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INTERNATIONAL TRADE ADMINISTRATION

US&FCS South Africa Is Building An Effective Program, but Administrative Operations Need Improvement

Final Inspection Report No. IPE-11433 / September 1999

Office Inspections and Program Evaluations

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

September 30, 1999

MEMORANDUM FOR: David L. Aaron
Under Secretary for International Trade

Awilda Marquez
Assistant Secretary and Director General of the U.S. and Foreign Commercial Service

FROM: Johnnie E. Frazier
Inspector General

SUBJECT: Final Report: *US&FCS South Africa Is Building An Effective Program, but Administrative Operations Need Improvement* (IPE-11433)

As a follow-up to our August 5, 1999, draft report, this is our final report on our inspection of US&FCS's operations in South Africa. The report includes comments from US&FCS's written response. A copy of this response is included in its entirety as an attachment to the report.

In general, we found that the post's programmatic operations were strong, especially the advocacy efforts of the former Minister Counselor on behalf of U.S. companies, and the post's business counseling activities. Clients and partners noted that the staff at the Ronald H. Brown Commercial Center in Johannesburg were effectively promoting U.S. exports, not only to South Africa, but to other countries in Sub-Saharan Africa as well. Constituent post operations in Durban and Cape Town were just being established at the time of our inspection, thus we have no separate findings regarding the export promotion efforts at those locations.

Unfortunately, staff turnover created a serious leadership void at post during and shortly after our inspection. In addition, the post was not proficient in many of its administrative operations. In the report, we note several financial and other administrative issues that require management attention. We should note, however, that preliminary efforts were undertaken while we were on site to address some of the problems we found.

Please provide your action plan addressing the recommendations in our report within 60 calendar days.

We thank the personnel in ITA headquarters and at the three US&FCS posts in South Africa for the assistance and courtesies extended to us during our review.

Attachment

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EXECUTIVE SUMMARY

South Africa, located at the southernmost tip of Africa, is the most advanced, broadly based, and productive economy in Africa. Its gross domestic product is nearly four times that of Egypt, its nearest competitor on the continent. It possesses a modern infrastructure supporting an efficient distribution of goods to major urban centers throughout the region, and well-developed financial, legal, communications, energy, and transport sectors. However, South Africa is also not without its problems. Poverty is considered by many to be the greatest single burden for the people of South Africa: unemployment is between 30 and 40 percent, many people lack proper housing, and one-third of the population is considered illiterate. Some experts suggest that the South African economy must strive for growth of between 5 and 10 percent to offset both its high unemployment rates and an average annual population growth rate of nearly 2 percent.

Efforts to achieve this economic growth will certainly provide opportunities for American companies with appropriate products or services. Indeed, American companies are leading the way in direct investment and trade with South Africa. United States exports to South Africa totaled $3.0 billion in 1997 and South Africa is the recipient of approximately 47 percent of all American exports to Sub-Saharan Africa. Because of South Africa's importance as a trading partner, the International Trade Administration's U.S. and Foreign Commercial Service (US&FCS) has a presence in the country to provide American exporters with products and services that will help them penetrate and expand their presence in the South African market.

US&FCS currently has three offices in South Africa (Johannesburg, Cape Town, and Durban), which are leading efforts to increase U.S. exports not only to South Africa, but to other Southern Africa Development Community nations as well.[1] At the time of our on-site inspection, the post in Johannesburg, also the home of the Ronald H. Brown Commercial Center, had a staff of 17 (3 American officers, an American administrative assistant, 6 foreign service nationals, and 7 personal services contractors). Durban and Cape Town each had a staff of two (an American officer and a foreign service national). The post was authorized $1.4 million in fiscal year 1998, an increase of over 40 percent from fiscal year 1997.

Our review disclosed that clients were generally satisfied with the trade promotion efforts of the US&FCS staff in South Africa. According to the many clients we interviewed, the post's advocacy on behalf of U.S. companies and counseling of U.S. firms were effective because of the significant connections developed and maintained by the staff, primarily those of the Minister Counselor at post during the time of our visit, the highest-ranking American officer at post (see

[1] The 14 Southern Africa Development Community nations are Angola, Botswana, The Democratic Republic of Congo, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia, and Zimbabwe.

page 5). The Commercial Center was also highlighted as a forum for U.S. companies, U.S. ambassadors, and representatives from neighboring countries, and others, including the President of the United States, to launch their new initiatives, agendas, or products.

While the post was generally effective at promoting U.S. exports in South Africa, we found several areas that require management attention:

A number of factors have limited the office's effectiveness. Despite US&FCS's accomplishments in South Africa, some programmatic and organizational problems are limiting the post's effectiveness. Specifically, we found that:

(1) the efficiency of some foreign service national and personal services contractor work assignments can be improved, thereby increasing staff productivity;

(2) improved relations between the post and ITA's Advocacy Center are needed to advance advocacy coordination efforts; and

(3) client and partner data should be routinely entered into the Client Management System to facilitate some of the routine tasks performed by the staff (see page 7).

The Commercial Center shows promise, but the post is not actively recruiting partners. Although the Commercial Center is pursuing the objectives described in the Jobs Through Exports Act of 1992 by providing a variety of products and services to facilitate commercial ties and trade, it has not fully embraced ITA's goals to include partners in the Center. In addition, although the Center had two collocated partners, a reimbursable agreement or memorandum of agreement was not in place for the short-term partner, and the agreement with the year-long partner was not adequately monitored. Finally, the duties of Johannesburg's third officer changed very little when he was hired to fill the new Commercial Center director position. Rather than having dedicated responsibilities focused on Commercial Center operations, the director continued to function as a junior officer. Consequently, his work was guided by the needs of the two senior officers, not the Center's operation (see page 14).

Staff turnover results in potential leadership void. With the scheduled turnover of all Johannesburg officers within a seven-month period and no replacements being selected until June 1999, the post in South Africa was facing a leadership void at post. Only recently, and at the last minute, have officer positions been filled or incumbents selected. US&FCS headquarters' management of the post in such a manner could jeopardize mission goals and undermine staff morale (see page 21).

Financial operations need improvement. While the post has taken some steps to get its financial operations in order, we found the imprest fund to be in dire need of management attention. In addition, our review of the post's financial reports revealed substantial unliquidated obligations in the post's operations and administration account. Finally, we were unable to reconcile the post's records for its fiscal year 1998 collections against the official ITA accounting data because there was little correlation between the two sets of records (see page 24).

Some administrative matters require attention. On a positive note, we found that the post in South Africa was handling procurement, time and attendance, and vehicle control logs well and in accordance with policies and procedures. However, we also found that:

(1) personnel records were not complete and up-to-date;

(2) credit cards were underutilized;

(3) US&FCS headquarters' property management policy was not in compliance with the *Foreign Affairs Manual* requirement to track residential property at overseas posts;

(4) the division of administrative service responsibilities between the State Department and US&FCS Johannesburg for the Durban and Cape Town constituent posts was unclear; and

(5) many of the post's financial and administrative problems stem from a lack of sufficient training for both foreign service nationals and officers (see page 34).

Export Administration checks are handled well, although guidelines are not always followed. The Department's Bureau of Export Administration relies on US&FCS posts overseas to assist it in fulfilling its export control activities by conducting end-use checks. We were generally impressed with the thoroughness of the cases we reviewed in South Africa. The post should, however, seek exemptions from BXA for checks done by foreign service nationals prior to on-site visits. Staff at post should also develop a log to track BXA requests. In addition, foreign service nationals conducting the checks need to involve other sections and agencies in the embassy to improve information gathering (see page 41).

On page 44, we offer a number of recommendations to address the concerns raised in this report.

In the agency's written response to our draft report, the Assistant Secretary and Director General of the U.S. and Foreign Commercial Service generally agreed with our observations and outlined steps US&FCS was taking to address the intent of our recommendations.

The Director General noted that "the report accurately reflects the resulting dramatic shift in post's activities and resource demands. . . . the OIG team has pointed out some areas for improvement both at post and at US&FCS headquarters in Washington which can enhance the effectiveness of US&FCS South Africa."

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 an inspection of the International Trade Administration's U.S. and Foreign Commercial Service (US&FCS) operations in South Africa during the period October 26 through November 11, 1998. This review included the operations of the Commercial Center in Johannesburg. Information from this review will also be used in a cross-cutting report that will include Commercial Centers in Jakarta, Indonesia; Shanghai, China; and Sao Paulo, Brazil.

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

This inspection was conducted in accordance with the *Quality Standards for Inspections* issued by the President's Council on Integrity and Efficiency. We discussed some of our preliminary observations with the Ambassador and Deputy Chief of Mission while in South Africa. Also, during the review, and at its conclusion, we discussed our findings with the Minister Counselor and Senior Commercial Officer at post. Finally, we briefed the Director General, Deputy Assistant Secretary for International Operations, and the Regional Director for Africa, the Near East, and Southeast Asia on our findings.

PURPOSE AND SCOPE

The purpose of this inspection was to evaluate the effectiveness of the US&FCS post in South Africa, including the Commercial Center, in assisting U.S. businesses to expand their trade and business opportunities there. We also looked at the policies, procedures, and practices being followed by the post to carry out its assigned functions and activities. This included determining whether established goals were being achieved, evaluating the economy and efficiency of operations, and assessing the post's compliance with applicable regulations and instructions. We also examined the coordination between the post and other organizations in achieving the overall goals of ITA and the Department.

In conducting the inspection, we (1) visited all three posts in South Africa: Johannesburg, Durban, and Cape Town; (2) reviewed the organizational structure and operating approaches used in administering activities at the post; (3) interviewed appropriate Commerce Department, State Department, and other U.S. government and private sector officials; and (4) examined pertinent files and records relating to the post's operations. The inspection also included a review of headquarters and district office activities that support the post's operations.

BACKGROUND

South Africa is in the middle of an enormous social and economic transformation. It is, in effect, two countries attempting to merge into one. On one hand, South Africa has the most advanced, broadly based, and productive economy in Africa. It possesses a modern infrastructure supporting an efficient distribution of goods to major urban centers throughout the region, and well-developed financial, legal, communications, energy, and transport sectors. On the other hand, the country consists of a mass of people who were denied equal treatment under the former system of apartheid and still remain on the fringe of the economy. As a result, poverty is considered by many to be the greatest single burden for the people of South Africa, with unemployment between 30 and 40 percent, many people without proper housing, and one-third of the population considered illiterate.

It is important to understand a little of South Africa's history to put in perspective the tremendous challenges the country faces, and thus the challenges facing U.S. businesses wanting to enter this market. In 1948, the National Party came to power in South Africa on an electoral platform of apartheid, and moved rapidly to enact a policy of racial segregation. Apartheid laws covered many areas of life, including mixed marriages, population registration, geographical separation, and separate representation of voters. Additional apartheid laws separating education and public amenities soon followed.

The United Nations declared apartheid to be a danger to world peace in 1961 and a crime against humanity in 1966. In 1986, the U.S. Congress, overriding a presidential veto, imposed strict economic sanctions against South Africa as part of U.S. efforts to combat the apartheid system. Although these sanctions were considered by many to be effective in the anti-apartheid movement, they necessarily restricted U.S. business activities in South Africa. Sanctions were lifted in November 1992, after the South African government abolished apartheid. Historic elections were held in April 1994, in which all South Africans were permitted to vote, and the first democratically elected black-majority government was voted into office.

Many view international trade as an important mechanism to help South Africa overcome its past, as well as meet the challenges of the future. Indeed, more than four years after the historic 1994 elections, American companies are leading the way in direct investment and trade with South Africa. United States exports to South Africa totaled $3.0 billion in 1997, which was down 3.4 percent from 1996. The substantial decline was mostly due to a strong dollar against the South African currency, the rand.[2] Despite the decline, South Africa is the recipient of approximately 47 percent of all American exports to Sub-Saharan Africa. While many of the American companies investing in South Africa are those which were doing business in the country prior to the 1986 economic sanctions, there are also companies with little or no experience in South Africa who are also entering the market. According to US&FCS, some of the best prospective opportunities for American companies include telecommunications equipment and services, information technology, medical equipment and health management services, and water management technologies and services.

Of course, the challenges confronting the new South Africa are also confronting Commerce's export promotion efforts there. In recognition of the changes in the South African government, US&FCS has adjusted its role and mode of operation in the country. The post has had to make the transition from primarily monitoring and reporting on U.S. business activity during the apartheid era, because of the economic sanctions against South Africa, to actively promoting U.S. exports in what is now considered a big emerging market, indeed the largest market for U.S. products and services on the African continent. Consistent with the Department's commitment to diversity, management at post has made a conscious effort to have its staff reflect the many different races and cultures in South Africa. However, with that effort comes the need to provide upward mobility and training to those who were historically disadvantaged.

There are three US&FCS offices in South Africa that are leading efforts to increase U.S. exports to not only South Africa, but to the other 13 Southern Africa Development Community nations

[2] South Africa's economy has been heavily impacted by the current volatility of global financial markets and the realignment of emerging market economies. As a result, South Africa's GDP for 1998 rose just one percent, which will make the government's reform and restructuring process more difficult. Despite the economic slowdown, US&FCS believes that South Africa continues to offer immediate and long-term opportunities for American exporters with the right products, resources, ideas, and commitment.

as well.[3] The main post is in Johannesburg and smaller US&FCS constituent post operations are in Cape Town and Durban. At the time of our on-site inspection, the post in Johannesburg, also the home of the Ronald H. Brown Commercial Center, had a staff of 17 (3 American officers, an American administrative assistant, 6 foreign service nationals, and 7 personal services contractors). Durban and Cape Town each had a staff of two (an American officer and a foreign service national).[4] The post was authorized $1.4 million in fiscal year 1998, an increase of over 40 percent from fiscal year 1997.

One aspect of the staffing in Johannesburg deserves special mention because it does differ from other US&FCS posts worldwide. Whereas the Minister Counselor at other posts is also the Senior Commercial Officer in charge of the commercial operations, at the time of our inspection, US&FCS's post in South Africa had both a Minister Counselor and an SCO. While there was some confusion at first as to who was in charge, both officers should be commended for amicably working out an acceptable distribution of duties and responsibilities. During our inspection, we found that the Minister Counselor concentrated his efforts mostly on the trade promotion efforts of the post, whereas the Senior Commercial Officer was responsible for administrative operations, end-use checks performed for BXA, recruitment and development of staff, as well as the management of certain core products. Both the Minister Counselor and the Senior Commercial Officer attend various meetings at the embassy and are actively involved in the planning for and hosting of the numerous high-level visitors to the post each year.

[3] Angola, Botswana, The Democratic Republic of Congo, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia, and Zimbabwe.

[4] The employee roster provided by US&FCS's Office of Foreign Service Personnel differed from that provided by the post. The figures used here reflect information provided by the post and confirmed during our visit.

OBSERVATIONS AND CONCLUSIONS

I. US&FCS South Africa's Programs Are Strong, but Some Improvements Are Needed

We are pleased to report that US&FCS post in South Africa has successfully made the transition from monitoring to actively promoting U.S. exports. Over the past year, it has realized a number of accomplishments. For example, the post's response to heavy visitor workload demands has received high acclaim from ITA officials, Departmental representatives, and others. Even while charged with the many tasks and activities associated with visits from the President, Vice President, and Secretary of Commerce, the post has also made significant contributions in increasing both the size and diversity of its workforce, implementing a regional strategy for Southern Africa, developing a new innovative research product, and actively promoting important industry sectors.

While a significant amount of time and effort has been put into these activities, some areas require further management attention. The number of market reports produced by South Africa is low, and information collection for success stories is inadequate. We believe that the post's current staffing assignments are in part responsible for some of these difficulties.

A. The post has accomplished much over the past year

The post has successfully hosted a large number of visiting U.S. government officials and American businesses during the past year, including the President, the Vice President,[5] and numerous Cabinet-level visitors. US&FCS staff in South Africa are generally effective in meeting the needs of visitors. The Minister Counselor (MC) has access to a number of influential South Africans, as well as high-level officials in neighboring countries, in both the public and private sectors. Consequently, the post is extremely effective in arranging meetings for visiting business executives and U.S. government officials. In 1998, the Department of Commerce recognized the accomplishments of the US&FCS staff in South Africa by awarding them a Gold Medal, the Department's highest award, for "outstanding performance in handling numerous, high-level events and raising the profile and stature of US&FCS in the business community."

[5] The Vice President co-chairs, along with South Africa's Vice President Mbeki, the U.S.- South Africa Bi-National Commission meetings. The Commission is a joint government initiative, established in 1995, aimed at managing and further improving U.S. and South African relations by way of a permanent and formal structure. The Commission is one of the most demanding tasks that the embassy and US&FCS are responsible for supporting.

The post is also successfully developing regional initiatives. The MC has regional U.S. export promotion responsibilities for all 14 Southern Africa Development Community nations. According to the first quarterly report for fiscal year 1998, the MC led what was considered by many to be a successful congressional trade delegation to Mauritius and Mozambique. Furthermore, US&FCS trade specialists, in addition to handling industry sector assignments, are responsible for answering queries and supporting missions and events for assigned countries in the Community. For example, one specialist met with the newly appointed U.S. Ambassador to Zimbabwe and gave him assistance in preparing for his new assignment. Finally, to better coordinate and work with the State Department economic officers at non-US&FCS posts in the region, the post hosts an annual Regional Commercial Officers Conference at the Ronald H. Brown Commercial Center. The objective of the conference is to improve the collective effectiveness of commercial and economic officers in the region.

Organizational and programmatic achievements are impressive

Since the lifting of anti-apartheid sanctions, the post has been busy building and reshaping the office's structure to best meet exporter needs and U.S. government goals. Of particular note are the post's diversity efforts, through which the post has successfully recruited historically disadvantaged persons. In many instances, the American officers have gone the extra mile to mentor and develop new employees. Another area includes developing work plans, in addition to performance plans, for the trade specialists. According to staff, prior SCOs did not have formal work plans for the staff in South Africa. The trade specialist staff welcomed the structure and priority setting that the new work plans provided. Work plans for all employees are being developed for the current fiscal year.

Although activities surrounding U.S. visitors have dominated the post's workload during the last two to three years, the post has realized a number of programmatic achievements. For example, a customized market research product, called a market probe, has been developed to permit new-to-market firms to quickly forecast the potential for a U.S. company's product or service in the South African market. Rather than using a pre-described format, the market probe allows a U.S. exporter to submit three to five questions relevant to its product (e.g., tariffs, competition, pricing, distribution channels, government policies). For a $250 fee, a commercial specialist devotes up to eight hours to answering the questions and, in less than two weeks, provides the client with an 8-to-10 page response.

The post has also been instrumental in establishing an active Visit USA Committee in South Africa and has helped develop a Committee-sponsored training course for travel agents. Upon completing the course, which is held at the Commercial Center, travel agents are able to provide prospective tourists with comprehensive information about traveling to and around the United States. The fiscal year 1999 mission plan for South Africa includes embassy-wide participation in the program. According to the Committee chairperson, the course is a huge success, enough so that participants are willing to pay for their own airfare and accommodations to attend the course in Johannesburg.

B. A number of factors have limited the office's effectiveness in other areas

Notwithstanding US&FCS's accomplishments in South Africa, there are some programmatic and organizational problems limiting the post's effectiveness. Specifically, we found that (1) the efficiency of some foreign service national (FSN) and and personal services contractor (PSC) work assignments can be improved, thereby increasing staff productivity; (2) improved relations between the post and ITA's Advocacy Center are needed to advance advocacy coordination efforts; and (3) client and partner data should be routinely entered into the Client Management System to facilitate some of the routine tasks of the staff.

<u>Current staff assignments weaken core mission-related activities</u>

Although the quality of the post's market reports is high, the number of the reports produced by US&FCS South Africa is low and their timeliness could be improved. Market reports consist of Industry Sector Analyses (ISAs), which are in-depth, structured reports covering a broad range of industries, and International Market Insights (IMIs), which are brief, up-to-the-minute reports on specific foreign market conditions and upcoming opportunities for U.S. businesses. ISAs are important enough to US&FCS headquarters that each post has a prescribed number to complete and they are staggered throughout the fiscal year in order to ensure a smooth flow of documents from post to headquarters and clients. Ultimately ISAs and IMIs are made available to the U.S. business community through the National Trade Data Bank,[6] several on-line services, or any US&FCS office worldwide.

[6] The National Trade Data Bank compiles international trade data and export promotion information produced by the U.S. government. The Data Bank is maintained by the Economics and Statistics Administration and can be accessed through its Internet homepage at: http://www.stat-usa.gov/BEN/Services/ntdbhome.html.

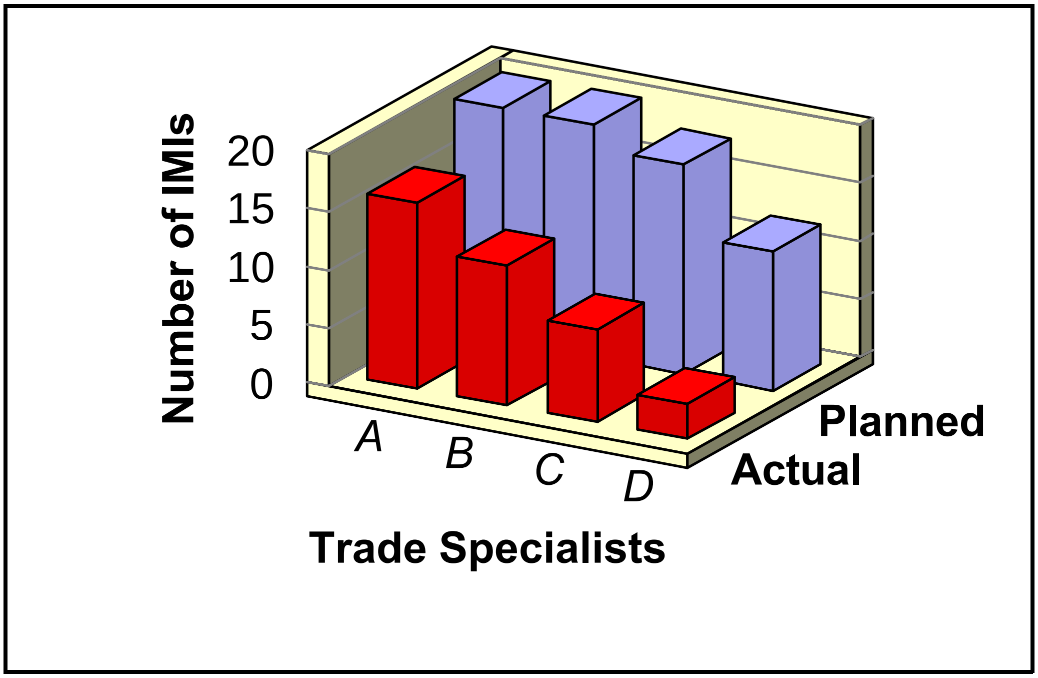
Table 1: Industry Sector Analyses (ISAs) – Comparison of Fiscal Year 1997 Performance Data by Post

US&FCS Post	Fiscal Year1997 Planned ISAs	Percent Completed	Average Number of Days Late
Denmark	7	100%	0
Poland	12	100	7
Philippines	12	100	11
Columbia	7	100	11
Argentina	15	100	69
Israel	11	100	77
Portugal	8	80	107
Egypt	12	83	80
South Africa	**10**	**70**	**104**
Norway	5	60	0
Hungary	8	50	0
Austria	8	50	0
Nigeria	11	45	67

Compared to other posts of about the same size and resource allocation, South Africa did not do well in completing the planned number of ISAs or submitting them by the scheduled deadline. Because data for fiscal year 1998 ISAs was incomplete, we used fiscal year 1997 data for this analysis. In 1997, as shown in Table 1, the post completed 7 of the 10 scheduled ISAs. The post had one of the poorest records for timeliness, with the average ISA being submitted well over 3 months late.

In addition, only 56 percent of the scheduled fiscal year 1998 IMIs were actually completed. As shown in Figure 1, one trade specialist completed only 3 of 12 scheduled IMIs, another completed 8 of 18, and the two remaining specialists completed 12 and 16, respectively, out of 20 scheduled.

Figure 1: International Market Insights (IMIs) – US&FCS South Africa Performance Data for Fiscal Year 1998



Producing fewer market reports and completing them behind schedule deprives U.S. businesses, as well as trade and industry specialists throughout ITA, of accurate, up-to-date information on important market conditions and opportunities. This affects U.S. exporters' direct access to information, as well as the effectiveness of counseling, not only at the post, but also at ITA domestic offices and other ITA components.

We believe that the post is not meeting its market reporting goals, in part, because its trade specialists spend a significant amount of their time arranging logistical support and conducting clerical duties in support of high-level visitors. In Johannesburg, the four trade specialists responsible for producing market reports in assigned industries also work on trade missions and events. The specialists report directly to the MC, who establishes daily or weekly priority assignments that involve providing support for visits by federal and state government officials and U.S. businesses. During fiscal year 1998, the post hosted about 60, usually multi-day, events and meetings for high-level government officials, state delegations, and American businesses. As one trade specialist noted, the specialists "drop everything" to work on activities associated with these visits. While admittedly important, these visits take away from the post's ability to effectively and efficiently fulfill its other core program requirements.

In addition to generating market reports, US&FCS posts produce standard fee-for-service products, such as Agent/Distributor Services (ADSs), Gold Keys, Customized Market Analyses (CMA), and market probes. The posts also collect success stories related to the products and services provided. ADSs provide U.S. exporters with the names and pertinent telephone numbers of qualified agents, distributors, or representatives, according to the exporters' specifications. Gold Keys go one step further by arranging appointments with pre-screened contacts, customizing market and industry briefings before business meetings, and discussing the results of the meetings and suggesting appropriate follow-up strategies. A CMA gives a U.S. business detailed information and an assessment of how its product or service will sell in South Africa, while a market probe, mentioned previously, permits a firm to quickly ascertain its product's market potential. In South Africa, one cost-recovery PSC[7] is responsible for producing all of the fee-generating products, including products in industry sectors covered by the trade specialists.

In addition to providing a product or service, staff members are also required to collect information about U.S. export successes that result directly from the product or service. However, we found that collecting such information is not a high priority for the PSC because success stories do not generate the fees necessary to recover the PSC's salary. The PSC stated that she spends too much time carrying out administrative duties, such as obtaining participation agreements and administering the ADS contracts, to be able to do the non-fee-generating work of preparing success stories. As a consequence, the post has had to hire a short-term non-cost recovery PSC to collect many of the post's 37 success stories reported in fiscal year 1998.[8]

We believe this arrangement of staffing responsibilities, with the trade specialists working on events and the PSC working exclusively on fee-for-service products, is not an effective allocation of staff resources. We believe that US&FCS management in South Africa should consider more efficient alternatives to best utilize its human resources, such as hiring a cost recovery PSC to cover events and missions, rather than using the higher-grade FSN trade specialists to perform the clerical and logistical duties associated with the missions.

Finally, we believe that the current staffing assignments reduce the trade specialists' industry-specific expertise. As a consequence of not doing the Gold Keys, CMAs, market probes, and to a lesser extent ADSs, the trade specialists are missing opportunities to broaden their contacts and knowledge of the industry sector and business environment. We believe that FSN trade specialists should be producing the core US&FCS products and held accountable for the quality

[7] The cost-recovery PSC's salary is paid out of the fees received for the products and services she provides.

[8] Although the number of success stories in South Africa is average for posts of about the same size, it is lower than expected, in light of the amount of high-profile attention South Africa has received in recent years.

of these products and collecting success stories that relate directly to the US&FCS mission. On the other hand, we believe that cost recovery PSCs should be utilized to do work in areas falling outside an industry sector not covered by a trade specialist . Such a division of labor means that the post's permanent, core FSN staff will build their industry expertise, business liaison skills, and counseling capabilities.

In response to our recommendation that the post should consider more efficient alternatives to best utilize its human resources, the Director General responded that in addition to sending two experienced American officers on temporary duty to the post and providing guidance to FSN staff on how to produce quality success stories and market research, agency officials have discussed the issue extensively with the newly-assigned Minister Counselor, the new Deputy SCO, and the new Director of the Commercial Center. The Director General reported that success stories have already increased and she expects that there will be further improvement once the full post management team is in place.

Coordination with the Advocacy Center is problematic

ITA's Advocacy Center is an important coordination point for advocating on behalf of U.S. companies before foreign buyers. The nature of advocacy assistance varies on a case-by-case basis, but often involves companies that must deal with foreign governments or government-owned corporations. Advocacy assistance can occur at the post or through senior departmental and other high-ranking U.S. government officials. Staff in the Advocacy Center also draft talking points about country-specific issues and help coordinate the scheduling of trips for senior officials.

The post's advocacy efforts in South Africa, while effective, have generally not been coordinated with the Advocacy Center. Staff in the Advocacy Center expressed their frustration with the lack of information sharing from the post, as well as the post's non-responsiveness to information requests. Of the 48 countries the center works with in the Africa region, South Africa is considered the least cooperative. Specific problems cited include bottlenecks caused by the MC, who prefers to rely on his personal contacts rather than delegate advocacy-related issues to another officer or FSN and complaints that the post is neither providing the center with agreement forms or copies of post-initiated advocacy-related requests and actions. A representative of the Advocacy Center also complained that the post was not clearing secretarial talking points and not coordinating the drafting of Secretarial visit agendas.

When we raised these issues, management at post stated that visiting officials and U.S. businesses are given the first priority and, given all of its workload demands, Advocacy Center coordination is not a high priority. Some staff members also noted that the requests for information are often vague and unreasonable. In response to the Advocacy Center belief that many of the delays are due to the MC personally responding to all its requests, the MC said that because of his knowledge of the issues and personal contacts, he can respond more quickly and thoroughly than anyone else at the post.

Regarding the problems the Advocacy Center has had in getting the post to fill out participation agreement forms, the post does not require U.S. businesses to provide basic information, such as U.S. product export or service content, needed to complete the agreement forms. Such information should be collected and entered into a central advocacy project database.

The lack of coordination between the post and the Advocacy Center could lead to embarrassing situations, such as departmental officials using outdated or erroneous information due to the lack of post verification and input. Another possible scenario is that the post may inadvertently assist a company with a project only to find that the majority of the project's content is not from the United States. US&FCS management in South Africa needs to delegate substantive advocacy issues to the staff that can best respond to the center's requests for information, not only to improve the post's responsiveness to the advocacy center, but also to ensure that knowledge of these advocacy efforts are resident at post when the officers in South Africa depart. In addition, when U.S. exporters request advocacy assistance, background information should be collected and participation agreements signed to ensure that U.S. interests are being served.

In response to our recommendation that the post delegate substantive advocacy issues to the staff that can best respond to the Advocacy Center's request for information, US&FCS officials responded that all of the new officers assigned to South Africa had consultations with the Advocacy Center and are aware of what the center needs to assist U.S. firms. They expect improvements in the post's responsiveness to the Advocacy Center.

<u>Implementation of the client tracking system has been uneven</u>

One of US&FCS's fiscal year 1998 performance goals was implementing the Client Management System (CMS) database throughout US&FCS. The ultimate objective of CMS is to enable US&FCS to track a client's export endeavor from the first domestic office counseling session through the successful completion of an export sale using the services of an overseas post.

The post is not actively building and maintaining an accurate contact list database. Only the MC and the information resource center staff routinely input client names into CMS and update the system. The other American officers, trade specialists, and the cost recovery PSC enter names into the database sporadically. The reason given by the staff is that CMS is a low priority. It was also apparent that not all of the staff fully understood how the database worked. For example, rather than listing various contact names for the same company under one company name listing, a separate entry for each contact was entered, creating multiple listings of the same company. As a result, old information, in this case contact names, is not purged when an individual in a company has been replaced. In addition, a listing of companies or a search by company in CMS will result in multiple listings of the same business instead of one listing with multiple contact names. A fully utilized CMS will help the post operate more efficiently in a number of areas, including organizing and faxing invitation lists for the events and meetings it holds.

All of the appropriate staff at post should enter information into CMS. The specialists should be advised that the CMS is a priority and adequately trained on the system. A single individual could be responsible for entering the names as long as a procedure for updating and purging old information is established. Finally, the post should develop a set of procedures for maintaining an up-to-date CMS database.

In response to our recommendation that the agency emphasize the importance of and develop a set of procedures for maintaining an up-to-date Client Management System database in South Africa, agency officials stated that this issue has been discussed with the incoming MC who believes that such a database is a critical tool. In addition, the response stated that the staff will receive training in how to update the CMS system.

II. New Commercial Center Shows Promise, but Is Not Actively Recruiting Partners

On March 28, 1998, the Ronald H. Brown Commercial Center was officially opened in Johannesburg by the President. Even though intentions to place a commercial center in South Africa go as far back as the 1994 National Export Strategy, and the present facility has been occupied by US&FCS since September 1996, the facility was not officially deemed a commercial center until 1998. Consequently, any review of the Commercial Center's accomplishments is limited by the short time it has been officially operational.

The legislated objective of commercial centers, authorized under Title IV of the Jobs Through Exports Act of 1992, is to:

> ". . . provide additional resources for the promotion of exports of United States goods and services to the host countries, by familiarizing United States exporters with the industries, markets, and customs of the host countries, thus facilitating commercial ties and trade."

Commercial Information Resource Center

The legislation directed that each center make available, on a user-fee basis, (1) business facilities, including exhibition space, conference rooms, office space, and where warranted, high- quality international telecommunications facilities; (2) business services, such as language translation services and a commercial library; and (3) commercial law information services, including publications to assist U.S. businesses and lists of local agents and distributors. The legislation also states that the centers should be staffed by members of US&FCS, participants in the Market Development Cooperator Program, other Commerce employees, and employees from appropriate executive branch agencies that are members of the Trade Promotion Coordinating Committee.[9]

[9] The Trade Promotion Coordinating Committee is composed of 20 federal agencies involved with promoting international trade. The goals of the Committee are to boost U.S. exports worldwide, through initiatives such as expanded export financing programs, improved trade agreements monitoring, and use of new technologies to bring foreign markets within reach of small business.

The Commercial Center has aggressively pursued the promotion of U.S. exports in not only South Africa, but much of Sub-Saharan Africa as well. However, several of the commercial center's goals, such as collocating with federal, state, and private partners, have not been actively pursued. Unfortunately, the lack of an adequate Commercial Center strategy for South Africa has caused confusion about the roles and expectations for both the US&FCS and its partners at the post.

A. The Commercial Center is providing an impressive array of products and services to its clients

The Commercial Center has developed a long and impressive list of accomplishments in its short history. Many of its accomplishments go beyond the geographical boundaries of South Africa. Its impact is felt all over Sub-Saharan Africa. The following are a few examples of the Center's accomplishments.

- The Center is regularly used by U.S. ambassadors from South Africa and neighboring countries and other U.S. government agency officials to brief American businesses in South Africa on commercial opportunities in African countries and other programs available through the U.S. government.

- The Center has been used as a forum for presentations by entities located in southern Africa, such as the Mauritius Freeport Authority and the Southern Africa Enterprise Development Fund.

- The Center organizes and hosts the annual Southern Africa Economic and Commercial Officers' conference, which was designed to forge closer links on economic and commercial issues between the various U.S. consulates in Southern Africa.

- Several regional trade missions were launched under the Center's auspices.

- U.S. companies have used the Center as a means to launch their products and hold seminars and briefings.

- The Center hosted a Trade Development Agency (TDA) representative (a position jointly funded by TDA, the Export and Import Bank, and the Overseas Private Investment Corporation) for a three-month detail in 1998 to provide information and assistance on the three agencies' programs.

The most heralded event noted by many people we spoke with was the Commercial Center opening ceremony led by the President. The President's visit highlighted the importance of U.S.

business ties to South Africa. In fact, the President, in his remarks at the Center's opening, stressed five key elements in his plan for economic growth through a partnership between the two nations: (1) to ensure greater access for all African nations to U.S. markets; (2) to provide assistance so that African nations can reform their economies; (3) to work, through the Overseas Private Investment Corporation, to spur private investment in Africa; (4) to secure a commitment from the World Bank to increase lending to Africa; and (5) to host a summit of African leaders to follow up on announcements made during his trip. The Commercial Center staff worked to make the inaugural event a success with just over one-week notice that the President would be speaking at the Center.

Another positive aspect of the Center is its Commercial Information Resource Center (CIRC), described as the "hub of the Commercial Center's information gathering and dissemination efforts." It is in the CIRC where much of the basic research and counseling is performed. CIRC staff make frequent use of the Internet and video conferencing equipment to market its services, collect and disseminate information on U.S. export opportunities in South Africa, and inexpensively bring together South African and U.S. firms by way of "virtual" trade missions and video conferencing. The number of walk-ins to the CIRC has decreased over time because the center reduced its hours of operations to three-and-a-half hours (9:00 am to 12:30 pm). This measure was taken as a result of security concerns stemming from the bombings in Nairobi and Dar es Salaam.

B. The Commercial Center is lacking some prescribed key elements

To U.S. and South African businesses, export promotion partners, and other U.S. government entities in South Africa, the Commercial Center embodies several distinct operations, such as the CIRC, a conference center, the State of Michigan trade office, a Trade Development Administration office, and US&FCS core services. Thus, in our review, we attempted to identify and assess those operations that distinguish the Commercial Center from any other US&FCS overseas operation.

We found that although the Commercial Center is actively pursuing its legislative objective through a variety of products and services, it has not fully embraced the mechanics contained in the legislation designed to meet that objective. Specifically, the Commercial Center has not fully embraced collocation with federal, state, and private partners. In addition, written agreements with partners must be established and fully implemented so that the greatest return is realized from the Commercial Center's partnerships.

Trade promotion partners are not being recruited

Title IV of the Jobs Through Export Act of 1992 states that each Center shall make available "[b]usiness facilities, including exhibition space, conference rooms, office space (including telephones and other basic office equipment), and . . .high quality international telecommunications facilities." The legislation also requires each Center to "be staffed by members of the US&FCS, participants in the Market Development Cooperator Program . . ., other employees of the Department of Commerce, and employees of appropriate executive branch departments and agencies which are members of the Trade Promotion Coordinating Committee." However, the Center has not began any campaign to recruit occupants for its vacant space, nor has the post developed a plan to identify ideal partners to target for its recruiting efforts. At the time of our visit, the post had two partners that occupied space in the center: the State of Michigan and the TDA detailee. As we discuss below, Michigan's memorandum of understanding effecting the partnership expired on September 30, 1998, and the TDA representative's three-month detail ended in December 1998. Consequently, no partners currently occupy space at the Center.

US&FCS officials at post stated that because of the large number of high-level visits to South Africa, staff, including the Commercial Center director, are often pulled away from their primary responsibilities to work on some aspect of a visit. In addition, at the time of our visit, the post in Johannesburg had only three American officer positions for what is the busiest post in Africa. As a result, post management indicated that developing a strategy and finding partners to fill the Commercial Center space is not one of its main priorities. (As discussed later in this report, Johannesburg is slated to receive an additional American officer position.)

Although much of the Commercial Center space is being used to promote U.S. exports and provide a vehicle for U.S. firms to show their wares and U.S. government officials to make presentations and hold seminars, at the time of our visit four offices were not being utilized. Because this space is not being used by partners, the post is not in a position to take advantage of any synergies through such collocation. US&FCS must make the time to develop a strategy for attracting partners to this emerging market and, in turn, to the Center. It would behoove US&FCS to first define the type of organization it hopes to attract and what expectations it has of that organization. Next, an active marketing campaign should be undertaken to educate potential partners about the benefits of locating in South Africa, and then active recruitment of those entities should occur.

In the agency's written response, the Director General stated that in April 1999, US&FCS sent "an experienced officer with strong marketing and promotion skills to serve a TDY in South Africa" to develop a marketing strategy for the commercial center. According to agency officials, the strategy includes plans for the "MC and Commercial Center Director to focus on recruiting potential partners to collocate in the center."

Agreements with collocated partners must be established and fully implemented

The presence of the on-site partners gives US&FCS an opportunity to share costs and expand client resources, while multiplying the number of clients served. To formalize such partnerships, US&FCS has the legal authority to enter into agreements with state or local government and non-profit export promotion or economic development offices using a memorandum of understanding (MOU) issued under Commerce's Joint Project Authority (15 USC § 1525). Depending on the nature of the activity, US&FCS also may have the authority to enter into agreements with other federal agencies using the Joint Project Authority or issuing a reimbursable agreement using the Economy Act (31 USC § 1535).

Properly monitored agreements between collocated partners are necessary to define the roles and responsibilities of each partner so that the greatest return is realized. Thus far, the Center has had two collocated partners–the TDA detailee who resided in the Center from September 21 to December 21, 1998, and the Michigan State Jobs Commission, which signed an MOU for the period of November 1, 1997, through September 30, 1998. Unfortunately, both partnerships experienced problems due to inadequate written agreements between US&FCS and the partners.

In the case of TDA, no reimbursable agreement or MOU was in place for the three-month, temporary-duty employee. Lacking a formal agreement, the authority and mechanism for payment were never documented and the roles of the partners were not adequately outlined. The only documentation regarding the TDA employee's detail was a monthly office rental assessment based on the square footage of the allotted temporary office space.

The lack of a proper agreement led to confusion regarding the subsequent TDA payment to the post. Before the arrival of its employee, TDA authorized payment thresholds in several cables. The post was unaware of the specifics of the negotiations between the headquarters units of TDA and US&FCS, and consequently did not act on the cables. Lacking a formal agreement, the ITA budget office was also unaware of the intended transactions between the agencies.

Finally, US&FCS did not know that the payments for rental space, telephone, and other fees incurred by the TDA employee were outstanding until we brought it to their attention.

After returning to the United States, the TDA employee admitted that the biggest problem with his temporary duty assignment was not having a formal document in place outlining the financial and administrative aspects of his stay. The lack of an agreement created problems while the employee was on-site. For example, the employee was unclear about his access to supplies, equipment, and staff assistance and what TDA was or was not paying for during his time in the Commercial Center.

US&FCS headquarters officials admit that they "dropped the ball" by not putting an agreement in place. In the future, US&FCS should establish an MOU or reimbursable agreement for all collocated partners, regardless of their length of stay. The document should cite the authority under which funds can be transferred, outline the areas and method of payment, and define what the employee can expect from US&FCS.

Unlike the problem with TDA, in which no written agreement existed, the State of Michigan's MOU contained terms that were not enforced. Specifically, the Michigan MOU contained a requirement that the state submit a quarterly report of all activities and "success stories" so that US&FCS could track the benefits of the collocated partnership. However, for the year that the Michigan representative was on-site at the Commercial Center, no reports were submitted regarding partner activities and the post did not act to enforce the terms of the MOU. Consequently, it was impossible to assess the benefits the partner added to the US&FCS mission in South Africa or to determine the advantages of renewing the agreement. Finally, although the MOU expired at the end of fiscal year 1998 and the representative returned to the United States, the former partner's files, furniture, and equipment remain in the Center. Neither US&FCS headquarters nor the post was aware that the MOU had expired until we brought it to their attention.

Partner activities and their success have been recognized by US&FCS management as important to the overall success of the Commercial Center program. US&FCS managers have stated that "the long-term presence of partners gives us an opportunity to share some costs, expand the resources available to clients at one site and multiply the number of clients served . . . partnering is exactly what we should be doing more of overseas." Therefore, it is important that the successes achieved by partners be documented and reported both to the post and to US&FCS headquarters to measure the added value of having Commercial Center partners against the funds spent on acquiring and modifying the facility, as well as continuing Center operations. US&FCS needs to keep better track of the status of partner MOUs, ensure that they contain guidelines on measuring impacts and benefits of having a collocated partner, and enforce the terms contained in the MOUs.

Agency officials agreed with our findings and stated that they would work with the post and its partners to incorporate our suggestions into MOUs.

C. Commercial Center director responsibilities need more definition and accountability

The director of the Commercial Center had previously been a junior officer at the Johannesburg post. However, the duties of Johannesburg's third officer changed very little once he became the Commercial Center director. This position was created by headquarters before the post determined what the responsibilities would be and how the position would fit into the post's operations. In addition, according to the director, when he took the new position, he was still considered to be the third American officer at the post. Therefore, rather than having dedicated responsibilities focused on Commercial Center operations, the director continued to function as the junior officer with numerous administrative responsibilities. As a consequence, his workday was guided by the two senior officers, not the needs of the Center's operation. Although it is important that all staff at post work together as a team, we believe that the Commercial Center director should be allowed to give more attention to the Center's operations.

Unless the duties of the Center director are clearly defined, and the incumbent has the latitude to meet pre-determined performance measures targeted specifically toward the Center, we believe that the director's Commercial Center responsibilities will always take a "back seat" to his junior officer duties. Moreover, according to US&FCS headquarters officials, because of the position's "junior officer" status, it proved difficult to find someone in the US&FCS network who was willing to apply for the position.[10] The addition of a new junior officer in Johannesburg will alleviate some of these problems, however, US&FCS needs to clearly define the Commercial Center director position so that the responsibilities and performance measures are clearly tied to the Commercial Center's operations.

Agency officials stated in their response to our draft report that they have long recognized these problems. In their response, they state that the addition of a fourth American officer, and their plans to add PSC staff "solely for Commercial Center activities, should help relieve some of the non-commercial center related demands which negatively affected commercial center operations in the past."

[10] Because of the difficulties, US&FCS decided to give a non-foreign-service Commerce employee a limited-term appointment to fill the Commercial Center director position in Johannesburg. This individual is scheduled to report to post in August 1999.

III. Staff Turnover Results in Leadership Voids

For several months the US&FCS post in South Africa has been facing a potential leadership void due to the scheduled turnover of all officers within a seven-month period, indecision by senior departmental officials, and an apparent lack of interest by US&FCS commercial officers in the positions available in South Africa.

During fiscal year 1999, the tours of duty ended for all three American officers in Johannesburg. The Commercial Center director was reassigned in December 1998, several months earlier than originally intended. The SCO departed in early July, and although the MC's tour was extended to help shorten the amount of time the Johannesburg office would be without an officer, the MC also departed in July.

At present, there are no commercial officers stationed in Johannesburg, although replacement officers have been selected and are in the process of relocating to South Africa. The new MC will arrive, at the earliest, in October. A Deputy SCO is scheduled to arrive in September. The Commercial Center director, an officer on a limited appointment, will arrive in early September. Also, the administrative assistant will be on maternity leave from September through December. Upon the departure of the administrative assistant in December, the slot will be converted to a junior officer position. In the meantime, the junior officer designee will be at the post on a temporary duty assignment so as to overlap and fulfill the administrative assistant's responsibilities while she is on leave. From August through September, when no officers are stationed in Johannesburg, an experienced officer currently assigned to a domestic office will fulfill a six-week temporary duty assignment at the post.

The primary reason that the positions took so long to be filled, according to senior US&FCS and ITA officials, is because the Department delayed making a decision regarding the placement of the Secretary of Commerce's sole politically appointed MC. Unfortunately, the lack of a decision on the MC assignment also negatively affected other assignments. For example, with the status of the MC position uncertain, specifically whether it would be a politically appointed MC, a career MC, or an SCO, made recruiting for the South Africa positions difficult, if not impossible. At all other posts with a career MC, that position also functions as the SCO, with the number two position designated as a Deputy SCO. While the previous management team (MC and SCO) in South Africa should be commended for their ability to amicably work out a distribution of duties and responsibilities, the Director General determined that any future MC assignment in South Africa would incorporate the SCO responsibilities. A Deputy SCO would function as the number two position.[11] Consequently, until the placement of the MC position was resolved, US&FCS officers were unwilling to bid on the available positions.

Once the Secretary made the decision to appoint another political MC to South Africa in May 1999, the remaining positions (Deputy SCO and Commercial Center director) were quickly filled. The following table depicts the coverage (**g**) of the positions in Johannesburg. Shaded areas depict vacant officer positions.

Table 2: Occupancy of US&FCS Johannesburg commercial officer positions in 1999

POSITION	*Jan*	*Feb*	*Mar*	*Apr*	*May*	*Jun*	*Jul*	*Aug*	*Sep*	*Oct*	*Nov*
MC	g	g	g	g	g	g	g			g	g
SCO converted to Deputy SCO	g	g	g	g	g	g			g	g	g
Com Ctr Director									g	g	g
AA converted to Junior Officer	g	g	g	g	g	g	g	g g	g	g	g
ODO Trade Specialist on TDY								g	g		

While a significant portion of this situation was brought about by the Department's indecisiveness on the MC position, the delays in making assignments could negatively impact the post's effectiveness and unnecessarily burden local employees. Also, the delays in South Africa could potentially jeopardize a number of the Administration's Africa initiatives.[12] US&FCS management must do a better job of tracking assignments and make directed assignments to avoid leadership voids at posts.

In their response, agency officials stated that US&FCS management prefers to use the competitive open assignments process except when presented with hard-to-fill positions or when

[11] Unfortunately this conclusion was not adequately forwarded within US&FCS, resulting in the SCO position being advertised, filled, and then declined.

[12] The Clinton Administration Africa Initiative *"The Partnership for Economic Growth and Opportunity in Africa*," the U.S. - South Africa Bi-National Commission, and the Department of Commerce's Commercial Strategy for Africa.

managerial or personal problems at post require intervention. The US&FCS Human Resources Division has reportedly developed new databases to better track vacancies and assignments.

Despite US&FCS management's preference to use competitive open assignments, we believe that the post's potential leadership void, along with the importance of the South African market, should have triggered more timely intervention.

IV. Financial Operations Need Improvement

Before 1998, the post in South Africa did not have a strong financial and administrative unit. Rather, the post relied on the State Department's Budget and Finance (B&F) office to track its budget, its collections, and to a lesser extent, its imprest fund, and to notify it of any problems or potential problems in these areas. For many reasons, including the perception that it was not always receiving the best service from the B&F office, post management decided that it should be more involved in controlling the post's financial and administrative affairs and generally more attentive to financial management issues. Consequently, the post hired an FSN in 1998 to oversee certain financial functions, including the budget.

Although the presence of the new FSN, in addition to the American administrative assistant, has brought about improvements in the post's financial operations, problems still exist. Specifically, established procedures for the management of the imprest fund are not being followed. In addition, the post has not been adequately monitoring the obligations and liquidations in the Operations and Administration (O&A) account, its main operating account. This lack of monitoring has led to large unliquidated balances in the post's prior year O&A accounts. The post has implemented a spreadsheet system to better track its expenses against its budget, but not all expenses are being captured in this system. Also, while the post actively participates in the U.S. mission's International Cooperative Administrative Support Services (ICASS) Council and Working Group, it needs to better understand what ICASS charges it is incurring so that those costs may be minimized. Finally, although the post had not been keeping adequate records of its collections, we noted significant improvements beginning in fiscal year 1998. However, because reconciliations of cash collections are not being performed by either US&FCS headquarters or ITA accounting, we were unable to reconcile the post's fiscal year 1998 collections against the official ITA accounting data.

A. Imprest fund procedures are not being followed

While the post has taken some steps to get its financial operations in order, we found the imprest fund to be in need of management attention. The purpose of an imprest fund is to make small payments when a traditional procurement is not practical and where the best interests of the U.S. government are served by making payments in cash. The current problems with the post's imprest fund appear to have started in mid-1997, when the FSN who had been handling the fund as a Class "A" cashier,[13] with an operating advance of $5,000, resigned. In June 1997, the post requested authority to designate the administrative assistant as an alternate Class "A" cashier, with an operating advance of $3,000, for up to 180 days. During this 180-day period, the post

[13] A Class "A" cashier is one who has been designated for an imprest fund, but has not been authorized to advance an imprest fund to another cashier, except as an alternate.

planned to hire and train a new FSN to take over as cashier. On July 31, 1997, US&FCS headquarters approved the designation of the administrative assistant as a temporary Class "A" cashier with an advance of $3,000 until January 31, 1998. A condition of the designation was that the administrative assistant successfully complete a correspondence training course for overseas cashiers.

At the time of our inspection, the administrative assistant was still serving as the temporary cashier although her designation had expired 10 months earlier, a situation that is in violation of the *Foreign Affairs Handbook* (4 FAH-3 H-393.1). She was still serving in this temporary capacity because the post had not filled the cashier position. In addition, at the time of our inspection, the administrative assistant had not completed the requisite correspondence training course, and she was still using the $5,000 advance authorized for her predecessor, thereby exceeding her authorization by $2,000.

No acceptable explanation was given as to why these lapses in procedures were allowed to continue for so long. The administrative assistant claims she was never given sufficient time during work hours to study the correspondence course materials so that she could confidently take the exam. Reportedly, other work-related priorities, mostly related to post visitors, always got in the way. However, in December 1998, after our on-site inspection, she did take and pass the exam. In regard to operating with an advance larger than what she was authorized, it appears that State's Financial Service Center in Paris, despite being notified of the change in cashiers, never took action to change the advance amount or classify the administrative assistant as the cashier, even temporarily. In fact, the imprest fund reconciliation paperwork sent to the post on a monthly basis still listed the departed FSN as the cashier, although reimbursement checks were made out to the administrative assistant.

Clearly the administrative assistant's lack of training and knowledge in the cashiering area also contributed to problems with the imprest fund that we identified. For example, reconciliations of the imprest fund were not being done regularly. The *Foreign Affairs Handbook* (4 FAH-3 H-397.2-2) requires that reconciliations of the fund be done on a daily basis, but at least once a week. Post records show that the administrative assistant had reconciled the imprest fund just three times in the previous 10 months. In addition, unannounced cash counts by an American officer were not being performed at all, despite the requirement that they be done monthly. Rather, an American officer was just signing off on the infrequent reconciliations performed by the administrative assistant.

Our reconciliation of the imprest fund at the post revealed that the fund balance, including cash-on-hand and payment receipts, was $6,144, more than twice what the administrative assistant had been approved. No one at the post or the State Financial Service Center in Paris, which received the post's imprest fund reconciliations, questioned the overage. Due to poor record-keeping at the post, we were unable to determine why there was such a large overage. However, all the reconciliations performed by the administrative assistant since taking over as cashier showed a similar overage. So, it is quite possible that her predecessor passed on the extra cash when she resigned.

Another serious problem resulting from the administrative assistant's lack of training and regular attention to the imprest fund was the large backlog of claims waiting to be paid. At the time of our inspection, in late October 1998, cash-on-hand in the imprest was just the local currency equivalent of $12 and $1,600 in U.S. currency. Yet, there was $1,540 (local currency equivalent of $1,195 and $345 in U.S. currency) in claims waiting to be paid, some dating back as much as three months. The administrative assistant was routinely telling both employees and vendors that they could not be either reimbursed or paid because there was insufficient local currency in the imprest fund. The problem occurred because the administrative assistant has requested replenishment checks only four times in the previous 10 months. If, as required by the *Foreign Affairs Handbook* (4-FAH-3 H-394.2-6), she had been performing the required reconciliations, she would have been much more aware of when the fund was starting to be depleted and could have requested replenishment checks to avoid any shortages.

We did observe some positive practices with respect to the imprest fund. For example, the fund was kept in a regulated container within a locked safe, as required. Also, in reviewing the paid and unpaid claims against the imprest fund, we noted that no claims exceeded $500, as prescribed by the *Foreign Affairs Handbook* (4 FAH-3 H-394.1-2).

Now that the administrative assistant has passed the exam, the post requested that she be officially designated as the post's Class "B" cashier,[14] with an operating advance of $5,000. This request was approved by US&FCS headquarters in December 1998. However, this is only an interim measure until a permanent cashier is put in place. To that end, the SCO has slated one of the FSN drivers to perform the cashiering duties on a part-time basis. At the time of our inspection, the driver was training several days a week with the cashier at the consulate in Johannesburg, as well as taking the correspondence training course for overseas cashiers. We were informed that the driver took the cashier exam in December 1998, passed, and is now acting as a subcashier to the administrative assistant. When the driver/cashier has completed basic computer training and the State course on the new Automated Cashiering System, he will be designated as the post's Class "B" cashier and the administrative assistant will act as his alternate.

[14] A Class "B" cashier is one who has been designated for an imprest fund and is authorized to advance an imprest fund to an alternate cashier or a subcashier. Any funds advanced to a subcashier remain a part of the Class "B" cashier's authorized advance and must be accounted for in the Class "B" cashier's reconciliation.

To correct the many imprest fund problems we observed during our inspection, the post should ensure that the fund is reconciled at least weekly and unannounced cash counts are performed by an American officer monthly, in accordance with the *Foreign Affairs Handbook*. We also suggest that the post take appropriate steps to reduce the imprest fund balance to $5,000, the amount authorized for the "Class "B" cashier. Finally, replenishment requests must be made more frequently to ensure that the imprest fund does not experience severe cash shortages.

The agency agreed with our findings and recommendation. In their response, agency officials stated that the regional director has "underscored this issue for the incoming MC and the newly-assigned fourth officer whose responsibilities will include admin." The response also stated that the regional director will follow up with the post to ensure that the recommendation has been implemented.

B. Inadequate monitoring of O&A budget has led to large unliquidated obligations

As noted, before January 1998, the post relied on the State B&F office to manage and monitor the budget. Staff at the post would provide the B&F office with cables sent from US&FCS headquarters, indicating its annual budgetary allotments and documentation to obligate those funds. However, staff at the post did little more in terms of overseeing its budget, instead relying on the B&F office to alert them of any problems. Unfortunately, the B&F office apparently did not alert US&FCS to the existence of large unliquidated obligations in the fiscal year 1995, 1996, and 1997 accounts. Our review of the post's Financial Management Center (FMC) 60 reports for these fiscal years revealed large unliquidated obligations in the post's O&A account, as shown in Table 3.

Table 3: Unliquidated O&A Obligations in Fiscal Years 1995, 1996, and 1997

At End of	FY 1995	FY 1996	FY 1997
FY 1997	$77,270	$211,731	$228,830
FY 1998	$8,771	$12,618	$87,407

Unliquidated obligations occur when funds are never actually liquidated against the original obligation. As an example, in fiscal year 1997, the post obligated $53,689 for dependent education, based on the best estimate available at the time of the obligation. However, when all the dependent education bills were paid, they totaled only $40,219. The difference of $13,470 was an unliquidated obligation, and should have been deobligated when it was clear that the funding was no longer needed. Typically, deobligations are done a few months into a new fiscal year when all bills from the prior fiscal year have been paid. The *Foreign Affairs Manual* (4 FAM 032.4-2) requires officials receiving allotments (in this case US&FCS officials at post) to review unliquidated obligations and deobligate when appropriate. However, because the post was not tracking its own budget and the B&F office did not notify it of the unliquidated obligations, the funding has remained on the books for much longer than necessary.

Management at post is not without blame in this problem. Post officials were made aware of their unliquidated obligations in the past and they did not correct the problem or take steps to prevent it from happening again. Specifically, in October 1996, US&FCS issued a management and program review report based on the observations made by a team of US&FCS analysts at the post in September 1996. Among other tasks, the review team examined FMC 60 and 62 reports and found a total of $161,519 in unliquidated obligations for fiscal years 1993, 1994, and 1995. The report recommended that the post work with State to reconcile the accounts and deobligate funds as appropriate. However, during our review of the FMC 60 and 62 reports, it was clear that this recommendation was never acted upon. For example, at the time of the management and program review report, the post had $78,914 in unliquidated obligations for fiscal year 1995. A review of records during our inspection showed that the balance in this account was $77,270 at the end of fiscal year 1997.

We should note that the change, shown in Table 3, between the end of fiscal years 1997 and 1998 amounts for the fiscal year 1995 and 1996 unliquidated obligations is not due to any action taken by US&FCS South Africa. Rather, in late fiscal year 1998, without the consent or knowledge of the post, the State B&F accountant deobligated $68,498 of fiscal year 1995 and $174,333 of fiscal year 1996 funds. Because staff at post had not been tracking its budget, the SCO and his staff were unaware that these deobligations had taken place until our inspection brought it to their attention. We questioned the B&F office as to why the deobligations were made, particularly in light of the *Foreign Affairs Manual*'s requirement that US&FCS officials are responsible for reviewing obligations and deobligating when appropriate. We were told that the accountant responsible for the post's accounts was trying to clean up the books before taking maternity leave and believed that it was within her authority to make such deobligations.

Fiscal year 1997 and earlier accounts must be cleared of unliquidated obligations. In addition, management at post must institute a policy of regularly reviewing its unliquidated obligations to ensure that its O&A account is kept current.

The agency's response stated that unliquidated obligations for years prior to 1998 were cleared before the prior SCO departed the post in July 1999, with a few exceptions in travel that were still being reconciled. Agency officials stated that ITA's new overseas transaction database "cuff" system, when completed, should allow closer tracking of obligations and liquidations.

C. Spreadsheet system designed to track budget should include all post expenses

As stated previously, in January 1998, an additional FSN was hired to, among other tasks, help track and monitor the post's budget. After the FSN returned from finance and administrative training in May 1998, she created a computerized spreadsheet system to track the post's obligations and expenditures against the O&A funding authorized by headquarters. The post has started reconciling this system against the State FMC 62 reports on a quarterly basis. At the time of our inspection, this reconciliation had only been done once. However, the reconciliation did disclose several errors, made by both parties, that otherwise might have gone undetected. The post is hopeful that in the future these reconciliations will go more smoothly, as both US&FCS and the State B&F office become more accustomed to the task.

Because the spreadsheet system had only been in use for about six months at the time of our inspection, we were unable to determine whether all expenses were being accurately tracked, especially because the post was not yet able to completely reconcile its records with those of the State B&F office. We were able to determine, however, that not all expenses were actually being captured in the spreadsheet system. For example, every staff member who travels does his or her own travel voucher to enter a claim for expenses incurred. These vouchers are then sent to the State B&F office for review and payment, but no one at the post keeps track of the amounts contained on these vouchers before they are sent out. As a result, these expenses are not being captured in the spreadsheet system.

Other expenses not being captured in the spreadsheet system include those paid through either the imprest fund or the credit card. Although someone at the post does centrally track what is paid through these methods, the figures are not being put into the spreadsheet system, mainly because no one thought to do it. We are aware that expenses paid with the credit card do not get deducted from the post's O&A budget.[15] However, they are nevertheless legitimate expenses of the post that should be tracked alongside the O&A budget so that any financial reports prepared for post management present a complete picture of the post's financial position. It is therefore important that all expenses incurred by the post, as covered by the O&A account or through another type of budgetary allotment, are captured in the spreadsheet system.

Further, the post should proceed with its plan to reconcile its records with those of the State B&F office at least quarterly. Performing such a reconciliation will help the post keep close tabs on its budget, so that if it is running short on funds, it can request additional funding from headquarters. Conversely, if US&FCS South Africa has excess funds that should be returned to headquarters, it

[15] US&FCS headquarters provides posts with a separate allotment for credit card expenses. Once the post certifies that all expenses on a credit card bill are legitimate and approved, the bills are paid centrally by headquarters.

will be fully aware of its unobligated balances and be in a position to deobligate those excess funds in a timely manner.

In their response, agency officials concurred with our recommendation that all post expenses be captured on the post's spreadsheet system. In addition, they stated that ITA's new "cuff" system should more accurately track the post's budget allotments, obligations, and expenditures.

D. Post needs to understand what ICASS charges it is incurring

US&FCS South Africa, like all other posts, must pay for administrative support services overseas through the International Cooperative Administrative Support Services program. The services, generally provided by the State Department's Administrative Section, include personnel, budget and finance, procurement, and security. The goal of the ICASS program is to obtain quality services at the lowest cost, encourage use of the best and most economical service provider, provide participating agencies with more voice in the administrative decision-making process, provide a transparent system of cost-sharing and reimbursement for services, and finally, ensure user satisfaction.

Overall, US&FCS South Africa believes that the ICASS program is working well because all components of the mission participate and the State Department representatives, in particular the Administrative Counselor, are receptive to input from the participating agencies. Of the total ICASS charges incurred by the U.S. mission to South Africa, State and the U.S. Information Service pay approximately 80 percent. The remainder is paid by the various other mission components, with US&FCS responsible for approximately 3 percent of the total charges.

The post is experiencing difficulty in verifying the accuracy of the biannual ICASS invoices it receives. ICASS invoice amounts are determined by taking the total cost of providing each type of service (personnel, security, etc.) and dividing it up among the users based on how many times the service was used, also referred to as the work load counts. The biggest problem the post is encountering is determining whether the counts are accurate. US&FCS officials stated that they receive no reference or documentation from State to analyze the counts. Consequently, the SCO compares his work load counts to the counts of other similarly sized agencies in the mission to determine whether the post's counts appear reasonable. In general, if a work load count appears reasonable, the SCO does not formally question the corresponding charge, even though he may not be sure exactly how the count was derived. Conversely, when a count appears out of line, he has had some success in getting State to reduce the count, and hence the charge. For the biannual invoice covering the first six months of fiscal year 1998, the SCO was able to reduce US&FCS South Africa's ICASS charges by $6,966 by questioning work load counts that appeared unreasonable.

Another problem with ICASS invoices is that US&FCS South Africa has been routinely billed for services that were not provided. For example, the biannual invoice covering the first half of fiscal year 1998 included ICASS charges for leasing services[16] for 7,213 square feet of office space, covering all three of US&FCS's locations (Johannesburg, Cape Town, and Durban) in South Africa. In fact, US&FCS handles its own leasing services on all but 96 square feet of its office space in country, that being the office space in the Consulate in Durban. Therefore, US&FCS is disputing the ICASS charge of $67,979 that is associated with leasing services for the 7,213 square feet of office space. Unfortunately, the work load count was not adjusted from 7,213 to 96 before the mid-year invoices were sent to Washington for final processing. The post is working with US&FCS headquarters to resolve this issue so that it will not be required to pay the higher, incorrect amount.

It is difficult for the post to keep its costs for administrative support services down, when the correlation between services used and services billed is not readily apparent. In addition, when the post is billed erroneously for services that were never provided, removing those charges from the ICASS invoices can require considerable time and energy. Therefore, we believe that post management needs to work closely with State Department representatives in Pretoria to obtain a better understanding of how the work load counts for ICASS charges are calculated. We encourage the post to continue to work within the ICASS Council and Working Group to make changes to improve the transparency of the billing for all users, as well as institute a speedy process to remove any erroneous charges before the ICASS invoices are sent to Washington for final processing.

Agency officials agreed with our recommendation and stated in their response that the new officers at post have already begun to work on this issue with the administrative section and the ICASS Council in Pretoria.

E. Headquarters oversight and tracking of collections need improvement

US&FCS South Africa, as with other posts, takes cash and checks from clients in payment for products and services. The post also collects payments for the rental of its facilities, such as the exhibition and seminar room in the Commercial Center, and reimbursements, such as payments from employees for personal calls made on government-owned cellular phones. Finally, unlike

[16] According to the ICASS literature, ICASS charges for leasing services include "Working with the landlord to provide basic services to the tenant(s), including adequate utilities, garbage removal, heating and air conditioning. Includes ensuring that the building infrastructure and grounds are properly maintained, custodial services are provided, and necessary repairs are made either through contractors or in-house staff."

many other posts, US&FCS South Africa takes in limited collections for events, such as trade shows. The vast majority of collections for events are handled directly by US&FCS headquarters. Collections may not be used by the post until authorization to do so is received from US&FCS headquarters.

Because of the post's historical problems with its financial and administrative activities, the post did not have adequate records for fiscal year 1996 and 1997 collections. Thus, we were not able to determine the accuracy and completeness of that data, nor were we able to reconcile the post's records to ITA accounting data.[17]

However, beginning in fiscal year 1998, we noted significant improvement in the area of collections. We noted that the collections are being kept in a secure location, are not being co-mingled with the imprest fund, and are being regularly deposited with the State Department cashier.[18] In addition, the FSN is sending weekly collections reports to US&FCS headquarters, via cable, as required. We also found no instances where the post was inappropriately using its collections without proper authorization from US&FCS headquarters. Finally, collections are being tracked in the spreadsheet system.

Unfortunately, we were still unable to reconcile the post's records for its fiscal year 1998 collections against the official ITA accounting data. As shown in Table 4, there is very little correlation between the post's records and those of ITA accounting. More than likely, the cause of this problem does not lie with the post, but with ITA.

Table 4: US&FCS South Africa Fiscal Year 1998 Collections

Selected Products and Services	Post Records	ITA Accounting Data
Business Facilitation Service	$13,977	$17,421
Gold Key Service	$3,314	$1,200
Customized Market Analysis	$2,750	($135)
Total	**$20,041**	**$18,486**

[17] ITA, as US&FCS's parent organization, has the responsibility for keeping the agency's official accounting data.

[18] Per the *Foreign Affairs Handbook* (4 FAH-3 H-321.5-3), collections must be deposited on a daily basis if the collected amount is $5,000 or more. Collections of less than $5,000 may be accumulated and deposited when the total reaches $5,000 or on every Friday (or the last day of the work week), whichever comes first.

A previous OIG audit report on ITA's financial statements stated that key reconciliations of cash collections, including those made at overseas posts, are not being performed.[19] This problem, referred to as a material internal control weakness, is one of several weaknesses that caused the auditors to express a disclaimer of opinion on ITA's financial statements. US&FCS headquarters is also not reconciling the information provided by the post in the weekly collections cables against the collections reports generated by ITA accounting. Thus, no one within US&FCS or ITA can ensure that the funds collected at post each year are being properly deposited and recorded in the appropriate Department of the Treasury account, where all US&FCS collections made overseas eventually end up. Appropriate US&FCS headquarters staff need to work with ITA accounting to establish and enact procedures to reconcile collections made by overseas posts.

In their response, agency officials stated that ITA's new "cuff" system should address our concerns in this area. However, agency officials did not specifically address our recommendation that US&FCS and ITA Accounting work together to establish procedures for reconciling overseas post collections. Such cooperation is still very much needed.

[19] *Audit of ITA's FY 1997 Financial Statements,* FSC-9862-8-0001, March 1997.

V. Some Administrative Matters Require Attention

As with the financial operations of the post, certain administrative matters also require management attention. On a positive note, however, we found that the post was handling procurement, time and attendance, and vehicle control logs well and in accordance with applicable policies and procedures. Unfortunately, the post's personnel records were not complete and up-to-date. We also had concerns about the office's credit card usage, property management policies, as well as administrative operations in the constituent posts. Finally, many of the observations we have made about problems in the financial and administrative areas stem directly from a lack of sufficient training for both FSNs and officers. Additional mandatory training in finance and administration is necessary for officers before assigning them to managerial positions, and sufficient training is needed for FSNs responsible for finance and administration duties, both when they assume a position and as they progress in their careers.

A. Certain administrative operations are being handled well

We were pleased to note that US&FCS South Africa has placed emphasis on certain administrative operations and, as a result, established policies and procedures are being followed and applicable internal control mechanisms are in place. In particular, the post was handling procurement, time and attendance, and vehicle control logs well and in accordance with policies and procedures.

As part of an upward mobility program, the SCO trained and promoted one of his FSN drivers to be a full-time administrative clerk in April 1998. Among other responsibilities, this FSN is responsible for the post's procurement. He attended nearly a week of training on procurement and with the help of the administrative assistant, he has strictly enforced the post's written procedures for procuring both goods and services. These procedures, issued to all staff on October 28, 1997, outline the policies and procedures that all staff must adhere to in obtaining goods and services on behalf of US&FCS South Africa. The State Department General Services Officer told us he was pleased with the significant progress the post had made in the area of procurement over the last 18 months and could not point to any problems needing attention.

With regard to time and attendance, in September 1998 the SCO's secretary instituted a time and attendance form for all staff to fill out and return to her at the conclusion of every two-week pay period. Before that, she had been tasked with keeping track of everyone's schedule, which was becoming increasingly difficult as the staff size grew in recent years. The new form contains a place for an American officer to approve, in advance, any overtime worked. We noted that US&FCS South Africa staff rarely put in for overtime and when they do, it appears to be justified, such as to prepare for the President's visit in March 1998, and is approved in advance. Finally, the use of the form has made it much easier for the SCO's secretary to input the time and attendance and with each employee certifying his or her own time, there should be fewer mistakes because the accountability is now placed on the employee.

Lastly, we were very impressed with the attention that the post's drivers have paid to the required vehicle logs. The logs are consistently being kept for the three vehicles in the US&FCS's fleet in Johannesburg and show the mileage in and out, who was driven to what location, and the departure and arrival times. Historical records of the vehicle logs were filed and were easy to review. We should note that one new vehicle for each of the constituent posts in Cape Town and Durban just arrived during our inspection, so there were no historical records to review at those locations.

B. Personnel records are not complete and up-to-date

The post's personnel records are disorganized and lack pertinent information. Specifically, the files are missing security clearance information, contain tardy or overdue performance evaluations, and possess outdated PSC contracts. Up-to-date personnel records are necessary to maintain proper management oversight of the post.

Determining the security clearance status for FSN and PSC employees in Johannesburg was difficult. The post does not track the status of, or keep any documentation relating to, employee security clearances. All job applicants must be cleared by the Regional Security Office before employment.[20] However, the regional security officer said that US&FCS has brought people on board without informing the security office. Indeed, we found one individual working at the post whose 120-day temporary security clearance had long since expired. The post must ensure that the security officer receives accurate and up-to-date information on all employees and, in turn, request that the officer send copies of security information back to the post.

The post also has a history of submitting late performance evaluations. A State Department personnel officer informed us that FSN performance evaluations are often not completed on time. Upon reviewing the files, we did find a number of performance evaluations that had been signed late or were, at the time, overdue. Post management admitted that appraisals often get pushed aside due to the pressures of competing priorities. Given that the MC and the SCO are scheduled to leave in the summer of 1999, it is particularly important that regularly scheduled performance evaluations are conducted and, where applicable, interim evaluations prepared.

Finally, up-to-date information regarding the status of PSC contracts was not in the files. The embassy personnel office sent annual renewal information to the PSC employees, not to the

[20] 3 *Foreign Affairs Manual* §7222.1-2

SCO. The post should obtain copies of the contract renewal notifications from the personnel office to place in each employee's personnel file.

It is a good practice to have all pertinent personnel information in a central location so that it is readily available to management. Therefore, we suggest that all employees' personnel files be kept current and available to senior management at post and include copies of security clearance status, performance evaluations, and contract renewal notifications.

Agency officials agreed with our recommendation to maintain complete and correct personnel files. They stated that they have informed the new management at post of their need to adhere to our recommendation.

C. Credit card usage should be increased

The post has one VISA credit card that can be used for the purchase of a product or service under $2,500.[21] It is ITA's policy that the credit card be used whenever possible to reduce the time and paperwork involved in traditional procurement, as well as ICASS charges for processing procurement purchase orders. The budget for credit card expenses is made separately from that of the post's O&A budget, and credit card bills are paid by US&FCS headquarters after the post has certified that all charges are appropriate. In fiscal years 1998 and 1999, the post was allocated $10,000 for credit card purchases.

In reviewing the post's credit card records, we determined that the post was appropriately using the credit card and all purchases were under the $2,500 threshold. There is just one credit card holder at post, the third American officer. While having one cardholder helps to control purchases, it also tends to stifle credit card usage. In addition, now that the third officer has been reassigned, no one at the post is authorized to use the credit card. Until a new card holder is identified and the individual takes the required simplified acquisition procedures training course, the credit card will not be used for the post's small purchases.

During our inspection, we heard from many sources of long delays between a product or service being delivered to the post and the payment for that product or service being received by the vendor when using purchase orders processed through the State Department. In fact, there are

[21] Exceptions are cash advances, rental/lease of land or buildings, janitorial or yard care services, representational expenses, personal convenience items (parking tickets, business cards, etc.), purchase or lease of vehicles, building services or alterations, and any expenses incurred while on official travel (rental car, transportation tickets, meals, lodging, etc.).

several vendors who now refuse to do business with US&FCS because it takes them too long to get paid. In addition, with each purchase order sent to State for processing, the post pays an ICASS charge. To help overcome these problems, we believe that the post should consider both increasing usage of the credit card, which post management agreed to do, as well as designating additional card holders. Both of these actions should allow the post to hasten the acquisition of necessary goods and services. Of course, each card holder must be well versed in the policies and procedures for credit card usage.

In the agency's response, agency officials noted their concurrence with the recommendation and stated that "subsequent to the IG Team inspection, US&FCS South Africa requested and was authorized additional funds for credit card purchases, and credit cards were issued to constituent posts in Durban and Cape Town."

D. US&FCS property management policy needs revision

Our inspection disclosed that the post is in compliance with US&FCS's personal property management policy. The policy states that overseas posts should account for property that has an acquisition cost of $2,500 or more or is sensitive in nature, such as televisions, VCRs, laptop computers, and cellular phones. At present, US&FCS headquarters does not mandate that residential property be inventoried or reported to Washington. Although this policy is generally in accordance with Department of Commerce guidelines, it is not in compliance with the *Foreign Affairs Manual* (6 FAM 220) requirements for personal property management at overseas posts. The *Manual* requires posts to track property with an acquisition cost of $1,000 or more, as well as all residential furniture and equipment regardless of cost. Because US&FCS is a foreign affairs agency, it must comply with the requirements set forth in the *Manual*. Therefore, we believe that US&FCS should immediately issue a revised personal property management policy for its overseas posts that is compliant with the applicable *Manual* requirements.

Agency officials stated in their response that "US&FCS management is taking a fresh look at this issue." In their response, agency officials noted that US&FCS's conformity with ITA property management regulations makes their overseas offices at variance with the Foreign Affairs Manual.

E. Constituent posts in Durban and Cape Town need training and management direction in administrative matters

At the time of our inspection, the constituent posts in Durban and Cape Town were fairly new. While US&FCS has, in recent years, had a presence in these locations, the presence has been spotty due to staff turnover. In addition, the staff that has been assigned to these locations have traditionally been local hires. However, in September 1998 an American officer (a Principal Commercial Officer, or PCO) was assigned for the first time to each of these locations and an FSN trade specialist was also recently hired for each location.[22] There were also plans underway to hire a PSC trade assistant for each location. Therefore, when at full strength, Durban and Cape Town will each have three staff members.

State Department officials at the consulates in Durban and Cape Town expressed excitement at having a US&FCS officer assigned to their post and were looking forward to building a solid working relationship. However, State officials in Durban expressed concern that this is a new relationship and the terms for supporting a U.S. officer and his operation have not been adequately defined. In particular, they were uncertain as to what administrative services the Consulate is to provide and what services US&FCS in Johannesburg will provide. In Cape Town, the Consul General, the SCO, and the administrative officer did meet in June 1998 to discuss how the US&FCS office in Cape Town would be setup. The State participants documented the details of this discussion in a "memo to the file," a copy of which was sent to the SCO. However, until we provided him with a copy of this memo, the PCO in Cape Town was not aware of the agreement made before his arrival.

Because this is the first overseas posting for the PCO in Cape Town, we are concerned that he has received no formal training or on-the-job training in how to administratively manage a constituent post. This lack of knowledge and experience has already led to some confusion between the PCO in Cape Town and Consulate officials regarding the importation of the PCO's vehicle from the United States. In addition, we noted that the PCO was using the newly purchased US&FCS vehicle for commuting, which is perfectly appropriate considering his vehicle had not yet arrived from the United States. However, the PCO was keeping no vehicle logs and, when questioned about this practice, he stated that he did not know, nor did anyone tell him, that he must keep a detailed log.

In our view, the creation of these new constituent posts will require close supervision from the post in Johannesburg. Having all new staff in both Durban and Cape Town provides a unique opportunity for administrative procedures and controls to be put in place up front to ensure a smooth operation. However, this will take some effort on the part of the SCO, particularly with regard to the post in Cape Town, to make this happen. Accordingly, we believe that the SCO, together with the PCOs in Durban and Cape Town, needs to work with the appropriate Consulate officials and draft written documents that spell out precisely what services the PCOs and their team can expect of their respective Consulates and what services US&FCS in Johannesburg will

[22] After our on-site inspection, the FSN in Cape Town resigned. Due to fiscal year 1999 US&FCS-wide budget constraints, plans to fill the position have been put on hold.

provide. The SCO and the administrative assistant should also work very closely with the new PCO in Cape Town on all administrative matters, to ensure that he both understands the necessary administrative policies and procedures that come with managing a constituent post and institutes adequate processes to comply with those policies and procedures.

In their response, agency officials noted that they wanted to avoid creating "an officious relationship" with their State Department colleagues. The response stated that the new MC has been asked to work with the PCO in Durban to spell out what services he and his team can expect to receive from the Consulate. We concur with US&FCS's proposed action on this recommendation. The response did not, however, address our recommendation that the SCO work closely with the PCO in Cape Town on "all administrative matters, to ensure that he both understands the necessary administrative policies and procedures that come with managing a constituent post and institutes adequate processes to comply with them."

F. Training for administrative staff is needed

Many of our observations regarding problems in the financial and administrative areas stem directly from a lack of sufficient training for both FSNs and officers with responsibility for these areas. While some initial training has been provided to the two new FSNs responsible for procurement/travel and financial management, more advanced training is needed. For example, the FSN responsible for procurement and travel experienced many problems when he was made responsible for making all of the arrangements for the two US&FCS officers who were medically evacuated to Johannesburg after the August 7, 1998, terrorist bombing of the U.S. Embassy in Nairobi, Kenya. He was unsure of what benefits could be provided and how to procure certain services for the officers and their families. Additional training in both the travel and procurement area dealing with such special circumstances would have helped to avoid some of the confusion that surrounded the stay of the two officers in Johannesburg. Also, the FSN dealing with financial management has taken a one-week introductory course on finance and administration, but the course was not comprehensive or detailed. Advanced training would be very helpful for her, especially considering the significant problems in the post's financial management area.

We do not find it a coincidence that the only finance and administrative training the SCO has received is in the area of procurement, which is one of the areas we found that US&FCS South Africa was handling well. However, we noted that the officers and the Administrative Assistant at post also received very little training in finance and administrative matters. Unfortunately, US&FCS headquarters does not mandate that courses covering such topics as managing budgets, ICASS, procurement, and personnel be taken before officers and administrative assistants are put in charge of such areas. Therefore, officers and administrative assistants tend to learn through trial and error or not at all, a process that only leads to problems, as evidenced by many of the financial and administrative problems noted in this report, as well as in our other reports covering overseas post operations.[23] In addition, because officers are generally not evaluated and/or selected for promotion based on their management of financial and administrative matters, they tend to view training in such matters a waste of time in terms of career advancement.

To overcome the problems we found in South Africa, as well as those noted US&FCS-wide, we believe that US&FCS should make finance and administration training mandatory for officers before assigning them to managerial positions, such as a PCO, Deputy SCO, or SCO.[24] Moreover, US&FCS should provide sufficient training for FSNs responsible for finance and administration when they are first assigned these duties and then follow up with more advanced training as the FSNs progress in their jobs.

The agency agreed with our recommendation and agency officials noted in their response that "in September 1999, US&FCS awarded a contract for developing basic management training courses to be made available on a new US&FCS website for 'virtual' on-demand training." They noted that headquarters continues to stage several administrative and financial training courses each year around the world.

In addition, staff at post have reportedly been instructed to seek guidance and clarification from the regional office whenever questions arise. They stated that the regional office will take a pro-active role in providing guidance and oversight.

[23]See OIG inspections of US&FCS posts in Brazil, China, and Hong Kong.

[24] Because US&FCS recently decided to phase out the administrative assistant job series and give employees in these positions an opportunity to bid on junior officer positions, we have no specific recommendations targeted toward training for administrative assistants.

VI. Export Administration Checks Handled Well, Although BXA Guidelines Are Not Always Followed

The Department's Bureau of Export Administration relies on US&FCS posts overseas to assist it in fulfilling its export control activities. Specifically, BXA requests that the post perform pre-license checks (PLCs) and post-shipment verifications (PSVs), collectively known as "end-use checks," to verify the legitimacy of certain export transactions. Although we were generally impressed with the thoroughness of the cases we reviewed in South Africa, some improvements, particularly in the assignment process, are needed. The post needs to seek exemptions for FSN-led checks from BXA before making on-site visits and develop a log to track BXA request and post-response dates, companies or individuals that have been reviewed, and the recommended action. In addition, FSNs conducting the checks need to involve other sections and agencies in the embassy to improve information gathering.

BXA, as well as other federal agencies involved in the licensing process, can request that a post conduct an end-use check on a foreign company or organization. End-use checks determine whether an overseas person or firm is a suitable party to a future transaction involving controlled U.S.-origin goods or technical data. These checks also confirm whether goods exported from the United States were received and are being used in accordance with the provisions of the export license.

BXA's policy regarding who may conduct checks is sent to all posts by cable.[25] Both the cable and BXA's handbook, *How to Conduct Pre-License Checks and Post-Shipment Verifications* (September 1998), state that BXA's preference is to have U.S. citizens perform the checks "unless extraordinary circumstances require the use" of FSNs or PSCs. BXA states that it will consider case-by-case exceptions to this policy and that any post considering using an FSN or PSC must cable the individual's credentials to BXA along with a justification explaining why an exception to this policy should be granted.

The post is not properly seeking exemptions from BXA. During fiscal year 1998, 16 end-use checks were conducted (this includes requests that were received in fiscal year 1997, but were responded to in fiscal year 1998). Nine, or 56 percent of the checks were conducted by FSNs. Rather than seeking an exception before the on-site visit, the post informed BXA in its response that an FSN was assigned to do the check. BXA, not the post, should determine the acceptability

[25] *Pre-License Check/Post-Shipment Verification Guidance*, U.S. DOC cable 03731, March 1995, *BXA Policy Regarding Who May Conduct PLCs and PSVs*, U.S. DOC cable 004227, September 8, 1998.

of using an FSN for the check.[26] The post should properly seek exemptions from BXA on a case-by-case basis and place both the request and the BXA response to the exception in the file.

We also found that there is no system in place at post to track the individuals or companies that have undergone an end-use check or the outcome of the check. The post keeps a central file folder with all correspondence relating to end-use checks. The folder contains multiple copies of some documents, appears to be missing others, and is not filed in any specific order. Thus, to find a particular request and response, the entire folder must be searched. The central file also lacks an index of the requests or entities involved. Because there is no log, current and future staff may not be aware of which companies or persons have been the subject of an end-use check or of the outcome. Although there were no apparent negative consequences of the post's filing system, one could imagine a scenario in which an employee contacts a company or persons, completely unaware of an adverse finding during a previous end-use check. A centrally held log will help provide the necessary background information and continuity to make the end-use check process more complete.

Although BXA is satisfied with US&FCS South Africa's response time, we found that of the 12 PLCs in the file containing both request date and response date information, only 1 was answered within the required timeframe. The BXA handbook requires that the requested check be completed and transmitted within 28 days for PLCs and 60 days for PSVs. If not done timely, legitimate U.S. business transactions could be delayed or lost (for PLCs), or an untimely response to a PSV request could forestall BXA from taking action to prevent diversions or stop violations of U.S. export control laws. We believe the reason the checks are not completed in a timely manner is because they are not a high staff priority and there is no system to track their status. During interviews with the commercial specialists, responsibilities for end-use checks were not mentioned as a priority or as an assignment in their work plan. We later discovered that one commercial specialist is the primary liaison for all end-use checks, although a number of the specialists have conducted checks. The request and the response dates should be tracked in order to hold the various persons assigned to the check accountable for completing it on time.

The SCO has done an excellent job of including embassy personnel in the end-use checks he has personally conducted. In checks involving firearms, on-site visits are usually conducted by the SCO or another American officer and where additional expertise is required, the SCO has sought assistance from the Defense Department attaché. In addition, the SCO has worked with the U.S. Customs Service to obtain, from the South African police, record checks on individuals and businesses that were the subject of a check.

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[26] BXA states that the three disadvantages of an FSN conducting the checks are credibility, the reluctance to testify against a fellow citizen in a U.S. court, and the lack of access to classified material.

The FSNs assigned to conduct the end-use checks, however, have not sought assistance from the embassy personnel. In early 1997, a Customs Service attaché was assigned to the embassy in Pretoria. The attaché's primary mission is investigative, working closely with host government's customs officials and other law enforcement agencies. Although the SCO sent an electronic mail message to the FSN commercial specialists about the new attaché, with the suggestion that anyone conducting end-use checks "touch base" with Customs, this has not been the practice. The Customs attaché has never been contacted by FSNs conducting end-use checks and does not see the final post response sent to BXA. The attaché stated that copies of US&FCS final responses are necessary for his files, so that he has a record of U.S. export control law actions. The Customs attaché should regularly be consulted about end-use checks and should be provided a copy of the post's response.

In their response, agency officials agreed with most of our recommendations in this area. They stated that the regional office will work with the post and BXA to see that exemption requests are submitted in a timely fashion. They have also discussed with the MC the need for the post to regularly consult with the Customs Service Attache on each end-use check and to send the attache a copy of the post's end-use responses. However, US&FCS has not yet indicated whether it will comply with this recommendation. This should be addressed in the agency's action plan.

RECOMMENDATIONS

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

1. Consider more efficient alternatives to best utilize US&FCS South Africa's human resources, such as hiring a cost recovery PSC to cover events and missions, rather than using the higher grade FSN trade specialists to perform the associated clerical and logistical duties. Also consider using FSN trade specialists to produce core US&FCS products and holding them accountable for collecting success stories that relate directly to the US&FCS mission (see page 7).

2. Delegate substantive advocacy issues to the staff that can best respond to the Advocacy Center's requests for information. In addition, when U.S. exporters request advocacy assistance, background information should be collected and participation agreements signed to ensure that U.S. interests are being served (see page 11).

3. Emphasize the importance of and develop a set of procedures for maintaining an up-to-date Client Management System database in South Africa (see page 12).

4. Define the types of organizations the post hopes to attract to the Commercial Center, develop an active marketing campaign to educate these potential partners about the benefits of locating in South Africa, and then actively recruit these partners (see page 16).

5. Put into place an MOU or reimbursable agreement for all collocated partners, regardless of their length of stay in the Commercial Center. In addition to showing the amount charged, calculated on a cost-reimbursable basis, the document should cite the authority under which funds can be transferred, outline the areas and method of payment, and define what the partner's staff can expect from US&FCS (see page 17).

6. Better track the status of partner MOUs, ensure that they contain guidelines on measuring the impacts and benefits of having a collocated partner, and enforce their terms (see page 17).

7. Clearly define the Commercial Center director position so that the responsibilities and performance measures are focused on the Center's operations (see page 19).

8. Better track commercial officer assignments and make directed assignments to avoid leadership voids at posts (see page 21).

9. Correct the problems with the post's imprest fund by (1) ensuring that the fund is reconciled at least weekly and unannounced cash counts are performed by an American officer monthly, (2) reducing the cash-on-hand in the imprest fund to $5,000, the amount authorized for the "Class "B" cashier, and (3) making replenishment requests weekly (see page 24).

10. Clear US&FCS South Africa's accounts (fiscal year 1997 and earlier) of any unliquidated obligations. In addition, institute a policy for the post to review its unliquidated obligations regularly to ensure that accounts are kept current (see page 27).

11. Ensure that all expenses incurred by the post, as covered by the O&A account or through another type of budgetary allotment, are captured in the post's spreadsheet system. Further, the post should proceed with its plan to reconcile its records with those of the State B&F office at least quarterly (see page 29).

12. Work closely with State Department representatives in Pretoria to obtain a better understanding of how the work load counts for ICASS charges are calculated. Also, work within the ICASS Council and Working Group to improve the transparency of the billing and institute a speedy process to remove any erroneous charges before the ICASS invoices are sent to Washington for final processing (see page 30).

13. Have US&FCS headquarters staff work with ITA accounting to establish procedures to reconcile collections made by overseas posts (see page 31).

14. Ensure that all employees' personnel files are current, available to senior post management, and complete, including copies of security clearance status, performance evaluations, and contract renewal notifications (see page 35).

15. Instruct US&FCS South Africa to increase its usage of the credit card for small purchases under $2,500 and consider designating additional cardholders (see page 36).

16. Immediately issue a revised personal property management policy for its overseas posts that is in full compliance with all the requirements contained in 6 Foreign Affairs Manual 220 (see page 37).

17. Ensure that the SCO, together with the PCOs in Durban and Cape Town, work with the appropriate Consulate officials to draft written documents that spell out precisely what services the PCOs and their team can expect of their respective Consulates and what services US&FCS in Johannesburg will provide. The SCO and administrative assistant should also work closely with the PCO in Cape Town on all administrative matters, to

ensure that he both understands the necessary administrative policies and procedures that come with managing a constituent post and institutes adequate processes to comply with them (see page 37).

18. Make financial and administrative training mandatory for officers before assigning them to managerial positions, such as a PCO, Deputy SCO, or SCO (see page 39).

19. Provide sufficient training for FSNs responsible for finance and administration when they are first assigned these duties and then conscientiously follow up with more advanced training as the FSNs progress in their jobs and thus, require additional training (see page 39).

20. When appropriate, seek an exemption from BXA when assigning an FSN to conduct end-use checks (see page 41).

21. Create a central log at post of the BXA request and post response dates, companies or persons that have been subject to checks, and the outcome of the checks (see page 41).

22. Regularly consult with the U.S. Customs Service attaché about end-use checks and send the post's final response to the Customs attaché (see page 41).

ACRONYMS

ADS	Agent/Distributor Service
B&F	Budget and Finance
BXA	Bureau of Export Administration
CIRC	Commercial Information Resource Center
CMA	Customized Market Analysis
CMS	Client Management System
FMC	Financial Management Center
FSN	Foreign Service National
ICASS	International Cooperative Administrative Support Services
IMI	International Market Insight
ISA	Industry Sector Analysis
ITA	International Trade Administration
MC	Minister Counselor
MOU	Memorandum of Understanding
O&A	Operations and Administration
OIG	Office of Inspector General
PCO	Principal Commercial Officer
PLC	Pre-License Check
PSC	Personal Services Contractor
PSV	Post-Shipment Verification

SCO	Senior Commercial Officer
TDA	Trade Development Agency
US&FCS	U.S. and Foreign Commercial Service

AGENCY RESPONSE

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

SEP 30 1999

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

FROM: Awilda R. Marquez ARM

SUBJECT: US&FCS Response to Draft Audit Report on
US&FCS South Africa – IPE – 11433/August 1999

I am pleased to provide you with US&FCS' response to your draft audit report of our operation in South Africa. In our response to the report, you will see that we have answered the recommendations posed in the document. In many instances, you will note that our post has either taken action on the recommendations or indicates steps that will be taken to address or remedy the issues raised by the IG team.

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

OIO comments on OIG's Report on US&FCS South Africa
September 30, 1999

Introduction

The Commerce OIG report on the team's inspection of US&FCS South Africa, October 26-November 11, 1998, provides a good overall picture of that post's operations. In the five years since South Africa emerged from apartheid, the US&FCS operation changed from primarily monitoring U.S. companies' adherence to anti-apartheid economic sanctions to one of the busiest, pressure-filled posts worldwide. The report accurately reflects the resulting dramatic shift in post's activities and resource demands. It also highlights post's remarkable success in serving U.S. business clients and supporting this Administration's numerous Africa initiatives despite the relentless demands placed on it by constant high-level attention and activities. (No other post in the world has had to handle seven visits by the Secretary of Commerce, a presidential visit, two visits by the Deputy Secretary and a host of other regular visits by DGs past and present and other senior USDOC officials from NTIA and TIA) At the same time, the OIG team has pointed out some areas for improvement both at post and at US&FCS headquarters in Washington which can enhance the effectiveness of US&FCS South Africa.

We have discussed many of the report's recommendations with the new team of four American officers who will be taking up their new assignments in Johannesburg, South Africa within the next few weeks. As a result, we expect the recommendations to be fully implemented.

Comments on the report's specific recommendations below:

1. **Recommendation**: Consider more efficient alternatives to best utilize US&FCS South Africa's human resources, such as hiring a cost recovery PSC to cover events and missions, rather than using the higher grade FSN trade specialists to perform the associated clerical and logistical duties. Also consider using FSN trade specialists to produce core US&FCS products and holding them accountable for collecting success stories that relate directly to the US&FCS mission.

Response: We have discussed this issue extensively with the newly-assigned MC, the deputy SCO and the new Director of the Commercial Center, and expect to see changes once the new team is in place. In addition, two experienced American officers who served extended TDYs in South Africa to cover staffing gaps during the past several months, gave guidance to the FSN staff on how to produce quality success stories, IMIs and ISAs. The mini-training sessions conducted by the two TDY officers appears to have yielded results, especially in the Johannesburg office of the operation, since more IMIs and success stories have come in since the TDYs. We expect this trend to continue.

2. **Recommendation:** Delegate substantive advocacy issues to the staff that can best respond to the Advocacy Center's requests for information. In addition, when U.S. exporters request advocacy assistance, background information should be collected and participation agreements signed to ensure that U.S. interests are being served.

Response: We expect this will improve considerably once the new team of officers is in place. All of them have had consultations with the Advocacy Center so are aware of what the center needs to assist U.S. firms. In addition, the Deputy SCO is an experienced officer who has a long track record of excellent cooperation with Advocacy Center staff.

3. **Recommendation:** Emphasize the importance of and develop a set of procedures for maintaining an up-to-date Client Management System database in South Africa.

Response: US&FCS/OIO has addressed this issue with the new MC who feels that the maintenance of a client database is a critical tool in delivering core programs and services. The staff will receive training in how to update the CMS system. Because the CMS database was set up to meet the needs of the trade specialists in the domestic field, it has not been a particularly useful tool for the overseas field. However, US&FCS senior management is aware of this and is taking steps to make CMS more useful to the overseas staff.

4. **Recommendation:** Define the types of organizations the post hopes to attract to the Commercial Center, develop an active marketing campaign to educate these potential partners about the benefits of locating in South Africa, and then actively recruit these partners.

Response: In April 1999 we sent an experienced officer with strong marketing and promotional skills to serve a TDY in South Africa. His primary responsibility was to develop a marketing strategy for the commercial center. The plan he developed will serve as a blueprint for the MC and his team as they develop a plan for making the commercial center a centerpiece of the Department's commercial strategy in Sub-Saharan Africa. As part of that strategy, we expect the MC and Commercial Center Director to focus on recruiting potential partners to collocate in the center.

5. **Recommendation:** Put into place an MOU or reimbursable agreement for all collocated partners, regardless of their length of stay in the Commercial Center. In addition to showing the amount charged, calculated on a cost-reimbursable basis, the document should cite the authority under which funds can be transferred, outline the areas and method of payment, and define what the partner's staff can expect from US&FCS.

Response: We concur. ANESA RD and staff will work with post and partners to incorporate these excellent suggestions into the MOUs which will be put in place for any collocated partners.

6. **Recommendation:** Better track the status of partner MOUs, ensure that they contain guidelines on measuring the impacts and benefits of having a collocated partner, and enforce their terms.

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Response: We concur. ANESA RD and staff will work with the new MC and his staff to implement these recommendations.

7. **Recommendation:** Clearly define the Commercial Center director position so that the responsibilities and performance measures are focused on the Center's operations.

Response: We have long recognized the problems cited in the report which hampered the previous Commercial Center Director's ability to focus primarily on the Center's operations. We have told the new post management team to implement the IG's recommendation in order to enable the Commercial Center to operate effectively. The addition of a fourth American officer, and our plans to add PSC staff solely for Commercial Center activities, should help relieve some of the non-commercial center related demands which negatively affected commercial center operations in the past.

8. **Recommendation:** Better track commercial officer assignments and make directed assignments to avoid leadership voids at posts.

Response: US&FCS management prefers to use the competitive open assignments process with rare resort to direct assignments in hard-to-fill positions or when managerial or personal problems at a post require intervention. US&FCS HRD had developed new databases to better track vacancies and assignments.

9. **Recommendation:** Correct the problems with the post's imprest fund by 1) ensuring that the fund is reconciled at least weekly and unannounced cash counts are performed by an American officer monthly, 2) reducing the cash-on-hand in the imprest fund to $5,000, the amount authorized for the "Class B" cashier, and 3) making replenishment requests weekly.

Response: We concur. ANESA RD and staff have underscored this issue for the incoming MC and the newly-assigned fourth officer whose responsibilities will include admin. ANESA RD and staff will follow up with them to ensure that the recommendation has been implemented.

10. **Recommendation:** Clear US&FCS South Africa's accounts (fiscal year 1997 and earlier) of any unliquidated obligations. In addition, institute a policy for the post to review its unliquidated obligations regularly to ensure that accounts are kept current.

Response: According to outgoing SCO Dan Harris, unliquidated obligations for years prior to 1998 were cleared before he departed post in July 1999, with a few exceptions in travel that were still being reconciled. The importance of clearing unliquidated obligations in a timely fashion was stressed during the admin training session held in Sao Paolo, Brazil in late August 1999. The new junior officer from Johannesburg participated in the training. In addition, the FSN with primary budget responsibilities received similar admin training in February 1999 and "cuff" training in early September 1999. Implementation of ITAs new overseas transaction database "cuff" system at post, when it is de-bugged, should allow closer tracking of obligations and liquidations.

11. **Recommendation:** Ensure that all expenses incurred by post, as covered by the O&A account or through another type of budgetary allotment, are captured in the post's spreadsheet system. Further, the post should proceed with its plan to reconcile its records with those of the State B&F office at least quarterly.

Response: We concur and have flagged this issue for new post officers. The ITA "cuff" system will more accurately track post's budget allotments, obligations, and expenditures.

12. **Recommendation:** Work closely with the State Department representatives in Pretoria to obtain a better understanding of how the work load counts for ICASS charges are calculated. Also, work within the ICASS Council and Working Group to improve the transparency of the billing and institute a speedy process to remove any erroneous charges before the ICASS invoices are sent to Washington for final processing.

Response: We concur. We have discussed the importance of understanding and tracking ICASS with the new post officers. They have already begun to work on this with State admin and the ICASS Council in Pretoria

13. **Recommendation:** Have US&FCS headquarters staff work with ITA accounting to establish procedures to reconcile collections made by overseas posts.

Response: The implementation of the new overseas tracking database "cuff" system, which is being required by ITA, will address this.

14. **Recommendation:** Ensure that all employees' personnel files are current, available to senior post management, and complete, including copies of security clearance status, performance evaluations, and contract renewal notifications.

Response: We concur and have informed the new post management of their need to adhere to this recommendation.

15. **Recommendation:** Instruct US&FCS South Africa to increase its usage of the credit card for small purchases under $2,500 and consider designating additional cardholders.

Response: We concur. Subsequent to the IG Team inspection, US&FCS South Africa requested and was authorized additional funds for credit card purchases, and credit cards were issued to constituent posts in Durban and Cape Town. We will encourage posts to make more frequent use of the credit cards.

16. **Recommendation:** Immediately issue a revised personal property management policy for its overseas posts that is in full compliance with all the requirements contained in 6 Foreign Affairs Manual 220.

Response: ITA and US&FCS management are taking a fresh look at this issue. Conformity with Departmental property management regulations makes our overseas offices at variance with 6 FAM 220. ITA has written to the Department of State seeking a waiver from thresholds currently in the FAM. We understand that State plans to raise thresholds and are awaiting a formal response. We will issue a revised policy when the response is received.

17. **Recommendation:** Ensure that the SCO, together with the PCOs in Durban and Cape Town, work with the appropriate Consulate officials to draft written documents that spell out precisely what services the PCOs and their team can expect of their respective Consulates and what services US&FCS in Johannesburg will provide. The SCO and administrative assistant should also work closely with the PCO in Cape Town on all administrative matters, to ensure that he both understands the necessary administrative policies and procedures that come with managing a constituent post and institutes adequate processes to comply with them.

Response: While we agree with the general value of putting commitments in writing, we want to avoid creating an officious relationship with the State colleagues whom we want to support where possible, as well as share successes. Thus documented agreements should have value to both parties. We have asked the new MC to work with PCO in Durban to spell out what services he and his team can expect to receive from the Consulate, along the lines of what has been done in Cape Town, e.g. in the areas of admin support.

18. **Recommendation:** Make financial and administrative training mandatory for officers before assigning them to managerial positions, such as PCO, Deputy SCO or SCO.

Response: In September 1999, US&FCS awarded a contract for developing basic management training courses to be made available on a new US&FCS website for "virtual" on-demand training. Additional modules are proposed for financial and other administrative issues. Meanwhile, HQ continues to stage several admin and financial training courses each year around the world.

19. **Recommendation:** Provide sufficient training for FSNs responsible for finance and administration when they are first assigned these duties and then conscientiously follow up with more advance training as the FSNs progress in their jobs and thus, require additional training.

Response: While admin training is certainly important, it is also important that there be regular communication between post's admin staff and ANESA RD staff to reinforce what has been learned during the training and to provide guidance and clarification when necessary. The admin FSN has received admin and budget training, trade events training, simplified acquisitions training, and most recently "cuff" training. The former director of the commercial center had received admin and financial training (including trade events training), and the former admin assistant had also also received simplified acquisitions training and training on the automated cashier system. Despite all the training, admin

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problems remained. Post staff have been instructed to seek guidance and clarification from ANESA RD staff whenever there are questions. RD staff will take a pro-active role in providing guidance and oversight.

20. **Recommendation:** When appropriate, seek an exemption from BXA when assigning an FSN to conduct end-use checks.

Response: ANESA RD and staff will work with post and BXA to see that exemption requests are submitted by post in a timely fashion.

21. **Recommendation:** Create a central log at post of the BXA request and post response dates, companies or persons that have been subject to checks, and the outcome of the checks.

Response: We agree and have so instructed post.

22. **Recommendation:** Regularly consult with the U.S. Customs Service attache about end-use checks and send the post's final response to the Customs attache.

Response: We have discussed this with the new MC.

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