



# Report In Brief

U.S. Department of Commerce Office of Inspector General

October 19, 2006



## Why We Did This Review

Commerce OIG regularly inspects U.S. Commercial Service (CS) overseas posts. In late 2005, we inspected the five CS China offices.

In June 2006, we inspected CS' offices in Argentina and Uruguay, focusing on management, program operations and financial and administrative practices. These offices have a combined management structure, both being managed by the senior commercial officer in Argentina. CS' staff in Uruguay also coordinates with the State Department economic counselor in Uruguay on day-to-day matters.

## Background

### Uruguay Country Profile

**Population:** 3.4 million

**Size:** 68,040 square miles

**GDP:** \$32.9 billion (purchasing power parity – PPP)

**Major industries:** beverages, chemicals, electrical machinery, food processing, petroleum products, and textiles.

### Argentina Country Profile

**Population:** 39.9 million

**Size:** 1.07 million square miles

**GDP:** \$518 billion (PPP)

Major industries: consumer durables, chemicals and petrochemicals, food processing, motor vehicles, metallurgy, and textiles.

To view the full report, visit <http://www.oig.doc.gov/oig/reports/2006/Final%20Report%20Argentina.pdf>.

## International Trade Administration

### ***Commercial Service Operations in Argentina and Uruguay Are Mostly Sound but Financial Processes Need Attention (IPE-18111)***

#### What We Found

Our review found that CS Argentina and CS Uruguay are providing useful export assistance to U.S. companies and have established collaborative relationships with key U.S. government offices and non-governmental organizations. We also found effective administrative management practices at both posts. However, during our review of CS Argentina's and CS Uruguay's financial management practices and accounting, we found several matters of concern.

By request from CS management, we reviewed the advantages and disadvantages of CS Argentina's current process of certifying its own payments in Argentina. In 2000, CS Argentina partially opted out of the State Department's payment certification and accounting services. We found that there are some advantages to CS' certification program in Argentina, but it also presents substantial management and oversight challenges and is not permitted by current ITA and Commerce policies.

We also looked at the posts' reporting of their export successes, since CS' handling of this performance measurement has been a recurring problem. We found that most of the reported successes complied with most aspects of CS' export success guidance. But the posts did not always maintain sufficient documentation beyond the export success narratives to fully substantiate reported export transactions and CS' value-added export-related assistance.

#### What We Recommended

We made 20 recommendations to improve operations at the CS Argentina and CS Uruguay posts, including:

1. CS Argentina should fully comply with ITA and the Department's overseas financial management policies by resuming its full participation in the relevant State Department ICASS financial management cost centers.
2. ITA's Office of Financial Management should review CS' accounting and payment certification in Argentina since FY 2000, as necessary, to ensure that there have been no financial irregularities.
3. ITA should clearly communicate its policies on overseas financial management to CS headquarters and overseas personnel and make sure they are fully reflected in the *CS Operations Manual* and incorporated into relevant training materials for CS officers and administrative staff.
4. User fees collected by CS for services provided by the State Department in Uruguay should be transferred directly to the State Department for retention or proper disposition, or the fees should be handled in accordance with alternative guidance from the Office of General Counsel.
5. The SCO in Argentina should rescind all invalid export successes, and both CS Argentina and CS Uruguay should maintain adequate documentation substantiating reported export successes, as required by the *CS Operations Manual*.