

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

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RELEASE**

***INTERNATIONAL TRADE  
ADMINISTRATION***

*Seattle USEAC Is Providing  
Its Clients Excellent Service, but  
Some Improvements Are Needed*

*Inspection Report No. IPE-11007 / November 1998*

*Office of Inspections and Program Evaluations*



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## EXECUTIVE SUMMARY

The Department of Commerce's International Trade Administration (ITA) leads the federal government's efforts to increase U.S. exports. ITA's U.S. and Foreign Commercial Service (US&FCS), as the federal government's most visible export promotion agency, works closely with the U.S. business community and others to promote export awareness and U.S. sales abroad.

US&FCS, through its Office of Domestic Operations, operates an Export Assistance Center (EAC) Network with 19 U.S. Export Assistance Centers (USEACs) connecting 100 smaller EACs in a "hub and spoke" network. The key objective of the USEACs is to enhance and expand federal export marketing and trade finance services through greater cooperation and coordination between federal, state, and local partners. US&FCS's key federal partners in the USEACs are the Small Business Administration and the Export-Import Bank of the United States.

The Office of Inspector General conducted an on-site inspection of the US&FCS operations at the Seattle USEAC in June 1998. Our inspection focused on program operations as well as some of the financial and administrative practices being followed at the Seattle USEAC.

In 1995, US&FCS opened a USEAC in Seattle. Today, the Seattle USEAC covers the states of Alaska and Washington, minus the five Washington counties closest to the Portland, Oregon USEAC. The Seattle USEAC serves as the "hub" to two "spokes"—the Spokane EAC and the Anchorage EAC—as well as one satellite office in Everett, Washington. At the time of our review, the Seattle USEAC was comprised of 10 US&FCS employees (including one personal services contractor), one Small Business Administration employee, one Small Business Development Center employee, and two Export Finance Assistance Center of Washington (Export-Import Bank's City State Market Cooperator) employees.

The Seattle USEAC is generally doing an excellent job of providing export assistance to Washington state businesses. The following highlights those areas we found to be working well at the Seattle USEAC:

**In-house USEAC team works in a cooperative fashion.** In particular, US&FCS operations are staffed with capable, dedicated, and knowledgeable trade specialists. In addition, the collocation of export promotion and trade finance partners in the Seattle USEAC fosters close ties and strengthens information exchanges, which result in improved export assistance (see page 9).

**Seattle USEAC has strong partner relationships with local and state trade organizations.** These partnerships have helped to eliminate duplicative programs and enhance the quality and delivery of export assistance services to Washington state businesses. All of the local and state partners with which we met told us how pleased they were with the USEAC's commitment and efforts to work with them (see page 9).

**Coordination between the Seattle USEAC and overseas posts was satisfactory.** While we have reported in previous inspections that more effective interaction was needed between US&FCS domestic and overseas staffs, we are pleased with the coordination between the Seattle USEAC and many overseas posts. For the most part, the trade specialists attribute their enhanced relationships to the US&FCS Teams Initiative as well as the new integration program. US&FCS teams are generally made up of trade specialists located throughout the nation whose common goals are centered around promoting exports for a particular industry sector or to a specific geographic region. Through the Teams Initiative, the trade specialists are better able to coordinate their trade event planning with the overseas posts. The integration program helps the domestic and overseas staff gain a better appreciation and understanding of each other's functions by providing opportunities for international staff to serve domestically and for domestic staff to serve internationally (see page 13).

**Positive feedback was received on Spokane EAC.** Although we did not conduct a full review of the Spokane EAC, based on our discussions with the EAC Director, Seattle USEAC staff, and clients of the EAC, it appears that the Spokane EAC has a good reputation for doing an effective job in its export promotion and counseling activities (see page 23).

However, we also found several issues and concerns that warrant US&FCS management's attention:

**Management of the Seattle USEAC was in transition.** Specifically, the former director of the Seattle USEAC had resigned one month prior to our inspection, and the operation was being managed by a foreign commercial officer who was nearing the end of his two-year domestic tour. Although we found that the former director has a great reputation amongst the various state, local, and private partners in the state of Washington, the trade specialists expressed to us their concerns that the former director may have spent too much of her time representing the office and not enough time managing the day-to-day operations of the USEAC. However, we found the current office atmosphere at the USEAC to be positive and day-to-day operations to be improving under the guidance of the current acting director. In order to continue the positive trend for the USEAC, we believe it is imperative that US&FCS management take quick action to fill the permanent director's vacancy, especially since the acting director is scheduled to leave for his next overseas assignment in September (see page 5).

**Although clients are generally pleased with the Seattle USEAC services, its image could negatively be impacted by products and services produced by US&FCS overseas posts.** Essentially, clients we spoke with were pleased with the export assistance provided by the trade specialists in the Seattle USEAC. However, these same clients had mixed opinions about some of the products and services they had received from overseas posts. Due to this problem, the trade specialists informed us that they are reluctant to market certain products for fear of jeopardizing their credibility with their clients. Although we sympathize with the trade specialists'

predicament, refraining from selling products or services offered by US&FCS is not the solution. We believe that US&FCS needs to reassess the effectiveness of the current quality control procedures at headquarters and develop a better system to ensure the quality and timeliness of products and services provided by overseas posts to the USEACs and their clients (see page 6).

**Marketing efforts could be improved.** Although the Seattle USEAC has been very effective in its outreach efforts to state and local partners, we do not believe the export promotion and counseling services offered by the USEAC are distinguishable from other services offered by other trade organizations. With an estimated 50 trade organizations in Washington state and the numerous name changes associated with the export promotion program offered by the Department of Commerce, we believe the Seattle USEAC could improve its marketing efforts by taking the following positive steps: (1) advertising its services to the various chambers of commerce and trade associations in Washington state, (2) issuing more press releases on the USEAC's success stories; and (3) developing an Internet web page specifically tailored to the needs of the Washington state business community (see page 15).

**Financial affairs appear to be in order but some internal controls need improvement.** We determined that the sound financial management practices of the Seattle USEAC have been enhanced due, in large part, to the recent changes made by the Western Region Office. Some of the more significant changes include: (1) decentralizing financial management duties, (2) instituting more in-depth financial and administrative training courses, and (3) undertaking regional financial and administrative reviews. Our analysis also indicated that the Seattle USEAC's operating expenses for fiscal years 1996 through 1998 appear reasonable. Nevertheless, we found significant problems with regard to the Seattle USEAC's internal controls processes for the collection of user fees for products and services it sells. Specifically, we found (1) no separation of duties over the collection process, (2) no supervisory review of the user fee transaction record, (3) improper recordings of transactions, (4) deposits not taking place in a timely fashion, and (5) no monthly or year-end reconciliations (see page 17).

On page 23, we offer specific recommendations to address our concerns.



In response to our draft report, US&FCS largely agreed with our recommendations and is currently in the process of working to implement them. US&FCS also provided general comments on our observations and suggested minor changes to the body of the report. We have taken these comments into consideration and have made changes as appropriate. A copy of the response is included in its entirety as an appendix to this report.

## INTRODUCTION

Pursuant to the authority of the Inspector General Act of 1978, as amended, the Office of Inspector General conducted an inspection of the U.S. and Foreign Commercial Service (US&FCS) U.S. Export Assistance Center (USEAC) in Seattle, Washington. Our on-site field work was conducted during the period of June 8-11, 1998. At the conclusion of the review, we discussed our findings with the Acting Director of the Seattle USEAC, the Director of the Western Region Office, and the Deputy Assistant Secretary for Domestic Operations.

Inspections are special reviews that the OIG undertakes to provide agency managers with information about operational issues. One of the main goals of an inspection is to eliminate waste in federal government programs by encouraging effective and efficient operations. By asking questions, identifying problems, and suggesting solutions, the OIG hopes to help managers move quickly to address problems identified during the inspection. Inspections may also highlight effective programs or operations, particularly if they may be useful or adaptable for agency managers or program operations elsewhere. This inspection was conducted in accordance with the *Quality Standards for Inspections* issued by the President's Council on Integrity and Efficiency.

## PURPOSE AND SCOPE

The purpose of this inspection was to assess the management and quality of services provided by US&FCS through its Seattle USEAC, including program operations and financial/administration practices. This included assessing the development of goals and objectives, determining whether established goals were being achieved, evaluating the economy and efficiency of operations, and assessing the center's compliance with applicable regulations and instructions. We also examined the coordination between the center and other organizations in achieving the overall goals of the International Trade Administration, the Department, and the Trade Promotion Coordinating Committee (TPCC).<sup>1</sup>

In conducting the inspection, we (1) reviewed the center's organizational structure and operating approaches used in administering activities, (2) interviewed US&FCS, Small Business Administration (SBA), Small Business Development Center (SBDC), and Export-Import Bank of the United States (Ex-Im Bank) representatives, as well as other representatives from trade associations and state and local governments involved in trade promotion, (3) conducted phone

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<sup>1</sup>The Export Enhancement Act of 1992, directed the TPCC to, among other things, (1) unify and streamline federal export promotion activities and (2) develop a government-wide strategic plan for carrying out such activities. The Secretary of Commerce is the designated chairman of the committee, which includes senior-level representatives from 20 federal agencies.

interviews with clients who have been assisted by the Seattle USEAC, and (4) examined pertinent files and records relating to the center's operation.

## BACKGROUND

In the TPCC's first report to the Congress in 1993, it recommended the establishment of "one-stop shops to provide local export communities a single point of contact for all federal export promotion and finance programs."<sup>2</sup> These one-stop shops are intended to integrate representatives of the Department of Commerce, SBA, and Ex-Im Bank. Within the mix of agencies, Commerce, through its US&FCS, is the primary provider of export promotion and counseling services. SBA promotes and provides export counseling assistance (e.g., developing international business plans, managing and marketing strategies, and finance proposals) to small, new-to-export ready firms. Finally, Ex-Im Bank focuses on trade finance for exporters and offers numerous programs to meet the trade financing needs of Washington state companies.

The US&FCS Office of Domestic Operations operates an Export Assistance Center (EAC) network of 19 USEACs connecting 100 EACs in a "hub and spoke" network. The mission of the EAC network is to deliver a comprehensive array of export counseling and trade finance services to U.S. firms, particularly small and medium-sized enterprises.

USEACs focus on service to U.S. business clients. They provide in-depth, value-added counseling to U.S. firms seeking to expand their international activities and to companies just beginning to venture overseas. USEAC trade specialists help firms enter new markets and increase their market share by:

- identifying the best markets for their products;
- developing a marketing strategy;
- advising clients on distribution channels, pricing strategies, and trade shows; and
- assisting with trade financing programs available through SBA, Ex-Im Bank, and state and local organizations.

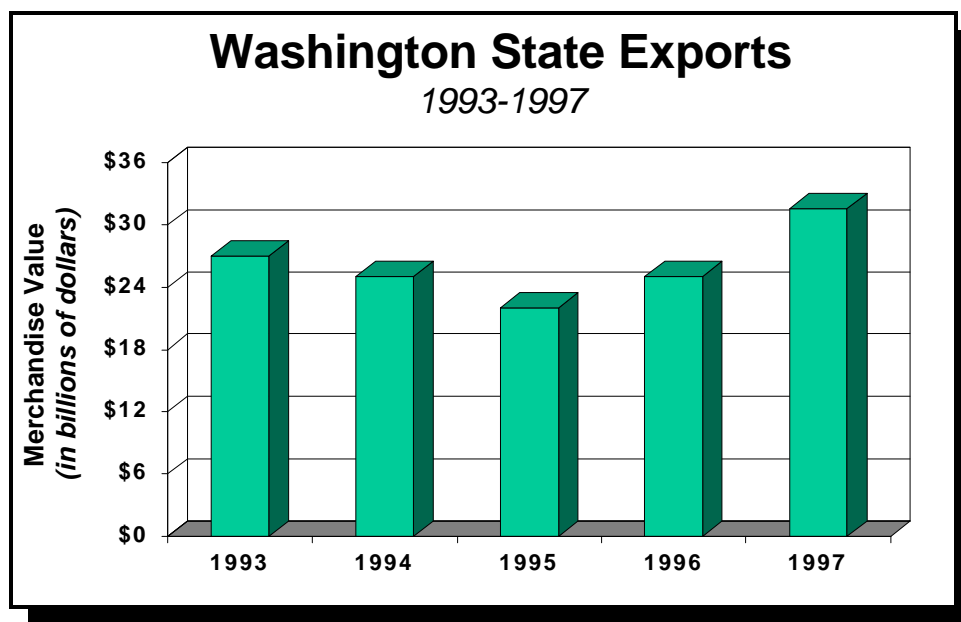
The hub and spoke design for the EAC network is generally based on two factors: the existence of natural trade regions within the United States that cut across state boundaries, and the growing trend for U.S. exporters to relocate from large cities to suburban locations or smaller cities.

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<sup>2</sup>*Toward a National Export Strategy*, TPCC, September 30, 1993.

### State of Washington

The Washington state region has become a leading center for advanced technology in computer software, biotechnology, electronics, medical equipment, and environmental engineering. Microsoft, the biggest personal computer software company in the world, is one of 1,500 computer development firms in the area. The region's single most important employer is Boeing, which is the largest aircraft manufacturer in the world and the No. 1 exporter in the United States. Biotechnology also generates more than \$500 million in sales annually and reportedly accounts for nearly 5,000 jobs in more than 60 companies and non-profit organizations. Other major industries include wood products, transportation equipment, food products, fish-processing, and apparel design. From 1993 to 1997, Washington exports increased by nearly 16 percent (see chart below). According to the U.S. Census Bureau, Washington state ranked sixth nationwide in export value to the world in 1997.



Source: U.S. Census Bureau

### Seattle USEAC

In 1995, after the first four USEACs (Baltimore, Chicago, Miami, and Long Beach, California) were operational, US&FCS opened a USEAC in Seattle.<sup>3</sup> Seattle is characterized as a

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<sup>3</sup> The Seattle USEAC replaced the former Seattle District Office.



commercial, cultural, and advanced technology hub of the U.S. Pacific Northwest and a major port city for trans-Pacific and European trade.

Responsibility for managing the Seattle USEAC falls to the Office of Domestic Operations' Western Region Office headquartered in San Francisco. The Seattle USEAC covers the states of Washington and Alaska, with the exception of the five Washington state counties closest to the Portland, Oregon USEAC (Waklukum, Cowlitz, Clark, Skamania, and Klickitat counties). The Seattle USEAC serves as the "hub" to two "spokes"—the Spokane EAC and the Anchorage, Alaska EAC—as well as one satellite office in Everett, Washington. In the fall of 1998, the Seattle USEAC intends to build on its network with the opening of a Tacoma, Washington EAC.<sup>4</sup>

At the time of our review, the Seattle USEAC had 10 US&FCS employees (including one personal services contractor), one SBA employee, one Small Business Development Center employee, and two employees from the Ex-Im Bank's City State Market Cooperator, the Export Finance Assistance Center of Washington. The Spokane EAC had one US&FCS employee and the Anchorage EAC had two US&FCS employees (including one personal services contractor).



Photo of Seattle, courtesy of Chris Sollart, *The Seattle Times*

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<sup>4</sup>The Tacoma EAC will be hosted by the World Trade Center of Tacoma and will service the southwest portion of the state.

## OBSERVATIONS AND CONCLUSIONS

### I. Management of the Seattle USEAC Is in Transition

At the time of our inspection, we found the management of the Seattle USEAC to be in a transitional state. Specifically, the former director of the Seattle USEAC had resigned one month prior to our inspection, and the operation was being managed by a foreign commercial officer. The foreign commercial officer was already located at the Seattle USEAC, serving as the Western Regional Trade Promotion Coordinator. However, this officer is scheduled to leave Seattle in early September to begin an overseas tour of duty at a US&FCS post in Germany.

Although we found that the former director has a great reputation among the various state, local, and private partners in Seattle, the trade specialists expressed to us their concerns that the former director may have spent too much of her time representing the office and not enough time managing the day-to-day operations of the USEAC. As a result, they believe that (1) the guidance and support needed by the staff on their activities was not provided, (2) clear lines of responsibilities were not established, and (3) some administrative functions were neglected.

However, we found the current work atmosphere at the USEAC to be positive. The trade specialists informed us that the day-to-day operations were improving under the guidance of the current acting director. In particular, we were told that open lines of communication between the staff and the acting director have been established. It also appears that the acting director is attentive to the staff's needs. However, we are concerned that US&FCS management has not identified a candidate to fill the Seattle USEAC Director position before the acting director leaves for his overseas assignment in September. In fact, we have recently been informed that it may be several months before the Seattle USEAC Director position is filled because US&FCS has decided to re-announce the position during the first quarter of fiscal year 1999.

Because there are signs of an improved atmosphere, specifically in the morale of the staff, we believe it is imperative that US&FCS management take quick action to fill the vacancy, and ensure that interim leadership is provided during any gaps in the tenures of USEAC directors. In addition, based on discussions with the staff, we believe the appropriate candidate should be able to both (1) manage the day-to-day operation of the USEAC, and (2) continue to be effective in outreach activities.



In its response to our draft report, US&FCS agreed with the need to fill the USEAC Director position as soon as possible and informed us that they would re-announce the position during the first quarter of fiscal year 1999. We strongly encourage US&FCS to move as quickly as possible to get a new Seattle USEAC Director in place.

## II. USEAC Receives High Marks on Export Promotion and Counseling Service, but Its Image Could Be Negatively Impacted by Overseas Products and Services

Overall, the clients we spoke with were generally satisfied with the export promotion and counseling services provided by the Seattle USEAC. The clients were pleased with the trade specialists' knowledge of the overseas markets and their understanding of international sales and marketing. Moreover, clients pointed out that the Seattle USEAC's trade specialists are very responsive in keeping them informed of market conditions and issues affecting exports and on upcoming events and seminars. However, we received mixed reviews from clients who, through the assistance of the Seattle USEAC, had received one or more of the following products and services from an overseas post:<sup>5</sup>

- **Agent Distributor Service (ADS).** Customized overseas search for qualified agents, distributors, or representatives for U.S. firms. Fee: \$250
- **Commercial News USA (CNUSA).** CNUSA is an export marketing magazine that promotes U.S. products and services worldwide. Fee: starts at \$445
- **Gold Key Service.** US&FCS trade specialists in a target country will arrange appointments for a U.S. exporter with prescreened contacts whose interests and objectives match those of the client. Fee: \$150-\$650
- **International Company Profile (ICP).** An ICP report that portrays the reliability of prospective trading partners. Information provided includes type of organization, year established, size, general reputation, territory covered, sales, product lines, principal owners, financial information, and trade references. The commercial officer will also provide a recommendation as to the suitability of the subject firm. Fee: \$100

Of the products and services listed above, CNUSA and the ICPs were given the highest ratings by clients. Several clients informed us that they had received numerous leads as a result of their advertisement in CNUSA and believed this product was well worth the money spent. In addition, the clients we spoke with who purchased ICPs were extremely pleased with the reports they received. One of the clients informed us that they had first solicited the services of a private firm for the background check, but the company was unable to help them in the country where the check was needed. The client stated that not only was US&FCS's ICP "extremely helpful" but that they found it to be "reasonably priced."

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<sup>5</sup>Our observations on client satisfaction are directed towards US&FCS and not the partners of the Seattle USEAC. We rated client satisfaction based on positive feedback, negative feedback, or indifferent feedback received from clients.

On the other hand, we received mixed reviews from clients who purchased the Gold Key Service. Essentially, half of the clients we spoke with thought the service was excellent, while the other half thought the service was poor. Since specialized client services are usually considered most effective because they bring U.S. business clients in direct contact with local overseas companies, we believe the problems associated with this service stem more from the particular post (or individual) providing the service than the service itself. For example, two of the clients we spoke with had both positive and negative experiences using the Gold Key Service. While both of these clients had positive experiences with two different posts, both clients had complaints about the service provided by US&FCS Brazil. In one case, the client told us that the post only arranged one appointment for them (which the client claims to have recommended to them). In the second case, the client informed us that post had arranged meetings with unqualified businesses.

Even more troubling to us was the client feedback we received on ADS. Over 50 percent of the clients we spoke with had negative comments on the ADS products they received. Based on their feedback, it seems the problems with ADSs can be attributed to poor quality and untimely responses from overseas posts. Furthermore, all of the trade specialists at the Seattle USEAC we spoke with stated that because the quality and timeliness of the ADS product varies so much among the different posts they are reluctant, and in some cases unwilling, to market this particular product to clients for fear of jeopardizing their credibility in the eyes of the client.

Despite the positive feedback we received from those clients we interviewed regarding the Seattle USEAC's services, we are concerned about the negative feedback we heard from clients about the products and services they received from certain overseas posts. If clients are dissatisfied with the products or services US&FCS offers overseas, this dissatisfaction could potentially have a negative impact on the USEAC and reflects poorly on overall US&FCS services. The USEAC staff informed us that they do not have much recourse when a client is not satisfied with a product or service. The trade specialists tell the USEAC Director who then tries to contact the senior commercial officer (SCO) at the overseas post to either correct the problem or request a refund. However, the trade specialists told us this action was not always effective. We believe that US&FCS needs to reassess the effectiveness of the current quality control procedures at headquarters and develop a better system to ensure the quality and timeliness of products and services provided by overseas posts to the USEACs and their clients. The new system should include a built-in mechanism that will enable USEAC directors—without sanction—to notify headquarters when the quality of overseas products is not adequate.



In its response to our draft report, US&FCS acknowledges that current program reviews conducted by independent contractors and internal task forces show the need for new and enhanced products and services. US&FCS is anticipating developing new products and refining existing products in FY99. According to US&FCS, the goals of this initiative are to (1) develop

products that more closely meet the needs of small-to-medium size exporters, (2) establish benchmarks and improve performance measurement for new products and services, and (3) improve quality assurance and performance measurement for new and existing products and services. US&FCS anticipates testing new products and services at eight overseas posts. The testing will include determining pricing and delivery structures, and developing agency-wide quality assurance and customer satisfaction systems.

We are pleased that US&FCS recognizes the need to improve the quality of its products and services, and that it has taken further steps in developing new products targeted for small to medium size exporters. We request that US&FCS elaborate on its initiative in its action plan as to what posts have been selected, what mechanisms will be established to ensure overseas posts deliver timely, quality products, and what mechanisms will be established to guarantee client satisfaction. In addition, we also reiterate our belief that it is important for US&FCS headquarters to develop a mechanism to enable USEAC directors—without sanction—to notify headquarters when the quality of overseas products is not adequate. We request that US&FCS address this recommendation specifically in its action plan.

### **III. Seattle USEAC Has Strong Partner Relationships**

#### ***A. In-house USEAC team works in a cooperative fashion***

The Seattle USEAC is comprised of the US&FCS, SBA, the Export Finance Assistance Center of Washington (Export-Import Bank's City State Market Cooperator), and the SBDC of North Seattle Community College. Overall, we found that the collocation of export promotion and trade finance partners in the Seattle USEAC fosters close ties and strengthens information exchanges among the partners, which results in improved export assistance.

The export counseling traditionally offered by the US&FCS is enhanced by greater and more convenient access to trade finance data and support, as well as cross-referral of clients by the USEAC partners. Both the SBA (through its Export Working Capital Program and International Trade Loan Program) and the Export Finance Assistance Center of Washington (through its access to both public and private export financing resources) offer numerous programs to meet the trade financing needs of Washington state companies. In addition, the SBDC, a unique partnership between North Seattle Community College and the Washington State Small Business Development Center (in cooperation with SBA), provides export counseling assistance (e.g., developing international business plans, managing and marketing strategies, and finance proposals) to small, new-to-export ready firms.

The USEAC partners informed us that they hold joint programs and seminars which they believe to be very helpful to businesses. One of the most recognized joint programs offered by the Seattle USEAC is the Export Trade Assistance Partnership (E-TAP). E-TAP is a specialized training program designed specifically for small and medium-sized businesses to enable them to benefit from the growing opportunities in the global marketplace. In addition to themselves, the USEAC brings in speakers from state and local trade organizations, private financial institutions, and representatives from overseas posts. The E-TAP program offers its clients (1) an assessment of their product's export potential, (2) an export orientation, (3) market entry preparation, (4) trade show preparation, (5) international business planning, (6) customized export training for specific products, and (7) on-going counseling. The USEAC staff all agree that this program has helped them to leverage their time by allowing them to train 10 companies at a time on a standard issue instead of individually. With 30 percent of E-TAP's graduates exporting since completion of the course in 1997, this program appears to provide the USEAC with an effective means for increasing its base of new-to-export firms.

#### ***B. Seattle USEAC works well with multipliers and partners***

According to the TPCC's report to the Congress in 1994, one of the original design elements of the USEAC program was to capitalize on the existence of various multipliers, which are other public and private sector groups—especially state and local governments—that can offer their

resources and expertise to help U.S. exporters. We found that the state, local, and private partners, most notably the District Export Council, with which we met during our inspection, were extremely pleased with the USEAC's commitment and efforts to work with them, and thus fulfill one of the USEAC program's mandates. The partnerships that the Seattle USEAC has formed with these trade organizations has helped to eliminate duplicative programs and enhance the quality and delivery of export assistance services to U.S. businesses. The trade specialists at the USEAC also pointed out that interaction with their non-federal counterparts enables them to broaden their knowledge of export-related trade information sources.

### State and Local Partners

As a result of Washington state's dramatic increase in international trade over the last two decades, the Washington State Department of Community, Trade and Economic Development (CTED) and the Washington State Department of Agriculture (WSDA) have increased their services to exporters to include counseling, market assistance, financing information, and market research. In addition, the state created the Office of the Special Trade Representative to serve as its trade envoy with its major trading partners as well as the U.S. government.

In an effort to coordinate the delivery of export promotion services offered by both the USEAC and the three state trade agencies (which the USEAC considers to be its most important partners), the organizations decided to co-locate their offices in the same building. In addition, in an attempt to use their resources more effectively and to avoid duplication, the USEAC and the state of Washington's trade offices have established numerous joint activities, which include co-sponsorship of trade events and seminars, and the constant exchange of materials and data.

The Seattle USEAC also works closely with King County's Office of Trade, Commerce, and International Affairs. The USEAC Director is a standing member of King County's International Trade Board. Currently, the USEAC is working with King County and the Wallingford (a City of Seattle neighborhood) Chamber of Commerce on its new trade outreach program for small and mid-size companies to be held in the fall of 1998. The program, called "Trade Days," will offer workshops, training sessions, panels, and individual meetings with local and national trade experts who understand the complexities of conducting business overseas. King County officials informed us that its overall goal is to reach the fastest growing business sector in their area—small to mid-size firms—estimated to be around 62,000 firms.

In addition, by invitation of the Snohomish County Executive's Office, the USEAC established a part-time satellite office in Everett, located 35 miles north of Seattle. Snohomish County is reportedly one of the fastest growing counties in the state, with population and employment up substantially during the past decade. The satellite office is staffed part-time by a senior trade specialist from the Seattle USEAC, and the office expenses are paid for by the Snohomish County

government. The Snohomish County Executive informed us that he is extremely pleased with the services provided by the trade specialist and the USEAC as a whole.

### District Export Council

District Export Councils (DECs) are organizations of leaders from the business community whose knowledge of international business provides a source of advice for local firms. DEC members are appointed by the Secretary of Commerce, based on their extensive knowledge of international business and access to specialized trade resources. The DECs were created to supply specialized expertise to small and medium-sized businesses in their local community that are interested in exporting—complementing the assistance provided by US&FCS trade specialists.

We found the Washington District Export Council (WDEC) to be a fairly active player in Seattle. In its annual plan for fiscal year 1998, the WDEC states its mission is “to improve the export performance of businesses in Washington State and to increase the participation rate of Washington State businesses in the international market.” As such, it is currently developing several initiatives, including an Internet web page, an audio tape export training series, and a DEC speakers bureau.

One of the seminars jointly sponsored by the USEAC and the WDEC was a March 1998 Asian Development Bank (ADB) procurement seminar featuring the ADB Executive Director for the United States. Following the seminar, the USEAC scheduled one-on-one appointments for its clients with the ADB representative. In April 1998, the Seattle USEAC and the WDEC co-sponsored the inaugural stop of a five-city seminar series on “CE Mark Certification” (the CE mark is required for certain products entering the European Union) featuring representatives from the U.S. Mission to the European Union.

The WDEC has also established committees to address the priority objectives of the USEAC and the Washington state community. For example, the WDEC has established a public affairs committee to provide greater visibility for both DEC and USEAC services. One product of this effort is a directory of WDEC members for use by the local trade community and by selected federal and international organizations, such as U.S. embassies abroad. The directory includes a listing of WDEC members and their particular areas of trade expertise.

Another seemingly effective way the WDEC supports the USEAC’s mission is through its University Market Research Program. The Seattle USEAC recommends, to the University of Washington, target companies that may be interested in receiving market research from their students for a specific product. Although the USEAC will provide advice to the students on an as needed basis, the WDEC members mentor the students in the development of the firms’ marketing plans. This program seems to help students gain additional learning experiences and the



companies get hands-on help, while augmenting the USEAC's ability to manage export-specific work. Some of the market research projects conducted by the students for individual companies include: Central America Market Entry Analysis; Japanese Market Research Report; International Freight Forwarding—Opportunities in the Pacific Rim; and General Export Marketing Strategy. The DEC Chair informed us that as of June 1996, 101 projects were completed for 72 companies involving 282 University of Washington students.

#### **IV. Coordination with Overseas Posts Is Satisfactory**

We are pleased to note that the working relationships between the trade specialists at the Seattle USEAC and the overseas posts range from adequate to very good. While it appears that the relationships between the domestic staff and the overseas staff are often personality driven, we believe that both the Teams Initiative<sup>6</sup> and the new integration program have helped to improve communication between the two sides.

All of the trade specialists at the Seattle USEAC are either members or leaders on a regional team (Africa, Western Hemisphere, and Europe) or industry team (Defense, Services, Healthcare, and Environmental). Based on our discussions with the USEAC staff, many said that the Teams Initiative has been a positive influence on their relationships with the overseas staff. For instance, by involving overseas posts in the various teams' yearly planning process (such as getting input from posts as to which trade events to attend), working with posts on special promotion events, or having overseas staff permanently assigned to teams, event coordination and cooperation seems to have increased.

The trade specialists also acknowledged that US&FCS's new "integration" initiative has helped both the domestic and overseas staff gain a better appreciation and understanding of each other's functions. By providing opportunities for international staff to serve domestically and for domestic staff to serve internationally, they believe US&FCS has enhanced its overall servicing of clients, as well as the building of staff skills.

We found that most of the USEAC staff participated in at least one overseas trip during fiscal year 1997, providing them with important "hands on" international experience needed to counsel U.S. firms more effectively. It also appears that the Seattle USEAC is a favored site for visits by both US&FCS officers and foreign service nationals (FSNs). This enabled the overseas staff a chance to better understand U.S. clients' perspective on international business activities. The two-way travel and exchange of personnel clearly expanded the working knowledge and relationships between trade specialists that should reap benefits in the form of better and more personalized services to clients.

Specifically, the Seattle USEAC supported US&FCS training of FSNs by hosting FSNs from Thailand, Egypt, France, and Sweden. The Seattle USEAC also hosted SCOs from India, Japan, South Africa, Argentina, Brazil, Canada, and India. While at the USEAC, the SCOs generally

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<sup>6</sup>The US&FCS Teams Initiative was implemented to provide its domestic staff an effective vehicle to help carry out its trade promotion activities. US&FCS Teams are comprised of trade specialists located around the nation whose common goals are centered around promoting exports for a particular industry sector or to a specific geographic region.

met with key companies and associations as well as key USEAC partners, such as Washington State's Community Trade and Economic Development and the Washington Council on International Trade. For instance, the Seattle USEAC hosted both the SCO from Tokyo and the Director of the U.S. Trade Center in Tokyo, who spoke to an audience of key multipliers and businesses on using US&FCS services and doing business in Japan. The trade specialists informed us that they found these activities very useful to Washington state businesses by providing them with insight into a particular market from those who live and work abroad.

## **V. Marketing Efforts Could Be Improved**

Although the Seattle USEAC has been very effective in its outreach efforts to multipliers, we believe it could do a better job of marketing its services to Washington state businesses. We are not convinced that the export promotion and counseling services offered by the Seattle USEAC are clearly distinguishable from services offered by other trade organizations. According to some of the local and state trade organizations we spoke with, “the marketing of the Seattle USEAC is the biggest hindrance to the operation.”

Based on our discussions with these local and state trade organizations, it appears that there may be some confusion in the business community about which trade organization does what. One reason for this may be due to the fact that there are reportedly an estimated 50 international trade organizations in Washington state offering various levels of service, including counseling, trade finance services, market research, and legal advice. Specifically, we were told by some of the trade organizations that the Seattle USEAC’s main shortcoming is letting companies know about the products and services it has to offer.

We also believe some of the confusion stems from the various names associated with “export promotion services” offered by the Department of Commerce in Seattle. Over the last six years, the federal export promotion program has been referred to as the Department of Commerce, the International Trade Administration, the United States and Foreign Commercial Service, the Commercial Service, the District Office, and finally, the United States Export Assistance Center.

While not all of the trade specialists agreed that businesses are confused about the services offered by the USEAC, all of them agreed that the USEAC could do more to market its services to their target clients—small and medium-sized firms. Therefore, we believe the Seattle USEAC could improve its marketing efforts by undertaking the following actions:

- conduct an aggressive advertising campaign to all of the local chambers of commerce and trade associations around the state to highlight the services provided by the Seattle USEAC;
- issue press releases more frequently on the USEAC’s accomplishments as well as on special events or seminars offered by the USEAC; and
- develop an Internet web page specifically tailored to the needs of the Washington business community (with a link to the Anchorage EAC). At a minimum, the web page should include an overview of the particular products and services the Seattle USEAC

has to offer. We believe it would also be beneficial to provide links to other international trade organizations in the Washington state region or a separate page providing a description of the various services offered within the area.



In its response to our draft report, US&FCS agreed with our recommendation and provided examples of how it plans to improve the Seattle USEAC's marketing efforts. Specifically, the response states that the Regional Director of the Western Region has asked the acting Director of the Seattle USEAC to develop a marketing outreach plan. In addition, outreach to the media and the press has been incorporated into the performance plan of the senior trade specialist in the Seattle USEAC. The response also states that the Western Region has procured an Internet contractor to develop effective web sites for all of its offices, including the Seattle USEAC, which will be linked to the ITA web site.

## **VI. Financial Affairs Appear to be in Order, but Some Internal Controls Need Management Attention**

### **A. *Financial activities are closely monitored***

Overall, our inspection found the financial management practices of the Seattle USEAC to be acceptable. We believe a lot of the credit is due to the Western Region Office and the changes it has made with respect to financial responsibilities and the establishment of a new software system. Some of the more significant changes in the financial responsibilities include (1) decentralizing financial management duties, (2) instituting more in-depth financial and administrative training courses, and (3) undertaking regional financial and administrative reviews.

As a result of the decentralization of financial management duties from the Western Region Office to the USEACs, the Seattle USEAC Director was held more accountable for the USEAC budget (including both the Spokane and Anchorage EAC) and ensuring that expenses (e.g., personnel, rent, travel) fall within its budget. According to both the Western Region management and the USEAC staff, the former director did a good job of closely monitoring the USEAC's budget and expenditures.<sup>7</sup>

In addition, the Western Region Office has instituted more in-depth training sessions in the following areas: collections, procurement, bank cards, travel orders/vouchers, time and attendance records, inventory, budget, and budget reconciliations. The training, offered to both the director and other appropriate staff members at the Seattle USEAC, was designed to provide an understanding of financial and administrative processes necessary to manage finances.

The Western Region Office has also initiated informal reviews of USEACs to assess the effectiveness of decentralization efforts and review administrative management practices. The reviews are intended to highlight the strengths and weaknesses of financial and administrative practices. The Office conducted one such review at the Seattle USEAC in May 1998 in which it pointed out weaknesses in internal controls over the use of the visa card and procurements (a problem discussed later in this chapter).

Furthermore, the establishment of the new software system, Lotus Notes, provides the region's USEAC directors with a powerful tool to manage their finances. Lotus Notes has the ability to track daily expenditures which provides the directors the capability to determine their current financial position instead of relying on official ITA accounting data, which is often delayed. By

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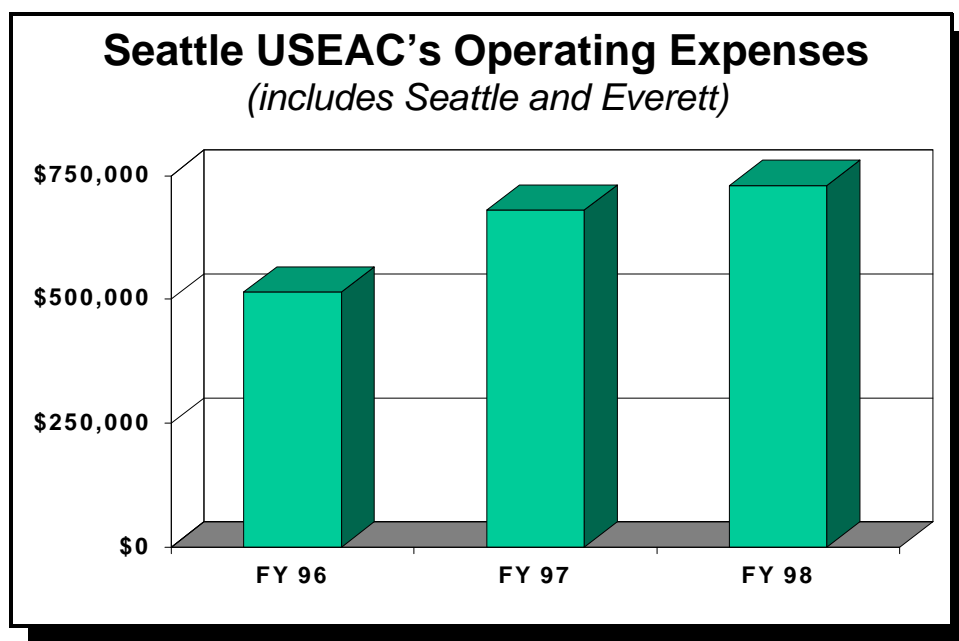
<sup>7</sup>At the time of the OIG inspection, the acting director had only served in this role for a period of four weeks. The financial and administrative transactions, both strengths and weaknesses, that we reviewed, are a result of former management.

comparing internal USEAC data from Lotus Notes to official ITA accounting data, the USEAC directors have the ability to detect discrepancies in the data. Lotus Notes data does not directly feed into ITA's official accounting data, but merely serves as a management tool in monitoring finances.

**B. Operating expenses appear reasonable**

We analyzed the official ITA accounting data for the Seattle USEAC during the last three fiscal years. We found that the USEAC's operating expenses had increased 32 percent from fiscal year 1996 to fiscal year 1997. We determined that this increase was attributed, for the most part, to the transformation of the Seattle District Office into the Seattle USEAC. This transformation included an increase in rent, personnel, and employee relocation expenses. In addition, the Seattle USEAC received an upgrade in its telephone system.

Based on its fiscal year 1998 budget request, the Seattle USEAC's operating expenses are projected to increase six percent from fiscal year 1997 to fiscal year 1998. Our examination revealed that this increase is due, in part, to an upgrade in its computer systems, as well as cost of living pay increases for personnel.



Source: ITA accounting data

### **C. Some internal controls need improvement**

Our inspection of the Seattle USEAC included a review of the internal controls over transactions including the (1) collection of user fees, (2) recording of time and attendance records, and (3) processing of travel orders and vouchers. We also followed up on internal control weaknesses related to the use of the office visa card and procurements identified in a financial and administrative report issued by the Western Region Office in May 1998. While our review of internal control systems for the recording of time and attendance records and the processing of travel orders and vouchers revealed no discrepancies or internal control weaknesses, our review of the process used to collect user fees revealed several weaknesses.

#### **User fee collections**

The Seattle USEAC sells products and services, such as ADSs, Gold Keys, and Customized Market Analyses, to interested business firms and collects a user fee in return. The fees collected are documented on a user fee transaction record and sent, along with the payment, to a lockbox at a bank in Chicago. Simultaneously, the USEAC sends a copy of the transaction record to ITA's accounting division in Washington, D.C.. After the Chicago bank deposits the funds to the Department of Treasury, it sends a statement along with a copy of the transaction record to the accounting division.<sup>8</sup>

However, we discovered several deficiencies in the collections process such as (1) no separation of related duties, (2) lack of supervision, and (3) improper recording of transactions. As a result of these deficiencies, the Seattle USEAC was not meeting the *Standards for Internal Controls in the Federal Government* issued by the Comptroller General in 1983. In addition, we found two areas where the USEAC violated regulations as specified in the *US&FCS Operations Manual*.

First, we found there was no separation of duties related to the collection process. Specifically, the USEAC staff member who collects the user fees also deposits the user fee checks. According to the *Standards*, "Key duties and responsibilities in authorizing, processing, recording, and reviewing transactions should be separated among individuals." Therefore, collection duties at the Seattle USEAC should be separated among two different individuals.

Second, we found that the former Seattle USEAC director did not routinely review the user fee transaction records to ensure that the amount collected equaled the amount deposited and that the records were filled out correctly. Because of this apparent lack of supervision, there were several

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<sup>8</sup>The funds are ultimately credited to an ITA deposit fund account at the U.S. Treasury.



instances where either the total transaction amount was not recorded or the deposits were posted to the wrong cost center. Hence, collections were being credited to an incorrect operation. According to the *Standards*, there are actually two standards that the USEAC Director did not follow in this case. First, there is a supervision standard that states, "Qualified and continuous supervision is to be provided to ensure that internal control objectives are achieved." The second standard on recording of transactions and events states, "Transactions are to be promptly recorded and properly classified." Therefore, the new director of the Seattle USEAC should provide the necessary supervision over transactions.

Third, our examination also revealed that funds were not being deposited frequently enough, and in several instances, individual checks in excess of \$1,000 or a group of checks totaling more than \$1,000 were not deposited until two to three weeks after receipt. According to the *US&FCS Operations Manual*, collections must be deposited by Friday of each week or when the total amount collected reaches \$1,000. The director of the Seattle USEAC should ensure that its deposits take place each week at a minimum, or when collections reach \$1,000.

Finally, our inspection revealed that there is no monthly or year-end reconciliations of collection data by the Seattle USEAC or the accounting division at ITA headquarters. According to the *US&FCS Operations Manual*, the unit manager, in this case the USEAC Director, is required to review and reconcile records periodically with those maintained by supervisory offices. We attempted to reconcile the user fee transaction records maintained by the USEAC with the official ITA accounting data for fiscal year 1997 and 1998 (year to date). While we were able to reconcile the 1998 collection data, we were unable to reconcile similar data for fiscal year 1997. Specifically, our analysis indicates an \$850 discrepancy in fiscal year 1997. Since officials from ITA's accounting division could not explain the apparent discrepancy to us, we would like for the Seattle USEAC to determine the reason for the discrepancy. In addition, in order to avoid future problems in this area, we strongly urge US&FCS management and ITA's Office of Financial Management to determine which organization within ITA will reconcile bank statements against transaction records submitted by the USEAC.

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In its response to our draft report, US&FCS agreed with our observations regarding deficiencies in the collection process. US&FCS informed us that it is taking steps to correct the problems. In particular, US&FCS has developed a new form to be used in documenting collections that would address our recommendations that (1) duties be separated among two different individuals and (2) proper supervision be provided to ensure collections are both promptly recorded and classified. While US&FCS noted that the Seattle USEAC is responsible for timely deposits, it did not directly address our recommendation that bank deposits take place, at a minimum, every Friday and/or when the total amount collected reaches \$1,000. We reiterate our previous

recommendation that bank deposits take place, at a minimum, every Friday and/or when the total amount collected reaches \$1,000.

With respect to our recommendation concerning reconciliations between bank statements and transaction records submitted by the USEAC, US&FCS stated that the USEACs are responsible for reconciling collection data with bank statements. However, at the time of our inspection, we noted that this was not taking place. According to the Western region office and the Seattle USEAC, neither office receives bank statements from the Chicago lockbox confirming that deposits were received by the Seattle USEAC. The only data presently available to the Western region and the Seattle USEAC to conduct reconciliations with are the ITA accounting data (summary receipts report) and records maintained at the USEAC. As such, transaction specific reconciliations can not take place.

The draft response also stated that ITA accounting reconciles the bank statements from all deposits with the certificate of deposit received from Treasury. However, we believe that such reconciliations are based on an aggregate monthly total and do not address the intent of our original recommendation. Our original recommendation was to ensure that reconciliations are being conducted so that (1) the Seattle USEAC has confirmation that all deposits it sends to Chicago are, in fact, being received by the Chicago lockbox, and (2) the records maintained by the USEAC match the official ITA accounting data taking into consideration minor time delays.

We are pleased that US&FCS is taking steps to improve the collection process. However, we believe that further steps are needed to ensure that the USEACs have the necessary information to conduct transaction specific reconciliations and that they do so on a monthly basis. We recommend that US&FCS work with ITA's Office of Financial Management to ensure that the bank statements are provided to the USEACs at the end of each month so that the USEACs can perform transaction specific reconciliations. We request that US&FCS provide us with an action plan to address our recommendations regarding frequency of deposits and reconciliations. We also request that US&FCS provide us with an explanation of the \$850 discrepancy in the action plan.

### **Visa card**

In addition to the internal control weaknesses we found in the collections process at the Seattle USEAC, we followed up on the internal control weaknesses found during the Western Region's financial and administrative review conducted in May 1998. Specifically, the report cited errors in the usage of the office's government issued visa card as well as miscoding of accounting data, incorrect accounting information, and missing invoices. It appears that the Western Region Office appropriately resolved the mishandling of the visa card issue by transferring the card to another cardholder. With regard to the miscoding, incorrect accounting information, and missing invoices

we believe the USEAC staff has taken measures to correct these weaknesses. The visa card files were being maintained in a central binder located in the acting director's office, and the staff member in charge of maintaining the files was in the process of tracking down the missing invoices. However, we would like to reiterate the importance of ensuring that the visa card is used only for authorized purposes, proper accounting codes are recorded, and complete files are maintained.

### **Purchase orders**

According to the May 1998 review, some of the purchase orders from the Seattle USEAC in fiscal year 1997 were miscoded and charged to an incorrect cost center. Additionally, the report cited incomplete purchase order files. At the time of our review, it appeared the Seattle USEAC had taken corrective actions to ensure purchases would be properly coded and filed. However, we would like to emphasize the importance of having the new director review all future purchase orders to ensure that they are properly coded and charged to the correct cost center, and that complete files are maintained.



In its response to our draft report, US&FCS concurred with our recommendations pertaining to use of the visa card and purchase orders and has taken steps to correct deficiencies. We reemphasize the importance that the new USEAC director provide proper oversight on the use of the visa card and purchase orders to prevent discrepancies and noncompliance with government regulations.

## VII. Spokane EAC Appears to Be Doing An Effective Job<sup>9</sup>

It appears that the Spokane EAC is doing an effective job in its export promotion and counseling activities. Since we did not perform an on-site inspection of the Spokane EAC, this observation is based solely on our discussions with the Spokane EAC director, staff from the Seattle USEAC, and clients of the EAC. The Spokane EAC is the only current “spoke” in the state of Washington. Spokane, located along the eastern border of Washington state in the heart of the Inland Northwest, is the nation’s largest city between Seattle and Minneapolis.



Source: <http://www.travel-in-wa.com>

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<sup>9</sup>At the time of our inspection, the Anchorage EAC director was currently on a six-week temporary duty assignment to Baku, Azerbaijan. Therefore, we were unable to contact him for purposes of our inspection.

In our 1996 evaluation of the USEACs,<sup>10</sup> we recognized that the Kennewick spoke, located in the Tri-Cities area, "...could probably better serve the export community if it was moved to Spokane." Subsequently, in an effort to better serve the largest population and growth center in Eastern Washington, the US&FCS moved the Kennewick office to Spokane in fiscal year 1997. The relocation brought the office into direct contact with the largest concentration of exporting companies in the service area. In eastern Washington, Spokane serves as a central location to other exporting "metropolitan areas", including the Tri-Cities (Kennewick, Pasco, Richland), Walla Walla, Wenatchee, and Yakima, as well as its surrounding rural areas. The Spokane EAC is hosted by the Greater Spokane Area Chamber of Commerce and the Spokane Regional International Trade Alliance. According to the Spokane EAC Director, the collocation has provided him better access to a wide variety of clients and enabled him to increase the EAC's visibility. We found, based on our interviews, that clients are extremely pleased with the services provided by the Spokane EAC.

It also appears that the Spokane EAC Director has established and maintained strong links with the Seattle USEAC including participating (by conference call) each week in the USEAC staff meeting. During the first half of fiscal year 1998, the directors of the Seattle USEAC and Spokane EAC participated in a series of programs intended to increase communication between federal officials and the local leaders in the Washington state cities of Spokane, Yakima, Tacoma, Bellingham, and Longview. In addition, the Ex-Im Bank representative informed us that he travels to Spokane as needed, but at least on a quarterly basis.

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<sup>10</sup>*U.S. Export Assistance Centers Offer Reason for Optimism, but May Fall Short of Expectations*, IPE-7130, March 1996.

## RECOMMENDATIONS

We recommend that the Assistant Secretary and the Director General of the U.S. and Foreign Commercial Service ensure that appropriate steps are taken to:

1. Fill the Seattle USEAC Director position as soon as possible and ensure that interim leadership is provided during any gaps in the tenures of USEAC directors (see page 5).
2. Reassess the effectiveness of the current quality control procedures at US&FCS headquarters and develop a better system to ensure the quality and timeliness of products and services provided by overseas posts to the USEACs and their clients. The new system should include a built-in mechanism that will enable USEAC directors—without sanction—to notify headquarters when the quality of overseas products is not adequate (see page 7).
3. Improve the marketing efforts of the Seattle USEAC. Specifically, we believe that it should:
  - conduct an aggressive advertising campaign to all of the local chambers of commerce and trade associations around the state to highlight the services provided by the Seattle USEAC;
  - more frequently issue press releases on the USEAC's accomplishments as well as on special events or seminars offered by the USEAC; and
  - develop an Internet web page specifically tailored to the needs of the Washington business community (with a link to the Anchorage EAC). At a minimum, the web page should include an overview of the particular products and services the Seattle USEAC has to offer. We believe it would also be beneficial to provide links to other international trade organizations in the Washington area or a separate page providing a description of the various services offered within the area (see page 15).
4. Separate the USEAC collection duties function among two different individuals (see page 19).
5. Provide proper supervision over financial transactions to ensure they are promptly and properly recorded and classified (see page 20).

6. Ensure that bank deposits take place, at a minimum, every Friday and/or when the total amount collected reaches \$1,000 (see page 20).
7. Determine the reason for the \$850 discrepancy in the fiscal year 1997 collection data (see page 20).
8. Ensure that the USEAC reconciles its collection records against bank deposit statements to be provided by ITA's Office of Financial Management. (see page 21).
9. Monitor the visa card usage to ensure that it is only used for authorized purposes, proper accounting codes are being recorded, and complete files are maintained (see page 22).
10. Monitor purchase orders to ensure that they are properly coded and charged to the correct cost center, and that complete purchase order files are maintained (see page 22).

APPENDIX: Agency Response to the Draft Report



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

SEP 30 1998

MEMORANDUM FOR: Johnnie E. Frazier  
Acting Inspector General  
Office of Inspector General

FROM: Awilda R. Marquez *ARM*  
Assistant Secretary and Director General  
U.S. & Foreign Commercial Service

SUBJECT: Draft Inspection Report for Seattle (IPE-11007)

Thank you for the opportunity to review the draft report on the Seattle USEAC, titled "Seattle USEAC Is Providing Its Clients Excellent Service, but Some Improvements Are Needed."

We are pleased with the findings, and we largely agree with the recommendations, many of which we are currently working to implement.

**General Comments on the Observations and Conclusions**

On page 5, the review notes that "US&FCS has decided to readvertise the [Seattle] position." To date, the position has not been readvertised and is currently vacant. US&FCS plans to re-announce the position during first quarter FY99.

On page 16, the report finds that "the establishment of the new software system, LotusNotes, provides the region's USEAC directors with the necessary tools to manage their finances." This tool is valuable, but additional tools are needed. We recommend that the report say that LotusNotes gives the USEAC directors "a powerful" tool.

Pages 18 and 19 cover deficiencies in the collections process. We agree that there are problems with the collections process and we are working to correct them. The report found that there was "(1) no separation of related duties, (2) lack of supervision, and (3) improper recording of transactions." We are working with headquarters to correct these problems, and we have already begun to use a new form that requires a counter signature from a supervisor (for a separation of duties and for supervision).





### **Specific Comments on the Recommendations**

#### **Recommendation 1**

We agree with the need to fill the USEAC Director position as soon as possible. This position must be filled by an experienced individual with exceptional leadership abilities. The regional office convened a panel of local partners and government officials to interview the candidates and made recommendations for this position through an announcement over the Internet.

#### **Recommendation 2**

Current program reviews conducted by independent contractors, as well as by internal field and headquarters task forces, show the need for new and enhanced products and services. Based on this feedback, the Commercial Service will initiate new product development and the refinement of existing products and services in FY 99.

Eight overseas posts have been selected as Centers of Innovation pilot sites to test new customized services and tailored variations of existing products and services. In addition to measuring the viability and effectiveness of a more customized approach to serving clients, these pilots will also serve as the basis for determining pricing and delivery structures and developing new agency-wide quality assurance and customer satisfaction systems using updated technologies. New quality assurance systems will provide fast and efficient feedback to field offices and headquarters units for use in continuous, not periodic, product improvement. In addition, the Centers of Innovation will also pilot new product evaluation mechanisms, including new performance measures that meet GPRA standards and the use of money-back guarantees when/if products do not satisfy client needs.

Our goals for this initiative are as follows:

- to strengthen the support we provide to SMEs by developing and offering new and enhanced products and services that more closely meet the needs of SME exporters,
- to establish benchmarks and improve performance measurement for new products and services, and
- to improve quality assurance and performance measurement for new and existing products and services.

#### **Recommendation 3**

The Regional Director of the Western Region has asked the acting USEAC Director to develop a marketing outreach plan. He has asked the other USEAC Directors in the region to develop the same strategy.

The domestic field is taking on this issue at a broader level as well. An August 1998 management training session addressed the issue of outreach and presented USEAC managers with viable methods for improving marketing efforts. This training discussed the most effective outreach strategies, including whether press releases are effective for our offices. Outreach to media and the press has been incorporated into the performance evaluation of the senior trade specialist in the Seattle USEAC.

The development of a website for the Seattle USEAC is underway. The Western Region has also procured an Internet contractor to develop effective homepages for all its offices. We are working to link all these pages to the ITA homepage.

**Recommendations 4 through 8**

The domestic field is working with headquarters to develop a new policy for domestic collections. We would note that there is no indication of collections being lost, but there is room for additional accountability. We are working with headquarters to revise our guidelines and to update the User-Fee Transaction Report (the new form, requires a counter-signature). With these revised guidelines and minimal training, we will have these problems corrected.

Each USEAC, including the Seattle USEAC, is responsible for reconciling their collection of information with the bank statement. ITA accounting reconciles the bank statements from all deposits with the certificate of deposit received from Treasury. However, the Seattle USEAC is responsible for maintaining a listing of the funds submitted to the lockbox and for depositing the funds in a timely manner. We believe that we will be able to improve our accountability when a LotusNotes collections database is instituted.

We will work to correct the \$850 discrepancy.

**Recommendation 9**

We concur with this recommendation and have taken steps to correct deficiencies (additional training, including management training, and a transfer of the card to another individual). These steps were taken prior to the inspection.

**Recommendation 10**

We concur with this recommendation and have taken steps to correct problems we found (additional training, including management training). These steps were taken prior to the inspection.

cc: Daniel McLaughlin