



United States Department of Agriculture



OFFICE OF INSPECTOR GENERAL



FAS' Monitoring of the Administration's Trade Agreement Initiatives

Audit Report - 07601-0002-23

OBJECTIVE

We evaluated FAS' coordination and monitoring of USDA's responsibilities for negotiation of the Administration's trade agreement initiatives.

Specifically, we evaluated whether FAS coordinated with other USDA agencies to facilitate the initiatives, had an action plan in place for incorporating these initiatives into its trade strategies, and promoted the Department's goals and interests in its coordination with other Federal agencies.

REVIEWED

We reviewed documentation relating to FAS' planning and participation in TPP and T-TIP trade agreement negotiations, FAS' actions taken during TPP and T-TIP trade negotiations, and documents used to monitor and assess these actions.

RECOMMENDS

We recommend that FAS develop and implement written procedures to address the identified weaknesses towards ensuring the agency effectively reviews its performance in promoting the Department's goals and interests, as well as the Administration's trade agreement initiatives.

OIG reviewed FAS to determine if its coordination and monitoring of the Administration's trade agreement initiatives was effective.

WHAT OIG FOUND

Foreign Agricultural Service (FAS) officials showed extensive knowledge about trade agreement negotiations while working on the Trans-Pacific Partnership (TPP) and the Transatlantic Trade and Investment Partnership (T-TIP). We found, however, that FAS officials did not document their process to coordinate and monitor the trade agreement negotiations, while working with the Office of the United States Trade Representative. FAS also lacked the written policies and procedures needed to assess its performance throughout the process. As a result, FAS could not provide support that it effectively incorporated the Department of Agriculture's (USDA) goals and interests while working to promote the Administration's initiatives.

Specifically, we found four weaknesses: FAS did not: specifically list the Administration's top trade priorities of negotiating specific multinational trade agreements in the FAS Strategic Plan; document a process for ensuring its trade action plan action items were assessed by FAS officials and appropriately provided to USTR officials for possible inclusion in the negotiations; establish written procedures to consistently update how it coordinates and monitors the tracking documents used for negotiations; and assess the agency's performance in coordinating with USTR during the trade negotiation process. Overall, we believe FAS needs to address these four issues to better ensure that it effectively promotes the Department's goals and interests as well as the Administration's trade agreement initiatives. The agency generally concurred with our recommendations and we accepted management decision on all recommendations.



United States Department of Agriculture
Office of Inspector General
Washington, D.C. 20250



DATE: December 5, 2016

AUDIT
NUMBER: 07601-0002-23

TO: Phil Karsting
Administrator
Foreign Agricultural Service

ATTN: Kim Cash
Director
Compliance, Security and Emergency Planning Division

FROM: Gil H. Harden
Assistant Inspector General for Audit

SUBJECT: FAS' Monitoring of the Administration's Trade Agreement Initiatives

This report presents the results of the subject audit. Your written response, dated December 1, 2016, is included in its entirety at the end of the report. Excerpts from your response and the Office of Inspector General's position are incorporated in the relevant sections of the report.

Based on your written response, we are accepting management decision on all recommendations in the report, and no further response to this office is necessary.

In accordance with Departmental Regulation 1720-1, final action needs to be taken within 1 year of each management decision to prevent being listed in the Department's annual Agency Financial Report. Please follow your internal agency procedures in forwarding final action correspondence to the Office of the Chief Financial Officer.

We appreciate the courtesies and cooperation extended to us by members of your staff during our audit fieldwork and subsequent discussions. This report contains publically available information and will be posted in its entirety to our website (<http://www.usda.gov/oig>) in the near future.

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Background and Objectives

Background

The Foreign Agricultural Service (FAS) is the Department of Agriculture (USDA) agency responsible for expanding export opportunities and enhancing global food security. It also acts as the USDA lead for international agricultural matters. In the Trade Act of 1974,¹ USDA was one of the original agencies appointed to assist the Office of the United States Trade Representative (USTR)² as an interagency resource to address any act, policy, or practice of a foreign country that violates any trade agreement to which the United States is a party. In addition to FAS, the Department of State's Bureau of Economics and Business Affairs, the Department of Commerce's U.S. and Foreign Commercial Services, and its International Trade Administration were appointed as interagency resources.

On January 27, 2010, the Administration developed a set of U.S. trade initiatives, titled the National Export Initiative, in an effort to improve conditions that directly affect the private sector's ability to export. Governmental efforts outlined in the National Export Initiative support the export of U.S. goods and services by instituting initiatives to improve trade policy, which include:

- Continuing to build U.S. trade advocacy and export promotion efforts;
- Educating U.S. companies about markets opened by U.S. free trade agreements, including those that went into effect in 2012;
- Completing new trade agreements to address existing and newly emerging obstacles to U.S. exports;
- Enforcing existing trade agreements; and
- Aggressively investigating unfair trade practices affecting U.S. exports or imports into the U.S. market.

In February 2016, the U.S. signed the Trans-Pacific Partnership (TPP) trade agreement with 11 Asia-Pacific countries.³ During the President's November 2009 speech, he announced that the U.S. would participate in TPP negotiations to remove trade barriers,⁴ including tariffs⁵ levied against the U.S.⁶ Passing the TPP trade agreement would position U.S. business to facilitate trade in the Asia-Pacific region, rationalize existing agreements,⁷ and support multilateral trade

¹ *Trade Act of 1974*, Public Law 113-79 §132, February 2014.

² The USTR, under the Executive Office of the President, is authorized to negotiate trade agreements for the United States.

³ The 11 Asia-Pacific countries are Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam.

⁴ Trade barriers are regulations or policies, such as a tariff, which restrict international trade.

⁵ A tax or duty to be paid on a particular class of imports or exports.

⁶ As of November 2009, eight countries were participating in TPP negotiations.

⁷ The U.S. maintains free trade agreements with several participating TPP countries, including the North American Free Trade Agreement, U.S.-Australia Free Trade Agreement, U.S.-Chile Free Trade Agreement, U.S.-Peru Free Trade Agreement, and U.S.-Singapore Free Trade Agreement.

initiatives. The U.S. exported \$59.335 billion in agricultural products to these 11 countries during calendar year (CY) 2015.

As of February 2016, the U.S. continues to participate in negotiations with the European Union (EU) to create the Transatlantic Trade and Investment Partnership (T-TIP).⁸ In his 2013 State of the Union Address, the President discussed his Administration's decision to enter into negotiations with the EU, which began July 2013. The Administration's T-TIP initiatives intend to remove tariffs and make it easier for involved countries to freely trade goods and services, including those in the agricultural sector. The Administration believes successful negotiations could improve trade rules between the U.S. and EU; create new business and employment opportunities; further strengthen the U.S. and EU relationship; and open markets for goods, services, and investments. In addition, T-TIP could modernize trade rules and identify new ways to reduce non-tariff barriers. Agricultural exports to the EU totaled \$12.997 billion in CY 2015.

FAS had one goal in its fiscal year (FY) 2012-2016 Strategic Plan: to increase U.S. food and agricultural exports to \$175 billion by adding \$89 billion of additional economic activity by FY 2016. One of FAS' strategies to accomplish this goal included negotiating trade agreements.

FAS assigned responsibilities during the negotiation process to its various offices. The Office of Agreements and Scientific Affairs (OASA) is the lead FAS office responsible for supplying agricultural trade information to USTR during trade negotiations, representing USDA in trade negotiations, implementing trade policy, expanding trade access for U.S. agricultural exports, and enforcing existing trade agreements. OASA also assigns a lead official to coordinate USDA's responsibilities during the trade negotiation process and assigns supporting staff to coordinate USDA input into negotiations on specific chapters. OASA coordinates USDA's responsibilities and assigns an FAS official to act as the Designated Federal Official⁹ for the Agricultural Policy Advisory Committee¹⁰ (APAC) and Agricultural Technical Advisory Committees¹¹ (ATAC) for trade. OASA officials also manage USDA's participation in the Trade Policy Staff Committee¹² (TPSC) interagency clearance process for negotiating documents and, they also represent USDA at meetings conducted by USTR. Technical expertise is available to the lead coordinator from seven divisions in OASA who maintain expertise in a range of trade-related issues.

⁸ The European Union consists of 28 countries: Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, and United Kingdom.

⁹ The Federal Advisory Committee Act requires each agency that sponsors an advisory committee to appoint an officer to oversee the administration of the Act's requirements.

¹⁰ APAC provides advice on the administration of U.S. trade policy, including implementation and enforcement of existing U.S. trade agreements and negotiating objectives for new trade agreements. APAC consists of members representing U.S. organizations and stakeholders in agricultural commodities that are appointed by the Secretary of Agriculture and USTR and must obtain and hold a security clearance.

¹¹ ATACs offer technical advice and information about specific agricultural commodities and products. Commodities covered are animals and animal products; fruits and vegetables; grains, feed, oilseeds, and planting seeds; sweeteners and sweetener products; and tobacco, cotton, and peanuts. ATACs consist of members representing U.S. organizations and stakeholders in agricultural commodities that are appointed by the Secretary of Agriculture and USTR and must obtain and hold a security clearance.

¹² TPSC is made up of 20 agencies that support USTR during the negotiation process by reviewing policy papers and negotiating documents.

In addition to OASA's involvement during trade negotiations, FAS' Office of Global Analysis (OGA) performs quarterly forecasts on exports and analyzes data from trade negotiators on existing trade barriers, such as trading pork with Japan, at OASA's request. In addition, FAS' Office of Country and Regional Affairs maintains expert knowledge of foreign countries and communicates regularly with FAS overseas offices. FAS overseas offices relay trade and market information to Office of Country and Regional Affairs and OASA officials and advise on policy options and tactics.

USDA's Food Safety and Inspection Service (FSIS),¹³ Animal and Plant Health Inspection Service (APHIS),¹⁴ and Economic Research Service (ERS) support FAS and USTR during the negotiation process. FSIS and APHIS participate directly in the Sanitary and Phyto-Sanitary (SPS) subcommittee of the TPSC to ensure food safety and plant and animal health interests of USDA are protected. APHIS also provides insight into ways to help open foreign markets. ERS provides FAS with analytical information, based on FAS requests, to assist in critical decision making during negotiations.

FAS collects information from the Country Strategy Statement (CSS),¹⁵ the Global Market Strategy¹⁶ and other sources to create a trade action plan, its primary near term planning document for implementing the National Export Initiative and FAS' overall trade policy objectives, as outlined in the FAS Strategic Plan. FAS' trade action plan identifies the highest priority markets and major issues that cut across markets—where FAS would focus its resources to remove barriers by listing priority action items for completion in the next 12-18 months. Building off of those aspects of its trade action plan that were focused on SPS matters, FAS created a list of trade barriers which identify certain foreign SPS export barriers for which USDA agencies have committed to stay in coordination.

Both broad and certain specific objectives are laid out in Trade Promotion Authority legislation.¹⁷ According to FAS officials, internal USDA analysis (including information from FAS and APHIS overseas offices), guidance from the advisory committees, responses to Federal Register Notices, input from Congress, and interagency consultation are among the most important inputs into the development of negotiating positions and strategies. In addition, FAS provided that it works with affected USDA agencies such as FSIS and APHIS to ensure FAS is representing a USDA consensus position and provides APAC/ATAC advisors access to formal negotiating proposals with the explicit opportunity for comment. OASA negotiators for major multinational trade negotiations brief the Office of the Under Secretary for Farm and Foreign Agricultural Services and have frequent meetings to discuss policy options and strategy

¹³ FSIS' responsibilities are to provide guidance on exporting and importing meat and poultry products, including the labeling and packaging of these products.

¹⁴ APHIS' responsibilities are to provide guidance on regulating both the import and export of plants and animals.

¹⁵ Country Strategy Statements report the current and potential market access in foreign countries where FAS officials are located.

¹⁶ The Global Market Strategy sets out goals and objectives that will be used by individual agencies to help guide broad decisions on international activities and programs.

¹⁷ The latest version of the Trade Promotion Authority expired in June 2007. Congress did not renew this legislation again until June 2015.

throughout the negotiations. Through this process there are ongoing discussions about FAS' work by senior FAS officials and the Office of the Under Secretary.

In March 2013, Office of Inspector General (OIG) issued an audit report that evaluated FAS' efforts to develop and implement measurable strategies and actions that are effectively aligned with USDA's overall goals for trade policy and promotion.¹⁸ OIG recommended that FAS refine its strategic goals to contextualize changes in U.S. agricultural exports as part of U.S. market share in the global marketplace; incorporate clear, outcome-based performance measures¹⁹ into the 2013 CSS to align with its agency-wide goals and objectives; update the Global Market Strategy to include clear, outcome-based goals and measures that aligned with FAS and USDA strategic goals; and update performance measures related to trade policy and trade promotion in the Performance and Accountability Report and Annual Performance Plan to better capture overall agency effectiveness and achievements as well as include goals related to U.S. market share.

In July 2015, the Government Accountability Office (GAO) issued a report on performance reviews in Federal government agencies.²⁰ GAO found that USDA's agency review practices were inconsistent with requirements and guidance established by the Office of Management and Budget (OMB). USDA did not hold regular, in-person reviews each quarter, and reviews conducted were not led by agency heads or the Chief Operating Officer. GAO recommended that USDA establish reviews that were consistent with requirements, guidance, and leading practices. Congress, through the passage of the *GPRAModernization Act of 2010* (GPRAMA),²² requires agencies to hold regular, data-driven reviews. Specifically, GPRAMA requires that, not less than quarterly, the head of each agency and Chief Operating Officer, with support from the Performance Improvement Officer, should review progress on agency priority goals.

OMB guidance²³ identifies the elements necessary to carry out effective data-driven reviews, including guidance and practices that: (1) are used to engage agency leaders in the rigorous assessment of agency performance; (2) support faster and better informed responses to identified performance problems; (3) improve communication and collaboration across an agency; and (4) enhance individual and collective accountability for improving progress toward agency goals.

¹⁸ OIG Audit Report Number 50601-0001-22, *Effectiveness of FAS' Recent Efforts to Implement Measurable Strategies Aligned to the Department's Trade Promotion and Policy Goals*, March 2013.

¹⁹ GAO-11-646SP; GAO released a glossary of terms for performance measurement and evaluation in May 2011. GAO defines performance measurement as the ongoing monitoring and reporting of program accomplishments, particularly progress toward pre-established goals. GAO also reported that performance measures may address the type or level of program activities conducted (process), the direct products and services delivered by a program (outputs), or the results of those products and services (outcomes).

²⁰ *Managing for Results*, GAO-15-579, issued July 2015.

²¹ GPRA is the *Government Performance and Results Act of 1993*, Public Law 103-62, August 1993.

²² *GPRA Modernization Act of 2010*, Public Law 111-352, January 2011.

²³ *Preparation, Submission, and Execution of the Budget*, OMB Circular No. A-11, pt. 6, Section 270.3, November 2014.

Objectives

We evaluated FAS' coordination and monitoring of USDA's responsibilities for negotiating the Administration's trade agreement initiatives, such as TPP and T-TIP. Specifically, we evaluated whether FAS coordinated with other USDA agencies to facilitate the trade initiatives, had an action plan in place to incorporate these trade initiatives into its trade strategies, and effectively promoted the Department's goals and interests in its coordination with USTR and other Federal agencies.

Section 1: FAS' Effectiveness during Trade Agreement Negotiations

Finding 1: FAS Needs to Strengthen Documentation of Its Coordination and Monitoring of the Trade Negotiation Process

FAS officials we interviewed had extensive knowledge about the trade negotiation process and provided us with a detailed understanding of this process. The information FAS officials provided did not lead us to question whether FAS' actions ever jeopardized USDA's interests during trade agreement negotiations. Although FAS officials showed extensive knowledge about trade agreement negotiations, FAS needs to implement written procedures to document its coordinating and monitoring activities throughout trade agreement negotiations. We believe this would better ensure that the agency promotes the Department's goals and interests as well as the Administration's trade agreement initiatives.

FAS did not document coordination and monitoring process for multinational trade negotiations and lacked the written policies and procedures needed to monitor its performance throughout the process. We also found that FAS did not list specific multinational agreements, two Administration initiatives in its Strategic Plan and did not have a documented process in place to ensure the agency's actions throughout negotiations (in working with USTR) effectively contributed to optimal agreements for the agricultural industry. This occurred because FAS officials stated that its ongoing verbal discussions and meetings with Senior USDA officials, Congressional officials, and industry advisors showed that it was sharing information with needed officials and coordinating and monitoring the negotiations to evaluate evolving negotiating priorities and strategies. In addition, FAS officials stated that the nature of its involvement as a supporting agency to USTR during trade negotiations prevented it from implementing a system to assess its performance throughout the negotiating process. As a result, FAS could not provide documentation to support that it effectively coordinated and monitored the Department's goals and interests in working with USTR on the Administration's trade agreement initiatives, which included promoting long-term, sustainable growth.

OMB requires management to develop and maintain effective internal controls to address significant weaknesses that would hinder the agency's ability to meet its objectives in a timely manner.²⁴ GPRAMA requires each executive agency to have a strategic plan with outcome-oriented goals for the major functions and operations of the agency. GPRAMA also requires agencies to describe how goals and objectives will be achieved and describe how performance goals contribute to the strategic plan. In addition, GPRAMA requires USDA to establish priority goals for its major functions and report its results.²⁵

The Administration emphasized in its National Export Initiative that passing TPP and T-TIP are important steps in creating jobs and increasing exports to these regions. While FAS officials demonstrated knowledge of the negotiation process and that they coordinated with other USDA agencies to identify trade barriers, the agency's coordination and monitoring process lacked four key elements to ensure it developed and maintained effective internal controls that would

²⁴ OMB Circular A-123, *Management's Responsibility for Internal Controls*.

²⁵ *GPRAMA Modernization Act of 2010*, Public Law 111-352, § 306(a), §1120, and § 1122, January 2011.

identify and address weaknesses in its processes. FAS did not: (1) specifically list the Administration's top trade priorities of negotiating specific multinational trade agreements in the FAS Strategic Plan; (2) document a process for ensuring action items in its trade action plan were assessed by FAS officials and appropriately provided to USTR officials for possible inclusion in the negotiations ; (3) establish written procedures to consistently update how it coordinates and monitors the tracking documents and update the status of each trade barrier, including indicating when a barrier is no longer considered for inclusion on the applicable documents; and (4) assess the agency's performance in coordinating with USTR during the trade negotiation process. We believe these issues collectively reduce FAS' assurance that it has the necessary controls and processes in place to effectively coordinate and monitor the Administration's trade agreement negotiation initiatives.

FAS Strategic Plan

FAS' FY 2012-2016 Strategic Plan should support USDA's Strategic Plan as well as the Administration's top economic priority of job creation. FAS' Strategic Plan had one goal, which was to generate an additional \$89 billion in economic activity by FY 2016 using three of FAS' core activities. One of these core activities related to trade policy. FAS identified three objectives in its Strategic Plan relating to trade policy to help it reach its overall strategic goal. These three objectives involved negotiating market-expanding trade agreements, resolving technical barriers to trade, and pursuing the development of rule-based international systems that facilitate global trade. The U.S. was not involved in T-TIP negotiations at the time FAS developed its FY 2012-2016 Strategic Plan. However, TPP trade negotiations had been initiated, and while FAS did refer to the negotiation of trade agreements, FAS did not specifically refer to TPP negotiations in any of the objectives even though the Administration indicated that TPP negotiations were a top priority. FAS informed us that because it maintains a multi-year plan and does not select the partners or set the pace of negotiations, it does not specifically identify ongoing negotiations in the Strategic Plan. FAS further stated that it would have to establish as a priority any other trade agreement the Administration decided to initiate. However, we believe that FAS' decision to not list specific negotiations in its Strategic Plan diminishes its assurance that it adequately included the Administration's trade initiatives in its trade strategies.

FAS' Strategic Plan did not specifically demonstrate that the Administration's initiatives were a top priority for the agency. FAS officials stated that they referred broadly to negotiating trade agreements in the Strategic Plan since it is a multi-year plan and FAS does not control which agreements are undertaken by the Administration, or the overall pace of the negotiations. USTR was the lead governmental agency for negotiating trade agreements and can shift priorities quickly, while progress further depends upon foreign negotiating partners. An FAS official also stated that monitoring existing agreements was equally as important as negotiating new ones, as indicated in the National Export Initiative and in the President's annual trade agenda. FAS' decision to not specifically identify TPP negotiations as an objective to reach the agency's strategic goal potentially relegated this high-priority initiative for the Administration to the same level of importance as other trade negotiations to achieve the agency's strategic goal. While we agree that pursuing other trade agreements as well as monitoring existing agreements is important, we believe FAS needed to specifically identify TPP as a trade policy objective with high-importance, to prevent other trade policy work from replacing the Administration's priority

of achieving a partnership with our Pacific trading partners. While T-TIP was not specifically mentioned in the FY 2012-2016 Strategic Plan, FAS also did not refer to this negotiation in the FY 2015-2018 Strategic Plan which it issued in January 2015.

We also found that FAS could not support the basis for its goal of generating an additional \$89 billion in economic activity. FAS stated that it calculated this amount by taking the estimated amount of FY 2016 agricultural exports as determined by ERS, which FAS identified as \$175 billion in its Strategic Plan; subtracting the FY 2010 actual export amount based on U.S. Census data— \$108.7 billion; and multiplying this difference by the ERS trade multiplier²⁶ of \$1.34, resulting in \$88.84 billion. We attempted to calculate this amount using the ERS published report *USDA Agricultural Projections to 2020*. However, we determined that ERS estimated the FY 2016 agricultural exports to be \$127 billion, not \$175 billion.²⁷ Using FAS' method for calculating its strategic goal amount and using \$127 billion as shown in the ERS report, we believe the goal should have been an additional \$25 billion in economic activity, not an additional \$89 billion. FAS officials confirmed that the FY 2016 estimate of \$175 billion was a consensus view following FAS internal discussions and that they had no documentation to support it. FAS' inability to support the basis for establishing its strategic goal illustrates that its development of strategic goals needs improvement.

FAS' Strategic Plan sets the agency's overall approach to trade during the Strategic Plan's timeframe. Without specifically identifying important trade initiatives in the Strategic Plan's objectives, relating them to its internal planning processes, and creating a realistic supportable strategic goal that relates to important trade initiatives, FAS positions itself to potentially implement actions that do not ensure the agency coordinates and contributes departmental information needed to achieve the most advantageous TPP and T-TIP agreements possible for USDA stakeholders. Therefore, we believe FAS should have specifically listed TPP in its Strategic Plan, and included it in the agency's overall strategic goal of generating additional economic activity.

Trade Action Plan

FAS created a trade action plan to outline specific issues and potential actions by priority market and crosscutting issues across markets to achieve the trade-related goals and objectives of both USDA's and FAS' Strategic Plans. However, we identified three areas of the trade action plan process that FAS could improve by implementing written procedures. Specifically, we determined that FAS did not have written procedures for creating and approving its trade action plan or monitoring the priority action items included in it. This occurred because FAS officials believed that revising its trade action plan on a regular basis and assessing its results was resource intensive. As a result, FAS could not provide support showing that it completed the actions in its trade action plan, and that the completed actions were effective in promoting the Department's goals and interests as well as the Administration's trade agreement initiatives. The trade action plan included specific actions for FAS officials to complete with the goal of removing agricultural trade barriers. However, we believe that FAS' decision to not document

²⁶ ERS calculates trade multipliers to estimate employment and/or output effects of trade, in farm and food products, on the U.S. economy.

²⁷ ERS took into account the trading rules as of the time it published the report in 2010.

the results of action items in its trade action plan prevents the agency from assessing whether the actions were effective to remove the barriers FAS identified in its trade action plan, or improving the information provided to U.S. officials to negotiate the removal of these barriers.

During our audit, FAS provided us with three trade action plans, which covered FAS actions between August 2013 and January 2017; however, we found that FAS did not create and approve them on a consistent basis. For example, in November 2014, we requested the current trade action plan, and agency officials provided us with an approved trade action plan dated August 2013. However, the August 2013 trade action plan did not designate the specific timeframe that these actions covered. FAS also provided a trade action plan that was approved in June 2015, which covered actions for completion between July 2015 and January 2017. We inquired about the 2014 version of FAS' trade action plan and FAS officials were only able to provide a draft document. One FAS official stated that the trade action plan was initially intended to be an annual document, but that it was difficult to make progress on some of the action items on an annual basis. Furthermore, this official stated that the trade action plan would become a living document that will not include timeframes for completion. Although FAS provided us with written procedures for creating and approving the countries and issues identified in the trade action plan, the procedures did not require FAS to create, approve, and update its trade action plan on a regular basis. Without regularly updating these action items, FAS has reduced assurance that items in its trade action plan remained relevant or focused on priority issues.

Monitoring

The Administration has emphasized its top priority of expanding market access in foreign countries. An FAS official stated that one of the key components of negotiating trade agreements includes expanding market access by encouraging trading partners to put the necessary resources into addressing SPS barriers and technical barriers to trade. However, FAS did not implement a written process to effectively monitor its coordination over this component. FAS staff involved in TPP and T-TIP negotiations provided us with four documents used to identify agricultural trade barriers in TPP and T-TIP countries.

We found that FAS officials did not consistently identify trade barriers to be considered for these documents. These documents should influence the trade action plan. FAS' trade action plan identifies the highest-valued and most achievable market access issues facing the agricultural sector, and it also serves as the agency's guide for allocating its resources. An FAS official stated that ensuring these lists were consistent with each other is challenging and that FAS did not have written procedures in place to ensure they were consistent. While there may be situations where barriers would not be included in the various documents, an FAS official stated there should be a high correlation between the items listed in the trade action plan and the other documents; however, they do not have written procedures in place to ensure this occurs.

We believe it would be beneficial for FAS to implement written procedures to more closely monitor its coordination activities based on FAS' lack of documentation to support how it monitors its progress in removing trade barriers. Specifically, these written procedures should include a consistent approach to ensure trade barriers are identified in the applicable documents.

Performance Assessments

The final component of the trade negotiation coordination and monitoring process that needs improvement relates to assessing FAS' performance throughout trade agreement negotiations. FAS did not perform internal reviews to monitor and assess its performance while working with USTR during the trade negotiation process. FAS officials stated that they depend on feedback from agricultural advisory committees as well as Congress' review of free trade agreements to measure their effectiveness during the negotiation process. While FAS receives feedback from the APAC and ATAC advisory committees as well as Congress throughout these negotiations, it does not receive a written review from the advisory committees until after the negotiations are complete. FAS officials further stated that they have struggled to determine how the agency could assess its performance during trade negotiations, and it is difficult to establish benchmarks to measure its performance. As a result, FAS could not ensure that it adequately promoted the Department's goals and interests as well as the Administration's trade agreement initiatives in working with USTR during the negotiation process.

As explained in the trade action plan section of this finding, FAS did not document a process for ensuring action items in its trade action plan were assessed by FAS officials and appropriately provided to USTR officials for possible inclusion in the negotiations. In addition, FAS did not perform any written assessments during the negotiation process to determine if FAS effectively promoted the Department's goals and interests. Instead, FAS officials stated that they relied heavily on feedback from interagency and stakeholder meetings during the negotiation process to determine if FAS effectively promoted the Department's goals and interests. FAS officials also consistently stated that they feel the negotiations are ultimately successful if Congress and the APAC and ATAC advisory committees, who meet with FAS officials and have access to negotiating documents, approve FAS' final product. However, it can take years to negotiate a trade agreement, and Congress may not agree to approve it at the end of the process. FAS needs to implement a process that effectively assesses its performance throughout the trade agreement negotiations and evaluates whether it is adequately addressing the priorities of the Department and the Administration.

We last reported on FAS' efforts to implement measurable strategies in March 2013.²⁸ In that report, we determined that FAS needed to further refine performance measures so that it reports outcomes beyond total dollars exported, and it describes the U.S. agricultural market share compared to its competitors. We recommended that FAS incorporate clear, outcome-based performance measures in its CSS and its Global Market Strategy. In addition, we recommended that the agency coordinate with the Department to update the performance measures related to trade policy and trade promotion in the Performance and Accountability Report as well as the Annual Performance Plan.²⁹ In response, FAS stated that it would revise the CSS to include clear, outcome-based performance measures that aligned with its Strategic Plan. During this audit, we reviewed FAS' progress in this area. However, FAS was in the process of completing

²⁸ OIG Audit Report Number 50601-0001-22, *Effectiveness of FAS' Recent Efforts to Implement Measurable Strategies Aligned to the Department's Trade Promotion and Policy Goals*, March 2013.

²⁹ USDA now reports information from the *Performance and Accountability Report* in the *Annual Performance Report*.

a procedure that would ensure CSS included these performance measures. Since the action was not complete as of August 2015, we could not assess whether FAS' actions adequately addressed the conditions we identified in our prior audit report. We followed up with FAS in March 2016, and it was still working to address the conditions identified in the previous report. However, we believe that FAS can further enhance its performance measurement process in determining the effectiveness of its actions to promote the Department's goals and interests by developing a procedure for creating its trade action plan on a consistent basis, implementing processes to ensure action items identified in the trade action plan adequately address the agency's strategic goals, and continually monitoring and updating the status of these action items.

GAO issued an audit report in July 2015 which focused on how Federal agencies manage the operations and performance of their agencies.³⁰ GAO determined that USDA does not hold quarterly, in-person reviews as required by GPRAMA and OMB guidance, and that these reviews were not led by their agency heads or the Chief Operating Officer. GAO recommended that the Secretary of Agriculture work with the Chief Operating Officer as well as the Performance Improvement Officer to modify the Department's review processes to ensure that review meetings: (1) are held at least quarterly; (2) are led by the agency head or Chief Operating Officer; (3) involve agency priority goal leaders; and (4) involve, as appropriate, agency officials with functional management responsibilities. The Department agreed with GAO's recommendation.

FAS' performance measure process has been an ongoing challenge for the agency, as reported in a March 2013 OIG report. In addition, GAO identified similar, USDA-wide weaknesses in its July 2015 report. Furthermore, an FAS official confirmed that the agency has struggled with performance measures over the past 10 years. We believe that FAS cannot effectively measure its actions in working with USTR throughout the negotiation process without a process to assess its performance. USDA employs a Performance Improvement Officer who is charged with overseeing the Department's performance. FAS should consult with this official to determine the steps it needs to take to implement a clear, outcome-based performance assessment of its coordination with USTR during the trade negotiation process.

The Administration has emphasized that expanding market access in foreign countries is a top priority. One of the key components of expanding market access is removing existing SPS and technical barriers to trade. We believe FAS has information available that can be used to implement an effective, performance-based negotiating process. However, we believe that FAS needs to address the four issues discussed in this section to better ensure it effectively promotes the Department's goals and interests as well as the Administration's trade agreement initiatives.

Recommendation 1

Develop and implement written procedures to ensure FAS specifically includes the Administration's initiatives in its Strategic Plan.

³⁰ *Managing for Results*, GAO-15-579, issued July 2015.

Agency Response

In its December 1, 2016, response, FAS stated that it will develop and implement written procedures by the end of CY 2016 to ensure FAS specifically includes the Administration's initiatives as articulated in the President's *Annual Trade Policy Agenda* into its Strategic Plan.

OIG Position

We accept management decision for this recommendation.

Recommendation 2

Develop and implement written procedures for generating the trade action plan. These procedures, at a minimum, should include actions to ensure FAS updates its trade action plan on a consistent basis.

Agency Response

In its December 1, 2016, response, FAS stated that it has developed written procedures for generating its trade action plan and will revise them by the end of CY 2016 to address timing and clarify its relationship to other relevant tactical and strategic documents.

OIG Position

We accept management decision for this recommendation.

Recommendation 3

Develop and implement written review procedures to determine the effectiveness of the actions taken by FAS in its trade action plan.

Agency Response

In its December 1, 2016, response, FAS stated that it will develop and implement written review procedures for the trade action plan by the end of CY 2016.

OIG Position

We accept management decision for this recommendation.

Recommendation 4

Develop and implement written procedures that set forth requirements for FAS officials to monitor and coordinate the development and maintenance of the various documents used for tracking trade barriers. These procedures should include instructions for updating these documents when the status of each barrier changes, including when a barrier is no longer considered for inclusion in the negotiations.

Agency Response

In its December 1, 2016, response, FAS stated that it is exploring options to improve the tracking of trade barriers and will develop and implement written procedures as decisions are made during FY 2017. In addition, FAS will clarify the use of the different documents used to track such barriers, and either revise existing procedures or develop new ones for keeping the documents updated, in consultation with other relevant agencies. The guidelines for tracking of non-tariff barriers in conjunction with trade negotiations will be addressed as part of the plan referred to in Recommendation 6.

OIG Position

We accept management decision for this recommendation.

Recommendation 5

Consult with the USDA Performance Improvement Officer to identify the actions needed for FAS to assess its performance while working with USTR during the trade negotiation process.

Agency Response

In its December 1, 2016, response, FAS stated that it will consult with the USDA Performance Improvement Officer by the end of CY 2016 to identify options for FAS to assess its performance while working with USTR during the trade negotiation process.

OIG Position

We accept management decision for this recommendation.

Recommendation 6

Develop and implement a written plan for reviewing and evaluating FAS' performance during the trade negotiation process. This plan should include a review of FAS' actions to promote the Department's goals and interests and the Administration's trade initiatives in FAS' coordination with USTR on a regular basis throughout the negotiation process.

Agency Response

In its December 1, 2016, response, FAS stated that by the end of FY 2017, FAS will develop and implement a written plan for reviewing and evaluating FAS' performance during the trade negotiation process.

OIG Position

We accept management decision for this recommendation.

Scope and Methodology

We reviewed documentation relating to FAS' planning and participation in TPP and T-TIP trade agreement negotiations to determine if FAS effectively coordinated and monitored USDA's responsibilities for negotiating the Administration's trade agreement initiatives. Our review included FAS' actions taken during trade negotiations between November 2009 and August 2015.

We performed fieldwork between July 2014 and March 2016. We conducted our fieldwork at FAS' Headquarters in Washington, D.C. We interviewed FAS officials within OASA, the Office of Country and Regional Affairs, and the Office of Global Analysis to determine if FAS effectively coordinated and monitored USDA's responsibilities during TPP and T-TIP negotiations. We also met with officials from FSIS, APHIS, and ERS to determine if FAS coordinated with other USDA agencies to facilitate the trade initiatives. In addition, we met with officials from the USTR's Office of Agricultural Affairs and Commodity Policy, Office of Intergovernmental Affairs and Public Engagement, and Agricultural Policy Advisory Committee to determine if FAS promoted the Department's goals and interests in its coordination with USTR during trade agreement negotiations.

To accomplish our audit objectives, we:

1. Reviewed trade laws, regulations, agency instructions, and other procedural documentation related to trade negotiations.
2. Reviewed a prior OIG audit report on FAS' efforts to implement measurable strategies that aligned with USDA's goals for trade policy and promotion to determine if FAS implemented prior OIG audit recommendations.³¹
3. Reviewed a GAO report relating to how federal agencies managed the operations and performance of their agencies³² to identify issues relating to FAS' process to assess its performance.
4. Evaluated documents that FAS provided to USTR through the Trade Policy Support Committee during negotiations to determine if FAS effectively promoted the Department's goals and interests in its coordination with USTR.
5. Reviewed FYs 2012-2016 FAS Strategic Plan, FYs 2014-2018 USDA Strategic Plan, trade action plans covering FAS actions between August 2013 and January 2017, and the President's Trade Policy Agendas from FYs 2009-2014 to determine if FAS had an action plan in place to incorporate the Administration's initiatives into its trade strategies and track its performance.
6. Reviewed CY 2014 CSSs to determine if FAS incorporated the Administration's trade initiatives into its trade strategies.
7. Reviewed documentation used by FAS officials who participated in trade negotiations to determine the agency's status in removing trade barriers in its coordination with USTR.

³¹ OIG Audit Report Number 50601-0001-22, *Effectiveness of FAS' Recent Efforts to Implement Measurable Strategies Aligned to the Department's Trade Promotion and Policy Goals*, March 2013.

³² *Managing for Results*, GAO-15-579, issued July 2015.

8. Reviewed Trade Advisory Committee letters to determine if these Committees had a favorable opinion of FAS' actions during the Panama, Columbia, and Korea free trade agreement negotiations.

During the course of our audit we did not perform any tests of the agency electronic information systems, and we make no representation regarding the adequacy of any agency computer systems or the information generated from them.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Abbreviations

APAC	Agricultural Policy Advisory Committee
APHIS	Animal and Plant Health Inspection Service
ATAC	Agricultural Technical Advisory Committees
CSS	Country Strategy Statement
CY	Calendar Year
EU	European Union
ERS	Economic Research Service
FAS	Foreign Agricultural Service
FSIS	Food Safety and Inspection Service
FY	Fiscal Year
GAO	Government Accountability Office
GPRAMA	GPRM Modernization Act of 2010
OASA	Office of Agreements and Scientific Affairs
OGA	Office of Global Analysis
OIG	Office of Inspector General
OMB	Office of Management and Budget
SPS	Sanitary and Phyto-Sanitary
TPP	Trans-Pacific Partnership
TPSC	Trade Policy Staff Committee
T-TIP	Transatlantic Trade and Investment Partnership
USDA	Department of Agriculture
USTR	Office of the United States Trade Representative

**USDA'S
FOREIGN AGRICULTURAL SERVICE
RESPONSE TO AUDIT REPORT**



United States
Department of
Agriculture

Farm and Foreign
Agricultural
Services

Foreign
Agricultural
Service

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TO: Gil H. Harden
Assistant Inspector General for Audit

FROM: Phil Karsting /S/ December 1, 2016
Administrator

SUBJECT: FAS's Monitoring of the Administration's Trade Agreement Initiatives

REF: Audit # 07601-0002-23

FAS welcomes OIG's recognition that Foreign Agricultural Service officials showed extensive knowledge about trade agreement negotiations, and that OIG did not question whether FAS's actions ever jeopardized USDA's interests during trade agreement negotiations. We are extremely proud of our team, and they have been recognized by the Secretary with some of the Department's highest honors for their diligence in ensuring that our trade agreements reflect the best possible outcome for U.S. agriculture.

We recognize that there is always room for improvement, and we appreciate the effort that OIG put into its review of this extraordinarily complex topic and, in particular, its relationship to our ongoing trade enforcement work. While we do not fully concur with the details of all of the recommendations, we welcome the different perspective that OIG brings to our work and we have carefully considered each of the recommendations made by OIG to help ensure that we continue to provide the best service to our constituents. Below are the specific actions that we will take to address the recommendations.

Recommendation 1

Develop and implement written procedures to ensure FAS specifically includes the Administration's initiatives in its Strategic Plan.

Action: FAS will develop and implement written procedures by the end of CY2016 to ensure FAS specifically includes the Administration's initiatives as articulated in the President's Annual Trade Policy Agenda into its Strategic Plan.

Recommendation 2

Develop and implement written procedures for generating its trade action plan. These procedures, at a minimum, should include actions to ensure FAS updates its trade action plan on a consistent basis.

Action: FAS has developed written procedures for generating trade action plans and will revise them by the end of CY 2016 to address timing and clarify the relationship to other relevant tactical and strategic documents.

Recommendation 3

Develop and implement written review procedures to determine the effectiveness of the actions taken by FAS in its trade action plan.

Action: FAS will develop and implement written review procedures by the end of CY 2016.

Recommendation 4

Develop and implement written procedures that set forth requirements for FAS officials to monitor and coordinate the development and maintenance of the various documents used for tracking trade barriers. These procedures should include instructions for updating these documents when the status of each barrier changes, including when a barrier is no longer considered for inclusion in the negotiations.

Action: FAS respects the intent of this recommendation, but finds the recommendation itself to be overly prescriptive and not fully cognizant of the complex trade policy negotiating environment. FAS is exploring options to improve the tracking of trade barriers and will develop and implement written procedures as decisions are made over the course of FY 2017. FAS will clarify the purpose and use of different agency documents used to track such barriers, and will either revise existing written procedures or develop new ones for keeping each document updated as appropriate, in consultation with other relevant agencies. Guidelines for the tracking of non-tariff trade barriers in conjunction with trade negotiations will be addressed as part of the plan referred to in Recommendation 6.

Recommendation 5

Consult with the USDA Performance Improvement Officer to identify the actions needed for FAS to assess its performance while working with USTR during the trade negotiation process.

Action: FAS will consult with the USDA Performance Improvement Officer by the end of CY2016 to identify options for FAS to assess its performance while working with USTR during the trade negotiation process.

Recommendation 6

Develop and implement a written plan for reviewing and evaluating FAS' performance during the trade negotiation process. This plan should include a review of FAS' actions to promote the Department's goals and interests and the Administration's trade initiatives in FAS' coordination with USTR on a regular basis throughout the negotiation process.

Action: By the end of FY2017, FAS will develop and implement a written plan for reviewing and evaluating FAS's performance during the trade negotiation process.

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