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***INTERNATIONAL TRADE
ADMINISTRATION***

*Trade Events: Improvements Needed
in Planning and Management*

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Office of Audits, Business and Trade Audits Division



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EXECUTIVE SUMMARY

Supporting trade events is a key component of the International Trade Administration's export promotion strategy. These export promotion efforts include different types of trade events to promote U.S. exports. ITA has defined a trade event as "any organized activity that places U.S. exporters in contact with foreign markets." Three of ITA's four components are involved in trade events--Trade Development (TD), the U.S. and Foreign Commercial Service (US&FCS), and Market Access and Compliance.

As a follow-on to our previous review of the role of Trade Development in the National Export Strategy,¹ our review focused primarily on the trade events of TD. Cognizant that the majority of ITA's trade events are executed by US&FCS, we also evaluated certain aspects of its trade events in FY 1996, principally as they related to our review of TD's trade events. According to data provided by the Trade Events Management System (TEMS), ITA's reporting system for its trade events, there were 419 trade events held in FY 1996. TD was responsible for 83 of these events, most commonly Business Facilitation Centers (BFCs). These events are held at leading international trade fairs to assist U.S. participants or promote the products of specific companies.

In 1993, ITA established the Trade Events Board to provide improved policy direction and guidance on trade event planning, management, and financial matters. There is also an intra-ITA working group, the Trade Events Planning Committee, to review trade event planning and management. TEMS is the successor to an earlier system developed to automate trade events data collection, statistical analysis, and reporting functions. Although TEMS is organizationally located in US&FCS, it is an ITA-wide system with the primary objective of providing an event planning and financial data system for trade events.

Although problems with trade event activities have been identified in a number of prior internal and external reviews, we identified several areas warranting management attention that continue to hinder ITA's ability to most effectively pursue its trade event activities.

- Communication and coordination between TD and US&FCS posts need improvement. In particular, TD event officers should provide the posts with adequate information sufficiently in advance of an event to allow for maximum preparation and to increase the potential for success (see page 4).

¹*Advocacy Center: Achievements Need Better Documentation* (TID-8375-7-0001, March 1997).

- Internal controls are needed throughout ITA to ensure that cancellations of trade events--when necessary--are done in a proper and timely manner. TD has the highest percentage of canceled trade events and should work with appropriate ITA officials to establish an internal quality review procedure at the Assistant Secretary's level to evaluate its proposed events (see page 6).
- The end-of-show data in TEMS is incomplete and does not provide the kind of management information that would be most useful to ITA. We found that all ITA-supported events are not included in TEMS. In addition, ITA management needs to decide what role TEMS will have in providing performance measures (see page 10).
- US&FCS trade event performance measures, presented in ITA's budget submission, relied on data requested from the posts, not on TEMS. However, the basis for the data used could not be explained by ITA's Office of Financial Management (OFM). Performance measures need to be clearly identified and defined. Finally, if ITA management intends to rely on TEMS for performance data, guidelines and internal controls are needed to ensure that such data is entered on a timely basis (see page 14).
- Neither TEMS nor OFM records can be used to reliably determine the financial status of individual ITA trade events. TEMS lacks final obligation reports for most ITA trade events, and many trade events do not have unique project numbers in OFM's system. At a minimum, financial data for all trade events using trust funds should be submitted by the posts, reviewing officers at ITA headquarters should ensure that final obligation reports are entered into TEMS, and all trade events should have unique project identification numbers in OFM's system so that these events can be tracked individually (see page 16).
- The effectiveness TD's principal trade events activities (Business Facilitation Centers, Product Literature Centers, and catalog shows) should be assessed to determine if these types of events are an efficient use of ITA resources (see page 20).

This report contains recommendations on pages 5, 9, 12, 15, 18, and 20 to address these issues.

ITA officials generally agreed with the findings and recommendations in our draft report. However, ITA provided additional comments and suggested changes. These comments and suggested changes were considered and, where appropriate, are reflected in the final report. ITA's official response to the draft report is attached as Appendix G.

INTRODUCTION

Supporting trade events is a key component of the International Trade Administration's export promotion strategy. ITA has defined a trade event as "any organized activity that places U.S. exporters in contact with foreign markets." (See Appendix A.) Three of ITA's four components are involved in trade events--Trade Development (TD), the U.S. and Foreign Commercial Service (US&FCS), and Market Access and Compliance (MAC).

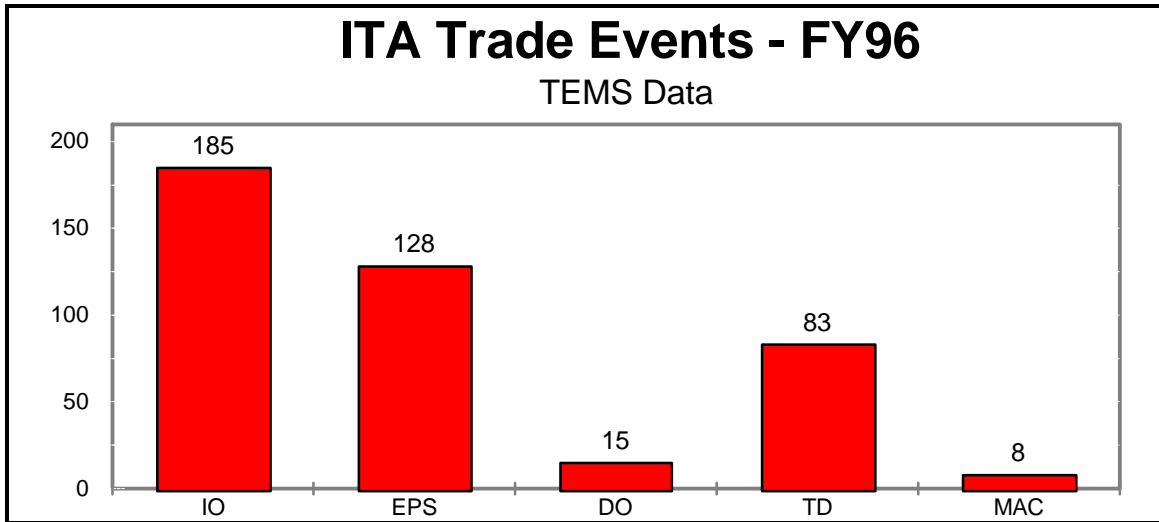
As a follow-on to our previous review of the role of Trade Development in the National Export Strategy,¹ our review focused primarily on the trade events of TD in fiscal year 1996. However, because the majority of ITA's trade events are executed by the US&FCS, we also evaluated certain aspects of its trade events activities in FY 1996 as they related to our review of TD's trade events.

In 1993, in an effort to deal with mounting concerns about the need for improved coordination and handling of ITA trade events, ITA established the Trade Events Board to provide policy direction and guidance on trade event planning, management, and financial matters. The Board was given responsibility for developing goals and strategies for the trade event program, establishing and modifying the trade event calendar, appointing event managers, approving event budgets, and monitoring event activity. More recently, with the issuance of guidelines for Departmental Trade Missions by the Secretary of Commerce, the Trade Events Board is now responsible for reviewing and approving the mission statement for missions sponsored by ITA.

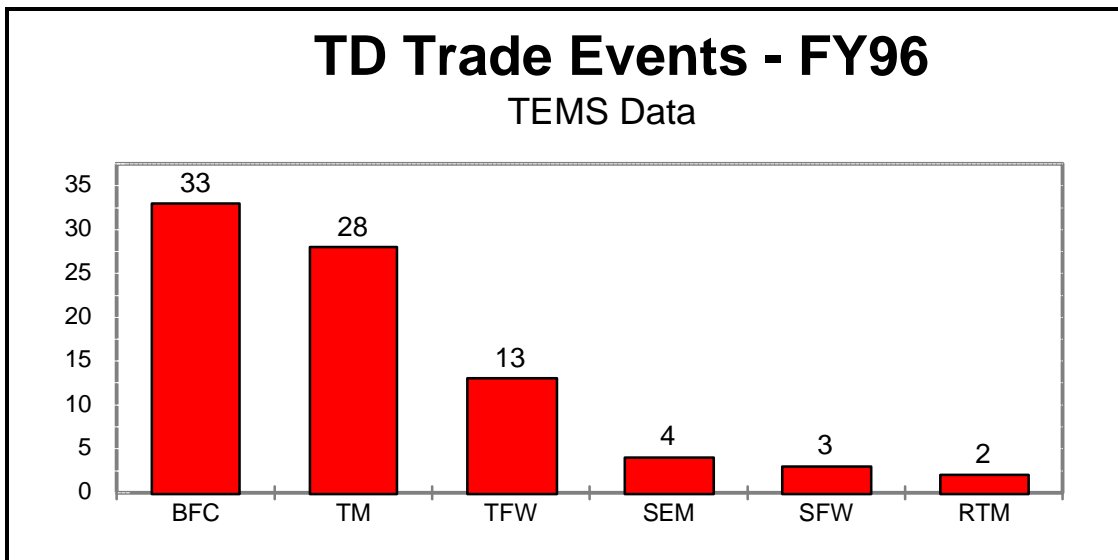
The trade-event planning process is an 18- to 30-month cycle with about nine months estimated for the event selection or planning phase, and nine to 18 months estimated for event recruitment. The ITA Trade Events Planning Committee (TPC) is the intra-ITA working group established to review trade event planning and management.

The Trade Events Management System (TEMS) is the successor to an earlier system developed to automate trade events data collection, statistical analysis, and reporting functions. Although TEMS is organizationally located in US&FCS, it is an ITA-wide system with the primary objective of providing ITA with an event planning and financial accounting system for trade events expenditures. As shown on the next page, according to data provided by TEMS, there were 419 trade events held in FY 1996 by TD, MAC, and the three subunits of US&FCS, which are International Operations, Export Promotion Services, and Domestic Operations. However, ITA's budget submission for FY 1998 indicated that over 1,900 trade events were held in FY 1996.

¹*Advocacy Center: Achievements Need Better Documentation* (TID-8375-7-0001, March 1997).



Business Facilitation Centers (BFCs) were the most predominant type of TD events. These events are held at leading international trade fairs to assist U.S. participants or promote the products of specific companies through video presentations, panel displays, or catalogs. The following graph illustrates the types of TD trade events in FY 1996.



As shown in Appendix B, Trade Fairs (overseas procured) were the most predominant event organized by US&FCS's International Operations, and Certified Trade Fairs were the most predominant event for US&FCS's Export Promotion Services in FY 1996.

PURPOSE AND SCOPE OF AUDIT

This audit was a continuation of our overall review of TD activities, the first of which was a review of the Advocacy Center. The purpose of this audit was to review TD's trade event and related activities in order to determine whether resources are being used in the most effective, efficient, and economical manner. While our audit initially focused on events developed and carried out by TD, any review of trade event activities requires that we examine, to some degree, the role of US&FCS in ITA's trade events. US&FCS plays a major role in the development and conduct of trade events and has developed TEMS to monitor trade event activities. We reviewed applicable laws, regulations, policies, and procedures. Since, according to the TEMS database, MAC and US&FCS's Domestic Operations were responsible for relatively few events, we did not include their trade events in our review.

The Department of Commerce's export promotion authority has six principal bases: "Organic" authority enacted in 1903, Reorganization Plan No. 3 of 1979, the Export Administration Amendments Act of 1985, the Omnibus Trade and Competitiveness Act of 1988, the Export Enhancement Act of 1992, and the Jobs Through Trade Expansion Act of 1994.

We interviewed TD and US&FCS headquarters officials and several FCS officers. We examined selected files and records and reviewed other appropriate documentation. Our analysis included a review of the range of geographical areas, industry sectors, and outcomes from ITA trade events. Our field work was completed in August 1997.

We reviewed the effectiveness of internal controls related to the management and planning of trade events and identified several weaknesses that warrant management's attention. Our review included an assessment of the reliability of computer-generated data because such data played a significant role in our review. Our review of ITA's trade event activities revealed no evidence that ITA was not complying with these applicable laws and regulations.

Our audit was conducted at ITA headquarters in Washington, D.C. The audit was conducted in accordance with Government Auditing Standards, issued by the Comptroller General of the United States, and was performed under the authority of the Inspector General Act of 1978, as amended, and Department Organization Order 10-13, dated May 22, 1980, as amended.

FINDINGS AND RECOMMENDATIONS

I. IMPROVED COMMUNICATION AND COORDINATION NEEDED BETWEEN TD AND FOREIGN COMMERCIAL SERVICE POSTS

The need for improved communication and coordination among ITA agencies has previously been cited in a number of reports and acknowledged by ITA managers. The Trade Events Board and its working committee, the TPC, were established in large part to provide policy direction and guidance on trade event planning and management. However, we found that cooperation and coordination between TD and US&FCS overseas posts have been mixed.

In assessing selected TD trade events, we interviewed five FCS officers and received E-mail messages from four others concerning their experiences with TD. Most of the officers said that their experiences have depended on the individual TD office involved in a trade event. Certain TD offices were praised for their timely communication with the posts and cooperation throughout the planning process, while others were regarded as so uncooperative, even hostile, that the FCS officers preferred to never work with them again. Two FCS officers described instances in which they had requested mailing lists from TD officials who refused to provide the information.

A key factor cited by the FCS officers was whether the TD official would keep them informed on an event's tentative participants and their specific needs in the crucial six- to eight-week period prior to an event and respond in a timely manner to their inquiries. In most cases, this six- to eight-week period is the phase that requires the majority of post-related support, e.g., arranging appointments for participating U.S. companies. One FCS officer described two instances in which the late receipt of information from TD event officers made it more difficult for the post to properly prepare for the scheduled events. An FCS officer at another post also described an event with the same problem. An FCS officer at a third post described a recent event which was characterized by a lack of and at times contradictory information from TD.

Another factor cited by one FCS officer was whether the TD official would first discuss a planned event directly with the post before proposing the event to the Trade Events Board. This FCS officer praised TD's Environmental Technologies Exports (ETE) for this type of coordination. This officer and an FCS headquarters staff person said that ETE kept the posts informed and responded in a timely manner to post inquiries.

On the other hand, two TD officers said that they had attempted to discuss event information with certain posts before formally proposing the event, but never received any response. In one instance, senior TD officials met with an FCS officer while he was in Washington to discuss a proposed event, but never received a response after the officer returned to post. According to

one TD official, two trade events to that country were canceled because of the lack of cooperation from the post. The TD official felt that TD has lost some credibility with the industry's companies because of the two cancellations.

A. Recommendation

We recommend that the Under Secretary for International Trade ensure that TD event officers provide US&FCS officers at the posts with adequate information, sufficiently in advance of a scheduled trade event, in order that the posts have adequate time to properly prepare for the event.

B. ITA Response to Draft Report and OIG Analysis

In response to our draft report, the Deputy Under Secretary agreed with our recommendation and indicated that ITA will continue to ensure that there is adequate lead time and that adequate information about each event is communicated between headquarters and posts. However, the Deputy Under Secretary indicated there is a lack of recognition in the draft report that communication and coordination have improved since the Trade Events Board and the TPC were established. In addition, the Deputy Under Secretary's response provided additional comments and suggested changes.

Based on our past work on ITA, we agree that communication and coordination improved with the establishment of the Trade Events Board and the TPC. However, we believe there is still considerable room for improvement, as indicated by our review. ITA's comments and suggested changes to the draft report were considered and, where appropriate, are reflected in the final report.

II. LATE CANCELLATIONS OF TRADE EVENTS WASTE RESOURCES

Not surprisingly, changing market conditions, insufficient participation, or unexpected political events are some of the reasons that may result in the cancellation of a scheduled trade event. According to data provided by TEMS, ITA had 117 canceled trade events in FY 1996. The following table shows FY 1996 trade events--scheduled, actual, and canceled--for Trade Development, US&FCS's International Operations, and US&FCS's Export Promotion Services, based on the TEMS data. We found that too often events were not canceled in a timely manner, wasting ITA resources and undermining the purpose of TEMS.

Trade Events (FY 1996)				
ITA Unit	Scheduled	Actual	Canceled	Percent Canceled
TD	135	83	52	39%
US&FCS-IO	233	185	48	21%
US&FCS-EPS	145	128	17	12%
Total	513	396	117	23%

According to two of the nine FCS officers from whom we received comments, the uncertainty whether a TD trade mission would come to fruition made it difficult for a post to plan its event calendar. If the post scheduled a TD trade mission that was later canceled, the cancellation was generally too late for the post to schedule other trade missions from states or associations. In FY 1996 TD had 12 canceled trade missions and 24 actual trade missions. According to TEMS data, of the 12 canceled trade missions, two were canceled less than two months before the scheduled event date; four were canceled less than one month before the scheduled event date, and six showed cancellations dates after the scheduled start date.

We interviewed officials in TD and US&FCS to determine if there were any written guidelines on when recruitment efforts should cease and an event should be canceled. Although no written guidelines were available regarding the cancellation of trade events, several officials in US&FCS's International Operations said that approximately eight weeks before the scheduled date should generally be the minimum cancellation period in order that the posts do not continue to expend valuable resources needlessly. This eight-week time frame has been a long-standing guideline within ITA.

According to TEMS data, over half of the trade events canceled in FY 1996 were done so less than eight weeks before the scheduled start date. The following table shows the relationship of the cancellation date to the scheduled date for trade events for TD and for US&FCS's International Operations and Export Promotion Services:

Trade Events: Notice of Cancellation (According to TEMS)				
ITA Unit	Number of Canceled Events		Over 8 Weeks' Notice	Less Than 8 Weeks' Notice
TD	52		25	27
US&FCS-IO	48		18	30
US&FCS-EPS	17		12	5
Total	117		55	62

The 27 TD events canceled with less than eight weeks' notice included 18 events with cancellation dates after the scheduled event date. We asked TD officials for documentation regarding the *actual* cancellation dates for the 27 trade events canceled with less than eight weeks' notification--the date that US&FCS's International Operations and/or the post was notified, not the date that the cancellation was entered into TEMS. However, most TD officers could not provide any written documentation of when the event was actually canceled.

An analysis of the reasons given for the 27 cancellations shows that six events were postponed and 13 events were canceled for reasons beyond TD's control. These 13 events were canceled due to the government-wide furlough, cancellation by the organizer, cancellation because the event was certified and no longer a TD event, or cancellation due to a lack of post response. However, six of those late cancellations were due to insufficient industry interest. With the exception of events canceled because of the furlough and possibly those canceled by the organizer, TD officers should have been able to notify TEMS more than eight weeks prior to the scheduled date. A table showing the reasons for the 27 cancellations and types of TD events is presented in Appendix C.

US&FCS's International Operations had 30 events canceled less than eight weeks before the scheduled date, including 17 events with cancellation dates after the scheduled event date. Eleven events were postponed, and 12 events were canceled for reasons beyond the post's control. These 12 events were canceled due to economic conditions, erroneous categorization, or cancellation by the organizer. A table showing the reasons for the 30 cancellations and types of IO events is presented in Appendix D.

In FY 1996 over 30 percent of the events for TD and US&FCS's International Operations had cancellation dates after the scheduled start date. The lack of timely reporting of cancellations by event officers into TEMS undermines one of its purposes--to serve as a tool for management evaluation. As discussed in a later section, TEMS data may not be reliable due to the low priority given to data entry by a number of reviewing officers.

We believe that guidelines should be established and internal controls implemented throughout ITA in order that notification of trade event cancellations is done in a timely manner. We also believe that thresholds for timeliness should be established as part of these written guidelines.

A. Lack of Communication Within TD Contributes to Late Cancellations

To analyze TD cancellations, we interviewed 40 TD staff persons. We found that communication within TD was a problem. One area of concern was the appearance of erroneous information for TD events on the trade events calendar. According to two senior TD officials, several events that were only in the preliminary planning stage have appeared on the calendar. Two other TD officials said they have appeared on the trade events calendar as the responsible official for specific events, but had no idea how the event was scheduled or why they were listed as the lead contact.

Another area of concern is the delayed processing of cancellation notices to TEMS. Several TD officials said they had submitted timely memos to cancel events, but they never knew what happened to those memos. It was, they said, as if their memos "disappeared into a black hole." In one case, the cancellation of an event, scheduled for early August 1996, was approved by TD's Assistant Secretary and a cable notifying the post was sent in May 1996. We found, however, that a July cancellation date is shown in TEMS. The "change form" was forwarded by the event officer on June 10, 1996, but it was not forwarded by TD's Office of Export Promotion Coordination until July 10, 1996.

B. Late Cancellations for TD Continue in FY 1997

As of early August 1997, TD had 112 trade events scheduled for FY 1997. Fifty of those events had been canceled as of early August 1997, 22 with less than eight weeks' notice, including 11 events with cancellation dates after the scheduled event date. Seven events canceled with less than eight weeks' notice were trade missions canceled due to "insufficient industry interest." A table showing the reasons for the 22 cancellations and types of events canceled is presented in Appendix E.

We believe that an internal quality review procedure should be established to evaluate TD's proposed trade events before they are proposed to the TPC. This action could reduce the number of trade event cancellations and thereby minimize the waste of time and resources.

C. Recommendations

We recommend that the Under Secretary for International Trade ensure that:

- (1) Guidelines are established and internal controls implemented throughout ITA so that notification of trade event cancellations is done in a timely manner. Thresholds should be established in the written guidelines.
- (2) TD establishes an internal quality review procedure at the Assistant Secretary's level to evaluate its proposed trade events before they are proposed to the TPC.

D. ITA Response to Draft Report and OIG Analysis

In response to our draft report, the Deputy Under Secretary generally agreed with our recommendations. However, while ITA officials agree that cancellations of events should be timely, they do not agree with the threshold of "at least eight weeks" for all events, as recommended in our draft report, because of a need for flexibility. In addition, the Deputy Under Secretary's response provided additional comments and suggested changes.

As noted in our draft report, ITA had no written guidelines regarding when an event should be canceled. The eight-week guideline was suggested by several IO officials during interviews. We stand by our recommendation that specific written guidelines are needed for trade event cancellations. If ITA management feels that flexibility is needed, those needs should be addressed as part of the guidelines. ITA's comments and suggested changes to the draft report were considered and, where appropriate, are reflected in the final report.

ITA concurred with our other recommendation—the need for an internal quality review procedure at the Assistant Secretary's level in Trade Development.

III. TEMS: DATA IS INCOMPLETE AND UNRELIABLE

A July 1995 memo from the then Acting Under Secretary for International Trade to the Director General of the US&FCS, the Assistant Secretary of TD, and the Assistant Secretary of MAC, stated:

“The Trade Events Management System (TEMS) is the primary tool used by the Trade Events Board to plan, budget, monitor and evaluate ITA-run events. Accordingly, it is essential that all pertinent information, including financial data, scheduling changes and status updates, be entered into TEMS in a timely manner.”

However, we found that the data in TEMS is incomplete and, therefore, does not provide the kind of management information envisioned by ITA. The incomplete and unreliable nature of TEMS appears to be due in part to a lack of motivation by ITA staff to ensure that data is entered on a timely basis. This lack of motivation is based on perceptions by ITA staff that TEMS data is irrelevant and not valued. Another factor for the incomplete nature of TEMS is that all ITA-supported events are not included in TEMS.

A. Apparent Lack of Motivation to Enter TEMS Data

According to the US&FCS *Operations Manual*, the FCS officer is responsible for preparing an end-of-show report. This event summary includes certain performance measures such as the number of paying participants, sales leads, agents/representatives signed, licensee agreements signed, joint venture agreements signed, visitors to the event, and export sales made during the event. According to a September 1995 cable sent by US&FCS Washington to all FCS posts, end-of-show reports are to be submitted for all Commerce-recruited overseas events. The cable stated:

“The submission and collection of this data is critical for properly evaluating the success of the events, maintaining a baseline of performance measures, and to quantitatively measure tangible results. The resulting data enables us to better monitor the validity of our programs.”

However, an analysis of FY 1996 TEMS data for TD and US&FCS trade events showed that more than one-half did not have end-of-show reports. This lack of reporting compliance precludes ITA management from relying on TEMS for the performance measures that are required under the Government Performance and Results Act (GPRA). The following table shows the percentage of trade events missing end-of-show reports.

FY96 Trade Events Missing End-of-Show Reports				
ITA Unit	Trade Events	Missing Reports	Percent of Missing Reports	Average Number of Days Since Event
TD	83	59	71%	425
US&FCS-IO	185	110	59%	455
US&FCS-EPS	128	51	40%	454
Total	396	220	56%	447²

According to ITA officials, the reviewing officer is responsible for ensuring that the end-of-show report is forwarded to the Office of Trade Events Management (OTEM) for entry into TEMS. Headquarters officials in US&FCS's International Operations thought that the posts regularly submitted reports, but they could not readily produce copies of the missing reports. In our opinion, these specialists did not attach much importance to the end-of-show reports. Asked whether the reports were used to derive performance measures, one specialist said that performance measures were based on quarterly reports from the posts and questioned the purpose of end-of-show reports. When asked how the performance outcomes of a particular event were identified, this specialist said that the post generally sent an electronic mail message with this information immediately after the event, so the end-of-show report was not really needed. Another specialist said that he just filed any end-of-show reports that he received.

Two of the nine FCS officers from whom we received comments said that they regularly submit end-of-show reports from their posts, but were not certain that OTEM is receiving all of the end-of-show report cables. One FCS officer would like to know if Washington officials are truly using the reports since the preparation of reports consumes the post's limited time and resources.

We asked TD officials why they did not ensure that end-of-show reports were entered into TEMS. One reason given by TD officers was that by the time after-event reports were received, officers were too busy working on other events and did not have the time or inclination to monitor reports on past events. A second reason given was that the end-of-show reports were of little or no interest to anyone, except possibly for requests under the Freedom of Information Act. In their opinion, after-event reporting was a paperwork requirement, not a high priority.

²Weighted Average

B. TEMS Does Not Include All Trade Events Supported by ITA

As noted, TEMS was created “to plan, budget, monitor and evaluate ITA-run events.” However, it is not clear whether TEMS was intended to track all trade events supported by ITA resources, or only trade events using money from the trade event trust fund. We found that TEMS includes some, but not all, trade events that do not use trust funds but are still supported by ITA resources. One TD office has developed its own database to track events on which its staff spends time and resources. A significant number of these events, e.g., meeting with visiting foreign delegations, were not included in TEMS.

We believe that ITA needs to clarify whether TEMS should track all trade events supported by ITA resources or only trade events using trade event trust funds. We also believe that ITA management must decide whether it still intends to rely on TEMS for the performance measures that are required under GPRA. If ITA management intends to rely on TEMS, guidelines and internal controls should be developed to ensure that performance data is entered on a timely basis. If ITA management does not intend to rely on TEMS for performance data, then the event officers should no longer be required to report end-of-show data.

C. Recommendations

We recommend that the Under Secretary for International Trade ensure that the following actions are taken:

- (1) Clarify whether TEMS should track all trade events supported by ITA resources or only trade events using trade events trust funds.
- (2) Decide what role TEMS will have in providing performance data. If ITA management intends to rely on TEMS, guidelines and internal controls should be developed to ensure that performance data is entered on a timely basis. If ITA management does not intend to rely on TEMS for performance data, the event officers should no longer be required to report end-of-show data.

D. ITA Response to Draft Report and OIG Analysis

In response to our draft report, the Deputy Under Secretary of ITA agreed with our recommendations and indicated that ITA will determine how to clarify whether TEMS should track all trade events supported by ITA resources or only trade events using trust funds. He also agreed to assess what role TEMS will have in providing performance data. ITA indicated that action will be taken to ensure that overseas posts complete end-of-show reports promptly, and that headquarters captures the data in an accurate and timely manner. Other comments and

suggested changes to the draft report by the Deputy Under Secretary were considered and, where appropriate, are reflected in the final report.

IV. BASIS FOR AND DEFINITIONS OF ITA’S PERFORMANCE MEASURES FOR TRADE EVENTS ARE UNCLEAR

As discussed in the previous section, despite the intent of senior ITA officials to have TEMS provide critical performance data, trade-events reporting is too incomplete for TEMS to be considered a reliable indicator of performance. An internal US&FCS memo, dated December 30, 1996, stated that the TEMS database did not accurately reflect the actual levels of performance and workload experienced by US&FCS units. For this reason, all FCS posts were asked to submit information on certain performance and workload measures, and those workload measures, not TEMS data, were shown as US&FCS workload measures in ITA’s FY 1998 budget submission.

A. ITA’s Office of Financial Management (OFM) Cannot Explain Basis for Performance Measures

A comparison of the FY 1996 performance measures reported by TEMS and those indicated in ITA’s FY 1998 budget submission shows the following discrepancies.

Comparison of FY 1996 Performance and Workload Measures for ITA Trade Events				
Source	US&FCS	TD	MAC	Total ITA
TEMS	328	83	8	419
Budget Submission	1,621	70	258	1,949

The trade-event performance measure used in the budget submission included overseas trade missions supported by state or local government entities, industry, or associations. Since these events do not use trade event trust funds, TEMS generally does not have data on this type of trade mission. However, this variation does not explain the large difference between the number of ITA trade events shown by TEMS and the amount shown in the budget submission.

While the number of trade events for ITA, TD, and MAC are given in ITA’s FY 1998 budget submission, the number of US&FCS trade events is not specified and cannot readily be determined from the workload measures. ITA budget officials said that the US&FCS had 1,621 FY 1996 events, but they could not explain what types of activities were included in that figure.

An ITA program official said that US&FCS had about 1,200 trade events in FY 1996. As shown in Appendix F, the figures for 13 of the workload measures, common to both the internal

US&FCS memo, dated December 30, 1996, and ITA's FY 1998 budget submission, total 1,177 trade events.

In order to comply with GPRA, ITA must be able to define what workload measures are being used as performance measures and support the figures used. We believe that ITA needs to clarify what types of events qualify as "trade events" and what workload measures are included as performance measures for trade events. We also believe that if ITA management intends to use TEMS as the source for ITA trade-event performance measures, then the defined workload measures must be entered into TEMS.

B. Recommendations

We recommend that the Under Secretary for International Trade ensure that the following actions are taken:

- (1) Clearly identify and define the workload statistics to be included as performance measures for trade events.
- (2) Enter relevant workload measures into TEMS, if TEMS is intended to provide performance measures.

C. ITA Response to Draft Report and OIG Analysis

In response to our draft report, the Deputy Under Secretary for International Trade generally agreed with our recommendations and indicated that ITA management has already initiated a review of all surveys and survey techniques employed by ITA units, post end-of-event reporting requirements, and other instruments used to collect performance data. ITA's comments and suggested changes to the draft report were considered and, where appropriate, are reflected in the final report.

V. FINANCIAL STATUS OF INDIVIDUAL ITA TRADE EVENTS CANNOT BE DETERMINED FROM TEMS OR RECORDS OF ITA'S OFFICE OF FINANCIAL MANAGEMENT

TEMS was established to provide ITA with an event planning and financial data system for trade event expenditures. TEMS was also developed to assist in budget planning and expenditure tracking by recording collections, authorizations, and obligations. However, we found that TEMS lacks sufficient final obligation reports to adequately monitor financial data from ITA's trade events. We also found that many trade events lack unique project numbers in OFM's system.

A. TEMS Lacks Final Obligation Reports for Most ITA Trade Events

TEMS maintains a Single Event Status Report (SESR) for each trade event for which a fiscal plan or other financial information has been submitted. The submission of a fiscal plan is the responsibility of the ITA unit proposing the event. The post is responsible for submitting a separate final obligation/liquidation report to OTEM no later than 60 calendar days after an event is held. The final obligation reports received from the posts are not considered official. The official accounting records are received by ITA Accounting from the State Department. However, TEMS was designed to maintain the current financial status of trade events, since ITA accounting records are not current due to delays in receiving the information from State. According to ITA officials, for US&FCS events, the reviewing officer is responsible for assuring that the final obligation report is entered into TEMS by OTEM. For TD events, TD officers are responsible for entering the data directly into TEMS.

However, we found that final obligation reports were not submitted for most FY 1996 trade events. Most TD industry specialists said that TEMS was such a cumbersome system that they did not have the time or inclination to struggle with inputting information beyond the required initial data, i.e., an initial fiscal plan and collections. Without these, no travel funds can be authorized for a trade event. According to an EPS official, TD staff cannot readily access TEMS from their dedicated terminals since TD changed its Novell software a few months ago. However, data entry was a problem for TD even before the change in Novell software. Several TD industry specialists said that if they could access TEMS from their computer terminals, reporting to TEMS would no longer be a problem.

Trade specialists in IO headquarters also were not concerned with final obligation reports. One specialist used the latest fiscal plan shown in TEMS, not the final obligation report, to determine the final cost of the region's events. Another specialist used individually maintained records to determine the final cost of events in the region.

When asked about the missing final obligation reports for his post, one FCS officer explained that some events listed in TEMS did not use trust funds so there would be no obligation reports required for those events. This officer also thought that a few events listed as “actual events” had been canceled, but were still appearing on the list of actual events. A trade specialist in an IO regional office also thought that a few canceled events were included on the list of actual events.

The following table shows the number and percentage of submitted final obligation reports for trade events in FY 1996:

Trade Events With Final Obligation Reports (FY 1996)				
ITA Unit	Actual Trade Events	SESRs With Financial Data	SESRs With Financial Data and Final Obligation Reports	Percent With Financial Data and Final Obligation Reports
TD	83	61	9	11%
US&FCS-IO	185	132	44	24%
US&FCS-EPS	128	124	58	45%
Total	396	317	111	28%

Even if one includes only events that had SESRs with financial data, the percent of final obligation reports is low. Only 35 percent of such events had final obligation reports submitted.

We believe that each trade event using trust funds should have a final obligation report submitted by the post. Due to the lack of final obligation reports being entered into its database, TEMS is unable to provide ITA officials with a complete record of an event’s collections and expenses.

B. Many Trade Events Do Not Have Unique Project Numbers in OFM’s System

With regard to TD trade events, generally only events for Textiles, Apparel, and Consumer Goods (TACG) have individual project ID numbers in OFM’s system. According to an OFM budget analyst, the other TD offices have project numbers assigned to each office, not to each individual event. An OEPC official explained that the amounts involved with most TD events were too immaterial to justify tracking them individually. According to the OFM analyst, about \$1.3 million of TD’s annual \$2.4 million trade-event net collections has been from TACG events.

Excluding the 15 TACG events in FY 1996 identified by TEMS, TD's 68 non-TACG trade events had an average net collection of approximately \$16,200.

With regard to US&FCS trade events, certain event types are tracked as groups by OFM, i.e., events in those categories do not have unique project ID numbers. Examples include Matchmakers, Certified Trade Fairs, Certified Trade Missions, Multi-State Catalog Shows, and the International Buyers Program (formerly called the Foreign Buyers Program). US&FCS trade events not included in those group categories would generally have unique project ID numbers. In FY 1996, 114 of US&FCS's 314 events, excluding events not in TEMS, were in those five groups.

In ITA's FY 1996 financial statement audit, Price Waterhouse recommended that a unique project identification number be assigned to each trade event. We believe that ITA should be able to evaluate the collections and expenses for each trade event. To accomplish this, OFM should assign unique project identification numbers to each trade event.

C. Recommendations

We recommend that the Under Secretary for International Trade ensure that:

- (1) Financial data are submitted by the posts for all overseas trade events.
- (2) Financial obligation reports are entered into TEMS at ITA headquarters.
- (3) Unique project identification numbers are assigned to all ITA trade events so that the events can be tracked individually.

D. ITA Response to Draft Report and OIG Analysis

In response to our draft report, the Deputy Under Secretary of ITA stated that ITA concurred with our first and third recommendations in this section, but disagreed with our second recommendation. ITA objected to having TEMS portrayed as a "financial accounting system."

However, we note that a 1995 report on ITA's Trade Events Management System by ITA's Office of Administration referred to TEMS as a "financial accounting system." The report stated that "TEMS, used correctly, provides ITA with an event planning system and a financial accounting system for trade events expenditures." A July 1995 memorandum from ITA's Deputy Under Secretary to the Assistant Secretaries stated that "Since TEMS serves as the primary source of financial data concerning specific events, Board recommendations and decisions must necessarily rely heavily on these data."

We have changed this section to refer to TEMS as a “financial data” system rather than a “financial accounting” system. However, we stand by our second recommendation that financial obligation reports should be entered into TEMS at ITA headquarters, by OTEM for US&FCS events and by TD officers for TD events. This recommendation stems from ITA’s own description of TEMS as “the primary tool used by the Trade Events Board to plan, budget, monitor and evaluate ITA-run events.”

VI. EFFECTIVENESS OF BUSINESS FACILITATION CENTERS AND PRODUCT LITERATURE CENTERS WARRANTS MANAGEMENT REVIEW

Several US&FCS officials questioned the usefulness of BFCs, Product Literature Centers (PLCs), and catalog shows. These types of events represented 40 percent of TD's events, but were only 12 percent of the events of US&FCS's International Operations and 3 percent of the events of US&FCS's Export Promotion Services in FY 1996. Two of the nine FCS officers from whom we received comments said that the usefulness of these types of events depended on the market. These officers said that they discouraged the scheduling of such events at their posts, which were both highly competitive and sophisticated markets. The FCS officers advised that it has been their experience that when other exhibitors featured salespeople and sample products at a trade show at their posts, a catalog exhibit would be ignored.

An experienced TD industry specialist noted that the primary advantage of these shows is that they are a low-cost method for small, new-to-market companies to test an overseas market. This specialist also said that many new-to-market or new-to-export firms are reluctant to invest the resources needed for a trade fair, both the cost to participants and the time needed by a high-level company official. He added that these firms are willing to try a low-cost alternative to see what interest might exist in an overseas market for their products or services. When asked why TD's BFC and PLC events could not be done by the posts, several TD officials answered that the post staff would generally not be able to answer industry-specific questions that might be raised at these shows. Asked if these types of events resulted in export sales, an OEPC official said that TD did not have any information on results from these events.

Two TD BFCs were canceled in FY 1996 at the request of the show organizer. In one event, the reason given by the organizer was that the BFC might be a deterrent to manufacturers who were thinking of exhibiting. In the second event, the organizer believed that U.S. companies should exhibit at the show and not use the video/catalog showcase concept. One of TD's canceled events in FY 1997 was a PLC canceled at the request of the new show organizer that would not allow PLCs at its shows.

Based on our discussions with FCS officers and our review of canceled TD events, we believe that ITA management should review the effectiveness of these types of trade events.

A. Recommendation

We recommend that the Under Secretary for International Trade ensure that the necessary action is taken to measure the effectiveness of BFCs, PLCs, and catalog shows and to determine if these types of events are an efficient use of ITA resources.

B. ITA Response to Draft Report

ITA concurred with our recommendation on the need to measure the effectiveness of these types of events.

Types of ITA Trade Events

The abbreviations and definitions of the types of trade events were obtained from ITA documents or interviews with ITA officials, except for the definition of the Gold Key Service (GKEY).

Business Facilitation Centers (BFC) - Events placed at leading international trade fairs to assist U.S. participants or promote the products of specific companies through any combination of event types such as video presentations, panel displays, or catalogs. These are generally low expense, low workload ways of gaining a presence in major trade fairs. As a rule, the workload is limited to about one week by TD or US&FCS Washington and two weeks of post work.

Business Information Office (BIO) - An office staffed by the Embassy at international trade fairs to assist U.S. companies at the fair. Frequently, the booth is donated by private organizers in order to gain the expertise the Embassy offers. Generally, this office contains a typewriter, fax or telex machine, telephone, and secretarial assistance. It is operated at cost and requires about one staffer's workweek.

Certified Trade Fair (CTF) - An overseas exhibition of U.S. products--planned, recruited, and managed by a U.S. private sector trade fair organizer--which has gone through the trade fair certification program. Once certified, the event is endorsed and supported by the Department. Private organizers contribute \$1,500 to cover Commerce expenses. The review process takes about one US&FCS staffer's workweek spread over about two months. Posts spend another two weeks assuring that the needs of U.S. exhibitors are met and staffing a Business Information Office (BIO) at the fair.

Certified Trade Missions (CTM) are industry organized, government approved missions. Although these missions are recruited by the private sector, each requires about two to three weeks of logistical support from US&FCS Washington. Each country receiving the missions must spend about four staff weeks arranging for meetings for the participants and marketing the event.

Gold Key Service (GKEY) - A program in which US&FCS market specialists will identify potential target regions and countries with a particular need for an individual company's products or services. (*Management Review*, September 1994, p. 57) According to a US&FCS fee schedule dated February 1996, the fee ranges from \$150 to \$650 and depends on the country.

International Buyer Program (IBP), formerly **Foreign Buyer Program (FBP)** - A program which annually supports 15 to 18 leading U.S. trade shows in high export potential industries. FCS posts promote these shows overseas to increase attendance by qualified foreign buyers, agents, and distributors, and organize formal foreign buyer group visits. US&FCS District Offices provide export counseling to interested U.S. exhibitors before the show, and the Office of Public/Private Initiatives manages an International Business Center at each show to provide an array of services from export counseling to matching the needs of the foreign buyers with

products of U.S. sellers. This type of event takes about five weeks of Washington time to organize and eight to 10 weeks of work by each post sending foreign buyers.

Matchmaker Trade Delegation (MKR) - A program designed to match participants with potential agents, distributors, licensees, franchisees or joint venture partners. The delegations are composed of 10 to 100 senior executives, usually of small, new-to-market companies. Pre-screened appointments are made for each participant. Participants pay between \$2,500 and \$4,500. Each matchmaker program consumes about 14 staff workweeks spread over several months. Once recruited, each post, to be visited by a delegation, spends about four weeks marketing it, setting up appointments, and arranging for space to present the participants.

Multi-State/Catalog Exhibitions (MS/CE) - Horizontal catalog shows organized by US&FCS and recruited in conjunction with State Economic Development Agencies. Participating states send trade representatives to manage booths at each stop of the itinerary (usually four locations). US&FCS recruits firms from nonparticipating states and operates a catalog display at the event. Companies recruited by US&FCS pay \$400 to participate. Formerly called Multi-State Trade Day (**MSTD**).

Post Initiated Promotion (PIP) - Events held by most overseas posts. Some are recruited in conjunction with District Offices; others are done completely by the post. Events include U.S. exhibitions, seminars, and single-firm business-sponsored promotions. Fees can be as low as \$5,000 or as high as \$10,000 depending on the type of event and the locations. Workload varies as well depending on the event type. **Post Initiated Events (PIE)** are similar events whose budgets are less than \$5,000.

Privatized Fair (PVF) - A fair that was formerly an ITA event but has been privatized. It is not certified by the Department and has no USDOC sponsorship. (Refer to CTF above)

Product Literature Center (PLC) - Low-cost exhibits of U.S. firms' product information (fees range from \$200 to \$500). The exhibits are displayed for one to two days in a number of countries within a market area. Commerce posts invite attendance by end-users, agents and distributors, and send sales leads directly to firms for their own follow-up.

Regular Catalog (RC) - Catalog show

Trade Fairs (TFO, TFW, SFO, SFW) - The abbreviations "TFO" and "TFW" refer to international trade fairs not sponsored by the Department. Recruitment for a "TFO" is done by an overseas post; recruitment for a "TFW" is done by ITA Washington. It takes about 14 weeks spread over nine to 12 months to recruit participants for an established international trade fair.

The abbreviations "SFO" and "SFW" refer to Solo Fairs, sponsored entirely by the Department just for U.S. exhibitors. For Solo Fairs, the Department provides exhibition participants with pre- and post-event logistical and transportation support, design, and management of the U.S. exhibition, extensive overseas market promotion campaigns to attract an identified business audience, and arrangement of perspective representatives for new-to-market firms. Recruitment

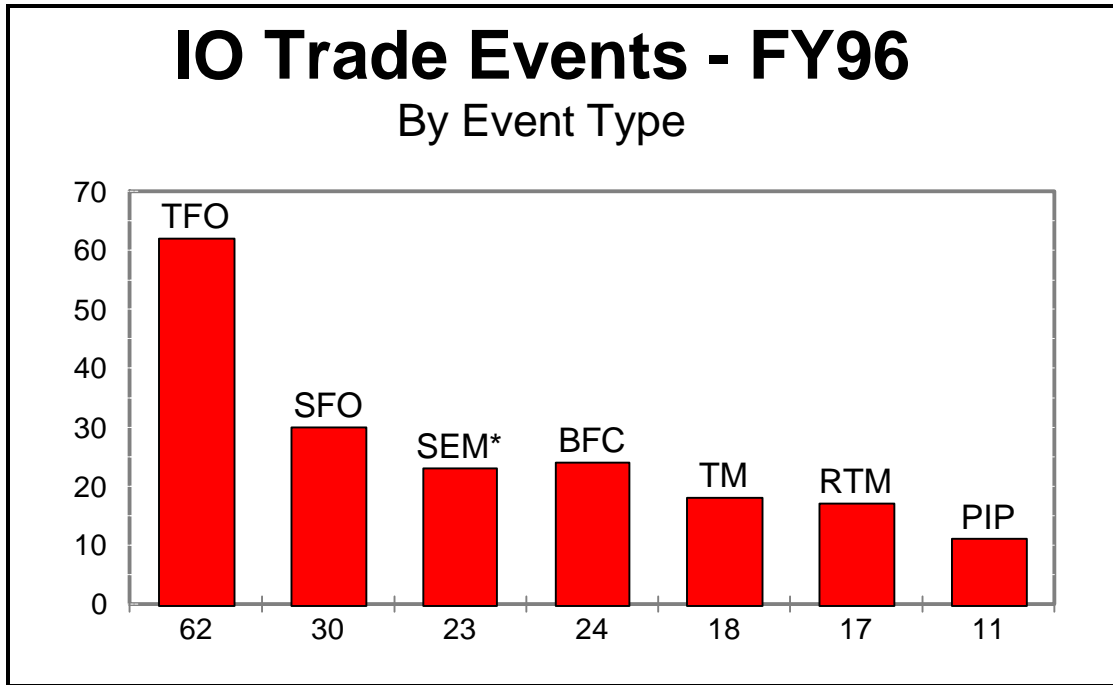
for a “SFO” is done by an overseas post; recruitment for a “SFW” is done by ITA Washington. Recruitment for Solo Fairs take slightly longer than recruitment for international trade fairs. Staging takes approximately eight weeks depending on the size and complexity.

Trade Missions (TM, RTM, SEM, SM) - Trade Missions provide participants with detailed marketing information, advanced planning, publicity, logistical support, and prearranged appointments. Participants pay between \$2,000 and \$5,000 depending on locations and number of countries visited. Trade missions take about seven weeks of TD time to recruit (slightly more for seminar missions).

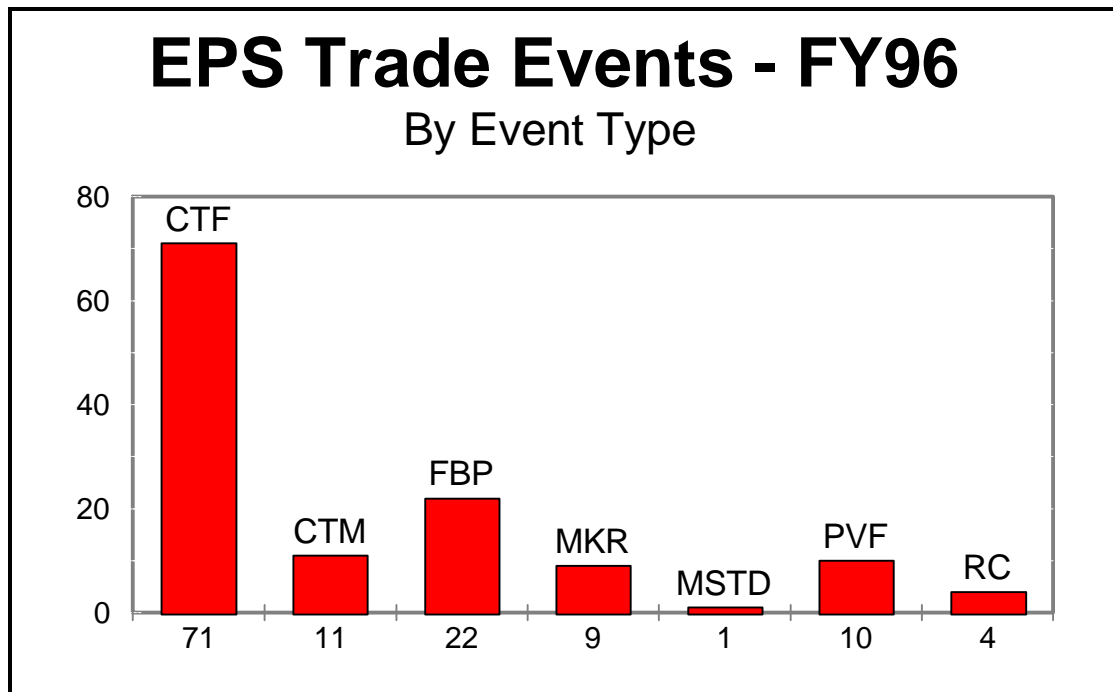
Reverse Trade Mission (RTM) is a trade event in which international officials are brought to the U.S. to meet U.S. companies and view their products

Seminars (SEM) are events held to brief companies on the legal and regulatory requirements for exporting product and establishing business relations abroad. Seminars usually last one to two days and are attended by a large number of participants. Seminars are held in a target country or region of interest to U.S. firms.

Seminar Missions (SM) are technical seminars to promote the sales of sophisticated products and technology in markets where products are more effectively promoted via technical seminars.



SEM* includes one SM



Reasons TD FY96 Events Were Canceled Less than Eight Weeks Before Event							
Reason	TM	BFC	TFW	SFW	SM	RTM	Total
Furlough	1	2	3			1	7
Insufficient Industry Interest	4		1	1			6
Postponement	5				1		6
By Organizer		2			1		3
Event Certified		1	1				2
Scheduling Error	1						1
Loss of TD Staff		1					1
Lack of Post Response	1						1
Total	12	6	5	1	2	1	27

TM Trade Mission

BFC Business Facilitation Center

TFW International Trade Fair with recruitment done by ITA Washington

SFW Solo Fair with recruitment done by ITA Washington

SM Seminar Missions

RTM Reverse Trade Mission

Reasons IO FY96 Events Were Canceled Less than Eight Weeks Before Event								
Reason	SFO	TFO	TM	PIP	CTM	BFC	PLC	Total
Postponement		3	1	4	1	1	1	11
Economic Conditions	7							7
Erroneously Categorized		2				1		3
Unable to Meet Recruitment Goals	1	1		1				3
Other*	2			1				3
By Organizer			1		1			2
Lack of Post Resources		1						1
Total	10	7	2	6	2	2	1	30

SFO Solo Fair with recruitment done by an overseas post

TFO International Trade Fair with recruitment done by an overseas post

TM Trade Mission

PIP Post Initiated Promotion

CTM Certified Trade Mission

BFC Business Facilitation Center

PLC Product Literature Center

- TEMS showed “other” as the reason for cancellation for the two SFOs but had no change forms for these two events. The change form for the canceled PIP gave no reason for the cancellation.

Reasons TD FY97 Events Were Canceled Less than Eight Weeks Before Event					
Reason	TM	RTM	BFC	PLC	Total
Insufficient Industry Interest	7				7
By Organizer		1		2	3
Loss of TD Staff	1		1		2
Should Not Have Been on Calendar	2			1	3
Postponement	1				1
Post Unresponsive	1				1
Conflict with Other TM	1				1
Secretarial Directive	1				1
No Foreign Industry Interest		1			1
Lack of Market Research				1	1
Political Reason				1	1
Total	14	2	1	5	22

TM Trade Mission

RTM Reverse Trade Mission

BFC Business Facilitation Center

PLC Product Literature Center

APPENDIX F

	US&FCS Workload Measures - FY 1996	Per US&FCS	Per ITA
		Memo	FY 1998
			Budget
			Submission
1	PIEs (under \$5000)	235	235
2	PIPs (over \$5000)	16	16
3	Overseas events held by CS	467	467
4	CTMs led by Govnr/Congress	31	31
5	Other overseas TMs supported (st/local)	110	110
6	Matchmaker trade delegations	10	10
7	TMs organized by other TPCC	19	19
8	#Trade/Solo Fairs Overseas Recruited	91	91
9	#Trade/Solo Fairs CS/TD Recruited	22	22
10	# Certified Trade Fairs	83	83
11	# Multi-State/Catalog Exhibitions	4	4
12	# Other Catalog Exhibitions	67	67
13	Internatl Buyer Program (IBP) events	22	22
	Subtotals for 13 Common Measures	1,177	1,177
	Other Common Workload Measures		
14	# firms participating in all trade events	6,235	6,235
15	# Gold Keys supported	1,079	1,079
16	Agent Distributor reports requested	1,078	1,078
17	Internatl Company Profile requested	394	394
18	Internatl Market insight reports	7,671	7,671
19	Customized Market Analysis (CMA)	134	134
20	Industry subsector analysis	802	802
	Commercial News USA copies distributed	110,000	110,000

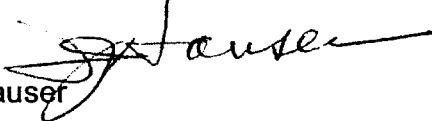
Performance Measures as Shown in US&FCS Memo and ITA FY 1998 Budget Submission



UNITED STATES DEPARTMENT OF COMMERCE
The Deputy Under Secretary for
International Trade
Washington, D.C. 20230

MAR 25 1998

MEMORANDUM FOR George Ross
Assistant Inspector General for Audits

FROM: Timothy J. Hauser 

SUBJECT: ITA Trade Events- Improvements Needed in
Planning and Management
Draft Report No. IAD-9714-7-XXXX

Thank you for the opportunity to review the draft audit report on ITA Trade Events. We appreciate your timely analysis of this issue. It is our hope that Ambassador Aaron's proposed reorganization (presently pending the Secretary's review) will make a major step forward in addressing these concerns by more clearly focusing responsibility for trade promotion and trade promotion events within ITA. Attached are ITA's comments on the report. In addition to overarching comments, we are providing comments to address specific recommendations and key areas in the report.

I have also attached *for your information*-- not as part of our formal response--a lengthy memo I have received from Acting Assistant Secretary Mottur on Trade Development's views on the report. Although I do not necessarily agree with all of it, I have incorporated portions of their comments in our written response. At the same time, I think it would be useful for your staff to be aware of the tone and content of TD's overall response. If you or your staff have any additional questions on our comments, please contact Mary Ann McFate at x5436.

Attachments

cc: D. Aaron



ITA Comments on Draft Inspector General (IG) Report

IMPROVED COMMUNICATION AND COORDINATION BETWEEN ITA HEADQUARTERS AND FOREIGN POSTS

ITA concurs with both recommendations in this section. ITA will continue to ensure that there is adequate lead time and that adequate information about each event is communicated between headquarters and posts. There is, however, a lack of recognition in the draft report that communication and coordination has improved since the Trade Events Board and TPC were established in response to the 1988 GAO report and the 1990 ITA-wide study on export promotion. Below are comments on this section.

Event Proposal and Approval

- ❖ All event proposals submitted to the TPC for approval are required to have post concurrence before they are circulated to the TPC. If staff interviewed indicated otherwise, these must be exceptional cases. It would be helpful to know which posts and which events experienced this problem. Clearance is required on all event proposal forms as part of the TPC clearance process, and each ITA unit must sign off on the event before it is placed on the calendar;
- ❖ The report needs clarification regarding its evaluation of the event planning and approval process. A process to resolve conflicts already exists, but conflicts are not resolved by TPC review of written comments. These conflicts are the responsibility of the Trade Events Board to resolve, and the board has done so, when necessary upon presentation of discussion/written justifications of the parties involved. The board consists of representatives from ITA units and is intended to review, comment upon, approve or disapprove event proposals at the staff level. If an event conflict cannot be resolved by the Trade Events Board, it is raised to the Deputy Under Secretary for International Trade for resolution;
- ❖ The recommendation that "all proposed additions to the trade events calendar are approved by the posts involved prior to the submission to the TPC," is redundant since the requirement already exists. We will carefully monitor all future event proposals to insure they have post concurrence before they are forwarded to the TPC.

Communication Issues

- ❖ We agree with the IG that better communication among ITA units is desirable and needs improvement in some areas. We would request clear examples of where communications have had a direct and deleterious effect on a trade event.

LATE CANCELLATION OF TRADE EVENTS WASTES RESOURCES

This section of the report portrays useful data drawn from TEMS about cancellation rates. Although the draft refers to "a number of reports, internal and external to ITA", which address issues raised in the report, the draft report could cite the improvement's made during the past ten years. The 1988 GAO report reported an overall cancellation rate of 35% compared to 23% at present.

The draft report includes the first recommendation in this section, that "guidelines be established and internal controls implemented throughout ITA so that notification of trade event cancellations is done in a timely manner at least eight weeks before the scheduled date of the event." While we agree with timely cancellation, we cannot concur with a threshold of "at least eight weeks" for all events. There are several reasons cited below.

- ❖ ITA recognizes the need to complete recruitment in a timely manner to ensure that posts have adequate time for promotion and other operational matters, but each event is different. Some events, especially trade missions and Matchmakers, have companies sign up 4-6 weeks before the event, and these late signees often provide the funds necessary to meet full cost recovery requirements.
- ❖ The Matchmaker program operates under the guidelines that recruitment be completed 8 weeks prior to the start of the event, and in most cases this goal is met. The key here is communication with and agreement with the post on extending the recruitment deadline. Most posts do not begin active promotion or hire additional staff until 4-6 weeks before the event, so post human and financial resources are not wasted if an event is canceled up until this time;
- ❖ While an eight week cancellation guideline may be desirable, we need flexibility in the system. If an eight week deadline is rigidly imposed, there may be more cancellations, not fewer. Many companies, particularly small- and medium-sized enterprises (SMEs), are reluctant to send in participation agreements or to commit their money until the event is much closer than eight weeks. Many SMEs are unable to commit participation fees or staff eight weeks prior to an event due to limited resources for outlays and uncertain schedules of staff;

In addition, we offer the following comment to clarify cancellation rates:

- ❖ The cancellation rates need to distinguish between circumstances that planners can and cannot affect. Otherwise, it is not clear how to interpret a cancellation rate. For example, the furlough and 'political events' would always lead to 'cancellations' and clearly should. The audit text and the appendix make this distinction, but not the related cancellation figures. An example of the effects this distinction can have on cancellation rates: on p.9, taking out such factors would

mean stating that only 16% of events for TD and OIO were canceled within the minimum eight week window, not the +30% claimed in the report.

ITA agrees with the second and third recommendations in this section and will determine actions to be taken. Below are comments pertaining to the third recommendation.

Business Facilitation Centers and Product Literature Centers and Catalog Shows

- ❖ The effectiveness of Business Facilitation Centers and Product Literature Centers merits evaluation. This is an excellent topic for program review by ITA and we will consider conducting a study which evaluates these trade promotion services. Some performance data has been collected on Multi-State/Regular Catalog Show Programs (stand-alone catalog shows not related to a trade fair) and additional analysis can be conducted on input provided by clients at the end of shows;
- ❖ Use of Product Literature Centers at trade fairs has had considerable utility for some industry sectors, especially when offering assistance to small and medium sized enterprises (SMEs). PLCs are inexpensive to all parties involved, and allow first-time exposure for many SMEs into the international marketplace. Some ITA offices have experienced 70-80 percent repeat business for these events until the SMEs shift market priorities and drop out or "graduate" to full scale participation in overseas trade events. The PLC program has been an extremely effective and useful tool to further our export objectives and to serve our client base;
- ❖ Some of our posts take exception to the recommendation that catalog shows be phased out. Several posts indicate there is much benefit from catalog shows in certain markets.

TEMS and Performance Data

This section of the report raises important questions regarding: (1) missing event final reports; (2) whether TEMS should track all trade events or only events using money from the trade event trust fund and (3) whether or not ITA management still intends to rely on TEMS for the performance measures that are required under the Government Performance and Result Act (GPRA).

ITA agrees with both commendations contained in this section. We will determine how to clarify whether TEMS data should track all trade events supported by ITA resources or only trade events using trust funds and will

assess what role TEMS will have in providing performance data. Below are additional comments which pertain to this section:

- ❖ ITA management has already initiated a review of all surveys and survey techniques employed by ITA units, post end-of-event reporting requirements, and other instruments used to collect performance data;
- ❖ We concur that our overseas posts needs to complete end-of-event reports promptly, and that headquarters needs to capture the data in an accurate and timely manner. We will take steps to ensure that this is done.

FINANCIAL STATUS OF INDIVIDUAL ITA TRADE EVENTS CANNOT BE DETERMINED FROM TEMS OR RECORDS OF ITA'S OFFICE OF FINANCIAL MANAGEMENT

Although ITA does concur that weaknesses exist with the individual tracking of financial data for trade events and recognizes the need for timely submission of financial obligating information, we believe the proposed recommendations, as stated, do not address the issues. We concur with the first recommendation and will work to ensure that posts continue reporting overseas financial data on a weekly (contributions) and monthly (obligations) basis, and that headquarters records that data in a timely and accurate fashion. We also concur the individual identification numbers must be issued for tracking financial data for each trade events and will implement the third recommendation. ITA does not agree with the second recommendation as discussed below. We will work to establish appropriate controls but may not employ TEMS to assure their adequacy.

- ❖ The audit misstates the purpose of TEMS. It is a management information system, but has been portrayed in the audit as a "financial accounting system." Page 12 correctly identifies the purpose of TEMS. Accounting systems need to meet certain standards. TEMS was not designed with this in mind and recommendations to use TEMS as an accounting system may well result in something that serves neither the goals of an accounting system nor the goals of a management information system. The audit needs to distinguish between the two and avoid linking them absent a systems specifications and requirements analysis that shows it is appropriate for TEMS to serve both purposes.

General Comments

While ITA's comments on the subject report concentrate mainly upon the accuracy of the findings and recommendations that relate directly to our trade event program, it is

also important to call attention to areas in the report which raise questions regarding the IG's understanding of certain ITA operating procedures, unit responsibilities, and other matters which require clarification:

- ❖ The audit fails to address issues related to the initial scope and intent of the audit. We assumed the report would address such issues as the number of FTE Trade Development devotes to trade events, the number of events they produced and the results achieved with those resources. Instead, the audit focuses largely on issues that are of importance and concern but often collateral to or outside the areas which ITA believed to be the main purpose of the audit;
- ❖ The audit sometimes refers uncritically to 'observations' of staff without engaging in supporting verification. Data are based on opinions and are anecdotal. The report cites several circumstances where conclusions are drawn based on opinion and perception instead of testing and fact, for example the report states: "According to this industry specialist," "According to one TD official...The TD official felt". Generalizations and findings based on one opinion are detrimental to the report and raise questions about the integrity of findings and the validity of recommendations.

Conclusion

The draft report offers some useful findings and recommendations to improve trade event activities in ITA. Upon receipt of the final report, ITA will prepare an action plan to address the recommendations we agree with in this draft report. We hope our comments clarify and provide a better understanding of our position on certain recommendations.