



Testimony

Before the Subcommittee on Procurement, Exports and
Business Opportunities, Committee on Small Business,
House of Representatives

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U.S. EXPORT ASSISTANCE CENTERS

Customer Service Enhanced, But Potential to Improve Operations Exists

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Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to testify before this Subcommittee on our work regarding efforts by the Department of Commerce, the U.S. Export-Import Bank (Eximbank), and the Small Business Administration (SBA) to create a nationwide network of “one-stop shops,” called U.S. Export Assistance Centers (USEAC). My testimony will address both the benefits realized at the first four USEACS established as well as opportunities for improving their operations. As part of our review, we visited each of the four original USEACS¹ for a period of 1 week during May-June 1995 and obtained information, using interviews and surveys, from USEAC staff members, selected customers, and officials of nonfederal partner organizations that work closely with them. (See the appendix for more detailed information on our surveys.)

Summary

Staff and customers of the four USEACS we visited believed that co-locating agency staff helped to improve the provision of federal export services. For example, about 80 percent of USEAC staff responding to our survey said that establishment of the USEACS had substantially increased customer access to the full range of federal export promotion services. Services provided by the USEACS include export finance services as well as export promotion services, such as providing trade leads and lists of overseas agents and distributors. Similarly, respondents to a survey of these USEACS’ “best customers” indicated a high level of satisfaction with the services of individual agencies. However, these customers also saw room for improvement in USEAC agency efforts to work as a unit to deliver services to clients.

Approximately 40 percent of the customers surveyed who stated that they had used more than one USEAC agency also indicated that they had found the second agency on their own, rather than through their USEAC contact. Several told us in interviews that USEAC staff member(s) they regularly work with did not inform them of the full range of services provided by the USEACS, even after they had expressed a need for the services of another USEAC agency. Staff we interviewed at certain USEACS stated that they were reluctant to recommend the services of another agency, even to clients who expressed a need, because they were unfamiliar with that agency’s performance in delivering the service.

¹In Baltimore, Chicago, Long Beach, and Miami.

Currently, USEAC directors do not have the basic management tools to assure that creation of the USEACS substantially improves federal export promotion services. For example, they do not have (1) the ability to contribute to the performance appraisals of all USEAC staff with regard to intra-USEAC teamwork, (2) a USEAC-wide client tracking system with information on clients and the services provided to them, and (3) adequate authority over USEAC expenditures and a USEAC-wide accounting system that would permit USEACS to accurately identify and allocate costs and better manage expenditures.

With this overview, let me provide some background to put these points into the proper context and then go into more detail about the benefits being derived from the USEACS, the opportunities to strengthen USEAC operations, and our recommendations.

Background

Creation of the USEAC network can be best understood in the context of sweeping efforts made during this decade to strengthen federal delivery of export promotion services. During 1991-93, we conducted a number of reviews of federal export promotion activities. We then reported on a governmentwide effort that cost over \$2.7 billion and that was fragmented among several agencies with no overarching strategy or explicit set of priorities. Among our specific findings, we reported that U.S. firms seeking export assistance were likely to become confused and discouraged by the multiple networks of domestic offices maintained by federal agencies for delivering export services.²

Partially in response to our work, Congress enacted the Export Enhancement Act of 1992 (Public Law 102-429, Oct. 21, 1992), which created in statute the interagency Trade Promotion Coordinating Committee (TPCC) and tasked it with developing a strategic plan for strengthening federal export promotion services. This legislation also directed the U.S. & Foreign Commercial Service³—the Commerce Department agency responsible for managing its domestic field network—to utilize its district offices as “one-stop-shops.” These shops would be able to (1) provide exporters with information on all U.S. government export promotion and export finance services, (2) assist exporters in identifying which federal programs may be of greatest assistance, and (3) help exporters make contact with those federal programs.

²See One-stop Shops (GAO/GGD-93-1R, Oct. 6, 1992).

³Now called the “Commercial Service.”

TPCC, on September 30, 1993, issued its first National Export Strategy report, which contained 65 recommendations for federal action to help U.S. exporters. Among these, the strategy recommended the creation of “one-stop shops” that would integrate primarily representatives of the Department of Commerce and SBA—two federal agencies with extensive export promotion field networks—and Eximbank. It further recommended that the agencies establish four pilot “one-stop shops” in Baltimore, Chicago, Los Angeles, and Miami. As envisioned by the strategy, these “one-stop shops” would exceed the minimum requirements of the 1992 Export Enhancement Act in that they would actually contain the staff of the three agencies rather than simply have Commerce staff provide information about these and other agencies’ export programs.

In commenting on the National Export Strategy, we presented our views on the process for creating the network of “one-stop shops.” We stated that, before establishing an expansive network, the participating agencies should first evaluate the results of the four pilots to determine whether providing the full range of export promotion services in an integrated way can increase the value to the business community of federal export promotion assistance. We further stated that the aim of the USEAC network should not simply be to co-locate or even coordinate, but “to **integrate** and make more accessible a range of export services aimed at small- to medium-sized export-ready firms.”⁴ (Emphasis added.)

With Commerce taking the lead, the three agencies by January 1994 had established the four pilot “one-stop shops”—now called U.S. Export Assistance Centers. Although the TPCC’s export strategy stated that these USEACS would go through a rigorous evaluation process, Commerce and its partner agencies decided to move forward with expanding the network before such evaluations could be concluded. By late February 1996, the three agencies had expanded the network to 14 USEACS, along with 10 District Export Assistance Centers (DEAC), which have only Commerce staff and are connected to the USEACS in a hub-and-spoke system. Commerce and its partner agencies opened four additional DEACS by June 1996 and have plans to further expand the network in the future.

⁴See Export Promotion: Governmentwide Plan Contributes to Improvements (GAO/T-GGD-94-35, Oct. 26, 1993), Export Promotion: Initial Assessment of Governmentwide Strategic Plan (GAO/T-GGD-93-48, Sept. 29, 1993), and Export Promotion Strategic Plan: Will it be a Vehicle for Change? (GAO/T-GGD-93-43, July 26, 1993).

Benefits Being Derived From USEACs

USEAC staff and customers, and officials of nonfederal partner organizations told us that, because of the USEACS, U.S. firms are more knowledgeable about and have access to a broader range of federal and nonfederal export services. Customers, however, also indicated that USEACS can improve the delivery of those services to the U.S. export community.

Approximately 63 percent of the USEAC staff responding to our survey said that establishment of the USEACS had increased the overall quality of export services to a great or very great extent. About 80 percent of our respondents stated that the USEACS had, in particular, substantially increased customer access to the full range of federal export promotion services to a great or very great extent. Eighty-two percent of the survey respondents also cited significant increased cooperation among the staffs of the three participating agencies, which we believe would help to expand the availability of federal export services as USEAC staff work collaboratively or refer clients to partner agencies.

During our visits to the four USEACS, we learned of some specific examples of USEAC staff taking the initiative to enhance the value of their services to exporters by working closely with federal and nonfederal partner organizations. These examples demonstrate the potential benefits that can be derived from creation of the USEACS.

- At the Baltimore USEAC, the Commerce staff made an effort, as part of their counseling activities, to generate clients for the Maryland Industrial Development Financing Authority, a state agency that provides export financing.
- At the Long Beach, California, USEAC, the director introduced the “Export-Trade Assistance Partnership” program,⁵ which sought to utilize the skills and knowledge of federal and nonfederal partner organizations to increase the export know-how of firms that are not yet ready to export.
- At the Chicago and Miami USEACS, the Eximbank and SBA staffs closely coordinated their outreach efforts. These individuals were familiar with the financing services of both agencies and referred clients when appropriate.

We surveyed the four USEACS’ 60 “best customers” (15 for each USEAC) who had received services from more than one USEAC agency, as identified by

⁵Firms chosen to participate in this program are to receive training from members of the local export assistance community that is suited to their needs. They are expected to translate that training into concrete business decisions before moving to the next level of training.

the USEAC directors. Of the 40 “best customers” who responded to our survey, a majority stated that they were very satisfied with the export services provided by the USEACS. Their satisfaction was based on such factors as timeliness, staff knowledge, and usefulness of the services obtained.

However, the customers responding to our survey also saw room for improvement in USEAC agency efforts to work as a unit in the delivery of services. Of the 28 customers who acknowledged receiving services from a second USEAC agency, 11 (40 percent) indicated that they had found the second agency by themselves, rather than through their USEAC contact. We also found that, of the 17 customers who did acknowledge receiving services from the second agency as a result of their USEAC contact, 12 stated that they had received useful services from more than one government agency. Several of the customers we interviewed told us that the USEAC staff member(s) they regularly worked with did not inform them of the full range of services provided by the USEACS, even after they had expressed a need for the services of another USEAC agency.

Opportunities to Strengthen USEAC Operations

The decision by Commerce and its partner agencies to co-locate staff (rather than just meet the minimum requirements of the 1992 Export Enhancement Act) presented an opportunity to substantially improve the delivery of federal export promotion services. On the basis of our site visits, surveys, and discussions with USEAC staff, customers, and nonfederal partners, we identified certain basic interagency mechanisms that, if established, could better ensure an improved delivery of services.

Intra-USEAC Cooperation and Teamwork

Despite the increased cooperation among agency staffs, we found during our interviews with USEAC staff that they did not consistently work as a team. For example, we learned that individuals at certain USEACS were reluctant to recommend the services of another agency, even to clients who expressed a need, because they were unfamiliar with that agency’s performance in delivering the service.

To better promote teamwork, USEAC directors told us they needed authority to contribute to USEAC staff appraisals with regard to intra-USEAC teamwork. To do this, the agencies would need to include on their appraisals a performance factor on intra-USEAC teamwork and develop relevant performance measures. These performance measures could specify, for instance, the number of referrals among USEAC staffs and,

possibly, how often such referrals led to export promotion or financing services.

Currently, each agency appraises its own staff. The appraisal forms for Commerce and SBA staff contain at least one factor directly relating to intra-USEAC teamwork. Commerce officials informed us that the agency informally permits USEAC directors (i.e., those who are not Commerce employees) to contribute to appraisals of Commerce staff with regard to several USEAC-related factors. SBA officials informed us that the agency has formally given USEAC directors (i.e., those who are not SBA employees) authority to contribute to appraisals of SBA staff with regard to one USEAC-related factor. The Eximbank has this issue under consideration as part of a major restructuring of the agency's performance appraisal system.

USEAC-Wide Client Tracking System

To further improve the quality of services to customers, USEAC directors and staff acknowledged their need for a USEAC-wide, computer-based client tracking system. With such a system, USEAC staff would be able to readily obtain information that another agency might have on a potential client or determine whether it has already received services from another USEAC agency. We believe that having this ability would help ensure that USEAC staff do not suggest inappropriate services or make duplicate requests for information. Such a system could also serve as a source for identifying potential clients to pursue in marketing export services.

At the time of our visits, the agencies at each of the four USEACS used a separate client tracking system. Commerce staff used the agency's "Commercial Information Management System"—a worldwide data base that links Commerce headquarters, its domestic field network, and overseas offices. Eximbank staff used an off-the-shelf computer program for maintaining information on customers. SBA staff used mostly paper filing systems but sometimes employed the Commerce or Eximbank data bases.

Commerce had offered to make its system available to all USEAC staff but staff we spoke with did not support such a move. They generally characterized the Commerce system as slow, cumbersome, and otherwise not able to meet their needs. Some also expressed concern that placing proprietary business information on a worldwide data base could compromise its confidentiality. Although Commerce staff are required to use this system, we found that they have done so to widely varying degrees. These ranged from using it as a true client data base, with

detailed information on each customer and Commerce services received, to using it as nothing other than a list of contacts.

Commerce, Eximbank, and SBA officials recently told us that they see the development of a client tracking system as a high priority for the USEACS. They plan to install at all the USEACS an off-the-shelf client tracking system that is currently under development.

USEAC Financial Accounting and Procurement Systems

Some USEAC directors also saw the need for (1) adequate authority over USEAC expenditures and (2) a USEAC-wide accounting system that would permit USEACS to accurately identify and allocate costs and better manage expenditures. With regard to the former, our review indicated that USEAC directors did not have authority to make routine expenditures for such things as printing marketing brochures, using temporary employees to fill in for staff on long-term leave, or buying copiers or other office equipment. USEAC directors and staff told us that, to make purchases, they currently must use Commerce's procurement approval process. They characterized this process as being very lengthy and time-consuming, due largely to paperwork requirements and multiple layers of review. USEAC staff told us that they saw themselves devoting too much time to these purchases, which often were made long after the need arose.

With regard to the need for a USEAC-wide accounting system, USEAC directors told us that they could not identify the costs associated with creating and maintaining the USEACS and allocate these costs among the three participating agencies. They told us that, if they had an adequate system, they could also better assess the relative cost-effectiveness of various tools used by USEACS to reach and deliver export services to U.S. firms. For example, USEAC directors may use a variety of ways to market their services, including mailings to exporters, participation in trade events and export shows, and/or through making cold telephone calls to exporters. Knowing the relative cost of these activities, as well as the results, would help in determining which of these (either singly or in combination) is most cost-effective. Currently the USEACS do not have such information.

Further, we learned that under memorandums of understanding negotiated by the three agencies, Commerce's International Trade Administration (ITA) was to cover all USEAC-related expenditures, allocate them among the participating agencies, and seek reimbursement. Eximbank and SBA officials told us that Commerce had been unable to allocate

USEAC-related costs among the three agencies and, as a result, had not provided them with an adequate accounting of USEAC costs.⁶ Instead, ITA forwarded invoices for “USEAC expenses” that lacked detail. Commerce, Eximbank, and SBA officials recently told us that they have agreed to allocate expenses based on a formula that reflects the limited capabilities of ITA’s financial accounting system. This agreement is to be reflected in a revised memorandum of understanding, which has not yet been signed by all USEAC agencies.

To obtain whatever financial data might be available on the USEAC network, we asked the three agencies to compile information on their USEAC-related expenditures. Commerce sought to get the information requested from the individual USEACs, who themselves had no common accounting mechanism to track costs. The Eximbank and SBA relied on centralized financial management systems for the requested information. The data Commerce officials provided to us was heavily qualified and could not be reconciled with Eximbank and SBA data. Therefore, the actual cost of creating and maintaining the USEAC network was not known.

The agencies recently told us that they are currently piloting a separate financial management system for the USEACs. They anticipate that this system will provide a more precise accounting of expenditures.

Recommendations

Based on our review, we recommend that the Secretary of Commerce, working with the Chairman of the Eximbank and the Administrator of SBA

- give all USEAC directors the authority to contribute to the performance appraisals of all USEAC staff with regard to intra-USEAC cooperation and teamwork (including development of an appropriate performance factor for staff appraisals and performance measures),
- establish a USEAC-specific customer tracking system that contains information on clients and services provided to them, and
- set up an accounting system that accurately tracks the full costs of creating and operating the USEAC network and, as part of that process, incorporate ways to give USEAC directors greater authority over USEAC expenditures.

⁶Work performed by Commerce’s Office of the Inspector General and our office regarding ITA’s overall ability to manage its finances found that ITA lacked the financial management system needed to accurately account for its expenditures. See Semiannual Report to the Congress, U.S. Department of Commerce, Office of the Inspector General (Washington, D.C.: U.S. Government Printing Office, Mar. 31, 1994). Our office communicated its findings to Commerce in a letter dated August 11, 1995.

Mr. Chairman, this concludes my prepared statement. I will be happy to answer any questions you or other Members of the Subcommittee may have.

Scope and Results of U.S. Export Assistance Center Staff and Customer Surveys

During our week-long visits to each of the four pilot USEACs (in Baltimore, Chicago, Long Beach, and Miami) in May-June 1995, we administered two survey instruments. One survey sought the views of USEAC staff and focused on various operational issues such as cooperation among USEAC agency staff (as well as with nonfederal partners) and the quality of services delivered. The other survey sought the views of USEAC customers and focused on a number of dimensions of program delivery such as access to export services, USEAC staff knowledge, and the timeliness and usefulness of the USEAC services obtained.

Survey of USEAC Staff

We surveyed and interviewed the USEAC directors and every member of the staff that was available during the time of our visit. Individuals to be surveyed were determined jointly by the USEAC directors and our staff. The surveys were completed anonymously. In all, we received 44 replies, which represented a response rate of about 85 percent. Highlights of our survey results follow.

- The overwhelming majority of USEAC staff believed that the establishment of the USEAC had increased cooperation among the USEAC agencies (82 percent “to a great/very great extent”) and substantially increased customer access to federal export promotion services (80 percent). With respect to other factors, USEAC staff believed the USEACs had (1) improved the quality of services they personally deliver (63 percent), (2) increased export-ready customers’ ability to export (58 percent), and (3) improved cooperation with nonfederal partners (50 percent).
- USEAC staff rated their USEACs on progress toward integrating operations across several dimensions using a 10-point scale (with a score of 10 representing complete integration). They gave referrals an average integration score of 7.0 (out of a possible 10). Other dimensions were given a lower score, such as administrative resources (an average score of 4.5) and customer tracking systems (an average score of 4.2).
- Overall, USEAC staff gave high satisfaction ratings (e.g., “very” or “somewhat” satisfied) for various factors, including responsiveness of agencies to each others’ referrals (97 percent), accessibility of other USEAC agencies (93 percent), and quality of referrals from other USEAC agencies (85 percent). The officials were less satisfied with such factors as information-sharing with nonfederal partners (66 percent), the relationship between USEAC agency officials and the agency officials at local regional offices (56 percent), and the recognition they received for their efforts at promoting the USEACs (37 percent).

Survey of USEAC Customers

In surveying the USEAC customers, we asked the USEAC directors to identify their 60 “best customers” (15 from each USEAC) who had received services from more than one USEAC agency. We surveyed all 15 clients at each USEAC and selected 5 clients to interview, based largely on availability and proximity to the USEAC. We received 40 survey responses (13 customers of the Baltimore USEAC, 11 from Chicago, 8 from Long Beach, and 8 from Miami) for a response rate of 67 percent. Of the 40 survey respondents, 12 indicated that they had not received a service from a second USEAC agency.¹ Highlights of our survey results follow.

- The customers who replied to our survey expressed high levels of satisfaction with the individual agencies from which they had received services. For example, 83 to 93 percent of the respondents were satisfied or very satisfied with the timeliness, staff knowledge, and usefulness of the services provided by the first USEAC agency. Of the 28 customers who acknowledged receiving services from a second USEAC agency, 17 received services from the second agency as a result of the USEAC contact, and 12 of these stated that they had received useful services from more than one government agency.
- Customers gave the USEAC agencies high marks (92 percent generally high to very high) for projecting a business image and for providing follow-up. The USEAC agencies did not receive as high a mark for promoting their services (75 percent).
- Customer responses regarding USEAC agency referrals to another USEAC agency showed that referrals were not always made when services were desired. Of those customers who acknowledged receiving services from more than one USEAC agency, about 40 percent said that they had learned about the second agency themselves or through a non-USEAC source and had initiated the contact.

¹Our interviews discovered that several of the 12 customers who recalled receiving services from only one USEAC agency, in fact, had limited contact with another USEAC agency. However, because of the brevity of that contact, customers did not believe they had received a service from the second agency.

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