 2002, per our recommendation. For fiscal year 2003, the current SCO has committed to producing 13 ISAs.

To correct the ISA problems at post, we recommend that (1) the SCO monitor the quality of ISAs and direct the commercial attaché and PCO in Istanbul to work more closely with FSN staff and provide mentoring to ensure consistent quality, (2) the Regional Director provide more management oversight of the post and better monitor its performance, and (3) the Commercial Service reiterate to the former SCO that it is his responsibility, as an SCO, to manage the post's ISA program per the *CS Operations Manual*.

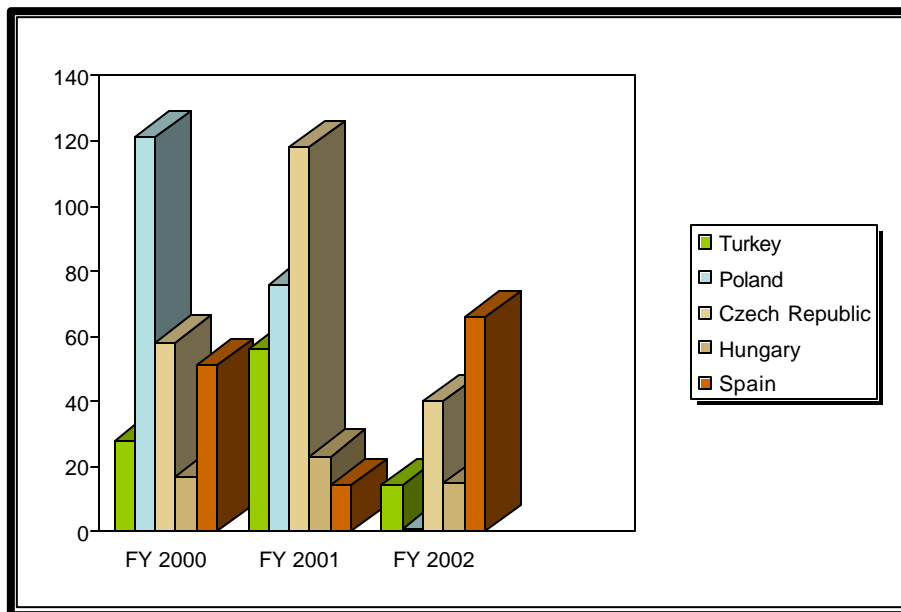


In response to our draft report, the Commercial Service agreed with our recommendations to mentor FSN staff and ensure consistency in the quality of all ISAs produced at post. In October 2002, the new SCO sent detailed guidance on writing ISAs to all CS Turkey staff. The PCO and commercial attaché will be held responsible for ensuring the quality and timeliness of ISAs, but ultimate responsibility for managing the post's ISA program will rest with the SCO. OIO/Europe will also monitor the number and timeliness of Commercial Service Turkey's ISAs. We believe that the actions taken or planned by the SCO and OIO/Europe will address our concerns.

Reporting on market developments through IMIs is poor

In fiscal year 2002, CS Turkey produced 14 IMIs,¹¹ down 75 percent from 2001. Ankara, which has two officers and five FSNs produced no IMIs; Istanbul with one officer and five FSNs produced 7, while Izmir with one FSN produced 5 IMIs. Compared to other posts in the region (as shown in Figure A), smaller posts with fewer officers and FSNs, such as the Czech Republic, are out producing Turkey.¹²

Figure A: CS Turkey’s IMI Reporting is Poor



Source: e-Menu, Commercial Service

Our review of the 14 complete IMIs produced by the post revealed that they are of high quality and contain useful information to U.S. exporters. However, the post should be producing more IMIs, particularly in light of on-going privatization efforts in key sectors, such as telecommunications and energy, which would be of great interest to U.S. exporters. While the *CS Operations Manual* does not set a frequency or quota for IMI submissions, we note that it does specify that one of the principal activities of post is “to develop marketing and commercial intelligence for dissemination to the U.S. business community” We emphasize that IMIs should contain timely market information, particularly useful to small- and medium-sized firms. Unlike ISAs, which have strict requirements, IMIs

¹¹ Commercial Service’s e-Menu lists 14 IMIs completed by CS Turkey in fiscal year 2002. But, the post indicates that just 12 complete IMIs were produced, as 2 IMIs were travel advisories.

¹² Specific posts that might offer a good comparison to CS Turkey were suggested to us by OIO and CS management.

are flexible and can be used in many ways to report items of commercial value to U.S. exporters. IMIs can also generate more interest in a host country if useful commercial information is conveyed.

The former SCO indicated that he did not manage the IMI program and was not aware that CS Turkey produced only 14 IMIs in fiscal year 2002. He could not explain why Ankara, which has two officers, including the SCO, and five FSNs, did not produce any IMIs in fiscal year 2002. The *CS Operations Manual* specifically states that “The SCO is ultimately responsible for the [IMI] program at post . . .” and that “SCOs are responsible for the quality of all IMIs.” We note that the commercial attaché in Ankara and the PCO in Istanbul should also have been monitoring the post’s production of IMIs, but the SCO has ultimate responsibility for the program.

The new SCO has set a post target of 150 IMIs for fiscal year 2003. He is requiring that each commercial specialist produce a minimum of two IMIs per month. In addition, the current SCO has distributed guidelines on writing IMIs via e-mail to all staff on October 10, 2002, per our recommendation.

To improve IMI reporting, we recommend that the SCO monitor the production of IMIs at post and work with the commercial attaché and PCO to ensure that all staff understand the IMI product, its importance, and that it can be used to report more than just major project opportunities. We recommend that the Regional Director for Europe monitor the post’s performance more closely and provide more management oversight to post. We also recommend that CS reiterate to the former SCO that he must manage a post’s IMI program, which is one of his responsibilities as SCO.



The Director General, in responding to our draft report, agreed with our recommendations. Specifically, the new SCO has directed the PCO and commercial attaché to work closely with the staff to provide guidance on writing quality IMIs. The SCO has also provided detailed guidance to the CS Turkey staff on how to write IMIs. The PCO and commercial attaché will be held responsible for ensuring the quality and timeliness of IMIs, but ultimate responsibility for managing the post’s IMI program will rest with the SCO. OIO/Europe will monitor the post’s products, including IMIs, to ensure that it meets its core product goals, as laid out in the post’s strategic plan. The actions taken or planned should address our concerns.

C. Market-driven products and services face serious decline

In fiscal year 2002, CS Turkey experienced major declines in the number of market-driven products and services, which include the Gold Key, ICPs, and IPS. Post also offers the Platinum Gold Key and Flexible Market Research service (see Appendix A for a description of these services), but no

customers ordered this service in fiscal year 2002. Gold Keys declined by 45 percent (versus a decline of 25 percent Europe-wide); ICPs declined by 64 percent (versus an increase of 14 percent Europe-wide); and IPS declined by 80 percent (versus an increase of 35 percent Europe-wide). Compared to other posts, Turkey experienced the most severe declines with the exception of Hungary for the IPS service.

Table 5: CS Turkey Products and Services Compared to Those of Other Posts

Country	Gold Key FY 01	Gold Key FY 02	Change	IPS FY 01	IPS FY 02	Change	ICP FY 01	ICP FY 02	Change
Turkey	11	6	-45%	5	1	-80%	14	5	-64%
Poland	20	26	+30%	6	4	-33%	1	5	+400%
Czech R.	11	26	+136%	3	2	-33%	0	3	+300%
Hungary	15	19	+27%	5	0	-100%	0	1	+100%
Spain	26	22	-15%	10	4	-60%	0	0	-
Europe	385	287	-25%	139	90	-35%	36	41	+14%

Source: e-Menu, Commercial Service

Many factors may account for the serious decline of market-driven products and services at post, including the state of the Turkish economy, effects of September 11, 2001, and declining interest in doing business in the region because of regional conflicts with Iraq, Iran, and others. However, the post does have a role to play in marketing its products and services. One of the most effective vehicles to promote CS Turkey's products and services is through consistent and timely reporting of market developments and commercial opportunities and making available high-quality market research products on industrial sectors. We note that in fiscal year 2002, the post did not provide much timely market information or market research to generate much interest in Turkey's markets. However, the post was active in several outreach events, such as the Appalachian Turkish Trade Project, the annual conference of the American Turkish Council, the energy sector of Showcase Europe, Afghan reconstruction, and many other events. These events were mostly targeted at U.S. firms (large and small) already in the region.

To generate more interest in the Turkish market, the post will have to work much harder and more creatively on outreach. CS Turkey will likely be aided in this endeavor by an economy, which is recovering, a young and growing population with more than 50 percent under the age of 25, and a vibrant underground economy, which accounts for as much as 30 to 40 percent of GNI. Thus, we recommend that the SCO closely monitor the number of products and services ordered by customers and consider additional outreach events, which target small- and medium-sized firms, to generate interest in the post's products and services, if necessary.



In response to our draft report, the Commercial Service agreed with our recommendations to monitor the number of products and services ordered by customers and consider additional outreach events. The SCO is in the process of initiating a direct marketing campaign, using the BuyUSA.com database, to be launched no later than March 30, 2003. In addition, the SCO is developing several outreach events that will target small- and medium-sized firms. While the Commercial Service's actions appear to meet the intent of our recommendations, we look forward to seeing details of the outreach program in the Commercial Service's action plan.

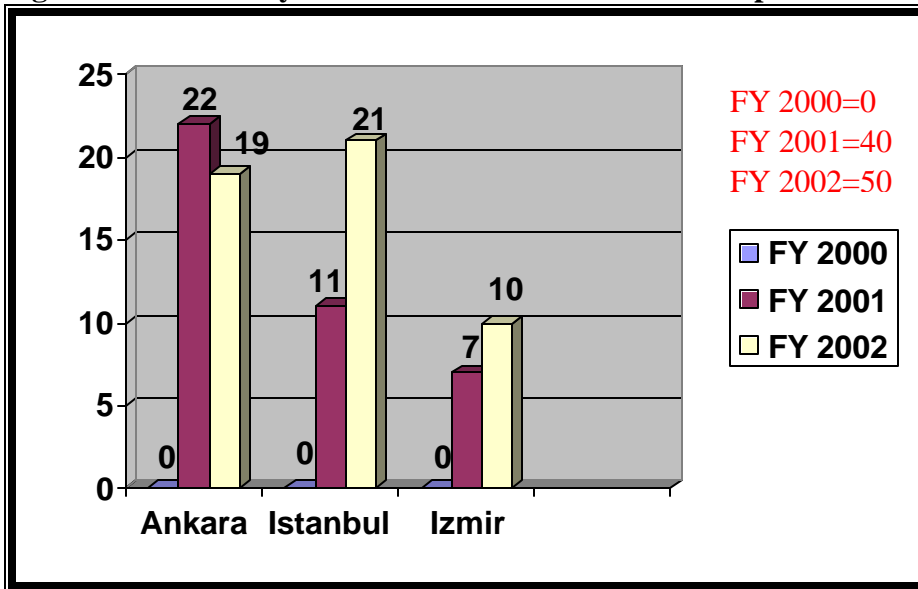
D. Export successes need better management review

Our review revealed that in the past, CS Turkey has experienced serious problems with reporting export successes, verification of export successes, and the capture of export successes. In fiscal year 1999, just one export success was reported; in fiscal year 2000, no export successes were reported. According to the former SCO, the post did have export successes in these years, but it just did not report them. In fiscal years 2001 and 2002, 40 and 50 export successes were reported respectively, after the former SCO realized, following his attendance at the regional SCO conference for Europe in Budapest in 2001, that the reporting of export successes is a top management priority. In reviewing a sample of the fiscal year 2002, export successes to assess quality and accuracy, we found that 8 of the 27 successes we reviewed were inaccurate—with problems ranging from overstated values to questions about the extent of CS Turkey's involvement in the export action. Finally, we found that the post's many initiatives, particularly trade events, did not result in many export successes in fiscal year 2002. Of the 50 export successes reported by post in fiscal year 2002, only 5 were generated as a result of trade events or other initiatives. We believe that the post can train FSN staff to more effectively capture export successes. In addition, the post should reevaluate its trade events schedule and consider pulling out of events that do not generate export successes.

Post's performance on export successes has been inconsistent

As shown in Figure B, in fiscal year 2002, CS Turkey increased the number of its export successes by 25 percent from the previous year. This is commendable. However, the post had no export successes in fiscal year 2000 (and only one export success in fiscal year 1999). We note that Izmir, which is a one FSN office, produced 20 percent of the export successes in FY 2002.

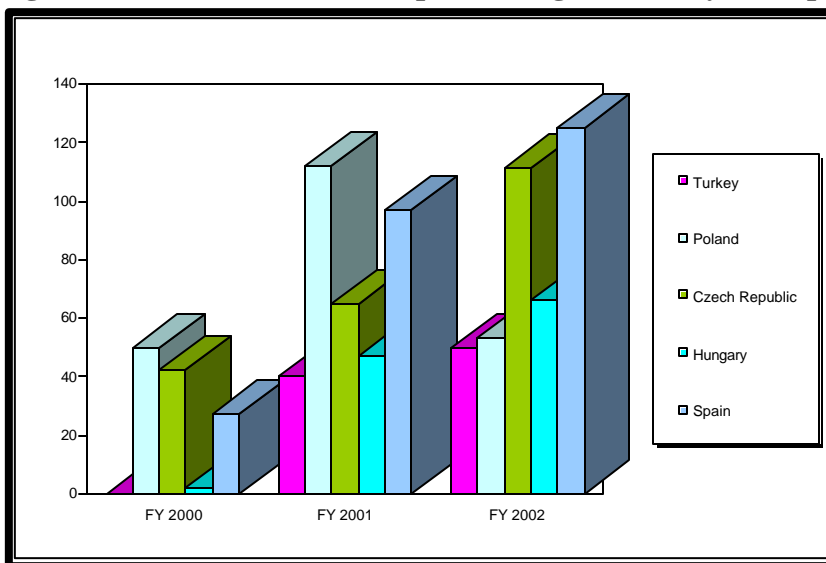
Figure B: CS Turkey's Inconsistent Performance on Export Successes



Source: e-Menu, Commercial Service

The post's poor performance in fiscal years 1999 and 2000 is disturbing, particularly since U.S. exports to Turkey reached their all-time high in 2000. In addition, the post generated 40 export successes in 2001, while Turkey experienced its worst economic crisis since World War II and increased this figure by 25 percent in 2002.

Figure C: Other Posts Are Outperforming CS Turkey on Export Successes



Source: E-Menu, Commercial Service

In addition, CS Turkey may be under performing in generating export successes compared to other similarly sized posts, as shown in Figure C and Table 6. We note that posts with fewer officers and FSN staff, less U.S. exports and smaller economies, such as the Czech Republic and Hungary, all outperformed CS Turkey in the last two years. While Turkey has the lowest GNI per capita of all posts compared, it also has one of the largest young and growing populations.

When asked about the post's performance in fiscal year 2000, the former SCO indicated that he understood that export successes were a management priority. However, since there are many management priorities from Washington, he said that he was not clear where export successes ranked among those priorities. He further stated that it was not until he attended the 2001 regional SCO conference that he ascertained that export successes were a top management priority. Thus, he did not report any export successes he might have had in 2000, nor did he make a concerted effort to harvest export successes. This is troubling because the Commercial Service uses export successes as one of its primary measures of performance and defends its budget requests to Congress based in part on these measures. Given his number of years in the Commercial Service, the former SCO's reply is surprising. We also note that the commercial attaché and PCO do have a role in reviewing export successes, but based on our review, we found that they also did not make export successes a priority.

Table 6: CS Turkey Performance Versus That of Other Posts

Country	Export Successes 2002 (change from 2001)	Staffing	US Exports 2001 (\$ in millions)	GNI 2001 (\$ in billions)	GNI Per Capita (\$)	Population (millions)	Adjusted OIO Resource Allocation Model	Cost Benefit Model
Turkey	50 (+25%)	3 CO/11 FSNs	3,094.6	168.3	2,540	67.8	3 rd Quintile	4 th Quintile
EUR	1934 (+7.4%)							
Poland	50 (-55.4%)	3 CO/7 FSNs	787.8	163.9	4,240	38.7	3 rd Quintile	2 nd Quintile
Czech Republic	111 (+70.8%)	2 CO/5 FSNs	706.1	54.1	5,270	10.3	4 th Quintile	2 nd Quintile
Hungary	66 (+40.4%)	2 CO/6 FSNs	685.5	48.9	4,800	10.2	5 th Quintile	4 th Quintile
Spain	125 (+28.9%)	3 CO/14 FSNs	5,756	586.9	14,860	39.5	2 nd Quintile	3 rd Quintile

Source: E-Menu, U.S. Census, World Bank Statistics, Commercial Service Staffing Pattern, Commercial Service Performance Data, 2000

Note: Adjusted OIO Resource Allocation Model is where the post should be performing. The cost benefit model is where the post is actually performing. Those in the first quintile are the highest performers.

The current SCO has indicated that export successes are his highest priority and that he is aligning all of the post's activities to capture as many export successes as possible. Even so, we recommend that the SCO closely monitor the post's performance on export successes and that the Regional Director for Europe provide more scrutiny over the post's performance, particularly in light of the importance of export successes to the Commercial Service. We also recommend that CS management ensure that the former SCO understands post responsibilities and objectives, including the importance of export successes. We suggest that both the Regional Director for Europe and the Regional Director covering the area of the former SCO's next posting spend time with him to identify and address those weaknesses that might adversely affect his ability to effectively and efficiently manage subsequent posts.



The Director General's response to our draft report stated that the Commercial Service agreed with our recommendation and has taken steps to strengthen management oversight of CS Turkey's export successes. Specifically, the Regional Director for Europe sent the latest export success criteria to CS Turkey and discussed with the SCO and PCO the need for strict application of headquarters' criteria. In addition, the response states that the Regional Director read every export success for his region in fiscal year 2002 and took corrective action on several export successes with the assistance of the OIO Europe staff. We recognize that this was no small undertaking given the number of countries that the Regional Director must supervise. However, our review indicated that these actions were not enough to ensure the accuracy of export successes in Turkey. In its action plan, the Commercial Service management needs to outline what additional steps can be taken to ensure the integrity of this most critical performance measure.

The Commercial Service's response to our recommendation regarding counseling and training for the former SCO is discussed on page 24.

Some export successes are problematic

Our survey of 27 randomly selected export successes (nine for each location in Ankara, Istanbul, and Izmir) in fiscal year 2002 revealed that 8, or nearly 30 percent, of the export successes are problematic. The *CS Operations Manual* describes export successes as:

- An actual verifiable export sale – shipment of goods or delivery of services.
- The legally binding signing of an agreement, including agent/distributor, representation, joint venture, strategic alliance, licensing, and franchising or the signing of a contract by the client, with sales expected in the future.¹³

¹³ The signing of a contract and an export sale immediately thereafter (within three months), related to the same contract, must be reported as a single export success.

- Resolution of a trade complaint or dispute on behalf of the client—avoiding harm or loss.
- Removal of a market access barrier, including standards, regulations, testing and certification—opening a market for U.S. firms.

We found that in five instances post reported anticipated or expected sales for export value rather than actual sales as required in *the CS Operations Manual* and OIO guidelines. The *Operations Manual* specifically states that “projected or anticipated sales, etc. are not allowed on the dollar value line of the report as the sales have not yet been consummated.” Post agreed that all five export successes that we questioned contained incorrect dollar values.

Post officials added that most of their information is obtained from Turkish importers rather than the U.S. exporter. While it is easier to work directly with the Turkish importer, we emphasize that the customer is the U.S. exporter and not the Turkish importer. As such, all information should be verified with the U.S. client.

We also found that an additional three export successes we reviewed are questionable for reasons other than problems with reporting anticipated or expected sales rather than actual sales. The first instance involved visa assistance requested by a U.S. exporter through a CS domestic office. The U.S. exporter was trying to obtain U.S. visas for its Turkish customers to travel to the United States for training. The post successfully facilitated the visas and then reported an export success worth \$500,000. But, the U.S. company indicated to us that the sale of equipment, worth \$500,000, had been made prior to the request for visa assistance and that the sale was not contingent on the issuance of the visas to its customers. Training could have been arranged on site in Turkey.

Post agrees that the dollar value for this export success should have been zero, but they still believe it is a legitimate export success. We disagree. While CS Turkey was clearly helpful to the U.S. exporter, its assistance has not resulted in any sales, future sales, agreements signed, etc., at this time. Sales may result in the future, but not at the time the export success was reported. Post officials indicated that they obtained this visa assistance request from the St. Louis U.S. Export Assistance Center, which may also have inaccurately reported it as an export success.

The second questionable export success in this category was reported as a \$600,000 sale. According to the U.S. exporter, the amount should have been \$60,000. In addition, they indicated that they have had a long-standing relationship with the Turkish customer for nearly 15 years and that as long as they keep their prices reasonable, this customer continues to buy from them. They emphasize that they had no contact with the Commercial Service domestic office or CS Turkey with regard to this transaction.

Post indicated that the extra zero was a typographical error, and the correct amount is \$60,000. But, despite the U.S. company’s remarks, they still believe that they have a legitimate export success

because of the counseling and support provided to the Turkish importer. As a result of their efforts, post officials maintain that the Turkish importer placed an order with the U.S. exporter. We do not doubt that the post has been assisting the Turkish importer and that its assistance has resulted in export successes. However, we do not believe that this particular export success was due to the post's efforts given the background provided by the U.S. company.

The third questionable export success was reported as a contract signing, which generated a \$25,000 royalty payment. Post incorrectly reported this export success as being generated by a division of a U.S. company that the post had assisted during a trade mission. In fact, the payment was received by another division of the same company and according to the company, neither the post nor the Commercial Service domestic office contributed to the reported export success. Ironically, the post's efforts did result in an export success (the signing of a letter of intent) for the company's division that the post did assist, but CS Turkey reported the wrong export success. This confusion resulted from the post's over dependence on Turkish sources for export success information and poor due diligence by post to verify export successes. Post officials concurred that the export success they reported was incorrect.

CS Turkey's reporting of projected or anticipated sales and questionable export successes resulted in an overclaim in excess of \$1.6 million in fiscal year 2002, as shown in Table 7 on the next page. In addition, several narratives of export successes we examined contained typographical errors or needed editing for content and ease of reading. We believe that these discrepancies and quality control problems occurred because (1) post staff did not always adhere to *CS Operations Manual* guidelines for performance reporting and (2) there was a lack of management oversight by the SCO and the Regional Director for Europe. The *Manual* states that "SCOs are responsible for providing quality control for performance reporting." It also states under Washington responsibilities that "Office Directors spot-check Export Success reports. . . .", which the Regional Director for Europe says that he did for the fiscal year 2002 export successes in his region.

Table 7: CS Turkey’s Problematic Export Successes

<i>Export Success</i>	<i>Claimed</i>	<i>Actual</i>	<i>Legitimate Export Successes</i>	<i>Discrepancy</i>
<i>Ankara</i>	<i>\$400K</i>	<i>\$0</i>	<i>Yes</i>	<i>\$400K</i>
<i>Istanbul</i>	<i>\$80K</i>	<i>\$36,725</i>	<i>Yes</i>	<i>\$43,275</i>
<i>Istanbul</i>	<i>\$80K</i>	<i>\$39,761</i>	<i>Yes</i>	<i>\$40,239</i>
<i>Istanbul</i>	<i>\$25K</i>	<i>\$0</i>	<i>No</i>	<i>\$25K</i>
<i>Istanbul</i>	<i>\$500K</i>	<i>\$0</i>	<i>No*</i>	<i>\$500K</i>
<i>Izmir</i>	<i>\$6K</i>	<i>\$1,203</i>	<i>Yes</i>	<i>\$4,797</i>
<i>Izmir</i>	<i>\$20K</i>	<i>\$2-3K</i>	<i>Yes</i>	<i>\$17K</i>
<i>Izmir</i>	<i>\$600K</i>	<i>\$0*</i>	<i>No*</i>	<i>\$600K</i>
Total	\$1,745,690	\$81,689		\$1,664,001

Source: Commercial Service’s Client Management System export success database

* The post disagrees with our conclusion on these points. See report text for more information.

When asked about the problems we found, the former SCO said that he had not been managing the export success program. At the time, he believed that it was more important to spend his time on counseling companies than reporting on past activities. He understands that he is responsible for the quality of export successes. He indicated that he should have paid more attention to the program, but was too busy to do so. We note that the commercial attaché and PCO could have helped the SCO review export successes, but that post priorities and management oversight are the responsibility of the SCO. Finally, the Commercial Service also has a contractor who is responsible for verifying the accuracy of export successes, but given the number of problematic export successes we found, the contractor may not be doing an effective job of reviewing export successes.

We recommend that the new SCO read, review, and approve each export success and require appropriate due diligence in reporting of export successes. This includes verifying export successes with the U.S. company and not just the Turkish importer, distributor, or partner. We reiterate that the customer is the U.S. exporter, not the Turkish party. We also recommend that the Commercial Service revise its *Operations Manual* to explicitly state that all export successes must be verified with the U.S. client. The Regional Director’s office must also provide further management oversight of export successes. In addition, we recommend that the contractor hired by the Commercial Service to review export successes take random samples of export successes (not just those that look suspect) on a periodic basis to help ensure the accuracy of export successes. To correct the accuracy of the export success database for CS Turkey, we recommend that it be revised to reflect our findings.



For CS Turkey, the Commercial Service agreed with our recommendation that the post should verify all export successes with the U.S. exporters. Effective January 1, 2003, the post will confirm all export successes with the American firms. Further, the new SCO has instituted procedures whereby he reviews and approves all export successes. With regard to CS Turkey, the SCO's actions meet the intent of our recommendation.

The Commercial Service's response to our draft report stated that the Office of Planning is considering our recommendation that the *CS Operations Manual* explicitly state that all export successes must be confirmed with the U.S. client. Given the extent of discrepancies in CS Turkey's export success reports as discussed in this report, the Commercial Service should consider adopting additional measures to ensure the integrity of export successes. One of the best ways to do this is to verify export successes with the U.S. client. While the process is time consuming, it is a necessary step, which can be integrated into the client follow-up work required of the post, as already called for in the *CS Operations Manual*. We request that the Commercial Service provide an update on actions taken to address this recommendation in its action plan.

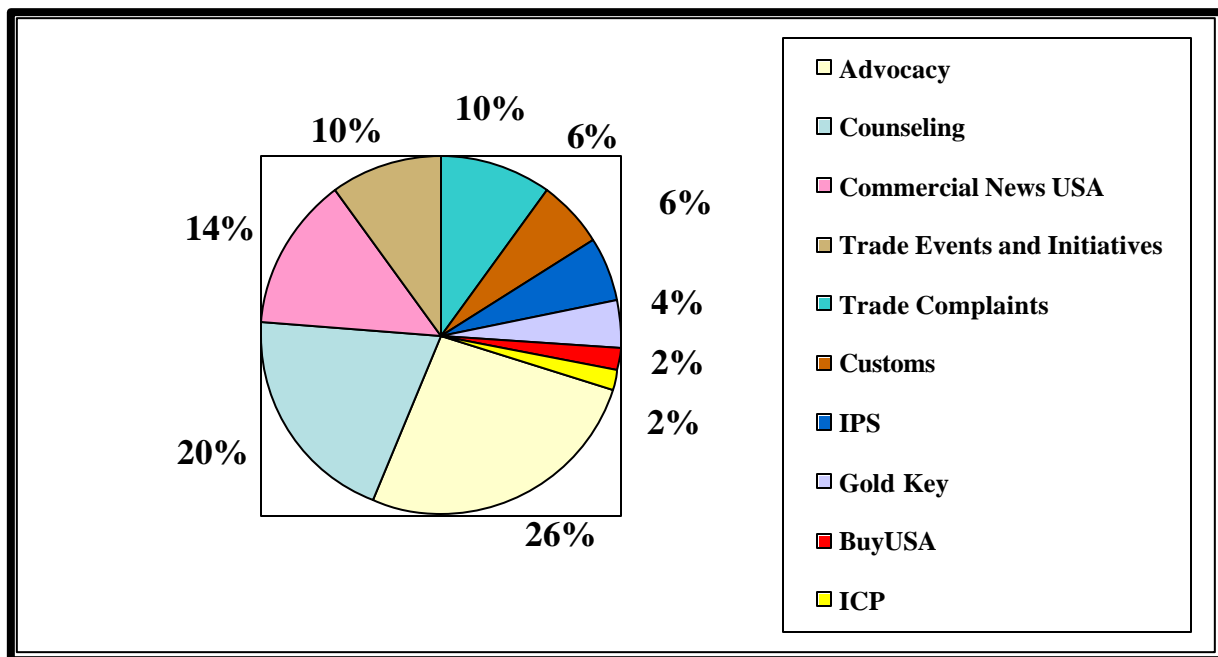
The Commercial Service agreed with our recommendation suggesting that the contractor hired to review export successes (a very positive step by the Commercial Service) take random samples of export successes to verify their accuracy. Management has requested quarterly reports of her findings. The Service clearly recognizes the importance of maintaining the integrity of export successes, which are reported to Congress. We must emphasize, however, that the Commercial Service should not rely solely on the work of the contractor. The quality of the contractor's work must also be reviewed. Our review of export successes in Turkey revealed serious problems, even though these export successes had been reviewed by the contractor. Of the 27 export successes reported by CS Turkey in fiscal year 2002, 8 or nearly 30 percent were problematic with 95 percent of the dollar value of the post's export successes in question. We believe these figures are too high. In addition to efforts undertaken by the Regional Director for Europe and the contractor, the Commercial Service must consider taking additional measures to ensure the integrity of export successes. For instance, mandate that export successes be verified with the U.S. client as part of the follow-up procedures required of post in the *CS Operations Manual*, as we recommended. We request that the Commercial Service's action plan address these concerns.

Finally, the Commercial Service has updated its export success database to reflect our findings. We have confirmed that the updates are in place. The Commercial Service's action meets the intent of our recommendation.

More export successes should be generated from post's events and initiatives

CS Turkey is an active post with many trade promotion activities and initiatives. As noted above, it is the lead coordinator on the energy sector for "Showcase Europe" and is active in several trade events and initiatives, including the Appalachian Turkish Trade Project and American Turkish Council events. We noted that the post's many initiatives, particularly trade events, did not result in many export successes in fiscal year 2002. We reviewed the narratives of the 50 export successes reported by post in fiscal year 2002 and identified only five export successes (or 10 percent of total successes), which were generated from post participation in trade events and initiatives, as shown in Figure D. The total dollar value of these export successes is \$35,600, with one export success (worth \$25,000) being questioned in the previous section. Compared to the time, effort, and monies spent on these initiatives, post should be capturing more export successes. We fully understand that export successes take time and sometimes results of the post's efforts will not be realized for years. However, we also note that the post is reporting export successes generated by efforts from previous years.

Figure D: CS Turkey's Activities Generating Export Successes in Fiscal Year 2002



Source: CMS Export Success Database, Commercial Service

To maximize opportunities to generate and capture export successes, we recommend that the post reevaluate its trade promotion program to better balance the time and resources devoted to trade events and initiatives, including those that are mandatory, which do not result in export successes. The post must participate in mandatory events, such as the Appalachian Turkish Trade Project and some

Showcase Europe events. However, its level of involvement should be balanced with the needs of mainstay programs, including core products and services, which generate export successes. In addition, the SCO should commit more time to mentor the commercial attaché and PCO, so they in turn can train their FSN staff to more effectively capture export successes from trade events and initiatives. We believe that many more export successes could be captured if FSN staff received additional training and coaching. For instance, emphasis should be placed on improving follow-up on trade events by FSN staff. The business community and multipliers praised the post for its handling of several high-profile events in fiscal year 2002 including the Appalachian Turkish Trade Project Conference and the “PowerGen Europe” trade show, which is a Showcase Europe event. However, very few export successes were generated from these events. Given the reported success of these events, we believe that some export successes may not have been captured because of either inadequate training of FSNs or inadequate follow-up with participating companies. Finally, the post should not hesitate from withdrawing from trade events that do not produce export successes and are no longer appropriate for the market.



In response to our draft report, the Commercial Service agreed with our recommendations to reevaluate CS Turkey’s trade promotion program. Under the new fiscal year 2003 Strategic Commercial Plan, the post will target only products and services that result in export successes. The SCO will monitor progress during the course of the year and make any adjustments that may be required. We believe the actions taken or planned will address our concerns.

III. Financial Operations and Administrative Matters Are Generally in Order, but Some Problematic Areas Need to be Addressed

In general, we found that many of CS Turkey's financial management and administrative operations that we reviewed were functioning effectively. Specifically, assets were accounted for and appropriately used. Collections, inventory, time and attendance records, budget, and procurements were properly managed. Much of the credit for the sound financial management and administrative operations that we reviewed at post has to go to the two administrative assistants, one in Ankara and one in Istanbul, who are dedicated to running a smooth operation. While they have taken some formal training for their positions, much of their expertise has been gained "on the job" by being organized, attentive, and seeking guidance from headquarters when something is not clear.

Nevertheless, some key administrative and financial management areas need to be addressed. Representation funds were used for parties that appeared to be of a personal nature as well as bulk alcohol purchases, not allocated to specific events, contrary to Commercial Service guidelines. Motor vehicle usage also did not appear to comply with regulations. Specifically, some personal use of the vehicles occurred, but the vehicle logs were not adequately completed to enable us to determine the extent of such use. We also learned that supervisors were unaware that an officer was delinquent in paying a government-issued travel card by nearly five months, resulting in the card being cancelled. In addition, we found problems with the petty cash fund in Izmir that require better oversight by the SCO and commercial attaché. Finally, the post is effectively managing its use of the State Department's support services, International Cooperative Administrative Support Services (ICASS). Specifically, in recent years, the post has reduced both its usage of ICASS and the number of ICASS services it is participating in. However, we were able to identify a few categories where cuts could be made to further reduce ICASS costs.

A. CS guidelines for representation funds were not always followed

Commercial Service guidelines were not always followed for the use of representation funds during fiscal years 2001 and 2002. Specifically, most of the \$7,900 in representation funds was used for various parties that appear not to be of an official nature and bulk alcohol purchases, which were not allocated to specific events, as required by Commercial Service guidelines, as well as four farewell parties for departing staffers, which are discouraged by the guidelines. Representation funds are expressly limited by Congress and are to be used for official overseas entertainment that furthers ITA's mission objectives. Commercial Service guidelines require that there must be a clear demonstration that representation fund expenditures directly promote U.S. foreign policy interests and are not for personal recreation. Further, the guidelines state that employees should know the difference between "social entertaining" and "official representation."

The *Foreign Affairs Manual* and the *CS Operations Manual* provide guidance on the use of representation funds to be followed by personnel. In general:

- The U.S. presence, official and private, should be less than half the total guest list. In addition, representation events should reflect a good amount of host country or foreign guests in attendance. As a target, 50 percent of the guest list should consist of foreign nationals,
- Smaller events are preferable to larger ones,
- Expenditure of representation funds on gifts for departing colleagues or contacts is not an effective use of funds,
- The cost of bulk liquor purchases cannot be claimed in lump sum but must be allocated to specific representational events,
- Representation funds are not to be used to maintain morale by providing hospitality for Commercial Service staff, and
- Repetitive entertainment of the same individuals should be avoided.

In addition to the aforementioned guidelines, on February 1, 2000, the Deputy Assistant Secretary for International Operations at the time, sent an e-mail to all Commercial Service employees, that included “standard practices” that every Commercial Service employee overseas should make part of standard operating procedure. This e-mail specifies that the purpose of representation funds should be to develop new contacts and deepen existing relationships, rather than to say goodbye to departing employees.

CS Turkey’s representation budget for fiscal year 2001 was \$3,500. Of that amount, we identified \$2,257, or 64 percent, that we believe was not spent properly or in accordance with Commercial Service guidance. For example, two farewell parties were hosted for departing staffers. On April 18, 2001, approximately \$500 was spent on a farewell reception for the departing PCO in Istanbul, and on September 25, 2001, a farewell reception for a retiring FSN was held, costing nearly \$700. Lastly, on October 24, 2000, and September 29, 2001, two bulk purchases of alcohol were made, which totaled \$1057. This practice is not allowed under Commercial Service guidelines unless the liquor purchased is allocated to specific representational events, which did not occur.

CS Turkey’s representation budget for fiscal year 2002 was increased to \$4,400. Of that amount, we identified \$2,399, or 54 percent, that does not appear to have been spent in accordance with Commercial Service guidance. Specifically, on April 6, 2002, a Commercial Service officer and his wife hosted a reception at their residence, which cost over \$1,600. The invitations for the event made no mention of the host’s official position, the Commercial Service, or the U.S. embassy—they simply stated the officer’s name and his wife’s name as the host and hostess. According to the guest list submitted, only 29 of the 74 guests, or 39 percent, were Turkish. The remaining guests consisted of American embassy employees, Commercial Service staff, and foreign diplomats from other embassies.

Generally, foreign diplomats are not invited to official receptions with key contacts because of the risk of sharing crucial government contacts with competitors. Usually, the only function where foreign diplomats are invited to attend are welcome receptions to introduce new Commercial Service officers to the local diplomatic community. In discussions with us about this event, the Commercial Service officer who hosted the event felt that it was a very effective and appropriate use of representation funds.

Representation funds were also used to host two farewell receptions in 2002. These parties cost a total of \$778. While the use of representation funds for farewell parties is discouraged by the guidelines set forth in the *CS Operations Manual*, the e-mail from the former Deputy Assistant Secretary for International Operations in February 2000, specified that the purpose of representation funds should be to develop new contacts and deepen existing relationships, rather than to say goodbye to departing employees.

To correct these deficiencies, we recommend that the Commercial Service determine whether representation funds were misused and take appropriate action.

Lastly, our review revealed some inconsistencies and confusion surrounding the Commercial Service's guidelines governing the appropriate use of representation funds. For example, although Commercial Service officers are aware that the 50-percent rule on invitees refers to host country guests, the *CS Operations Manual* does not explicitly state this fact and leaves room for misinterpretation. We understand that there might need to be some exceptions to this rule, such as for welcome receptions, etc., but these exceptions need to be clearly set forth in the *Manual*. Thus, we recommend that the *CS Operations Manual* be updated and clarified to more clearly reflect the Commercial Service's representation fund policies, particularly with regard to the 50-percent rule and the use of representation funds for farewell parties, so that there is no confusion or room for misinterpretation. Any changes in policy regarding proper and improper use of these funds should be sent out as a directive to all SCOs.



The Assistant Secretary and Director General of the U.S. and Foreign Commercial Service's response to our draft report stated that information about the representation events identified in our report will be reviewed.

In response to our finding about the lack of clarity and inconsistencies in the policy on the use of representation funds in the *CS Operations Manual*, the Director General stated that the Office of Planning is currently editing and updating the *Manual* to include the changes recommended in our report. In addition, the Director General indicated that the Deputy Assistant Secretary for International Operations is finalizing a memo to all Commercial Service officers to remind them of their responsibilities regarding the proper use of representation funds. While we have not reviewed the proposed changes to

the *CS Operations Manual* or the memo to the officers, we believe that these steps should be responsive to our recommendation, especially if the new policy clarifies the 50 percent foreign national rule and other ambiguities in the current policy. We request that the Commercial Service provide a copy of these documents with its action plan in response to the final report.

B. Motor vehicle usage did not comply with CS policies

At the time of our visit, CS Turkey had three government-owned vehicles, with a fourth vehicle expected to arrive shortly after our departure. Two are located in Ankara and one in Istanbul. The new vehicle will be going to Istanbul. We reviewed the vehicle logs in both locations to ensure that the vehicles were being used appropriately and in accordance with all applicable policies and regulations.

In Ankara, while the logs meticulously tracked the odometer readings, as well as the points of departure and destination, the logs did not include dates. Further, although the logs listed all trips as official usage, some trips appeared to be of a personal nature. For example, the log includes several trips to a Turkish home furnishings store, as well as numerous trips (sometimes two trips in the same day) between the embassy and an officer's residence.¹⁴

In Istanbul, contrary to Commercial Service policy, there was no vehicle log maintained until mid-July 2002, two months before our visit. Prior to July, a log was kept only for about one month in August 2001, at the Regional Director for Europe's direction. Based on our review of the limited logs, vehicle usage in Istanbul appears appropriate.

The vehicle logs used during fiscal years 2001 and 2002, in both Ankara and Istanbul, gave the driver—not the passenger—the responsibility to certify whether the car usage was official or personal. This puts the Commercial Service drivers in the difficult position of having to ascertain whether a trip by their superiors is official. We believe that this is not an effective internal control.

Title 31 of the United States Code, Section 1344 (a) prohibits the use of a government-owned or leased vehicle for other than official purposes. With rare exceptions, the term "official purposes" specifically excludes transportation of officers or employees between their places of residence and place of employment, or any other place of business. The *CS Operations Manual* also expressly prohibits any personal use of a Commercial Service vehicle unless highly unusual circumstances present a clear and present danger, an emergency exists, or when other compelling operational considerations make such transportation essential to the conduct of official business. In addition, according to Department Administrative Order 202-751, the penalty for the use of or allowing the use of government motor

¹⁴ While dates were not included in the logs, the logs specifically stated departure and destination as "embassy to residence two times" as one entry.

vehicles for other than official purposes ranges from a mandatory 30-day suspension for the first offense to removal. The Order also states that each situation shall be considered on its own merits.

We reviewed the mission's vehicle usage policy that was effective during the period of our review and found that it did not cite any exceptions to the standard regulations. The *CS Operations Manual* also states that the SCO and PCO have the following responsibilities for government-owned vehicles:

- Adherence to post policy for authorized use as established by the Chief of Mission,
- Maintenance of the Daily Use Record (vehicle usage log),
- Preparation and submission of annual vehicle inventory,
- Vehicle maintenance and repairs and safety inspections, and
- Coordination of vehicle replacement and disposal with HQ and post personnel.

Moreover, the *CS Operations Manual* differentiates between appropriate and inappropriate use of drivers. Specifically, appropriate use of drivers includes:

- Transportation of officers and staff to official business functions,
- Courier service for official trips of Commercial Service personnel,
- Airport/hotel pickup when local transportation is not safe or appropriate, and
- Transportation of temporary duty personnel when local transportation is not safe or appropriate.

Inappropriate use of drivers includes transportation between office and residence or vice versa, usage outside of normal business hours, for personal use, and use by dependents.

To ensure compliance with law and Commercial Service policy, we recommend that the vehicle logs in Ankara be reviewed to determine whether usage was in accordance with government policies. If not, the Service should take appropriate action. In addition, the Commercial Service should reiterate to all SCOs its policy on the use of government-owned vehicles, including the prohibition of personal use and maintenance of an accurate and complete vehicle log. Finally, the Commercial Service needs to ensure that its policies are consistently followed.

Based on our discussions while at post, the new SCO has taken steps to ensure that vehicle logs are properly maintained for all vehicles in both Ankara and Istanbul. He has approved use of a new log that includes dates and requires the passenger—not the driver—to certify whether the usage is official or personal. A log is to be completed for each vehicle on a daily basis, and the SCO and PCO will review the logs periodically to ensure that they are being accurately completed, as required by Commercial Service policy.

Finally, since the end of our fieldwork, Istanbul received its new vehicle. The older car in Istanbul, a Ford Explorer, appears to be having some maintenance problems. The PCO stated that she would like to keep both cars because of the many visitors to Istanbul, and to haul luggage so the new vehicle can remain in good condition. We suggested that the current SCO and PCO review the costs associated with keeping the older vehicle, determine whether it was necessary to maintain two vehicles in Istanbul, and surplus or transfer the vehicle to another post or agency if keeping it cannot be justified.



In responding to our draft report, the Director General stated the Service is reviewing the vehicle logs to determine whether usage was official or personal. We ask that the Commercial Service advise us of any actions taken in this matter.

With regard to our recommendation to remind SCOs and PCOs of the policies governing use of government-owned vehicles, the Director General stated that assurance that official vehicles are not being used for personal use is included in the SCO Administrative Certification, a new tool that OIO management implemented in early fiscal year 2003, to help SCOs better manage their posts. She also stated that the Regional Director for Europe and the Deputy Assistant Secretary for International Operations have emphasized via emails to Commercial Service Turkey, as well as all Europe posts, how important it is to adhere to Commercial Service policies, and reiterated the official vehicle usage policy. Additionally, the Deputy Assistant Secretary for International Operations will include this subject in the series of administrative reminders that are sent to all officers and posted on the Commercial Service intranet website. We believe that the Commercial Service's actions, as outlined in its response, are responsive to our recommendation.

As far as maintaining complete vehicle logs in Turkey, the Commercial Service's response to the draft report stated that the new SCO has already implemented this recommendation in Ankara and Istanbul. And, finally, the Commercial Service agreed with our recommendation to review the costs associated with keeping the Ford Explorer in Istanbul and stated that, as a result, post will either transfer the second vehicle to another agency or sell it in Istanbul as soon as the formalities are completed.

C. Travel card statements need to be sent to the appropriate supervisors

As part of our inspection, we reviewed all of the government-issued travel card records for the American officers at post and determined whether they had followed established procedures for the travel card program. All officers were current on their travel card payments at that time. However, one officer had not paid a travel card bill of over \$13,000, for a period of nearly five months in 2002, and as a result, the officer's travel card was cancelled in July 2002. The delinquent charges were paid in three payments between July and September 2002.

We also found that the officer's supervisors were unaware of the delinquency and had not followed the ITA policy, which prescribes specific penalties for travel cardholders who are delinquent in paying their accounts. Clearly it is important for direct supervisors to be aware of such infractions so that they may work with the employee to ensure bills are paid in a timely manner. While ITA administrative staff in Washington, DC, were aware of the infraction and notified Commercial Service top management, this information did not get to the officer's immediate supervisors. To correct this problem, we recommend that the Commercial Service work with ITA staff responsible for overseeing the travel card program to ensure that notices of non-payment of travel card charges are sent to the officers' immediate supervisors, including the appropriate Regional Director and, for PCOs and other junior officers, also the SCO.



In her response to our draft report, the Director General stated that the Regional Director for Europe sent a Europe-wide message to all commercial officers on December 20, 2002, outlining the Federal Travel Regulations and the penalties involved for cardholders who are delinquent in making payments to their Citibank travel card account.

With regard to our recommendation on ensuring that delinquent travel card notices are sent to the appropriate supervisors, the Director General stated that OIO now has an agreement with the Office of Organization and Management Support to give the Deputy Assistant Secretary for International Operations and all four Regional Directors a copy of the delinquent officers' travel card list. Additionally, the Director General indicated that OIO has asked the Office of Foreign Service Human Resources to include OIO on the distribution list for reports on delinquent employee travel card accounts. We believe that the Commercial Service's new agreement with the Office of Organization and Management Support is a positive step toward informing supervisors of payment problems involving employee travel card bills. Such actions meet the intent of our recommendation.

D. Better oversight is needed for Izmir's petty cash fund

CS Turkey is effectively managing the petty cash funds maintained in the Ankara and Istanbul offices. At both locations, we reviewed internal controls and management procedures, and conducted a cash count. We found petty cash funds were properly balanced, expenditures were supported with original receipts and for appropriate expenses, and replenishment vouchers were submitted as required. Petty cash funds were also physically safeguarded in both locations.

We did, however, note significant problems with the petty cash fund in Izmir. Specifically, the FSN in Izmir set up an official bank account during 2001 for the petty cash fund. According to the FSN, this was done to make bill paying easier and to facilitate direct deposit for replenishments from Ankara.

However, since the official account was opened, the FSN has co-mingled her personal funds with official funds to make up frequent shortfalls in the petty cash account. Further, the embassy's budget and fiscal office in Ankara has routinely and erroneously deposited the FSN's personal travel reimbursements and other miscellaneous items—which should have been deposited to her personal account—into the official account. The FSN stated that no one had ever contacted the budget and fiscal office to correct this problem. Additionally, she stated that no American officer had ever performed a verification of the petty cash fund.

The *CS Operations Manual* requires that an American officer perform periodic, unannounced verifications of petty cash funds at least once each month. Commercial officers from Ankara oversee the Izmir operation, and as such, they travel occasionally to Izmir in conjunction with post operations and events, although not necessarily monthly. However, despite the fact that officers occasionally traveled to Izmir, periodic petty cash fund checks did not occur. While we noted no problems with the payments made from the petty cash fund, both the co-mingling of funds and the lack of outside, required verification by an American officer are internal control weaknesses.

During our review, we contacted the budget and fiscal officer and notified him of the erroneous deposits. He was not aware of the problem and noted that there were two different account numbers for the official account and the FSN's personal account. He stated that, in the future, the budget and fiscal office would try to differentiate between the FSN's personal and official payments.

No American officer had performed a periodic verification of Izmir's petty cash fund in the last five years. The former SCO traveled to Izmir on a quarterly basis, however, he stated that although he knew that periodic cash counts were required, there were other priorities during his visits. We recommend that the new SCO or commercial attaché perform unannounced, periodic reviews of CS Izmir's petty cash fund, as required by Commercial Service policy. Since it is not feasible to conduct these checks monthly, the checks should coincide with commercial officer visits to Izmir.



In response to our recommendation, the Director General stated that the new SCO has already implemented internal controls to ensure that Izmir's petty cash fund is periodically reviewed and there is no co-mingling of funds. These actions meet the intent of our recommendation.

E. Post actively manages its ICASS participation, but further steps can be taken to reduce ICASS charges

ICASS is the State Department's platform to provide administrative services to government agencies overseas based on an equitable distribution of costs. It is essentially a cost-sharing system. The

objectives of ICASS are to (1) obtain quality services at the lowest cost, (2) encourage use of the best and most economical service provider, (3) provide participating agencies with a greater voice in the administrative decision-making process, (4) provide a transparent system of cost-sharing and reimbursement for services, and (5) ensure user satisfaction. The services are usually provided by the State Department's Administrative Section at post, which includes the personnel office, budget and fiscal office, general services office, information management office, medical unit, and security office.

A local ICASS Council has the authority to manage the resources dedicated or allocated to shared administrative support activities. Similar to a corporate board of directors, the Council is responsible for overall management including the cost effective use of resources, the selection of service providers, the establishment of customer service standards, and the setting of priorities for the delivery of administrative services. The commercial attaché is the ICASS Council Chairman in Ankara. During our time at post, we attended an ICASS Council meeting and noted that the commercial attaché effectively managed the meeting and discussion of important issues.

CS Turkey's ICASS bills for fiscal years 2001 and 2002 were \$266,323 and \$291,677, respectively. We found that these amounts are significantly higher than those at other Commercial Service posts in Europe. But, upon reviewing documentation at post, we concluded that there are simply some higher operating costs in Turkey, such as for increased security. Based on our review, we determined that one way post could reduce its ICASS bill is by obtaining and using credit cards for more purchases. Increasing credit card usage enables posts to reduce ICASS charges by submitting fewer vouchers to the embassy for processing. In addition, DOC policy states that the purchase card should be used whenever possible in making small purchases for official business. Previously, only the former SCO had a purchase card, which was not used very often.

The new SCO has directed the PCO and commercial attaché to each apply for a \$25,000 limit purchase card and the administrative assistants in Ankara and Istanbul to apply for \$2,500 limit cards. Both the administrative assistants and the commercial attaché have already completed the required online training necessary for obtaining a credit card. However, despite numerous requests from the SCO, the PCO has not yet taken the training, which takes approximately one hour to complete. When we questioned the PCO about the training during our visit, she told us that other tasks have prevented her from finding the time to take the training. Subsequent to our visit, the PCO told us that she tried several times to take the training, but found the website for the training was not functioning.

However, we question whether a \$25,000 limit card is needed in Istanbul and suggest that the PCO should only serve as the approving official for the administrative assistant's \$2,500 limit purchase card. In discussing this issue with the new SCO, he stated that a \$2,500 purchase card should be sufficient for Istanbul's purposes. But, it is still necessary for the PCO to take the mandatory training so that she can

serve as the approving official for the administrative assistant. Therefore, the post cannot begin to reduce its ICASS charges until the PCO takes the training.

Currently, ICASS charges to process each voucher are \$29 in Ankara and \$46 in Istanbul. Since the ICASS costs in Istanbul are nearly double those in Ankara, it is important that the PCO follow the SCO's direction in this matter. Also, CS guidelines encourage posts to use credit cards as much as possible to purchase office supplies, for small procurements, and other purchases.

The post can also reduce ICASS charges by increasing its petty cash fund amount and using it to pay for small purchases. The commercial attaché has already asked the budget and fiscal office to increase the Ankara petty cash fund from 400,000,000 Turkish lira to 1,000,000,000 (approximately \$400). This should enable the post to further reduce its ICASS bill because the number of vouchers submitted will be reduced. Lastly, the post is currently paying approximately \$1,300 annually for two warehouse storage units in Ankara and Istanbul. CS Turkey staff told us that these storage units contain mainly obsolete furniture and equipment. We recommend that the new SCO inventory these storage units and determine whether they are necessary. If the SCO determines that the storage units are not needed, the post should surplus, sell, or discard the items in storage and opt out of this ICASS service. Also, as discussed above, we recommend that the PCO take the on-line training immediately.



The Director General, in responding to our draft report, stated that CS Turkey has inventoried the two storage units and has decided to sell or dispose of the majority of the contents. Once the sale is completed, the post will opt out of this cost center. These actions meet the intent of our recommendation.

In response to our recommendation that the PCO immediately take the on-line procurement training, the Director General stated that the PCO successfully completed this training on December 26, 2002, and will only act as the approving official for a \$2,500 purchase card. These actions meet the intent of our recommendation.

RECOMMENDATIONS

To strengthen CS Turkey operations and the management of posts worldwide, we recommend that the Assistant Secretary and Director General of the United States and Foreign Commercial Service take appropriate steps to:

- (1) Ensure that OIO managers or staff visiting a post in an oversight role prepare trip reports highlighting relevant issues, which post operations were reviewed, and any issues or concerns that need attention. Discuss any issues or concerns of a more serious nature with the SCO and/or other responsible officers at post, as well as document them in officer performance appraisals, if warranted. Track matters requiring follow-up action by the post and/or headquarters until completion (see page 7).
- (2) Ensure that officers assigned to SCO positions, are adequately prepared for their assignments. To accomplish this, OIO should (1) provide its junior officers with the types of assignments that will help them develop into well rounded senior officers, (2) require officers to attend management and finance and administrative training, prior to being assigned as an SCO, (3) include training requirements in officers' performance plans to ensure that necessary training is taken, and (4) consider creating a mandatory online training course on the basics of post management (see page 7).
- (3) Reemphasize to SCOs and PCOs the importance of consistently following personnel policies, completing FSN performance appraisals when they are due, and recommending deserving staff for awards when appropriate. In addition, OIO staff should check with each post's personnel office on an annual basis to verify that all FSN performance appraisals have been submitted and determine whether there are other CS-related personnel issues (see page 11).
- (4) Petition the State Department's Overseas Building Operations office to reconsider its plan and research other options for improving the security of the annex building in Ankara (see page 17).
- (5) Prepare an emergency evacuation plan and bomb threat procedures for the Izmir office and conduct a security review of the Izmir office to ensure that it meets current security standards (see page 17).
- (6) Ensure that the Regional Director for Europe provides more management oversight to CS Turkey and monitors its performance with regard to core products, services, and export successes (see pages 21, 24, and 30).

- (7) Ensure that the contractor hired by the Commercial Service to review export successes take random samples of export successes (not just those that look suspect) on a periodic basis to help ensure the accuracy of all export successes (see page 30).
- (8) Correct the export success database for CS Turkey by revising it to eliminate the problematic export successes contained in this report (see page 30).
- (9) Change the *Commercial Service Operations Manual* to explicitly require that all export successes are confirmed with the U.S. client (see page 30).
- (10) Determine whether representation funds were misused and if so, take appropriate action (see page 40).
- (11) Revise the *Commercial Service Operations Manual* to more accurately reflect the Commercial Service's position on usage of representation funds so that there is no room for misinterpretation. These changes should deal with the proper and improper use of representation funds and should be sent out as a directive to all SCOs (see page 40).
- (12) Review the vehicle logs in Ankara to determine whether usage was in accordance with government policies. If not, take appropriate action (see page 43).
- (13) Remind SCOs and PCOs of the Commercial Service's policy on the use of government-owned vehicles, including the prohibition on personal use and the requirement to maintain an accurate vehicle log. In addition, remind them of the administrative penalties for misuse of official vehicles that are contained in departmental policy. Ensure that the policy is followed (see page 43).
- (14) Work with ITA staff responsible for overseeing the travel card program to ensure that notices of non-payment of travel card charges are sent to officers' immediate supervisors, including the appropriate Regional Director and, for PCOs and other junior officers, also the SCO (see page 45).

To deal with the issues specific to CS Turkey's former SCO, we recommend that the Assistant Secretary and Director General of the United States and Foreign Commercial Service take appropriate steps to:

- (1) Ensure that the former SCO is reminded that as an SCO, he needs to (a) ensure the quality and timeliness of a post's products and services and (b) ensure due diligence in the review of export successes. In addition, we suggest that the Regional Director for Europe and the Regional Director covering the area of the former SCO's next posting spend time with

the former SCO to identify and address those weaknesses that might adversely affect his ability to effectively and efficiently manage subsequent posts (see pages 21, 24, and 30).

To improve the current and future operations of CS Turkey, we recommend that the post's new SCO take appropriate steps to:

- (1) Work with the commercial attaché and PCO to complete new job descriptions for the two administrative assistants to reflect their current duties and responsibilities and submit them to the embassy's Human Resources Officer for review and classification (see page 17).
- (2) Work closely with the commercial attaché in Ankara, the PCO in Istanbul and FSN staff to improve the quality and timeliness of CS Turkey's products and services. In addition, the SCO should consider (a) formal training for all staff on customer care and (b) establishing a mentoring system among FSN staff where more successful FSNs can be a resource to less experienced FSNs (see page 21).
- (3) Monitor the quality of ISAs produced and direct the commercial attaché and PCO to work more closely with FSN staff to provide mentoring and ensure consistency in the quality of all ISAs produced (see page 24).
- (4) Monitor the production of IMIs at the post to ensure that production goals are met and work with the commercial attaché and PCO to ensure that all staff understand the IMI product, its importance, and that it can be used to report more than just major project opportunities (see page 24).
- (5) Closely monitor the number of products and services ordered by customers and consider additional outreach events, which target small- and medium-sized firms, to generate interest in the post's products and services, if necessary (see page 28).
- (6) Read, review, and approve each export success and require appropriate due diligence in the reporting of export successes. This includes verifying export successes with the U.S. company and not just the Turkish importer, distributor, or partner. In addition, ensure that the FSNs more effectively capture export successes from trade events and initiatives (see page 30).
- (7) Reevaluate the post's trade promotion program to ascertain whether there should be a better balance in the time and resources devoted to trade events and initiatives, including those that are mandatory, which do not result in export successes (see page 30).

- (8) Surplus or transfer the Ford Explorer in Istanbul to another post or agency since it has been determined that keeping it cannot be justified (see page 43).
- (9) Ensure that the daily vehicle logs are appropriately maintained in Ankara and Istanbul (see page 43).
- (10) Ensure that proper internal controls for the Izmir office's petty cash fund are implemented and that there is no co-mingling of funds (see page 46).
- (11) Inventory the two storage units in Ankara and determine whether they are necessary. If they are not, the post should surplus, sell, or discard any unneeded items and opt out of this ICASS service (see page 47).
- (12) Ensure that the PCO in Istanbul takes the on-line training on procurements immediately (see page 47).

APPENDIX A

Acronyms and Descriptions of Commercial Service Products and Services

CMA	A Customized Market Analysis provides U.S. firms with an assessment of how their product or service will sell in a given market.
FMR	The Flexible Market Research service is designed to meet the specific needs of clients. FMRs provide customized market research to answer questions about a particular market and its receptivity to targeted products and services.
GKS	The Gold Key Service provides U.S. clients with one-on-one appointments with potential business partners identified and selected by US&FCS in a targeted export market.
IMI	International Market Insights are brief reports on specific foreign market conditions and upcoming opportunities for U.S. businesses.
IPS	The International Partner Search service provides the requestor with potential partners to market their product or service in a given area. It has a fast response time of a maximum of 15 working days.
ISA	The Industry Sector Analysis product provides information on specific industries, such as market potential, demand trends, market size, competition, market access information, regulations, distribution practices, and key contacts.
PKS	The Platinum Key Service provides a firm with ongoing, customized support for a specified time frame, scope, and fee. The service is tailored to a client's needs, providing counseling and information, such as identifying markets, launching products, developing project opportunities, finding partners, helping to reduce market access barriers, and assisting on regulatory or technical standards matters.
IBP	The International Buyer Program promotes key U.S. trade shows to international business executives. The program brings international buyers each year to meet with U.S. companies at major U.S. trade shows.
BuyUSA	This business to business website connects foreign buyers with qualified US suppliers of goods and services (www.buyusa.com).
CNUSA	This publication is distributed worldwide to foreign buyers and features the products and services of participating U.S. suppliers on a monthly basis.

APPENDIX B

Agency Comments on Draft Report



UNITED STATES DEPARTMENT OF COMMERCE
International Trade Administration
Washington, D.C. 20230
ASSISTANT SECRETARY AND DIRECTOR GENERAL OF THE
U.S. AND FOREIGN COMMERCIAL SERVICE

JAN 16 2003

MEMORANDUM FOR: Jill Gross
Assistant Inspector General for Inspections and
Program Evaluations

THRU: Grant Aldonas
Under Secretary for International Trade

FROM: Maria Cino

SUBJECT: US&FCS Response to Draft Inspection Report
US&FCS Turkey – Draft Inspection Report: IPE-15370

I am pleased to provide you with our response to the draft inspection report of US&FCS' operations in Turkey. Attached are CS responses to the 28 recommendations contained in the December 2002 report. You will note that in all instances our post and headquarters operations either have taken action on the recommendations, or have indicated how they will address them. Our answers to each of the IG recommendations reflect a unified US&FCS response that provides you with a comprehensive Commercial Service approach to all the issues raised in the IG report.

We appreciate the report and the opportunity to strengthen the Commercial Service management team overseas, not only in Turkey, but in other CS posts as well. It has been an integral part of this Administration's goals to effect improvements in the way we assist American business firms—not only abroad, but throughout our network of domestic offices (USEACs) as well. It is our clear and firm intention to standardize the delivery of our services, as well as conduct our post operations in an efficient and appropriate manner. With 152 number of offices abroad and an insufficient number of American CS officers to staff these offices, it has taken time to instill a comprehensive and coherent CS philosophy that will ensure the most professional delivery of products and services to our clients. I am proud to say that the vast majority of CS posts have met or are on track to meet these expectations, and where there may be shortcomings, we will vigorously address and correct them.

Along those lines and in response to previous IG reports, we reinstated the policy for posts to develop a Strategic Plans (SPs) in FY 01, where OIO issued new guidance to refocus the SPs to raise our accountability, effectiveness and efficiency. The purpose of the refocused SPs is to have post outline its strategy for improving its bottom line, as well as prioritize those activities that contribute to achieving increased export successes.



Since my tenure here, CS management has indeed issued individual guidance on many administrative and budgetary procedures and policies mentioned in your Inspection Report. CS posts are systematically issued guidance on operations through worldwide bulletins, broadcast e-mail communications, and via on-site post management reviews by our OIO management staff. We even have developed a thorough checklist for OIO staff to use during the course of these reviews.

I am also pleased to report that we recently established a centralized Office of Professional Development to better coordinate, manage and strengthen its training and professional development programs. Courses dealing with personnel, management, financial, and administrative issues are core to this effort and will better prepare our officers to effectively deal with the vast array of challenges they encounter on a daily basis overseas.

With respect to our European OIO operations, we are also considering dividing the European region into two smaller and separate regions. The current Regional Director (RD) for Europe now oversees 34 Senior Commercial Officers and 44 countries. This is approximately double in size any of the other three geographic regions. In effect, it is too large for any one RD to oversee in manner consistent where I would like to see our operation. I believe the separation of the region would result into a better organized and manageable operation.

We look forward to the issuance of the final report. Please let us know if we can be of further assistance.

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US&FCS Responses to OIG Recommendations

1. **Ensure that OIO managers or staff visiting a post in an oversight role prepare trip reports highlighting relevant issues, which post operations were reviewed, and any issues or concerns that need attention. Discuss any issues or concerns of a more serious nature with the SCO and/or other responsible officers at post, as well as document them in officer performance appraisals, if warranted. Track matters requiring follow-up action by the post and/or headquarters until completion (page 7).**

In the wake of the IG report, OIO has taken immediate action by requiring mandatory trip reports be written by OIO country managers for each site visit.

2. **Ensure that officers assigned to SCO positions, are adequately prepared for their Assignments. To accomplish this, OIO should (1) provide its junior officers with the types of assignments that will help them develop into well rounded senior officers, (2) require officers to attend management and finance and administrative training, prior to being assigned as an SCO, (3) include training requirements in officers' performance plans to ensure that necessary training is taken, and (4) consider creating a mandatory online training course on the basics of post management (see page 7).**

In FY 2002, OIO conducted, for the first time, a new SCO training course for CS officers. The course included administrative and financial management components. OFSHR in consultation with OIO developed a training matrix, which identifies specific mandatory and recommended courses for officers at various stages of their careers. (See attached) We have utilized this matrix for the last two assignment cycles.

CS has already recognized this issue and continues to take steps to ensure that assignments give officers the chance to develop into well-rounded senior officers. In 1998 we created additional junior commercial officer positions at the FS-04 level in multi-officer posts where incoming officers can receive supervision, training, and mentoring from superiors and colleagues with a focus on administrative issues as well as program responsibility. We currently have 29 such positions in the service and have been assigning junior officers to them. Some officers have served two consecutive tours in these positions. New officers also participate in the junior officer-training program.

Furthermore, the assignments panel has been taking steps to minimize assignments of less-experienced mid-level (grades 03, 02, 01) officers, even promising officers, to jobs above their grade levels ("stretch" assignments). Steady improvement in avoiding stretch assignments has been made in the past two years, as shown by the table below. In the recently completed 2003 assignments cycle, stretch assignments dropped by 9 percent for FS-01 officers, 7 percent for FS-02 officers, and 28 percent for FS-03 officers, the least

experienced group and hence most vulnerable group of officers, compared to 2001.

Grade	2001		2003	
	% of assignments		% of assignments	
	At-Grade	Stretch	At-Grade	Stretch
FS-01	63%	25%	72%	16%
FS-02	63%	32%	75%	25%
FS-03	39%	61%	50%	33%

(note: 'stoop' assignments – to jobs below officer grade levels – are not shown so percentages may not add up to 100)

The US&FCS has established a centralized Office of Professional Development to better coordinate, manage and strengthen its training and professional development programs. Key to this new effort is the development of a tracking system that will enable managers – both in Washington, DC, as well as the domestic and international fields – to track individual employees' training progress versus recommended courses for their grade and level of responsibility.

With a development and implementation goal of 4th Quarter FY03, this system will help both managers and employees identify training gaps, provide the basis for a forward training plan and ensure that mandatory training has occurred. Once fully implemented, managers may also use the system to evaluate officers' skills for use in the assignments process, and use as part of the performance evaluation process.

The Office of Professional Development is also completing a new, comprehensive Administration Management course. The first module is a detailed description of all administrative management functions geared toward administrative FSNs. Two additional modules are planned for rollout in the 4th Quarter of FY03: 1) a module designed for officers managing administrative operations at posts, and 2) a module for SCOs on administrative management operations. The goal is to provide all employees and managers of administrative operations with the tools they need to ensure compliance with current rules and regulations. Once field-tested, the US&FCS will take steps to add these courses to the CS College – the US&FCS's online learning center.

3. **Emphasize to SCOs and PCOs the importance of consistently following personnel policies, completing FSN performance appraisals when they are due, and recommending deserving staff for awards when appropriate. In addition, OIO staff should check with each post's personnel office on an annual basis to verify that all FSN performance appraisals have been submitted and determine whether there are other CS-related personnel issues (see page 10).**

OIO will ensure that SCOs and PCOs adhere to personnel policies by having the

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SCO certify that all appraisals are done and work plans are in place on a semi-annual basis. In early FY 03, OIO developed for SCOs an Administrative Certification form to be used as a tool to ensure that their post is well managed and that the necessary administrative actions are completed accurately and timely. These certifications will be verified during site visits. Personnel issues will be included in the periodic reminders of key SCO responsibilities which OIO issues during the year.

- 4. Petition the State Department's Overseas Building Operations office to reconsider its plan and research other options for improving the security of the annex building in Ankara (see page 15).**

OIO's Overseas Building Manager met with OBO's Project Manager to discuss concerns with the initial proposal and options to reduce loss of office space. As a result, OBO conducted a second review trip resulting in a compromise to increase the security for the CS staff while minimizing the loss of CS space. CS Ankara agreed to this recommendation.

- 5. Prepare an emergency evacuation plan and bomb threat procedures for the Izmir office and conduct a security review of the Izmir office to ensure that it meets current security standards (see page 15).**

This recommendation has been implemented.

- 6. Ensure that the Regional Director for Europe provides more management oversight to CS Turkey and monitors its performance with regard to core products, services, and export successes (see pages 20, 22, and 27).**

Since FY 00, each CS Europe post develops and implements a one-page Strategic Plan (SP) that enables a post to prioritize its mix of products and services it intends to deliver during the year. These plans are "living documents" developed at the outset of each FY and can be modified anytime during the year by the SCO. In addition, the RD and OIO/staff review the SPs at the outset to see how they compare with other like posts and to see if any components are incongruent with overall CS core mission objectives. In addition, the SPs are discussed with the SCO during his/her midterm review, as well as reviewed at the end of the evaluation period to see if post met its targets. Normally, an SP contains a targeted number of export successes to be achieved that year, as well as a target of ISAs, IMIs, and other products and services. In this regard, RD Europe has instructed OIO/EUR staff to be placed on all relevant delinquent notices with regard to CS products and services, especially as they relate to ISAs and IMIs. In order to give a post maximum flexibility to determine what is best for it, each post develops its own mix of core products and services. While it is recognized that each post is confronted with unavoidable circumstances (such as Ambassadorial requests, CODELs, and policy taskings) that can deflect post from

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the delivery of core CS products and services, each post should be able to fulfill its annual plan, or modify it to reflect changed circumstances.

With respect to the most critical numerical element of the SP (i.e., number of export successes), the RD for Europe sent the latest export success criteria to CS Turkey and discussed with SCO and PCO the need for strict application of headquarters' criteria. In FY 02, the RD for Europe read every CS Europe success story report and identified problem areas, which OIO/Europe staff then rectified with subject posts. OIO/Europe will continue its current system of monitoring the quality of all EUR posts' success stories on a quarterly basis, via random spot-checking by the RD and OIO Europe staff to ensure that the stories are being reported accurately.

7. **Ensure that the contractor hired by the Commercial Service to review export successes take random samples of export successes (not just those that look suspect) on a periodic basis to help ensure the accuracy of all export successes. (See page 27).**

The OIO contractor currently reads every success story record and is supposed to provide us with a final opportunity for feedback on the quality of the stories. She has been tasked to check their content to see if they generally comply with OIO success story requirements. To comply with the IG request, OIO will further require that she take a statistical sample of all of the success stories to verify the contacts, companies, and claims reported in the story; and that the report her findings quarterly.

8. **Correct the export success database for CS Turkey by revising it to eliminate the problematic export successes contained in this report (see page 27).**

OIO corrected the database on 12/30/2002 as instructed by this report.

9. **Change the Commercial Service Operations Manual to explicitly require that all export successes be confirmed with the U.S. client.**

The Office of Planning is considering this recommendation in light of workload factors.

10. **Revise the Commercial Service Operations Manual to more accurately reflect the Commercial Service's position on usage of representation funds so that there is no room for misinterpretation. These changes should deal with the proper and improper use of representation funds and should be sent out as a directive to all SCOs (see page 36).**

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The Office of Planning is currently editing and updating the Operations Manual and will include the above changes recommended by OIG. In addition, DAS/OIO is finalizing a memo to all CS officers to remind them of their responsibilities regarding the proper use of representation funds.

11. Remind SCOs and PCOs of the Commercial Service's policy on the use of government-owned vehicles, including the prohibition on personal use and the requirement to maintain an accurate vehicle log. In addition, remind them of the administrative penalties for misuse of official vehicles that are contained in departmental policy. Ensure that the policy is followed (see page 39).

The SCO Administrative Certification is a new tool that OIO management implemented in early FY 03 to help SCOs better manage their posts. OIO management has emphasized in emails from the RD and DAS how important it is to adhere to CS policies. In addition, the DAS for OIO will include this subject in the series of administrative reminders which will be sent to officers and posted on the US&FCS intranet website. The RD and OIO staff sent emails to post reiterating the official vehicle usage policy.

13. Work with ITA staff responsible for overseeing the travel card program to ensure that notices of non-payment of travel card charges are sent to officers' immediate supervisors, including the appropriate Regional Director and, for PCOs and other junior officers, also the SCO. In addition, ensure that CS enforces ITA's policy on dealing with employees who are delinquent in paying or misusing government travel cards (see page 41).

OIO now has an agreement with OOMS to give the DAS for OIO and all four RDs a copy of the delinquent office credit card list. OIO has asked OFSHR to include them on the delinquent distribution list for repayment of employee travel cards. We will enforce the policy on misuse or late payment of travel cards.

Issues specific to the former SCO:

1. Ensure that the former SCO is reminded that as an SCO, he needs to (a) ensure the quality and timeliness of a post's products and services and (b)

ensure due diligence in the review of export successes. In addition, we suggest that the Regional Director for Europe and the Regional Director covering the area of the former SCO's next posting spend time with the former SCO to identify and address those weaknesses that might adversely affect his ability to effectively and efficiently manage subsequent posts (see pages 20, 22 and 27).

The Regional Director for Europe had two sessions (December 18-19, 2002) with the former SCO to discuss management issues at post. OIO recommended training courses to the SCO to address these issues. The new RD for Western Hemisphere also met with the SCO and briefed him on the proposed training.

The courses that have been recommended are:

- Leadership Skills and Techniques
- Valuing Diversity in the Workplace
- Simplified Acquisitions Procedures
- Ethics in Federal Contracting
- Managerial and Team-building Skills for Project Managers
- EEO/Diversity Awareness for Managers and Supervisors
- Building Better Work Relationships: New Techniques for Results-oriented Communication

2. Determine the dollar amount of representation funds improperly used and seek reimbursement (see page 36).

Information about the representation events identified by the IG will be transmitted to the officer. Reimbursement for any event not meeting post and CS criteria for representation will be requested of the officer.

3. Direct the officer to review the vehicle logs in Ankara to certify usage as either official or personal. Any personal use by officer/ family members, to include both vehicle mileage and use of the driver, should be promptly reimbursed to the government (see page 39).

The officer has been provided the vehicle logs and asked to certify the usage as either official or personal. OIO is waiting for a response from the officer.

To improve the current and future operations of CS Turkey, we recommend that the post's new SCO take appropriate steps to:

1. Work with the commercial attaché and PCO to complete new job descriptions for the two administrative assistants to reflect their current duties and responsibilities and submit them to the embassy's Human Resources Officer for review and classification (see page 15).

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The SCO has already submitted the revised job description for the Administrative Assistant position in Ankara to the Embassy's Human Resources Officer for review and classification. The PCO submitted the revised job descriptions for the Administrative Assistant position in Istanbul to the Consulate General's Human Resources Officer for review and classification on December 30, 2002.

2. Work closely with the commercial attaché in Ankara, the PCO in Istanbul and FSN staff to improve the quality and timeliness of CS Turkey's products and services. In addition, the SCO should consider (a) formal training for all staff on customer care and (b) establishing a mentoring system among FSN staff where more successful FSNs can be a resource to less experienced FSNs (see page 20).

The SCO has already put in place procedures to ensure the quality and timeliness of CS Turkey's products and services including, where applicable, multi-tier review by the PCO, Commercial Attaché and the SCO. SCO has directed all staff including American staff, to take online training in Customer Service no later than June 30, 2003. SCO has already set up a pilot mentoring project in Ankara for the FSN staff where the senior Commercial Specialist mentors and guides more junior colleagues in major project advocacy and client counseling. SCO will review the results of this pilot project during the next strategic planning meeting in summer 2003 to determine its implementation in Istanbul and Izmir.

3. Monitor the quality of ISAs produced and direct the commercial attaché and PCO to work more closely with FSN staff to provide mentoring and ensure consistency in the quality of all ISAs produced (see page 22).

SCO has already directed the PCO and Commercial Attaché to work closely with the staff to provide guidance on writing quality ISAs. In addition, on October 4, 2002, SCO sent detailed guidance on writing ISAs to all CS Turkey staff. PCO and Commercial Attaché will be held responsible for ensuring the quality and timeliness of all ISAs. Ultimate responsibility for ensuring quality and timeliness of ISAs will rest with the SCO.

4. Monitor the production of IMIs at the post to ensure that production goals are met and work with the commercial attaché and PCO to ensure that all staff understand IMI product, its importance, and that it can be used to report more than just major project opportunities (see page 22).

SCO has already directed the PCO and Commercial Attaché to work closely with the staff to provide guidance on writing quality IMIs. In addition, on October 4, 2002, SCO sent detailed guidance on writing IMIs to all CS Turkey staff. Under the post's FY-2003 Commercial Strategic Plan, each Commercial Specialist/Assistant is required to submit at least six IMIs a quarter. PCO and Commercial Attaché will be held responsible for ensuring the quality and timeliness of all IMIs. Ultimate responsibility for ensuring quality of IMIs will rest with the SCO.

5. Closely monitor the number of products and services ordered by customers and consider additional outreach events, which target small- and medium-sized firms, to generate interest in the post's products and services, if necessary (see page 26).

SCO is in the process of initiating a direct marketing campaign for post's services to small-and medium-sized firms in the U.S. utilizing the BuyUSA.com database no later than March 30, 2003. SCO also plans to do outreach to small-and medium-sized firms in the U.S. during his visit to the EACs in spring 2003 in conjunction with the Worldwide SCO conference, American Turkish Appalachian Trade Project outreach in New York, and Electricity 2003 trade show in Houston.

6. Read, review, and approve each export success and require appropriate due diligence in the reporting of export successes. This includes verifying export successes with the U.S. Company and not just the Turkish importer, distributor, or partner. In addition, ensure that the FSNs more effectively capture export successes from trade events and initiatives (see page 27).

SCO has already instituted procedures whereby he reviews and approves all export successes. Effective January 1, 2003, all export successes will be confirmed with the U.S. firm.

7. Reevaluate the post's trade promotion program to ascertain whether there should be a better balance in the time and resources devoted to trade events and initiatives, including those that are mandatory, which do not result in export successes (see page 27).

Post's FY-2003 Strategic Commercial Plan now focuses on those products and services that are the best vehicles to generate export successes for its clients. SCO will monitor progress during the course of the year and make any adjustments that may be required. As mentioned in response to Question No. 6 in the first part of this report, circumstances beyond the post's control often do impact the delivery of core products and services, but SCO will do his best to mitigate those situations to the best of his ability.

8. Review the costs associated with keeping the Ford Explorer in Istanbul and determine whether it is necessary to maintain two vehicles in that location. Surplus or transfer the vehicle to another post or agency if keeping it cannot be justified (see page 39).

Post will either transfer the second vehicle to another agency or sell it in Istanbul as soon as the formalities are completed.

9. Ensure that the daily vehicle logs are appropriately maintained in Ankara and Istanbul (see page 39).

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SCO has already implemented this recommendation in Ankara and Istanbul.

10. Ensure that proper internal controls for the Izmir office's petty cash fund are implemented and that there is no co-mingling of funds, by performing unannounced, periodic reviews of the fund (see page 42).

The SCO has already implemented internal controls to ensure that Izmir office's petty cash funds are periodically reviewed and there is no co-mingling of funds.

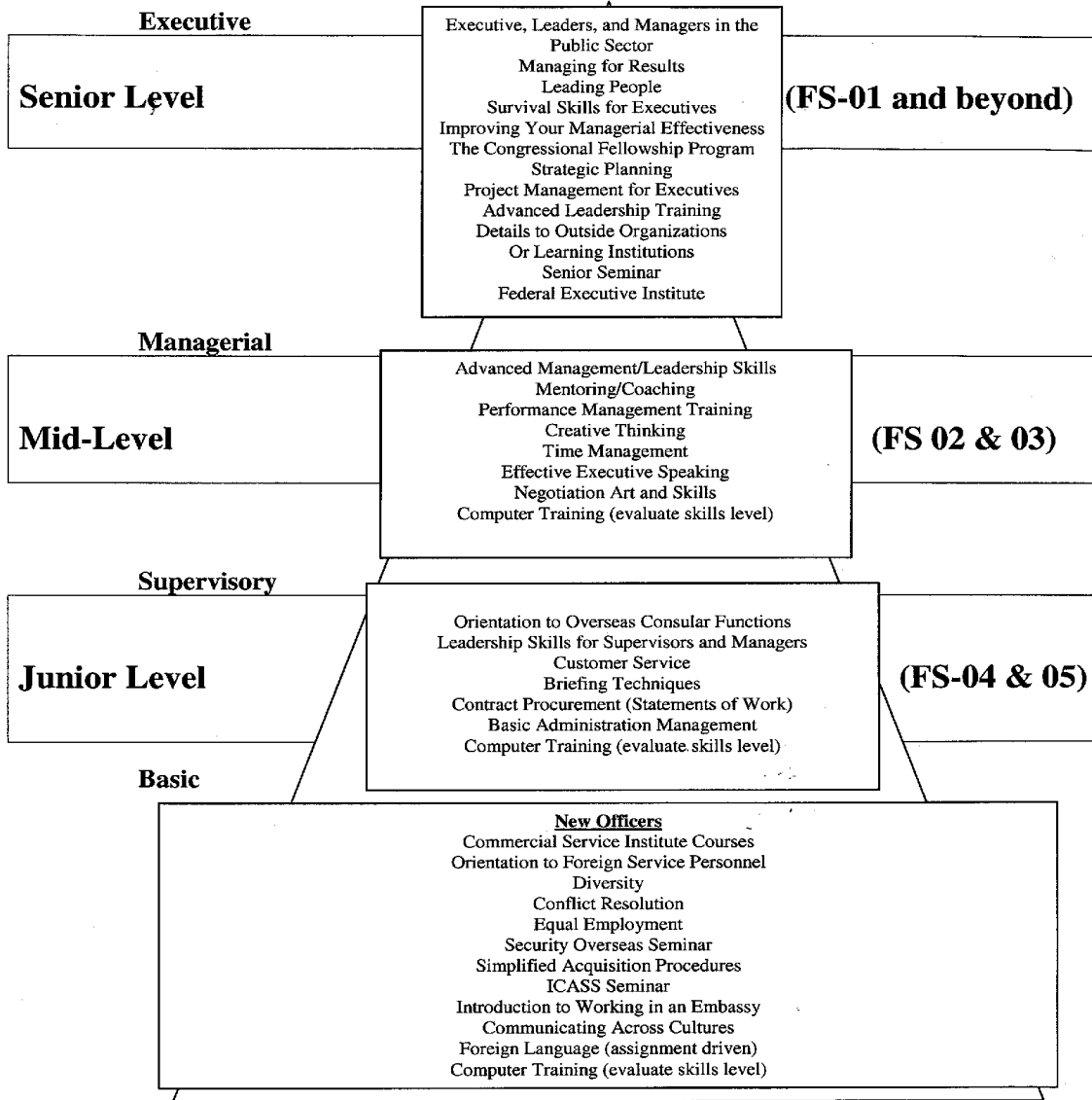
11. Inventory the two storage units in Ankara and determine whether they are necessary. If they are not, the post should surplus, sell or discard any unneeded items and opt out of this ICASS service (see page 43).

Post has already inventoried the two storage units in Ankara and has decided to sell or dispose the majority of the contents. Once the sale is completed, post will opt out from this cost center.

12. Ensure that the PCO in Istanbul takes the on-line training on procurements immediately (see page 43).

The PCO successfully completed her online procurement training on December 26, 2002. The PCO will only act as approving officer for a \$2,500 purchase card.

Commercial Service Foreign Service Career Path Matrix



Crisis Management Training (at all levels)

OPM Skills and Competencies

