



Report In Brief

NOVEMBER 30, 2012

Background

The United States & Foreign Commercial Service (the Commercial Service, or CS) within the Department's International Trade Administration (ITA) helps (a) promote the export of goods and services by small- and medium-sized U.S. companies and (b) enhance U.S. government collaboration and coordination on federal export promotion efforts.

The CS Office of Domestic Operations employs around 350 staff, most of whom are trade specialists. This domestic unit operates 107 field offices, known as U.S. Export Assistance Centers (USEACs) located across 8 networks nationwide.

USEACs enter into contracts, referred to as participation agreements (PAs), with companies and work closely with overseas CS staff to deliver services. Overseas CS staff set up interviews with foreign buyers, compile financial reports on foreign companies, and screen foreign business contacts for U.S. companies. A CS service that results in an actual export by a U.S. company is recorded as an "export success," which is the organization's primary performance measure.

Why We Did This Review

CS is a key player in the National Export Initiative (NEI), the Administration's plan to double U.S. exports by the end of 2014 over 2009 levels. The NEI calls on more than a dozen federal agencies and offices to help U.S. companies increase their exports and create jobs. This initiative was announced by the President during the 2010 State of the Union address and promulgated by executive order.

Our review sought to (1) evaluate whether CS's allocation of domestic resources meets its mission and goals, (2) assess CS's level of cost recovery, and (3) determine the extent to which the level of coordination between USEACs and their federal and nonfederal partners is sufficient to meet Administration priorities with respect to the NEI.

INTERNATIONAL TRADE ADMINISTRATION

U.S. Export Assistance Centers Could Improve Their Delivery of Client Services and Cost Recovery Efforts

OIG-13-010-1

WHAT WE FOUND

CS' Allocation of Resources Is Not Optimal. A significant amount of specialists' time is spent performing administrative tasks that prevent them from performing more substantive client-related services. Also, USEACs with location and performance issues consume CS's limited resources. Finally, approximately 20 percent of USEAC-initiated services go unfulfilled because overseas posts are unable to perform them.

CS' Cost Recovery Model and Certain Internal Financial Controls Have Weaknesses. CS's current model for recovering costs through fees for its client services is based on outdated information, cannot accurately track the time required to perform services, and does not account for all costs associated with providing those services. We also found deficient internal controls related to the handling of check payments for client services and the reconciliation of CS's accounts with the Department's.

Survey Respondents Reported That CS Actions to Implement NEI Reportedly Have Had a Limited Effect on USEAC Collaboration with Partners and Guidance to Enhance Collaboration Is Inadequate. According to trade specialists, the NEI has not significantly affected the outcomes of USEAC collaboration with partners. Further, trade specialists surveyed reported insufficient guidance on related initiatives and lack of participation in relevant training. Finally, collaboration between USEACs and their partners is hampered by restrictions on sharing client information.

WHAT WE RECOMMEND

We recommend the Acting Assistant Secretary for Export Promotion and Director General of the U.S. & Foreign Commercial Service:

1. Develop strategies for minimizing the administrative duties of trade specialists.
2. Upgrade or replace the current Client Tracking System.
3. Determine why some USEACs are underperforming and take corrective action.
4. Track overseas posts that are unable to deliver adequate services and use the tracking tool to provide estimated service delivery times to clients based on post performance and service type.
5. Standardize the review process for the fee schedule to ensure biennial updates.
6. Ensure that surveys used to determine user fees are methodologically sound and sample participation agreements for client services to validate the survey results.
7. Analyze and document the methodology for estimating overhead costs and include appropriate costs in the fee schedule to approximate full-cost recovery.
8. Develop (a) formal policies prohibiting trade specialists from handling checks and (b) appropriate internal controls for check payments, consistent with those in place for credit card payments.
9. Create official policies for account reconciliation, providing second-party review of reconciliation activities and guidance for corrective action.
10. Determine why guidance on collaboration is not effectively communicated to trade specialists in the field and take corrective action.
11. Develop guidance on how to incorporate GAO practices for enhancing collaboration to structure partnerships to add value in achieving the USEACs' mission.
12. Develop and provide training to USEAC and partner staff on collaboration strategies and techniques.
13. Request expanded Trade Promotion Coordinating Committee Trade Officer Training with a web-based alternative available to all domestic trade specialists.
14. Explore the possibility of requiring CS clients to waive confidentiality, in whole or in part, as a condition for receiving services.