

*U.S. DEPARTMENT OF COMMERCE  
Office of Inspector General*

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*International Trade Administration*

*Philadelphia USEAC Network  
Provides Good Service to Clients, but  
Oversight and Export Success  
Reporting Need to be Improved*

*Final Inspection Report No. IPE-16402/March 2004*

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RELEASE**

*Office of Inspections and Program Evaluations*





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

MAR 31 2004

MEMORANDUM FOR: Grant Aldonas  
Under Secretary for International Trade

Carlos Poza  
Acting Assistant Secretary and Director General for the  
United States and Foreign Commercial Service

FROM: Johnnie Frazier

SUBJECT: Final Report  
*International Trade Administration: Philadelphia USEAC  
Network Provides Good Service to Clients, but Oversight and  
Export Success Reporting Need to be Improved (IPE-16402)*

As a follow-up to our February 27, 2004, draft report, attached is the final report on our inspection of the Commercial Service's Philadelphia U.S. Export Assistance Center Network. A copy of your response to our draft report is included in its entirety as Appendix B of the report.

We appreciate ITA's and the Commercial Service's concurrence with our recommendations and the concrete steps taken thus far to implement the recommendations. We believe that with a few exceptions, the actions taken or planned meet the intent of our recommendations and we consider them closed. Please provide an action plan addressing the unresolved recommendations within 60 calendar days.

We thank the personnel in ITA headquarters and the Philadelphia network for the assistance and courtesies extended to us during our review. If you have any questions or comments about our report or the requested action plan, please contact me on (202) 482-4661, or Jill Gross, Assistant Inspector General for Inspections and Program Evaluations, on (202) 482-2754.

Attachment

cc: Linda Cheatham



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## EXECUTIVE SUMMARY

The Department of Commerce's International Trade Administration (ITA) plays a major role in leading the federal government's efforts to increase U.S. exports. ITA's U.S. Commercial Service,<sup>1</sup> as the Department's key export promotion agency, works closely with the U.S. business community and federal, state, and local trade partners to promote export awareness and U.S. sales abroad.

Currently, the Commercial Service, through its Office of Domestic Operations, operates 106 U.S. Export Assistance Centers (USEACs), grouped geographically into 12 networks. The key objective of the USEACs is to enhance and expand federal export promotion and trade finance services through greater cooperation and coordination between federal and non-federal trade-related partners.<sup>2</sup>

The Office of Inspector General conducted the on-site portion of its inspection of the operations of several export assistance centers within the Philadelphia USEAC Network from October through November 2003. We primarily focused our evaluation on the management, program operations, and financial and administrative practices of the Philadelphia USEAC Network. During fiscal year 2003, the Philadelphia USEAC Network covered the Mid-Atlantic region composed of Delaware, the District of Columbia, Maryland, Northern Virginia, Pennsylvania, and Central and Southern New Jersey.

Overall, we found that the export assistance centers within the Philadelphia USEAC Network are doing a good job of providing export assistance to U.S. companies and have fairly sound financial and administrative operations. However, we also found a few issues and concerns that warrant the Commercial Service's attention, in particular leadership gaps within the network, lack of compliance with export success reporting guidelines as well as client record maintenance, and questionable travel practices and reimbursement. Our specific observations are as follows:

**Strong Trade Partner Relations Exist, but Gaps in Leadership Undercut Relations and Office Operations.** We found a number of strong, mutually beneficial working relationships between the Philadelphia USEAC Network and a diverse mix of trade partners at the federal, state, and local levels. Such close partnerships assist the network in providing U.S. firms with a full range of products and services. For example, the Philadelphia USEAC and Temple University's Small Business Development Center interact daily to share client information, jointly counsel clients, and cosponsor seminars. The Trenton USEAC has reached out to non-traditional trade partners, collocating its trade specialists with Burlington County College and Monmouth University. However, we heard from partners and trade specialists that gaps in leadership within the Philadelphia network have impacted partner relations and office operations. Specifically, the absence of permanent leadership within the network has caused shifting office

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<sup>1</sup> U.S. Commercial Service is also known as the U.S. & Foreign Commercial Service (US&FCS).

<sup>2</sup> The Export Enhancement Act of 1992 directed the Commerce Department to take the lead in setting up "one-stop shops" to assist U.S. exporters. The one-stop shops, known as USEACs, are intended to integrate the representatives and assistance of the three principal federal agencies providing export promotion services: Commercial Service, Export-Import Bank, and Small Business Administration. The first four USEACs were established in January 1994, as pilot sites in Baltimore, Chicago, Long Beach, and Miami.

priorities and expectations and has adversely impacted long-term planning, services, and collaboration with trade partners. For example, we were informed that the Maryland District Export Council<sup>3</sup> (DEC) did not convene for a period of time because it was the USEAC director's responsibility to schedule the meetings. Also, we were told that a March 2003 export control seminar, sponsored by the Mid-Atlantic DEC, was not adequately supported by Commercial Service because of insufficient attention by the Philadelphia network director (see page 4).

**Client Satisfaction is High, but the Reporting and Review of Export Successes and Client Records Need to be Improved.** The Philadelphia USEAC Network is providing products and services its clients perceive as being of high quality. However, the network is not in full compliance with Commercial Service's guidelines on the reporting and review of export successes—the agency's key performance measure. In particular, we discovered duplicate export success stories, reporting of estimated and projected export sales, rather than actual sales, and poorly written success stories with data inconsistencies. These reporting errors resulted in overstating \$14.46 million (or 10 percent) of the network's \$145.13 million export value for fiscal year 2003. The network's export success count of 489 was also overstated by at least 30 export successes (or 6 percent). Client records were not adequately maintained for several export successes with many records failing to document the assistance trade specialists provided their clients. Also, we continue to be concerned that trade specialists may be focusing too much on repeat clients to generate export successes, which may lead to the neglect of inexperienced exporters. In addition, our review revealed poor performance by the Northern Virginia export assistance center, in particular with regard to the number of export successes and client meetings (see page 9).

**Inadequate Oversight of Network Travel Has Permitted Questionable Travel Practices and Reimbursements.** Our examination of travel vouchers identified a number of questionable travel practices, weak internal controls, lack of accountability, and potentially unnecessary expenses, which were incurred and reimbursed. In particular, we found several travel vouchers that were signed by persons other than the traveler and the appropriate authorizing/approving official; travel that occurred without adequate documentation regarding the purpose of the trip; travel voucher information that did not correspond with the receipts; and excessive use of a rental car. We discovered that CS management did not review the travel vouchers, question whether the travel was necessary, or determine if the mode of transportation used was practicable and commensurate with the nature and purpose of the traveler's duties (see page 20).

**Financial and Administrative Operations Are Generally Sound, with a Few Exceptions.** We found the network's financial and administrative operations, for the most part, to be sound. Specifically, the network's assets are accounted for and properly used, collections are recorded in a timely manner, and time and attendance records are properly managed. We did, however, discover that (1) some purchase cardholders did not adhere to the \$2,500 established annual spending limit for purchase card payment of cellular telephone airtime charges, (2) sales taxes were improperly paid on a few purchases, (3) one purchase card was shared between employees, and (4) advance payments were improperly made for cellular telephone expenses. Further, there is no indication that users are reviewing their cellular telephone statements and reimbursing the

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<sup>3</sup> District Export Councils are organizations of local leaders appointed by the Secretary of Commerce to share their international business experiences with USEAC clients.

government as required for personal calls. In addition, some export assistance centers are paying for employee parking spaces, which seems excessive and without adequate justification and approval. Finally, we learned that the Commercial Service is aggressively seeking to reduce its leasing costs for USEACs nationwide, and in fiscal year 2003, cut \$59,536 from the Philadelphia network's lease expenditures by relocating the Trenton USEAC to free, shared office space with three of its trade partners (see page 26).

On page 31, we offer recommendations to address our concerns.



ITA indicated that it welcomed our recommendations and the insights provided. Specifically, the Chief Financial Officer and Director of Administration for ITA stated that the agency intends to assess internal controls associated with many of the management issues raised in the draft report and strengthen the reporting and verification of export success and other performance results data. ITA was pleased to learn that we found the Philadelphia USEAC Network, also known as the Mid-Atlantic USEAC Network, to be effective at carrying out its mission. ITA's response to our recommendations outlines actions completed and steps to be taken to (1) timely fill vacant office and network director positions, (2) strengthen management's oversight of export success data and the reporting process, (3) improve oversight of travel practices and approval procedures, and (4) strengthen oversight of financial and administrative policies and practices. We discuss those specific actions and other comments on our recommendations following each appropriate section in this report. ITA's entire response to our draft report begins on page 35.

## BACKGROUND

The U.S. Commercial Service (CS)—founded in 1980 as an agency of the International Trade Administration (ITA)—seeks to promote the export of goods and services from the United States, particularly by small and medium-sized businesses, and to protect U.S. business interests abroad. Through its Office of Domestic Operations (ODO), the Commercial Service operates 106 U.S. export assistance centers (USEACs) located across the United States.

The Export Enhancement Act of 1992 called for the creation of USEACs to bring together in one location the services of all federal trade-related agencies, and thereby give U.S. firms one-stop access to the full range of federally sponsored export promotion services and financial assistance. In creating the USEACs, Commercial Service designed a “hub and spoke” system: a USEAC, with collocated federal trade partners, serves as the “hub” office supporting the activities of several “spoke” or satellite offices (also called USEACs) within a designated geographic area.

The Philadelphia USEAC—the focus of this report—was the hub office in fiscal year (FY) 2003 for five satellite offices serving the Mid-Atlantic region (Pennsylvania, Central and Southern New Jersey, Delaware, Baltimore, Northern Virginia, and the District of Columbia), with a staff of 26 CS employees, at the time of our review (figure 1)<sup>4</sup>. The network has a diverse client base, drawn primarily from the chemical industry, computer and electronic equipment, heavy machinery, pharmaceuticals, and professional and technical services.<sup>5</sup> Its trade specialists provide one-on-one counseling and customized business solutions to small and medium-sized U.S. firms venturing into markets abroad or seeking to expand their international activities.<sup>6</sup>

In FY 2003, the Philadelphia USEAC Network had an operating budget of \$2.7 million; collected \$166,634 in fees from its clients for CS products and services; counseled 2,175 clients; and added 745 businesses to its client portfolio for a total network portfolio of 6,739 clients—many of which are women- and minority-owned companies and rural concerns, traditionally underserved sectors.

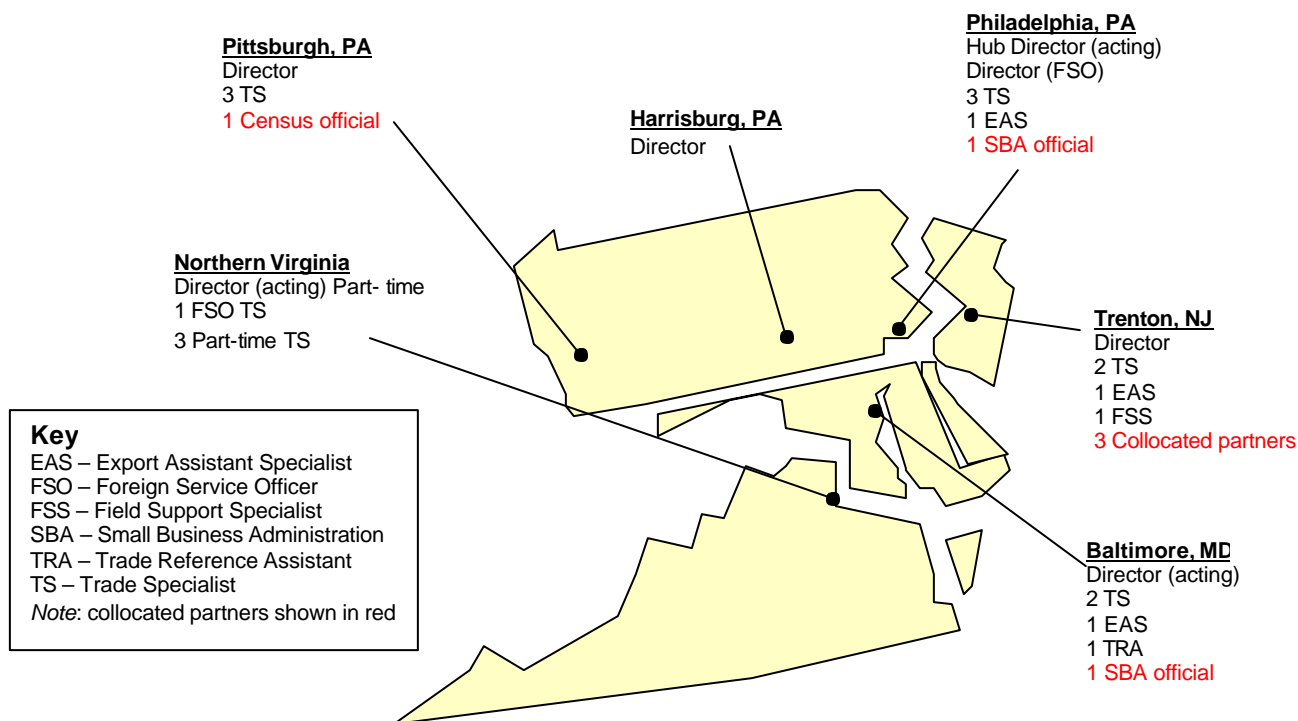
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<sup>4</sup> As of October 1, 2003, the Northern Virginia USEAC no longer reported to the Philadelphia USEAC Network, becoming part of the Charlotte USEAC Network. Also, effective on October 1, 2003, the Charleston USEAC and Wheeling USEAC, both located in West Virginia, became part of the Philadelphia USEAC Network.

<sup>5</sup> Other key industries served are biotechnology, food products, rubber products, and tourism.

<sup>6</sup> Counseling services may include, for example, helping clients determine their export readiness, identifying potential export markets, and developing an overall, long-term international business strategy and marketing plan. Trade specialists also speak at seminars, participate in export promotion initiatives with their trade partners, promote and sell CS products and services, and work with CS’ overseas posts, which provide market information and in-country assistance to U.S. companies.

**Figure 1: Location and Staffing of the Philadelphia Network USEAC Offices**



As noted in figure 1, several export assistance centers within the Philadelphia network have collocated trade partners. With regard to the Trenton USEAC, the center’s staff is located among three different trade partners: the office director is collocated with the New Jersey Commerce and Economic Growth Commission (Office of International Trade) in Trenton, and to be closer to their clients, one trade specialist is collocated at the Monmouth University School of Business Administration (West Long Branch, NJ) and the other trade specialist is located at Burlington County College, High Technology Small Business Incubator (Mount Laurel, NJ). Also, though the Pittsburgh USEAC shares office space with an employee of the Department of Commerce’s Census Bureau, the two organizations do not work together on trade-related issues.

In addition to these working relationships, the Philadelphia network coordinates with other DOC and ITA units, District Export Councils, local chambers of commerce, and other trade-related organizations to provide export assistance; sponsor, promote, and host trade events and seminars; and avoid duplication of efforts.

District Export Councils (DECs) consist of local leaders who have international business expertise, which they share with USEAC clients, and thus complement the assistance provided by CS trade specialists. There are 56 DECs throughout the country. Council members are appointed by the Secretary of Commerce.



## **OBJECTIVES, SCOPE, AND METHODOLOGY**

Our purpose was to assess the effectiveness of the management, program, financial, and administrative operations of the Philadelphia USEAC Network, including its development and achievement of goals and objectives, and its compliance with applicable regulations and other managerial guidance. Specifically, we sought to determine whether the network

- ❖ plans, organizes, and controls its work and resources effectively and efficiently;
- ❖ meets the needs of U.S. exporters and helps increase exports and market access; and
- ❖ has appropriate internal controls and financial management practices.

To meet our objectives, we did the following:

- ❖ Reviewed the network's strategic work plans, which offer quantifiable performance measures for increasing U.S. exports, and its coordination and collaboration with trade partners.
- ❖ Interviewed officials from Commercial Service and other federal agencies, as well as representatives from trade-related nonprofit and state agencies.
- ❖ Surveyed network staff and a random sample of the network's clients.
- ❖ Evaluated coordination between the network and other trade-related organizations in achieving the overall goals of ITA and the Department of Commerce.
- ❖ Examined pertinent files and records relating to the network's operations and performance.

We conducted our fieldwork from October through November 2003, visiting four of the six export assistance centers within the Philadelphia USEAC Network: Baltimore, Northern Virginia, Philadelphia, and Trenton. We also met with several CS officials at CS headquarters in Washington, DC. During the course of our review and at its conclusion, we discussed our observations and findings with the past and present Philadelphia USEAC network directors as well as ODO's current national director and the former director for the eastern region. We also discussed our findings with the Chief Financial Officer and Director of Administration for ITA, as well as the Acting Director General for the U.S. and Foreign Commercial Service, and the Acting Deputy Assistant Secretary for Domestic Operations.

## OBSERVATIONS AND CONCLUSIONS

### I. Strong Trade Partner Relations Exist, but Gaps in Leadership Undercut Relations and Office Operations

The Philadelphia USEAC Network maintains strong, mutually beneficial relationships with a diverse mix of trade partners—SBA, Export-Import Bank (Ex-Im), District Export Councils (DECs), state government trade offices, chambers of commerce, universities, and nonprofit organizations—and thus is able to leverage a full range of export-related products and services for its clients. A number of these partners, however, as well as several trade specialists reported that gaps in leadership within the Philadelphia network have undercut partner relations and office operations.

#### A. Good trade partner relations exist across the Philadelphia Network

Cooperative relationships occur when trade specialists from a range of trade-related organizations work together to provide customers “the best the government has to offer,” and thus facilitate the smooth delivery of export assistance. The Philadelphia network has established such relationships at every level.

**Federal Partners.** The two SBA<sup>7</sup> managers collocated at two network USEACs (Philadelphia and Baltimore) work very cooperatively with their CS colleagues in those two centers and the Trenton USEAC—each referring clients to the other, cosponsoring seminars (e.g., *Breaking Into The Trade Game: A Small Business Guide to Exporting*), and conducting joint counseling sessions. Although no Ex-Im<sup>8</sup> officials are located within the Philadelphia network, the network’s staff works closely with the New York City-based Ex-Im office. The Philadelphia, Trenton, and Northern Virginia USEACs all reported joint counseling and educational seminars with Ex-Im. The SBA regional manager collocated at the Baltimore USEAC is a former Ex-Im employee, and thus provides her expertise on Ex-Im programs to the center’s staff.

**DECs.** The current chairmen of the Maryland, Mid-Atlantic, and New Jersey DECs all spoke highly of the network’s staff and mentioned several programs and initiatives they have either sponsored or intend to sponsor with the centers. For example, the New Jersey DEC recently worked with the Trenton USEAC, the Newark USEAC,<sup>9</sup> and a local community college to provide companies with group trade counseling. The Mid-Atlantic DEC and Philadelphia USEAC are sponsoring a Bureau of Industry & Security export control seminar in spring 2004.

**State Government Partners.** Maryland, Virginia, Pennsylvania, and New Jersey state governments all actively support international trade, employ trade specialists to counsel U.S. companies on export opportunities, and have overseas offices or representatives.<sup>10</sup> These states

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<sup>7</sup> SBA provides export information and development assistance to help small businesses take advantage of export markets, including trade counseling, training, legal assistance, and publications.

<sup>8</sup> Ex-Im supports the financing of exports of U.S. goods and services by assuming credit risks for borrowers and countries that the private sector is unable or unwilling to accept.

<sup>9</sup> The Newark USEAC is part of the New York USEAC Network.

<sup>10</sup> For example, Pennsylvania has a presence in 14 countries, Maryland in 11, New Jersey in 8, and Virginia in 6.

also provide products and services similar to those of Commercial Service, but generally free of charge.

Working relationships between the USEACs and the state-level trade offices in Maryland, Pennsylvania, and New Jersey are strong. Trade specialists meet regularly and collaborate on a variety of activities, such as counseling, export success reporting, and development of client solutions.

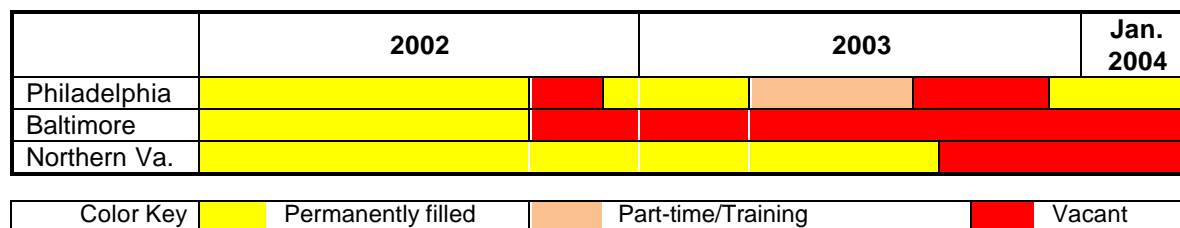
**Other Partners.** One of the most impressive local trade partnerships within the Philadelphia network is that between the Philadelphia USEAC and Temple University’s Small Business Development Center (SBDC). The Small Business Administration administers and partially funds the SBDC program, a cooperative public-private venture that provides small businesses with a wide variety of management and technical assistance, information, and guidance. Temple’s SBDC has a strong international program, and maintains daily interaction with the Philadelphia USEAC via client referrals, joint counseling, and cosponsored seminars. The SBDC also works closely with the Trenton USEAC.

Other strong relationships exist between the Baltimore USEAC and the Maryland-China Business Council, a nonprofit organization that seeks to increase business understanding and activity between Maryland firms and China; the Northern Virginia (NOVA) USEAC and the Winchester-Frederick County Chamber of Commerce; and, as noted earlier, the Trenton USEAC and local academic institutions, two of which provide office space to Trenton trade specialists.

**B. Gaps in leadership hinder partner relations and office operations**

Turnover in director-level positions has occurred in 3 of the 6 network offices in recent years (figure 2), which has had an impact on partner relations and overall office operations. The Philadelphia network director position has been vacant twice since FY 2002. Most recently, it was vacant for over four months, although in the preceding months it was only filled part-time, as the director was away training for an overseas assignment. The Baltimore USEAC has been without a director for a year and a half, and the NOVA USEAC for six months. Although acting directors are designated to fill these spots either officially or unofficially, office operations often suffer in the absence of permanent leadership and the shifting of focus and priorities that inevitably accompanies changes in office director management.

**Figure 2: Director Vacancies in the Philadelphia USEAC Network (FY 2002 through January 2004)**



**Philadelphia.** Historically, leadership at the Philadelphia USEAC has been short term—a foreign service officer (FSO) served as the network director from 1996 through 1998, the standard 2-year term for FSO assignments. Following the officer’s departure, a spoke office director served as acting network director for 1 year.

A permanent replacement was hired in December 1999, performed a short-term overseas assignment in the fall 2002, and accepted, in November 2002, a limited appointment into the Foreign Service. Though the network director’s original May 2003 departure was delayed until mid-August, a significant amount of his time was spent in Washington, DC, training for the overseas assignment prior to departure; consequently, the network did not have a dedicated full-time network director for most of FY 2003.

“... leadership quality has lacked because of frequent changes and director position vacanc[ies] extending beyond a one year period.”

*Trade Specialist*

We found that CS officials did little to ensure that office and network management responsibilities were adequately carried out during the departing network director’s transition to the Foreign Service. As a result, some problems with partner relationships occurred. For example, the Mid-Atlantic DEC chair resigned when the departing director failed to provide promised assistance for a March 2003 DEC event, as he was in training for his new appointment.<sup>11</sup> In addition, staff and trade partners perceived that the office was not running smoothly. For instance, a trade partner told us that the Philadelphia USEAC staff appeared demoralized because of the lack of hands-on management.<sup>12</sup>

**Baltimore.** The Baltimore USEAC currently has an experienced acting director, who has helped maintain stability and focus for the office. But the absence of permanent leadership for sixteen or more months tends to moderate activities that may well be prioritized or pursued differently when a permanent leader comes on board. Because of the long delay in filling the Baltimore position permanently, the change could disrupt the partner relationships and staff operations that have been put in place over the past year.

**Northern Virginia.** Since opening in FY 1998, this office has had 2 permanent directors, and 2 vacancy periods during which acting directors were in charge—the first lasting 10 months, and the second in effect since September 2003, although the director was no longer physically located in the Washington, DC area the last 2 months of his tenure, after he transferred to another USEAC. (As we prepared this report, a permanent director still had not been hired.) We found that the Northern Virginia office had the weakest partner relations of all the Philadelphia network centers and the poorest performance overall (see Chapter II, Section E), and thus appears in particular need of strong, stable leadership.

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<sup>11</sup> We were told that the recent assignment of an FSO as the Philadelphia office director, who is performing responsibilities that were previously handled by the former network director, has substantially improved partner relations in recent months.

<sup>12</sup> In December 2003, a permanent network director was hired for the Philadelphia USEAC Network.

According to the national director for the eastern region, the decision to hold off on filling the Baltimore and NOVA director positions was intentional: a senior ITA official decided that management vacancies would be announced and filled consecutively, rather than concurrently, and that the network director spot would be filled first. This strategy would allow staff multiple opportunities to apply for director positions and allow management to rotate staff into those positions, if needed.

In the meantime, however, the management voids have left many partners with the impression that the USEACs are “leaderless,” and they report that collaborative activities and office operations have suffered as a result. For example, DEC chairs we spoke with stated that when the centers lack stable director leadership, councils do not convene. The USEAC directors are responsible for scheduling the DEC meetings and serving as the councils’ executive secretaries<sup>13</sup>—duties that cannot be carried out when positions are vacant, and that may not be carried out by directors who—like the former Philadelphia network director—are busy preparing to move on.

In addition, office operations suffer. The failure to officially appoint an interim director resulted in a senior trade specialist unofficially conducting many of the network director’s responsibilities (signing staff performance plans, for example). A state partner commented that trade specialists from one of the centers were not talking and cooperating with one another, and a trade specialist from another center stated that the “numerous changes in office management have made it [working at the USEAC] at times frustrating because of shifting priorities and expectations.” Trade specialists and partners alike noted that the lack of stable leadership impacts strategic long-term planning.

**Recommendation.** Commercial Service should ensure that management positions are filled quickly and that interim leadership is closely monitored by headquarters and has the skills to ensure smooth continuity of USEAC operations.



ITA agreed with our recommendation and stated that it is “working to fill these positions in a manner that maintains good partner [and] client relations over the short term while safeguarding [its] ability to place the most qualified candidates in these key leadership positions to ensure effectiveness over the long term.” ITA concurs that interim leadership must be closely monitored by headquarters and have the skills to ensure smooth continuity of operations. ITA added that the Philadelphia network director and the NOVA and Pittsburgh office director positions have been filled with permanent directors, who previously served as acting directors. Thus, ITA believes that they have demonstrated the skills necessary to ensure a smooth continuity of operations. ITA anticipates that these directors will remain in their positions for some time, which will add to the stability of staff and partner care.

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<sup>13</sup>The 1994 DEC handbook states that USEAC office directors are to serve as the councils’ executive secretaries.

We support ITA's action to place permanent directors within the Philadelphia USEAC Network and look forward to learning of the selection made for the Baltimore office director position. The actions taken and outlined by ITA meet the intent of our recommendation.

## **II. Client Satisfaction is High, but the Reporting and Review of Export Successes and Client Records Need to be Improved**

The Philadelphia USEAC Network is providing quality products and services to its clients. However, we found that the network has overstated its performance results and is not in full compliance with Commercial Service's guidelines on the reporting and review of export successes—Commercial Service's key performance measure—as well as the maintenance of client records. Problems discovered include duplicate export success stories, reporting estimated and projected export sales, rather than actual sales, and client records which do not sufficiently support successes reported. At the same time, trade specialists are focusing much attention on repeat clients perhaps at the expense of cultivating new ones, and using an unauthorized survey form to obtain export sales data from clients. Also, our review revealed a performance issue at the Northern Virginia USEAC.

### **A. *Clients are satisfied with the Network's trade assistance***

We surveyed 42 customers regarding their experiences working with the network's export assistance centers and obtained feedback from 38. Overall the clients were quite satisfied with the counseling services and products provided by the Philadelphia network. Clients described the network's staff as responsive and conscientious, knowledgeable of overseas markets, and well connected to business and U.S. government contacts abroad. They reported that the products and services largely met their expectations for timeliness and quality, though some clients felt the fees for some products were too high. Many clients also remarked that they appreciate the availability of the centers and readily use them when they need export advice or market counseling. Several clients stated that the trade specialists keep them informed of market conditions, issues affecting exports, and upcoming events primarily through E-mails.

Client satisfaction is inextricably connected with a trade specialist's performance. Recognizing this, Commercial Service, under its FY 2004 performance measure initiative, has made customer satisfaction a specific performance measure. We support this action. Based on the client feedback we received, it is clearly to Commercial Service's advantage to measure not only export successes, but also the work trade specialists do on behalf of their clients, which may not immediately lead to export successes.

### **B. *Some export successes are problematic***

Both trade specialists and office directors have annual export success performance goals, and each center has an overall goal based on staffing and specialist grade levels.<sup>14</sup> Information on each export success is recorded in CS' client management system (CMS) by a trade specialist but it must be reviewed and approved by his/her office director, who then forwards the success record to the network director for final review and approval. An office director forwards his/her export success records directly to the network director. We were told that staff to the ODO national western and eastern regional directors then randomly spot-check the approved export

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<sup>14</sup> For example, a trade specialist at grade level 13 was expected to realize 35 export successes during FY 2003.

successes, as called for in ODO's guidelines. If problems are identified, staff is to bring them to the attention of the appropriate regional director.

In reporting their export successes in narrative form, trade specialists and office directors are expected to briefly describe the client company, what it does and where it does business; then explain the chain of events leading to the success—that is, what assistance was provided and when to make the success happen including any actions by other CS or ITA staff as well as federal, state, or local trade partners who assisted with the success. Per the guidelines, there must be a direct link between the USEAC assistance provided and the reported outcome. Client records must include sufficient supporting documentation such that anyone reading the documentation would understand the link between the CS service provided and the result reported.

For FY 2003, the Philadelphia network had an export success goal of 566, but fell short, reporting just 489 successes. Failure to reach quotas may be due to inadequate performance by an individual staff member or a particular office; or it may be a reflection of an economic downturn within a market sector or geographical area. We were told that FSOs, in particular, can have difficulty meeting their annual goals if they are assigned client portfolios that are not well developed and that, on average, it takes 2 years for a client to realize an export success—the length of an FSO's domestic tenure.

Commercial Service uses export success data to assess the performance of USEACs and trade specialists and determine whether organizational goals and objectives are being met. OMB and Congress use this data when reviewing Commercial Service's performance and funding levels. The Commercial Service *Operations Manual* describes export successes as follows:

- 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.\*
- 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.

*\* The signing of a contract and an export sale immediately thereafter (within 3 months), related to the same contract, must be reported as a single export success.*

We reviewed approximately 20 percent<sup>15</sup> of the 489 approved export successes for the period October 1, 2002, through September 30, 2003,<sup>16</sup> and found a number of problems:

- ❖ duplicate export success stories,
- ❖ reporting of expected or projected export sales, rather than actual, verifiable sales,
- ❖ success stories which do not fit the definition of an export success,
- ❖ narratives that do not clearly demonstrate the link between the assistance provided and the reported outcome,
- ❖ poorly written success stories with typographical and classification errors, such as, indicating the wrong product type, success amount or success type, and
- ❖ poorly maintained client records in CMS, which do not document or clearly demonstrate the chain of events that led to an export success.

<sup>15</sup> If we identified a concern with a particular success in our sample, we then reviewed all the export successes approved for that particular company during FY 2003.

<sup>16</sup> There was an acting network director in place from mid-August through September 2003.



Reporting inaccurate export successes that do not conform to the *Operations Manual* guidelines is a serious concern. ODO uses reported export success data to assess the performance of USEACs and trade specialists to determine whether they are meeting organizational goals and objectives. OMB and Congress use the data when reviewing Commercial Service performance and funding levels. Recognizing the importance of accurate reporting, and in response to earlier OIG reports that cited overstated performance claims by some overseas posts, Commercial Service formed a working group in FY 2003, to study the performance measures and export success guidelines. The group was charged with making sure the organization is measuring the right activities and results, as well as with simplifying and clarifying the CS measures to ensure accuracy and consistency across the organization. Based on the working group's findings and conclusions, Commercial Service issued new export success guidelines effective October 1, 2003. As part of our examination, we consulted the new guidelines to determine if they address some of the reporting errors we discovered.

### Inflated Export Success Count

The Philadelphia network overstated its FY 2003 export success count by at least 30. Specifically, it tallied 7 of the same successes twice—claiming the same U.S. company, same export market, same success amount, and same chain of events leading to the success. It included 2 others that did not meet the definition of an export success. In the first instance, the trade specialist provided a company with market intelligence, which prompted the company to realign resources and product focus but resulted in no export sales, joint ventures, or agent/distributor agreements. In the second instance, a trade specialist working with an overseas post helped resolve a commission dispute between a U.S. firm and its Asian agent/distributor, which resulted in payment of \$36,834 from the U.S. firm to the agent. While this situation highlights the good work trade specialists do to help companies maintain sales relationships, no trade complaint was resolved to the U.S. firm's benefit, no export sale realized, and no legally binding agreement executed. We note that, under its FY 2004 performance measure initiative, Commercial Service has added a new Highlights database that will serve as a repository for trade specialists' work products that are not directly related to an export sale.

The network also incorrectly claimed 19 export successes for educational services. In this case, with the assistance of Commercial Service, a U.S. medical consortium recruited a class of 20 Brazilian doctors to a training program. The event was reported as 20 separate success stories rather than one. The reporting guidelines in place during FY 2003, did not specifically address such a situation, so we asked the national director for the western region how it should have been handled. He stated that if the individuals came to the United States as a group to attend the program, then one export success should have been claimed as one export transaction occurred. We note that the new export success guidelines contain clearer instructions on the correct reporting format for the purchase of U.S. education by foreign students.

In addition, we identified the incorrect reporting of monthly sales which led to the over reporting of 2 export successes. In this case, a trade specialist provided market research to a client who was already doing business with a foreign distributor. As a result of the research, the U.S. company signed an exclusive agreement with the distributor and then realized monthly sales. The trade specialist reported 4 export successes to record the client's monthly sales. However,

as indicated in the *Operations Manual*, an increase-to-market sale “represents the total of additional sales into an existing market over a period of time (6 months minimum), rather than each and every additional sale into that market.” Therefore, it appears that the trade specialist should have put forward at most 2, and not 4, export successes: the first reporting the signing of the exclusive distributor agreement and the second reporting the total monthly export sales made to the distributor.

### Overstated Export Success Values

The value of the network’s export successes was overstated by \$14.46 million, or approximately 10 percent of the \$145.13 million export value reported for FY 2003. The reasons for the overstated values are the reporting of (1) duplicate export successes, (2) assistance which did not meet the definition of an export success, and (3) estimated and projected export sales. As indicated above, 7 duplicate export successes were reported which resulted in \$142,500 of exports being overstated. One of the success stories which did not meet the definition of an export success had a success amount of \$36,834.

In 10 instances the Philadelphia network reported estimated or projected sales as the export success value rather than actual sales as required in the *Operations Manual*. The *Manual* specifically states: “Only claim on the dollar value of the report the actual amount of product/service that has already been sold. Projected or anticipated sales, etc. are not allowed on the dollar value line of the report as the sales have not yet been consummated.” Approximately \$14.28 million of estimated or projected sales were reported as the actual sales amount by the network.

In its response to our draft report on the Chicago USEAC Network,<sup>17</sup> Commercial Service discussed the industry specific challenges and client sensitivities that trade specialists face when trying to obtain exact export sales information from clients. Specifically, Commercial Service stated, “Unbeknownst to our Trade Specialists, clients will often estimate sales that will accrue from a signed agent or distributor agreement. Clients also have difficulty reporting accurate sales figures for transactions in certain industries [e.g., services industry].” We appreciate Commercial Service’s feedback and understand that clients at times cannot or may not want to divulge the exact dollar value of a sale. However, as Commercial Service stated in its response, it is incumbent on the organization to “ensure that accuracy in dollar value reporting remains paramount.”

### Other Problems Identified

Other problems found included typographical errors, inconsistencies in terms of the country of success and success amounts reported, incorrect success type, and insufficient details about the chain of events leading to the export success. We also discovered an inconsistency in reporting the success amount for export successes which involve Commercial Service helping a financial institution. We reviewed three export successes put forward for a financial institution. The success amount reported for two of those successes was the value of the export transaction

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<sup>17</sup> *Chicago USEAC Network is Generally Operating Well But Needs to Improve Its Export Success Reporting* (IPE-16136).

financed by the financial institution. The amount indicated for the other success was the income to the financial institution as a result of its service. Neither the old or new export success guidelines address this type of success and what dollar amount (i.e., export sales value or income) should be reported as the success amount.

We are also concerned that some trade specialists may be prematurely reporting export successes for sales contracts and exports that eventually do not occur. We understand that trade specialists primarily learn of export transactions verbally from company officials who may, at the time, be confident that a deal is being transacted. However, in some instances, for whatever reason, the deals do not materialize. We believe that if a trade specialist learns that an earlier reported export success did not materialize, then the trade specialist should request to have that export success deleted from the database.

The errors, discrepancies, and quality control problems we identified appear to be the results of (1) network staff's failure to consistently follow *Operations Manual* guidelines for performance reporting, and (2) management's inadequate oversight of this data. According to the *Manual*, "Managers and staff are accountable for reporting performance statistics consistent with this guidance. Office Directors provide quality control certifications by completing approval fields in the CMS database. Regional Directors spot-check Export Success reports." We are concerned that neither the office directors, former Philadelphia network director, nor the national director for the eastern region identified the reporting errors contained within the export successes we reviewed.

In its response to our draft report on the Chicago USEAC Network,<sup>18</sup> Commercial Service informed us that it has taken actions to improve the quality of export success reporting, such as revising its export success guidelines and working directly with the USEACs to facilitate the implementation of the guidelines and ensure greater accuracy and consistency, and compliance with CS policy. It is also developing a training class to help employees (1) understand the new guidance, (2) improve the quality of export successes, and (3) ensure that trade specialists are using CMS to record client interaction consistently. Under a proposed reorganization, the agency also plans to designate a senior-level employee in ODO to review export success reporting nationwide. We support all of these actions, but CS should ensure that all appropriate staff, including the senior ODO official, are held accountable for carrying out their responsibilities with regard to export success reporting.

**Recommendations.** Commercial Service should

- ❖ monitor the implementation and adequacy of its initiatives for improving export success reporting and review, and ensure that they have the desired impact of enhancing both the reporting process and management oversight;
- ❖ incorporate language into the new export success guidelines that addresses how to report export successes for a financial institution; and
- ❖ ensure that reported successes that did not occur are deleted from the database.

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<sup>18</sup> Ibid.



ITA agrees that management oversight of export success reporting can be strengthened across the field as well as in headquarters. In its response to the Chicago USEAC Network inspection report,<sup>19</sup> Commercial Service outlined the actions it had completed and planned to take to improve the quality of export success reporting, such as the development of harmonized performance standards; creation of a training class to help personnel understand the new reporting guidance, improve the quality of export success narratives, and ensure that trade specialists are using CMS to record client interaction consistently; and the designation of a senior-level official in headquarters to be responsible for ensuring that export successes are of high quality and that there is consistency in reporting nationwide. We agree with Commercial Service's actions and support the designation of this senior level official to ensure that export successes are thoroughly reviewed by CS headquarters personnel.

In addition to those efforts, ITA states that its Office of Chief Financial Officer (CFO) will conduct several on-site verification and validation reviews of export success data as well as other performance results data, during the second half of this year. The purpose of these reviews will be to serve as an oversight authority to ensure data sources that are used in Department documents (e.g., ITA Performance and Accountability Report) are accurate and properly prepared and that any duplicate or overstated export successes are deleted from the database. In its response to the draft report on the Pacific Northwest USEAC Network Inspection, ITA also states that Commercial Service's Office of Planning has implemented an oversight function to work in tandem with ODO to ensure that there are no duplications within FY 2003 and FY 2004 export success data.<sup>20</sup>

We fully support ITA's effort to improve the quality of export success reports and the reporting of other performance data, however, we note that it may not be necessary to conduct on-site verifications since ITA's CFO staff has access to export success reports via eMenu and client counseling reports via CMS at Commerce headquarters. As part of its action plan, we request that ITA discuss the methodology it will employ to conduct its on-site verification and validation reviews of export success and other performance data.

With regard to the recommendation that language be incorporated into the export success guidelines to instruct trade specialist on how to report an export success for a financial institution, ITA stated that the CS Performance Measures Group will develop draft language to address the reporting of such export successes. We support this effort by ITA, and request a copy of the revised export successes guidelines, which incorporate this new reporting instruction for export successes realized by financial institutions.

### ***C. Chain of events for an export success is not always clearly documented***

We examined the client records for the export successes selected for review to ascertain the chain of events that led to the reported outcome. According to the guidelines, CMS client entries

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<sup>19</sup> Ibid.

<sup>20</sup> *Pacific Northwest USEAC Network Generally Operates Well, but Export Success Reports Need More Management Scrutiny* (IPE-16507).

must include sufficient supporting documentation such that anyone reading the documentation would understand the link between the CS service provided and the result reported. For many export successes, we could not find CMS entries that clearly discussed the counseling provided or demonstrated a direct link between the value-added assistance rendered and the reported outcome. CMS did not contain any supporting records for a number of export successes as well. The link between the CS service provided and the result reported was especially difficult to trace for increase-to-market<sup>21</sup> (ITM) exports. As indicated in the guidelines, for a trade specialist to get credit for an ITM, specific new assistance must be provided to the firm.

At the same time, many CMS entries were created weeks and sometimes months after communication with a client or an out-of-office visit. Currently there is no set time period for trade specialists to update their client session records within CMS. However, we believe that regularly updated records, supported by sufficient documentation to verify the communication of the success, would help ensure that available performance data is timely and accurate, and would facilitate client follow-up. In its response to the draft report on the Chicago USEAC Network,<sup>22</sup> Commercial Service informed us that it is taking action (i.e., developing a training class) to ensure specialists consistently record client interactions in CMS.

**Recommendations.** The Commercial Service should

- ❖ revise its new export success guidelines to incorporate a time frame within which trade specialists must update their client records; and
- ❖ ensure that office and network directors—as part of their review process—review CMS client records and verify that there is sufficient supporting documentation for each reported export success.



ITA agrees that it is important for trade specialists to input counseling sessions and update CMS records on a timely basis. In particular, ITA states that as a best practice, trade specialists should record client interactions within 48 hours of returning to the office and review their activities on a monthly basis to ensure that all activities are updated in CMS. ITA noted that it would see to it that CMS records are updated weekly. ITA also agrees that client records should include sufficient supporting documentation for each reported export success. Specifically, ITA states that the CFO's staff will ask Commercial Service to begin to certify that all reported client records include sufficient supporting documentation and will periodically ask Commercial Service for detailed back-up material on a random sample of records. We agree with the actions outlined and request that, as part of its action plan, ITA state how the new CMS reporting instructions will be disseminated and the process for certifying client records.

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<sup>21</sup> An increase-to-market success is when a U.S. firm makes additional export sales in markets where it is already active.

<sup>22</sup> IPE-16136.

**D. Services to repeat clients may limit assistance available to new clients**

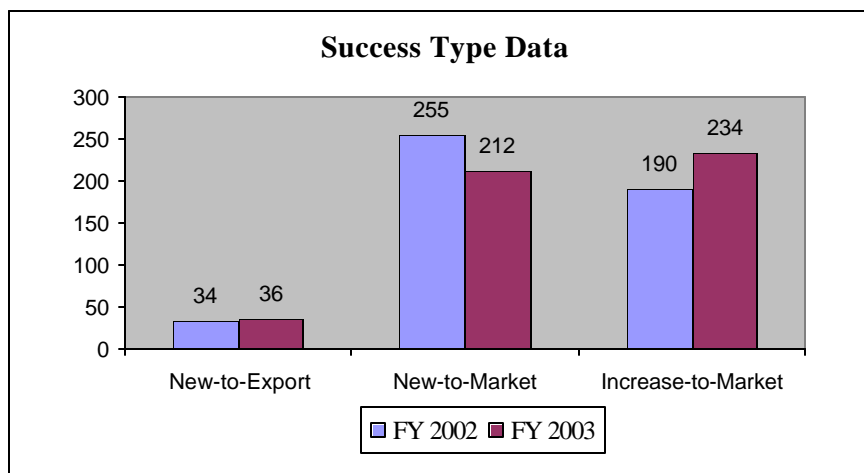
We reviewed the lists of clients that generated export successes for the Philadelphia USEAC Network for FYs 2001, 2002, and 2003. We found that some trade specialists and office directors reported multiple export successes for the same clients year after year. We also found few new-to-export (NTE) successes in comparison to new-to-market (NTM) and increase-to-market (ITM) successes for fiscal years 2002 and 2003 (see Chart 1).

An NTE success occurs when a U.S. firm makes its first sale into any foreign market. An NTM success occurs when a U.S. firm with some existing level of export activity makes a sale in a new market, enters into a legally binding agreement, or introduces new products or services that require a different channel of distribution in a market to which it already exports.

*Source: Commercial Service.*

Trade specialists told us that realizing NTE successes is difficult because it can take up to 2 years for a company new to exporting to make a successful transaction. Although we understand this constraint, we question the few NTE successes for clients who have been in USEAC portfolios for more than 2 years. Trade specialists also reported being under intense pressure to meet their success quotas, and as such, continue to work closely with existing clients, who are more likely to realize export transactions.

**Chart 1: Philadelphia USEAC Network: Export Success Types**



Source: Commercial Service.

We understand that trade specialists are expected to cultivate client relationships over time and assist existing exporters to expand into new markets, and that there is no limit on the number of export successes from each client. We are concerned, however, that if trade specialists are focusing on repeat clients who can generate export successes, they will not be available to assist new clients who require more export assistance but might not generate immediate successes. The success type data suggest that trade specialists may not be focusing enough on clients, who are just starting to export, given the low number of new-to-export successes for FYs 2002 and 2003.

**Recommendation.** Commercial Service needs to ensure that trade specialists are adequately reaching out to and counseling U.S. firms interested in developing export business.



In responding to our draft report, ITA agreed that trade specialists should reach out to and counsel U.S. firms interested in developing export business, however it also noted that trade specialists are also responsible for developing relationships with clients over the long-term. We understand that Commercial Service has limited resources, and must ensure that long-term clients as well as more established exporters are not neglected, while concurrently uncovering and assisting firms that may be interested in exporting. We also recognize that some firms may be new clients to Commercial Service, but not new to exporting, and therefore do not meet ITA's definition of a new-to-export firm.

ITA indicated pride in its results in the area of new client development and stated that it is "looking at a number of options to motivate trade specialists to devote more time to new client development." ITA highlights that the Philadelphia USEAC Network has begun to track for each trade specialist not just the number of export successes reported, but also the number of clients for which export successes were reported. It also has initiated "Bottom Line" performance awards, which recognize the importance of reporting export successes from a broad number of clients.

We support the actions initiated by the Philadelphia USEAC Network as a means to stimulate client development. However, because one of ITA's primary performance measures is to increase the number of U.S. firms exporting for the first time, we request that ITA, in its action plan, provide additional details of the specific steps it has taken or is planning to take to increase exporting activity by new-to-export firms.

***E. Performance of the NOVA USEAC needs to be evaluated***

As part of our inspection objectives, we reviewed the performance statistics for each export assistance center within the Philadelphia network for FY 2003. We reviewed each office's performance, examining not only export successes, but also the number of counseling sessions, number of clients counseled, and the number of in and out-of-office meetings as well as joint meetings with trade partners. Based on our analysis of the data, we are concerned by the poor performance of the Northern Virginia (NOVA) USEAC. Although the staff at NOVA impressed us as being competent and well-qualified, their performance results demonstrate a less than proactive approach to trade promotion and outreach.

Table 1 compares various measures of performance for NOVA trade specialists with specialists in three other network USEACs, and shows that, overall, NOVA performed significantly below its counterparts.

**Table 1: Trade Specialist Performance Data (FY 2003)**

Average Number of:	NOVA	Baltimore	Philadelphia	Trenton
Out-of-Office Meetings	5.8	32.5	50.7	145.0
Joint Meetings with Partners	0.3	50.5	34.7	49.5
Clients Counseled	25.0	99.0	91.0	121.0
In-Office Meetings	6.5	18.0	3.7	15.0

**Note:** NOVA’s average was calculated using the data of its 4 part-time trade specialists. Baltimore and Trenton averages were calculated using the data of their 2 full-time trade specialists, and Philadelphia’s average was calculated using data from that office’s 4 full-time trade specialists. According to ODO management, though the NOVA staff was part-time, ODO expected them to meet the same performance measures as the staff of the other USEACs. For example, all trade specialists at a grade 13 were expected to have at least 100 out-of-office meetings a year.

**Source:** Commercial Service.

During our period of review, the NOVA USEAC staff consisted of an office director, 4 trade specialists, and 1 foreign service officer. All four trade specialists work part-time and two of them telecommute a set number of hours each week. Given the office staffing, in FY 2002, the NOVA USEAC volunteered to pilot an office goal approach to achieve export successes. While each trade specialist and the office director has an individual target goal, the office is measured as a whole on the number of export successes generated. For FY 2002, Team NOVA had an export success goal of 89, but reported 74 export successes. For FY 2003, Team NOVA had an export success goal of 99, but reported just 54 export successes, meeting just 55 percent of its goal. Staff attributed their poor performance to several factors: (1) being a relatively new office (established in FY 1998), (2) having a territory consisting of predominately service firms and government contractors, (3) having a young client portfolio, which is just now realizing export successes, and (4) frequently having to host visitors because of the USEAC’s close proximity to CS headquarters, which has diverted their attention from client responsibilities.

While these factors are not without effect, based on our conversations with ODO management, the former network director, NOVA staff, and trade partners, it appears that the USEAC’s poor performance is more a reflection of a passive approach to trade promotion and outreach, resulting from the absence of stable, long-term office management (see chapter 1) and strong trade partner relations; inadequate strategic guidance from the recently departed network director; and the lack of full-time, on-site staff.

We do not mean to imply that the NOVA USEAC is not providing valuable services to U.S. companies. In fact, several NOVA clients reported being quite pleased with the center’s counseling and products. However, we believe it can do much more to cultivate clients and trade partner relations, promote Commercial Service products and services, and thus expand the export activity in the community it serves.

**Recommendation.** Commercial Service should evaluate the needs and staffing of the NOVA USEAC, and take steps to improve the office’s performance, leadership, trade promotion, and outreach.





ITA reports that it is taking aggressive steps to improve the operations of the NOVA USEAC. In particular, over the past two months, Commercial Service has assigned two foreign service officers/trade specialists to NOVA and placed a permanent office director. In addition, to improve trade promotion activities throughout Virginia, the NOVA USEAC and Richmond USEAC now report to the same USEAC Network (Charlotte) and have statewide industry responsibilities. This is expected to increase opportunities for statewide initiatives and collaboration between the two USEACs and with trade partners.

ITA also states that management will increase the new client and partner development performance measures for NOVA. Specifically, trade specialists will have assigned out-of-office visits, counseling, and export success goals. Additional full-time employee assignments to NOVA will be considered depending on the results of an ongoing ITA reorganization. ITA added that management will be careful that any future assignments to NOVA should strengthen industry-specific client services and statewide collaboration. The actions taken and proposed by ITA meet the intent of our recommendation.

### III. Inadequate Oversight of Network Travel Has Permitted Questionable Travel Practices and Reimbursements

The Federal Travel Regulation (FTR) governs travel and transportation allowances for federal civilian employees, including reimbursable amounts for daily expenses (per diem rates), and policy and guidelines for claiming reimbursement.<sup>23</sup> Commercial Service's general compliance with the FTR is assured by the Department of Interior's (DOI's) National Business Center (NBC), which processes and audits all ITA travel vouchers to verify that the travel is authorized and that per diem and other expenses are properly claimed. However, NBC does not question the necessity of the travel for which reimbursement is sought or any other management decision regarding it. These responsibilities belong to the agency officials who authorize and certify each instance of travel.

Our review of Philadelphia network travel vouchers revealed a number of instances in which CS certifying officials did not properly exercise this authority, with the result that questionable practices were followed and potentially unnecessary expenses were incurred and reimbursed, all of which may have led to the circumvention of FTR requirements and payment of inappropriate expenses.

#### A. *Appropriate signatures were not on travel claims*

FTR Section 301-71.203 states that the traveler must ensure that all travel expenses are prudent and necessary and submit a proper claim for their reimbursement.<sup>24</sup> The authorizing/approving official must review the completed claim to ensure that it is properly prepared in accordance with regulations and agency procedures prior to authorizing payment. The official's signature on the form indicates that this review has been conducted. The FTR allows an authorizing/approving official to delegate his/her responsibilities, however, it discusses at Sections 301-71.200 and 301-71-203, that an authorizing/approving official designee should be in a management /supervisory position.

We found instances in which someone other than the traveler prepared and signed claims in order to expedite the processing of vouchers while the traveler continued to travel. In addition, the approving official, the national director for the eastern region (located at CS headquarters), delegated his signature authority to administrative field support staff. Both the field staff and the national director for the eastern region stated that the delegation to sign the vouchers did not include responsibilities for determining whether the travel was prudent and necessary; according to the national director for the eastern region and field staff, when acting under such delegation, the field staff only reviewed vouchers for completeness. Consequently, these vouchers were never subjected to the authorizing official's review and approval, and in some cases the traveler's certification that the voucher information was true and correct—a violation of both the requirements and intention of the FTR. This delegation reportedly occurred because the national director for the eastern region was not familiar with the new electronic travel management

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<sup>23</sup> 41 CFR Chapters 300 – 304.

<sup>24</sup> FTR §301-52.2 and Appendix C to Chapter 301 specify the traveler, commercial transportation, travel expense, and accounting and certification information required on travel claims.

software that was being piloted. (See section D at page 24 for a discussion of the electronic travel management software.)

**Recommendation.** Commercial Service must ensure that (1) travelers sign their own travel vouchers to certify that the travel was taken and the costs claimed were incurred, and (2) only the authorizing/approving official (or appropriate designee) reviews, approves, and signs the vouchers.



ITA concurs with our recommendation stating that the problems we identified should not have occurred. ITA reports that its guidelines clearly state the proper authority for approving travel orders and vouchers and that it has taken appropriate action. As part of ITA's action plan, we request additional information on the actions ITA has taken to ensure compliance with its travel guidelines.

**B. Travel claims were not well documented**

Commercial Service issues blanket travel orders to field staff for use when conducting official travel, including local travel reimbursement. We reviewed a number of travel voucher claims and found instances where USEAC staff lodged with friends or family, but had not clearly documented the work-related purpose for visiting the area. For example, one travel voucher covered a 4-day trip over the Christmas holiday. The traveler sought reimbursement for transportation and 3 days per diem for meals and incidental expenses (per diem for Christmas day and lodging were not claimed). Although the employee in question indicated that he had a business purpose for this trip, he could not recall the specifics and the purpose was not documented. Our review of the USEAC office calendars showed no meetings at the destination, and the voucher contained no documentation of the trip's purpose. According to handwritten notes on the voucher, DOI questioned the travel, but as the authorized signatures were present, the traveler was reimbursed for the expenses claimed.

**Travel Orders**

Travel orders authorize government employees to travel. FTR Section 301-71.100 states that the purpose of travel orders is to provide

- ❖ the employee with information regarding what expenses will be paid;
- ❖ vendors with necessary documentation;
- ❖ financial information necessary for budgetary planning; and
- ❖ justification for the travel.

The DOC Travel Handbook, Section 301-1.102, states that limited open travel orders (i.e., blanket travel orders) authorize travel for individuals whose official duties require them to travel frequently, generally in a circuit type of route.

While staying with friends or relatives is usually a savings to the government—the work-related purpose of the official travel should be approved prior to the trip and adequately documented to show that the governmental purpose and necessity are clear. Prior notification, such as an e-mailed itinerary, and an explanation of the purpose of the trip on the voucher are examples of how the justification for travel could be better documented.

FTR Section 301-11.10 also requires travelers to record the date they depart from and arrive at the official duty station or other point at which officially authorized travel begins or ends and for all intervening points visited. We found a voucher for which the travel information did not

correspond with the accompanying receipts—arrival and departures times differed, as did destinations. For example, the voucher shows a June 3<sup>rd</sup> reimbursement request for a train ticket from the traveler’s residence to Baltimore, while the train receipt is dated June 4<sup>th</sup>, departing from Philadelphia and going to Harrisburg. Consequently, the traveler may have returned to the official duty station (Philadelphia), which may have altered the per diem amount to which the traveler was entitled.

**Recommendations.** CS managers should make certain that employees and managers adequately document and justify the purpose and necessity of official travel. In addition, employees should be held accountable for properly recording departure and arrival dates and times for all places visited during temporary duty travel, including the trip’s point of origination and conclusion.



In its response, ITA agrees with our recommendation that all official travel must be adequately documented and justified. ITA states that it has taken action to assure that travel regulations are followed. As part of the agency’s action plan, we request additional information on the actions ITA has taken to ensure compliance with travel regulations.

**C. Excessive use of a rental car was not questioned**

The FTR states that travelers must use the most expeditious means of transportation practicable and commensurate with the nature and purpose of their duties. It also states that the most advantageous method of transportation is presumed to be common carrier (airline, train, bus, etc.), as this is generally the most efficient in terms of travel time, cost, and use of energy resources. The regulations emphasize that decisions to use a method of transportation other than common carrier must not be based on the traveler’s personal preference or convenience. However, “[w]hen your agency determines that your travel must be performed by automobile, a Government automobile is presumed to be the most advantageous method. . . .” unless the agency determines that a rental vehicle is warranted, in which case it must specifically authorize such use.<sup>25</sup> An authorizing/approving travel official, and not a traveler, is responsible for determining the best mode of transportation for official travel.

In our review of the travel vouchers, we found one traveler submitted claims totaling \$6,960 in rental car charges and an additional \$2,112 in parking, tolls, and fuel charges incurred over an 8-month period. Travel was to locations both in the immediate vicinity of the traveler’s duty station as well as to other network locations. The employee—who did not own a car—generally rented one for several weeks at a time and used it for personal and business purposes; though, he sought reimbursement only for the days on which government travel occurred.

Although local travel (trips within a 50-mile radius of the employee’s duty station or residence) does not require a travel order, the blanket travel orders issued to the field staff contains language for local travel, thus allowing travelers to rent a car. We found that CS management was not monitoring or questioning the extensive use and subsequent costs of the rental, or the local trips, for which there may have been other accessible and cost-effective transportation

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<sup>25</sup> FTR, Sections 301-10.5 and 301-10.450.

options. The train was a viable mode of transportation for many of the trips in question, but was used only on occasion. When asked about the high rental costs the employee incurred, CS officials responded that an automobile is sometimes more practical, particularly when multiple locations are being visited. We note that, if this was the case, the employee could have cut costs to the government by two-thirds had he used a government car. While the General Services Administration (GSA) does not offer short-term rentals, 1-year leases are available at a cost of \$2,016 for a compact car and \$3,012 for a midsize vehicle, and per mile rates of 10-½ cents and 12-½ cents, respectively, which includes all maintenance and fuel expenses. Given this traveler’s frequent vehicle use, and the \$9,072 in costs incurred over 8 months, leasing a government car for a year would have been a much more cost-effective alternative.

Using a rental car for both personal and government business raises other concerns. Payment for the rental car was made with the employee’s government travel card. Government policy expressly prohibits using the travel card for personal expenses, although a Commerce Bankcard Center official stated that employees on official travel are allowed to “tag on” a day or two of car rental charges for personal use, that are non-reimbursable. However, in just one example, when we compared travel vouchers to the corresponding rental car receipt, we determined that the employee was reimbursed over a 20-day car rental period for 7 days of local travel and 8 days of temporary duty travel (TDY). He was not reimbursed for the 5 days of personal use. The figure below illustrates how the car was used over that 20-day period. It should also be noted that the local travel voucher did not indicate travel purpose or location.

**Figure 3: Rental Car Usage**

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
					21-Mar	22-Mar
23-Mar	24-Mar	25-Mar	26-Mar	27-Mar	28-Mar	29-Mar
30-Mar	31-Mar	1-Apr	2-Apr	3-Apr	4-Apr	5-Apr
6-Apr	7-Apr	8-Apr	9-Apr	10-Apr – car returned		

Color Key: Local Travel

No travel\*

TDY

\* No travel reimbursement was claimed.

Source: Department of the Interior

Both DOC and ITA travel officials stated that renting a car for an extended period of time and using it for a mix of business and personal use is not allowed. The officials stated that it is the responsibility of the travelers’ supervisor to monitor and question such inappropriate use. In addition, the extent that the government may be liable for any personal or property damage that occurs while the car is being used for personal transportation should have been a concern for CS management, yet CS officials never questioned this or the excessive use of a rental car.

**Recommendation.** CS officials responsible for travel authorization and approval must provide adequate oversight of travel vouchers, including authorization and use of rental cars, to ensure that travelers are adhering to federal requirements and guidance, to identify and carefully review questionable practices, and to eliminate any that are counter to the best interests of the government.



In its response to the draft report, ITA indicated that the Philadelphia USEAC Network has taken steps to ensure adequate oversight of all travel vouchers and compliance with travel-related requirements and guidance. ITA agreed that the delegation of travel authorization and approval should only be assigned to another authorized supervisor. The former national director for the eastern region acknowledged that it was his responsibility to approve travel. Also in the response, ITA stated that the former Philadelphia network director recorded his travel destinations and intended activity on the Philadelphia office calendar. As part of our inspection, we reviewed the office calendar for each export assistance center within the Philadelphia USEAC Network for FY 2003. We were unable to find notation on those calendars to support many of the former network director's trips.

Specifically with regard to car rentals, ITA reviewed ODO's rental car use for FY 2004. ITA stated that it did not find similar excessive car rental issues elsewhere within the organization. ITA also reports that the NFST has added a review of rental car usage to its internal control review guidance and that the Philadelphia USEAC Network has taken steps to ensure adequate oversight of all travel vouchers to ensure that all travel practices are in the best interest of the government.

We support the efforts taken to ensure compliance with federal travel requirements and guidance. The actions taken meet the intent of our recommendation.

**D. Transition to an electronic travel manager software was problematic**

Many of the problems we found may have been the inadvertent result of a new electronic travel manager software system that was being piloted. In an effort to move away from a paper-based system for processing travel claims, Commercial Service tested a travel management software package during FY 2003. The pilot was limited to two USEAC networks—Philadelphia and New York—and

**National Field Support Team**

ODO established the NFST in 2001 to relieve trade specialists of their administrative and financial workload so they could devote more time to clients and core mission activities. One NFST field support specialist (FSS) is assigned to each USEAC network as the primary contact for administrative processing for all network employees. An administrative support agreement signed by the network director, the FSS and the NFST director, spells out FSS' responsibilities for budget formulation allocation,\* reporting, and reconciliation; human resources; hospitality requests; gifts, and bequests; management of procurement, travel, time and attendance, awards, trust funds, and inventory; and liaison for leases and memoranda of understanding. The purpose of the agreements is to enable ODO to, among other things

- ❖ place more resources into export promotion;
- ❖ establish administrative consistency across the country;
- ❖ improve budget formulation, allocation, and management;
- ❖ enhance administrative customer service and accountability; and
- ❖ improve the morale of administrative staff.

\*The FSS works with the network director to formulate the budget and set allocations.

the National Field Support Team (NFST). Like most electronic travel systems, the program allowed for the electronic filing and processing of travel orders and travel vouchers. According

to those familiar with the piloted system, the software program was difficult to use and did not allow for any customization.

Because the implementation of the pilot was limited, apparently not all authorizing and approving officials were trained on using the software. As previously mentioned (see page 20), the national director for the eastern region delegated his electronic signature authority to an NFST team member. However, both the NSFT team member and the national director for the eastern region acknowledged that the delegated authority did not include management oversight. As a consequence, vouchers were authorized with no management scrutiny. CS officials suggested that the 100 percent audit conducted by DOI is sufficient oversight. We disagree. DOI is not responsible for ensuring that the travel conducted is in the best interest of the Commercial Service. Only CS managers authorize and approve staff travel.

CS officials also faulted the electronic travel system for its lack of functionality to add travel justification on the vouchers. Although the program has some limitations, it contains a comment section that could have been used to provide additional documentation. As a result of the problems encountered with the software, Commercial Service has abandoned using this particular system. However, to meet a September 30, 2006, electronic travel system requirement, ITA intends to test two other travel management systems in FY 2004.<sup>26</sup> Therefore, as Commercial Service and ITA continue to move toward an electronic, paperless travel management system, they must ensure that any system they test or adopt provides for proper oversight.

**Recommendation.** Commercial Service must ensure that any electronic travel management system piloted or formally adopted allows for sufficient management oversight and operates under strict quality control procedures that identify and resolve irregularities in travel voucher documentation, authorization, or other processing requirements.



ITA is currently working with the Department in selecting an electronic travel management system. ITA stated that the system selected will allow for sufficient management oversight and operate under strict quality control procedures. The actions outlined by ITA meet the intent of our recommendation.

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<sup>26</sup> Government-wide migration to electronic travel processing (planning, authorizing, and reimbursing) is 1 of 25 electronic government (E-Gov) initiatives currently in progress.

#### **IV. Financial and Administrative Operations Are Generally Sound, with a Few Exceptions**

Beyond poor travel oversight, we found no major problems with the Philadelphia USEAC Network's financial and administrative operations, but identified a few areas that could be improved. Overall, operations are sound: assets are accounted for and properly used; no cash collections are made; credit card and check collections are entered into eMenu; and inventory, and time and attendance records are properly managed. Our findings also reflect those of an internal control review of the Philadelphia network conducted in July 2002 by NFST staff not affiliated with the network. NFST identified no material problems with the administrative operations for the period October 1, 2001, to April 30, 2002. Much of the credit for the network's sound financial and administrative operations goes to the NFST personnel assigned to both the network and CS headquarters.

The network's field support specialist (FSS)? a long-time Commercial Service employee—is located off-site in Newtown, Pennsylvania. As part of our review, we asked network staff about their satisfaction with the FSS and NFST's services, and whether the establishment of NFST has indeed allowed them to focus more on client needs. Overwhelmingly, they stated that the FSS is helpful, knowledgeable, and responsive, and that they spend much less time on administrative matters since NFST's creation, which has allowed them more time for core responsibilities.

##### **A. Some cost-cutting measures are being taken**

To its credit, ODO management is aggressively seeking to reduce its space leasing costs for USEACs nationwide, and in FY 2003, cut \$59,536 from the Philadelphia network's lease costs by relocating the Trenton USEAC to free, shared office space with three of its trade partners. Although the Trenton USEAC director and trade specialists were successful in finding suitable space, they apparently received no written guidelines or criteria to help them in their search. Rather, they received oral guidance from CS management to look for (1) a location within the same congressional district in which they are currently located, (2) reduced or free lease space with a trade partner, and (3) a site easily accessible to public transportation or major highways. As we complete our cross-cutting report on the Commercial Service's domestic operations, we will further research the process for identifying and selecting office locations and consider whether written guidance would enhance the effort.

##### **B. Purchase cardholders are exceeding spending thresholds**

The *Commerce Acquisition Manual (CAM)*<sup>27</sup> states, "the purchase card may be used to purchase monthly cellular phone airtime, monthly pager service, monthly internet services, etc., *as long as the total for each type of service does not exceed \$2,500 in the course of a Fiscal Year,*" (emphasis added). However, we found that two network cardholders exceeded the annual \$2,500 limit—spending \$10,126.08 and \$6,483.96, respectively, for cellular telephone service. Both cardholders stated they were unaware of the CAM requirement.

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<sup>27</sup>Commerce Purchase Card Procedures, Chap. 1313.301 of *Commerce Acquisition Manual* (U.S. Department of Commerce, April 5, 2000, modified February 1, 2004), 10.



We discussed this issue of cell telephone expenses exceeding the annual \$2,500 limit with an official in the Office of Commerce Acquisition Performance Policy and Support whose position is that the purchase card limit should remain at \$2,500 in line with the small purchase requirement. In the event that actual or projected annual expenditures exceed \$2,500, purchase cardholders should discuss other methods for procuring cell telephone service with their procurement officials. An example of other payment methods would be procuring cell telephone service through a blanket purchase order.

**Recommendations.** Commercial Service should ensure that purchase cardholders and authorizing officials are aware of and adhere to the \$2,500 annual purchase card limit for cell telephone service. If cell telephone costs exceed \$2,500, CS officials should instruct cardholders to work with procurement officials to identify other methods for procuring cell telephone service.



ITA agreed with our recommendations and stated that purchase card limits were communicated to NFST staff at the November 2003 NFST annual meeting. In its response to the draft report on the Pacific Northwest USEAC Network inspection, ITA discussed that it has initiated a project to address cell phone acquisition and management to conform to the Department's new telecommunications policy. ITA also stated that it is working to develop a new system for cell phone purchases that complies with the telecom policy, as well as procurement requirements. The actions taken and proposed meet the intent of our recommendations.

**C. Advance payments were made for cellular telephone expenses**

Title 31 of the U.S. Code sets forth a general prohibition to agencies against making advance payments for goods or services. Specifically, 31 U.S.C. Section 3324, provides that "...a payment under a contract or to provide a service or deliver an article for the United States Government may not be more than the value of the service already provided or the article already delivered." According to the General Accounting Office's (GAO's) Principles of Federal Appropriations Law, the primary purpose of this section is "to protect the government against the risk of nonperformance."<sup>28</sup>

In reviewing purchase card statements, we found that the Philadelphia network prepaid \$5,800 of projected FY 2004 cellular telephone charges in FY 2003. According to NFST staff, the estimated payments, made in September 2003, were projected from FY 2003 monthly cell telephone costs. We discussed this finding with the NFST director, who agreed that advance payments for monthly recurring expenses should not be made.

**Recommendation.** Commercial Service should make clear to authorizing officials and NFST staff that advance payments should not be made without specific statutory authority.



In its response to our draft report, ITA states that during a March 10, 2004, NFST conference

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<sup>28</sup>"Advance Payments," Chap. 5 in *Principles of Federal Appropriations Law*, Vol. 1, (United States General Accounting Office, July 1991), 5-42.

call, all NFST members were informed that paying for services before they are received is not acceptable. ITA also states that all bankcard holders and approving officials will be notified in writing of this to assure compliance with the CAM. In addition, ITA is working to establish a new system to purchase cell telephone services, which will address the concerns we identified.

We support the actions ITA has completed and proposes to take. As part of its action plan, we request that ITA provide a copy of the written notification that will be provided to bankcard holders and approving officials regarding advance payments as well as additional information on the new system being established to purchase cell telephone services.

**D. Card-sharing violation resulted in sales tax charges on government purchases**

The CAM defines a purchase cardholder as a “Department of Commerce employee authorized by the Head of Contracting Office (HCO) to be issued a card to purchase goods and services and/or pay for official expenses in compliance with applicable regulations.”<sup>29</sup> A purchase cardholder is not authorized to share his or her card with anyone. However, we discovered that a purchase cardholder within the Philadelphia network shared her card number with a coworker. We also noted that the cardholder account showed sales taxes had been charged on several purchases. According to the CAM, a “cardholder should ensure that the merchant is aware that all government purchases are tax-exempt.”<sup>30</sup> We discussed the payment of sales taxes with the cardholder, who informed us that the coworker with whom she shared her card number, may not have known of the tax exemption for government purchases. We discussed our findings with the purchase cardholder’s supervisors who subsequently counseled the employee on her responsibilities as a purchase cardholder. They are also monitoring the actions of the cardholder and purchases made with the purchase card to ensure that card-sharing and payment of sales taxes do not occur again.

The CAM recommends refresher training on purchase card policy and procedures every 5 years, but notes that “operating units may require additional or more frequent training to update cardholders and Approving Officials on operating unit procedures, relevant regulatory changes and/or internal policies/procedures of the servicing acquisition office.”<sup>31</sup> We discussed this with the current Philadelphia network director, who stated that at the midpoint appraisal the purchase cardholder’s training needs will be evaluated.

**Recommendation.** Commercial Service needs to provide adequate oversight of purchase cards to ensure that cardholders (1) do not share their account number or permit others to use their card and (2) notify all merchants that government purchases are tax exempt.



In its response, ITA stated that the Philadelphia USEAC Network has already taken steps to educate cardholders of their important responsibilities and enhance oversight of official credit card usage. ITA added that all new cardholders and approving officials are required to take on-

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<sup>29</sup>CAM, 1.  
<sup>30</sup>CAM, 14.  
<sup>31</sup>CAM, 6.

line training and that it requires staff to repeat this training every three years. ITA stated that at the mid-point appraisal it will also review the training history of all cardholders and approving officials in the network to determine whether refresher training is appropriate. The actions taken and proposed meet the intent of our recommendation.

**E. Increased oversight of cellular telephone usage is needed**

The NFST issues bulletins to communicate uniform policy directives to its team of field support specialists. Its Cellular Telephone Policy<sup>32</sup> provides general principles governing cellular telephone usage, including reminders that cell telephones are used for official government business when regular telephones are inconvenient, and for official travel when they are more cost-effective than charging calls to government-issued credit cards. The policy bulletin allows for limited personal calls for unforeseen circumstances, but stresses that cell telephones may not be used as a personal benefit or primary mode of communication.

We found cell telephone monthly bills with hundreds of dollars of roaming charges (for example, \$467 in roaming charges for 3 months), several that showed numerous calls to an employee's residence, and others that showed an employee had added a second line, which was intended for personal use, to the government cell telephone account.

Although field support specialists are responsible for reviewing bills for anomalies, and coding and submitting them for payment, these specialists are not in a position to determine the validity of the calls made by users. The policy bulletin places that responsibility on the user, requiring that they

- ❖ obtain monthly itemized statements, and review and verify them for accuracy; and
- ❖ reimburse the government within 15 days of receiving the monthly statement for
  - personal calls when charges exceed the minimum plan, and
  - roaming charges incurred for personal calls.

Despite these policy requirements, we found no evidence that users reviewed their statements and reimbursed the government for personal calls. When we raised this issue with the NFST director, he suggested that the internal control review (ICR) process be revised to include a review element that examines cell telephone usage and practices. We believe, however, that more could be done to ensure compliance with the policy bulletin, such as, requiring employees to initial and certify their monthly cell telephone statements and to identify personal calls for which Commercial Service will be reimbursed.

**Recommendations.** Commercial Service should strengthen its Cellular Telephone Policy and procedures to ensure that (1) all cell telephone users certify that they have reviewed their monthly statements and identified personal charges prior to submitting the bills for payment, (2) any statement not certified is returned to the user and payment withheld until such review has occurred, and (3) reimbursement is made for personal charges beyond those permissible under the policy bulletin. We also recommend that NFST's current internal control review process be expanded to include examination of cell telephone usage, plans, and practices.

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<sup>32</sup>Rents, Communication, and Utilities: Policy Bulletin 05-02-002.



ITA agreed with our recommendations and stated that the Philadelphia USEAC Network will ensure that all cell telephone users certify that they have reviewed their monthly statements, identified expenses incurred for personal use, and reimbursed for personal charges beyond those permissible under the policy bulletin. ITA will also take actions to re-educate cell telephone users and implement the policy bulletin, such as resending the policy bulletin to all cell telephone users and reviewing the Department's newly-issued Telecommunications Policy to ensure CS guidance is in conformance. In addition, ITA stated that the NSFT internal control review checklist for cell phone audits will be expanded to include examination of cell telephone usage, plans, and practices. The actions taken and proposed meet the intent of our recommendations.

**F. Payment of employee parking expenses needs closer scrutiny**

NFST's Rents, Communication, and Utilities Policy Bulletin<sup>33</sup> specifies that parking spaces may be provided for *visiting clients and personal automobiles used regularly to visit clients* (emphasis added). While the policy bulletin provides that the allocation of parking privileges rests within the local manager's discretion, it also requires that each office obtain written permission from their national director to purchase parking spaces. These requests must include a description of the business need for the parking space(s) and the associated cost the local office will assume.

We learned that a few offices within the Philadelphia network are paying for employee parking spaces, but could find no evidence that the NFST policy is being followed. For example, in addition to paying for 2 parking spaces within its lease, the NOVA USEAC is also paying a total of \$120 a month for 2 parking spaces at a nearby hotel. These additional 2 hotel parking spaces seem excessive given the office's few out-of-office visits in FY 2003 (approximately 35), close proximity to public transportation, and office staffing of 4 part-time trade specialists. We discussed this finding with the NFST director, who acknowledged that parking space arrangements were not consistently evaluated and suggested that such review be delegated to the national director's staff.

**Recommendation.** Commercial Service needs to ensure that the purchase of each parking space is justified, reviewed, and approved in accordance with the NFST policy bulletin.



In its response, ITA concurred with our recommendation and stated that as of March 1, 2004, all USEACs in the Philadelphia USEAC Network may contract for no more than one parking space. ITA discussed that this action is consistent with the NFST policy bulletin. ITA also stated that the NOVA USEAC has also adopted an approach consistent with the NFST policy bulletin and will reduce the number of funded parking spaces to one space for the director only.

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<sup>33</sup> Policy Bulletin 05-02-001.

## SUMMARY OF RECOMMENDATIONS

To strengthen the management and operations of the Philadelphia USEAC Network as well as all domestic export assistance centers, our recommendations are that the Acting Assistant Secretary and Acting Director General of the Commercial Service do the following:

### Leadership Gaps

1. Ensure that USEAC management positions are filled quickly and that interim leadership is closely monitored by headquarters and has the skills to ensure smooth continuity of operations (page 5).

### Export Successes

2. Monitor the implementation and adequacy of its initiatives for improving export success reporting and review, and ensure that the initiatives have the desired impact of enhancing both the reporting process and management oversight (page 9).
3. Incorporate language into the new export success guidelines that addresses how to report export successes for a financial institution (page 9).
4. Ensure that reported successes that did not occur are deleted from the database (page 9).

### Client Documentation

5. Revise its new export success guidelines to incorporate a time frame within which trade specialists must update their client records (page 14).
6. Ensure that office and network directors—as part of their review process—review CMS client records and confirm that there is sufficient supporting documentation for each reported export success (page 14).

### Outreach for New to Exporting

7. Ensure that trade specialists are adequately reaching out to and counseling U.S. firms interested in developing export business (page 16).

### Performance of NOVA USEAC

8. Evaluate the needs and staffing of the NOVA USEAC, and take steps to improve the office's performance, leadership, trade promotion, and outreach (page 17).

### Travel Practices and Reimbursements

9. Ensure that (1) travelers sign their own travel vouchers to certify that the travel was taken and the costs claimed were incurred, and (2) only the authorizing/approving official (or appropriate designee) reviews, approves, and signs the vouchers (page 20).
10. Make certain that employees and managers adequately document and justify the purpose and necessity of official travel. In addition, employees should be held accountable for properly recording departure and arrival dates and times for all places visited during temporary duty travel, including the trip's point of origination and conclusion (page 21).
11. Ensure that CS officials responsible for travel authorization and approval provide adequate oversight of travel vouchers, including authorization and use of rental cars, to ensure that travelers are adhering to federal requirements and guidance, to identify and carefully review questionable practices, and to eliminate any that are counter to the best interests of the government (page 22).
12. Ensure that any electronic travel management system piloted or formally adopted allows for sufficient management oversight and operates under strict quality control procedures that identify and resolve irregularities in travel voucher documentation, authorization, or other processing requirements (page 24).

### Finance and Administrative

13. Ensure that purchase cardholders and authorizing officials are aware of and adhere to the \$2,500 annual purchase card limit for cell telephone service. If cell telephone costs exceed \$2,500, CS officials should instruct cardholders to work with procurement officials to identify other methods for procuring cell telephone service (page 26).
14. Make clear to authorizing officials and NFST staff that advance payments should not be made without specific statutory authority (page 27).
15. Provide adequate oversight of purchase cards to ensure that cardholders (1) do not share their account number or permit others to use their card and (2) notify all merchants that government purchases are tax exempt (page 28).
16. Strengthen its Cellular Telephone Policy and procedures to ensure that (1) all cell telephone users certify that they have reviewed their monthly statements and identified personal charges prior to submitting the bills for payment, (2) any statement not certified is returned to the user and payment withheld until such review has occurred, and (3) reimbursement is made for personal charges beyond those permissible under the policy bulletin (page 29).
17. Expand the NFST's current internal review process to include examination of cell

telephone usage, plans, and practices (page 29).

18. Ensure that the purchase of each parking space is justified, reviewed, and approved in accordance with the NFST policy bulletin (page 30).

APPENDIX A


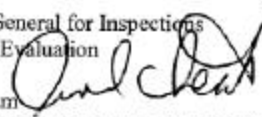

**List of Acronyms**

CAM	Commerce Acquisition Manual
CMS	Client Management System
CS	Commercial Service
DEC	District Export Council
DOI	Department of the Interior
Ex-Im	Export-Import Bank of the United States
FSO	Foreign Service Officer
FSS	Field Support Specialist
FTR	Federal Travel Regulation
FY	Fiscal Year
GAO	General Accounting Office
GSA	General Services Administration
ICR	Internal Control Review
HCO	Head of Contracting Office
ITA	International Trade Administration
NBC	National Business Center
NFST	National Field Support Team
NOVA	Northern Virginia U.S. Export Assistance Center
ODO	Office of Domestic Operations
OIG	Office of Inspector General
OMB	Office of Management and Budget
SBA	Small Business Administration
SBDC	Small Business Development Center
TDY	Temporary Duty Travel
USC	United States Code
USEAC	U.S. Export Assistance Center
VEDP	Virginia Economic Development Partnership



APPENDIX B

Agency Response to the Draft Report

	<p><b>UNITED STATES DEPARTMENT OF COMMERCE</b> <b>International Trade Administration</b> Washington, D.C. 20230</p>
MAR 29 2004	
MEMORANDUM FOR:	Jill Gross Assistant Inspector General for Inspections and Program Evaluation
FROM:	Linda Moye Cheatham  Chief Financial Officer and Director of Administration
SUBJECT:	Response to Draft Report on the Philadelphia USEAC Network (IPE-16402)
<p>The International Trade Administration welcomes the draft report on the operations of the Philadelphia (Mid-Atlantic) USEAC Network. We appreciate the efforts of Inspector General staff to understand how the Commercial Service (CS) carries out its mission in the domestic field. Given the multi-faceted approach the USEACs take in conducting outreach, partnering with other organizations and meeting client needs, we understand the challenges faced by IG staff in conducting the review. We also appreciate the IG staff's recognition of the assistance extended by CS staff during the review.</p> <p>We are pleased that the IG review found the Mid-Atlantic USEAC Network to be effective at carrying out its mission of assistance to U.S. companies and providing quality products and services. The CS places paramount importance on the quality of service to exporters and the relationships its trade professionals maintain with clients and partners.</p> <p>I appreciate the opportunity to talk with you and your staff about the many issues facing ITA as reflected in several recent reports. I intend to have my staff conduct a number of on-site verification and validation reviews of export success data and other performance results source data during the second half of the fiscal year. At the same time, we plan to assess internal controls associated with many of the management issues raised in your report. Additionally, we will keep you apprised of our progress with respect to user fees.</p> <p>Attached are our responses to the recommendations contained in the report. The CS and my staff have taken steps to address several of the recommendations, and we will work together to make additional improvements as discussed in the attached response.</p>	
Attachment	
cc:	Timothy J. Hauser Rhonda Keenum Carlos Poza Neal Burnham
	

**Response to Draft Report: International Trade Administration: Philadelphia USEAC Network Provides Good Service to Clients, but Oversight and Export Success Reporting Need to be Improved (IPE-16402)**

The International Trade Administration welcomes the IG's draft report on our Philadelphia (Mid-Atlantic) USEAC Network operations. We appreciate the IG's efforts to understand how the CS carries out its mission in the domestic field. Given the dispersion of field offices and staff, as well as the multi-faceted approach USEACs take in conducting outreach, partnering with other organizations, and meeting client needs, we understand the challenges faced by the IG in conducting this review. We also appreciate the IG's recognition of the assistance and courtesies extended by CS staff as the IG conducted their review. In addition, I would like to thank the IG staff for meeting with me to discuss a number of these very important issues.

We are pleased the IG found the Mid-Atlantic Network to be "doing a good job of providing export assistance to U.S. companies and collaborating with federal, state and local trade partners to leverage trade resources." As the IG is aware, the CS places paramount importance on the quality of service and relationships its USEACs maintain with clients and partners. Thus ITA is particularly pleased that the IG found that the Mid-Atlantic Network "...maintains strong, mutually beneficial relationships with a diverse mixture of trade partners..." and that the network is "...providing quality products and services to its clients."

As noted, the review focused on management oversight, as well as programmatic and financial operations. Below are the recommendations listed in the report and our corresponding responses. The CS and the Mid-Atlantic Network have already taken steps to address a number of the recommendations. Nevertheless, we welcome all of the recommendations and the insights they provide as we work to build upon the solid foundation of customer service already established.

**Recommendation #1: Ensure that USEAC Management positions are filled quickly and that interim leadership is closely monitored by headquarters and has the skills to ensure smooth continuity of operations.**

According to the report "turnover in Director-level positions has occurred in 3 of the 6 network offices in recent years ... which has had an impact on partner relations and overall office operations." The report specifically refers to the Philadelphia, Baltimore and Northern Virginia (NoVA) USEACs.

We agree wholeheartedly with the IG that it is important to fill Director positions as quickly as possible while closely monitoring interim leadership. As with any organization that maintains a highly educated, skilled, and mobile workforce, turnover in management positions in the CS is, to some extent, beyond our control. This has been an unusually challenging time in our Mid-Atlantic Region. Nevertheless, we are working to fill these positions in a manner that maintains good partner/client relations over the short

term while safeguarding our ability to place the most qualified candidates in these key leadership positions to ensure our effectiveness over the long term.

As the IG is aware, the NoVA, Pittsburgh and Network Director positions have already been filled with permanent directors. We anticipate that these Directors will remain in position for some time, which will add to the stability of staff and partner care. Additionally, we have announced the Baltimore USEAC Director position and expect this position to be filled shortly. Finally, while the FSO currently serving as the Philadelphia USEAC Director is expected to end his tour within two years, the presence of the Network Director in Philadelphia will ensure a smooth transition to new leadership after his departure.

As noted, senior ODO management decided to fill the critically important Charlotte, Boston, Philadelphia and Atlanta Network Director positions one at a time even though there was overlap in the vacancies. This allowed a number of highly qualified applicants the opportunity to compete for each position and senior management the opportunity to select the most qualified candidate for each position, rather than the candidate most immediately available for these critical leadership positions.

We also agree with the IG that interim leadership be "closely monitored by headquarters and has the skills to ensure smooth continuity of operations." In fact the National Director and the previous Network Director (while in training) were engaged with the Acting Directors in Pittsburgh, Philadelphia and Baltimore regularly through phone calls and/or emails. Additionally, the accomplishments by the Acting Directors during this period of time, as well as the fact that they have all been named to permanent leadership positions within the network, demonstrates the skills necessary to ensure a smooth continuity of operations.

In his capacity as the acting Network Director, active leadership evident during this interim period included:

- Holding an all-hands network wide videoconference, which included participation by the National Director.
- Working with the Europe Team and the Health Care Team to host CSEU training for the network and local partners.
- Traveling to offices throughout the network to meet with staff members to review performance, communicate national priorities and ensure a seamless transition until a permanent Director was named.
- Instituting biweekly conference calls among USEAC Office Directors
- Actively leading the Mid-Atlantic Network's FY04 Strategic Planning, which included a review of all USEAC Office Workplans and individual performance, plans to ensure a consistent focus on FY04 priorities.
- Organizing network-wide training on the DOC Insider.
- Adopting and successfully implementing a new web-based marketing strategy, which has enhanced the ease and effectiveness in which the network interacts with its clients.

In summary, the CS is emerging from a challenging period in our Mid-Atlantic offices. Having filled 3 of 4 critical management positions, with one more in process, we believe that they are well positioned to significantly improve management/leadership oversight over the Mid-Atlantic networks operations.

**Recommendation #2: Monitor the implementation and adequacy of its initiatives for improving export success reporting and review, and ensure that the initiatives have the desired impact of enhancing both the reporting process and management oversight.**

As stated in our response to the IG's draft report on the Chicago Network, ITA is in agreement that management oversight of export-success reporting can be strengthened across the field as well as in headquarters. As outlined in our Chicago response, we have taken numerous steps across our organization to improve the quality of export success reporting. We are pleased to learn that the IG supports the actions outlined in the Chicago response. These actions are already underway.

As the IG acknowledges, the export success is an imperfect tool for measuring the value we bring to our clients. We are not in complete control of the process and rely on the willingness and accuracy of our clients when seeking to measure our effectiveness. For a number of reasons, some clients are either unable or unwilling to share with us their success. Therefore, although we spend much time and effort attempting to "harvest" export successes, much of the assistance we provide our clients leads to export successes that either go unreported or whose value is understated. Thus, the export successes we are able to "harvest" and report represent a mere fraction of the total successes facilitated by the CS. Further, because in many cases clients will not allow us to report dollar amounts, we actually undercount the value of our report for clients. Nevertheless, it is incumbent upon the CS to ensure that all export successes reported are accurate and reliable.

We are pleased to see that the IG recognizes and supports the CS use of "Highlight" reports as well as the implementation of client satisfaction ratings to evaluate the performance of trade specialists. As the IG notes, "it is clearly to the Commercial Service's advantage to measure not only export successes, but also the work trade specialists do on behalf of their clients, which may not immediately lead to export successes." The "Highlights" database also serves as a repository for trade specialists' work products that are not directly related to an export sale.

ITA's CFO staff intends to conduct several on-site verification and validation reviews of export success data, as well as other performance results source data, during the second half of this year. The purpose of these reviews will be to serve as an oversight authority to ensure data sources that are used in Department documents (ITA Budget, ITA Performance and Accountability Report, and ITA Annual Performance Plans) are accurate and properly prepared. This separation of duties will enhance performance management controls and serve as an internal check on the integrity of ITA-wide performance data.

**Recommendation #3: Incorporate language into the new export success guidelines that addresses how to report export successes for a financial institution.**

At the moment no draft language exist for this unique ES. The CS Performance Measures Group will develop draft language. Please note that the CS is working to refine the new guidance as such situations arise. Ideally, this "living document" approach to the guidance will be sustained long term to insure that our guidance remains in step with our commercial customers and our mission.

ITA's CFO staff will establish a clearance process to ensure that all data reporting that contributes to any ITA wide measures will be reviewed and cleared by the CFO. This includes data reporting guidelines for export successes.

**Recommendation #4: Ensure that reported successes that did not occur are deleted from the database.**

According to the IG report, the "Philadelphia Network is providing quality products and services to its clients" but problems with performance results "include duplicate export success stories" and "reporting estimated and projected sales, rather than actual sales." The report specifically refers to a sampling of export successes in FY2003, indicating that the network's total export success value was overstated by approximately 10 percent and its export success count was overstated by approximately 6 percent.

As is evidenced by the attention and care the CS has devoted to the revised performance measures implemented in FY2004, as well as the time and effort it has taken to educate and train its workforce on such revisions, the CS is committed to ensuring that its performance results are accurate and reliable. Therefore, we will closely review the IG's findings and correct, where appropriate, any duplicate export successes or export successes with overstated values.

As stated earlier in recommendation #2, CFO staff will conduct several on-site verification and validation reviews of export success data, as well as other performance results source data, during the second half of this year. One aspect of each review will ensure that duplicate or overstated export success reporting is deleted from the database.

**Recommendation #5: Revise its new export success guidelines to incorporate a time frame within which trade specialists must update their client records.**

In order to capture the details of client interaction as well as provide effective and timely follow-up, we agree with the IG that it is vitally important for Trade Specialists to input counseling sessions and update CMS organizational records on a timely basis. It is a best practice to record client interactions within 48 hours of returning to the office. Trade Specialists should also review their activities on a monthly basis to ensure that all activities have been updated in CMS. We will see to it that CMS records are updated weekly.

**Recommendation #6: Ensure that office and network directors – as part of their review process – review CMS client records and confirm that there is sufficient supporting documentation for each reported export success.**

We agree with the IG that CMS client records should include sufficient supporting documentation for each reported export success. As evidenced by the fact that the Mid-Atlantic Network recorded over 4,000 counseling sessions in FY2003, trade specialists throughout the network understand the importance of recording client interactions to support any export successes that may result.

While we agree that documenting counseling is important, we also recognize that trade specialists might solve a client's problem very quickly, thereby requiring only minimal reporting/recording in CMS. Given our resource constraints, we encourage such efficiency.

When reviewing export successes, our approach is to read the export success narrative to determine whether, on its face, it meets the definition of an export success. The next step is to review the CMS client records and confirm that there is supporting documentation for each reported export success. We also review the history of ESs reported to ensure that the success under review has not been previously reported. In cases where clarifications are necessary, the USEAC office and/or Network Director confer directly with the trade specialist involved to determine whether the proposed ES meets the standards laid out in our performance measures guidance. Where warranted and/or on a random basis, USEAC Office Directors or the Network Director may contact clients directly to discuss their level of satisfaction with the assistance provided. The Mid-Atlantic Network Director has discussed these requirements with USEAC Office Directors individually as well as on biweekly conference calls and through the review process with individual Trade Specialists.

ITA's CFO staff will ask the Commercial Service to begin to certify that all reported client records include sufficient supporting documentation and will periodically request from the Commercial Service detailed back-up material on a randomly drawn sample of records. All on-site verification visits will involve a review of back-up materials for reported successes.

**Recommendation #7: Ensure that trade specialists are adequately reaching out to and counseling U.S. firms interested in developing export business.**

The IG states:

*"We understand that trade specialists are expected to cultivate client relationships over time and assist existing exporters to expand into new markets, and that there is no limit on the number of export successes from each client. We are concerned, however, that if trade specialists are focusing on repeat clients who can generate export successes, they*

*will not be available to assist new clients who require more export assistance but might not generate immediate successes"*

It is incumbent upon trade specialists to continually perform outreach and counsel U.S. firms interested in developing export business. However, as the IG's comments acknowledge, trade specialists are also responsible for developing and nurturing "account-executive" relationships with clients over the long term. This should not be viewed as a "zero-sum game". Similar to service firms in the private sector facing the same dilemma, the CS uses its limited resources to uncover new clients while ensuring that long-time clients are not neglected.

We are proud of our results in the area of new client development. In FY2003, the Mid-Atlantic Network added over 500 new client records to CMS in an effort to extend our outreach and counseling to new firms. The Mid-Atlantic Network also was an active force in REI and GDI outreach programs in an effort to identify and reach out to rural, women and minority firms. The number of "outreach" events, such as seminars, conferences and press/political activities as evidenced by events recorded in the Highlights database further attests to the amount of time and energy trade specialists devote to uncovering new clients. We are looking at a number of options to motivate trade specialists to devote more time to new client development.

Many clients that are identified through such extensive outreach efforts and engage in CS products and services have usually already concluded at least one "reactive" export sale at some point during the life of their firm. Therefore, even though that firm may be new to CS products and services, our initial export success with that new client would be reported as an NIM or ITM ES since it would not meet the definition of a NTE ES because it is not the first export sale in the life of the firm.

Aside from the issue raised on the number of NTE ESs v. NIM/ITM ESs, we acknowledge the importance of having Trade Specialists report export successes for as broad a number of clients as possible. In fact the Mid-Atlantic Network has already taken steps to deliver this message. In the 1<sup>st</sup> quarter of FY2004, the Mid-Atlantic Network began tracking and reporting to each trade specialist not just the number of ESs reported but also the number of clients for which export successes were reported. Additionally, the Mid-Atlantic Network initiated a number of "Bottom-Line" performance awards in FY2004, which recognizes the importance of reporting export success from a broad number of clients. The CS remains committed to keeping its performance measures neatly aligned with that of its clients. The CS is convinced that any efforts to complicate or dilute this approach will result in a myriad of unintended consequences, which would serve to diminish our client focus and reduce our effectiveness.

**Recommendation #8: Evaluate the needs and staffing of the NOVA USEAC, and take steps to improve the office's performance, leadership, trade promotion, and outreach.**

Aggressive steps are being taken to improve our NoVA USEAC operation. In the past two months, the CS has assigned two Foreign Service Officers/Trade Specialists to NoVa and placed a permanent director. In order to tighten up and improve CS activities throughout Virginia, the Richmond USEAC will soon share responsibility for serving all of Virginia moving to statewide industry responsibilities. CS management also changed the reporting USEAC hub for NoVA to Charlotte. This means that NoVA and Richmond now report to the same Hub Director, which increases opportunities for statewide CS initiatives and collaboration. State-wide industry coverage will help individuals reach their performance goals by increasing their geographic reach to a larger client base and increase collaboration within the state, both at the state and federal levels. Statewide industry coverage also allows for increased collaboration with The Virginia Economic Development Partnership (VEDP) the key state partner for international trade. Currently VEDP's trade promotion staff does not have an industry focus. By focusing on statewide industry coverage, the CS will differentiate services from VEDP and at the same time provide Virginia exporters with a needed complimentary resource.

Management will increase both the new client and partner development performance measures for NoVA. Trade Specialists will have assigned out-of-office visits and counseling goals as well as export success goals. In short, we consider NoVa a reclamation project and we thank the IG for heightening our resolve to take aggressive actions immediately. Additionally, based on the outcome of the ITA reorganization, additional FTE assignments to NoVA will be considered. Management will be careful that any future assignments to NoVA strengthen industry-specific client services and statewide collaboration.

**Recommendation #9: Ensure that (1) travelers sign their own travel vouchers to certify that the travel was taken and the costs claimed were incurred, and (2) only the authorizing/approving official (or appropriate designee) reviews, approves, and signs the vouchers.**

The problems are very serious and should not have occurred. ITA guidelines clearly state proper authority for approving travel orders and vouchers. We have taken appropriate action. We are pleased that this issue is limited in scope.

**Recommendation #10: Make certain that employees and managers adequately document and justify the purpose and necessity of official travel. In addition, employees should be held accountable for properly recording departure and arrival dates and times for all places visited during temporary duty travel, including the trips point of origin and conclusion.**

All official travel must be adequately documented and justified. We have taken action to assure that travel regulations are followed.

**Recommendation #11: Ensure that CS officials responsible for travel authorization and approval provide adequate oversight of travel vouchers, including authorization and use of rental cars, to ensure that travelers are adhering to federal**



**requirements and guidance, to identify and carefully review questionable practices, and to eliminate any that are counter to the best interests of the government.**

The Mid-Atlantic Network has taken steps to ensure adequate oversight of all travel vouchers and is committed to adhering to ITA and federal requirements and guidance to ensure that all travel practices are in the best interest of the government.

During the period of time examined by the IG, all travel for vouchers submitted were for official purposes only. The Philadelphia network Director recorded destinations and intended activity on the Philadelphia CMS office calendar. To the Network Director's knowledge, it has never been standard or normal practice to include the purpose of any trip on vouchers (CD-370 or Travel Manager form). Authorization of travel expenditures is affected under the general-purpose description on the Blanket Travel Order provided the employee. Nevertheless, the comment section was used frequently by the network Director and the NFST Specialist for explanations on many of the network Director's travel vouchers.

The former Eastern Region National Director acknowledges that it was his responsibility to approve travel. Delegating the approval should only be done to another authorized supervisor.

We reviewed rental car use during FY 2004 by looking at official accounting data as recorded by our contracted accounting office, Department of Interior's National Business Center. This review confirms that there are no apparent issues elsewhere in ODO. Copies of these data are attached. The National Field Support Team (NFST) has added a review of rental car usage to its internal control review guidance.

**Recommendation #12: Ensure that any electronic travel management system piloted or formally adopted allows for sufficient management oversight and operates under strict quality control procedures that identify and resolve irregularities in travel voucher documentation, authorization, or other processing requirements.**

The Travel Manager pilot project ended in September 2003. ITA is currently involved with the Department in selecting an electronic travel management system from among those under GSA contract. The system selected will allow for sufficient management oversight and operate under strict quality control procedures.

**Recommendation #13: Ensure that purchase cardholders and authorizing officials are aware of and adhere to the \$2500 annual purchase card limit for cell telephone service. If cell telephone costs exceed \$2,500, CS officials should instruct cardholders to work with procurement officials to identify other methods for procuring cell telephone service.**

The Philadelphia Network, through the Field Support Specialist, NSFT, consolidated individual and office cell phone accounts by vendor where applicable. This was done as

a matter of convenience to ensure offices would receive a monthly cell phone statement for all the accounts. Further, to streamline processing and reconciliation of these accounts and to ease administrative burden for non-administrative staff, some office cell phones were combined onto one credit card for payment. The NSFT incorrectly interpreted the Commerce and ITA regulations on purchase cards acquisitions to apply per cell phone account rather than by service. At the IG's recommendation and upon review of the regulations stated in the Commerce Acquisitions Manual, the Philadelphia Network Field Support Specialist will ensure that purchase cardholders do not exceed the \$2,500 annual fiscal year limit for cellular service. Where cell phone costs are expected to exceed the annual fiscal year threshold, the Field Support Specialist will work with the procurement office to select the appropriate payment mechanism. We understand that these infractions occurred prior to the NFST annual meeting in November 2003 where ITA staff clearly communicated purchase card limits to NFST staff.

**Recommendation #14: Make clear to authorizing officials and NFST staff that advance payments should not be made without specific statutory authority.**

The Field Support Specialist utilized available FY03 year-end funds to prepay cell phone services for FY04 based on the recurring standard monthly charge. The Field Support Specialist discussed prepayment with the cell phone vendors and received confirmation that the account would receive a full refund for credit remaining if there was any issue on nonperformance. Additionally, if for any other reason the cell phone accounts had to be closed, the office would receive a check from the vendor for the full credit remaining on the account. Because these assurances eliminated concern for the risk of nonperformance, the Field Support Specialist proceeded with the prepayment.

During a NSFT conference call on March 10, 2004, all members were informed that paying for services before they are received is not acceptable. All bankcard holders and approving officials will be notified in writing to assure compliance with the Commerce Acquisition Manual.

In addition, ITA is currently working, consistent with the newly-issued DOC telecommunications policy, to establish a new system to purchase cellular telephone services. The new system will specifically address concerns outlined in the draft report.

**Recommendation #15: Provide adequate oversight of purchase cards to ensure that cardholders (1) do not share their account number or permit others to use their card and (2) notify all merchants that government purchases are tax exempt.**

ITA recognizes a cardholder may not authorize any other person to use his/her card. This is a clear violation of Department and ITA purchase card guidelines. The Mid-Atlantic Network has already taken steps to educate cardholders of their important responsibilities, and enhance oversight of office credit card usage, which includes:

- Discussing with the cardholder their responsibilities, especially emphasizing the points raised in the IG report.

- Requiring, (in email dated January 26, 2004) that copies of all credit card statements, which are reviewed and signed by each USEAC Office Director, also be sent to the Network Director for review.

All new cardholders and approving officials are required to take on-line training. In addition, ITA requires that they repeat this training every three years. At the mid-point appraisal, CS will review the training history of all cardholders and approving officials in the network to determine whether refresher training is appropriate.

ITA will identify the employees involved in this instance of card sharing and, consistent with ITA penalties for card misuse, will administer disciplinary action.

**Recommendation #16: Strengthen its Cellular Telephone Policy and procedures to ensure that (1) all cell telephone users certify that they have reviewed their monthly statements and identified personal charges prior to submitting the bills for payment, (2) any statement not certified is returned to the user and payment withheld until such review has occurred, and (3) reimbursement is made for personal charges beyond those permissible under the policy bulletin.**

In accordance with *Policy Bulletin 5-02-002 (Rents, Communications, and Utilities) ODO Cellular Telephone Policy*, the Mid-Atlantic Network will ensure that all cell telephone users certify that they have reviewed their monthly statements, identified expenses incurred for personal use, and reimbursed for personal charges beyond those permissible under the policy bulletin. Furthermore, the Mid-Atlantic Network will incorporate internal control review and budget oversight findings of the FSS and other National Field Support Team members to assure compliance with the Cellular Telephone Policy and procedures.

ITA will take the following steps to re-educate cell phone users and implement the policy bulletin:

- Review the Department's newly-issued Telecommunications Policy to ensure that CS guidance is in conformance.
- Resend the policy bulletin to all cell phone users in the network.
- Review the bulletin on our bi-weekly Office Director conference call to answer any questions.
- Ensure that Monthly statements are reviewed and initialed by the cell phone users.
- Instruct cell phone users to remit payment for personal calls.

**Recommendation #17: Expand the NFST's current internal review process to include examination of cell telephone usage, plans, and practices.**

The current NSFT Internal Control Review cell phone audit checklist will be expanded to include examination of cell phone usage, plans and practices. A nonconformity found during administrative audits is generally noted in the review report narrative section under procurement. Effective March 2004, internal control reviews will clearly identify discrepancies and issues and list specific corrective actions. Personal use will be

reviewed to assure payment by individuals. Exceptional costs will be identified and will require approval by management (initial invoice). In addition, oversight of cell phone usage and costs by NSFT members has been expanded as of March 22, 2004.

**Recommendation #18: Ensure that the purchase of each parking space is justified, reviewed, and approved in accordance with the NFST policy bulletin.**

This matter has already been addressed in an email dated January 28<sup>th</sup>, 2004 from the new Mid-Atlantic Network Director to all of the USEAC Office Directors. As of March 1<sup>st</sup>, with the exception of the Pittsburgh USEAC, where two parking spaces are already included in the cost of rent, all USEACs in the Mid-Atlantic Network may contract for no more than one parking space. In fact, three USEACs (Philadelphia, Harrisburg, and Wheeling) have no parking spaces paid out of the network budget. The Network Directors' email is consistent with the NFST policy bulletin and allows for the use of one parking space per office to allow for the transportation flexibility necessary to serve clients. The NoVA USEAC has also adopted an approach consistent with the NFST policy bulletin and will reduce the number of funded parking spaces to one space for the Director only.

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. Under these authorities and in accordance with the *Quality Standards for Inspections* issued by the President's Council on Integrity and Efficiency, we conducted an inspection of the Philadelphia U.S. Export Assistance Center Network.

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.

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