

U.S. DEPARTMENT OF COMMERCE
Office of Inspector General



**PUBLIC
RELEASE**

*UNITED STATES TRAVEL AND
TOURISM ADMINISTRATION*

*Close-out Procedures
as of April 25, 1997*

Audit Report No. FSD-8711-7-0001 / June 1997

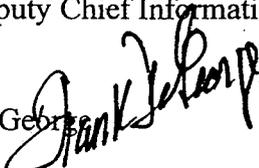




UNITED STATES DEPARTMENT OF COMMERCE
The Inspector General
Washington, D.C. 20230

JUN 19 1997

MEMORANDUM FOR: Alan P. Balutis
Director for Budget, Management and Information
and Deputy Chief Information Officer

FROM: Frank DeGeorge 

SUBJECT: Close-Out of the United States Travel and Tourism Administration
Audit Report No. FSD-8711-7-0001

The attached report presents the results of agreed-upon procedures with respect to the close-out of the United States Travel and Tourism Administration. The independent public accounting firm Price Waterhouse LLP was contracted to perform those procedures and report the results. The report is dated the last day of field work, April 25, 1997.

The report contains three sections: Attachment I presents a conservative estimate of funds that will not be needed to cover existing obligations; Attachment II discusses the procedures performed under the contract and the observed results; and Attachment III articulates the remaining tasks that need to be taken by management. The report recommends the assignment of remaining tasks to participating offices and the establishment of a timetable for their completion (see Attachment III). It is essential that action be undertaken promptly to ensure that unnecessary costs are not incurred as a result of continued servicing by the State Department.

DAO 213-5 requires that you submit an audit action plan addressing the recommendations in the attached report within 60 days. The format for the plan is Exhibit 7 of the DAO. Under the DAO, the Office of Inspector General must concur with your proposal. The DAO describes procedures for handling any disagreements this office may have with the audit action plan.

Should you need to discuss the contents of this report, please contact George E. Ross, Assistant Inspector General for Auditing, on (202) 482-1934 or Thomas McCaughey, Director, Financial Statements Contract Audits Division, on (703) 603-0301. We appreciate the cooperation and courtesies extended by the Office of the Secretary and NIST during this engagement.

Attachment

cc: John McGuffin
Comptroller
National Institute of Standards
and Technology

U.S. DEPARTMENT OF COMMERCE

UNITED STATES TRAVEL AND TOURISM
ADMINISTRATION

REPORT OF INDEPENDENT ACCOUNTANTS ON
APPLYING CERTAIN AGREED-UPON PROCEDURES

APRIL 25, 1997

Price Waterhouse LLP



**REPORT OF INDEPENDENT ACCOUNTANTS ON
APPLYING CERTAIN AGREED-UPON PROCEDURES**

To The Office of the Inspector General of the
United States Department of Commerce

In accordance with Tasks I and II of the scope of work related to Task Order Number 4, second option year, of Contract Number 50-SAGG-4-00017 (the Contract), we have performed certain agreed-upon procedures, as enumerated below, with respect to the close-out of the United States Travel and Tourism Administration (USTTA) of the Department of Commerce (DOC). By agreement with the Office of the Inspector General (OIG) of the DOC, Tasks I and II of the Contract were combined and are satisfied by the contents of this report.

These procedures were applied to (a) the balances contained on listing of 'outstanding obligations and projected future costs' dated April 12, 1996 (as amended on September 10, 1996) and supplied to us by the OIG and (b) the expenses reported for USTTA by the Office of the Controller of the National Institute of Standards and Technology (NIST). These procedures, which were agreed to by the OIG, were performed solely to assist that office in testing the assertions listed below.

This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants (including Statement on Standards for Attestation Engagements No. 4, effective for reports on agreed-upon procedures engagements dated after April 30, 1996). The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. We do not opine on or give any negative assurance as to the completeness of the listings of obligations and projected future costs nor on the completeness of NIST's records. Materiality relating to our testing of the listing of obligations and projected future costs was set at \$65,000 or approximately 0.5% of the listings' total, as was specified in our proposal dated June 4, 1996.



Assertions Tested

Assertion No. 1.

The listing of outstanding obligations and future costs compiled by Mr. Lee Wells as of April 12, 1996 (as amended on September 10, 1996) contained accurate estimates of those future costs and that they were adequately supported.

Assertion No. 2.

Expenditures incurred domestically by USTTA from October 1, 1995 to March 31, 1997 were accurate in amount, for a proper business purpose and allowable under existing legislation and regulations. The rate of expenditure incurred by overseas posts was comparable to rates noted in the prior year for the same period of time.

Procedures Performed

The procedures we were tasked to perform to test these assertions were as follows:

- Perform testing on the above mentioned April 12, 1996 listing of outstanding obligations and projected future costs, as amended on September 10, 1996, to determine if estimates made were accurate and actual costs were supported. This testing included, but was not limited to, reviewing (i) supporting documentation for estimates, (ii) actual invoices and (iii) costs for allowability. In addition, to the extent possible, the listing was reviewed for completeness.
- Review expenses incurred (via sampling or analytical review) from October 1, 1995 through the date of this review (March 31, 1997) to determine if costs were proper and accurate in amount and purpose, and were in accordance with applicable laws or regulations. No procedures were performed at overseas locations, although selected summary reports were reviewed.
- Prepare a report that summarizes procedures performed and results observed. Include an analysis of costs incurred and a listing of any open items or suggested actions relating to the close-out process.

Summary and Results of Procedures Performed

A detailed summary of our analysis of the status of USTTA's outstanding balances, as recorded on the March 31, 1997 general ledger, relating to the September 10, 1996 amended listing of obligations and projected future costs, is presented as Attachment I to this letter. A complete



summary, enumerating the procedures performed and the results observed under the Contract, is presented as Attachment II to this letter. Specifically, Assertion No. 1 was tested by the procedures performed and the results observed as summarized in Attachment II, Sections I through V; and Assertion No. 2 was tested by the procedures performed and the results observed as summarized in Attachment II, Section VI. Attachment III includes a listing of tasks remaining and suggested actions for management relating to the close-out of USTTA.

* * * * *

We were not engaged to, and did not, perform an examination of USTTA's close-out procedures and remaining financial balances, the objective of which would be the expression of an opinion on the adequacy of those procedures and/or the accuracy of those balances. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. Furthermore, there will usually be differences between projected future costs and actual costs incurred, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

Price Waterhouse LLP

Price Waterhouse LLP
April 25, 1997

**United States Travel and Tourism Administration
Fiscal Year 1996 Close-out Procedures
Summary of 1996 Activity**

Sources of Funds:

Available FYs 1996-97

Carryover Funds	\$1,171,307
Continuing Resolution	1,800,000
Transfer to International Trade Administration	(2,027,000)
Transfer from Economic Development Admin.	9,989,000
FSN Voluntary Separation Pay Trust Fund	390,252
1995 Obligations subsequently de-obligated (domestic and JATA only)	777,114

Total

\$12,100,673

Obligations and Estimated Future Costs:

	Budgeted Allotments	Unused Allotments	Unobligated Allotments	Suggested Deobligations	Total Available
Canada	\$950,000	\$255,906	\$0	\$0	\$255,906
Mexico (w/o [REDACTED] Medical Costs)	307,000	0	15,445	0	15,445
United Kingdom	556,000	0	225,119	0	225,119
France	385,000	70,360	636	0	70,996
Germany	393,000	63,299	9,400	0	72,699
Japan	902,000	115,155	0	0	115,155
Australia	230,000	35,266	3,715	0	38,981
Italy	176,000	0	20,911	0	20,911
Domestic Payments for Overseas Offices	1,317,000	168,272	0	0	168,272
Office of the Under Secretary	525,000	81,165	0	0	81,165
Assistant Secretary for Tourism & Marketing	630,000	29,668	0	0	29,668
Office of Research	280,000	43,059	0	0	43,059
Office of Policy and Planning	280,000	121,272	0	0	121,272
World Fairs and International Expo Staff	0	(67,750)	0	0	(67,750)
Office of Strategic Planning and Administration	280,000	74,116	0	0	74,116
Marketing Programs	0	(265,301)	0	0	(265,301)
Agency Central	560,000	365,903	0	0	365,903
Unemployment Compensation	140,000	(42,596)	0	0	(42,596)
[REDACTED] Medical Costs (Allotted to Mexico)	250,000	0	0	200,000	200,000
NOAA	7,000	0	0	0	0
State Department - FAAS/ICAAS	1,200,000	(117,993)	0	0	(117,993)
Working Capital Fund charges	600,000	260,944	0	0	260,944
OFS/NIST	204,000	0	0	0	0
Audit	50,000	2,118	0	0	2,118
Potential law suits	50,000	0	0	0	0
Computer contract	80,000	11,251	0	0	11,251
GSA space rental costs	360,000	70,975	0	0	70,975
Contingency	332,000	254,309	0	32,399	286,708
Not Budgeted on Wells' Listing	1,056,673	1,056,673	0	0	1,056,673

Net Available

\$12,100,673	\$2,586,071	\$275,226	\$232,399	\$3,093,696
---------------------	--------------------	------------------	------------------	--------------------

**United States Travel and Tourism Administration
Fiscal Year 1996 Agreed-Upon Procedures
Summary of Procedures Performed and Results Observed**

A. Overview of USTTA

General Background on USTTA

The Department of Commerce's (DOC) United States Travel and Tourism Administration (USTTA) was the U.S. Government's official national tourism office over the last three decades. USTTA assumed primary leadership responsibility for optimizing tourism's contribution to the nation's economic goals of growth, stability and job creation. Established by the International Travel Act of 1961 as the United States Travel Service, the agency was renamed as part of the National Policy Act of 1981. The Tourism Policy Act of 1992 provided the current authorization through fiscal year 1996. However, in January of 1996, the U.S. Congress ordered USTTA closed as of April of the same year. Later, Foreign Service Officers were allowed to be extended through June 30, to coincide with their normal rotation schedules. USTTA's former functions were partially assumed by another DOC bureau, the International Trade Administration (ITA), and several of USTTA's former employees transferred to ITA during 1996.

USTTA carried out a number of functions that included:

- Developing, coordinating and negotiating domestic and international tourism policy issues including multilateral and bilateral trade and investment agreements;
- Representing U.S. interests in international travel and tourism organizations;
- Gathering, analyzing and disseminating statistical data and market research which measured the economic and social impact of tourism to and within the United States to facilitate planning in the public and private sectors of the U.S. tourism industry; and
- Bringing together, U.S. public and private sector travel industry personnel with representatives from the travel industry in a number of international markets, to promote cooperative tourism trade development from abroad.

Mission, Goals and Objectives of USTTA

USTTA conducted targeted programs supporting the tourism-related activities of specific U.S. states, cities, regions, and private industry. USTTA's stated mission was to maximize tourism's contribution to the nation's economic well-being. The goals of USTTA were to develop U.S. tourism as a stimulus to economic growth and stability, improve international competitiveness of the U.S. travel and tourism industry, and expand foreign exchange earnings. USTTA's stated objectives were as follows:

- increase awareness of the tourism export market and tourism in general;
- educate the international travel trade about U.S. destinations, tourism facilities and services;
- stimulate consumer demand for travel to the United States;
- provide U.S. tourism companies better access to international markets;
- facilitate entry of small and medium-size companies into the market;
- develop cooperative trade development campaigns with industry;
- further tourism development as an economic option for rural and ethnic communities;
- provide research on international travel markets to the U.S. tourism industry;
- coordinate tourism trade policies and legislative initiatives; and
- reduce restrictive barriers to the growth of U.S. tourism services.

The Structure, Division of Responsibilities, Staffing and Funding of USTTA

USTTA was primarily located in Washington, D.C. and was headed by an Under Secretary of Commerce for Travel and Tourism. In this capacity, the Under Secretary advised the Commerce Secretary on the formulation and execution of policy affecting the American tourism industry and its contribution to the nation's economic development and international trade objectives. Other Washington, D.C. based offices included the Office of Tourism and Marketing, the Office of Policy and Planning, the Office of Research and the Office of Strategic Planning and Administration.

The Office of Tourism and Marketing developed and implemented USTTA's tourism trade development programs. The Office of Policy and Planning developed and established broad policy initiatives to encourage travel to and within the United States in order to foster economic stability and growth of the U.S. travel industry. The Office of Research gathered, analyzed and published international travel research results; provided statistics to define existing and emerging markets; assessed market potential; and evaluated program efforts. The Office of Strategic Planning and Administration was responsible for coordinating all of USTTA's administrative responsibilities.

United States Travel and Tourism Administration
Report of Independent Accounts on Applying Certain Agreed Upon Procedures
Attachment II - Page 3

USTTA maintained offices in eight foreign countries in fiscal year 1996: Canada, Mexico, the United Kingdom, France, Germany, Japan, Australia and Italy. As a serviced agency of the foreign service, USTTA worked closely with the Department of State through embassies or consulates located in cities where USTTA maintained offices. Administrative support was provided to USTTA regional offices by the embassies and consulates through the FAAS cost sharing agreement. In addition, USTTA maintained an office in Miami, Florida which provided services to countries in South America. USTTA offices abroad also operated cooperative travel development, technical assistance, and educational programs in 11 other countries in cooperation with the U.S. and Foreign Commercial Service (a division of ITA) and local Visit USA Committees.

Since the dissolution of USTTA the DOC's Office of the Secretary (O/S) has been tasked with the responsibility for closing out USTTA. The Office of the Controller of the National Institute for Standards and Technology (NIST) was responsible for recording all of USTTA's remaining transactions. This responsibility included providing guidance to USTTA personnel concerning laws and regulations affecting their final financial accounting and reporting operations. NIST personnel receive the overseas transactions through downloads from the State Department's FMS system.

In fiscal year 1996, USTTA operated with a complement of 103 full time staff positions in the U.S. and abroad. For use in fiscal year 1996, USTTA received over \$13 million from Congress directly, through the Economic Development Administration (EDA) and through carryover of previously appropriated funds. USTTA transferred over \$2.0 million to ITA to continue certain travel and tourism activities and programs. In addition, USTTA had control over funds credited to a deposit fund originating from user fees associated with USTTA's past activities and services. In addition, USTTA sold much of its statistical research data and reports, as well as subscriptions to its In-Flight Survey, and credited these receipts to the deposit fund as well.

B. Overview of Agreed-Upon Procedures

Roles, Responsibilities and Scope Limitations

The assertions on which we performed agreed-upon procedures were the responsibility of the DOC's Office of the Inspector General (OIG) and the USTTA Closure Team, headed by O/S. This responsibility included the accuracy of those assertions and the sufficiency of the procedures outlined below to test them. The OIG and O/S have had the responsibility to ensure that timely assistance is provided to PW LLP by the DOC bureaus and offices tasked with assisting in the USTTA close-out, including O/S, NIST, ITA, the National Oceanic and Atmospheric Administration (NOAA), the Office of Procurement (OP) and the Office of General Counsel (OGC).

United States Travel and Tourism Administration
Report of Independent Accounts on Applying Certain Agreed Upon Procedures
Attachment II - Page 4

Our responsibility was to carry out these agreed-upon procedures in accordance with the general, fieldwork and reporting standards set forth and referred to in Statement on Standards for Attestation Engagements (SSAE) No. 4 and other standards established by the American Institute of Certified Public Accountants. This agreed-upon procedures engagement did not constitute an audit of any segment, component, control system or procedure of USTTA or its operations. As a consequence, we do not express an opinion on any financial information or accounts. The sufficiency of the assertions and procedures contained in this letter are the responsibility of the OIG and O/S, our report is for the exclusive use of those two parties. We assumed no responsibility for the establishing the scope and nature of these procedures and their concurrence with them acknowledged that the procedures set forth below were sufficient for their purposes.

We were unable to observe or test USTTA's systems of internal control since those systems have been discontinued and the employees who utilized such systems have been terminated. Finally, we were not authorized or funded to conduct testing at overseas locations, where a sizable percentage of USTTA's transactions arose and where a good deal of its documentation was stored.

Assertions and Agreed-Upon Procedures

Assertion No. 1.

The listing of outstanding obligations and future costs compiled by Mr. Lee Wells as of April 12, 1996 (as amended on September 10, 1996) contained accurate estimates of those future costs and that they were adequately supported.

Assertion No. 2.

Expenditures incurred domestically by USTTA from October 1, 1995 to March 31, 1997 were accurate in amount, for a proper business purpose and allowable under existing legislation and regulations. The rate of expenditure incurred by overseas posts was comparable to rates noted in the prior year for the same period of time.

The procedures we were tasked to perform to test these assertions were as follows:

- Perform testing on the above mentioned April 12, 1996 listing of outstanding obligations and projected future costs, as amended on September 10, 1996, to determine if estimates made were accurate and actual costs were supported. This testing included, but was not limited to, reviewing (i) supporting documentation for estimates, (ii) actual invoices and (iii) costs for allowability. In addition, to the extent possible, the listing was reviewed for completeness.
- Review expenses incurred (via sampling or analytical review) from October 1, 1995 through

United States Travel and Tourism Administration
Report of Independent Accounts on Applying Certain Agreed Upon Procedures
Attachment II - Page 5

the date of this review (March 31, 1997) to determine if costs were proper and accurate in amount and purpose, and were in accordance with applicable laws or regulations. No procedures were performed at overseas locations, although selected summary reports were reviewed.

- Prepare a report that summarizes procedures performed and results observed. Include an analysis of costs incurred and a listing of any open items or suggested actions relating to close-out process.

C. Specific Agreed-Upon Procedures and Results Observed

Organization of our Testing

We divided our testing into six sections. The first four sections were designed to test Assertion No. 1 above; the fifth section was designed to test other related matters; and the sixth section was designed to test Assertion No. 2 above. Specifically,

Section I	Funding Sources and Cash Reconciliation
Section II	Overseas Balances
Section III	Domestic Office Balances
Section IV	Personnel Costs
Section V	Other Issues
Section VI	Disbursements for Fiscal Years 1995 and 1996

On the following pages we present specific procedures and the results observed by these individual sections, including a summary of the testing. Presented in Attachment III are the remaining tasks to be performed by management and some suggested actions as how to best accomplish those tasks.

United States Travel and Tourism Administration
 Report of Independent Accounts on Applying Certain Agreed Upon Procedures
 Attachment II - Page 6

Section I - Funding Sources and Cash Reconciliation

Step	Specific Procedure	Results Observed
I.A.	Identify all sources of funding for USTTA in fiscal year 1996, including transfers in and out.	Step satisfactorily completed, see Exhibit A.
I.B.1. and 2.	Prepare master listing of funding sources and agree them to underlying legislation and other documentation, the general ledger and Treasury Reports filed.	Step satisfactorily completed, see Exhibit A.
I.B.3. and 8.	Perform same step for transfers in and out.	Step satisfactorily completed, see Exhibit A.
I.B.4.	Agree carryover balance to SF 133 filed with the U.S. Treasury and compare amounts to the 9/30/95 general ledger. Estimate the 9/30/95 domestic obligations which were subsequently deobligated and made available during fiscal years 1996 and 1997.	Step satisfactorily completed for unobligated carryover balances as of 9/30/95. Through sorts of the fiscal year 1996 and 1997 (as of 3/31/97) Financial Accounting and Reporting System (FARS) transaction disks, personnel at NIST were able to provide an estimate of 9/30/95 domestic obligations, which were subsequently deobligated and made available. See Exhibit A for these balances. No estimate was made for foreign obligations as of 9/30/95 which were subsequently deobligated and made available, due to the scope limitation on conducting testing procedures at foreign posts (except for a \$300,000 deobligation for the JATA agreement, which we could test domestically).
I.B.5.	Identify restrictions on funds provided and verify that such restrictions were adhered to.	Step satisfactorily completed, see Exhibit A. OMB withheld \$200,000 of the fiscal year 1996 appropriation. The deposit fund's restriction is discussed I.B.6. below.

Section I - Funding Sources and Cash Reconciliation

Step	Specific Procedure	Results Observed
I.B.6.	Agree the balance in the Deposit Fund to the general ledger and Treasury Reports, review OGC opinion as to the proper disposition of the amounts in the Fund and actions taken.	Step completed; according to an opinion from the OGC dated 9/26/96, NIST should transfer the remaining \$1.24 million in this fund as of 3/31/97 to the U.S. Treasury. This action had not been taken as of 4/25/97.
I.B.7.	Agree the balance in the FSN Voluntary Separation Trust Deposit Fund to the general ledger and Treasury Reports, review appropriateness of transferring this amount to the main appropriation account.	Step satisfactorily completed; trust fund balance was not utilized for voluntary separation since FSNs were involuntarily separated. These funds were transferred to the unrestricted appropriation account and is included as a source of funds on Attachment I.
I.B.9.	Reconcile funds not utilized per the general ledger and Treasury records to amounts not allotted, not obligated and not disbursed per USTTA's records to ascertain if all funds held will be needed.	This summary is presented in Attachment I. We identified (i) funds that were budgeted in the 9/10/96 listing, but were never allotted or obligated, (ii) funds that were allotted, but never obligated and (iii) funds that are still obligated as of 3/31/97, but do not appear to be needed for the purpose they were obligated for.
I.C.1.-3.	Summarize and conclude on testing in this area, listing out remaining tasks to be performed by management.	Step satisfactorily completed, see Attachment III for remaining tasks to be performed by management.

**United States Travel and Tourism Administration
Section I - Sources and Transfers of Fiscal Year 1996 Funds
Summary of Testing Performed**

Sources or Transfers of Funds	Amount	Legal Authority Reviewed	Transfer Document Reviewed	Other Documentation Reviewed
Continuing Resolution:				
PL 104-99	\$2,000,000	PL 104-99	SF 132 (final)	Administrative
Not Available	<u>(200,000)</u>	HR 2880, 2076	August 6, 1996	Order
Net	<u>\$1,800,000</u>	January 26, 1996		
Carryover funds from FY 1995:				
13X0700	\$1,181,979	N/A	1996's SF 133	1995's SF 133
Other	<u>(10,672)</u>		November 20, 1996	Undated
	<u>\$1,171,307</u>			
Transfer from EDA	<u>\$9,989,000</u>	PL 104-99 HR 2880 Committee Minutes	1081 Form February 12, 1996	Congressional Letter February 6, 1996
Transfer to ITA	<u>(\$2,027,000)</u>	PL 104-99 HR 2880 Committee Minutes	1081 Form May 2, 1996	Internal Correspondence
FSN Voluntary Separation Pay Trust Fund	<u>\$390,252</u>	1994 Financial Statements - Note 2	1081 Forms various	Journal Voucher Support
Obligations existing at September 30, 1995 and subsequently deobligated (domestic and JATA only)	<u>\$777,114</u>	1996's SF 133 November 20, 1996	Journal Voucher Support	1995's SF 133 FARS Extracts
Total Fiscal Year 1996 Sources	<u>\$12,100,673</u>			
Deposit Fund (restricted)	<u>\$1,240,094</u>	N/A	Not Transferred to U.S. Treasury as of April 30, 1997	General Ledger

United States Travel and Tourism Administration
 Report of Independent Accounts on Applying Certain Agreed Upon Procedures
 Attachment II - Page 8

Section II - Overseas Balances

Step	Specific Procedure	Results Observed
II.A.	Identify all posts and balances remaining in the field, as well as the procedures used to record and control them.	Step satisfactorily completed.
II.B. 1.	Prepare a listing of all remaining overseas balances from the latest FMC-60 Reports.	Step satisfactorily completed, see Exhibits B and C.
II.B. 2.	Determine if amounts allotted exceeded amounts obligated and amounts obligated exceeded amounts disbursed, identifying exception cases.	Step satisfactorily completed, see Exhibits B and C. No funds control violations were noted in the fiscal year 1996 expenditure authorities. Minor negative obligations were noted in a few prior year authorities.
II.B. 3.	Compile and summarize the amounts of unused funds still allotted to post.	Step satisfactorily completed, see Exhibits B and C. Fiscal year 1996 unused funds posted to Attachment I.
II.B. 4.	Review correspondence sent to the budget office by posts to determine if all post-identified liabilities have been funded.	Step satisfactorily completed, we reviewed the detailed budgets submitted by overseas posts and noted that allotments were made which more than covered all identified liabilities.
II.B. 5.a-e	Review individual cost components to ascertain that: severance amounts, allowances paid, contract terminations, other amounts obligated or paid appear accurately recorded, and unfunded amounts were identified and summarized.	Step satisfactorily completed. Amounts budgeted for and funded appeared to exceed the amounts required, and were reviewed and approved by Mr. Wells. We noted one instance when two U.S. Officers included their severance in their post's budget. Although these funds were allotted, they were never obligated or paid, since U.S. personnel were paid their severance from the U.S. payroll system.

Section II - Overseas Balances

Step	Specific Procedure	Results Observed
II.B. 6.	Document procedures planned to eliminate all overseas balances.	As of April 25, 1997, there were no formal procedures to close out all overseas balances. Personnel at NIST have requested that State Department FMCs close-out remaining net balances, but have not yet requested that all 1991-1997 records be eliminated from the State Department's accounting and payment processing systems. See discussion of remaining tasks to be performed in Attachment III, and suggested actions to close out these balances.
II.B. 7.	Summarize other obligations, commitments and contingencies not identified in Mr. Wells' listings.	Step satisfactorily completed, no additional items were noted.
II.C. 1.-3.	Summarize and conclude on testing in this area, listing out items for later follow-up.	Step satisfactorily completed, see Attachment III for remaining tasks to be performed by management.

United States Travel and Tourism Administration
 Analysis of 1996 Overseas Allotment Balances
 Attachment II - Exhibit B

Country or City	As of (1997)	EA #	1996 Allotment		Unused Allotments	1996 Allotment		Obligations	Unobligated	Disbursements	Undisbursed
			Original	Revised		Revised	Revised				
France	March	L6012236	\$385,000.00	\$314,640.41	\$70,359.59	\$314,004.10	\$314,004.10	\$636.31	\$314,004.10	\$0.00	
United Kingdom	March	L6012232	556,000.00	556,000.00	0.00	330,881.28	330,881.28	225,118.72	330,881.28	0.00	
Australia	March	L6012307	230,000.00	194,733.74	35,266.26	191,018.74	191,018.74	3,715.00	191,018.74	0.00	
Japan	March	L6012308	902,000.00	786,845.29	115,154.71	786,845.29	786,845.29	0.00	786,845.29	0.00	
Canada	March	L6012226	950,000.00	694,093.59	255,906.41	694,093.59	694,093.59	0.00	690,849.78	3,243.81	
Mexico	March	L6012128	557,000.00	557,000.00	0.00	541,554.75	541,554.75	15,445.25	325,599.05	215,955.70	
Italy	February	L6012250	176,000.00	176,000.00	0.00	155,088.35	155,088.35	20,911.65	155,088.35	0.00	
Germany	March	L6012240	393,000.00	329,701.00	63,299.00	320,300.46	320,300.46	9,400.54	316,727.99	3,572.47	
			\$4,149,000.00	\$3,609,014.03	\$539,985.97	\$3,333,786.56	\$3,333,786.56	\$275,227.47	\$3,111,014.58	\$222,771.98	

**United States Travel and Tourism Administration
Analysis of Unobligated and Undisbursed Balances
Allotted to Overseas Posts**

Country or City	As of	EA #	Type	Unobligated	Undisbursed	1996 Final Allotment
	(1997)					
France	March	L5012236	S&E	\$198.84	\$0.00	
		L6012236	S&E	636.31	0.00	\$314,640.41
Charleston	March	L1012110	S&E	397.84	0.00	
		L2012110	S&E	3,097.76	0.00	
		L3012110	S&E	3,345.09	0.00	
		L4012110	S&E	1,144.19	0.00	
		L5012110	S&E	2,461.83	0.00	
		L2182112	DF	18,589.31	0.00	
		L1012118	S&E	2,405.49	0.00	
		L2012118	S&E	1,934.09	0.00	
		L3012118	S&E	2,989.65	0.00	
		L4012118	S&E	1,236.52	0.00	
		L5012118	S&E	810.25	0.00	
United Kingdom	March	L1012232	S&E	4,198.70	0.00	
		L2012232	S&E	120,448.01	0.00	
		L3012232	S&E	36,540.24	0.00	
		L4012232	S&E	24,462.99	0.00	
		L5012232	S&E	46,821.45	0.00	
		L6012232	S&E	225,118.72	0.00	556,000.00
		L6182232	DF	10,886.80	0.00	35,000.00
Australia	March	L6012307	S&E	3,715.00	0.00	194,733.74
Argentina	March	L2022102	S&E	0.00	165.80	
		L3022102	S&E	0.00	353.82	
		L4022102	S&E	0.00	19.92	
		L5022102	S&E	0.00	(95.26)	
Japan	March	LX652308	DF-1991	0.00	849,612.78	
		LX652308	DF-1994	0.00	20,728.04	
		L6012308	S&E	0.00	0.00	786,845.29
Canada	March	L5012226	S&E	1,330.86	2,538.62	
		L6012226	S&E	0.00	3,243.81	694,093.59
Brazil	February	L4012106	S&E	0.00	3,800.00	
		L5012106	S&E	0.00	(184.53)	
Mexico	March	L5012128	S&E	10,031.49	0.00	
		L6012128	S&E	15,445.25	215,955.70	557,000.00
		L6182128	DF	0.00	144.89	
		L6652128	Coll	0.00	0.01	
		LX65944	1988	19,614.54	21,760.63	
Italy	February	L2012250	S&E	2,989.71	0.00	
		L3012250	S&E	1,525.99	0.00	
		L6012250	S&E	20,911.65	0.00	176,000.00
		L6182250	DF	0.00	0.00	235,020.66
Germany	March	L5012240	S&E	21.86	0.00	
		L6012240	S&E	9,400.54	3,572.47	329,701.00
		L6182240	DF	0.00	0.00	26,158.68
Current Balances				\$592,710.97	\$1,121,616.70	\$3,905,193.37
		Deposit Funds		\$49,090.65	\$892,246.35	
		S&E Funds		\$543,620.32	\$229,370.35	

Section III - Domestic Office Balances

Step	Specific Procedure	Results Observed
III.A.	Identify all domestic allotments and intradepartmental /intragovernmental agreements relating to services rendered to USTTA during fiscal year 1996 and the remaining close-out period. Ascertain how balances resulting from these allotments or agreements were recorded and controlled.	Step satisfactorily completed, see Exhibit D. We searched the FARS databases to identify all agreements paid for by transfers (OPACs and via Form 1081s). We also reviewed all payments in excess of \$100,000 and files of correspondence with other federal agencies and DOC bureaus.
III.B. 1.	Prepare a listing of all allotments sent to domestic offices, including a review of unallotted funds and funds allotted in prior years and compare these balances to those recorded in FARS.	Step satisfactorily completed. Although official allotments were not utilized, the budgeted figures shown in Attachment I identified amounts set aside for the domestic offices. There were no unallotted funds from prior years that were included in the carryover funds balance also shown in Attachment I.
III.B. 2.	Determine if amounts allotted exceeded amounts obligated and amounts obligated exceeded amounts disbursed, identifying exception cases.	Step satisfactorily completed. Official allotments were not made for domestic offices' budgets. Although a few line items were underbudgeted, as shown in Exhibits D and E, the overall budget exceeded USTTA's domestic offices' needs.
III.B. 3.	Compile and summarize the amounts of unused funds not allotted to or not obligated by domestic offices.	Step satisfactorily completed. Attachment I summarizes all unused and available funds; Exhibits D and E illustrate the domestic portion of that analysis.
III.B. 4.	Review correspondence sent to the budget office by office to determine if all post-identified liabilities have been funded.	Step satisfactorily completed. All liabilities identified by domestic offices and foreign posts were budgeted for, except for the minor amounts (\$77k total) set against the contingency budget line item in Attachment I.

Section III - Domestic Office Balances

Step	Specific Procedure	Results Observed
III.B. 5.a-e.	Review individual cost components to ascertain that: amounts budgeted or allotted, amounts paid in personnel costs, contract terminations and other amounts obligated or paid appeared to be accurately recorded and unfunded amounts are identified and summarized.	Step satisfactorily completed. Attachment I summarizes budgeted and allotted amounts, and identifies amounts not considered needed by USTTA. Exhibits D and E summarize the domestic components of that analysis. Minor unfunded amounts were identified and set against the contingency budget line item in Attachment I.
III.B. 6.	Document procedures planned to eliminate remaining obligated and allotted balances relating to domestic offices.	Step not completed. As of 4/25/97, there does not appear to be a formal plan to close out USTTA's remaining balances on FARS. See Attachment III for suggested actions to close out these balances.
III.B. 7.	Summarize other obligations, commitments and contingencies not identified in Mr. Wells' listings.	Step satisfactorily completed, minor unfunded amounts (\$77k total) were identified and added to the amounts set against the contingency budget line item in Attachment I.
III.C. 1.-3.	Summarize and conclude on testing in this area, listing out items for later follow-up.	Step satisfactorily completed, see Attachment III for remaining tasks to be performed by management.

**United States Travel and Tourism Administration
 Analysis of 1996 and 1997 Intra-Commerce and
 Intergovernmental and Other Agreements**

**Attachment II
 Exhibit D**

	Budgeted Allotments	1996 Assessment	Paid	1997 Estimated	Unused Allotment
State Department	\$1,200,000	\$1,017,993	Yes	\$300,000	(\$117,993)
Working Capital Fund charges	\$600,000	\$258,643	Yes	\$80,413	\$260,944
GSA space rental costs	\$360,000	\$289,025	Yes	\$0	\$70,975
NOAA	\$7,000	\$7,000	Yes	\$0	\$0
NIST	\$204,000	\$204,000	Yes	\$0	\$0
Computer contract	\$80,000	\$68,749	Yes	\$0	\$11,251
Audit	\$50,000	\$47,882	Partial	\$0	\$2,118
Potential law suits	\$50,000	\$0	No	\$50,000	\$0
Contingency	\$332,000	\$0	No	\$77,691	\$254,309
Total	\$2,883,000	\$1,893,291		\$508,104	\$481,604

United States Travel and Tourism Administration
 Analysis of Allotments to Personnel and Other Expenses
 Domestic Offices

Attachment II
 Exhibit E

<u>Domestic Offices</u>	Budgeted Allotments	Personnel Costs	Severance to be Paid	Other Expenses in FY96 and FY97	Unused Allotments
Under Secretary Office	\$525,000	\$379,814	\$0	\$50,361	\$94,825
Unemployment, severance, and annual leave	\$0	\$13,661	\$0	\$0	(\$13,661)
Assistant Secretary for Tourism & Marketing	\$630,000	\$539,910	\$0	\$60,422	\$29,668
Unemployment, severance, and annual leave	\$140,000	\$95,986	\$86,610	\$0	(\$42,596)
Office of Research	\$280,000	\$226,165	\$0	\$1,193	\$52,642
Unemployment, severance, and annual leave	\$0	\$9,583	\$0	\$0	(\$9,583)
Office of Policy and Planning	\$280,000	\$158,214	\$0	\$515	\$121,272
Unemployment, severance, and annual leave	\$0	\$0	\$0	\$0	\$0
World Fairs and International Exposition Staff	\$0	\$67,750	\$0	\$0	(\$67,750)
Unemployment, severance, and annual leave	\$0	\$0	\$0	\$0	\$0
Office of Strategic Planning and Administration	\$280,000	\$191,432	\$0	\$2,538	\$86,030
Unemployment, severance, and annual leave	\$0	\$11,914	\$0	\$0	(\$11,914)
Marketing Programs	\$0	\$0	\$0	\$265,301	(\$265,301)
Agency Central	\$560,000	\$0	\$0	\$194,097	\$365,903
Foreign Service Person	\$0	\$0	\$0	\$12,006	(\$12,006)
Miami	\$90,000	\$103,035	\$0	\$0	(\$13,035)
Unemployment, severance, and annual leave	\$65,000	\$65,468	\$0	\$0	(\$468)
Costs for Overseas Offices paid by NFC	\$1,162,000	\$864,454	\$0	\$0	\$297,546
Overseas - Unemployment, severance, and annual leave	\$0	\$ 103,765	\$0	\$0	(\$103,765)
Total	\$4,012,000	\$2,831,151	\$86,610	\$586,432	\$507,807

Section IV - Personnel Costs

Step	Specific Procedure	Results Observed
IV.A.	Identify all of USTTA's former employees determine how their personnel related costs were calculated, paid and documented. In addition, determine where the documentation relating to their pay, severance and benefits is being maintained.	Step satisfactorily completed. We identified 103 former employees of USTTA as of 4/96 (57 U.S. Direct Hires, 30 Foreign Service Nationals and 16 Personal Services Contractors). The pay records were obtained from the National Finance Center (NFC) and State Department monthly reports. Personnel files were obtained from the Office of Personnel or ITA. FSN files reviewed were copies of the originals maintained at overseas offices.
IV.B. 1.	Prepare a listing of all former employees detailing amounts paid for salary, benefits, severance, bonuses, annual leave and any other payments made during fiscal year 1996. Verify that all amounts paid were consistent with personnel records and applicable laws and regulations. Identify where employees went after termination to attempt to identify any remaining contingent liabilities.	Step satisfactorily completed, see Exhibit F for a summary of the personnel costs by office and overseas post. We tested the amounts paid to each of the 103 former employees assigned to these offices. Through discussions with a number of DOC employees, we obtained information concerning where U.S. former employees went after termination from USTTA, with the exception of three individuals. We identified three areas where we suggested additional work be performed, see Attachment III.
IV.B. 2.	Review budget requests sent by offices for fiscal year 1996 to the program office and other correspondence to review identified personnel related liabilities and contingencies to determine if they appear to be adequately funded.	Step satisfactorily completed. We were not able to verify that detailed analysis had been performed to arrive at the budgets established for the domestic offices. Exhibit E shows that 70% of amounts budgeted for these offices were spent on personnel costs. From our review of budget and other correspondence, minor additional liabilities were identified and applied against the contingency budget line item in Attachment I.

Section IV - Personnel Costs

Step	Specific Procedure	Results Observed
IV.B. 3.	Review remaining obligations recorded in FARS and FMS to determine if they remain valid. Document actions planned to identify unneeded balances and deobligate them to close-out all personnel related balances.	Step satisfactorily completed. As of 3/31/97, \$496K of undelivered orders remained on FARS relating to all activities, foreign and domestic. Through our testing in Section V, we suggested deobligations of approximately half that amount. None of the remaining obligations we tested related to personnel costs.
IV.B. 4.	For USDHs located overseas, review that relocation costs were paid only up to the limits established by the State Department's Standardized Regulations.	We were unable to perform this step since the travel authorizations and other obligating documents relating to relocation expenses were located at overseas offices, and no copies were maintained at NIST.
IV.B. 5.	Identify all unemployment claims filed to date and verify that have been adequately funded and/or paid. Assess the probability of future claims being asserted.	Step satisfactorily completed. Four individuals have filed and been paid a total of \$16,124 through 12/31/96. Future claims could be expected to be asserted over the following quarters. An estimated amount was left in the budget sufficient to cover these claims (\$5,500).
IV.B. 6.	Identify all personnel-related legal claims filed to date and verify that they have been adequately funded and/or paid. Assess the probability of future claims being asserted.	Step satisfactorily completed. Two employees have filed claims against USTTA, as is discussed in step V.B.7.
IV.B. 7.	Identify, quantify and summarize other liabilities and contingencies noted in the personnel area.	Step satisfactorily completed. An additional charge from NFC was noted for \$4,644 and has been included in the contingency budget line item in Attachment I.
IV.C. 1.-3.	Summarize and conclude on testing in this area, listing out items for later follow-up.	Step satisfactorily completed, see Attachment III for remaining tasks to be performed by management.

United States Travel and Tourism Administration
Section IV - Personnel Costs

Attachment II
Exhibit F

Office	Number of Employees	Salaries	Bonuses	Other	Employer Costs	Sub Total	Severance	Annual Leave	Unemployment	Sub Total	Total
Under Secretary Office	9	\$307,628	\$1,809	\$20,355	\$50,022	\$379,814	\$0	\$13,661	\$0	\$13,661	\$393,475
Assistant Secretary for Tourism & Marketing	15	\$398,845	\$61,361	\$22,022	\$57,682	\$539,910	\$40,797	\$55,189	\$0	\$95,986	\$635,896
Office of Research	8	\$165,552	\$18,789	\$10,169	\$31,655	\$226,165	\$0	\$5,267	\$4,316	\$9,583	\$235,748
Office of Policy and Planning	4	\$124,972	\$6,060	\$5,427	\$21,755	\$158,214	\$0	\$0	\$0	\$0	\$158,214
World Fairs and International Expositions Staff	2	\$57,955	\$867	\$2,422	\$6,506	\$67,750	\$0	\$0	\$0	\$0	\$67,750
Office of Strategic Planning and Administration	7	\$147,804	\$19,435	\$7,629	\$16,564	\$191,432	\$0	\$10,120	\$1,794	\$11,914	\$203,346
Miami, FL	2	\$72,517	\$12,443	\$4,648	\$13,427	\$103,035	\$41,703	\$17,265	\$6,500	\$65,468	\$168,503
Costs paid by NFC											
Toronto, Canada	1	\$64,182	\$0	\$23,476	\$931	\$88,589	\$0	\$0	\$0	\$0	\$88,589
Mexico City, Mexico	2	\$111,638	\$0	\$41,565	\$1,685	\$154,888	\$0	\$0	\$0	\$0	\$154,888
London, United Kingdom	2	\$102,703	\$0	\$19,328	\$15,517	\$137,548	\$0	\$5,196	\$3,514	\$8,710	\$146,258
Paris, France	2	\$65,210	\$0	\$19,265	\$17,023	\$101,498	\$0	\$17,605	\$0	\$17,605	\$119,103
Frankfurt, Germany	2	\$108,192	\$0	\$30,182	\$18,338	\$156,712	\$0	\$23,484	\$0	\$23,484	\$180,196
Tokyo, Japan	1	\$58,736	\$0	\$16,125	\$6,427	\$81,288	\$0	\$17,959	\$0	\$17,959	\$99,247
Sydney, Australia	1	\$54,883	\$0	\$9,097	\$0	\$63,980	\$0	\$17,384	\$0	\$17,384	\$81,364
Milan, Italy	1	\$62,512	\$0	\$16,263	\$1,176	\$79,951	\$0	\$18,623	\$0	\$18,623	\$98,574
Subtotal		\$628,056	\$0	\$175,301	\$61,097	\$864,454	\$0	\$100,251	\$3,514	\$103,765	\$968,219
Totals	59	\$1,903,329	\$120,764	\$247,973	\$258,708	\$2,530,774	\$82,500	\$201,753	\$16,124	\$300,377	\$2,831,151

FSN's and PSC's

Bonuses, severance, annual leave, and unemployment

Toronto, Canada	8		\$0			\$0	\$349,324	\$36,121	\$3,114	\$388,559	\$388,559
Mexico City, Mexico	5		\$3,507			\$3,507	\$75,691	\$3,078		\$78,769	\$82,276
London, United Kingdom	8		\$0			\$0	\$47,854	\$9,385		\$57,239	\$57,239
Paris, France	5		\$0			\$0	\$27,539	\$7,918		\$35,457	\$35,457
Frankfurt, Germany	6		\$16,824			\$16,824	\$56,679	\$1,727		\$58,406	\$75,230
Tokyo, Japan	6		\$0			\$0	\$407,355	\$39,173		\$446,528	\$446,528
Sydney, Australia	4		\$0			\$0	\$39,048	\$27,092		\$66,140	\$66,140
Milan, Italy	2		\$3,114			\$3,114	\$26,606	\$14,317		\$40,923	\$44,037

United States Travel and Tourism Administration
 Report of Independent Accounts on Applying Certain Agreed Upon Procedures
 Attachment II - Page 14

Section V - Other Issues

Step	Specific Procedure	Results Observed
V.A.	Review procedures to identify and resolve contractual disputes, unpaid invoices and audit findings; as well as reviewing the disposition of the deposit fund, USTTA credit cards and agreements.	Step satisfactorily completed.
V.B. 1.	Analyze the medical costs submitted on behalf of [REDACTED] in light of the estimate by Lee Wells. Also, review the assumption of future liability by ITA.	Step partially completed. Although OGC has not opined on whether ITA has assumed liability for [REDACTED] medical costs as of the date he became an ITA employee, we reviewed movements on this \$250,000 obligation both in FARS and on the FMS. There have been very few bills paid on this obligation since 8/96, and a \$200,000 deobligation was proposed in Attachment I. Attachment III contains the suggested remaining tasks to be performed to close out these balances.
V.B. 2. - 4.	Review with the procurement office outstanding contractual disputes, contract close-outs and older unpaid invoices for their potential future liability to USTTA.	Step partially completed. OP has not closed-out USTTA remaining contracts as of 4/25/97. They have, however, identified two contractual disputes and personnel at NIST have left the remaining amounts in these contracts obligated (\$63k), pending a settlement with these contractors. See Attachment III for remaining tasks to be performed on these contracts. No other disputes, older invoices or other unusual contracts or invoices were noted.
V.B. 5.	Review events canceled during fiscal year 1996 for refunds made or due.	Step satisfactorily completed. We reviewed the documentation authorizing the refund of deposits taken for the UK Campaign, the only canceled event noted for fiscal year 1996. The amounts refunded (\$331k) were paid from the deposit fund.

United States Travel and Tourism Administration
 Report of Independent Accounts on Applying Certain Agreed Upon Procedures
 Attachment II - Page 15

Section V - Other Issues

Step	Specific Procedure	Results Observed
V.B. 6.	Review this disposition of the Deposit Fund with OGC.	See step I.B.6.
V.B. 7.	Review with OGC the status and potential liability arising from EEOC and other suits filed against USTTA and the potential that other suits will be asserted.	Step partially completed. Two employee legal actions against USTTA were identified, however, OGC declined to provide us with an estimated contingent liability. No other cases or contingent liabilities were noted by OGC. We did not adjust Mr. Wells' estimate in Attachment I as we had no basis to recommend any figure. See Attachment III for remaining tasks to be performed relating to these claims.
V.B. 8.	Obtain a management representation letter.	Letter obtained.
V.B. 9.	Obtain a legal representation letter.	See V.B.7. above.
V.B. 10.	Perform a subsequent events review through end of fieldwork.	Step satisfactorily completed through April 25, 1997.
V.B. 11.	Review USTTA's procedures and actions taken to collect all of its issued credit cards, and cancel their usage as of 4/96.	Step satisfactorily completed, credit cards were canceled and no remaining liability has been identified.
V.B. 12.	Review outstanding audit findings from OIG, GAO or other external audit parties for open findings and analyze their impact on these agreed-upon procedures.	Step satisfactorily completed, no items noted which impact on the current balances of the USTTA or these agreed-upon procedures.
V.C. 1.-3.	Summarize and conclude on testing in this area, listing out items for later follow-up.	Step satisfactorily completed, see Attachment III for remaining tasks to be performed by management.

Section VI - Disbursements for Fiscal Years 1995 and 1996

Step	Specific Procedure	Results Observed
VI.A.	Review request, obligation, disbursement and recording procedures as they relate to USTTA's disbursements over the past two fiscal years, including adherence to applicable laws and regulations.	Step satisfactorily completed.
VI.B. 1.-2.	Select a statistical sample of disbursements from the population of all domestic, non-payroll disbursements recorded on FARS during fiscal years 1995 and 1996. Parameters for testing include a 90% confidence level and 5% tolerable rate (per GAO Financial Audit Manual). Eight attributes were tested covering proper processing procedures; as well as accuracy in calculation, recording and payment.	Step satisfactorily completed. All attributes were noted to yield acceptable results, see Exhibit G for further details. Minor items were noted; such as obligations made at the same time as disbursements (funds control) and two instances where a more appropriate object class code should have been used.
VI.B. 3.	Review all disbursements made during fiscal years 1995 and 1996 in excess of \$100,000 and agree them to underlying authorized documentation, including those related to activities tested in other sections.	Step satisfactorily completed, amounts tested consisted of payments under the agreements shown in Exhibit D. These payments were noted to be in accordance with those agreements.

Section VI - Disbursements for Fiscal Years 1995 and 1996

Step	Specific Procedure	Results Observed
VI.B. 4.	<p>Perform a variance analysis of disbursements by object class for disbursements as follows: fiscal year 1996's actual disbursements to the 1996 budget and fiscal year 1995's actual disbursements; and fiscal year 1995's disbursements to the 1995 budget and fiscal year 1994's actual disbursements. Agree totals to either financial statements or the general ledger. Comparisons are to be made based upon historical expenditure levels and budgeted levels of funding, including unusual events, such as large initiatives or the fiscal year 1996 furlough.</p>	<p>Step satisfactorily completed with no unexplained variances noted. See Exhibit H for detailed information and analysis.</p>
VI.C. 1.-3.	<p>Summarize and conclude on testing in this area, listing out items for later follow-up.</p>	<p>Step satisfactorily completed, see Exhibits G and H and Attachment III for remaining tasks to be performed by management.</p>

United States Travel and Tourism Administration
Section VI - Disbursements for Fiscal Years 1995 and 1996

Task

As part of the agreed-upon procedures specified in our contract, we were tasked to review expenses incurred after October 1, 1995 for accuracy and compliance through attribute sampling or analytical review. This Exhibit summarizes our attribute sampling; Exhibit H displays our variance analysis of expenses incurred.

Population Tested

The total number of disbursements under our review relating to USTTA during fiscal years 1995 and 1996 was 2,967 (the population). This total was derived from Financial Accounting and Reporting System (FARS), via DBView (an automated sorting tool). Our sample was selected from the disbursements in Fund Ledger 5801, USTTA's Salaries and Expenses, excluding personnel costs, grant disbursements and disbursements made at foreign posts.

Parameters Used

The sample was selected in accordance with the General Accounting Office's Financial Audit Manual (GAO/FAM), Section 450.06 - 18, utilizing a 90% confidence level and a 5% tolerable error rate. The sample size generated and tested was 78 items, and one exception per attribute was allowed before an acceptable conclusion could not be drawn. Our sample was selected using a random number generator. The random number generator selected our sample from a total population of 2,967 disbursements, starting with random number 48957371.

Attributes Tested

We tested our sample for the following eight attributes:

- A proper obligation existed prior to the good/service being delivered/performed;
- Administrative approval was obtained prior to disbursing;
- Evidence of good received or service provided and accepted was obtained prior to disbursing;
- The voucher package was accurate and internally consistent;
- The disbursement was properly coded and recorded, with unneeded amounts deobligated;
- The disbursement was properly certified;
- The disbursement was for a valid and prudent business purpose, and complied with applicable laws, and

**United States Travel and Tourism Administration
Section VI - Disbursements for Fiscal Years 1995 and 1996**

- The disbursement was properly recorded on the FARS detail report.

Results of Testing

The results of testing these eight attributes disclosed acceptable results for all the attributes tested. Therefore, we can conclude in accordance with GAO/FAM guidelines and from our sample that these attributes were present for the entire population within the parameters established above.

Additional Testing

In addition to the testing performed above, we reviewed all payments exceeding \$100,000 during fiscal years 1995 and 1996, to ensure that they were proper in amount and purpose. These payments were agreed to their underlying contracts or agreement and were noted to be authorized in purpose and amount by those agreements.

United States Travel and Tourism Administration
Section VI - Disbursements for Fiscal Years 1995 and 1996

Attachement II
Exhibit H

Analysis of Fiscal Year 1995 Disbursements	Unaudited FY95	Audited* FY94	Variance	Budgeted FY95	Variance
Direct Authority					
Salaries and Personnel Benefits	\$6,111,061	\$6,762,130	(\$651,069)	\$6,467,000	(\$355,939)
Travel and Transportation	\$944,257	\$558,928	\$385,329	\$473,000	\$471,257
Rental, Communications and Utilities	\$2,008,714	\$2,199,823	(\$191,109)	\$2,343,000	(\$334,286)
Printing and Reproduction	\$353,422	\$693,066	(\$339,645)	\$306,000	\$47,422
Contractual Services	\$6,672,536	\$6,887,501	(\$214,964)	\$8,716,000	(\$2,043,464)
Supplies and Materials	\$308,690	\$340,341	(\$31,651)	\$157,000	\$151,690
Equipment not capitalized	\$606,382	\$285,488	\$320,894	\$84,000	\$522,382
Grants	<u>\$94,714</u>	<u>\$103,078</u>	(\$8,364)	<u>\$38,000</u>	\$56,714
Total Direct Authority	\$17,099,777	\$17,830,355		\$18,584,000	
Reimbursable Authority					
Salaries and Personnel Benefits	\$86	\$215	(\$129)		
Travel and Transportation	\$11,155	\$60,242	(\$49,086)		
Rental, Communications and Utilities	\$3,046	\$6,370	(\$3,323)		
Printing and Reproduction	\$93,684	\$92,733	\$951		
Contractual Services	\$795,163	\$750,514	\$44,649		
Supplies and Materials	\$17,093	\$40,128	(\$23,035)		
Equipment not capitalized	\$23,000	\$0	\$23,000		
Grants	<u>\$18,916</u>	<u>\$21,630</u>	(\$2,713)		
Total Reimbursable Authority	\$962,144	\$971,831		\$1,500,000	(\$537,856)
Litigation Fees and Awards	\$0	\$0	\$0	\$0	\$0
Prompt Payment Interest	\$564	\$985	(\$421)	\$0	\$564
Total	<u>\$18,062,484</u>	<u>\$18,803,172</u>		<u>\$20,084,000</u>	

* Audit resulted in a disclaimer of opinion due to material weaknesses noted.

United States Travel and Tourism Administration
Section VI - Disbursements for Fiscal Years 1995 and 1996

Analysis of Fiscal Year 1996 Disbursements	Unaudited FY96	Unaudited FY95	Variance	Budgeted FY96	Variance
Direct Authority					
Salaries and Personnel Benefits	\$5,031,315	\$6,111,061	(\$1,079,746)	\$6,740,478	(\$1,709,163)
Travel and Transportation	\$192,735	\$944,257	(\$751,522)	\$248,761	(\$56,026)
Rental, Communications and Utilities	\$1,050,998	\$2,008,714	(\$957,716)	\$1,124,154	(\$73,156)
Printing and Reproduction	\$234,704	\$353,422	(\$118,718)	\$174,756	\$59,948
Contractual Services	\$3,177,827	\$6,672,536	(\$3,494,709)	\$2,709,133	\$468,694
Supplies and Materials	\$113,852	\$308,690	(\$194,838)	\$27,699	\$86,153
Equipment not capitalized	\$17,290	\$606,382	(\$589,092)	\$600	\$16,690
Grants	<u>\$6,374</u>	<u>\$94,714</u>	(\$88,341)	<u>\$16,365</u>	(\$9,991)
Total Direct Authority	\$9,825,095	\$17,099,777		\$11,041,946	
Reimbursable Authority					
Salaries and Personnel Benefits	\$845	\$86	\$759		
Travel and Transportation	\$4,223	\$11,155	(\$6,932)		
Rental, Communications and Utilities	\$110,622	\$3,046	\$107,575		
Printing and Reproduction	\$82,519	\$93,684	(\$11,165)		
Contractual Services	\$489,220	\$795,163	(\$305,943)		
Supplies and Materials	\$12,451	\$17,093	(\$4,642)		
Equipment not capitalized	\$836	\$23,000	(\$22,164)		
Grants	<u>\$13,382</u>	<u>\$18,916</u>	(\$5,534)		
Total Reimbursable Authority	\$714,098	\$962,144			
Litigation Fees and Awards	\$9,500	\$0	\$9,500		
Prompt Payment Interest	\$3,731	\$564	\$3,167		
Total	<u>\$10,552,424</u>	<u>\$18,062,484</u>		<u>\$11,041,946</u>	

United States Travel and Tourism Administration
Section VI - Disbursements for Fiscal Years 1995 and 1996

Overview of Testing

We performed variance analysis on the disbursements occurring in fiscal years 1996 and 1995, as they relate to actual disbursements noted in the prior year and the budgets established for those fiscal years. No analysis was performed for fiscal year 1997, since the disbursement volume was so low, they could be reviewed and tested substantively. Explanations for significant variances, defined as exceeding 10% and \$25,000, were obtained from the former Director of the Office of Strategic Planning and Administration and financial personnel from NIST.

Comparison of Actual Disbursements for Fiscal Years 1996 and 1995

Central to the variances noted was the fact that fiscal year 1996 covered only seven full operating months, while fiscal year 1995 covered disbursements over a full year. In addition, in fiscal year 1996, USTTA incurred an unusual amount of printing and reproduction expenses, relating to out-placement materials for the terminated domestic employees. Finally, the decrease noted in the equipment not capitalized balances related to fiscal year 1996 was due to extensive computer upgrades planned for in prior years, but disbursed during fiscal year 1995.

Comparison of Actual to Budgeted Disbursements for Fiscal Year 1996

When requesting funds from Congress and budgeted those funds, USTTA purposely prepared conservative budgets to guard against having insufficient funding to close-out USTTA. Therefore, we noted that actual disbursements generally were lower than budgeted amounts. With regard to personnel-related costs, several employees left USTTA prior to the official close-out dates in April and June of 1996. In addition, USTTA underestimated the amount of printing expenses they would incur relating to out-placement materials and services provided to domestic employees.

Comparison of Actual Disbursements for Fiscal Years 1995 and 1994

Generally, the disbursement volume between these two years was very comparable, with only a few accounts yielding variances above our testing threshold. The travel and transportation disbursement balance for fiscal year 1995 increased dramatically due to manual accounting adjustments made to reflect overseas disbursements made between 1991 and 1995, but not recorded; and costs associated with the additional executive office participation in domestic travel and tourism programs, including printing and reproduction expenses. Finally, the equipment not capitalized disbursement amount increased due to USTTA's purchase of new computer equipment and LAN upgrades.

Comparison of Actual to Budgeted Disbursements for Fiscal Year 1995

The same explanations applied as in the comparison of actual disbursements related to fiscal years 1995 and 1994.

**United States Travel and Tourism Administration
Fiscal Year 1996 Agreed-Upon Procedures
Summary of Remaining Actions for Management**

The following summary lists the remaining tasks to be taken by management as of April 25, 1997, sorted by the sections outlined in Attachment II. We recommend that the Office of the Secretary, if that office continues to have the overall responsibility for USTTA's close-out, assign these tasks to participating offices and establish a timetable for their completion.

Section I - Funding Sources and Cash Reconciliation

Suggested actions to be taken:

- The remaining deposit fund balance should be remitted to the general receipts account of the U.S. Treasury as soon as possible, in accordance with a legal opinion provided by the Office of General Counsel (OGC).
- The analysis outlined in Attachment I should be extended until all available cash balances can be identified as being required to fund specific obligations or accruals (including estimates), or be identified as unneeded and available to be transferred once the authority to do so has been obtained.
- Obligations outstanding at foreign posts as of September 30, 1995 that were subsequently not used, deobligated and made available should be summarized and added as a source of funds to the analysis shown in Attachment I. These deobligations may indicate additional funds that will not be required by USTTA.

Section II - Overseas Balances

Suggested actions to be taken:

- Cash balances relating to overseas transactions should be completely reconciled between the official general ledger, the Financial Accounting and Reporting System (FARS), and the FMC-60 Reports received from the State Department.
- All 1991-1997 transactions and records should be removed from the State Department's FMS system worldwide after the few remaining valid obligations are transferred to FARS and should be managed in Washington, D.C. until they are fully expended or deobligated. By leaving transactions and records on the FMS, USTTA risks being billed additional amounts by the State Department under the FAAS/ICAAS costs allocation agreements.
- Upon the closure of the USTTA office in Tokyo, U.S. Government-owned assets were transferred to a private non-profit organization. OGC should review, if it has not done so

**United States Travel and Tourism Administration
Fiscal Year 1996 Agreed-Upon Procedures
Summary of Remaining Actions for Management**

already, that this transfer was properly authorized.

Section III - Domestic Office Balances

Suggested actions to be taken:

- After all invalid undelivered orders have been removed from FARS, the possibility should be explored of transferring USTTA's few remaining liabilities, undelivered orders and contingency estimates to a bureau with general ledger system compatible with FARS, along with adequate funding to satisfy them. USTTA's automated records should then be archived and removed from the active system.
- USTTA's one remaining grant should be closed out as soon as the grant period expires and any remaining funds should be disposed of consistent with the restrictions on its usage. USTTA's automated grant records should then be archived and removed from the Economic Development Administration's accounting system.
- The estimated charge for services rendered by the State Department for fiscal year 1997 under the FAAS cost allocation system was estimated to be between \$200,000 and \$300,000, according to verbal representations made by NIST personnel as an agreement that had been reached with persons at the State Department. This amount of this agreement should be finalized in a signed document to avoid any misunderstanding and to ensure that USTTA is not ultimately presented with a larger bill for fiscal year 1997.
- A signed agreement should also be obtained relating to the close out expenses of the National Finance Center for processing USTTA's final payroll-related balances.

Section IV - Personnel Costs

Suggested actions to be taken:

- The base information used to calculate the involuntary separation pay amounts paid to former Foreign Service National employees should be verified as accurate and authorized through a review of personnel files resident at overseas posts. This information includes grade, step, local pay scales, years of service and recent promotions.
- The remaining three domestic personnel files ordered by the Office of Personnel from storage in St. Louis should be obtained and employee data verified for those three former employees with regard to amounts paid to them.

**United States Travel and Tourism Administration
Fiscal Year 1996 Agreed-Upon Procedures
Summary of Remaining Actions for Management**

- We noted one former employee retired, then subsequently received unemployment compensation from USTTA. This case should be reviewed and appropriate amounts recovered.

Section V - Other Issues

Suggested actions to be taken:

- The transfer of [REDACTED] to International Trade Administration should be reviewed further to verify that USTTA will not be liable for additional medical costs. The remaining undelivered orders balances should then be deobligated.
- All the close-out actions relating to USTTA's contracts should be completed. The remaining undelivered orders balances should then be deobligated.
- Once the two outstanding legal claims against USTTA are settled or transferred to another bureau, the remaining undelivered orders balances should be deobligated.

Section VI - Disbursements for Fiscal Years 1995 and 1996

No suggested actions or open items noted.