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***Office of Inspector General***

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RELEASE**

***INTERNATIONAL TRADE  
ADMINISTRATION***

*US&FCS European Union Mission Should  
Develop a Europe-Wide Commercial Strategy*

*Audit Report No. BTD-10588-9-0001 / January 1999*

*Office of Audits, Business and Trade Audits Division*



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## **EXECUTIVE SUMMARY**

The signing of the two Treaties of Rome in 1957 added two new “communities” to the European Coal and Steel Community that had been established by the 1951 Treaty of Paris: the European Atomic Energy Community and the European Economic Community. In 1967, these communities were merged into a single framework, referred to as the European Community and now known as the European Union (EU).

The EU is made up of 15 countries, referred to as member states.<sup>1</sup> The EU has a population of approximately 370 million people, roughly 1-1/2 times that of the United States. While presenting a much broader demographic market than the United States, EU’s geographic area is only one-third that of the United States. Consequently, population densities are much higher, with most of the population concentrated in France, Germany, Italy, and the United Kingdom.

The United States has maintained diplomatic relations with the EU and its forerunners since 1953 through the United States Mission to the European Union (USEU). The USEU staff includes representatives from the Departments of Agriculture, Commerce, Justice, State, and the Treasury, the Office of the United States Trade Representative, the U.S. Information Agency, the U.S. Customs Service, and the U.S. Agency for International Development.

The Commerce Department established a presence at USEU in 1991. The Department’s USEU operations, which are managed by the United States and Foreign Commercial Service (US&FCS), include programs of US&FCS, the National Institute of Standards and Technology (NIST), and the National Oceanic and Atmospheric Administration (NOAA). US&FCS European Union (US&FCS EU) operates in the USEU facility in Brussels, and all staff are located on the USEU premises.

Pursuant to the authority of the Inspector General Act of 1978, as amended, and the requirements of the Omnibus Trade and Competitiveness Act of 1988 and the Export Enhancement Act of 1992, the Office of Inspector General conducted a performance audit of US&FCS EU in Brussels. Field work was conducted in December 1997.

The US&FCS EU is a non-traditional US&FCS post whose activities are primarily directed at supporting USEU policy initiatives. Although this US&FCS operation has generated many successes, we concluded that a commercial-and business-oriented strategy is needed to fully integrate the US&FCS EU operation with the changing business climate in Europe. Strategic planning is also needed to better guide US&FCS EU efforts and reflect the new approach to the

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<sup>1</sup>Presently, the 15 EU member states are Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden, and the United Kingdom

European Market represented by Showcase Europe, the Department's strategy to approach Europe on a regional basis and to help U.S. firms already exporting in one market to move into others in Europe.

The US&FCS EU Minister Counselor noted his general agreement with our initial findings during the fieldwork exit conference held on December 5, 1997. We note, however, that at the time we conducted our fieldwork, he had been at post for only two months. Therefore, weaknesses identified in this report are not attributable to the Minister Counselor, and we recognize his efforts to adjust and improve the direction of the office. Our performance audit identified the following issues that warrant management attention.

## **I. General Management and Organizational Issues**

The US&FCS EU operation is an atypical US&FCS post with activities that are primarily directed at supporting USEU policy and regulatory-reporting initiatives. The Minister Counselor noted during our fieldwork that the direction of the operation needs to be adjusted to better assist the U.S. business community approaching Europe as a single market, as well as to become a cross-servicing organization for other US&FCS offices in Europe. In addition, client definition and a better coordinated management environment are needed to implement a more effective core program.

Foremost, the US&FCS EU needs to more fully integrate its operations with the core US&FCS program of providing export marketing assistance to U.S. firms. To do this, US&FCS EU must develop a strategic commercial plan and identify primary and secondary target markets for its output. Many issues complicate the implementation of a new commercial strategy, particularly low staff morale and the potential departure of officers and staff during 1998. We recognize the difficulties in implementing a commercial export development strategy for a single market approach within the confines of a policy and regulatory-reporting operation like the USEU. However, to advance the initiatives of the Showcase Europe Strategy and to develop a meaningful role in assisting U.S. companies, these adjustments are necessary. (See pages 6-9.)

## **II. Program Activities and Performance Measurement**

US&FCS EU has been successful in supporting mission efforts in advancing mutual recognition agreements, which are intended to improve access for U.S. and EU firms to each other's respective markets through harmonization of standards. In addition, both the NIST standards program and the NOAA fisheries program provide value-added service to the U.S. business community and other US&FCS posts in Europe. However, the development of core US&FCS products and services needs to be addressed and the integration of NOAA's and NIST's programs into the Showcase Europe Strategy needs improvement. Delivery of quantifiable products and

services will also provide US&FCS EU with measurable output to help it analyze overall performance.

To increase the operation's visibility, an outreach program needs to be developed. Outreach has been passive, limited to answering inquiries from the U.S. business community. In addition, the post does not have any marketing material to promote the information, counseling services, and Showcase Europe activities available at or through the post. Furthermore, the post has not addressed untapped service markets, particularly, providing critical EU information to small and medium-size enterprises. (See pages 11-16.)

### **III. Internal Control Environment**

After reviewing the financial and administrative operations at the post, we concluded that US&FCS EU lacks adequate internal control systems to meet the requirements of the Federal Managers' Financial Integrity Act of 1982 (31 U.S.C. 3512(b)). Under the act, management is to establish internal control systems to ensure that (1) obligations and costs comply with applicable law, (2) all assets are safeguarded against waste, loss, unauthorized use, and misappropriation; and (3) revenues and expenditures applicable to agency operations are recorded and accounted for properly.

The post's administrative structure is inadequate and appropriate internal controls have not been established. This is primarily attributable to changes in management and turnover among personnel, specifically, in the administrative assistant position. As a result, the post is not actively monitoring its finances, including costs charged for the International Cooperative Administrative Support Services. We found significant discrepancies in accounting data between State Department and International Trade Administration financial reports, as well as prior year unobligated authorizations and unliquidated obligations. In addition, US&FCS EU has deficiencies in physical asset management. (See pages 19-23.)

Our most important recommendations call for the Assistant Secretary and Director General of US&FCS to:

1. Develop a cross-servicing role for US&FCS EU to serve other US&FCS operations throughout Europe.
2. Develop a strategic commercial plan to (a) more effectively coordinate the post with other US&FCS offices in Europe, (b) integrate the operation with the Showcase Europe Strategy, (c) provide for proper client identification, and (d) focus efforts on increasing measurable output to enhance overall performance.

3. Develop new single-market oriented products and services that will assist U.S. companies with a Europe-wide strategy.
4. Establish internal control systems at US&FCS EU so that assets are safeguarded against waste, loss, unauthorized use, and misappropriation.
5. Realign the post's administrative structure and provide administrative and financial management training to officers and staff with related duties.

Our complete recommendations appear at the end of each report section, on pages 9, 16, and 23.

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In its reply to the draft audit report, US&FCS generally agreed to the findings and recommendations, and identified a number of steps it has already taken to implement the recommendations. These include the following: (1) development of a FY 1999 strategic action plan to coordinate the post's marketing efforts with other posts in Europe and with the Showcase Europe strategy; (2) better integration of standards and certification activities, and direct management of the NOAA-financed fisheries trade specialist by the senior commercial officer; (3) promotion of EU-US small business partnerships, alliances, and other cooperation, through its role as coordinator of the Transatlantic Small Business Initiative with the EU; (4) taking a number of measures to build a more effective internal control system at post, such as hiring an administrative assistant, assigning supervisory responsibility for administrative and fiscal functions to the commercial attache, and implementing a system to track and reconcile fiscal obligations and expenditures.

We appreciate the commitments made by US&FCS to improve its marketing and management. We encourage US&FCS senior management to contact NIST headquarters officials to explore additional means of cooperating on standards and certification activities in the EU. We are reiterating our recommendations without change in the final report. Summaries of US&FCS's response for each set of findings and recommendations are on pages 9, 16, and 24, and we have attached US&FCS's complete response to the report.

## **INTRODUCTION**

Pursuant to the authority of the Inspector General Act of 1978, as amended, and the requirements of the Omnibus Trade and Competitiveness Act of 1988, the Office of Inspector General conducted a performance audit of U.S. & Foreign Commercial Service (US&FCS) operations at the United States Mission to the European Union (USEU or Mission) in December, 1997.

Performance audits are objective and systematic examinations of an organization, program, activity, or function in order to provide information to improve accountability and facilitate decision-making by parties with responsibility to oversee or initiate corrective action. By identifying systemic strengths and weaknesses, the OIG will help the Department's managers in the International Trade Administration and US&FCS implement more efficient and effective operations to better serve the Department's customers.

In the absence of the Ambassador to the USEU, we discussed our observations with the Deputy Chief of Mission (DCM), and held an exit conference with the US&FCS Minister Counselor and the Regional Director for Europe on December 5, 1997. During this conference, the Minister Counselor generally agreed with the findings and recommendations presented in this report.

## **PURPOSE AND SCOPE**

The purpose of this performance audit was to evaluate the effectiveness of the Department's operations at the USEU carried out and implemented through US&FCS offices located in Brussels, Belgium, the capital location for the European Union (EU).<sup>2</sup>

We tested the Department's European Union Mission operations for compliance with GAO Title II and the Federal Managers' Financial Integrity Act of 1982 (FMFIA) requirements.<sup>3</sup> The report's findings and recommendations draw upon significant tests of records; physical evidence; documentary evidence, including accounting records and memorandums; and analytical evidence based on data obtained. We also gathered testimonial evidence from interviews conducted with US&FCS personnel, partner organizations (multipliers), and clients. We did not rely solely on computer-generated data to support our findings. Computer-generated data was used, but was not tested for reliability. The performance audit covered an extensive review of programmatic, management, administrative, and financial issues.

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<sup>2</sup> The OIG discloses that three of the four audit team members formerly worked for ITA; however, they had no material involvement with EU operations.

<sup>3</sup> GAO Title II is the policy and procedures manual guiding federal agencies accounting responsibilities.



We reviewed the US&FCS's policies, procedures, and practices to determine if it is effectively and efficiently meeting its mission: to assist U.S. companies, particularly small and medium-size enterprises (SMEs), with export assistance. We also determined if US&FCS EU goals and objectives are being achieved, and whether these goals are line with Department objectives. The audit evaluated the effectiveness and efficiency of operations, and assessed the operation's compliance with applicable laws, regulations, and procedures.

In accordance with the General Accounting Office's (GAO) Standards for Internal Controls in the Federal Government, we reviewed the agency's internal control environment relating to administrative and financial management. We conducted extensive testing to achieve our objective of determining the effectiveness of administrative and financial management controls.

In our audit, we placed primary emphasis on the following areas:

- General management and organization.
- Program activities and performance measurement.
- Internal control environment and processes.

The audit also considered other departmental, and ITA headquarters and domestic office activities that are coordinated with US&FCS EU. The audit was conducted in accordance with generally accepted government auditing standards and was performed under the authority of the Inspector General Act of 1978, as amended, and Department of Commerce Organization Order 10-13, dated May 22, 1980, as amended.

## **BACKGROUND**

### **THE EUROPEAN UNION**

The signing of the two Treaties of Rome in 1957 added two new communities to the European Coal and Steel Community that had been established by the 1951 Treaty of Paris: the European Atomic Energy Community and the European Economic Community. These "communities" were merged in 1967 into a single framework, referred to as the European Community and now known as the European Union (EU).

EU is made up of 15 countries, known as member states.<sup>4</sup> The EU has a population of approximately 370 million, roughly 1-1/2 times that of the United States. While presenting a much broader demographic market than the United States, the EU's geographic area is only one-

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<sup>4</sup>Presently, the 15 EU member states are Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden, and the United Kingdom

third that of the United States. Consequently, population densities are much higher, with most of the population concentrated in France, Germany, Italy, and the United Kingdom.

EU is composed of four internal institutions that function in many ways as the three branches of the U.S. government. These institutions are the European Commission, the Council of Ministers, the European Parliament, and the European Court of Justice.

The European Commission, EU's executive body, has three main tasks: to serve as sole initiator of EU policies, to act as guardian of EU treaties, and to supervise implementation of EU law. The Commission's President is named by the member states and the Commission departments, consisting of about 20,000 personnel, are divided into 26 directorates general.

The Council of Ministers is composed of government representatives from the 15 EU member states. The ministers remain representatives of their individual countries with the essential responsibilities of determining EU policy and passing implementation legislation.

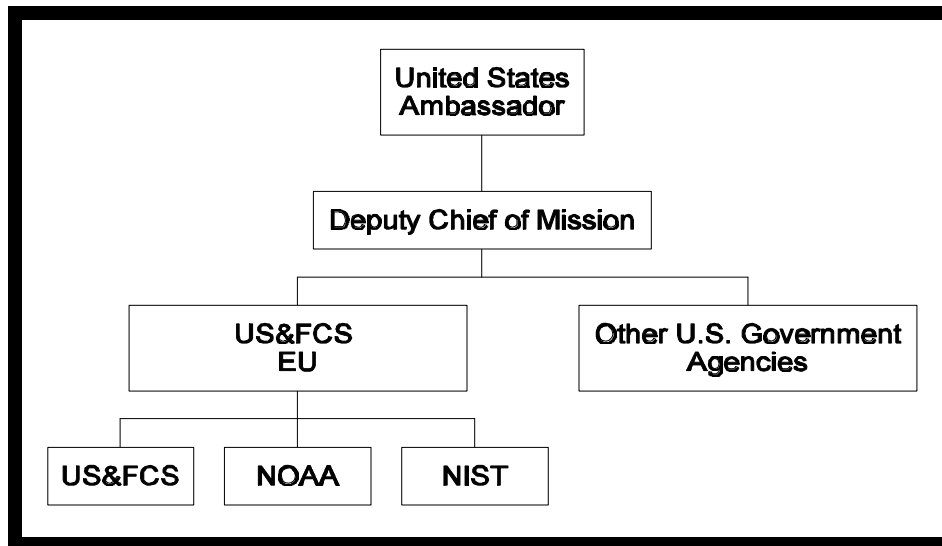
The European Parliament serves as an advisory body to the Commission and the Council. The Parliament's powers have increased significantly over time, and it now exercises veto power over legislation in certain areas, such as consumer protection, health, education, culture, the environment, and the single market. The 626 Members of Parliament are elected to five-year terms and belong to transnational political groups.

The European Court of Justice rules on disputes involving interpretation and application of the EU treaties and legislation. The Court has jurisdiction to settle disputes within the EU, to award compensation for damages caused by an EU institution, and to review whether a member state has fulfilled an obligation under the governing treaties. The 15 justices, appointed by the national governments for six-year renewable terms, select their own president.

## US&FCS EUROPEAN UNION MISSION

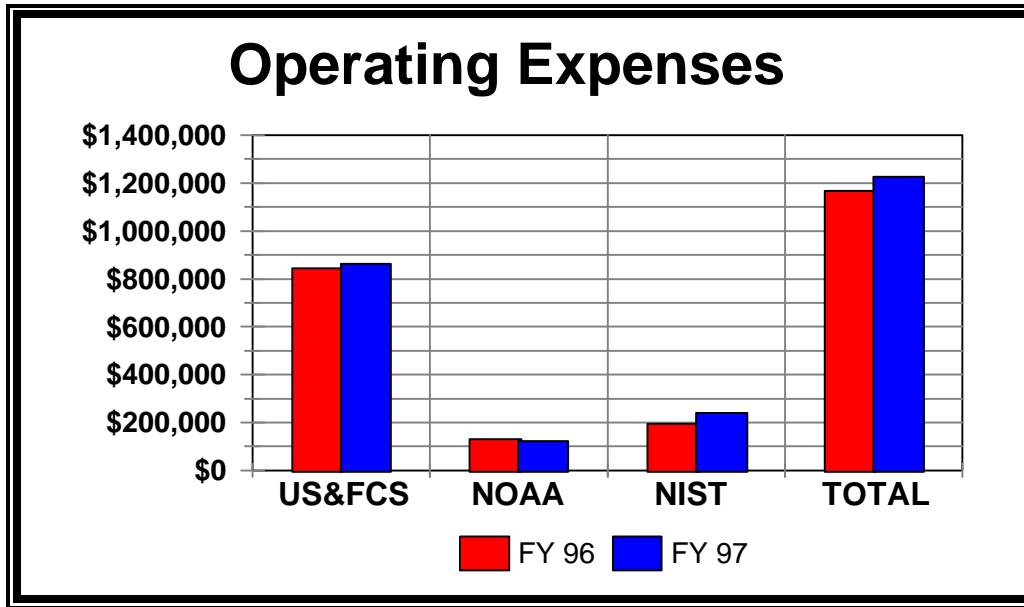
The United States has maintained diplomatic relations with the EU and its forerunners since 1953 through the USEU. The USEU staff includes representatives from the Departments of Agriculture, Commerce, Justice, State, and the Treasury, the Office of the United States Trade Representative, the U.S. Information Agency, the U.S. Customs Service, and the U.S. Agency for International Development.

The Commerce Department established a presence at the USEU in 1991. The Department's USEU operations, which are managed by US&FCS, include the programs of US&FCS, the National Institute of Standards and Technology (NIST), and the National Oceanographic and Atmospheric Administration (NOAA) (see the organization chart below).



The NIST program at the USEU was established in order to provide policy support to the development of mutual recognition agreements and to advocate U.S. concerns regarding standards related to market access. NOAA's program at the USEU is designed to support the Department's position (i.e., the U.S. position) on fisheries and commercial seafood issues.

The Department's USEU operations are implemented by three commercial officers and six local hires. Six personnel, including two commercial officers and four local hires, work on the US&FCS program. One commercial officer and one local hire are dedicated to NIST operations, and another local hire works exclusively for NOAA. The chart below provides a break down by agency of the Department's total USEU operating expenses in FY 1996 and 1997.



Along with the other European posts, US&FCS EU is part of the Department's Showcase Europe framework. Showcase Europe represents the Department's commercial strategy for Europe, initiated through a separate budget increase in 1993, which intends for US&FCS to approach Europe on a regional basis and to focus on helping U.S. firms already exporting to one country in Europe to move into other European markets. Various posts in Europe are responsible for developing sector-specific strategies for the region.

We were unable to compare the resource allocation of US&FCS EU to those of other US&FCS operations, because US&FCS Belgium resources are included with US&FCS EU resources on the Overseas Resource Allocation Matrix (ORAM), a US&FCS tool to guide management in determining overseas resource allocations. US&FCS ranks US&FCS EU and US&FCS Belgium together, resulting in a ranking of 34th out of 69 countries on the ORAM at the time of our audit.

## FINDINGS AND RECOMMENDATIONS

For purposes of this performance audit, we have categorized our findings and recommendations into three broad areas:

- General management and organization.
- Program activities and performance measurement.
- Internal control environment and processes.

While we have found strengths in some areas, we have also identified weaknesses in all three areas.

### I. GENERAL MANAGEMENT AND ORGANIZATION

The US&FCS EU operation is a non-traditional post whose activities are primarily directed at supporting USEU policy initiatives. During our fieldwork, the Minister Counselor noted that the direction of the operation needs to be adjusted to better assist the U.S. business community by approaching Europe as a single market, as well as to become a cross-servicing organization for other US&FCS offices in Europe. We acknowledge that the post has many successes generated by the policy support work for mutual recognition agreements (MRAs),<sup>5</sup> NIST's European standards program, and NOAA's fishery program. However, management needs to focus greater attention on implementing a more effective core program.

First and foremost, the US&FCS EU needs to more fully integrate its operation with the core US&FCS program of providing export marketing assistance to U.S. firms. To do this, the post must develop a strategic commercial plan (SCP) and identify primary and secondary target markets for its output. A plan is especially needed in view of the potential exodus of the post's officers and staff during 1998. We recognize the difficulties in implementing a commercial export development strategy for a single market approach within the confines of a policy and regulatory-reporting operation like the USEU. However, to advance the initiatives of the Showcase Europe (SCE) Strategy and to develop a meaningful role in assisting U.S. companies, these adjustments are necessary.

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<sup>5</sup> As of May 1997, the United States and the European Union successfully concluded a package of mutual recognition agreements. The agreements are intended to improve market access, reduce costs, and shorten the time required to market by allowing for product assessments-testing, inspecting and certifying to be performed in the United States to EU standards and regulations, and vice-versa.

**A. US&FCS EU Is Primarily a Policy Operation That Is Not Integrated With the Core US&FCS Program**

The US&FCS EU has been successful in meeting the regulatory and policy requirements within the USEU. However, as a business-oriented and export promotion arm of the U.S. government, it has not integrated itself with US&FCS's core export assistance program. As a result, the post has served primarily as a trade policy advisor to other U.S. government agencies represented at USEU.

US&FCS staff at USEU have worked primarily in four broad areas:

- Supporting Ambassador and Deputy Chief of Mission policy initiatives.
- Advancing the progress of MRAs.
- Highlighting and serving as a resource on international standards issues through the NIST program.
- Providing for a European-wide coordinating role for fisheries and seafood issues and export opportunities through the NOAA program.

US&FCS EU is focused on MRAs and EU standards, and has been highly commended by USEU representatives and client groups for its work in these areas. However, this focus has not allowed US&FCS EU to develop either an effective core export assistance program or a cross-servicing role to other US&FCS posts throughout the EU. As a result, outside of MRAs, standards, and fishery issues, trade and export issues surfacing in the EU are not being effectively and efficiently communicated to U.S. businesses or US&FCS posts in Europe.

US&FCS EU needs to move beyond its MRA and trade policy support work and focus more resources on export assistance matters. Since the EU governing bodies are in Brussels, US&FCS EU is in a good position to provide and coordinate information to other SCE posts and to U.S. clients interested in the EU market. US&FCS posts throughout Europe can then leverage US&FCS EU's resources and provide more up-to-date and business-critical information to U.S. exporters.

**B. US&FCS EU Lacks a Mission Statement and a Strategic Plan**

The US&FCS EU operation lacks a Strategic Commercial Plan and has not attempted to define who its clients should be. In addition, without an SCP, US&FCS does not have a road map to initiate lead roles on international trade and export assistance matters within the USEU. US&FCS was unable to provide any planning strategies or mission statements relating to its establishment in 1991. In addition, at the time of our review post management was not able to provide mission statements or operating guidelines relating specifically to the US&FCS EU. As a

result, there is no apparent “program” or clear role for the post outside of MRA support work, international standards matters, and the NOAA program.

US&FCS directs its overseas posts to develop SCPs each year as a guide to direct post efforts and improve the positioning of U.S. commercial interests. The absence of a SCP for US&FCS EU has resulted in a noncoordinated, inefficient effort in pursuing EU-wide opportunities. While the Showcase Europe strategy is designed to increase opportunities in Europe, the absence of a defined US&FCS EU role does not provide for ideal implementation and results.

The post’s staff indicated that they are unaware of which projects are being worked on by their colleagues or what the office’s objectives are. During our fieldwork, however, most post staff indicated that US&FCS EU is working below its potential because it is not taking advantage of the unique access the post has to the EU governing bodies.

As part of its strategic plan, US&FCS EU needs to develop and identify a client focus. The program and activities implemented by the post reflect the fact that the US&FCS EU management lacks an SCP to address its goals, objectives, and strategies. This condition trickles down to the commercial staff, which provides day-to-day guidance and interaction with partner posts and the U.S. business community. The absence of client definition fosters uncoordinated efforts within US&FCS EU and leaves individual staff members primarily providing support to other U.S. agencies at the USEU (i.e., the Economic Section and the Foreign Agricultural Service).

The services generated by the post are not directed primarily at the targeted US&FCS clients: small and medium-size enterprises (SMEs). Instead, the limited corporate client base that the post serves appears to be mostly large, old-to-market (OTM) firms that have experience exporting within Europe. The Minister Counselor even remarked that 60% of the EU program benefits only Fortune 500 companies.

US&FCS EU needs to develop a clear mission statement (e.g., become a cross-servicing organization to partner posts throughout the EU) and complement this mission statement with an SCP. The plan should identify EU-wide goals and objectives and be coordinated with other US&FCS offices in Europe. The plan should identify ways that US&FCS EU can maximize its potential to work with the U.S. business community and the other US&FCS posts in Europe. As part of its SCP, US&FCS EU should identify target clients and implement its strategy to serve the needs of its primary and secondary client bases (i.e., the U.S. business community and European US&FCS posts). In addition, US&FCS EU should initiate products and services that can be provided to the U.S. business community to assist them in comprehending EU business, economic, political and financial issues (see Program and Performance Measurement section for further discussion).

### **C. Potential Staff Departures in 1998 Come at a Critical Time for US&FCS EU**

Our discussions with US&FCS management and post staff indicate that there is potential for significant turnover of US&FCS EU staff in 1998. During our fieldwork, we discovered that many of the staff positions held by PSC hires were short-term positions, with two of the five scheduled to leave in the spring of 1998. In addition, two other staff members have indicated they will likely leave in 1998 due to what they describe as a poor operational environment and the lack of planning that has resulted in a post operating with little direction. To compound the problem, the Minister Counselor will likely depart the post in 1998 for an ambassadorial nomination, and the NIST commercial officer rotation expires. This situation will leave the post with just one commercial officer and, if the staff who said they might leave do so, only two local hires.

Such heavy turnover in a short period will likely have a negative impact on the continuity of commercial program development and office productivity. US&FCS headquarters should consider placing a limited appointment officer at US&FCS EU to provide continuity and support to the operation. This appointment should also advance the development of a commercial program and support the administrative and financial management of the post (see Post Administrative Structure Is Inadequate on page 16).

### **RECOMMENDATIONS**

We recommend that the Assistant Secretary and Director General of US&FCS:

1. Develop a Strategic Commercial Plan to (a) more effectively coordinate the post with other US&FCS offices in Europe, (b) integrate the operation with the Showcase Europe Strategy, and (c) provide for proper client identification.
2. Consider placing a limited appointment officer at USEU to provide for continuity and support program development, administrative and financial management, and integration with the SCE Strategy.

### **US&FCS's Response to Draft Report and OIG Analysis**

In its reply to the draft report, US&FCS agreed to, and stated that it has already taken action consistent with, our recommendations. A summary of US&FCS's position on each recommendation, as stated in the draft report, is presented with OIG comments on the US&FCS response.



Recommendation #1:

*Develop a Strategic Commercial Plan to (a) more effectively coordinate the post with other US&FCS offices in Europe, (b) integrate the operation with the Showcase Europe Strategy, and (c) provide for proper client identification.*

US&FCS Response: US&FCS is developing a FY 1999 strategic action plan to coordinate the post's marketing efforts with other posts in Europe and with the Showcase Europe strategy. Discussions are underway between the post, SCE coordinators, and industry teams to build into their respective FY 1999 annual marketing plans specific US&FCS USEU action initiatives. The post's FY 1999 Mission Plan, which was attached to the response as Attachment A (and is included herein as part of Appendix I), also provides an overview of the post's planned activities in support of Showcase Europe and on assisting SMEs.

OIG Comments: We concur with US&FCS's response to our recommendation. We are encouraged by the numerous specific initiatives described in the attachment to the response.

Recommendation #2:

*Consider placing a limited appointment officer at USEU to provide for continuity and support program development, administrative and financial management, and integration with the SCE Strategy.*

US&FCS Response: Placing a career (FS-04) officer, instead of a limited appointment, at USEU is being actively considered by post management. Assigning a career officer will provide the desired program stability.

OIG Comments: We concur with US&FCS's response to our recommendation.

## II. PROGRAM ACTIVITIES AND PERFORMANCE MEASUREMENT

US&FCS EU has been successful in supporting USEU efforts to advance mutual recognition agreements. In addition, both the NIST standards program and the NOAA fishery program provide value-added service to the U.S. business community and other US&FCS posts in Europe. However, US&FCS EU does not have an identifiable export assistance program outside of the MRAs, standards, and NOAA fishery programs. Although US&FCS EU has not developed a client base, it does offer library-type information services (which are typically provided to large and old-to-market firms).

The outreach program needs attention. The only form of outreach now taking place is relatively passive, answering inquiries from the U.S. business community. In addition, US&FCS EU does not have any marketing material to promote the expert information, counseling services, and SCE activities available at or through the post. Furthermore, the post has not fully addressed untapped service markets of providing critical EU information to small and medium-size enterprises. Although they are the priority clients of US&FCS, based on our audit interviews and success story data, SMEs are not being adequately serviced or provided with information that could significantly assist their efforts to export to the EU.

### A. US&FCS and NIST Programs Generate Mostly Nonmeasurable Successes

US&FCS EU has developed a program that is more of a policy-based and regulatory-reporting operation rather than a trade promotion operation. Clearly, there have been successes with MRAs and in providing U.S. companies with information and advocacy on EU standards, but the value added is difficult, if not impossible to properly measure. The Department established a NIST program at USEU to address issues relating to new and developing EU standards. Our review concluded that this program represents U.S. standards interests effectively, and that US&FCS EU provides its greatest value-added service in this area.

However, the NIST program provides little in the way of reports to U.S. businesses, has no client counseling program, and has no promotional element, thereby complicating output measurement. Further, US&FCS EU has not coordinated the standards program within the SCE initiative. When we discussed these issues with the Minister Counselor, he agreed that the role of the standards program could be enhanced by better integration with SCE. He also noted that the current work portfolio of the post's staff is not geared toward helping US&FCS EU to add value to the SCE initiative. In addition, he commented that plans need to be developed to synergize the EU operations with the underlying US&FCS mission to provide export marketing assistance to SMEs. He further indicated that much of the work being done by the post staff could be considered to be the responsibility of the U.S. Trade Representative and the State Department's Economic Section. This is possibly attributable to the lack of a Strategic Commercial Plan as discussed above in General Management and Organization.

The post added a resource to the standards program in FY 1997 by supplementing the commercial officer overseeing the program with a local hire. This step allowed the standards program to generate additional information and distribute standards information to other posts in Europe. While the post admitted that some additional services (i.e., more company-specific or industry-specific information) could be generated by the staff dedicated to this program, it would take more resources to provide these additional services in a quality fashion.

The audit team met with USEU officials and local U.S. businesses to discuss the impact that the NIST program has on standards and on MRAs. The consensus was that the program is very successful, but that its impact is virtually impossible to measure. In a few cases, the program's activities have had a direct impact on a specific company's increase in exporting. In fact, most successes are in the area of MRA development and resolution of trade conflict matters that may hamper the ability of U.S. firms to export certain products to the EU.

US&FCS management and post management need to refocus the EU operations and provide a strategy that produces measurable success in providing U.S. companies with export marketing assistance. The operations should come more in line with the principal US&FCS core activity: assisting U.S. firms, primarily SMEs, with export marketing assistance. In addition, NIST and US&FCS need to pursue a strategy to integrate the standards program into the SCE initiative. In addition, the standards commercial officer needs to develop products and services that fill, at a minimum, industry-specific needs.

## **B. NOAA Program Is Successful, but Is Not Integrated with US&FCS EU**

The NOAA fisheries program at USEU is managed by the US&FCS EU. All costs relating to this program are reimbursed to US&FCS by NOAA's National Marine Fisheries Service (NMFS) in Washington.

The one FSN who runs the NMFS program at EU was praised by USEU counterparts (State Department and Foreign Agricultural Service) for his efforts and knowledge of fishery and seafood issues in Europe. In addition, the program is known by other US&FCS offices in Europe to be one that regularly communicates information related to European fishery and seafood industry matters that provide opportunities for U.S. firms. However, we observed that this FSN operates independently from the US&FCS EU mission, spending only two days per week at the EU office in Brussels and the other three days at the U.S. Embassy in Paris. The Minister Counselor acknowledged that he obtains no feedback or information relating to this individual's output, performance, or work schedule for the days he works out of Paris. The Minister Counselor also acknowledged that more management attention is needed in this area.

We agree the Minister Counselor needs to pursue more effective management over the program; however, input from US&FCS management in Paris is needed on the individual's performance.

**C. US&FCS EU Needs to Develop Services Geared to Small and Medium-sized Firms**

The European Union is largely dominated by large companies that have a proven exporting relationship within Europe. Consequently, clients serviced by the US&FCS EU tend to be large, old-to-market firms. US&FCS EU has not addressed how to reach out to SMEs and work on behalf of their interests, nor has it attempted to create products or services that target SMEs. The following chart provides data on counseling sessions, trade facilitation sessions, advocacy, and other outputs.

**US&FCS EU 1997 Program Activity**

Service Item	Category <sup>a</sup>	1 <sup>st</sup> Qtr	2 <sup>nd</sup> Qtr	3 <sup>rd</sup> Qtr	4 <sup>th</sup> Qtr	Total	%
Counseling	NTE	10	2	0	4	<b>16</b>	5%
	NTM	28	3	21	37	<b>89</b>	28%
	OTM	78	56	29	46	<b>209</b>	67%
	Total Clients	116	61	53	87	<b>317</b>	100%
Trade Facilitation Sessions	NTE	10	0	1	2	<b>13</b>	6%
	NTM	28	0	17	7	<b>52</b>	24%
	OTM	79	36	8	2	<b>125</b>	58%
	LCF	0	18	6	0	<b>24</b>	11%
	Total Sessions	117	54	32	11	<b>214</b>	100%
Advocacy	Projects	10	0	9	7	<b>26</b>	
Information Products	IMI	0	0	2	5	<b>7</b>	
	Gov't Tenders	450	420	294	219	<b>1383</b>	
Trade Events	Events	0	0	4	0	<b>4</b>	
Performance Measure	Success Stories	1	0	0	2	<b>3</b>	

<sup>a</sup>NTE is New-to-Export; NTM is New-to-Market; OTM is Old-to-Market; LCF is Local Country Firms; IMI is International Market Insights.

More than 60 percent of counseling and trade facilitation sessions involved OTM firms, while only 30 percent involved NTM and 10 percent involved NTE. Post advocacy in most cases was identified as “standards advocacy.”

US&FCS EU makes few export services available to SMEs and generates few, if any, products or services to assist U.S. companies in penetrating the European market. Firms wanting information on approaching the overall European market currently have to contact each US&FCS country office to obtain information. The SCE strategy is attempting to change that by helping U.S. firms approach Europe as a single market. However, the US&FCS EU office is not in step with the SCE strategy and has not provided key services that could serve as an additional resource to U.S. business, as well as US&FCS posts implementing the strategy.

Outside of the NOAA and NIST programs, there is little activity directed to assisting U.S. companies with a Europe-wide approach or providing U.S. firms with assistance in approaching the market. From our interviews and fieldwork, we believe there are services that the post could provide to benefit its clients. The following are some examples of potential services that could be beneficial.

▶ **Information Products and Market Research**

If US&FCS is encouraging firms to approach Europe as a single market through the SCE Strategy, more services need to be provided to assist firms in doing this. The post could develop, with other US&FCS offices in Europe, customized information products to benefit U.S. companies that are in need of single-market approach information. The US&FCS EU office is strategically placed to develop this type of information.

Another service, suggested by the Treasury Department official at USEU, would be a program to advise U.S. companies on the potential impact of the single European currency to be implemented in 1999. Our interviews revealed that there is a lack of awareness of the potential impact of this issue on U.S. companies.

▶ **Contact Services**

The post already provides the Gold Key service to U.S. firms.<sup>6</sup> This service currently provides information to U.S. firms primarily on standards issues within EU. US&FCS should attempt to institutionalize this program and augment it with Europe-wide contacts that would assist U.S. firms in approaching the single market.

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<sup>6</sup>The Gold Key Service is a fee service provided by US&FCS to assist U.S. companies in finding representatives, distributors, and business partners overseas.

▶ **EU Sector Management Plans**

The SCE Strategy identifies eight priority industry sectors in Europe as the core of best prospects for U.S. companies. To assist the SCE initiative, US&FCS EU could develop sector management plans, much the way the European Union-American Chamber of Commerce does, to track legislation, trade promotion events, standards issues, and the like for a more coordinated approach and strategy. Other US&FCS offices indicated that this would be highly beneficial.

From our fieldwork, we concluded that US&FCS EU is not serving the needs of SMEs and has no strategy to identify how to serve them. The Export Enhancement Act of 1988 states that US&FCS's basic purpose is to promote the export of U.S. goods and services, particularly by SMEs. The post should redirect its attention toward such firms and develop a strategy to increase its servicing of them.

**D. Program Outreach and Marketing Materials are Needed**

US&FCS EU lacks an outreach program and marketing materials to effectively promote its services. The business community and partner organizations we interviewed were aware of the US&FCS EU office, but could not identify any promotional program or outreach strategy. In addition, our fieldwork did not identify any specific products or services provided by US&FCS EU.

Response from the business community indicated the post is a key player in terms of access to the EU governing bodies (see page 3) and that its knowledge of the EU market and how member-country exporting processes work could be invaluable. However, outside of the NIST and NOAA programs, the post is not viewed as a vital information and counseling body.

Input from the business community indicates a desire for more outreach, seminars, and training/information sessions. These types of activities could be rolled into a new SCP. We believe that US&FCS EU could add significant value by implementing such a program to incorporate more effective and proactive outreach techniques.

## RECOMMENDATIONS

We recommend that the Assistant Secretary and Director General of US&FCS:

1. Review the current programs and output at the post for export marketing assistance and identify measurable activities for the post to undertake.
2. Begin to integrate the outstanding NIST standards program with the Showcase Europe initiative and develop quantifiable products and services for U.S. exporters.
3. Implement more effective management over the NOAA fisheries program and develop a matrix-management plan with US&FCS Paris.
4. Redirect a larger portion of the post's attention and resources toward small and medium-size enterprises.
5. Develop new single-market oriented products and services that will assist U.S. companies with a Europe-wide strategy.
6. Develop an outreach program and market services targeted at the U.S. business community and at other US&FCS posts in Europe.

### **US&FCS's Response to Draft Report and OIG Analysis**

In its reply to the draft report, US&FCS agreed to, or stated that it has already taken action consistent with, our recommendations.

#### **Recommendation #1:**

*Review the current programs and output at the post for export marketing assistance and identify measurable activities for the post to undertake.*

**US&FCS Response:** The new SCO is evaluating the post's marketing assistance program with the objective of integrating it more fully into the SCE and emphasizing assistance for SMEs. US&FCS USEU expects to be able to significantly increase marketing support provided to target business clients.

**OIG Comments:** We concur with US&FCS's response to our recommendation.

Recommendation #2:

*Begin to integrate the outstanding NIST standards program with the Showcase Europe initiative and develop quantifiable products and services for U.S. exporters.*

US&FCS Response: US&FCS USEU has taken steps to further integrate its standards and certification operations into SCE activities. The SCO organized a conference this past June on standards and certification in the EU, with SMEs and FSNs from around the EU in attendance. USEU annually updates a NIST publication on standards setting in the EU, and the publication is available on the SCE website.

OIG Comments: We concur with US&FCS's response to our recommendation, and we encourage US&FCS senior management to directly contact NIST headquarters officials to explore additional means of coordinating standards and certification activities.

Recommendation #3:

*Implement more effective management over the NOAA fisheries program and develop a matrix-management plan with US&FCS Paris.*

US&FCS Response: The NOAA-financed staff position will be managed under direct SCO supervision, with an SCO-approved work plan, performance reports, and time and attendance reports, all of which will be coordinated with the Paris post. The FSN fisheries trade specialist has produced a number of success stories and expects more; he also plans to produce marketing reports for the first time.

OIG Comments: We concur with US&FCS's response to our recommendation.

Recommendation #4:

*Redirect a larger portion of the post's attention and resources toward small and medium-size enterprises.*

US&FCS Response: The post plans to concentrate additional resources to identify SME firms and improve the delivery of appropriate services to them. The post believes it counsels many more SMEs on EU-related matters than were indicated in the draft report, specifically via fax, letter, e-mail, and telephone. In addition, the post has been heavily involved in promotion of EU-US small business partnerships, alliances, and other cooperation, through its role as coordinator of the Transatlantic Small Business Initiative (TASBI) with the EU. The TASBI is one of the highest departmental priorities. Attachment B to the response (which is included herein as part of



Appendix I) lists numerous TASBI-related activities during 1997 and 1998, and planned in the future.

OIG Comments: We concur with US&FCS's response to our recommendation. We encourage the post to maintain appropriate documentation of all contacts with SMEs in the future.

Recommendation #5:

*Develop new single-market oriented products and services that will assist U.S. companies with a Europe-wide strategy.*

US&FCS Response: The post prepared marketing reports on the information technology and telecom and the electric power sectors, in concert with other SCE posts. The post also prepared marketing reports on several multi-sector, cross-cutting issues. US&FCS USEU also intends to assist US firms in accessing EU public procurement projects. USEU has attempted to develop a Single Market Gold Key service, although a pilot was never launched, and SCE coordinators have recently expressed interest in it.

OIG Comments: We concur with US&FCS's response to our recommendation.

Recommendation #6:

*Develop an outreach program and market services targeted at the U.S. business community and at other US&FCS posts in Europe.*

US&FCS Response: US&FCS USEU staff have made presentations at numerous events, such as briefings for the American Society of Association Executives and Council of American States in Europe. The post is now working with SCE sector coordinators to designate specific outreach and market services activities in each of the eight SCE sector plans for FY 1999. A professionally designed marketing brochure will be prepared during the second quarter, and the NOAA staffer is preparing a separate brochure on NOAA's EU-wide program.

OIG Comments: We concur with US&FCS's response to our recommendation.

### III. INTERNAL CONTROL ENVIRONMENT

After reviewing the financial and administrative operations at the post, we concluded that the US&FCS EU lacks adequate internal control systems to meet the requirements of the Federal Managers' Financial Integrity Act of 1982 (31 U.S.C. 3512(b)). Under the act, management is to establish internal control systems to ensure that (1) obligations and costs comply with applicable law, (2) all assets are safeguarded against waste, loss, unauthorized use, and misappropriation; and (3) revenues and expenditures applicable to agency operations are recorded and accounted for properly.

An adequate administrative structure and sufficient segregation of duties are absent, a situation due mainly to changes in US&FCS EU management and turnover among personnel, specifically in the administrative assistant position. The post is not actively monitoring its finances, including costs charged for ICAAS. We found significant discrepancies in accounting data between State Department and ITA financial reports, as well as prior year unobligated authorizations and unliquidated obligations. Our audit also disclosed an unfunded severance liability of \$165,000 accrued by the post. Finally, US&FCS EU has deficiencies in physical asset management.

#### A. Post Administrative Structure Is Inadequate

The organizational structure over the financial and administrative functions at post is inadequate due to changes in management and personnel in the administrative assistant position. During the past year, a rotation in top management at post resulted in a lapse of two months before the new Minister Counselor arrived. The rotation of the officers, as well as the lapse, has affected the internal control environment. Also, finances are not being monitored to the extent necessary to safeguard assets against waste, loss, unauthorized use, and misappropriation.

In addition to changes in management, post has experienced an extended vacancy and rotating personnel in the administrative assistant position since February 1997. At that time, the full-time administrative assistant, who had handled the finance and administrative functions of the operation for numerous years, went on disability. Since then, four different individuals have handled the post's finance and administrative functions. From February to May 1997, a PSC was responsible for the functions. In May, an intern took over the duties. In June, an FSN was asked to handle finance/administrative duties in addition to her primary responsibilities. In September, the post hired a PSC to assume responsibility of the functions, but the PSC's contract was to expire in December 1997. Our audit also disclosed that none of the American officers at the post have had any training in the financial/administrative arena, nor have any of the individuals who handled the finance and administrative functions during 1997.

The shift in responsibility for finance/administrative functions among four different individuals and the lack of training has negatively affected the internal control environment. The staff is unaware

of the lines of responsibility over administrative functions. In addition, some administrative staff have been required to perform additional program duties (outside of their job description), distracting their attention from their primary responsibilities. This condition has created uncertainty among the staff as to who is responsible for administrative functions.

The uncertainty and the changes in functions have created potential for mishap. Our fieldwork disclosed two instances that could have led to serious problems. In one instance, delivery for a procurement was made by the vendor before authorization from the Joint Administrative Services.<sup>7</sup> When this happened, the purchase order had to be expedited because the post did not have approved funds to pay for the goods. In another instance, we learned that the Deputy Chief of Mission directed US&FCS to authorize monies for a welcoming party for the new Minister Counselor. This occurred at a time when there was no senior commercial officer at the post. Aside from the DCM directing the agency how to spend its money, which is inappropriate, the money (\$2,000 in cash) was delivered from the Embassy to the DCM's residence by taxi. The potential for waste, loss, unauthorized use, or misappropriation of resources was high in these two instances.

## **B. US&FCS EU Management Does Not Actively Monitor Finances**

During our fieldwork, we observed that post management does not actively monitor its finances. For instance, the post does not keep records of expenditures. Instead, it relies solely on State Department's Financial Management Center (FMC) to track its expenditures and to provide accurate accounting. With no records of expenditure accounts, the post cannot be sure of how much it is spending on a short-term (i.e., monthly) basis.

In addition, both NIST and NOAA headquarters are unaware of the breakdown of expenses for their operations at the EU post, which should be reconciled on a monthly basis. In the absence of its own records, US&FCS EU cannot reconcile its accounts with FMC records which should be reconciled on a monthly basis. NOAA and NIST staff should also maintain records to track their expenses and report back to Washington on a timely basis on how funds are being used. The Federal Managers' Financial Integrity Act and GAO's Standards for Internal Controls in the Federal Government require US&FCS management to implement effective controls over financial management. Maintaining records to track expenditures is an important aspect of proper management controls over finances.

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<sup>7</sup>Joint Administrative Services is the State Department's administrative operation in Belgium. It provides administrative service to USEU, the U.S. Embassy in Belgium, and the U.S. representatives to the North Atlantic Treaty Organization.

### **C. Post Is Not Fully Engaged in Overseeing ICASS**

Through interviews with Embassy personnel and the ICASS Council, we learned that US&FCS post management is not fully engaged in overseeing ICASS. In addition, the post does not track its ICASS costs. ICASS is the new administrative support system used by foreign affair agencies to manage and fund administrative services abroad. In FY 1997, ICASS was implemented and operated under a virtual year where agency representatives periodically met with the service provider to work through processes.<sup>8</sup> During this time, the provider and the representatives held discussions concerning the various costs of services, how costs were to be calculated, service standards, and quality of the services provided. Issues were resolved through the ICASS Council meetings.

We learned that post management does not always participate in Council meetings and, thus, is not fully aware of the services provided and how the charges are calculated. In addition, our analysis of the operating expenses of each Commerce agency at USEU revealed that although NIST spent more in FY 1997 ICASS charges than on its O&A, it is unaware of the charges. NOAA is also unaware of its ICASS charges. Thus, NOAA and NIST are unable to manage ICASS expenses. Furthermore, management has neglected to include staff in the ICASS working groups even though some staff have expressed an interest in participating.

US&FCS EU was charged \$206,877 for ICASS services in FY 1997, and is projected to spend \$222,276 in FY 1998. Management should participate in ICASS meetings to fully understand what US&FCS EU is being charged for and whether the charges are valid. Management should also select staff members to participate in the ICASS working groups.

### **D. State and ITA Account Balances Differ Significantly**

Our review of official records disclosed large differences in account balances reported by State and ITA. During our review of account balances, we identified a total difference of \$719,884 between State and ITA accounting data for expenditures. The following table shows a breakdown of the account balance differences.

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<sup>8</sup>All overseas government agencies utilizing the State Department for administrative services participated in an ICASS virtual year in FY 1997. This project implemented new ICASS software to track agency administrative costs, however, agencies continued to pay for services under the old FAAS system during FY 1997. In FY 1998, ICASS was fully implemented.

**Reconciliation of State and ITA Accounting Data (FY1997)**

Expenditure	State Balance	ITA Balance	Difference
O&A	\$528,624	\$1,104,686	\$576,062
Reimbursables (NOAA and NIST)	182,651	227,127	44,476
Trust Funds	0	99,346	99,346
<b>Total</b>			<b>\$719,884</b>

For O&A, ITA’s account balance includes American officer salaries and benefits, while the State Department’s accounting system does not provide this information. However, backing out \$196,174 in American officer salaries and benefits for FY 1997 still leaves a difference of \$379,888 for the O&A account balance. We were unable to determine the reason for this remaining difference. We were also unable to determine the reason for the difference in the reimbursable account balances, but we believe the discrepancy may be the result of timing differences. Similarly, we could not determine the reason for the difference in the Trust Fund account balances. However, since US&FCS EU had no trust fund expenditures in FY 1997 (i.e., no trade events or information products to generate revenues), the discrepancy may be the result of ITA accounting errors. With such large discrepancies in account balances between State and ITA records, ITA may be relying on inaccurate data to manage its FCS overseas posts. ITA and US&FCS need to reconcile their account balances and determine the reason for the significant discrepancies.

**E. US&FCS EU Has Unfunded Personnel Liability**

The Federal Managers’ Financial Integrity Act, GAO Title II, and the Chief Financial Officers Act of 1990 (CFO Act) require that US&FCS Headquarters account for its FSN severance liability. The severance liability consists of payments due to eligible FSNs in the event of voluntary or involuntary separation. The personnel office of the U.S. Embassy in Belgium determined that as of the end of FY 1997, the total unfunded severance liability for US&FCS EU was \$164,960.<sup>9</sup> The US&FCS officials at post were unaware of this unfunded liability at the time of our audit, and need to report it to US&FCS Washington on a yearly basis.

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<sup>9</sup> The personnel office is part of the State Department’s Joint Administrative Services in Belgium, which provides administrative services to USEU, the U.S. Embassy in Belgium, and the U.S. representatives to NATO.

## **F. Significant Physical Asset Management Deficiencies Have Been Identified**

As discussed above, the changes in the administrative structure have affected the internal control environment. In particular, there are no controls over inventory to ensure that assets are safeguarded against waste, loss, unauthorized use, and misappropriation. Our fieldwork determined that US&FCS EU does not monitor its inventory log nor does it request the State Department to update the inventory when new purchases are made. The State Department updates the inventory each February for all U.S. agencies at post. Any procurements that are delivered directly to post, bypassing the State warehouse, do not get tagged and logged until February. We identified over \$6,000 in inventory that had not been tagged nor recorded on the State Departments inventory log. In addition, the log identified \$5,248 in inventory that post could not locate, and a 1994 US&FCS management review also identified a missing laptop computer.

### **RECOMMENDATIONS**

We recommend that the Assistant Secretary and Director General of US&FCS:

1. Require US&FCS EU management to establish an effective internal control system, including an appropriate administrative structure and a clear designation of individual responsibilities, so that assets are safeguarded against waste, loss, unauthorized use, and misappropriation.
2. Establish an administrative structure and train and assign a permanent, full-time administrative assistant to this position. Commercial officers overseeing these responsibilities also need administrative and financial training.
3. Provide finance/administrative training to US&FCS EU staff.
4. Require US&FCS EU to maintain records to track expenditures and to reconcile these records with State's FMC records on a monthly basis.
5. Report and track FSN severance liability on a yearly basis.
6. Establish and maintain a physical asset inventory log and properly identify all US&FCS property.

## US&FCS's Response to Draft Report and OIG Analysis

In its reply to the draft report, US&FCS agreed to, or stated that it has already taken action consistent with, our recommendations.

### Recommendation #1:

*Require US&FCS EU management to establish an effective internal control system, including an appropriate administrative structure and a clear designation of individual responsibilities, so that assets are safeguarded against waste, loss, unauthorized use, and misappropriation.*

US&FCS Response: The SCO, who arrived at post on October 1, 1998, agrees with the audit report findings. He points out that a number of issues have been already addressed. This issue is a top priority of the Office of International Operations and the post.

OIG Comments: We concur with US&FCS's response to our recommendation.

### Recommendation #2:

*Establish an administrative structure and train and assign a permanent, full-time administrative assistant to this position. Commercial officers overseeing these responsibilities also need administrative and financial training.*

US&FCS Response: The post hired an administrative assistant in May 1998 on a personal services contract. Training has been provided, and conversion of the position to a full-time FSN-8 administrative assistant position is being processed. The commercial attache has now been assigned more direct supervisory responsibility over administrative and fiscal functions.

OIG Comments: We concur with US&FCS's response to our recommendation.

### Recommendation #3:

*Provide finance/administrative training to US&FCS EU staff.*

US&FCS Response: The commercial assistant, who has been recommended for promotion as a new standards assistant, and the NOAA fisheries commercial assistant will be sent to training and charged with maintaining the budgets assigned to their portfolios. Any additional FSNs hired will be provided with an administrative orientation program.

OIG Comments: We concur with US&FCS's response to our recommendation.

Recommendation #4:

*Require US&FCS EU to maintain records to track expenditures and to reconcile these records with State's FMC records on a monthly basis.*

US&FCS Response: The post has implemented a system to track and reconcile fiscal obligations and expenditures. FMC has been asked to provide monthly balances to crosscheck them with post records. NIST and NOAA expenditures will also be tracked in the same manner. The post now regularly attends ICASS meetings, and the new SCO has confirmed the validity of the annual financial obligations.

OIG Comments: We concur with US&FCS's response to our recommendation.

Recommendation #5:

*Report and track FSN severance liability on a yearly basis.*

US&FCS Response: Since the audit, the severance liability has been substantially reduced through staff departures having staff use compensatory time. The SCO has requested an updated review of the unfunded liability, which will be annually reported. The Office of International Operations notes that USEU did report severance liabilities to OIO in the FY 1997 fourth quarter and the FY 1998 second quarter reports.

OIG Comments: We concur with US&FCS's response to our recommendation. We appreciate the new information with respect to the reports by the post of the unfunded liability.

Recommendation #6:

*Establish and maintain a physical asset inventory log and properly identify all US&FCS property.*

US&FCS Response: The post conducted a thorough physical asset inventory subsequent to the OIG audit. The JAS/GSO has been responsible for conducting and maintaining the inventory, a function paid by US&FCS under ICASS. The SCO has requested a review of the inventory system, which will be conducted by the appropriate OIO officer in the second quarter of FY 1999.

OIG Comments: We concur with US&FCS's response to our recommendation.





APPENDIX I  
**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

DEC 11 1996

MEMORANDUM FOR: George E. Ross  
Assistant Inspector General for Auditing

FROM: Awilda R. Marquez *ARM*

SUBJECT: US&FCS Response to Draft Audit Reports  
US&FCS/USEU - BTD-10588-8-XXXX  
US&FCS/Brussels - BTD-10595-8-XXXX

I am pleased to provide you with US&FCS' response to your draft audit reports of our two operations in Belgium-US&FCS Brussels and US&FCS USEU. In our responses to each of the reports, you will see that we have answered the recommendations posed in both documents. In many instances, you will note that our posts have either taken action on the recommendations or indicate steps that will be taken to address or remedy the issues raised by the IG reports.

We look forward to the issuance of the final reports. Please notify me if we can be of further assistance.



## US&FCS/USEU

### I. General Management and Organization

- 1. Develop a Strategic Commercial Plan to (a) more effectively coordinate the post with other US&FCS offices in Europe, (b) integrate the operation with the Showcase Europe Strategy (SCE), and (c) provide for proper client identification.**

Post has taken a number of steps to integrate its programs and services directly with its counterpart offices in Europe. A strategic action plan, developed after the OIG audit, lays out a broad commercial program of joint and/or complementary activities within the Showcase Europe (SCE) regional trade promotion framework. This action plan is under review by US&FCS/Europe management and is being updated to reflect an industry sector specific approach, consistent with the needs of the SCE team and US&FCS USEU. Discussions are underway between post, SCE coordinators and industry teams to build into their respective FY99 annual marketing plans specific US&FCS USEU action initiatives. When new staff is brought on board, they will in turn be charged with creating a post-specific sectoral plan for each SCE sector. The goal is to produce a fully coordinated FY 99 strategic action plan in which each post in Europe, and every US&FCS USEU staff member has contributed and has a stake. The process of preparation of an appropriate mission statement, along with identification of target clients and how to access them, is well underway and will be an essential part of this action plan. The post's FY 1999 Mission Plan (Attachment A) also provides an overview of post's planned activities in support of Showcase Europe and emphasis on assisting small and medium-sized enterprises (SMEs).

- 2. Consider placing a limited appointment officer at USEU to provide for continuity and support program development, administrative and financial management, and integration with the SCE Strategy.**

Placing an additional officer at USEU is being actively considered by post's management in Washington, although the proposal is for a career (FS-O4) officer rather than a limited appointment. If this decision is made in the affirmative, assigning a career officer will provide post and SCE the desired program stability.

### II. Program Activities and Performance Measurement

- 1. Review the current programs and output at the post for export marketing assistance and identify measurable activities for the post to undertake.**

The new SCO is currently evaluating post's marketing assistance program with the objective of integrating it more fully into SCE and emphasizing the SME need for region-wide, single market-focused export assistance. With the benefit of additional personnel resources, and through close coordination with SCE posts and integration into their industry sector plans, US&FCS USEU expects to be able to significantly increase marketing support provided to target business clients. As post plays a significantly more

active role in SCE, its measurable export activity will be enhanced through additional reporting, counseling, trade events, advocacy and other contributions to “success stories.”

**2. Begin to integrate the outstanding NIST standards program with the Showcase Europe initiative and develop quantifiable products and services for U.S. exporters.**

Standards and certification activities that US&FCS USEU has undertaken in the past will be modified in the future to link them directly into Showcase Europe information services or trade promotion events.

US&FCS USEU has taken steps towards further integrating its standards and certification operations, especially its counseling and outreach functions, into Showcase Europe activities. This past June, the US&FCS USEU SCO and Standards Officer organized a conference on standards and certification in the European Union. Attendees included SMEs from neighboring countries (France, Germany and the Netherlands) and FSNs from around the EU and Central and Eastern Europe. In addition, the US&FCS USEU Standards Officer, in cooperation with US&FCS Paris, counseled 34 U.S. machinery manufacturers at the Corrugated '98 trade show in June, and at Cosmoprof '98 in Bologna, 66 SMEs were counseled.

US&FCS USEU annually updates the NIST publication, “Standards Setting in the European Union – Standards Organizations and Officials in EU Standards Activities,” that serves to support US&FCS USEU market outreach. It is available on the SCE website. As integration with the SCE initiative proceeds, post will be looking for additional collaborative opportunities for NIST.

**3. Implement more effective management over the NOAA fisheries program and develop a matrix-management plan with US&FCS Paris.**

The NOAA-financed staff position will be managed henceforth under direct SCO supervision, with an SCO-approved work plan and performance reports, as well as time and attendance reports, all of which US&FCS Paris and US&FCS USEU intend to coordinate. The FSN fisheries trade specialist has generally produced at least one success story per quarter during the 1997-1998 period. However, he expects to produce between five and six success stories in the next quarter by more closely reporting the commercial value-addition he is contributing to SMEs' efforts. He also plans to produce International Marketing Insights (IMI) reports for the first time.

**4. Redirect a larger portion of the post's attention and resources toward small and medium-sized enterprises.**

In the future, post plans to concentrate additional resources to the identification of SME client firms and to improving the delivery of appropriate commercial services to them. Post believes that US&FCS USEU counsels many more SMEs on EU-related matters than are indicated in the IG report, specifically via fax, letter, e-mail and telephone. In

addition, several pilot outreach initiatives launched this past year and a half were concentrated on SME clients at Showcase Europe trade shows or in seminars in the United States.

US&FCS USEU also has been heavily involved with small business promotion as a result of its role as lead point of contact and coordinator with the EU on the Transatlantic Small Business Initiative (TASBI). TASBI is an integral part of the TABD, Transatlantic Business Dialogue, one of the highest Departmental priorities. TASBI aims to stimulate EU-U.S. small business strategic partnerships, alliances, technology transfers (licenses), distributorships, joint ventures, and other forms of bilateral business cooperation. Although not always linked directly to U.S. exports, this program is focused on encouraging SMEs to develop new EU customers, both in the TASBI ventures themselves and with their European parents (see Attachment B).

**5. Develop new single-market oriented products and services that will assist U.S. companies with a Europe-wide strategy.**

The following are examples of current products and services post has implemented in coordination with the SCE that have a single market orientation:

{a} Reporting that provides a regional, sectoral perspective was addressed in an information technology and telecom IMI report that post prepared during the second-half of FY98. This report, as well as was another IMI report on electric power sector development, was initiated by US&FCS USEU and written in concert with other SCE posts. In addition, post provided an "EU" section for the SCE environmental technologies information guide and is writing another on the medical sector. Post also prepared IMIs on several multi-sector, cross-cutting issues, such as "Public Procurement Rules and Programs," "Metric-Only Labeling," the "Euro" and "EU Small Business Research and Development Programs."

{b} One area of relatively untouched opportunity for U.S. exporters is that of EU public procurement projects within and outside of the EU. These projects receive over \$40 billion each year in financing by EU institutions. US&FCS USEU intends to assist U.S. firms access to this market much more fully through research and reporting on EU major projects, and by working with the posts to provide EU-wide advocacy support.

{c} Recently, SCE coordinators have expressed interest in US&FCS USEU's proposal to participate in an EU-wide Gold Key service. US&FCS USEU has attempted to develop a Single Market Gold Key service, but this pilot was never actually launched. (It was referred to in the OIG report as the Post's "Gold Key"). As background, in October 1996, US&FCS USEU started researching a potential modification of the Gold Key service - the Product Certification Referral Service - to improve the provision of European certification counseling and assistance to smaller U.S. exporters. This proposal never got off the ground.

Post is in discussion with SCE coordinators to identify additional products and services that lend themselves to an EU-wide approach.

**6. Develop an outreach program and market services targeted at the U.S. business community and at other US&FCS posts in Europe.**

Building on the outreach experiences of the last few years (as noted below), post is working with SCE sector coordinators to designate specific outreach and market services activities in each of the eight SCE sector plans for FY99. This effort will attempt to capitalize on pilot initiatives undertaken in FY98.

Post has budgeted to produce a professionally designed marketing/outreach brochure, which will be prepared during the second quarter of FY99. Also, the NOAA staffer is now organizing a separate brochure explaining NOAA's EU-wide program. Both these and standards-related services will be included in US&FCS USEU's outreach marketing materials.

Examples of outreach events in which US&FCS USEU staff have made presentations (often followed by counseling of individual SMEs) are as follows:

- Briefings for the Council of American States in Europe;
- Briefing for the American Society of Association Executives (representing 13 U.S. trade associations);
- Briefings/counseling at Waste Expo, Chicago (June 1998), SuperComm, Atlanta (June 1998), Cosmoprof, Bologna (April 1998); and
- Seminars at the United States Trade and Investment Center (USTIC) in Brussels.

These outreach activities have been supportive of U.S. companies' marketing efforts in Europe. However, in order to make more efficient use of US&FCS USEU resources, in line with SCE priorities, these types of initiatives need to be organized within the SCE strategic sector approach, as previously noted.

**III. Internal Control Environment**

**1. Require US&FCS EU management to establish an effective internal control system, including appropriate administrative structure and a clear designation of individual responsibilities, so that assets are safeguarded against waste, loss, unauthorized use, and misappropriation.**

The Senior Commercial Officer, who arrived at post October 1, 1998, has reviewed post's internal controls. He agrees with the OIG audit report view that post needs to strengthen further its internal control system with respect to financial and administrative

operations. He points out that a number of issues raised by the OIG team have been addressed already, or that systems are being put in place so as to ensure that post has “an appropriate administrative structure and a clear designation of individual responsibilities.” This is a top OIO and post priority.

**2. Establish an administrative structure and train and assign a permanent, full-time administrative assistant to this position. Commercial Officers overseeing these responsibilities also need administrative and financial training.**

In May 1998, post hired an administrative assistant in a Personal Services Contract (PSC) position. She has since attended OFSP administrative training in Washington and has been sent for additional budget-focused, on-the-job training at US&FCS Bonn. Conversion of this PSC position to a full-time FSN-8 Administrative Assistant position has been requested by post and is being processed. Her work plan already emphasizes the priority of maintaining appropriate fiscal and administrative procedures. In addition, the Commercial Attaché now has been assigned more direct supervisory responsibility over administrative and fiscal functions. Appropriate training opportunities will be sought for the Commercial Attaché and other staff.

**3. Provide administrative and financial training to US&FCS USEU staff.**

As previously indicated, administrative/fiscal training for the Administrative Assistant has been provided and this preparatory process will continue. The Commercial Assistant, recommended for promotion as a new standards assistant position, will be sent on consultations / training to a nearby post (US&FCS Brussels), as will the NOAA fisheries commercial specialist. Both these individuals are or will be charged with maintaining the budgets assigned, respectively, to these two portfolios (NIST/NOAA) and would benefit from adequate fiscal orientation. If there are additional FSN hires, the Joint Administrative Services (JAS) staff has agreed to provide them with an administrative orientation program, as has US&FCS Brussels.

**4. Require US&FCS/USEU to maintain records to track expenditures and to reconcile these records with State’s FMC records on a monthly basis.**

Post has put in place its own tracking system to monitor fiscal obligations and expenditures. This system will be maintained on a spreadsheet that records separate transactions and updates budget balances automatically in the appropriate categories. The FMC has been asked to provide monthly balances to crosscheck them with post records. NIST and NOAA expenditures will also be tracked in the same manner, with a monthly report going to the appropriate HQ officials, to assure that both NIST and NOAA HQ are aware of their exact operations expenditures at post.

With respect to ICASS, post now regularly attends its periodic meetings and the new SCO has reviewed the status of the US&FCS annual financial obligations to ICASS to confirm their validity.

**5. Report and track FSN severance liability on a yearly basis.**

Post had slightly over \$170,000 in reported severance liability at the time of the OIG audit. This amount has since been substantially reduced through staff departures and by having staff compensatory time used up. Nonetheless, the SCO has requested that JAS/Personnel conduct an updated review of post's unfunded severance liability, which will be reported annually and maintained current. However, OIO wishes to note that USEU did report severance liabilities to OIO in both the FY 97 fourth quarter report and the second quarter report of FY 98.

**6. Establish and maintain a physical asset inventory log and properly identify all US&FCS property.**

Post conducted a thorough physical asset inventory subsequent to the OIG audit, which was submitted and reviewed by the responsible OIO asset control officer. The JAS/GSO has been responsible for conducting and maintaining this inventory, a function that is paid for by US&FCS under ICASS. The SCO has requested an on-the-ground review of post's inventory system, which will be conducted by the appropriate OIO officer in the second quarter of FY 99. The purpose will be to ensure that post's asset control system is consistent with that being implemented by ITA at US&FCS Posts worldwide. Post management intends to ensure that the system is properly maintained by designated staff, once they are trained.

## USEU FY 1999 – FY 2000 Mission Performance Plan

### EX Expand U.S. Exports

#### Mission Goal

EX. 10 Increase exports of U.S. goods and services to the European Union

#### National Interest

Exports by U.S.-based businesses to the European Union contribute directly to U.S. economic prosperity -- as all other exports do -- by increasing U.S. employment and national income. The EU, collectively, with a population of 372 million, average per capita income of \$20,020 and a real GDP growth rate of 1.6 percent, offers greater collective opportunities to increase U.S. export sales than any other foreign market. Each additional billion dollars of U.S. exports translates into the full-time equivalent (FTE) of 20,000 U.S. jobs, including 13,000 FTE U.S. jobs with wages higher than the average wage in the domestic sector. Improving business conditions for U.S. firms already doing business in the EU, also helps increase U.S. exports, especially for new start-ups or expansions of existing businesses requiring inputs from the U.S.

#### Mission Strategy

In general terms USEU will increase U.S. exports by leveraging U.S. government resources, cooperating with the EU, and by anticipating, as well as responding to, the needs of U.S. exporters and other U.S. businesses.

**Leverage:** USEU will leverage existing U.S. government resources fully to promote U.S. exports to the European Union in particular, and protect U.S. business interests in the EU generally. All concerned agencies, i.e., State, USTR, Commerce, Agriculture, USIS and USAID, will exchange relevant information in a timely fashion and will formulate effective strategies on behalf of U.S. business. Leveraging existing U.S. government resources will also include working in partnership with state/local governments and private sector multipliers.

**Cooperate:** USEU will carry out its negotiations, consultations and other initiatives with the EU which benefits U.S. business in a manner consistent with the goals and objectives of the December 1995 New Transatlantic Agenda, the overall framework of U.S.-EU cooperation, which aims to build a business barrier-free transatlantic economic partnership between the U.S. and EU through stronger and deeper economic and commercial cooperation.

**Anticipate:** Consistent with the 1998 National Export Strategy of the Trade Promotion Coordinating Committee, USEU will support the international business development plans of U.S. exporters as early as possible, especially in the areas of international



partnership building, regulatory assistance and project advocacy. To this end, USEU will anticipate the needs of U.S. business in light of USEU's experience with EU requirements and programs to ensure that the enormous volume of new Single Market directives do not adversely affect U.S. commercial interests, and follow up with appropriate strategies and initiatives to increase U.S. exports pro-actively as well as in response to requests for support from U.S. exporters. In specific terms, USEU will promote a single market approach to the EU, which maximizes opportunities in coordination with FCS posts in EU member states, FCS headquarters and the Advocacy Center so that U.S. business can obtain favorable EU and EU member state public sector decisions on business-related matters such as major projects, standards/certification, research grants, public procurement transparency and market access (import restrictions). In addition, USEU will work to increase EU market access for U.S. exporters by facilitating U.S. firms' compliance with EU technical and legal requirements and acting on Transatlantic Business Dialogue (TABD) recommendations to remove impediments to transatlantic trade and investment. Finally, USEU will increase U.S. firms' market share in the EU by participating fully in Showcase Europe activities including developing an American Business Network of business clients and public or private partners which will enable the U.S. and Foreign Commercial Service (FCS) to take new policy and promotion initiatives to increase U.S. market share in Europe. The goal of increasing U.S. exports to the EU is linked to success in mission efforts to achieve more open markets in the EU. These efforts are described in the Open Markets strategic goal paper.

**Mission Objectives:**

- Conclude and implement mutual recognition agreements on conformity assessment in electrical safety, EMC TTE, recreational craft, pharmaceuticals GMP, and medical devices GMP, veterinary biologics and fasteners, negotiate exemption from the EMC directive for the aviation industry (FCS, APHIS, USTR 9/98)
- Achieve full EU implementation of the proposed U.S.-EU Veterinary Agreement (FAS, APHIS, USTR 12/99)
- Coordinate advocacy on specific projects with other EU member state posts at the request of concerned U.S. firms as early as possible in the firm's EU business development cycle, e.g., before the public procurement cycle has begun when the member state prepares its Single Programming Document for submission to the EU or when the EU co-finances a major project in the member state (FCS, FAS, ongoing 1998-1999)
- Remove impediments to transatlantic trade investment and other business by supporting TABD, responding to its joint U.S.-EU business recommendations and participating in TABD CEO-level Conferences (Charlotte in November 1998), Mid-year Reviews, Issue Group Meetings and sectoral conferences (FCS, ECON, USTR, FAS, USIS 11/98 and ongoing 1998-1999)
- Prevent undue public sector influence or other distortions of market access (i.e., level the playing field for U.S. firms by monitoring – with FCS posts in EU member states – procurement in formerly regulated sectors (FCS ongoing 1998-1999)
- Maintain a network of contacts with U.S. firms and with multipliers such as EU

Committee of the Belgian AmCham, USTIC, AEA, AFPA, ANSI, CASE, HIMA, PhRMA and TABD (ECON, USTR, FCS, APHIS monthly, quarterly meetings and ongoing 1998-1999)

- Promote U.S. exports by making public presentations to USEU multipliers and counseling on EU requirements and programs, including at the following Showcase Europe trade promotion events organized or supported by FCS:
  - International Boston Seafood Show, Boston (3/98)
  - European Seafood Exposition, Brussels (4/98)
  - Cosmoprof '98, Bologna (4/98)
  - SuperComm '98, Atlanta (6/98)
  - Waste Expo '98, Chicago (6/98)
  - Satellite Communications Seminar, Paris (10/98)
  - Medica '98, Dusseldorf (11/98)
  - Offshore Northern Seas Oil & Gas Exhibition, Stavanger, Norway (8/98)(ECON, USTR, FCS, FAS, USIS, APHIS ongoing 1998-1999)
- Increase U.S. SME participation in TASBI partnering events by working with state/local government and private organizations:
  - Europartenariat, Apeldoorn, The Netherlands (FCS 6/98)
  - U.S.-EU Partenariat, Chicago, Illinois (FCS 10/98)
  - Texas (FCS 4/99)
- Develop and support visit to Brussels by the U.S. Secretary of Commerce and the U.S. Trade Representative (FCS, USTR, ECON, USIS 12/98, 5/99)
- Educate and influence European decision makers and business people through International Visitor Program grants aimed at improving transatlantic and European business conditions (USIS, FCS, ECON 6/99)
- Report on EU requirements and programs, and informational, networking, financial and technological benefits that properly positioned U.S. businesses may obtain from participating in EU programs (FCS, ECON ongoing 1998-1999)
- Collect and report commercial advocacy support information (FCS, ongoing 1998-1999)
- Contribute to Showcase Europe (SCE) trade promotion information systems and networks (e.g., website, teleconferences, magazines, speeches by senior Commerce officials and seminars/conferences). (FCS, USIS ongoing 1998-1999)
- Obtain SME-relevant input for TASBI information systems through work with state/local governments and private organizations (FCS 12/98)
- Prepare an inventory of current EU-funded major projects over \$5 million, especially those funded by the Cohesion Fund, Community Initiatives, European Development Fund, European Investment Bank, European Regional Development Fund, Phare, Tacis, and Trans European Networks (contingent on FCS headquarters' approval of additional FSN staffing). (FCS beginning 11/98)

### **Assumptions:**

- Annual European Union GDP growth of at least 1.5%
- Annual European Union inflation remains under 2%
- EU-wide average unemployment remains under 12%
- Timely introduction of European Monetary Union (EMU) on January 1, 1999;
- Signing and implementation of the Mutual Recognition Agreements in 1998
- European consumer interest in U.S. lifestyle and products continues;
- Competitive edge of U.S. industry, especially in high-technology sectors, continues
- The U.S. Commerce Department remains committed to Showcase Europe
- The U.S. and Foreign Commercial Service remains at USEU Brussels

### **Performance Indicators:**

- Number of Mutual Recognition Agreements (MRA's) concluded and implemented and the number being negotiated for new sectors; status of EMC directive for aviation
- Status of U.S.-EU Veterinary Agreement
- Number of major project advocacy cases USEU is handling; "Success Story" narratives describing qualitative "value added" by USEU to U.S. firms' business plans; quantitative value of export sales added by USEU assistance to the U.S. firms' EU business plans.
- Number of meetings with U.S. firms or USEU multipliers
- Number of public presentations by USEU staff to USEU multipliers and in Showcase Europe trade promotion events; number of Showcase Europe trade promotion events USEU supports or organizes; number of U.S. firms each quarter that USEU counsels on EU requirements or programs; "Success Story" narratives describing the qualitative "value added" to U.S. firms' business plans; quantitative value of export sales added by USEU assistance to the U.S. firms' EU business plans.
- Number of TASBI partnering events USEU supports; number of U.S. firms each quarter that USEU counsels on EU requirements or programs; number of U.S. SME's participating in TASBI events; "Success Story" narratives describing the qualitative "value added" by USEU to U.S. firms' business plans.
- Successful high-level consultations with EU officials and visits to European institutions by U.S. cabinet secretaries.
- Number of International Visitors program grants geared towards improving EU business conditions for U.S. firms and increasing U.S. exports USEU initiates and concludes.
- Number of USEU reports on EU requirements and programs.
- Number of reports on USEU business advocacy support.
- Amount of USEU-provided input into Showcase Europe trade promotion information systems and networks
- Amount of USEU-provided input into TASBI information systems.
- Existence of FCS database on EU-funded major projects over \$5 million each, and of

potential U.S. commercial relevance.

- **GOAL INDICATOR:** Level of U.S. goods and services exported to the European Union that are affected by USEU efforts to open markets and increase market share. See “Open Markets” strategic goal paper.

Attachment :

During 1997 USEU/CS staff participated in six TASBI events:

- (1) February: European Automotive Suppliers Mission to SAE Expo in Detroit
- (2) February: TASBI U.S.-EU Bilateral in Washington
- (3) April: TASBI Seminar during the EuroBenefit Matchmaker in Brussels
- (4) June: Europartenariat Hellas in Piraeus, Greece
- (5) September: Partnership 97 SME Networks Conference in Copenhagen
- (6) October: Europartenariat France Massif-Central in Clermont-Ferrand, France

During 1998 USEU/CS staff participated in five TASBI events:

- (1) March: TASBI Working Group meeting in Washington, D.C.
- (2) June: Europartenariat, Apeldoorn, The Netherlands
- (3) September: TASBI U.S.-EU Bilaterals in Athens
- (4) September: Partnership 98 SME Networks Conference in Athens
- (5) September: TASBI Working Group meeting in Brussels

Future TASBI events in which USEU/CS staff will participate include:

- (1) October 1998: EU-U.S. Partenariat in Chicago
- (2) April 1999: EuroTex in Dallas

In its first 20 months TASBI produced these results based on surveys of U.S. SME participants conducted by CS/EPS:

-- Completed TASBI Events:	4
-- Total U.S. SME Participants:	57
-- Total Number of Meetings:	635
-- Average Number of Meetings per SME:	11
-- TASBI Cooperative Transactions Produced:	30
-- 20 Distributorships	
-- 8 Joint Ventures	
-- 2 Licenses	

(Not counting 27 agencies and actual sales)

## APPENDIX II

### Acronyms

CFO Act	Chief Financial Officers Act of 1990
DCM	Deputy Chief of Mission
EU	European Union
FAAS	Foreign Affairs Administrative Services
FMC	Financial Management Center
FSN	foreign service national
GAO	General Accounting Office
ICASS	International Cooperative Administrative Support Services
ITA	International Trade Administration
LCF	local country firms
MRA	mutual recognition agreements
NIST	National Institute of Standards and Technology
NMFS	National Marine Fisheries Service
NOAA	National Oceanic and Atmospheric Administration
NTE	new-to-export
NTM	new-to-market
O&A	operating & administrative
OIG	Office of Inspector General
ORAM	Overseas Resource Allocation Matrix
OTM	old-to-market
PSC	personal services contract
SCE	Showcase Europe
SCP	strategic commercial plan
SME	small and medium-size enterprises
US&FCS	U.S. and Foreign Commercial Service
USEU	United States Mission to the European Union