

U.S. DEPARTMENT OF COMMERCE
Office of Inspector General



International Trade Administration

**Generally Sound Operations at Commercial
Service Greece Are Compromised
by Key Weaknesses**

Final Inspection Report No. IPE-15804/September 2003

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SEP 30 2003

MEMORANDUM FOR: Grant Aldonas
Under Secretary for International Trade

Carlos Poza
Acting Assistant Secretary and Director General of the
United States and Foreign Commercial Service

FROM:

Johnnie Frazier

SUBJECT:

Final Report
*International Trade Administration: Generally Sound Operations
at Commercial Service Greece Are Compromised by Key
Weaknesses (IPE-15804)*

As a follow-up to our August 25, 2003, draft report, attached is the final report on our inspection of the Commercial Service's operations in Greece. A copy of your response to our draft report and the action plan incorporated therein is included in its entirety as Appendix B of the report.

We appreciate the Commercial Service's concurrence with nearly all of our recommendations and the concrete steps taken thus far to implement the recommendations. We believe that with two exceptions, the actions planned or taken meet the intent of our recommendations and we consider them closed. Please provide a revised action plan addressing the two unresolved recommendations—numbers 6 and 8 directed to the Senior Commercial Officer—within 60 calendar days.

We thank the personnel in ITA headquarters and CS Greece for the assistance and courtesies extended to us during our review. If you have any questions or comments about our report, please feel free to contact me on (202) 482-4661.

Attachment

cc: Ambassador Thomas J. Miller



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EXECUTIVE SUMMARY

Greece, located in southern Europe between Albania and Turkey, is an import-dependent country of 10.6 million residents. U.S. exports totaled \$1.15 billion in FY 2002—a mere 4.5 percent share of Greece's import market. One reported reason for this small market share is that Greece is a member of the European Union, and European companies offer stiff competition to U.S. firms.

Aircraft, arms, and machinery are the top U.S. exports to Greece. However, opportunities in other sectors are emerging. Greece will host the 2004 Summer Olympic Games, and many American companies are identifying new opportunities and making investments that will keep them in the Greek market even after the Games have concluded. Economic restructuring is spawning still more opportunities, as banks, the telephone monopoly, the national Olympic Airways, and other public sector concerns privatize, and workers shift from agriculture to the service sector. For example, a well-known U.S. coffee shop chain opened its first store in Greece in September 2002, and it is already one of the busiest stores in all of Europe.

The Commercial Service (CS) post in Greece has a very active advocacy program and a full menu of trade events to assist firms seeking to tap the Greek market. The post ranks 31st in terms of investment of Commercial Service dollars, with an FY 2002 budget of \$1.14 million. The CS Greece office is located in Athens (the capital) and until February 2002, it also had a presence in Northern Greece (in the city of Thessaloniki).

We inspected CS Greece operations at the request of the U.S. ambassador, who became concerned about post operations because of problems associated with services provided to a U.S. firm entering the Greek market. The ambassador wanted assurance that appropriate procedures and controls were in place to prevent similar problems from recurring. We conducted an on-site inspection between February 24 and March 6, 2003, at which time the post employed two American officers and seven FSNs. Our specific findings are as follows:

Post Management Is Generally Sound, but Could Be Enhanced. CS Greece has many positive attributes, including a senior commercial officer (SCO) and staff who were praised by embassy colleagues, clients, and multipliers¹ alike for their cooperation and responsiveness.

The post could, however, benefit from improvements in a few areas. For one, despite the presence of appropriate controls and procedures to prevent problems such as the one that led the ambassador to request our review, there were gaps in management oversight of CS Greece operations that undercut the efficacy of the controls and procedures. Second, the post needs to improve its coordination with the International Trade Administration's Advocacy Center to ensure that the Commercial Service, the

¹ Multipliers are groups that work to expand U.S. trade and business interests in foreign markets.

ambassador, and the rest of the U.S. mission—when assisting U.S. companies seeking contracts in Greece—do not appear to be giving favored or preferential treatment to any one company. Third, the post needs to address a safety concern involving poorly maintained and located fire extinguishers (see page 6).

Overwhelmingly, the CS Greece Clients We Interviewed are Satisfied, but Timeliness of Services, Market Research Production, and Export Success Reporting Need Improvement. We found that most CS Greece clients were pleased with the post’s services and products. And the relationship between CS Greece and the American-Hellenic Chamber of Commerce—Greece’s key multiplier—is the strongest it has been in years, largely because of the collaborative environment fostered by the SCO. Even so, our review revealed that certain core products and services were not delivered in a timely manner and the post’s reporting on market developments was less frequent than that of similarly sized CS operations. In addition, CS Greece has overstated the value of its export successes—the Commercial Service’s key performance measure. Our review of 57 selected export successes submitted in 2002 and 2003 revealed 17 instances in which the post either overstated the value of the success, reported “anticipated” rather than actual sales, or took credit for a success that it was not involved in or that did not occur. As a result, we found that—at a minimum—CS Greece had inflated the value of its export successes reported for this period by more than \$118 million, or over 47 percent of the total export success value in our sample (see page 12).

Financial and Administrative Operations are Generally in Good Order, With One Minor Exception. CS Greece’s financial and administrative operations are well run. We reviewed collections, inventory, time and attendance, petty cash, procurements, representation funds, and the budget, and found them all to be properly managed. We also followed up on the financial and administrative issues reported in an April 2002 management and program review of CS Greece, conducted by the Commercial Service’s Office of Planning, and noted that the post had implemented the reviewers’ recommendations and corrected identified weaknesses. We found just one minor issue: the post does not appear to need all of its four vehicles and should either reassign or surplus two of them (see page 30).

On page 33, we offer recommendations to address our concerns.



The Commercial Service concurred with all of our recommendations. Specifically, the Acting Assistant Secretary and Director General of the U.S. and Foreign Commercial Service’s response to our draft report stated that “the attached audit action plan succinctly indicates the specific measures that US&FCS has undertaken to comply with OIG’s 14 recommendations.”

The plan outlines many specific actions that have already been taken to strengthen the Commercial

Service's oversight of its operations in Greece. We discuss some of these specific changes and the Commercial Service's response to our recommendations following each section in this report.

INTRODUCTION

Pursuant to the Inspector General Act of 1978, as amended, and the Omnibus Trade and Competitiveness Act of 1988, the Commerce OIG periodically evaluates the operations of the Commercial Service (CS).² Under these authorities and in accordance with the *Quality Standards for Inspections* issued by the President's Council on Integrity and Efficiency, we conducted an inspection of CS Greece.

Inspections are designed to provide agency managers with timely information about operations. By asking questions, identifying problems, and suggesting solutions, the OIG helps managers determine how best to quickly address identified issues, and thereby encourages effective, economical, and efficient operations. Inspections are also used to identify or prevent fraud, waste, and abuse in federal programs, and to highlight effective programs or operations, particularly when their success may be replicable elsewhere.

We performed our fieldwork for this inspection from January 6 to May 15, 2003, visiting the post from February 24 to March 6. During the review and at its conclusion, we discussed our findings with the ambassador and senior commercial officer (SCO) in Athens, as well as with the regional director for Europe and the deputy assistant secretary for international operations at CS headquarters. We briefed the former CS director general and the now acting director general on March 27, 2003.

OBJECTIVES, SCOPE, AND METHODOLOGY

Our purpose was to assess the effectiveness of management, program, and financial and administrative operations of CS Greece, including its development and achievement of goals and objectives, the economy and efficiency of its operation, and its compliance with applicable regulations and other managerial guidance. We also examined the post's coordination with other organizations in achieving the overall goals of the International Trade Administration and the Department of Commerce. Specifically, we sought to determine whether CS Greece

- plans, organizes, and controls its work and resources effectively and efficiently;
- operates effectively, meets the needs of U.S. exporters, and helps increase exports and market access; and
- has appropriate internal controls and financial management practices.

We also endeavored to

- identify best practices and innovations that could be useful to other CS posts and operations;
- assess CS Greece's role and participation in trade compliance efforts; and

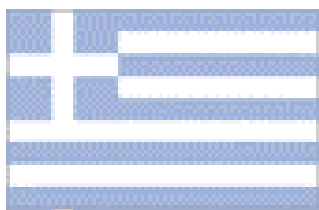
² CS is also known as the U.S. and Foreign Commercial Service (US&FCS).

- evaluate infrastructure issues at the post, including information technology, security, and other facilities-related matters.

To accomplish our goals, we reviewed the Commercial Service's strategies and plans for increasing exports to Greece, as well as the post's organizational structure and its methods of conducting activities.

We interviewed appropriate Commerce and State Department personnel, and other U.S. agency representatives involved in trade promotion. We surveyed via phone and e-mail a sample of clients regarding their satisfaction with the post's products and services, spoke with officials from U.S. and foreign firms and trade associations, and examined pertinent files and records relating to the post's financial, administrative, and other operations.

BACKGROUND



Greece, the world's 32nd largest economy, has a population of approximately 10.6 million. Located in southern Europe, between Albania and Turkey, Greece is a member of the European Union (EU) and a participant in the EU's Economic and Monetary Union. Having reduced its budget deficits and inflation, Greece adopted the euro as its currency on January 1, 2002, a move that is expected to boost trade, stimulate production, and help dismantle any lingering market barriers within the EU.

Greece has a mixed capitalist economy. The public sector accounts for half of the gross national income (GNI); tourism, for 15 percent. Service industries make up the largest and fastest growing sector. Major economic challenges include reducing unemployment, furthering economic restructuring, reforming social security, overhauling the tax system, and minimizing bureaucratic inefficiencies.³

Greece is a parliamentary democracy, currently led by Prime Minister Costas Simitis, who has been in office since 1996. The president's role is largely ceremonial. The next national elections must be held by spring 2004. Greece is a member of the North Atlantic Treaty Organization (NATO).⁴

Greek Trade and Investment

Greece is the 51st largest export market for the United States.

Bilateral trade between the two countries was just under \$1.7 billion in 2002. U.S. exports totaled nearly \$1.2 billion, while Greek imports to the United States totaled \$546 million.⁵ Top U.S. exports to Greece remain defense products and related items. However, American business

activity is expected to grow in information technology, tourism infrastructure, medicine, power, the environment, and franchising. Additional opportunities will emerge from the ongoing privatization of public sector companies, including banks, the telephone monopoly, and the national Olympic Airways.

U.S. companies have invested more than \$1 billion in Greece since 2001. While Greece has a relatively

 Key Statistics 2002	
GNI (2001)	\$124.6 Bil.
GNI Per Capita (2001)	\$11,780
U.S. Exports	\$1.152 Bil.
U.S. Imports	\$546 Mil
Population	10.6 Mil.
Unemployment	10.4%
GNI Growth	3.5% (est.)
Total Area	131,940 Sq. Km.

³ World Factbook 2002 - Greece, CIA, page 7.

⁴ Background Note: Greece, U.S. Department of State, page 5.

⁵ U.S. Census Bureau, U.S. Trade Balance With Greece, see www.census.gov/foreign-trade/balance, accessed June 13, 2003.

open investment environment, transparency of laws and regulations is problematic. Foreign companies often encounter multiple laws covering the same issue, and have difficulty knowing which law is applicable. Foreign investors complain about frequent changes in tax policies, and some tax laws are considered discriminatory because they favor Greek firms.⁶

Commercial Service Operations in Greece

The Commercial Service's post in Greece is its 31st largest, in terms of dollars. Its fiscal year 2002 budget was approximately \$1.14 million, which covered staff salaries (American officers and Foreign Service Nationals), International Cooperative Administrative Support Services (ICASS) costs, office and residential leases, and direct program support. The CS post is located in the capital of Athens, and has a staff of two officers and seven FSNs. A small presence in the northern Greek city of Thessaloniki ended in February 2002 when the officer assigned there rotated to another post, and the Commercial Service decided against filling the vacancy. CS Greece is organized under the Office of International Operations' (OIO) Europe region and a regional director, located in Washington, oversees the management of the post.

Measuring Post Performance

The Commercial Service uses an Overseas Resource Allocation Model (ORAM) and a cost-benefit model to evaluate each post's performance. The ORAM takes into account many quantitative factors such as mission requirements, workload, market share and barriers, and per capita gross domestic product. It ranks the CS posts based on where they would be expected to perform. Then, a country cost-benefit ratio is calculated, which takes into account the benefits (i.e., export successes) divided by the variable costs of operating the post. This ratio is calculated using a three-year rolling average. For ease of analysis, CS divides the posts into five groups, or quintiles, according to their cost-benefit ratio, with the first quintile containing the best performers. CS Greece ranked in the second quintile for fiscal year 2002, which was one quintile higher than expected under the ORAM. However, as noted beginning on page 18 of this report, many of CS Greece's export successes were overstated. Once adjustments are made to correct the data factored into the cost-benefit model, the post's performance may not fare as well.

Management Performance Review

The Commercial Service's Office of Planning conducted a Management Performance Review (MPR) of CS Greece from April 8-12, 2002. An MPR is a means for CS senior managers to review and reestablish program direction, identify and adopt systemic management and program improvements, and provide assurance that the organization is operating efficiently and effectively. MPRs evaluate program

⁶ Country Commercial Guide for Greece FY 2003, CS Market Research Reports, pages 33-34 and 37.

operations, management and staffing, and fiscal and administrative issues, and provide recommendations for improvement. The MPR team reviewing Greece identified many issues that required attention, and we followed up on these issues during our evaluation to determine whether the Commercial Service had implemented the team's recommendations. We determined that CS Greece and Commercial Service headquarters had taken the recommended corrective actions. We should also note that it is not common practice for the OIG to conduct a post inspection so soon after the post has been the subject of an MPR. However, we did so in Greece due to the special request of the ambassador.



OBSERVATIONS AND CONCLUSIONS

I. Post Management is Generally Sound, but Could Be Enhanced

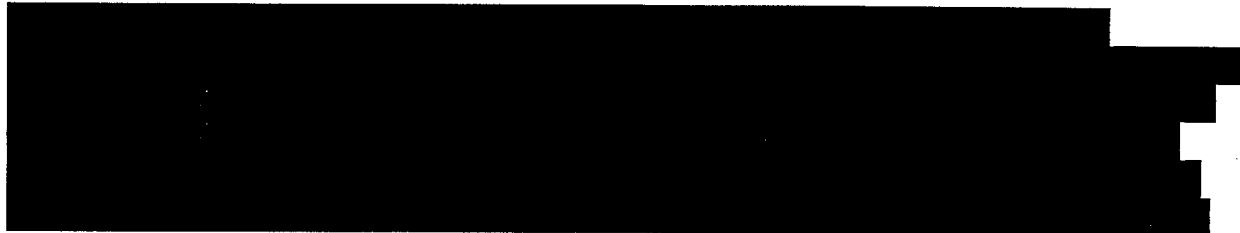
There is much to be positive about regarding the management of CS Greece. Nearly every section chief in the embassy, including the ambassador and deputy chief of mission, praised the SCO for being cooperative, responsive, and easy to work with. Similarly, clients and multipliers alike spoke in glowing terms of the SCO and the CS Greece staff for their proactive assistance, extensive knowledge, and cooperative nature.

We found that the SCO has taken steps to improve the work environment and develop his staff. For example, he conceived, designed and oversaw renovation of the CS Greece office, transforming it into a more professional, functional, and attractive workspace. Other tenants in the building followed suit, using the CS Greece office as a model for their own space. The SCO is also diligent in recommending staff for the sometimes-scarce training opportunities, particularly in Commercial Service-sponsored classes. FSN staff and the post's junior officer were clear in discussions with us that the SCO is respected and well liked by his subordinates, many of whom have long tenures with the Commercial Service and have worked with several SCOs.

Even so, we did find several areas where post operations could be improved—ranging from management oversight of operations, to the advocacy program, to safety in the CS office space. Another management issue that bears improvement—security—is discussed in Appendix B.

A. Gaps in management oversight allowed an FSN to skirt controls and procedures

Our inspection of CS Greece was undertaken at the request of the U.S. ambassador, who was concerned by problems associated with services provided to a U.S. firm entering the Greek market. The ambassador wanted assurance that appropriate procedures and controls were in place to prevent such problems from occurring again. Therefore, one of our objectives was to determine what managerial oversight and internal controls were in place at the post, so we could understand how the incident happened and recommend how to prevent a recurrence.



⁷ Single company promotions showcase a company's product or service to a targeted audience.

[REDACTED]

[REDACTED]

During our visit to Athens, we found that while there were general controls and procedures in place that might have prevented such a situation from occurring, there were gaps in management oversight that undercut the efficacy of the controls and procedures.

[REDACTED]

[REDACTED]

In summary, the post has procedures and controls for hiring temporary help that comply with applicable rules and regulations. However, this incident shows that these measures function best when supplemented by proper managerial oversight.

[REDACTED]

B. Advocacy program is strong, but better coordination is needed

CS Greece has a very active and strong advocacy program. In fact, advocacy is the largest source of export successes at post—a situation that will likely continue because the post is very busy

export successes at post—a situation that will likely continue because the post is very busy helping U.S. firms compete for lucrative defense and Olympics-related awards. In our conversations with CS Greece’s embassy colleagues, U.S. companies, and the American-Hellenic Chamber of Commerce, the SCO and his staff were roundly praised for fighting tirelessly for the interests of U.S. firms. The SCO was also singled out for being extremely effective in providing fair and balanced advocacy assistance. Further, CS Greece, the Office of Defense Cooperation, the embassy’s Political/Military section, the defense attaché, and the ambassador work as a cohesive team to secure American wins in the important defense sector. The one area of weakness we identified was post coordination with the International Trade Administration’s Advocacy Center in Washington, and the consequent risk to the Commercial Service and the U.S. mission to Greece should they assist ineligible firms.

The Advocacy Center, established in 1993, helps ensure that U.S. products and services have the best possible chance of selling abroad. The center promulgates U.S. government (USG) advocacy guidelines, which help government personnel determine whether and to what extent their support is appropriate for a transaction involving U.S. interests. Requests for such support come from companies or individuals interested in a specific commercial opportunity overseas, typically a tender sponsored by a foreign government. Requestors must fill out an advocacy questionnaire attesting to the U.S. content in their bid, and an antibribery agreement certifying that they have not bribed foreign officials in connection with the matter for which they are seeking U.S. government support, nor will they do so in the future. Generally, if a bid contains at least 50 percent U.S. content, advocacy is presumed to be in our national interest. Without the benefit of a completed questionnaire, the Commercial Service and American embassies may inadvertently advocate for a company whose proposal does not best represent U.S. interests or may miss the opportunity to advocate for a company whose bid is highly advantageous.

The Commercial Service’s *Operations Manual* states that posts must conduct “advocacy efforts as specified by the USG Advocacy guidelines,” which require submission of the two forms. These guidelines were last transmitted to overseas posts in an October 2000 cable and are available on the Advocacy Center’s web site. However, we found that CS Greece sometimes provides advocacy assistance to individuals and firms that have not filed a completed advocacy questionnaire and antibribery agreement with the center, as well as cases in which assistance was denied because the forms were filed too late and lacked the information the center needed to determine whether assistance was warranted.

One example of this latter problem is especially illustrative: Beginning in the spring and into the summer of 2002, various companies interested in competing for the lucrative security contract for the 2004 Olympic Games sought and received assistance from the Commercial Service and the American embassy in Athens to determine whether they would bid and which other companies they might partner with to form a successful consortium. When the tender for the contract was issued in September 2002,

two viable consortia had emerged, each led by a U.S. firm. CS Greece and the embassy should have required the two consortia leaders to file an advocacy questionnaire and antibribery agreement at this time. The SCO told us that his policy is to have companies file the documents once they begin competing for a specific tender. And, in early October 2002, CS Greece did fax the advocacy questionnaire and antibribery agreement to the two U.S. firms. However, the forms were never returned and the post did not follow up.

During the fall and into the winter of 2003, competition between the two companies was extremely heated. Representatives of both firms regularly visited the embassy and sought assistance from the deputy chief of mission and the SCO. The embassy provided generic assistance and was careful to avoid treating either company preferentially.

Toward the end of the bidding process, in late January 2003, one of the companies filed an advocacy questionnaire directly with the Advocacy Center, and requested quick assistance because the Greek government was purportedly close to selecting a bid. The center, during its due diligence process, learned from CS Greece staff that the second U.S. company was also bidding on the tender. It asked this company to file a questionnaire, and the company complied. Unfortunately, neither firm provided the Advocacy Center with reliable figures on the amount of U.S. content in its bid, and there was no time to assemble this information. Unable to determine whether either bid was in the U.S. national interest, the center declined to provide assistance. If the post had required the companies to submit the forms in October 2002, and had provided those forms to the Advocacy Center at that time, there should have been sufficient time to obtain reliable figures and thus decide whether advocacy assistance was warranted.

In reviewing the post's advocacy reports, we found several other examples of advocacy cases being worked by CS Greece that involve a specific tender, but for which the Advocacy Center has not been provided with the advocacy questionnaire and anti-bribery agreement. The biggest problem with not having an advocacy questionnaire on file is that the post or embassy could be advocating for a company that does not meet the necessary requirements. Per the October 2000 cable providing posts with guidance on implementing the advocacy guidelines, submitting the questionnaires allows the Advocacy Center to “. . . ensure that USG advocacy falls within the U.S. national interest, adheres to USG policy, and that U.S. firms are treated fairly in the provision of USG advocacy support.” Finally, in discussions with the Director of the Advocacy Center, he stated that he was concerned that this problem might be occurring in other Commercial Service posts because commercial officers may not all be well versed in the advocacy guidelines. He felt that it would be extremely helpful to review, revise, and reissue the October 2000 cable.

Recommendations. The Commercial Service, together with the Advocacy Center, should review the October 2000 cable on implementing the advocacy guidelines, ensuring that the information contained in

the cable is still accurate and complete. Once reviewed and revised as necessary, the cable should be sent to all Commercial Service overseas posts, with informational copies to all ambassadors and deputy chiefs of mission. Thereafter, the guidelines should be resent to the posts annually.

Additionally, CS Greece should adhere to the USG advocacy guidelines and not advocate on behalf of any client bidding on a specific tender who has not submitted the required questionnaire and antibribery agreement to the Advocacy Center.



In responding to our draft report, the Acting Director General stated that staff from the Office of International Operations met with Advocacy Center officials to discuss the need to send out the advocacy guidelines annually. Instead, they decided to post the guidelines on the Commercial Service's Intranet (Our Place) for easy access and reference by the posts. Officers were informed of the posting, which was effective August 28, 2003. Further, CS Greece has established procedures to ensure that the advocacy questionnaire and antibribery agreement are submitted to the Advocacy Center by the U.S. firm. The Commercial Service's actions meet the intent of our recommendations.

C. Safety concern needs to be addressed

We reviewed CS Greece's office space and the building in which it is housed from a safety perspective. During the first week of our inspection we saw just one fire extinguisher in the CS office space. During the second week, when we went to check the expiration date on that extinguisher, we found that six additional extinguishers had appeared. Three of the total inventory did not have current maintenance tags, had not been serviced within the timeframes recommended by the National Fire Protection Association (NFPA),⁸ and had expiration dates of January 2000, August 1999, and February 1990, respectively. NFPA also requires extinguishers to be mounted, located, and identified so as to be readily visible and accessible. At the post, they were randomly placed on the floor, either under furniture or off in a corner.

The *Foreign Affairs Manual* (6 FAM 785, Exhibit 785.2) states that (1) portable fire extinguishers are to be placed in the corridors of occupied buildings at a maximum distance of 75 feet from any point on the floor, and that (2) carbon dioxide extinguishers must be used in computer rooms and pressurized water extinguishers in storage areas. The 75-foot rule was not violated. However, the computer room and storage area did not have the required types of extinguishers.

⁸ National Fire Protection Association, 2002. Standard for Portable Fire Extinguishers (Standard 10). The servicing timeframes vary depending on the type of extinguisher (dry chemical, carbon dioxide, or pressurized water).

The building where the Commercial Service is located is under the control of the State Department, and CS Greece is merely a tenant. Therefore, State is responsible for fixing this safety problem.⁹ When we raised our concerns with State's general services officer in the embassy, he informed us that the embassy's safety officer had ended his assignment several months prior to our visit and was not expected to be replaced until June 2003. In the meantime, the general services officer is handling the safety officer's duties in addition to his own. He professed no knowledge of the safety issues in the annex building, but stated that he would correct any problems reported by the Commercial Service.

Recommendation. CS Greece should work with the general services officer and/or the post's new safety officer, when assigned, to ensure that the office's fire extinguishers meet all appropriate standards.



The Commercial Service's response to our draft report stated that CS Greece, working with the general services officer, completed a review of the fire extinguishers assigned to its office. Expired units were replaced. These actions meet the intent of our recommendation. However, we urge the Commercial Service to ensure that the fire extinguishers are also properly mounted, located, and the correct type for the location (carbon dioxide in the computer room and pressurized water in the storage room).

⁹ *Foreign Affairs Manual* (6 FAM 782.1 and 782.3).

II. Most CS Greece Clients are Satisfied, but Timeliness of Services, Market Research Production, and Export Success Reporting Need Improvement

CS Greece is a full-service post, although most of its clients order core services only. While Greece is not one of the largest export markets for the United States, the country offers several important export opportunities, particularly in defense, and most recently, on 2004 Olympics-related projects. Because of strong competition from European Union countries, CS Greece must provide timely advocacy to support U.S. bidders. It has been highly praised for its assistance to U.S. defense suppliers bidding on contracts in Greece. It has also done an excellent job of supporting U.S. firms on Olympic tenders. In addition, many consider CS Greece's close working relationship with the U.S. Defense Department's Office of Defense Cooperation and the embassy's Defense Attaché's office in support of U.S. bidders as a model of teamwork and cooperation. CS Greece is not the lead in any Showcase Europe¹⁰ sectors, but actively participates in the energy and information technologies sectors, as well as several others.

We queried U.S. businesses, the American-Hellenic Chamber of Commerce (AmCham), U.S.-Greece Business Council, and other groups that work to expand U.S. trade (i.e., "multipliers") about the post's efforts to support U.S. commercial interests in Greece. Based on those contacts, we determined that CS Greece has an excellent reputation for being responsive and proactive. Most companies queried, both large and small, knew the SCO by name and praised him for his dedication and responsiveness. They gave high marks as well to several FSNs for their government contacts and industry knowledge, singling out those with responsibilities in the defense, major projects, building materials, and architecture and engineering sectors. AmCham also had praise for several FSNs and particularly the SCO, with whom it has an excellent working relationship.

To gauge customer satisfaction with CS Greece's specific offerings, we surveyed clients who ordered 62 core products and services from fiscal year 2001 to 2003. Seventeen (27 percent) of those contacted responded, and most (82.4 percent) were satisfied to very satisfied with the post's services. Single company promotions (SCPs) received the highest satisfaction rating (see Table 1). Only the International Partnership Search (IPS) received a low rating, with one customer reporting dissatisfaction because the firms identified by the post as possible partners were not interested in doing business with his company.

¹⁰ Showcase Europe is designed to help U.S. firms more effectively exploit commercial opportunities in the EU regional market and emerging markets of Eastern Europe. The initiative focuses on eight market sectors, which appear to offer the best prospects for U.S. firms.

Table 1: Customer Satisfaction with CS Greece

<i>CS Product</i>	<i>Very Satisfied</i>	<i>Satisfied</i>	<i>Unsure</i>	<i>Dissatisfied</i>	<i>Very Dissatisfied</i>	<i>Products Ordered FY 01-03</i>
ICP	1	4	2			28
IPS				1		4
Gold Key	3	1				23
SCP	4	1				7
TOTALS	8	6	2	1	0	62

Source: OIG Customer Survey

In sum, CS Greece’s performance is for the most part commendable. However, we did find several areas that weaken its effectiveness, namely, untimely delivery of certain core products and services, inadequate coverage of market research, and, in particular, incomplete export success records and inaccurate reporting of export successes.

A. *Delivery of some products and services is untimely*

The *CS Operations Manual* specifies that International Company Profiles (ICPs) must be completed within 10 business days of receipt of the client’s payment, and IPS reports must be completed within 15 business days of payment. Using these criteria, we reviewed delivery dates for products and services ordered during fiscal years 2001, 2002, and 2003 (up to May 2003) and found that the post was late delivering three ICPs (11 percent of the total ordered) and three IPSs (75 percent of the total). One ICP was delinquent by 4 months (89 days), which the post attributed to a 2½ month delay between the time the client paid for the service and the time the official request was received. However, even counting from the official request date, the ICP was still delivered 37 business days beyond the required 10-day turnaround.

The only IPS delivered on time during the period we reviewed was rated as poor by the customer (see Table 1). The Commercial Service had to refund the client’s payment for one of the three late products because the report was delivered to the client nearly two months late.

The Commercial Service recently extended turnaround time to 30 days for IPSs ordered after March 31, 2003—a change that did not apply to any of the products we identified. But even if it did, two of the three IPS reports would still have been late, by 34 days and 24 days respectively. Consistently late delivery may be one reason why the IPS is the least successful offering in CS Greece’s lineup of core products and services.

For half the late products we identified, the post attributed the untimeliness to reduced staffing levels

during periods of personal leave and to miscommunication among office staff. To improve customer satisfaction—an ITA performance goal in the Department’s FY 2003 annual performance plan—the post must provide customers with products and services in a timely manner and within the timeframes specified in the *Operations Manual*, regardless of personal leave issues, holidays, and other factors. Achieving this goal may require post managers to designate alternates or backups to handle workload for staff on leave, or to reallocate resources when staff cannot perform their core duties because they are handling time-sensitive events, such as trade shows or other events.

Table 2: Delivery of Products and Services, FY 2001 to FY 2003 (Thru May 2003)

Product	Business Days Late	Post’s Explanations
ICP		
Client 1	14	Christmas Holiday contributed to delay.
Client 2	4 months [89 days] [37 per post]	Request was received 2 ½ months after the company paid. (Using the post’s reference date, the product was still late by 37 business days.) Personal leave and staff work on three trade shows also contributed to the delay.
Client 3	15	Additional research was conducted.
IPS		
Client 1	49 (34 under revised standard*)	Post had difficulties identifying firms and the Christmas holiday intervened.
Client 2	47 [4 per post] (17 under revised standard*)	Post received the firm’s marketing materials more than 1 month after the IPS was ordered. (Using post’s reference date, the IPS was still late by 4 business days.)
Client 3	39 (24 under revised standard*)	Miscommunication among office staff. Customer’s money was refunded.
*We include the days late under the new standard for comparative purposes.		

Source: E-Menu, CS Operations Manual

Recommendations: The SCO should track progress toward delivery dates and work with the CS Greece staff to identify the reasons for late product delivery. Develop an action plan to improve timeliness of and accountability for post products and services. Further, the regional director and his staff should provide adequate oversight to the post to ensure that products and services are delivered in a timely manner per the *CS Operations Manual*. The regional director’s staff should also monitor the status of the post’s progress in improving timeliness.



In responding to our draft report, the Commercial Service indicated that CS Greece will establish a “comprehensive tracking method to ensure that products and services are completed in a timely manner.” The method will include adding product due dates to post’s calendar and requiring weekly progress reports on products and services. They add that in the event of a delay in delivering a product, the post will inform the U.S. Export Assistance Center they are working with and the client in writing of the delay, the reasons for the delay, and the new completion date. The proposed actions meet the intent of our recommendation.

With regard to post oversight, the Acting Assistant Secretary and Director General of the Commercial Service stated that the Regional Director for Europe has asked his country manager to review post’s products and services on a quarterly basis and that a status report will be generated for his review each quarter beginning in FY 2004. In addition, the Office of International Operations (OIO) has requested that due dates for specific products and services be posted on the Commercial Service’s “e-menu” internet-based management system. The Commercial Service’s actions meet the intent of our recommendations.

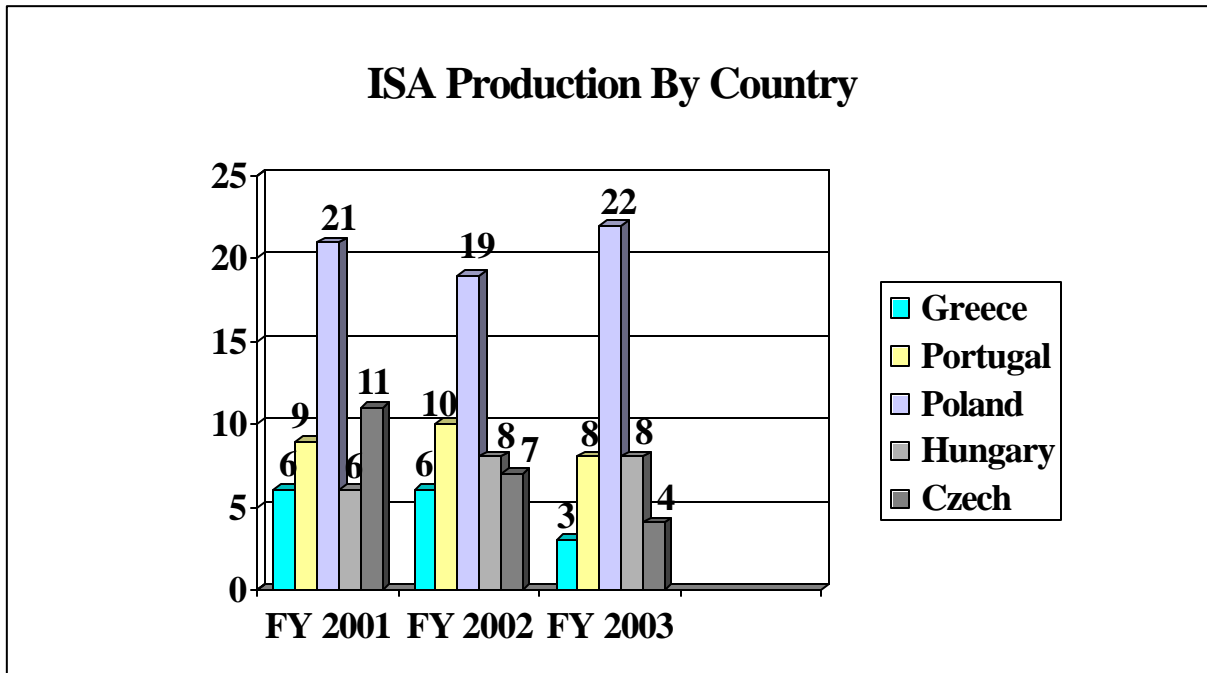
B. Market research reporting appears suitable, but production may be low

ISA reporting appears low when compared with similarly sized posts.

CS Greece’s production of Industry Sector Analyses (ISAs) fell by 50 percent in FY 2003. The post committed to producing only three ISAs, which is fewer than the ISA commitments of other similarly sized posts.¹¹ CS Poland committed to producing 22 ISAs, CS Portugal and CS Hungary 8 ISAs, and CS Czech Republic produced 4.

¹¹ The Commercial Service suggested that we compare CS Greece’s performance with the similarly sized posts of Portugal, Poland, Hungary, and the Czech Republic.

Figure 1: ISA Production by CS Greece and Posts of Similar Size (FY 2001-2003)



Source: E-Menu

We also found that during the past 3 years, the post did not issue ISAs on a key sector identified as a “best prospect”¹²—environmental engineering services, which is listed as the seventh most promising export market for U.S. exporters. The *CS Operations Manual* states that “ISA titles should draw primarily from the ‘best-prospect’ sectors identified in the posts’ annual CCGs.” If CS Greece believes that environmental engineering services is no longer a key market opportunity, it should delete this sector from the best prospects list in the CCG. If it remains a best prospect, the post should provide sufficient related market information per the *Operations Manual*.

IMI reporting has been strong, but has dropped significantly.

CS Greece produced a post record of 191 International Market Insights (IMIs) reports in FY 2001

¹² The list of best prospects—derived from country commercial guides (CCGs)—identifies the industry sectors that appear to offer the best market opportunities for U.S. businesses.

and 179 IMIs in FY 2002. However, for the first 8 months of the current fiscal year, production has dropped significantly. The post has produced only 11 IMIs. According to the SCO, the Management and Program Review team,¹³ which conducted an internal review of post operations in April 2002, indicated that the time spent by post to draft IMIs would be better spent on advocacy efforts. As a result, the post reduced its production.

Compared with other similarly sized posts, the Czech Republic produced 28 IMIs while Portugal produced 6 IMIs and Poland and Hungary produced only 1 IMI in the same time period. CS Greece's production of IMIs compares favorably to these posts.

The *CS Operations Manual* does not prescribe the frequency or number of IMIs to be submitted. However, it does maintain that a principal activity of the post is "to develop marketing and commercial intelligence for dissemination to the U.S. business community and management of commercial libraries." IMIs and ISAs provide such information, and many small- to medium-sized companies rely on these products. A benchmark FY 2002 publication entitled "Report Card on Trade II," developed by the Trade Promotion Coordinating Committee (TPCC)¹⁴ noted that "basic information on market opportunities abroad remains among the most important service to exporters..." and that exporters rely on the government more than any other source for market information.

To further the dissemination of such market information, we note that one of the goals of the International Trade Administration's FY 2003 annual performance plan under the *Government Performance and Results Act (GPRA)* is to focus on e-commerce to further U.S. exports through the web-portal "Export.Gov." One key strategy of this initiative is to help small businesses use the Internet to find suitable markets overseas. However, the web-portal cannot be successful without web content, such as IMIs and ISAs. Finally, trade specialists in U.S. Export Assistance Centers use IMIs and ISAs to counsel small- and medium-sized companies that are exporting for the first time, or to generate interest in new overseas markets among clients. Without sufficient market information, particularly for new to export firms, this task will be difficult.

Recommendations: The Commercial Service should determine the appropriate level of ISA and IMI production for CS Greece so as to ensure that the public mandate for providing marketing and commercial intelligence to U.S. businesses is satisfied. In addition, the SCO should determine whether the environmental engineering sector is still a viable best prospect. If so, make it an ISA topic per the *Operations Manual*.



¹³ See the Background section, beginning on page 3, for a description of a Management and Program Review.

¹⁴ The TPCC, chaired by the Secretary of Commerce, develops the "National Export Strategy," which is the Administration's trade promotion agenda. The TPCC released its benchmark report entitled "Report Card on Trade II: Assessing the Effectiveness of U.S. Government Support to Small and Midsize Exporters" on June 12, 2002.

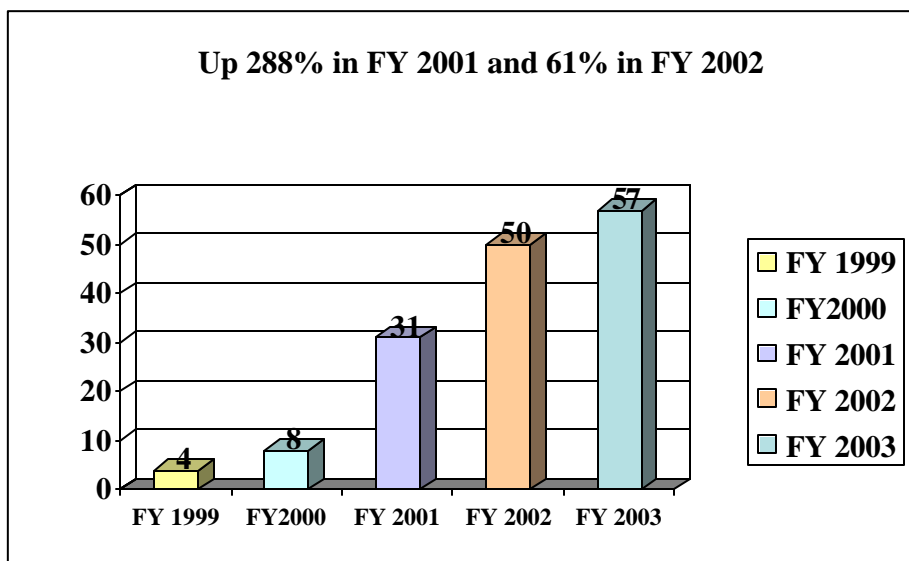
In responding to our draft report, the Acting Assistant Secretary and Director General of the Commercial Service indicated that there is “no hard and fast rule on the production of ISAs and IMIs in the Operations Manual.” However, he indicated that CS Greece has agreed to identify a target number of ISAs and IMIs on their best prospects list to be done in 2004. In addition, he indicated that the Commercial Service is conducting a thorough review of its market research products, including the ISA, to determine if these products are still meeting the needs of its clients. If not, they will be replaced. The Commercial Service’s actions meet the intent of our recommendations.

On ISA topics, the Commercial Service indicated that the SCO has determined that the environmental engineering sector is no longer considered a best prospect in the Country Commercial Guide. As such, an ISA on the topic will not be developed. The actions taken meet the intent of our recommendations.

C. *Export success reporting has increased significantly, but accuracy and management oversight are needed*

CS Greece’s export successes in FY 2001 increased by 288 percent over the previous fiscal year in large part because of the leadership of the current SCO, who came on board at the end of fiscal year 2000. Export successes increased by 61 percent in FY 2002, and the post’s goal for FY 2003 is another 60 percent increase (or 80 export successes).

Figure 2: CS Greece Export Successes (FY 1999-FY 2003)



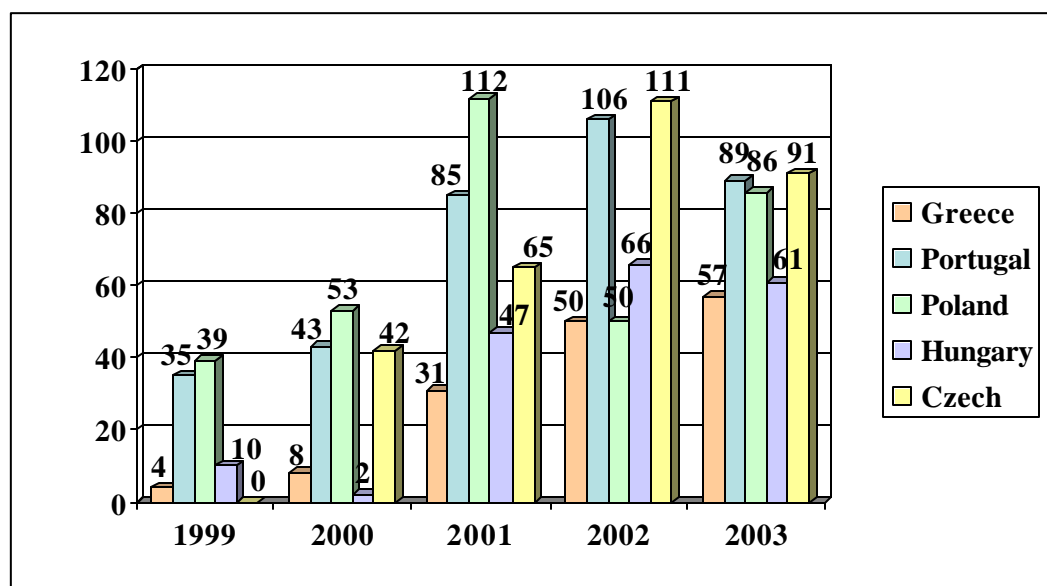
Source: E-Menu. Information for FY 2003 is incomplete. At the time we did our review of export successes, there were only 28 reported. By the time of the issuance

of this report in draft, an additional 29 successes were reported , for the total in this chart of 57 in FY 2003.

Despite increases, the number of export successes remains on the low end.

CS Greece has the largest U.S. export market of similarly sized posts with which it was compared in our review, yet it remains one of the lowest producers of export successes for the past four fiscal years (excluding 2003). (See Figure 3).

Figure 3: Export Successes Reported by CS Greece and Posts of Similar Size (FY 99-03)



Source: E-Menu. Information for FY 2003 is incomplete. At the time we did our review of export successes, there were only 28 reported. By the time of the issuance of this report in draft, an additional 29 successes were reported, for the total in this chart of 57 in FY 2003.

Portugal, Hungary, and the Czech Republic—posts that have fewer officers and FSN staff, smaller U.S. export markets, and smaller economies—are all outperforming CS Greece. CS Portugal has twice the number of export successes as Greece despite its smaller staff (see Table 3). Portugal and Greece have roughly the same size economy, per capita gross national income (GNI), and population though the U.S. export market in Greece is 23 percent larger than in Portugal. Both countries are members of the European Union.

One factor may be that staff at the post is not aggressively “harvesting” export successes (following up on new export success leads from post’s earlier efforts.) During our review of export successes, we spoke with several U.S. companies that had additional export successes based on the post’s earlier work, which had not been captured by the post.

Table 3: CS Greece’s Performance vs. Similarly Sized Posts

Country	Export Successes 2002 (% change from 2001)	Staffing (Commercial Officers/FSNs)	US Exports 2002 (Million \$)	GNI 2001 (Billion \$)	GNI Per Capital 2001 (\$)	Population 2001 (Million)	ORAM (Quintile)	Cost-Benefit (Quintile)
Greece	50(+60)	2/8	1,123	124.6	11,780	10.6	3rd	2nd
Portugal	106(+24)	1/6	863	108.5	10,670	10.2	3rd	2nd
Poland	50(-55)	3/7	687	163.9	4,240	38.7	2nd	3rd
Czech Republic	111 (+70)	2/5	654	54.1	5,270	10.3	4th	1st
Hungary	66(+40)	2/6	688	48.9	4,800	10.2	4th	3rd

Source: E-Menu; CS Staffing Pattern (2/28/03); CS Performance Data, 2003; US Census; World Bank Statistics

Recommendations: The SCO should work with the CS Greece staff to identify sources of export successes that have not been considered. In addition, the regional director should counsel the SCO on best practices used by other posts to maximize the capture of export successes. The regional director and his staff should also closely monitor CS Greece’s progress toward improving its export success track record.



In response to our draft report, the Commercial Service stated that the commercial officers at the post would work closely with post staff to identify sources of export successes that may not have been considered. Specifically, CS Greece “will implement a more extensive follow-up of post sponsored/assisted trade expositions and IBPs, with e-mails to participants at 3, 6, and 12 month intervals requesting results from the event.” The Commercial Service also indicated that the Regional Director conducts quarterly conference calls with SCOs to review progress on export successes. He spoke to the SCO in Greece in August 2003, and reiterated to him the need to increase export successes and ensure the accuracy and quality of export successes. Finally, the Commercial Service

indicated that the issue of export successes was discussed at their Worldwide SCO conference held in Reston, Virginia in May 2003. The actions proposed above meet the intent of our recommendations.

Export success records need better review and some are incomplete

Our review revealed that 35 percent of export success records from fiscal years 2002 and 2003 have empty e-mail address fields; 6 percent did not contain fax numbers; and a handful lacked both. Some records that listed U.S. representatives located in Greece as the primary company contact had incomplete phone numbers. Without proper contact information, managers at headquarters cannot easily verify export successes. In addition, the CS contractor hired to verify export successes cannot do her job without proper contact information for each export success reported.

Several CS Greece staff attributed the missing e-mail addresses to the fact that many Greek companies do not use e-mail and are only now beginning to embrace the Internet. However, the post primarily counsels U.S. companies, which have e-mail addresses almost without exception. We also found one export success, which listed the chief executive officer of a major Fortune 500 company as the main contact for an export success. This is not a best practice because of the difficulty in contacting such persons and the likelihood that such persons might not know about the success in question. Contact persons should be on the working level and be knowledgeable about post's role in assisting the company. We also found one export success record with the U.S. export content in euro dollars.

The large number of incomplete export success records and discrepancies in record fields indicates that the SCO and junior officer are not carefully reviewing them and that the regional director and his staff may be not performing their oversight responsibilities. The CS Operations Manual states that "SCOs are responsible for providing quality control for performance reporting." In addition, it states under Washington responsibilities that "office directors spot check export success reports."

One factor for the large number of incomplete export success records may be the post's use of interns to enter export success data into the Client Management System (CMS) database and e-Menu. Interns are used to do this work, in part, because of a lack of clerical support at post. While the use of interns is not an issue, inadequate supervision of their work is. If interns are used, they should be properly trained and their work should be closely reviewed.

Recommendations: The SCO needs to work with the junior officer and staff to ensure that all staff properly complete export success records. The regional director and his staff should work with the SCO to ensure this area receives appropriate oversight.



In replying to our draft report, the Commercial Service indicated that the SCO will "highlight the

importance of complete export success records” with post staff and the junior officer. He will also randomly review export success records prior to approval to ensure they meet reporting requirements. We note that we recommended that the SCO review and approve each export success (see recommendation in next section).

To ensure the proper completion of export success records, the Acting Director General stated that the Commercial Service has “thoroughly reviewed its success story guidance and will be issuing shortly new, more specific, guidelines and changes to the export success format in e-menu to be implemented in FY 04.” Further, he states that the Regional Director has conducted a conference call with the post and the contractor who reviews export successes to ensure that due diligence is conducted during the review of export successes. The Regional Director will also provide guidance to the junior officer and the staff on proper follow-up of export successes.

The actions proposed above meet the intent of our recommendations with the exception of the SCO randomly reviewing export successes. We do not believe that a random review is sufficient to ensure the accuracy of export successes. We do not see how the SCO can ensure the accuracy of the export success reports without reviewing all of them. We request that the Commercial Service address this issue in its revised action plan.

Some export successes for which the post claims credit are problematic.

Our survey of 57 selected export successes from the universe of 74 claimed by CS Greece in fiscal years 2002 and 2003 revealed that 17 (nearly 30 percent of the sample) do not meet one or more guidelines in the *CS Operations Manual*. The *CS Operations Manual* describes export success as:

- *an actual verifiable export sale—shipment of good or delivery of service;*
- *the legally binding signing of an agreement, including agent/distributor, representation, joint venture, strategic alliance, licensing, and franchising or the signing of a contract by the client, with sales expected in the future;*¹⁵
- *resolution of a trade complaint or dispute on behalf of the client—avoiding harm or loss; or*
- *removal of a market access barrier, including standards, regulations, testing and certification—opening a market for U.S. firms.*

The manual further states that “projected or anticipated sales, etc., are not allowed on the dollar value line of the report as the sales have not yet been consummated,” and “the amount provided on the value line of the report should only reflect the U.S. export value/component of the product/service sold.”

Of the 17 problematic export successes we identified, 5 involved anticipated sales, 6 overstated U.S.

¹⁵ The *CS Operations Manual* goes on to state that “the signing of a contract and an export sale immediately thereafter (e.g., within three months), related to the same contract, must be reported as a single Export Success.”

content values, and 1 had no U.S. export content at all. Particularly disturbing was our finding that 5 of the 17 did not occur, according to the companies contacted—despite CS requirements that all successes reported are “actual” and “verifiable.” We note that although the regional director had instructed his staff to work with the post to ensure that all export successes reported in fiscal year 2003 were properly reviewed and vetted (4 export successes were deleted as a result of this exercise), 3 of the 5 that did not occur were recorded in FY 2003.

Anticipated or Expected Sales: The five export successes involving anticipated sales are as follows:

Fiscal Year 2003

- CS Greece reported an export success of \$600,000 for a U.S. company that indicated there were “commitments,” but that the goods had not been shipped. In addition, the company indicated that the goods will be sourced from its European operations, not from the United States, meaning that there is no U.S. content.

Fiscal Year 2002

- The post reported a \$600,000 export success based on a contract, which has not yet been signed, according to the U.S. company. The company indicates that negotiations on the contract are still on-going and the company hopes that they can be concluded by the end of 2003. The post disagreed with our finding, and indicated that the export success was valid, according to the Greek partner in the venture. However, the principal of the U.S. partner indicated very clearly to us that no contract had been signed. While post may report the formation of the joint venture company as an export success, it may not report the \$600,000 contract until it is signed. When we asked for details of the contract, the post learned from the Greek partner that no contract with the U.S. company exists at this time.
- The post reported three export successes – in the amounts of \$1 million, \$350,000, and \$1 million – all for the same company. The firm – though very pleased with the support it received from post – indicated that there were “commitments” from customers, but that no goods had been shipped. In addition, the company indicated that the goods will be sourced from its European operations, not from the United States.

Overstated Values of U.S. Content Values: The seven instances, in which the post overstated U.S. content in export successes are as follows:

Fiscal Year 2003

- The post reported an export success of \$60 million, but the U.S. company indicated that the contract was worth only \$47 million. The post concurred with our finding.
- On a \$250,000 export success claimed by post, the U.S. company indicated that it only received a 20 percent royalty of the full amount of the contract. The post concurred with our finding and indicated that in future export successes, it will only claim the royalty amount.

Fiscal Year 2002

- The post reported a \$9 million export success when it was valued at \$6 million of which only 91 percent had U.S. content. Post concurred with our finding and indicated that there was a “mix-up” on the U.S. content value because the company had secured several orders for its product.
- On an \$8 million export success, the post claimed the full value when only 10 percent of the work was going to a U.S. contractor. The rest of the contract was subcontracted out to European firms. Post concurred with this finding and indicated that “the low U.S. dollar content on this project is notable, as it was not disclosed as such by the U.S. firm.” However, the post bears the onus for obtaining accurate information from U.S. companies that meets the requirements of the *CS Operations Manual* and did not in this case. The manual’s guidelines apply to the post, not to its client firms.
- On two export successes valued at \$350,000 and \$325,000 respectively, the post claimed the full amount of these transactions though the U.S. company indicated that it received only 20 percent as a royalty. The post concurred with our finding and indicated that, when applicable in the future, it will claim only the royalty fees as the export success amount.
- The post claimed an export success of \$10,000 on a transaction that involved no U.S. content—the U.S. firm indicated that all of the products in question were manufactured in Taiwan, adding that little of the material and few of the parts are ever sourced from the United States. The post concurred with our finding, but said that the U.S. company never indicated the products were not U.S.-made. It added that even if the items were manufactured in Taiwan, the sale of the items “support jobs in the United States.” We do not dispute this point. However, the issue is whether the U.S. export content listed in the export success meets the

guidelines of the *CS Operations Manual*. In this case, it does not. And we reiterate that the post is responsible for getting the required information from U.S. firms regarding export successes, as the firms do not know what details are needed.

Export Successes That Did Not Occur: The 5 claimed export successes that did not occur were reported as valid export successes because of the post's failure to conduct appropriate due diligence on these cases.

Fiscal Year 2003

- The post reported a \$90 million contract to upgrade military aircraft as an export success. The contract represents more than 50 percent of CS Greece's export success value reported for the period of fiscal year 2003 that we reviewed.¹⁶ We contacted the U.S. company indicated in the export success and were told that it was not involved in the contract, is not in the business of upgrading military aircraft, and currently has no contracts of this size in Greece. The post disagreed with our finding and referred us to another company and a different contact person from the one listed in the export success record. We learned from this second contact that her company did have the contract in question; the firm, however, was Canadian and had been acquired in January 2002 by the U.S. firm the post identified in the export success record. The Canadian company strongly doubted that the post was ever involved with the contract because the project had been awarded in June 2001, prior to its acquisition by the U.S. firm. It added that any advocacy efforts on its behalf would have come from the Canadian embassy, and that at the time of the tender, a U.S. company was bidding on the contract and probably received assistance from the post. Finally, the Canadian company indicated the project only had 35 to 40 percent U.S. content. When we asked the post for more details regarding the contract, we were referred to yet a third company—a U.S. subcontractor to the Canadian company. We did not contact the subcontractor because the information we had gathered from both the Canadian company and the post was by now so far removed from the original report—different company, different contact person, different U.S. export content—that we could only conclude the export success was not a valid claim. If post had assisted one of the companies mentioned, it should at least have known the correct company and contact person, and have had some idea of the project size and export content. We note that this is one of the sloppiest export successes we have reviewed.
- On a \$50,000 export success claimed by the post, the company maintained that it has not had any sales to Greece since 1999 and has neither requested nor received assistance from the post. The post disagreed with this finding and referred us to a June 2001 export success reported by

¹⁶ For the period from October 1, 2002, to February 28, 2003, CS Greece reported nearly \$169 million (U.S. content) worth of export successes.

the Birmingham U.S. Export Assistance Center (USEAC), which reported that the U.S. company had made a sale in Greece because of its ad in Commercial News USA (CNUSA), which was distributed in Greece to potential buyers by the post. While posts may count as export successes any contracts or sales generated from CNUSA, the U.S. company in this case claims no sales to Greece for FY 2003 or any year since 1999. The Birmingham USEAC may have made its report in error. To avoid discrepancies, export successes should always be verified with the U.S. exporter.

- The post claimed a \$25,000 export success for a licensing agreement that, according to the company involved, has been in place since 1997. The post disagreed with our finding, indicating that the licensee was a long-time client of CS Greece and that “in many cases, the U.S. firm may not have a full understanding of how the Commercial Service assists local firms on their behalf.” We agree that export orders can be facilitated without a U.S. company’s knowledge. However in this case, the post stated that it had provided the licensee with information and assistance so she could attend a U.S. trade show, “Licensing 2001 International,” and as a result of attending the show, her company signed the agreement with the U.S. company. The U.S. firm contends that the licensing agreement had been in place since 1997 and had not been renewed since 2000. Given the company’s comments, we must conclude that the post’s claim of this export success was not valid.

Fiscal Year 2002

- The post reported that a U.S. firm signed a distributor agreement with a Greek vendor. The U.S. company told us that the agreement was verbal, and that it only signs a distributor agreement with vendors after a 1-year trial period. At the time of our review, the Greek vendor had yet to order any products from the U.S. company, though it had received samples and brochures some time earlier. The post agreed with these findings and indicated that the Greek vendor had reported the signing of the agreement. However, the post failed to verify this information with the U.S. firm. We emphasize that although Greek importers may provide important leads for posts on export successes, all such information must be verified with the U.S. companies involved.
- The post reported an export success for a U.S. fast-food chain, which the post claimed had successfully won a bid to open a restaurant on a local college campus. However, the U.S. company stated that it received little support from CS Greece and actually lost the bid to a competitor. The post, claiming “surprise” at our finding, stated that it was told that the U.S. company had won the bid. Had the post checked with the U.S. company, which has a local office in Athens, they would have learned that the company had lost the bid.

Table 4: Problematic Export Successes (Fiscal Years 2002 and 2003)

Export Success Cases	Claimed (\$)	Actual (\$)	Legitimate Export Success	Issue	Discrepancy (\$)
FY 2003					
1	600,000	0	Pending	Anticipated	600,000
2	60 million	47 million	Yes	Overstated	13 million
3	250,000	50,000	Yes	Overstated	200,000
4	90 million	0	No	Did not occur	90 million
5	50,000	0	No	Did not occur	50,000
6	25,000	0	No	Did not occur	25,000
FY 2002					
7	600,000	0	Pending	Anticipated	600,000
8	1 million	0	Pending	Anticipated	1 million
9	350,000	0	Pending	Anticipated	350,000
10	1 million	0	Pending	Anticipated	1 million
11	9 million	5.5 million	Yes	Overstated	3.5 million
12	8 million	800,000	Yes	Overstated	7.2 million
13	350,000	70,000	Yes	Overstated	280,000
14	325,000	65,000	Yes	Overstated	260,000
15	10,000	0	Yes	Overstated (no US content)	10,000
16	0	0	No	Did not occur	0
17	0	0	No	Did not occur	0
Total	\$171.56 million	\$53.485 million			\$118.075 million

Source: E-Menu; CS Client Management System

By reporting projected or anticipated sales, overstated U.S. content amounts, and invalid export successes—none of which are allowed under *CS Operations Manual* guidelines—CS Greece overclaimed the value of export successes in FY 2002 and FY 2003 by \$118 million (over 47 percent of the total \$248.8 million in export success value in our sample size). In addition, the \$118 million

discrepancy represents nearly 23 percent of all FY 2002 and FY 2003 export successes, which are valued at \$861.4 million. The discrepancies identified also do not comply with the Federal Data Quality Act which provides guidelines to ensure data quality. Under the Act, the Department of Commerce and, subsequently, the International Trade Administration issued guidelines in fiscal year 2002. According to those guidelines, information provided must be “accurate, reliable, and unbiased.” Finally, the overclaim of export successes is of particular concern because aggregate export figures are reported to Congress through testimony and various reports, including the Department’s *Annual Performance Plan*.

We believe the discrepancies in export success reporting occurred because 1) post managers were not carefully reviewing export success records though the *CS Operations Manual* requires that managers “ensure that all sales are real and have commercial value”; 2) post staff did not always adhere to *CS Operations Manual* guidelines for performance reporting; 3) there was a lack of adequate management oversight by the Regional Director for Europe and his staff; and 4) the CS contractor may not be doing an effective job of reviewing export success records.

We note that the regional director did instruct his staff to work with post to review and vet export successes in FY 2003 though the effort was obviously not fully successful. The Commercial Service has indicated that it intends to create another regional director position and separate the Europe operations into Western Europe and Eastern Europe to improve management oversight of European posts. We concur with this effort.

We also note that the issues we found with CS Greece’s export successes were identical to those raised in our report on Commercial Service operations in Turkey (Report # IPE-15370, issued March 2003) and similar to problems noted in our report on CS Italy (Report # IPE-14272, issued March 2002). The nature and extent of these findings suggest systemic weaknesses in the Commercial Service’s process for reporting, reviewing, and ensuring the accuracy of export successes; specifically, current internal controls on the reporting of export successes may not be effective or are not being used appropriately by managers.

Recommendations: The SCO should review and approve each export success and require appropriate due diligence in reporting them. He should also ensure that all staff in CS Greece receive training on export success guidelines. The regional director and his staff should work with the SCO to incorporate into client follow-up procedures, new office guidelines to ensure that export success records are verified with the U.S. client and properly recorded. Finally, the *Operations Manual* should be revised to explicitly state that all export successes should be verified with the U.S. client.



In responding to our draft report, the Commercial Service stated that CS Greece “will implement an extensive review of the export success guidelines with staff” and that post has already adopted follow up procedures with U.S. firms to ensure the accuracy of export success records. This step includes requesting the U.S. firm to review the narrative and U.S. export content figures. Further, the Regional Director will be meeting with the CS contractor who reviews success stories to raise his concerns about the accuracy of export successes. The actions proposed meet the intent of our recommendations.

In responding to our recommendation on the Operations Manual, the Acting Assistant Secretary and Director General of the Commercial Service indicated that OIO has an ongoing working group, which is reviewing CS performance measures, including export success records, and will be issuing new guidelines. However, we have yet to receive any details of these new guidelines, which were requested when our final inspection report on Turkey (IPE-15370) was issued. We request that the Commercial Service provide the OIG with a copy of the new success story guidelines as soon as they are available.

III. Financial and Administrative Operations Are Generally in Good Order, With One Minor Exception

Our review of CS Greece's financial and administrative operations found them to be sound for the most part: assets were accounted for and properly used; no cash collections are made at post for routine transactions; collections, inventory, time and attendance records, petty cash, and the budget were all properly managed. The process for submitting and approving procurement requests appears to be working well—the only problem we found was the single company promotion mentioned in chapter I (see page 6). All FSNs were aware of and following the process for requesting short-term contractor help, including the requirement for obtaining the SCO's signature of approval on procurement request forms. Much of the credit for CS Greece's sound financial management and administrative operations goes to the administrative FSN, who is extremely knowledgeable about Commercial Service policies and keeps meticulous records. This FSN is organized, attentive, and seeks guidance from headquarters when a question arises.

Our follow-up of the financial and administrative issues reported in the April 2002 MPR determined that the Commercial Service had corrected the weaknesses identified during that review. For example:

- The MPR team noted that some representation fund vouchers did not stipulate nationality on the list of guests entertained, as required by the *CS Operations Manual*. We found that this requirement is now being met and that representation fund expenditures were appropriate, within guidelines, and fully documented.
- The team recommended that the post keep copies of both the front and back of checks collected from clients, instead of only the front, to show that checks were properly endorsed and deposited. We verified that the administrative FSN now keeps copies of both sides.
- The reviewers also determined that the SCO's time and attendance forms were not being approved by an authorized official, and recommended that the deputy chief of mission (DCM) or other delegated authority provide such approval. The DCM now signs the SCO's timesheets.

CS Greece has also implemented a series of cost-savings suggestions made in March 2002, by the Commercial Service's International Cooperative Administrative Support Services (ICASS) specialist.¹⁷ For example, he (and, subsequently, the MPR team) suggested that CS Greece install an international voice gateway (IVG) line to reduce ICASS costs, which it has done. We also noted that the junior

¹⁷ ICASS is the State Department's platform for providing administrative services to government agencies overseas and equitably distributing the costs of those services to the relevant agencies. The services are usually provided by the State Department's administrative section in the embassy, which includes offices for personnel matters, budget and fiscal matters, general services, information management, and security, as well as a medical unit.

understanding of ICASS issues and was highly praised by embassy personnel for his management of the council. In fact, the junior officer recently reviewed the post's ICASS budget and found the post was being overcharged for various services. The Commercial Service thus received a \$27,000 refund.

We found just one administrative issue regarding vehicle use that the post should address.

A. Two official vehicles should be reassigned or surplused

At the time of our visit, CS Greece had four government-owned vehicles—three in Athens and one in Thessaloniki.

[REDACTED]

The *CS Operations Manual* requires that vehicle use be recorded in an official log. We reviewed the logs for the vehicles in Athens and determined that the junior officer maintained meticulous records of his daily usage, but that FSN staff rarely documented their use [REDACTED]. The administrative FSN told us that she reminded her colleagues repeatedly to record their usage, but—judging from our review—to no avail. By the same token, they rarely use the vehicle, opting instead for taxis because parking in Athens is difficult. The regional director informed us that FSN staff typically do not have a vehicle at their disposal, but use those assigned to officers when needed. We suggest that the SCO consider a similar arrangement for his FSN staff.

Recommendation. Surplus or reassign the FSN vehicle in Athens, reassign the vehicle in Thessaloniki.



[REDACTED]

ep/cay/la of GMT



RECOMMENDATIONS

To strengthen CS Greece operations and the management of posts worldwide, our recommendations are that the Acting Assistant Secretary and Director General of the United States and Foreign Commercial Service do the following:

- (1) Work with the Advocacy Center to review the October 2000 cable on implementing the advocacy guidelines, ensuring that the information contained in the cable is still accurate and complete. Once reviewed and revised as necessary, the cable should be sent to all Commercial Service overseas posts, with informational copies to all ambassadors and deputy chiefs of mission. Thereafter, the guidelines should be resent to the posts annually (see page 7).
- (2) Provide adequate oversight to the post to ensure that products and services are delivered in a timely manner per the *CS Operations Manual*. The regional director's staff should also monitor the status of the post's progress in improving timeliness (see page 12).
- (3) Determine the appropriate level of ISA and IMI production for CS Greece so as to ensure that the public mandate for providing marketing and commercial intelligence to U.S. businesses is satisfied (see page 15).
- (4) Have the regional director counsel the SCO on best practices used by other posts to maximize the capture of export successes. In addition, the regional director and his staff should closely monitor CS Greece's progress toward improving its export success track record (see page 18).
- (5) Have the regional director work with the SCO to provide appropriate oversight to CS Greece to ensure that export success records are completed properly (see page 18).
- (6) Work with the SCO to incorporate into client follow-up procedures, new office guidelines to ensure that export success records are verified with the U.S. client and properly recorded. Revise the *Operations Manual* to explicitly state that all export successes should be verified with the U.S. client (see page 18).

To improve current and future operations of CS Greece, we recommend that the post's SCO do the following:

- (1) Adhere to the USG advocacy guidelines and not advocate on behalf of any client bidding on a specific tender who has not submitted the required questionnaire and antibribery agreement to the Advocacy Center (see page 7).
- (2) Work with the general services officer and/or the post's new safety officer, when assigned, to ensure that the office's fire extinguishers meet all appropriate standards (see page 10).
- (3) Track progress toward delivery dates and work with the CS Greece staff to identify the reasons for late product delivery. Develop an action plan to improve timeliness of and accountability for post products and services (see page 12).
- (4) Determine whether the environmental engineering sector is still a viable best prospect. If so, make it an ISA topic per the *Operations Manual* (see page 15).
- (5) Work with the CS Greece staff to identify sources of export successes that have not been considered (see page 18).
- (6) Review and approve each export success and require appropriate due diligence in reporting them. Ensure that all staff in CS Greece receive training on export success guidelines (see page 18).
- (7) Work with the junior officer and staff to ensure that all staff properly complete export success records (see page 18).
- (8) Surplus or reassign the FSN vehicle in Athens, reassign the vehicle in Thessaloniki (see page 31).

APPENDIX A

Acronyms and Descriptions of Commercial Service Products and Services

CMA	Customized Market Analysis. Assesses how a U.S. firm's product or service will sell in a given market.
FMR	Flexible Market Research. Customized market research designed to meet the specific needs of clients by answering questions about a particular market and its receptivity to targeted products and services.
GKS	Gold Key Matching Service. Sets up one-on-one appointments between U.S. clients and potential business partners identified and selected by in a targeted export market.
ICP	International Company Profile. Background information on a prospective agent, distributor, or partner with whom a U.S. firm is considering doing business.
IMI	International Market Insights. Brief reports on specific foreign market conditions and upcoming opportunities for U.S. businesses.
IPS	International Partner Search. A service that matches requestors with potential partners to market product or service in a given area. Maximum search response time is 15 working days.
ISA	Industry Sector Analysis. Provides industry-specific information on such topics as market potential, size, and access; demand trends; competition; regulations; distribution practices; and key contacts.
PKS	Platinum Key Service. Provides a firm with ongoing, customized support for a specified timeframe, scope, and fee. Services include counseling, as well as assistance in identifying markets, launching products, developing project opportunities, finding partners, reducing market access barriers, and understanding regulatory or technical standards.
IBP	International Buyer Program. Promotes key U.S. trade shows to international business executives, and brings international buyers to these events to meet with U.S. firms.
BuyUSA	A business-to-business web site that connects foreign buyers with qualified U.S. suppliers of goods and services (www.buyusa.com).
CNUSA	Commercial News USA. A monthly publication featuring the products and services of participating U.S. suppliers. It is distributed to foreign buyers worldwide.

APPENDIX B

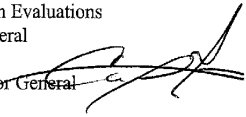
Agency Comments on Draft Report



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

September 23, 2003

MEMORANDUM FOR: Jill Gross, Assistant Inspector General
for Inspections and Program Evaluations
Office of the Inspector General

FROM: Carlos Poza, Acting Director General 

SUBJECT: Draft Report – CS Greece
Audit Report No. IPE-15804
Report Date: August 25, 2003

In response to your memorandum of August 25, 2003, I am pleased to forward US&FCS' Audit action plan for implementing the recommendations as contained in the OIG's draft Audit Report for Greece. The attached audit action plan succinctly indicates the specific measures that US&FCS has undertaken to comply with OIG's 14 recommendations.

Please let me know if you have any further questions regarding our course of action.

Attachment



Audit Action Plan
International Trade Administration
U.S. and Foreign Commercial Service – US&FCS Greece
Audit Report No. IPE-15804/August 2003

1. Work with the Advocacy Center to review the October 2000 cable on implementing the advocacy guidelines, ensuring that the information contained in the cable is still accurate and complete. Once reviewed and revised as necessary, the cable should be sent to all Commercial Service overseas posts, with informational copies to all ambassadors and deputy chief of missions. Thereafter, the guidelines should be resent to the posts annually (see page 7).

OIO met with the Advocacy office and discussed the need to send out the guidelines annually. Effective 8/28/2003, OIO posted the Advocacy guidelines and the Advocacy Guideline Offset cable provided by State Department on Our Place for easy access and reference for posts, and informed officers of its posting.

2. Provide adequate oversight to the post to ensure that products and services are delivered in a timely manner per the CS Operations Manual. The regional director's staff should also monitor the status of the post's progress in improving timeliness (see page 11).

RD asked OIO Country Manager to review post's products and services each quarter. A status report will be provided to the RD and post on a quarterly basis. OIO will implement this procedure the beginning of FY 04. OIO will request that the due dates for products and services be posted on CS e-menu beginning FY 04.

3. Determine the appropriate level of ISA and IMI production for CS Greece so as to ensure that the public mandate for providing marketing and commercial intelligence to the U.S. businesses is satisfied (see page 14).

At most posts, the Commercial Specialist is required to prepare one ISA per year. IMI's are prepared more often, usually several each month per Specialist. There is no hard and fast rule on the production of ISAs and IMIs in the Operations Manual. In some cases, CS posts have contracted out ISAs. CS Athens has agreed to identify a target number of ISAs and IMIs on their best prospects list to be done in 2004. Separately, the Commercial Service is undertaking a thorough review of its market research products to determine if the ISA format, which has not been updated in a number of years still meets the needs of our clients or whether it should be replaced it with different reports.

4. Have the regional director counsel the SCO on best practices used by other posts to maximize the capture of export successes. In addition, the regional director and his staff should closely monitor CS Greece's progress toward improving its export success track record (see page 16).

The Regional Director has had, and continues to have, quarterly conference calls with SCOs to review progress with regard to export successes. This was also discussed at the Worldwide SCO conference held in Reston, Virginia in May 2003. The RD spoke to the SCO in August 2003 to reiterate the need for increasing export successes and ensuring the accuracy and quality of the export successes.

5. Have the regional director work with the SCO to provide appropriate oversight to CS Greece to ensure that export success records are completed properly (see page 16).

To ensure uniform quality of export successes worldwide, the Commercial Service has thoroughly reviewed its Success Story guidance and will be issuing shortly new, more specific, guidelines and changes to the export success report format in e-menu to be implemented in FY 04.

The RD for Europe has conducted a conference call with the contractor who reviews export successes and post to ensure that due diligence is done during the review of export successes. SCO will provide guidance to the JO and staff on properly follow-up of export successes.

6. Work with the SCO to incorporate into client follow-up procedures, new office guidelines to ensure that export success records are verified with the U.S. client and properly recorded. Revise the Operations Manual to explicitly state that all export successes should be verified with the U.S. client (see page 16).

SCO has already instituted procedures and guidelines to fulfill this requirement. OIO has an ongoing working group reviewing CS performance measures, including export success records and will be issuing new guidelines. RD has asked for a meeting with the private contractor who reviews CS export success stories to discuss these issues.

Audit Action Plan
International Trade Administration
U.S. and Foreign Commercial Service – US&FCS Greece
Audit Report No. IPE-15804/August 2003

To improve current and future operations of CS Greece, we recommend that the post's SCO do the following:

1. Adhere to the USG advocacy guidelines and not advocate on behalf of any client bidding on a specific tender who has not submitted the required questionnaire and anti-bribery agreement to the Advocacy Center.

USCS Greece has established follow-up procedures to ensure that the required Advocacy Questionnaire and anti-bribery agreement are submitted to the Advocacy Center by the U.S. firm. These measures include follow-up phone calls/emails with the U.S. clients and increased communications with the Advocacy Center to ensure the required documents have been submitted.

2. Work with the general services officer and/or post's new safety officer, when assigned, to ensure that the office fire extinguishers meet all appropriate standards.

USCS Greece has completed a review of the fire extinguishers assigned to its office with the GSO and has replaced expired units where necessary.

3. Track progress toward delivery dates and work with the CS Greece staff to identify the reasons for late product delivery. Develop an action plan to improve timeliness of and accountability for post products and services.

USCS Greece will institute a comprehensive tracking method to ensure that products and services are completed in a timely manner. These measures include adding product due dates to the USCS Greece Calendar and weekly progress checks from the Commercial Officers to the Specialists on these products and services. Due dates will be strictly adhered to, but in the case of a delay, both the USEAC and the U.S. firm will be informed in writing as to the reason for the delay and given a new target date.

4. Determine whether the environmental engineering sector is still a viable best prospect. If so, make it an ISA topic per the Operations Manual.

The Environmental Engineering sector is no longer considered a best prospect as noted in the CCG. An ISA will not be drafted on this topic from USCS Greece.

5. Work closely with the CS Greece staff to identify sources of export successes that have not been considered.

The Commercial Officers will work closely and consult frequently with USCS Greece staff to identify sources of export successes that may not have otherwise been considered. In particular, USCS Greece will implement a more extensive follow-up of post sponsored/assisted trade expositions and IBP's, with emails to participants at 3, 6, and 12 month intervals requesting the results from the event.

6. Review and approve each export success and require appropriate due diligence in reporting them. Ensure that all staff in CS Greece receive training on export success guidelines.

USCS Greece will implement an extensive review of the export success guidelines with staff. Post has already implemented follow-up procedures with U.S. firms to ensure accuracy. This process includes requesting the U.S. firm review and clarify the narrative and U.S. export content value. As noted earlier all posts will be issued new guidance shortly on CS performance measures which include new procedures for reporting Export Successes.

7. Work with the junior officer and staff to ensure that all staff properly complete export success records.

The SCO will highlight the importance of complete export success records with USCS Greece staff and the Junior Officer. In addition, the SCO will randomly review export success records prior to approval to ensure they meet reporting guidelines.

8. Surplus or reassign the FSN vehicle in Athens, reassign the vehicle in Thessaloniki.

USCS Greece has requested that the Chrysler Stratus 4-door be disposed of by Embassy officials at auction. The vehicle in Thessaloniki has been re-assigned to Athens.

APPENDIX C

Security Issues (Limited Distribution)

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]



[REDACTED]

