

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

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**PUBLIC  
RELEASE**

*INTERNATIONAL TRADE  
ADMINISTRATION*

*Dallas USEAC Is Rebuilding  
to More Aggressively Pursue  
Export Promotion Activities*

*Inspection Report No. IPE-11006 / September 1998*

*Office of Inspections and Program Evaluations*



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## EXECUTIVE SUMMARY

The Department of Commerce's International Trade Administration leads the federal government's efforts to increase U.S. exports. ITA's U.S. and Foreign Commercial Service (US&FCS), as the federal government's most visible export promotion agency, is charged with fostering and promoting a high level of export awareness among the U.S. business community.

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

During the week of June 8-12, 1998, the Office of Inspector General conducted an inspection of the US&FCS's Dallas USEAC. We also visited the Austin EAC, which reports directly to the Dallas USEAC, as do the EACs in Fort Worth, Houston, San Antonio, Oklahoma City, and Tulsa. In addition to supervising the efforts of these EACs, the Dallas USEAC is also responsible for directly servicing U.S. companies primarily in the Dallas metropolitan statistical area. The USEAC has a fiscal year 1998 budget of about \$360,000 and, at the time of our visit, had a staff of seven.

Dallas is the eighth largest city in the United States and the second largest in Texas, with more than 1 million residents within the city limits and nearly 3 million in the metropolitan area. One of the major industry sectors in the area is high technology. The "Telecom Corridor" in the suburbs of Richardson and Plano represents the largest concentration of telecommunications firms in the United States. The Dallas metropolitan area had \$7.1 billion in exports in 1996. The area also ranked 13<sup>th</sup> in the greatest dollar gains in growth of merchandise export value from 1993 to 1996, according to Census Bureau data.

In interviewing some USEAC clients, we found them generally satisfied with the quality of the services provided. The close proximity of the office to federal, state, and local partners allows for close cooperation, and the partners generally have a positive impression of the service that the USEAC provides. However, we found several issues that warrant management's attention.

- **Dallas USEAC was not aggressive in its pursuit of new clients and trade promotion activities.** The staff and some of the partners that we spoke with in Dallas stated that because of the USEAC's lack of sufficient staffing and problems with their information technology, their counseling and other export promotion activities tended to be reactive

rather than proactive. The staff also expressed their reluctance to actively pursue new clients for this reason (see page 4).

- **Staffing issues have adversely affected the operations of the Dallas USEAC.** We learned that (1) the Dallas office's most senior trade specialist is retiring, (2) the lone trade specialist in San Antonio was accepted into the foreign service and transferred on August 1, 1998, and (3) replacements for these positions have not yet come on board. In addition, the office recently lost a personal services contractor who was primarily responsible for updating the USEAC's database of clients. When vacancies are anticipated at key positions in the future, the USEAC and the St. Louis regional office must make a greater effort to fill the vacancies, preferably allowing some overlap time between the incumbent's departure and his or her replacement's arrival. In addition, we found that vacancy announcements issued to fill behind the departing trade specialists were open to only status employees. The agency reportedly did not receive an adequate response to the announcements. Agency officials should consider ceasing to accept applications only from "status" candidates and opening vacancies to non-status applicants as well (see page 9).
- **Staff frustrated with problematic computer upgrades.** During our visit, computer upgrades in the USEAC were not completed and were creating problems for the staff in Dallas. The most severe problem was that the office's E-mail was not working properly. We were also informed that some client data was reportedly lost during the conversion to a new client tracking database. Additionally, although all staff members now have Internet access, they reportedly do not have adequate training to make effective use of the Internet. Lastly, the systems administrator in Dallas is not sufficiently knowledgeable about information technology to troubleshoot many of the problems the office encounters (see page 12).
- **Internal controls over collections should be improved.** We found that the office submitted user fees when appropriate and user fee transaction records on a weekly basis to the bank and the appropriate headquarters units, as required by US&FCS instructions. However, no independent reconciliations were made of user fees and the transaction records. One person was responsible for recording, submitting, and sometimes even collecting payments. In addition, receipts were not kept in a combination locked cabinet as instructed by US&FCS headquarters, and no reconciliations were made at headquarters of bank statements and deposits reported by the USEAC (see page 14).
- **Trade reference assistant is spending all of her time on administrative responsibilities.** In our interviews with office staff, we learned that the assigned duties of the trade reference assistant were not commensurate with her performance plan. While at the USEAC, we found that the employee's assignments did not include any client

counseling, interaction with clients seeking assistance, or substantive work with USEAC partners, as stated in her plan. Instead, the assistant spent all of her time on administrative functions—not only for the Dallas office, but also for the Austin, Fort Worth, and San Antonio offices (see page 16).

On page 18, we offer a number of recommendations to address our concerns.



In the agency's written response to our draft report, the Assistant Secretary and Director General of the US&FCS outlined steps US&FCS was taking to comply with the intent of most of our recommendations. She did, however, disagree with the details of some of our observations.

The Director General stated that "while the report attempts to point out both strengths of the office and areas where improvement is needed, I feel the title of the report . . . suggests a negative bias not supported by the report's findings." We have modified the title of our report to reflect the fact that staffing shortages contributed to the USEAC's shortcomings discussed in our report.

US&FCS's entire response to our draft report begins on page 19.

## INTRODUCTION

Pursuant to the authority of the Inspector General Act of 1978, as amended, the Office of Inspector General evaluated the U.S. and Foreign Commercial Service (US&FCS) U.S. Export Assistance Center (USEAC) in Dallas.

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. Our field work was conducted from June 8 through 12, 1998. During the review and at its conclusion, we discussed our findings with the Director of the Dallas USEAC, the Director of the St. Louis Regional Office, and the Deputy Assistant Secretary for Domestic Operations.

## PURPOSE AND SCOPE

The purpose of this inspection was to determine how effective the Dallas USEAC is in delivering services to its business clients, how well it coordinates its activities with state and local organizations involved in export promotion, and how well the staff of the various agencies at the USEAC interact and jointly help business clients. We also assessed the adequacy of internal controls and the office's compliance with selected Department and ITA policies and procedures. Since inspections are primarily designed for quick corrective actions by agency managers, they normally do not include the detailed testing associated with a performance audit.

To perform our review, we examined pertinent records and documents and interviewed staff at the USEAC in Dallas and the Export Assistance Centers in Austin and Fort Worth. We also spoke by telephone with the EAC director in San Antonio. In addition, we interviewed many representatives from the Department and other government agencies—federal, state, and local. We also interviewed individuals from the private sector to see what they believe the Department can and should do to help them export, as well as to obtain their impressions of the services provided by the Dallas USEAC.

## **BACKGROUND**

US&FCS, a component of the International Trade Administration, is a global network of trade specialists and commercial officers located in more than 220 cities worldwide to assist U.S. exporters. US&FCS is present in 78 countries, which reportedly represent more than 95 percent of the world market for U.S. exports. In the United States, US&FCS operates a hub-and-spoke network of 100 Export Assistance Centers (EACs), which offer companies a range of export facilitation services.

The mission of the USEAC “hub and spoke” network is to deliver an array of export counseling and trade finance services to U.S. firms, particularly small and medium-sized ones. The USEAC network integrates the export marketing know-how of the Department of Commerce with the trade finance expertise of the Small Business Administration (SBA) and the Export-Import (Ex-Im) Bank. In some instances, USEACs have gone beyond being simply a federal partnership by also incorporating the resources of state and local export promotion organizations.

USEACs focus on service to U.S. business clients. They provide counseling to U.S. firms beginning to venture into overseas markets, as well as those seeking to expand their international activities. USEAC trade specialists help firms enter new markets and increase market share by (1) identifying markets for their products, (2) developing a market entry strategy aided by information generated from US&FCS’s overseas offices, and (3) assisting with trade finance programs that are available through federal, state, and local (public and private sector) entities.

The Dallas USEAC (hub) oversees six EACs (spokes) in Texas and Oklahoma: Austin, Ft. Worth, Houston, San Antonio, Oklahoma City, and Tulsa. In addition, it provides export promotion and facilitation services to U.S. firms in the Dallas metropolitan area.

Dallas is the eighth largest city in the United States and the second largest in Texas, with more than 1 million residents within the city limits and nearly 3 million in the metropolitan area. One of the major industry sectors in the area is high technology. The “Telecom Corridor” in the Dallas suburbs of Richardson and Plano represents the largest concentration of telecommunications firms in the United States. The Dallas metropolitan area had \$7.1 billion in exports in 1996. The area also ranked 13<sup>th</sup> in the greatest dollar gains in growth of merchandise export value from 1993 to 1996, according to Census Bureau data. Real gross area product currently stands at more than \$94 billion. Texas is the second largest exporting state in the United States.

At the time of our visit, the Dallas USEAC was staffed with one director, two trade specialists, one trade reference assistant, one SBA representative, and two part-time interns. The USEAC’s

budget for fiscal year 1998, including salaries and expenses, was \$358,816. The budgets for the Dallas USEAC and all EACs that report to it are shown in Table 1.

**Table 1: Fiscal Year 1998 Budgets for Dallas USEAC and EACs Reporting to it**

<b>Center</b>	<b>Budget</b>
Austin	\$70,419
Dallas	358,816
Fort Worth	82,014
Houston	408,135
Oklahoma City	208,872
San Antonio	95,931
Tulsa	72,894
<b>Total</b>	<b>\$938,265</b>



## OBSERVATIONS AND CONCLUSIONS

### **I. Although USEAC Is Providing Adequate Service to Existing Clients, Greater Opportunities Exist to Be More Effective**

US&FCS's trade specialists provide one-on-one trade counseling; respond to requests for information; sell US&FCS products and services, such as the Gold Key Service<sup>1</sup>, International Company Profiles<sup>2</sup>, and the Agent/Distributor Service<sup>3</sup>; speak at seminars; and participate in other initiatives with their local trade promotion partners, such as the SBA, Ex-Im Bank, and chambers of commerce. We interviewed a sample of the Dallas USEAC's clients to discuss the quality of services provided. The clients expressed general satisfaction. The collocation of the US&FCS staff with its partners in the World Trade Center allows for close cooperation. In addition, the partners generally have a positive impression of the service that the USEAC provides. However, we noted and several of the partners we interviewed expressed concern about the lack of aggressive trade promotion efforts by the Dallas USEAC.

#### **A. *Clients and partners appear pleased with most products and services***

We interviewed a randomly selected sample of the Dallas USEAC clients. Most that we were able to contact were generally satisfied and spoke highly of the USEAC staff. All of the sampled clients felt that the staff was prompt in returning phone calls and fulfilling information requests. Several clients stated that the trade leads developed by the trade specialists resulted in both export sales and ongoing business relationships with overseas companies. Other clients explained that although not all trade leads or counseling resulted in export actions, they were satisfied with the professionalism of the staff and the availability of the services. USEAC staff were described as helpful and thorough. Most of the clients that we interviewed also were satisfied with US&FCS products and services sold through the USEAC. For example, the Gold Key Service was repeatedly mentioned as a valuable tool for entering new export markets.

The collocation of the US&FCS staff with an SBA international trade finance specialist and the proximity of an Ex-Im Bank city/state representative and other partner organizations in the World Trade Center, where the USEAC is located, also facilitates the delivery of services to the

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<sup>1</sup>Through the Gold Key Service, US&FCS trade specialists in a target country will arrange appointments for a U.S. exporter with prescreened contacts whose interests and objectives match those of the client.

<sup>2</sup>International Company Profiles are background checks on potential international clients that help reduce U.S. exporters' risk in doing business overseas.

<sup>3</sup>The Agent/Distributor Service is a customized overseas search for qualified agents, distributors, or representatives for U.S. firms.

USEAC's clients. We found that the SBA representative and the US&FCS trade specialists frequently refer clients to each other. Because the SBA representative is located within the USEAC, often the trade specialists will simply walk clients over and introduce them to the representative. This collocation also ensures that all of the representative's time is spent on SBA's trade financing programs as opposed to other non-trade finance related assignments by SBA officials, which might occur if he was located at SBA's local office in Garland, Texas.

The Ex-Im Bank's city/state representative, who works for the Greater Dallas Chamber of Commerce, also collaborates with the USEAC. The Ex-Im Bank representative sits in the Chamber of Commerce's office, also located in the World Trade Center, across the hall from the USEAC. USEAC staff and the Ex-Im representative both stated that while they cooperated substantially, his not being located within the USEAC office did somewhat limit their interaction. Despite its advantages, relocation of the representative within the USEAC is not expected because he is employed by the chamber, not Ex-Im Bank.

Although the SBA and Ex-Im Bank representatives consider themselves competitors of sorts because they both offer loan guarantees for U.S. companies seeking financing from lenders, the US&FCS trade specialists refer clients to both agency representatives depending mostly on how large a loan is needed and whether the client requires insurance, which is usually obtained from Ex-Im Bank.

In addition to the SBA and Ex-Im Bank representatives, the Dallas USEAC will soon provide space to a representative of the U.S. Department of Agriculture's Foreign Agriculture Service. Currently, the USEAC staff counsel and otherwise assist processed food manufacturers, but not raw food producers. The addition of agricultural export promotion counseling and the USEAC's increased cooperation with the Texas Department of Agriculture should expand the export promotion services available at the Dallas USEAC and provide valuable synergies in the area of food and food processing equipment.

We found similar cooperative efforts at several of the EACs. Representatives from the EACs with whom we interviewed indicated that by collocating with state and local partners, the centers gain a better working relationship with the partners. In addition, the EACs often receive donated space. For example, the Texas Department of Economic Development hosts the Austin EAC. In addition to getting free space, the Austin EAC receives the use of the department's fast T-1 line Internet hook-up for the EAC director. Without the T-1 hook-up, she would have to rely on a more cumbersome, less reliable dial-in modem access. In addition, the Austin director serves as the primary contact with the department's Office of Trade and International Relations for each EAC in Texas. This partnership allows the USEAC to disseminate information on Texas trade missions to its clients, and the state gains better access to US&FCS's overseas offices through its interaction with the EAC. Likewise, the San Antonio EAC is hosted by that city's International

Affairs Department, and the Fort Worth EAC is hosted by the City of Fort Worth. In both cases the office space is provided free of charge.

The partners in Austin highly praised the director of the Austin EAC. Representatives from several organizations that work closely with the EAC praised the involvement of the director in various trade-related activities, including exporting seminars, conferences, and roundtables. One partner described the service provided by the EAC director as “no hassle, professional, and straightforward.”

Although most partnering organizations generally were positive in their assessment of the work of the US&FCS staff in both the Dallas and Austin offices, most also noted some concerns about the passive nature of the Dallas USEAC.

***B. Dallas USEAC is not aggressively pursuing new clients and trade promotion activities***

During our review, we saw little to suggest an aggressive and proactive approach to trade promotion in Dallas. The staff of the Dallas USEAC said that due to insufficient staffing (see page 9) and information technology problems (see page 12), their counseling and other export promotion activities tended to be reactive. In addition, staff in Dallas expressed their reluctance to actively pursue new clients for the same reason. Consequently, the staff indicated that the office’s new clients have initiated contact with the USEAC primarily because they heard about the office through various seminars sponsored by its partners, not through active USEAC recruiting.

Although the staff in Dallas impressed us as being competent and well-qualified, they were too often described by several partners and US&FCS officials as not highly motivated, aggressive, or proactive. The Dallas staff attributed this condition to staffing shortages, as well as frequent non-client servicing tasks required by headquarters and others, such as reporting requirements and hosting dignitaries visiting the area. Some partners went on to say that although the office provided adequate service, they would like more visibility, more outreach, and more USEAC participation in their events. USEAC officials argue that it would be impossible for them to participate in every event sponsored by one of its partners, while continuing to provide export counseling, US&FCS products, and other services.

We agree that it is necessary for the USEAC to prioritize its efforts. However, we found key areas where the Dallas USEAC has not been aggressive. Specifically, (1) the current and expected problems with its staffing shortages could have been minimized if a greater, expanded effort was made to recruit for announced vacancies (see page 9), (2) the office does not have adequate skills in information technology nor has it aggressively pursued alternatives to getting its information technology operating properly (see page 12), and (3) several interesting and innovative initiatives highlighted in its fiscal year 1998 strategic plan were not being pursued, including the following.

- **Developing “beyond export action” performance evaluation criteria:** The USEAC director planned to develop criteria to recognize support activities the staff provides its clients, such as participating in trade events; bringing speakers and conferences to the area for client education; and developing and maintaining new and ongoing partnerships. The director remarked that this project has not been given adequate attention because of competing priorities and limited staffing.
- **Updating and expanding the client database:** The USEAC set a goal to enter into its database 150 new clients from the agriculture and apparel sectors and from other sectors, as appropriate. Part of this project was to enter fax numbers into the automated fax system and to enter E-mail addresses for all clients to better utilize electronic commerce. Although some progress was made on this effort, when the personal services contractor, who was primarily responsible for this endeavor, left the office, the effort slowed considerably. Officials from the USEAC are reportedly awaiting the additional staff to resurrect this project.
- **Getting trade specialists overseas experience:** Although the USEAC staff were expected to participate in out-of-country trade events, none, as of the date of this report, had visited an overseas post. The director said that he has stressed the importance of trade specialists having some form of international experience, but his staff had not yet taken advantage of opportunities for overseas travel for a variety of reasons, including lack of available time and interest.

Fortunately, the office has been able to pursue several important initiatives, such as its work with the Dallas Market Center<sup>4</sup> to increase export awareness by publishing relevant news releases in the center’s newsletter and allowing the USEAC staff to address the center’s members at local meetings. As stated previously, the USEAC is working to increase its use of its partners by locating within the USEAC an international trade specialist from the Foreign Agriculture Service.

We do not mean to imply that the Dallas USEAC was not providing valuable services to exporters. However, we believe that the aforementioned lost opportunities have limited the office’s effectiveness. The director stated that he has taken steps to train his staff on time management and is moving to fill key vacancies in the office. Although these are steps in the right direction, other efforts may be necessary to encourage the staff to more aggressively pursue useful trade promotion activities, such as providing stronger encouragement to staff to pursue temporary duty assignments at overseas posts and requiring them to become more proficient in their use of information technology.

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<sup>4</sup>A large wholesale market complex with more than 2,600 permanent and 2,300 temporary exhibitors.



In its response, agency officials state that the Dallas USEAC has submitted its fiscal year 1999 strategic plan that outlines several initiatives to “increase its effectiveness in promoting exports and improve service delivery to its clients especially rural clients.” Although this meets the intent of our recommendation, we remain concerned about whether the goals of the plan can actually be accomplished. The USEAC only achieved about 70 percent of its export actions, 69 percent of its new clients, and 75 percent of its success stories projected in its fiscal year 1998 plan.

## II. Staffing Limitations Have Adversely Affected Operations

At the time of our inspection, the Dallas USEAC was staffed with a director, two international trade specialists, an SBA international trade finance specialist, a trade reference assistant, and two part-time interns. The office had vacancies for an entry-level trade specialist, a supervisory trade specialist, and a full performance-level trade specialist. During our review, we learned that (1) the USEAC's most senior trade specialist is retiring, (2) the lone trade specialist in San Antonio transferred to the foreign service on August 1, 1998, and (3) replacements for these positions have not yet come on board. In addition, as noted earlier, the office recently lost a personal services contractor who was primarily responsible for updating the USEAC's database of clients.

### Staffing shortages in Dallas

The staffing shortages in the Dallas USEAC have hampered the office's ability to aggressively pursue clients and actively participate and develop new projects and initiatives. One employee stated that the staff try to be proactive, but it is difficult with the extent and range of their responsibilities, from general office work to counseling and assisting their large client base. Another staff member stated that the staff are spread so thin that it is difficult to pursue new initiatives, especially considering (1) such activity often increases workloads and (2) the trade specialists lack basic support, such as that provided by a trade reference assistant (see page 16). In addition, trade specialists complain that they do not have enough time to routinely follow up with clients after providing services or selling products.

One partner even noted that "the office's biggest problem is that it is understaffed; they cannot be aggressive or proactive—they can barely answer the phone." The office lacks a full-time employee to answer phones and greet walk-in clients and visitors. Several partners noted that their activity level increases when the USEAC refers its clients to them for assistance, rather than providing the assistance itself. On the one hand, this demonstrates the USEAC's ability to marshal resources to get the job done. On the other hand, some partners believed that the USEAC would be better positioned to provide the needed service if it were adequately staffed.

Upon receiving official notification from the trade specialist in Dallas of her decision to retire, a request for a vacancy announcement for only status employees<sup>5</sup> was sent to the Central Administrative Support Center on February 17, 1998. Not receiving an adequate response, the office then turned to candidates who applied under a national vacancy announcement—also only for status employees. A selection was made, and the candidate was scheduled to report in the middle of August. This would leave the Dallas office with one remaining vacancy.

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<sup>5</sup>Status employees are those that are currently employed by the Federal government.

### Trade specialist in San Antonio leaving without a replacement identified

The San Antonio EAC is staffed with one trade specialist/EAC director and one personal services contractor. The office maintains about 400 firms in its client database and averages 50 export actions per year.

San Antonio boasts one of the fastest growing metropolitan areas. Since 1992, the San Antonio economy added nearly 83,600 jobs with 59,700, or close to three-quarters of them, in three sectors: trade, service, and government. Employment in these sectors increased at an average annual rate of 2.9 percent, 5.2 percent, and 1.4 percent, respectively. As San Antonio's second-largest industry sector, trade represents one-quarter of total non-farm employment.

The sole trade specialist in San Antonio transferred to the foreign service and relocated to the US&FCS post in Mexico City on August 1, 1998. A replacement has not yet been found. Consequently, the office will likely be without a trade specialist for some time. The departing trade specialist stated that he informed his supervisors of his intention to join the foreign service at the beginning of calendar year 1998. Both US&FCS's regional director in St. Louis and the USEAC director in Dallas informed us that a vacancy announcement was issued in March 1998 for status employees to fill the position in San Antonio. In addition, they stated that an E-mail was sent out to both overseas and domestic field offices notifying them of the upcoming vacancy in San Antonio. They reportedly received no response, and the search for a replacement continues. The USEAC director attributed some of the problem with finding a replacement in San Antonio to the area's low unemployment rate, which was 3.7 percent in March of 1998, its lowest in three years. However, because the vacancy announcement was open only to status employees, the unemployment rate should not have been a factor in filling the job.

When vacancies are anticipated at key positions in the future, the USEAC director and the St. Louis regional director must make a more aggressive effort to fill the vacancies, preferably allowing some overlap time between the incumbent's departure and his or her replacement's arrival. US&FCS headquarters officials should more closely monitor domestic staffing issues to help ensure that prompt action is taken to fill pending or existing vacancies and avoid gaps in service. Agency officials should also consider opening vacancies to all qualified applicants, status and non-status; restricting positions to only status employees limits the pool of qualified applicants. Moreover, because the agency had control over when the trade specialist was to transfer to Mexico City, agency officials should have considered holding up the assignment until a replacement was found to make for an easier transition.



In response to our recommendation, agency officials stated that civil service regulations and ITA policy prohibit them from filling a position while it is encumbered. While we understand that an encumbered position cannot be filled, US&FCS can recruit and select a replacement to start work immediately upon the incumbent's departure. In this way, gaps in service can be avoided. The intent of our recommendation was to (1) limit the amount of time between incumbents and their replacements and (2) ease the transition between the two. In the case of the San Antonio director who was reassigned to US&FCS's overseas post in Mexico, US&FCS could have kept him at the EAC until a replacement was found.



### **III. Staff Frustrated with Problematic Computer Upgrades**

During the past year, US&FCS has undertaken an initiative to modernize its technology by upgrading its office automation infrastructure, improving client tracking, and developing a standard system platform for sharing information. The domestic network of USEACs and EACs received (1) modern desktop computers connected to local area networks, (2) a high-speed telecommunications network connecting domestic sites and headquarters, and (3) Internet access.

This modernization effort also replaced US&FCS's older system for managing its client contact lists, the Commercial Information Management System—which trade specialists were reluctant to use because it was perceived as being too time consuming and complex—with a new client tracking database: Client Management System (CMS). The initial version of CMS has been deployed to all domestic field offices.

Unfortunately, the upgrades in the Dallas USEAC, which were made by a trade specialist from another office, were not completed and thus created several problems for the staff in Dallas. The most severe problem was that the office's E-mail was not working properly.

Dallas staff members told us that the E-mail has not been working since the new system was installed in April. This has caused serious communication problems with overseas posts, clients, and partners. We were told that the Dallas office became aware that the system was not working properly when overseas posts began to contact other offices in the Dallas USEAC network complaining about Dallas's lack of response to E-mail requests. Clients and other partners who use E-mail to communicate with the USEAC also were not getting through. One staff member stated that "we have no idea of what we did not get."

We were also informed that some client data was reportedly lost during the conversion from the older system to CMS. Additionally, although Internet access is now available to all staff members, they do not have adequate training to effectively use this new tool. Finally, the designated systems administrator in the USEAC is not sufficiently literate in information technology to troubleshoot many of the problems the office encounters. Other staff members also stated that they needed CMS-specific refresher training because their original training was provided far in advance of the system's installation.

The St. Louis regional office hired one contractor to address information technology problems that may arise region-wide. After our review, the contractor visited the Dallas office and reportedly resolved its technical problems. US&FCS officials should ensure that the USEAC's new technology is working properly. The agency should also provide training specific to the Client Management System to the Dallas USEAC staff, paying particular attention to Internet training and the information technology training needs of the designated systems administrator.



Agency officials stated in their response that “in the Dallas USEAC, CMS is operating more effectively after assistance from the Regional Technology Specialist who conducted a complete review of all hardware, software, and training skills of the Dallas USEAC.

In response to our recommendation that US&FCS “provide training specific to the Client Management System to the Dallas USEAC staff, paying particular attention to Internet training and the information technology training needs of the designated systems administrator,” agency officials noted that “training from outside vendors often proved irrelevant to our applications.” For this very reason, we recommended that training be specific to the Client Management System. We are pleased to learn that intensive training has been scheduled for the systems administrator, and CMS and Internet training was provided in August and will be repeated in at the end of the calendar year.

#### IV. Most Administrative Activities Handled Well

During our inspection, we reviewed a number of administrative activities, including records for time and attendance, travel, inventory, purchases, and revenue collections. Although we found that most administrative activities were handled well, the office needs to improve internal controls over its user fee collections. We also found that a disproportionate amount of the trade reference assistant's time was spent performing administrative tasks.

##### A. Internal controls over collections should be improved

The Dallas USEAC provides products and services to U.S. companies to help them expand their business in the international marketplace. Some products and services are offered for a fee. For example, the Agent Distributor Service costs \$250, and the International Company Profile costs \$100. Total user fees collected and reported by the Dallas USEAC for the period October 1997 through May 1998, were \$7,250, as shown in Table 3.

**Table 2: User fee collections\* (October 1997 - May 1998)**

	<b>Agent/Distributor Service</b>	<b>International Company Profile</b>	<b>Customized Market Analysis</b>
October	\$0	\$0	\$0
November	500	200	0
December	0	0	0
January	750	0	0
February	500	400	0
March	250	100	2,100
April	1,250	100	0
May	1,000	100	0
<b>Total</b>	<b>\$4,250</b>	<b>\$900</b>	<b>\$2,100</b>

\*Collections were for the Dallas USEAC and the Austin, Fort Worth, and San Antonio EACs.

According to guidance provided by US&FCS headquarters, the USEAC, upon receiving payment, should (1) have one person complete a transaction record, which details the amount of collections, companies serviced, date of sale, and products sold; (2) have a second person

reconcile the payment with the transaction record; (3) mail the deposit and a copy of the transaction record to a bank lock box in Chicago; and (4) mail a copy of the transaction record and a copy of the payment to US&FCS's Export Promotion Services and ITA's Office of Financial Management.

We found that the USEAC submitted user fees when appropriate and user fee transaction records on a weekly basis to the bank and the appropriate headquarters units as required by US&FCS instructions. However, no independent reconciliations were made of payments and the transaction records. One person was responsible for recording, submitting, and sometimes even collecting payments. In addition, receipts were not kept in a combination locked cabinet as instructed by US&FCS headquarters.

Although we found no evidence of fraudulent activities, the process in place in the Dallas USEAC is evidence of poor internal controls. At a minimum, a second USEAC employee should reconcile the payments received with the transaction record. Also, a more secure lock box is need to hold collections in the office.

After our visit, we learned that no reconciliation was performed at headquarters on collections reported by the USEAC in the transaction record and what was reported as being deposited by the bank, even though all the necessary information was readily available. Consequently, there is no way to determine whether the collections reported by the USEAC were actually deposited.

We are aware of the problems ITA has been experiencing with its accounting system. In fiscal year 1997, the agency received a disclaimer of opinion on its financial statements because of its poor accounting system and internal control weaknesses. Although, we are not attempting in this report to fix ITA's accounting system, US&FCS, in conjunction with ITA's Office of Financial Management, should determine which organization within ITA or US&FCS will reconcile bank statements with transaction records submitted by the USEAC. Such reconciliation should begin immediately.



In response to our recommendation, the "Dallas USEAC has implemented the procedure to have a second employee reconcile the payments received for user fees, and a small safe has been purchased to secure checks before they are sent to the lock box." This action meets the intent of our recommendation.

Although the agency has taken steps to improve its collection process, the agency's response did not address our recommendation to "in conjunction with ITA's Office of Financial Management, determine which organization within ITA or US&FCS will reconcile bank statements with

transaction records submitted by the USEAC.” Because neither US&FCS nor ITA’s Office of Financial Management provided us information as to which organization will perform reconciliations, we have clarified the intent of our original recommendation. We recommend that the Director General ensure that the USEAC reconciles its collection records against official ITA accounting data provided by ITA’s Office of Financial Management. The ITA official accounting data is provided to the regional office on a monthly basis and should be passed on to the USEAC. We also note that on an ITA-wide level, the OIG has previously recommended that ITA’s Office of Financial Management conduct reconciliations on all cash collections to ensure collections are properly deposited and recorded. Recent audits of ITA’s consolidated financial statement by Price Waterhouse have continually cited the failure to conduct such reconciliations as a material weakness. The auditor has recommended that reconciliations of collections take place. Lack of reconciliations is one of many material weaknesses that caused Price Waterhouse to issue a disclaimer on ITA’s FY1997 consolidated financial statement.<sup>6</sup>

***B. Trade reference assistant spending all of her time on administrative responsibilities***

In our interviews with office staff, we learned that the assigned duties of the trade reference assistant were not commensurate with her performance plan. The employee’s assignments did not include any type of client counseling, interaction with clients seeking assistance, or substantive work with USEAC partners, as stated in her performance plan. Instead, the assistant spent all of her time on administrative functions—not only for the Dallas office, but also for the Austin, Fort Worth, and San Antonio offices. Her performance plan weights “counseling services” at 20 percent and “trade development partnerships, representation and promotional activities” at 15 percent. Although 35 percent of the employee’s time need not be spent on these activities, she should be performing some form of counseling and substantive trade specialist support since it is a critical element of her assigned duties.

The current situation is unfortunate for both the employee and US&FCS: the employee is not receiving the experience necessary to advance, and the government is getting only a portion of what that position is intended to accomplish.

US&FCS should assign the trade reference assistant duties that are commensurate with her performance plan.

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<sup>6</sup>Audit of ITA’s FY 1997 Financial Statements, OIG Audit Report No. FCS-9862-8-0001



Agency officials responded that the duties of the trade reference assistant are consistent with that position's performance plan based on her promotion on April 26, 1998. During our on-site review, we requested that the director of the Dallas USEAC provide us with the current performance plan and most recent performance evaluations. Based on the performance plan provided to us by the USEAC director, the trade reference assistant was spending a disproportionate amount of her time on administrative responsibilities. The agency's response noted that "one additional staffing requirement of the Dallas Office is that of a full-time receptionist." Upon hiring a receptionist, US&FCS should reassess the need for a trade reference assistant to have Administration, Office Operations Support, and Technology Applications account for 90 percent of the total weight of that position's performance plan.

## **RECOMMENDATIONS**

We recommend that the Director General and Assistant Secretary for the U.S. and Foreign Commercial Service:

1. Develop a plan that lays out a strategy for the Dallas USEAC to more aggressively pursue initiatives and activities designed to increase its effectiveness in promoting U.S. exports. For example, once the office is operating at full strength, stronger encouragement should be provided for staff to pursue temporary duty assignments at overseas posts (see page 6).
2. Ensure that delays in filling behind vacant positions are minimized. US&FCS headquarters officials should more closely monitor domestic staffing issues to help ensure that prompt action is taken to fill pending or existing vacancies and avoid gaps in service. This may require opening vacancy announcements to non-status applicants (see page 9).
3. Ensure that the USEAC's recently installed Client Management System is working properly (see page 12).
4. Provide training specific to the Client Management System to the Dallas USEAC staff, paying particular attention to Internet training and the information technology training needs of the designated systems administrator (see page 12).
5. Improve internal controls over user fee collections at the USEAC by ensuring that (1) a second employee reconciles the payments received with the transaction records, and (2) collections are maintained in a secure location that meets US&FCS requirements (see page 14).
6. Ensure that the USEAC reconciles its collection records against official ITA accounting data provided by ITA's Office of Financial Management (see page 14).
7. Ensure that the duties of the trade reference assistant are compatible with the performance plan for that position by assigning duties and responsibilities consistent with the current plan (see page 16).

## Agency Response

SEP 30 1998



**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

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

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

SUBJECT: Response to Draft IG Report on Dallas USEAC

*Donna V. ...*

We appreciate the work of the Inspector General's Office in reviewing the operations of our Dallas USEAC and their recommendations for improvement. While the report attempts to point out both strengths of the office and areas where improvement is needed, I feel the title of the report, "US&FCS Dallas USEAC Should More Aggressively Pursue Export Promotion Activities," suggests a negative bias not supported by the report's findings.

It should be noted that at the time of the IG visit (June 8-12, 1998), the Dallas USEAC was in transition. The office was in various stages of recruitment of new staff, and one TS was close to her retirement date. I am happy to report that the Dallas USEAC is now fully staffed.

### RESPONSE TO RECOMMENDATIONS

#### Recommendation One

The Dallas USEAC has submitted their FY99 Strategic Plan outlining a number of initiatives to increase its effectiveness in promoting exports and improve service delivery to its clients especially rural clients. Of particular note, the Dallas USEAC has aggressively pursued the addition of FAS to the Dallas USEAC to reach out to a new group of export ready firms in November 1998.

During FY98, Dallas USEAC serviced 104 new clients, hosted two videoconferences for their clients, staffed three International Buyer Shows, generated 70 export actions, 15 success stories, actively participated on the Rural Export Initiative Team, Western Hemisphere Team, Healthcare Team. Under the Centrally Funded TDY Program, the Dallas USEAC took the initiative to create two opportunities for FSN TDYs to Dallas to bring in-country expertise to benefit client firms. Two Dallas staff members have participated in TDY programs in the past, and three have asked to be nominated for HQ TDYs in FY99. All TSs have expressed an interest in overseas TDYs and will be given consideration for all TDYs in FY99. The Dallas USEAC will also explore TDY opportunities with overseas posts, especially its neighbor, Mexico. In August 1998, an ODO-wide TS training program was implemented and two Dallas TSs successfully completed the program. The two new trade specialists are scheduled to attend the training in November/December 1998. This training teaches trade specialists how to





aggressively seek new clients, effectively service existing clients, and enhance our partnerships with key organizations.

**Recommendation Two**

ODO is subject to Civil Service regulations and ITA policies on filling vacant positions and cannot fill a position while it is encumbered. The recruitment process is initiated as quickly as we become aware of pending vacancies, but the recruitment process is lengthy. In the case of Dallas, recruitment for new staff began in March and was only completed in late June. Vacancy Announcements were open to non-status applicants. Today, the Dallas USEAC is fully staffed with four TSs, one TRA, and the Director. Because the Dallas USEAC was previously understaffed, the Director was unable to devote the appropriate amount of time to the hub-and-spoke. With the Dallas USEAC fully staffed, the Director will be able to spend more time on hub-and-spoke issues rather than on issues specific to the Dallas office. One additional staffing requirement of the Dallas Office is that of a full-time receptionist. Currently one of the Trade Specialists acts as the receptionist. This takes away from time which could be devoted to clients. As an example of the workload of the receptionist, from July 1996-July 1997 we tracked all incoming telephone calls of whatever description and averaged 1,194 per month.

**Recommendation Three**

Many of the technology problems identified during the IG visit were past problems that had already been corrected. The problems identified were present in all offices due to an aggressive rollout of new equipment and software. In the Dallas USEAC, CMS is operating more effectively after assistance from the Regional Technology Specialist who conducted a complete review of all hardware, software, and training skills of the Dallas USEAC.

**Recommendation Four**

The challenges encountered with the major technology changes at Dallas (*and other offices*) were not due to the staff's inadequate information technology skills (*see p. 6 of the report*) nor the lack of pursuing potential solutions. In reality, training from outside vendors often proved irrelevant to our applications. Additionally, for a period of time the Dallas Internet provider was painfully slow thus discouraging use. Training is scheduled for the systems administrator in early November for a three day intensive training on all aspects of the ODO computer network. CMS and Internet training are a major part of the Best Practices for International Trade Specialist training which was conducted by ODO in August and will be repeated in November/December. An internal Internet training session featuring applications for international trade is scheduled for October in the Dallas USEAC. One of the trade specialist trainers will be conducting the training.

**Recommendation Five**

Dallas USEAC has implemented the procedure to have a second employee reconcile the payments received for user fees, and a small safe has been purchased to secure checks before they are sent to the lock box. Receipts were previously kept in a locked file drawer.

**Recommendation Six**

Every IG visit to the Midwestern Region for the past two years has mentioned concerns with handling user fees. This Regional Director has submitted requests both in writing and verbally for a need in revising the handling of user fees. We send monies to a lock box, never receive acknowledgement that funds were received or deposited. New procedures for accepting credit cards and using the Internet for collection of fees have recently been approved by ITA and will be implemented in early FY99. This should improve the whole collection process.

**Recommendation Seven**

Duties of the TRA are compatible with the performance plan for that position. TRA was selected and accepted a promotion to TRA 8 on April 26, 1998. A new performance plan was put in place to reflect the new responsibilities of the position. The new position is one available only in USEACs and involves providing support to all of the spoke offices of the USEAC network. Counseling Services carries only a weight of 10% of the total plan. Administration, Office Operations Support, and Technology Applications account for 90% of the total weight of the new performance plan. In discussions between Director and TRA, TRA has expressed her preference for administrative duties rather than pursuing more involvement in client counseling.

**Concluding Observations**

In the third paragraph of the Executive Summary there is the statement that Dallas "... had a staff of seven" at the time of the IG's visit. The number seven is misleading as it includes the SBA representative and two interns which, in reality, hardly count when it comes to delivering CS programs. In reality, for 18 months Dallas had a staff of four, with only two TSs.

We should also point out that the number of "special projects" that USEACs are tasked with throughout the year have a dramatic effect on the office's ability to effectively implement new programs and successfully complete those identified in Strategic Plans at developed early in the FY. I know that you will agree that FY98 has been a year full of such projects as Euro Seminars, Asian Crisis Seminars, Korean Caravans, Foreign Buying Delegations, etc., and Dallas seems to be on the Top 10 list of cities for any and all such projects.

Please let me know if you need any additional information.

cc: Daniel J. McLaughlin