

**AUDIT
OF THE
CANADIAN CONSULATE TRADE OFFICES**

SAN FRANCISCO AND SAN JOSE

October 2003

Audit Division (SIV)

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MISSION MANAGEMENT AND PROGRAM DELIVERY

1.1 Overview

1.1.1 An audit of the Political, Economic Reporting and Public Affairs (PERPA), the International Business Development (IBD) and the Administration Programs was conducted in San Francisco and San Jose during the period December 2 - 3, 2002. The previous audit of these Programs was conducted in June 1998. Los Angeles, the Hub Mission, was also audited during the period November 25 to December 6, 2002 and is the subject of a separate audit report.

1.1.2 The San Francisco and San Jose Offices operate in a "Hub and Spoke" relationship with Los Angeles and are headed by a Consul/Trade Commissioner who reports to the Los Angeles HOM through the Deputy Consul General/Senior Trade Commissioner (STC) in Los Angeles. Reporting to the Consul in San Francisco are a CBS Trade Commissioner, LES PERPA Officer, Business Development Officer (BDO) and two Business Development Assistants (BDA). One of the BDA positions is currently vacant. In San Jose, there are a CBS Trade Commissioner position, which is vacant, two BDOs and a BDA reporting to the Consul/Trade Commissioner in San Francisco.

1.1.3 San Francisco and San Jose are small offices effectively delivering IBD and PERPA Programs in northern California. The Consul/Trade Commissioner is well respected by the staff evidenced by improved teamwork and morale. The staff is highly qualified, committed and professional. There are several issues that need to be addressed with the support and involvement of the Los Angeles Mission and Headquarters. Continuing efforts are required to rationalize and prioritize the many conflicting demands, in particular tasking from Los Angeles, that impact these small missions. Any decisions made need to be taken in the context of the Department's intention to expand the capacity of the northern offices with an upgrade to Consulate General status.

1.2 PERPA Program

1.2.1 Until the spring of 2002, the LES PERPA Officer reported to the PERPA Program Manager in Los Angeles. The Program in northern California is now the responsibility of the Consul/Trade Commissioner in San Francisco. This is intended to provide better coordination between Programs and provide direct supervisory support to the PERPA Officer. It will also facilitate the eventual transition of the northern offices to full Consulate General status. To facilitate the management of these new responsibilities, a northern PERPA plan needs to be developed in conjunction with the Los Angeles PERPA Program Manager and the HOM. Funding to support the Program

should also be transferred to align authority over resources with operational accountability.

Recommendation for the Mission

1.2.2 The Mission should develop a PERPA Plan for northern California.

Mission Response

1.2.2 The 2003-04 N. California PERPA plan has been completed, in consultation with Los Angeles. In consultation with Los Angeles, NUR and ACA, decision taken to submit N. California PERPA funding request separately.

Recommendation for the Los Angeles Mission

1.2.3 The Mission should allocate related PERPA operating funds to San Francisco.

Mission Response

1.2.3 Related N. California PERPA operating funds have been allocated to San Francisco beginning with fiscal year 2003-04.

1.3 IBD Program

1.3.1 Both northern Missions have full workloads with little capacity to take on more. Given the small size of staff in each location, the two vacant positions (Trade Commissioner in San Jose and BDA in San Francisco) are impacting on existing staff in terms of increased workload and on program effectiveness.

1.3.2 The BDA position in San Francisco and the CBS Trade Commissioner position in San Jose should be staffed as soon as possible with assistance sought from Los Angeles and Headquarters as required. Staffing the CBS position will allow better integration between both Offices and provide a broader range of services and better application of the New Approach. At present, a large focus for San Jose is venture capital access. Other business lines need to be pursued including Greenfield or traditional investment development. As well, given the current downturn in the high tech environment, consideration is being given to transferring a BDO from San Jose to San Francisco.

1.3.3 Operating budgets have only been allocated to the northern Missions on a notional basis. To facilitate planning and to enhance accountability, a formal allocation of travel, hospitality and other operating funds should be made from Los Angeles.

Recommendation for the Mission

1.3.4 The Mission should staff the vacant positions.

Mission Response

1.3.4 The BDA position has been staffed largely through temporary services. Recent support from HQ to regularize the position will allow the Mission to attract and hire a suitable candidate. Hiring was completed in May 2003. The Mission has been working with HQ since Sept. 2002 to staff the CBO position in San Jose. We are hopeful it will be staffed by summer 2003.

Recommendation for the Los Angeles Mission

1.3.5 The Mission should allocate operating budgets to the Northern Offices.

Mission Response

1.3.5 Operating budgets have been allocated. Beginning with fiscal year 2003-04, monthly reports on operating budgets and expenditures will be provided to the Consul and Trade Commissioner SF/SJ.

1.3.6 The IBD Program would benefit from closer adherence to New Approach practices that would in part alleviate the on-going burden of logistical and other low-end workload. The Business Management Agreement (BMA) has only been used once. The BMA can assist in providing clients with better service while alleviating workload on staff, particularly when combined with the use of alternative service providers. Neither Mission has additional service providers listed on its website. There has been infrequent use of the Trade Commissioner Service's HORIZONS. As well, trade tracking tools (WIN Online) and strategic reporting needs to increase. Only three staff members have had formal New Approach training. New Approach training would provide a basis for consistent application of the New Approach and should be combined with in-house initiatives to keep staff current with new developments and encourage the use of proven tools and practices.

Recommendation for the Mission

1.3.7 The Mission should develop a strategy to incorporate New Approach tools and practices into its operations, including training requirements.

Mission Response

1.3.7 New Approach tools are used when required, including BMAs, standard responses, PSU and IBOC. Mission will follow up with HQ to determine where best to list alternative service providers that are now included on Infoexport website for San Francisco/Silicon Valley. All but 3 staff members have received New Approach training. The Mission is working with TCS to identify possible training opportunities for staff. In the meantime, staff has instituted informal “team training” sessions on the New Approach. Staff members self study New Approach principles, tools and updates and train other staff members as part of weekly staff meetings.

1.3.8 Sectoral coverage is currently inadequate. San Francisco is highly focussed on the information technology sector and San Jose on venture capital. Unrelated enquiries are referred to Los Angeles. A sectoral coverage plan needs to be developed in conjunction with Los Angeles, taking into account the proposed implementation of an InfoCentre there. A staged increase in sectorial responsibilities would bridge the transition to the northern Missions becoming a full Consulate General.

Recommendation for the Mission

1.3.9 The Mission should develop a sectoral plan for northern California in conjunction with Los Angeles.

Mission Response

1.3.9 San Francisco has one ICT and one biotech officer. We anticipate that as part of the upgrade to a full Consulate General sectoral focus will be reviewed. San Jose focuses on enterprise software, nanotech, photonics, as well as venture capital. The arrival of a CBO in the summer 2003 will provide for a full investment promotion program.

Increasing sectoral focus now would require considerable additional resources, including FTEs, space and program and operation funding. The Mission will continue to work with the Los Angeles infocentre to cover “orphan sectors” until resources are made available for upgrade to Consulate General.

1.3.10 The Mission has engaged in a number of pro-active projects with business clients that involve administering revenues generated from cost-sharing initiatives. In the past, these projects have, on occasion, been managed on an informal basis, outside of the Mission accounts. In the interests of both itself and Program clients, the Mission

needs to review and apply cost-sharing guidelines established by the Department. As well, for Client Service Funds (CSF), the Mission needs to adhere to the financial guidelines available on HORIZONS, to properly set up and track its CSF projects.

Recommendation for the Mission

1.3.11 The Mission should apply departmental financial procedures in administering cost-shared and CSF projects.

Mission Response

1.3.11 All cost-shared initiatives are managed formally, within the Mission accounts and through Business Mission Agreements, where appropriate. The Mission managed and tracked some 25 Client Service Fund Projects in 2002-03. The Administration function is provided through the Consulate General in Los Angeles.

ADMINISTRATION PROGRAM

2.1 Overview

2.1.1 Administration in both the San Francisco and San Jose Missions is carried out by Business Development Assistants (BDAs). Administration is kept to a minimum at both locations and involves no more than 20 to 30 percent of their time. Both BDAs are at the LE-06 level. Both individuals are knowledgeable and the staff is pleased with their services.

2.1.2 In San Francisco, a LE-05 BDA position has been vacant since April 2002. This is not a regularized position but it is funded year-to-year by the United States Business Development Division (NUB). The Mission intends to staff this position shortly through a contractual arrangement, as has been done in the past. Once staffed, administration will be assumed by the incumbent. Making this position permanent is on hold, pending the outcome of discussions taking place on enhanced representation in the US.

2.1.3 The Los Angeles Mission has drafted a Hub and Spoke Agreement but this Agreement has never been formalized. The Agreement deals with relationships of specific Programs and overall administrative responsibilities. The Agreement is confusing in many ways in that it does not delineate the MCO's role vis-a-vis the satellite Missions (i.e. line or functional), it uses the terms MCO and MAO interchangeably and makes no mention of the San Jose Mission. Both satellite Missions expressed concern that they were not consulted when the Hub drafted the LES Handbook and developed an INTRANET site. Many aspects of both these initiatives impinge on many things that the satellite Missions do. A recommendation is contained in the Los Angeles Audit Report for the Hub to improve its communications with the Spoke Missions and to review, clarify and formalize the Agreement.

2.2 Finance

2.2.1 Both satellite Missions are financed through a standing advance of US\$1,200 issued to the Consul/Trade Commissioner in San Francisco. In San Francisco \$200 of this is allocated to petty cash which is settled quarterly. San Francisco generates Consular revenue from issuing letters of facilitation for which there is a charge of US\$33. Monies are deposited in the Consul/Trade Commissioner's bank account and a cheque is issued to the Hub Mission for deposit. Total monies received during the twelve months beginning October 1, 2001 amounted to US\$1287. Monies collected between October 2001 and March 2002 were not forwarded to the Hub until early in the new year. These monies are securely stored but should be forwarded, according to the government's Receipt and Deposit of Public Money Regulations, whenever funds reach \$500 or weekly whichever comes first, to the Hub for deposit. Control over this revenue in San Francisco is adequate. When the Hub receives this

money, an official receipt is forwarded to San Francisco. San Jose does not collect any revenue.

2.2.2 San Jose forwards its three to four input documents weekly to San Francisco where spending authority (Section 34 FAA) is exercised. This, together with the input documents San Francisco raises, is couriered to the Hub in Los Angeles weekly. San Francisco has processed 126 input documents to date this fiscal year. Both satellites have suppliers bill the Hub directly for payment to the extent possible (i.e. rents, telephones, some office supplies and utilities). Occasionally, the Hub will return the cheque to the satellite Mission instead of directly to the payee. The Los Angeles report recommends that the practice of returning cheques to the Missions for distribution be discouraged.

2.2.3 Both satellite Missions “shadow track” their expenditures on EXCEL software. These Missions have “read only” access to IMS but the two BDAs have not been trained on how to use it. The Hub provides monthly financial reports on their hospitality, travel and Client Service Fund (CSF) expenditures but total operating costs are not detailed in any financial report. Satellite Missions are not given an allocation and spend until the Hub Mission advises them otherwise. The Consul/Trade Commissioner indicated she has never discussed budgets with the Hub. It is important that these satellite Missions be give some parameters within which to spend. A recommendation is contained in the Mission Management section of this report. As well, the Los Angeles Audit Report recommends that monthly financial reports be provided to both Missions showing the revenues received and expenditures incurred.

2.2.4 Hospitality diaries examined indicated that funds are being used to achieve Program objectives. Most hospitality is extended in restaurants. These costs are not always well documented. Proof of payment is often in the form of a credit card slip only and not the actual restaurant receipt. In Los Angeles, the MCO issued a memo to staff there reminding them of the need to better substantiate expenditures claimed. It was suggested that this memo be forwarded to both satellite missions. The Los Angeles Audit Report also recommended that the per capita rates established for the various types of functions be reviewed in that costs in Northern California are higher than in the Los Angeles area. Officers in both satellite missions raised the issue that the rates seemed low in comparison to what was being spent on representation.

Recommendations for the Mission

2.2.5 Revenues received should be forwarded to the Los Angeles Consulate General for deposit in accordance with the Receipt and Deposit of Public Money Regulations.

2.2.6 The Business Development Assistants should receive the necessary training on IMS.

2.2.7 Hospitality claims should be properly substantiated with receipts, proof of payment for all expenditures and guest lists.

Mission Responses

2.2.5 Revenues are submitted monthly or when funds reach \$500, whichever comes first.

2.2.6 Given the micro mission IT platform, BDAs cannot take IMS training online. BDAs, including newly hired, will be trained in Los Angeles by June 2003

2.2.7 Hospitality claims have been properly substantiated since the fall of 2002. These procedures continue to be consistently applied.

2.3 Informatics

2.3.1 Both Missions are equipped with the Micro-Mission platform and are experiencing system slowdowns with the technology provided. Several SIGNET computers have burnt out in the past six months resulting in their hard drives having to be replaced. Ironically, these Missions operate in one of America's most important high-tech corridors and are frustrated with slow systems and equipment breakdowns. These problems may, in part, relate to insufficient bandwidth. The Missions would welcome more visits from the System Administrator (SA) in the Hub Mission. The BDAs are designated as the SSAs (SIGNET Support Assistants) but have received no training. The Hub and Spoke Agreement calls for the SA in Los Angeles to visit the satellites bi-monthly but the frequency of visits has been less than this. The Los Angeles Audit Report contains a recommendation that the Hub consider stepping up the frequency of visits, budget permitting. SXCH, the Mission Operations and Client Support Section, when briefed on the audit results, indicated that it plans to visit the Hub and Spoke Missions early in the new year to look at potential connectivity options.

Recommendation for the Mission

2.3.2 The SSAs in San Francisco and San Jose Missions should receive appropriate training. The SA in Los Angeles Consulate should be approached to provide this training as soon as it is possible.

Mission Response

2.3.2 HQ is reviewing the IT situation, in light of enhanced representation. The Mission has requested an IT audit by HQ to review the situation. A bandwidth upgrade has been completed for the San Francisco Office but not for San Jose. In the meantime, the SA will make bi-

monthly visits as per the MOU. SSAs have been trained by the SA in Los Angeles.

2.4 Physical Resources

2.4.1 Currently, office space is adequate for both Missions. San Jose will continue to lease space on a month-to-month basis until a decision on its future is made. In San Francisco, the Chancery lease expires on June 30, 2003. Should the San Francisco Mission be upgraded to a full Consulate General, there is space contiguous to the Chancery that will be available in April 2003 that would double the existing 3,200 ft². Providing this space is sufficient, significant savings could be realized if the Department capitalizes on this opportunity.

2.4.2 There are two parking spaces leased in San Francisco in another building, one used for the official vehicle, the other used primarily by the Vice-Consul/Trade Commissioner for his own personal vehicle. Each of these spaces costs US\$475 per month. It is difficult to justify the second space as the Vice-Consul has used his own vehicle only once for business in the past year. Moreover, public transportation in San Francisco is considered excellent. The Mission needs to revisit the decision to lease two spaces and needs to evaluate if there are other opportunities in the area of the Chancery to lease more economical space.

2.4.3 In San Francisco, there is no inventory of office equipment and furniture. San Jose's distribution accounts are up to date. Mission Property Management Plans (MPMPs) are complete for both satellite missions.

Recommendations for the Mission

2.4.4 The Mission should eliminate one of the parking spaces and investigate if there is more economical parking available for the remaining space.

2.4.5 Distribution accounts should be brought up to date for office equipment and furniture.

Mission Responses

2.4.4 The Mission has eliminated one parking space and is investigating less expensive parking for the remaining space.

2.4.5 Completed in March 2003

MISSION RESOURCES FACT SHEET

Human Resources (FTEs)

PROGRAM	CBS	LES	TOTAL
Head of Office	1		1
General Relations		1	1
IBD	2	6	8
Total	3	7	10

Physical Resources

ASSETS	OWNED	LEASED
Chancery		2
SQs (Private Leases)		2
Vehicles		2

Financial Information (2002/2003)

Operating Budget (N001)	Funded through Los Angeles
LES Salaries (N012)	Funded through Los Angeles
CBS Overtime (N011)	Funded through Los Angeles
Capital (N005)	Funded through Los Angeles
Total	0