Report in Brief

AUGUST 9, 2016

Background

As the lead trade and investment promotion agency in the federal government, the Department of Commerce's mission is to create the conditions for economic growth and opportunity. To help achieve its trade and investment goals, the Department maintains a large personnel presence in the People's Republic of China (China), the country's third largest export market between FY 2012 and FY 2014, to carry out activities in the areas of trade promotion and compliance, intellectual property rights, and export controls. Such activities are carried out by several Departmental bureaus—the International Trade Administration (ITA), U.S. Patent and Trademark Office (USPTO) and the Bureau of Industry and Security (BIS).

Why We Did This Review

We conducted this audit of CS China operations as part of our FY 2015 audit plan given the level of Department resources dedicated to this important post. Our objectives were to (1) assess the roles and responsibilities of Commerce staff components in China and the adequacy of cost-sharing agreements; (2) assess the adequacy of controls over personal property inventory at CS China's six offices; and (3) review the responsiveness of U.S. & Foreign Commercial Service (USFCS) staff with respect to client service delivery. We reviewed memorandums of understanding (MOUs) between ITA and two other Department bureaus (BIS and USPTO), existing internal control over personal property, and relevant documents and policies.

INTERNATIONAL TRADE ADMINISTRATION

CS China Operations Highlight Need to Strengthen ITA Management Controls

OIG-16-041-A

WHAT WE FOUND

As a result of our fieldwork, we identified ITA management control issues highlighted by CS China operations. Compliance with the terms of the memorandums between ITA and with BIS and USPTO varied. While BIS and USPTO roles and responsibilities were clearly stated, the payment and recovery of certain costs did not fully adhere to the terms of the agreements. With respect to personal property, we found problems with property acquisitions, procedures for disposing of obsolete property, and outdated USFCS policies.

Finally, we compared CS China's client service delivery with that of other comparable posts and found that CS China's performance in this regard was low in comparison. However, because data was unavailable, we were unable to clearly identify the causes that resulted in late or canceled client services.

WHAT WE RECOMMEND

We recommend that the Assistant Secretary for Global Markets and Director General of the U.S. & Foreign Commercial Service

1. Revise the MOUs with BIS and USPTO for posting staff in China and at other applicable overseas posts to clarify each bureau's responsibilities regarding the payment of Capital Security Cost Sharing Program (CSCSP) charges.
2. Apply a 12 percent overhead rate for BIS' program in China and at other applicable overseas posts or work with BIS to negotiate and document an exemption or an overhead rate that reasonably approximates costs and is reviewed periodically.
3. Provide training and information to BIS and USPTO overseas program officials on the International Cooperative Administrative Support Services (ICASS) program and help them develop ICASS specific policies.
4. Update USFCS' policy manuals related to property and provide property custodians at CS China with refresher training on their procedural responsibilities.
5. Ensure there is an adequate separation of duties and management accountability when conducting the annual physical inventory at CS China and other posts as applicable.
6. Ensure that reasons for service delivery delays and cancellations are documented in the eMenu system by USFCS staff at CS China and other overseas posts.