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

July 25, 2014

The Honorable Barbara A. Mikulski
Chairwoman
Commerce, Justice, Science, and Related Agencies Appropriations Subcommittee
Senate Committee on Appropriations
Room S128, The Capitol
Washington, DC 20510

The Honorable Richard C. Shelby
Ranking Member
Commerce, Justice, Science, and Related Agencies Appropriations Subcommittee
Senate Committee on Appropriations
Room S128, The Capitol
Washington, DC 20510

Dear Chairwoman Mikulski and Ranking Member Shelby:

On February 20, 2014, the Department of Commerce Office of Inspector General (OIG) began an audit of the International Trade Administration's (ITA's) consolidation, in response to a requirement in Senate Report 113-78 for the Departments of Commerce and Justice, and Science, and Related Agencies Appropriations Bill for fiscal year (FY) 2014. Appendix A shows the different components of ITA before and after the consolidation. The Senate Report directed OIG to provide an initial report on the progress, efficacy, and management of ITA's consolidation, including feedback from affected staff and organizations, within 180 days of the act's passage. Specifically, we sought to assess the status of the consolidation; evaluate changes in resources, including staffing and funding; and identify management challenges that might hinder this effort. Results are based on fieldwork conducted through May 30, 2014.

To assess the status of the consolidation, OIG conducted a survey of all ITA employees and received a 60 percent response rate. (See appendix B for a brief description of the survey's methodology.) We spoke with ITA senior management and staff involved in planning for and carrying out the consolidation to gain an understanding of the agency's plan to implement this effort. To assess resource and staffing changes, we analyzed Departmental and ITA financial information from the end of FY 2011 through January 2014. In addition to this initial report, we will issue a final audit report to ITA in early calendar year 2015 that will contain OIG's findings and recommendations.

Results in Brief

ITA's consolidation had been scheduled to take effect on October 1, 2013, but was delayed until October 17, 2013, due to the federal government shutdown. Planning for the consolidation during FY 2013 primarily focused on completing the administrative reorganization by the start of FY 2014. ITA is continuing to develop work streams, business processes, schedules, and milestones to manage the achievement of these objectives.

Based on our fieldwork through May 30, 2014, we determined that ITA saved $8 million by eliminating, through attrition, 50 positions from the end of FY 2011 through January 2014: 31 positions from the former Market Access and Compliance unit and 19 positions from the U.S. and Foreign Commercial Service (USFCS), the two units that were merged to create Global Markets. Of these positions, one was an assistant secretary position; 32 were international trade specialists; and 17 were other positions, such as program analysts, advisors, and office secretaries. ITA was unable to direct these savings to high-priority programs[1] (such as expanding overseas markets), instead using the funds to maintain existing operations because the FY 2013 sequestration had reduced its budget authority from $461 million to $438 million.

Based on our initial analysis of the survey results, we identified five broad areas that warrant ITA management's attention and further examination during our audit: (1) collaboration within and among ITA business units following the consolidation, (2) levels of management, (3) duplication of effort and program changes, (4) changes in employee responsibilities, and (5) management communication and employee feedback. We present selected survey results that support these preliminary observations in appendix C (see accompanying slide presentation).

Next Steps in Our Audit

For the remainder of this audit, we intend to analyze ITA's plans to define and measure operational improvements associated with the consolidation by reviewing relevant documentation and conducting focus-group interviews with select ITA staff and external stakeholders. We plan on evaluating the impact of employee concerns about ITA operations as a result of the consolidation. To determine whether ITA has aligned resources with strategic priorities, we will explore conducting a resource value analysis of USFCS offices by comparing staffing costs against office performance. Finally, we will review the extent that Global Markets is directing its resources toward high-growth and emerging markets based on data from before and after the consolidation.

This report is also being provided to the House Committee on Appropriations and Subcommittee on Commerce, Justice, Science, and Related Agencies.

If you have any questions, please contact me at (202) 482-4661, or Carol Rice, Division Director for Statistical Programs, at (202) 482-6020.

Sincerely,

Todd J. Zinser

Attachment

[1] Scott Quehl, Chief Financial Officer and Assistant Secretary for Administration, attachment to letter to Senator Barbara A. Mikulski, November 27, 2012, p. 1, "Notification of Proposed Consolidation."

cc: The Honorable Penny Pritzker, Secretary of Commerce
Bruch H. Andrews, Acting Deputy Secretary of Commerce
Justin Antonipillai, Acting Chief of Staff to the Secretary
Stefan Selig, Under Secretary for International Trade
Kenneth E. Hyatt, Deputy Under Secretary for International Trade
Arun M. Kumar, Director General of the U.S. and Foreign Commercial Service and Assistant Secretary for Global Markets
Paul Piquado, Assistant Secretary for Enforcement and Compliance
Maureen Smith, Deputy Assistant Secretary for Industry and Analysis
Justin Guz, ITA Audit Liaison

Appendix A: ITA Organizational Structure

Figure A-1. BEFORE Consolidation

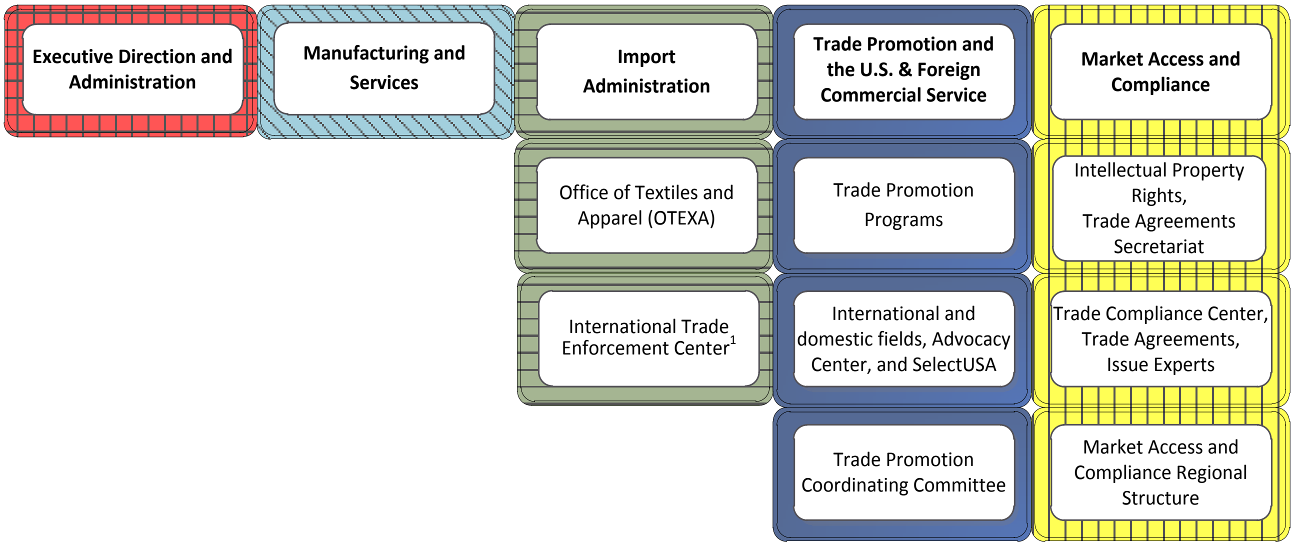
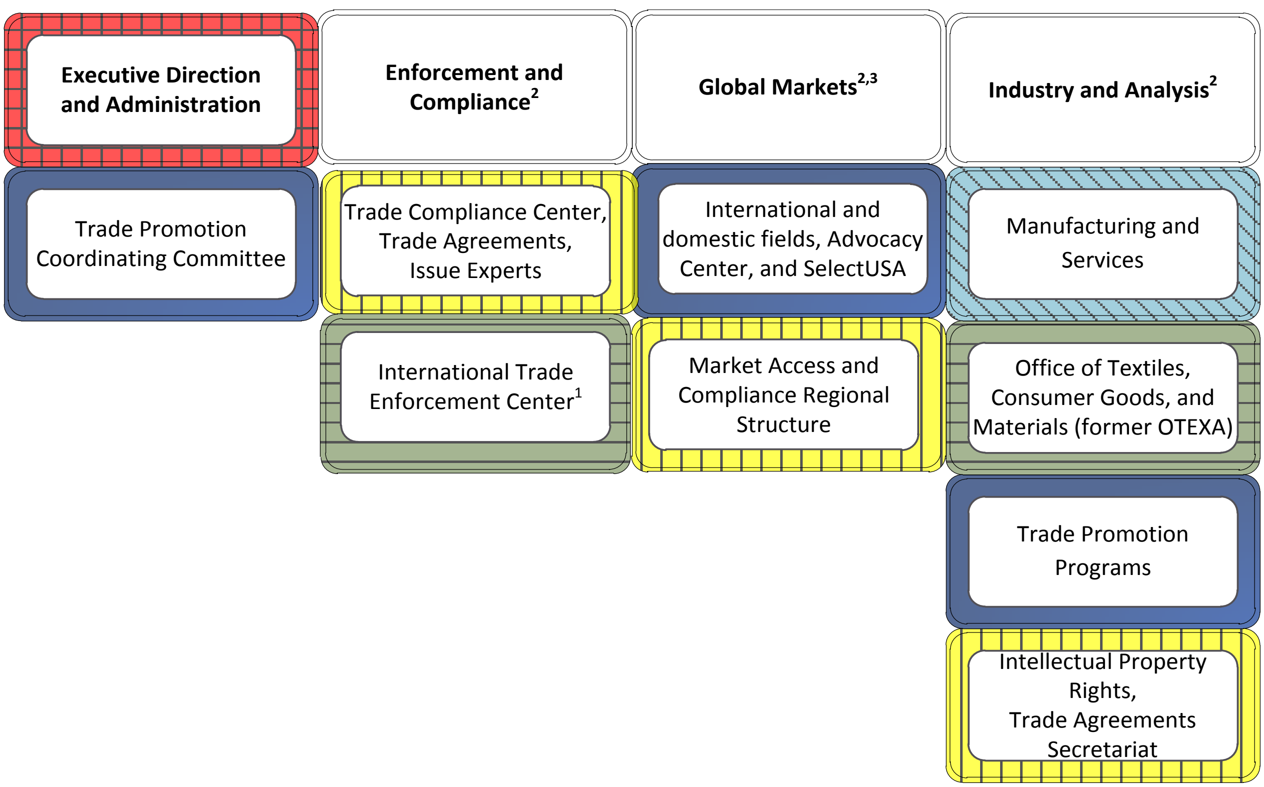


Figure A-2. AFTER Consolidation



Source: OIG analysis of ITA organizational structure

[1] The International Trade Enforcement Center does not maintain a formal or separate designation within ITA but is presented under the former Import Administration and current Enforcement and Compliance given the business unit's liaison role with the center.
[2] These units did not exist before the consolidation.
[3] This unit includes the U.S. and Foreign Commercial Service.

Appendix B: Survey Methodology

As part of our audit, we conducted an online survey of all ITA employees, including American citizens and locally engaged staff (LES) working in the United States and abroad.[1] We asked employees for their feedback about different aspects of the consolidation, such as

- employee satisfaction with management communication and the use of employee feedback,
- changes to the organizational structure, career paths, level of resources, and intra-ITA collaboration,
- the status of the consolidation, and
- the greatest benefits and challenges of the consolidation.

High-level Information About the OIG Survey of ITA Employees

When was it carried out?

April 23 through May 9, 2014.

What was the universe?

ITA employees working in the United States and abroad

How many ITA employees received the survey?

2,080 employees

What were the response rates?

All staff: 60%
Non-LES staff: 71%
LES staff: 38%

Source: OIG survey of ITA employees

We also obtained employee demographic information to compare results across employee groups, such as supervisors versus employees and entry-level versus mid-level. Our survey universe was based on employee rosters from October 2013 that were provided by ITA. We excluded from our universe any duplicates, employees on long-term leave, and employees who had left the agency.

For this initial report, we chose to focus on a subset of ITA staff who said they were affected by the consolidation (64 percent of 954 respondents). This figure excludes LES staff from our results, which we will present in our final audit report. Most survey questions offered a "don't know" response option, which we excluded from our analysis unless otherwise noted. To better interpret the results contained in this report, we sometimes combined categories (for example, "very satisfied" and "somewhat satisfied" are reported as "satisfied"). Finally, the results are weighted for nonresponse.

[1] Locally engaged staff include foreign nationals and other locally resident citizens (including U.S. citizens) who are classified as ITA employees but whose pay and benefits are processed by the Department of State.

Appendix C: Selected Survey Results

Initial Report on ITA Consolidation

for the

Commerce, Justice, Science, and Related Agencies Appropriations Subcommittee

Senate Committee on Appropriations

Todd J. Zinser

Inspector General

U.S. Department of Commerce

Office of Inspector General

July 25, 2014

Selected Survey Results: *Respondent Overview*

Of the 954 non-locally employed staff (non-LES) who responded to our survey, 64 percent (609 respondents) reported that the consolidation affected them (see table 1). Of those 609 respondents, 67 percent reported that the consolidation process was complete for them personally, while 33 percent reported it was incomplete.

Table 1. ITA Staff Affected by the Consolidation by Business Unit (percent)

Affected by the consolidation (n = 954)	Enforcement and Compliance	Global Markets	Industry and Analysis	Executive Administration	Total ITA
Yes	42	71	75	49	64
No	58	29	25	51	36

Source: OIG survey of ITA employees

The following slides are based on the responses from these 609 non-LES employees who were affected by the consolidation. The results are weighted for nonresponse and exclude "don't know" responses unless otherwise noted.

Selected Survey Results: *Observations*

Based on our initial analysis of the survey results, we identified five broad areas that warrant ITA management's attention and further examination during our audit:

1. Collaboration (table 2)
2. Levels of management (figure 1)
3. Duplication of effort and program changes (table 3)
4. Changes in employee responsibilities (table 4)
5. Communication from management and employee feedback (tables 5 and 6)

Selected Survey Results: *Collaboration*

While the majority of affected employees did not see a change in collaboration as a result of the consolidation, 23 percent felt consolidation increased collaboration WITHIN their respective business unit, and 31 percent felt consolidation increased collaboration BETWEEN their respective business unit and other business units.

Table 2. Affected Staff Responses on Post-Consolidation Collaboration (percent)

Change in collaboration WITHIN your business unit as a result of the consolidation (n=579)	
Decreased	8
Increased	23
Did not change	69

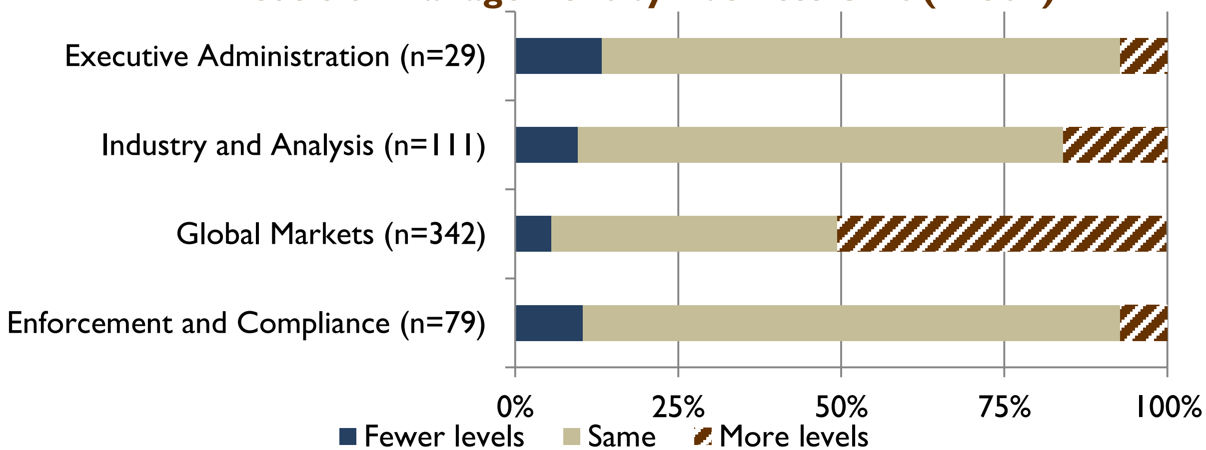
Change in collaboration BETWEEN your business unit and other business units as a result of the consolidation (n=560)	
Decreased	14
Increased	31
Did not change	55

Source: OIG survey of ITA employees

Selected Survey Results: *Levels of Management*

Of note, 51 percent of affected Global Markets employees responded that levels of management increased as a result of the consolidation.

Figure 1. Affected Staff Responses on the Post-Consolidation Change in Levels of Management by Business Unit (n=561)



Source: OIG survey of ITA employees

Selected Survey Results: *Duplication of Effort and Program Changes*

Thirty-five percent of affected ITA employees said that the consolidation resulted in more duplication of effort, and 27 percent said that the consolidation resulted in more unsuccessful and unnecessary programs.

Table 3. Affected Staff Responses on Post-Consolidation Duplication of Effort and Program Changes (percent)

Change in duplication of effort[a] (n=505)	
Less	18
More	35
Did not change	48

Change in unsuccessful and unnecessary programs (n=471)	
Fewer	7
More	27
Did not change	66

Source: OIG survey of ITA employees

[a] Column figures do not add to 100 due to rounding.

Selected Survey Results: *Changes in Employee Responsibilities*

Of the 36 percent of affected ITA employees whose responsibilities changed as a result of the consolidation, 39 percent of them did not have a clear understanding of the expectations associated with their new duties and 13 percent were ambivalent.

Table 4. Affected Staff Responses on Post-Consolidation Changes in Responsibilities (percent)

Changes in responsibilities as a result of the consolidation (n=609)	
Yes	36
No	55
Don't know	9

For those who answered yes, whether they agree or disagree if they have a clear understanding of the expectations related to your new responsibilities (n=218)	
Agree	48
Disagree	39
Ambivalent	13

Source: OIG survey of ITA employees

Selected Survey Results: *Communication from Management*

Less than half of affected ITA employees were satisfied with both the quality and quantity of ITA management's communications about the consolidation.

Table 5. Affected Staff Responses on Employee Communication (percent)

Satisfaction/dissatisfaction with the quality of communication from your management regarding the consolidation (n=605)	
Satisfied	44
Dissatisfied	42
Ambivalent	14

Satisfaction/dissatisfaction with the quantity of communication from your management regarding the consolidation[a] (n=604)	
Satisfied	46
Dissatisfied	36
Ambivalent	19

Source: OIG survey of ITA employees
[a] Column figures do not add to 100 due to rounding.

Selected Survey Results: *Employee Feedback*

Less than half of affected ITA employees rated management as effective in both offering opportunities to provide feedback on the consolidation and acting on it.

Table 6. Affected Staff Responses on Employee Feedback (percent)

Management effectiveness/ineffectiveness in providing opportunities for employee feedback about the consolidation (n=594)	
Effective	46
Ineffective	36
Ambivalent	18

Management effectiveness/ineffectiveness in acting on employee feedback related to the consolidation (n=540)	
Effective	32
Ineffective	48
Ambivalent	20

Source: OIG survey of ITA employees