



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

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JUN 04 2003

MEMORANDUM FOR: Kenneth I. Juster
Under Secretary for Industry and Security

FROM: Johnnie E. Frazier

SUBJECT: Administrative Matters Concerning BIS' Export Enforcement
(IPE-15155-2)

During our recent review of the Bureau of Industry and Security's (BIS) efforts to enforce dual-use export controls, issues arose concerning several administrative matters, including the usage of confidential funds by the Office of Export Enforcement (OEE), vehicle usage, and physical security and location of OEE field offices. Because these issues were beyond the scope of our export enforcement review, we did not attempt to thoroughly examine all of their causes and effects. Nonetheless, we think these issues are important enough to bring to your attention for appropriate management consideration and action. We have recently discussed these issues with BIS Deputy Under Secretary Karan Bhatia, Acting Assistant Secretary for Export Enforcement Lisa Prager, and other BIS officials.

Confidential Fund. (b) (7)(E)

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While these activities are essential to carrying out OEE's export enforcement activities, Section 14 (Undercover Operations) lacks clarity on the use of confidential funds for these purposes. Specifically, Section 14 states that a special agent's request for an undercover operation must include, among other information, "a thorough cost projection, including travel, per diem, and confidential expenses, and other related expenses." However, there is no subsection dealing with confidential fund management as it relates to undercover operations.

We also noted that BIS field offices maintain their confidential fund accounts in very different ways. The following table (Table 1) details the varied use of confidential funds by OEE field offices and leads us to believe that Export Enforcement should issue clearer guidance on the appropriate use and handling of confidential funds.

Table 1: OEE Confidential Fund Activity, 2000-2002

Field/Office*	Boston	New York	Dallas	San Jose	Los Angeles
Amount	\$1,250	\$5,000	0	\$5,000	\$5,000
Account Type	Checking account	Checking account	Convenience checks**	Cash	Checking account
Account Fees	No	Yes	N/A	N/A	No
Types of charges	(b) (7)(E)	(b) (7)(E)	(b) (7)(E)	(b) (7)(E)	(b) (7)(E)
Date/Amount/ Type of most recent charge***	9/5/02 \$64.18 (b) (7)(E)	6/3/02 \$21.00 (b) (7)(E)	10/31/02 \$130.53 (b) (7)(E)	2/2/02 \$67.00 (b) (7)(E)	3/01 \$500.00 (b) (7)(E)
(b) (7)(E)	■	■	■	■	■

* The Chicago, Miami, and Washington Field Offices do not have confidential funds.
 ** Convenience checks are checks issued against a cardholder's purchase card account and may only be signed by the cardholder whose name is printed on the check. A cash advance fee for each transaction may apply.
 *** Information for NYFO, LAFO, and SJFO is through 8/5/02. Information for BOFO and DAFO is through 10/31/02.

Vehicle Usage. Over the past three years, OEE has spent approximately a half million dollars annually to lease 94 to 96 vehicles from a major car rental agency headquartered in New Hampshire.² Each OEE field agent is assigned a car that is to be used for official purposes only, including the special allowance for transportation between their home and work.

² OEE leasing costs for the past three years are as follows: (a) FY 2000 for \$435,751; (b) FY 2001 for \$547,488; and (c) FY 2002 for \$527,208.

Our review of OEE's vehicle usage disclosed that OEE has too many vehicles. In fact, the number of vehicles leased by OEE at the time of our inspection exceeded the number of agents in OEE field offices. However, according to BIS' vehicle leasing guidance:³

- ❖ Requests for all leased vehicles must be approved, as appropriate, by the Deputy Assistant Secretary of Export Enforcement and the Director of Export Enforcement.
- ❖ There must be at least one agent on board for each car leased.
- ❖ Leasing will not be approved for prospective employees.
- ❖ Any full-time position left unfilled for two months shall lose the assigned leased vehicle.

Despite the requirement that there must be at least one designated driver for each vehicle (or not more than a two-month vacancy), our review revealed instances where the number of leased vehicles assigned to the OEE field offices exceeded the number of agents assigned to those offices. For example, the (b) (7)(E)

We also noticed similar trends at other field offices visited during our review. When asked about the vehicle surplus, OEE Special Agents-In-Charge and headquarters managers informed us that they were holding onto some of the excess vehicles "in anticipation of new hires."

Using the lowest cost for vehicles leased over the past three years as a baseline, we calculated the cost savings possible if OEE had adhered to the BIS vehicle leasing policy. In FY 2000, the least expensive leased vehicle was \$303 per month (1997 Chevy Lumina). In FYs 2001 and 2002, the least expensive leased vehicle was \$361 per month (2000 Dodge Intrepid). Table 2 documents the minimum potential cost savings for excess OEE-leased vehicles assigned to the 8 field offices over the past three years. Moreover, these estimated cost savings do not include the additional savings possible that would be associated with any parking or maintenance fees paid in connection with the leased vehicles.

Table 2: Minimum Potential Cost Savings for Excess Leased Vehicles

Fiscal Year	# of Field Agents	# of Vehicles in the Field*	Difference	Potential Cost Savings Over 12 Months
2000	89	91	2	\$ 7,272
2001	84	92	8	\$34,656
2002	77	92	15	\$64,980
		Total	25	\$106,908

*This table does not include any excess vehicles that may be assigned to headquarters' units.

Source: Export Enforcement, Bureau of Industry and Security.

Although OEE plans to hire several new agents in the upcoming months, significant savings could have been achieved if unused vehicles were returned to the rental company. While the lease agreement states that the Government has the right to terminate the contract in whole or in part, for its sole convenience, the rental company would be entitled to receive some unspecified

³ Bureau of Export Administration Vehicle Policy, September 25, 1991.

compensation if BIS had returned the excess vehicles (the lease agreement does not specify what this penalty would have been). Specifically, the contract states that, "Subject to the terms of the contract, the Contractor shall be paid a percentage of the contract price reflecting the percentage of the work performed prior to the notice of termination, plus reasonable charges the Contractor can demonstrate to the satisfaction of the Government using its standard record keeping system, have resulted from the termination."

Therefore, we encourage OEE to follow BIS' vehicle leasing policy and, at a minimum, ensure that there is at least one designated agent on board for each car leased. In addition, BIS should return any excess and/or underutilized leased vehicles to the leasing company.

Physical Security of Field Offices. (b) (7)(F)

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Location of Field Offices. It is our understanding that BIS requested funding to open two additional offices during FY 2003—a field office in Seattle, Washington, and a satellite office in Houston, Texas. These sites were chosen as proposed OEE office sites because (1) Houston is deemed to be a high risk area for export violations and currently accounts for 40 percent of

(b) (7)(F)

DAFO's caseload; and (2) a high dollar volume of exports passes through the state of Washington, which ranks fifth in exports from the United States. According to the Acting Assistant Secretary for Export Enforcement, BIS did not receive the requested funding in its FY 2003 budget to open both offices. As such, BIS informed us that it will only open the Houston office this year. While OEE was able to provide a clear, mission-related rationale for the site selection of the proposed new offices, it did not have a similar rationale for the locations of its current eight field offices.

As BIS assesses future locations of OEE field offices, we believe that Export Enforcement should reassess whether the current field office sites remain the most appropriate locations. In doing so, we believe it would be prudent for OEE to apply the criteria it recently established and used for its proposed new offices, including the number and dollar value of exports in the region; export destinations; commercial companies involved in dual-use controlled commodities; licensing requests; historical trends and the potential for export violations; the amount of casework in the region; and the physical proximity to airports, seaports, and other law enforcement agencies. Obviously, decisions affecting BIS' field office locations must also take into account the full range of related issues, anticipated benefits, and intangible costs.

We would appreciate hearing back from you within 60 days as to how BIS intends to address these issues. If you have any questions or would like to discuss these issues further, please contact me on (202) 482-2754.