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U.S. DEPARTMENT OF
AGRICULTURE

Overhauling the Farm
Agencies' Field Structure

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Mr. Chairman and Members of the Subcommittee:

We are pleased to participate in this hearing on the U.S. Department of Agriculture. Our testimony today is based on our general management review of the Department. Unlike traditional audits and evaluations of individual programs, management reviews examine the overall effectiveness of the management processes and systems of departments and agencies. Between October 1989 and September 1991, we issued a series of reports on various management issues at USDA and recommended ways to improve the Department's organizational structure, management systems, and strategies.¹

Our testimony today will focus on

- the need for USDA to revitalize to better respond to the challenges of rapidly changing world markets, new customer needs, and cross-cutting and emerging issues like food safety and biotechnology;
- opportunities and ideas for streamlining USDA's existing field structure;
- the implications of the proposed restructuring of USDA on the Department's computer modernization plans; and
- USDA's ongoing efforts to respond to our recommendations, and begin a needed course of change.

In summary, USDA needs to revitalize to again become a force in leading American agriculture into the 21st century. Increased responsibilities in nutrition, international trade, and environmental issues have greatly diversified USDA's client base over the years. Yet, USDA's structure has changed little since the time most Americans were farmers and sold their goods to local markets. As a result, USDA is in a poor position to draw on expertise and respond quickly to cross-cutting and emerging issues. USDA needs to reexamine its mission and goals, then design an organizational structure and system that can achieve them.

Opportunities also exist to streamline USDA's current field structure, in which farmers and others may have to deal with different offices, employees, and administrative procedures. We have recommended that USDA look to the efficiencies and cost savings to the U.S. taxpayer that could result from streamlining through consolidations and collocations within the existing field structure. For the long run, senior USDA officials and the Congress need to seriously consider integrating the Department's farm agency delivery system so that multiple agencies operate as a

¹App. I contains a list of GAO's general management review reports and other reports on USDA.

unit at local levels. USDA will have to overcome the parochial concerns of individual agencies as it moves towards an organization that meets the needs of a rapidly changing agricultural sector.

Making change requires strong leadership and a long-term commitment from those in a position to influence the Department. The Secretary has expressed personal interest in streamlining and improving the management of USDA and has begun to take some actions to address the recommendations we made in our series of management review reports. However, revitalizing USDA will not be an easy task. The difficulty is compounded by the current environment of severe fiscal restraint, in which taxpayers can ill afford to continue funding government institutions that are inflexible and unresponsive to change. Responding to this challenge will require determined, creative, and sustained efforts by the leadership in USDA and in the Congress.

Before we discuss the need for revitalization and streamlining the Department's field structure in detail, let us briefly describe how USDA got where it is today.

BACKGROUND

USDA, with the third largest civilian agency budget in the federal government, affects the lives of all Americans and millions of people around the world. USDA oversees a food and agriculture sector of major importance to the nation's economy, accounting for 17 percent of the gross national product and 20 million jobs. To carry out its missions in 1990, USDA spent about \$46 billion, controlled assets of about \$140 billion, and employed over 110,000 full-time employees in 36 agencies in over 15,000 locations worldwide.

USDA administers its farm programs and services through one of the federal government's largest and most complex organizational structures. USDA is made up of over 36 separate agencies and the number is growing. The Department has added new offices and renamed old ones over time, but the basic farm service agencies² operate one of the oldest and most decentralized field structures in government. Operating this decentralized field network is costly. In fiscal year 1989, four farm service agencies alone spent about \$2.4 billion, with 63,000 employees to administer their programs in over 11,000 county offices.

USDA's structure reflects the era in which it was established --the 1930s, when communication and transportation systems were greatly limited by geographic boundaries. Since then, the number

²Agricultural Stabilization and Conservation Service, Soil Conservation Service, Farmers Home Administration, Extension Service, and Federal Crop Insurance Corporation.

of farmers has declined sharply; only one in 50 Americans lived on a farm in 1990, compared with 1 in 4 in 1935. Furthermore, only 16 percent of the nation's counties are currently designated as farm counties, down substantially from 63 percent so designated in 1950. Not only does USDA have far fewer clients to serve, but telephones, computers, and highways have also greatly increased farmers' access to information and assistance programs.

USDA NEEDS TO REVITALIZE

Our 3-year series of studies on the general management of USDA shows that the Department is poorly organized to deal with increasingly complex issues, preventing it from operating effectively as a unit. Increased responsibilities in nutrition, international trade, and environmental issues have greatly diversified USDA's client base over the years, yet the Department's structure and management practices, as noted earlier, have remained largely unchanged since the 1930s. USDA has added agencies and functions over time, making it larger but not fundamentally different from its production-oriented, commodity-based past. The result is an organization that does not operate as an integrative unit for the most part--an organization that has difficulty adapting to changes in its clients' needs in the most effective and balanced way.

For example, we found that eight USDA agencies have responsibilities in biotechnology, an important area of science that could revolutionize the production of food and fiber by allowing scientists to transfer genes between related or unrelated organisms to improve plants or animals. Responsibilities for agricultural biotechnology cut across many USDA programs. Numerous conflicts among individual agencies have blocked development of a single strategy in this important area. A similar condition exists in the area of the environment, in which the 10 agencies that have some authority in water quality matters are slow to develop departmentwide strategies and a structure for managing divergent agency interests. It is a struggle for USDA's management to develop comprehensive, timely, and effective strategies and coordinating mechanisms in these and other cross-cutting areas, largely because of the difficulty of exerting leadership and improving communication in so large and diverse an organization.

Nowhere is the struggle to develop a cohesive strategy more apparent than in USDA's field offices. Multiple agencies operate independent field offices all over the country, often right next door to each other. USDA itself does not have field offices, only its agencies do: Individual agencies, not the Department, are represented at the field level. The result of this lack of integration is that farmers must supply the same information in different formats to several agencies, computer systems do not communicate with each other, and agencies sometimes work at cross purposes on common issues. At the very least, USDA is spending

more than it needs to; at best, most clients are not being well served.

Growing competition in international markets also provides a compelling argument for a more streamlined and flexible structure--responsive to change--at headquarters and in the field. As international competition grows, so does the need for the United States to have comprehensive and effective strategies for positioning U.S. producers more favorably in foreign markets. We found, however, that USDA does not have comprehensive policies, nor do the four USDA agencies with trade management responsibilities operate toward a set of common goals. Several of the agencies lack strategic marketing plans and each operates under a different philosophy. In the absence of a strategic marketing focus, the Department remains reliant on its traditional production-oriented philosophy. As a result, it risks the loss of opportunities in food processing and marketing--the fastest growing aspects of global agribusiness.

Several internal USDA studies have called for changes in how the Department conducts its business. One of the most comprehensive studies and the most recent--a 1985 effort led by a cross section of USDA senior managers--called for a variety of reform measures at headquarters and in the field. The report suggested reexamining the continuing relevance of existing agencies, noting that agencies established long ago may have outlived their usefulness. The report's major recommendations centered on the need for a more integrated farm delivery system and offered several options for achieving a more effective organization.

The 1985 report's thesis that current agencies should be examined for mission relevance is still true today. Examining current USDA missions in the wake of significant changes in the world and the agricultural sector is a necessary first step toward developing an effective and efficient structure. Without this step, USDA is in danger of simply altering an obsolete structure that is not in concert with new, revised missions and goals. The objective is not simply to make the current structure more efficient but to build a structure around the Department's current, updated missions. Such a rebuilding is the ideal way to achieve major gains.

STREAMLINING USDA'S EXISTING STRUCTURE

Within USDA's existing field delivery structure, many opportunities exist to save money and better serve clients through streamlining. Although the existing structure can be streamlined, however, significant change must be made in the context of a reassessment of missions. As the basic link between headquarters and the agriculture sector, USDA's field structure should reflect the focus and direction of the Department. USDA's organizational

structure, however, has changed little despite the Department's own 1973 and 1985 studies recognizing this need.

In a January 1991 report on the farm agencies' field structure, we reported that USDA could save millions of dollars while maintaining or improving operational effectiveness by (1) more aggressively pursuing incremental improvements through field office collocations and consolidations and (2) restructuring to provide a more flexible, integrated field organization.³

As stated earlier, USDA's county-based presence is substantial. This structure was established during the Great Depression to serve a largely rural America, in which one in four Americans lived on a farm. Today, however, only 1 in 50 Americans lives on a farm, and many farmers manage large, sophisticated operations. Advances in communications, computers, and transportation systems have greatly increased access to information and sources of assistance, lessening the need for farmers to have contact with multiple farm agencies.

Merging field offices, such as those of the farm service agencies, has several advantages for farmers, taxpayers, and the Department. In doing business with fewer USDA field offices, farmers and others would benefit from reduced bureaucratic requirements and thus less paperwork. Farmers would also have a better chance of receiving improved services and more timely and accurate assistance through the use of integrated information technology. For taxpayers, potential savings could be achieved through a more efficient farm program operation that eliminated program duplication and consolidated resources. The Department of Agriculture would benefit from the opportunities to share personnel, equipment, and office space; create a more flexible and integrated field structure; and improve data management and sharing through improved accuracy in handling records, loans, and payments. The result would be an up-to-date organization that delivers food and agriculture programs to its constituents effectively and efficiently.

We identified several ways in which consolidated offices could provide such potential savings and efficiencies. For example, we found that about 32 percent of Agricultural Stabilization and Conservation Service (ASCS) offices pay out less than 3 percent of total ASCS program benefits, leaving many offices with a relatively low work load--in fact, many county offices spend more on overhead expenses than they pay out in program benefits. Unless offices with low levels of activity can be justified because they provide

³Collocation of offices occurs when two or more field agencies occupy common office space. Consolidation of offices occurs when individual field agencies combine the operations of two or more offices at a single location.

critical services, more cost-effective service could be provided by consolidating some of these offices. However, USDA does not routinely examine field offices for consolidation opportunities and is thus in a weakened position to determine if and where consolidation or other actions, such as collocating and sharing resources, are needed.

We recognize that the cost of county office operations is only one factor to consider in streamlining the field structure and that other criteria may be appropriate for determining the need for local offices in low-activity areas. In this period of budget restriction, USDA needs to weigh the benefits of using its limited resources to staff these low-volume offices against other critical needs. These needs will include the challenges laid out in the 1990 farm bill: reducing spending, increasing agricultural competitiveness, and enhancing the environment. Consolidating offices that spend more for administration than the typical ASCS office would save about \$90 million annually.

While we are not advocating the closure of specific offices, our analysis clearly indicates a need to examine USDA's entire field structure. Incremental measures, including collocations and consolidations, improve efficiency but merely cut at the margins of existing operations. They do not address large-scale concerns affecting the Department's overall design, mission, and service delivery system. In our September 1991 report on revitalizing USDA's structure, systems, and strategies, we recommended that senior officials and the Congress seriously consider integrating the Department's farm agency delivery system so that multiple agencies operate as a unit at local levels. USDA's own reports have called for such an integrated system, but the leadership has never acted on these recommendations.

As we stated earlier, the Department must first reexamine its overall missions and roles before undertaking a major reorganization. It can then identify appropriate objectives for modernizing its delivery of services to the farmer. Some of these objectives could include:

- streamlining the Department into an up-to-date organization that delivers food and agriculture programs to its constituents effectively and efficiently;
- establishing a USDA headquarters structure that is consistent with the efficient operation of field offices;
- creating and nurturing an atmosphere and climate favoring change among Department employees;
- building management improvement initiatives into regular departmental operations; and

- establishing structures and systems that support and monitor progress in achieving overall goals, such as revitalizing rural America by opening up new markets, new export opportunities, and new uses for agricultural products.

Meeting these objectives is a complex task. Implementing the necessary changes will take several years, perhaps as much as 5 years in some cases.

Only the Secretary has sufficient authority to direct change affecting all field operations. As we noted in our January 1991 report, if USDA is to succeed in streamlining its headquarters and field structure, the Secretary must bring together the proper mix of central and field management, outside experts, and state and local office staff. For the 1985 report mentioned earlier, USDA set up a Secretarial task force to obtain comments on alternative organizational structures--including integrating the farm agencies --from under secretaries, representatives from state agricultural panels, public interest groups, congressional staff, and others. The process used an approach based on grass roots proposals made through the state panels that could potentially result in a leaner but stronger USDA field presence. However, in the 7 years since that effort, USDA has implemented few of the task force's recommendations, in part because the Department has not developed the systems necessary to deal with opposing viewpoints and implement change.

Many ideas for consolidating USDA's field office structure and operations have been suggested by USDA managers and employees, state Food and Agriculture Councils, and USDA's own streamlining initiative in 1985. These ideas include

- establishing district or regional offices rather than county offices;
- realigning service boundaries so clients are served by the closest USDA office rather than the office located in the county they live in;
- establishing centralized administrative services centers;
- sharing personnel, equipment, and office space;
- using mobile units or vans to service clients;
- reducing office hours to certain days or times to better harmonize with any changes in the work load; and
- expanding the use of new technology, such as computers, electronic mail, modems, fax machines, upgraded telephone

systems, and "smart cards" for storing farmers' identification data.

In considering these and other ideas for consolidating field offices, however, USDA needs to take into account certain criteria to judge whether the ideas are feasible. These criteria include work load data, farm trends, county size, the number of requests for assistance received by an office, the number of on-farm visits made by employees, budget considerations, administrative costs, and both financial and nonfinancial program benefits.

In determining the size of the areas to be covered, the criteria contained in the Chairman's current legislative proposal are also relevant. These criteria include the number of farms and farmers to be served, the geographic area to be covered by a district, the amount and kind of crops grown, and the inconvenience to farmers of the size of the area.

We recognize that agency and external opposition from agricultural constituencies creates strong barriers to restructuring USDA's field operations. In some cases, specific prohibitions in legislation limit structural change. Actions affecting local offices can generate concern in the Congress as well. This is when leadership and commitment to change are critical. Again, we believe that USDA needs to engage its local staff, top management, clients, and the Congress in an effort to revisit and redefine its mission and build an organization to meet these revised mission goals. In addition, in reviewing its field structure, USDA needs to identify and report to the Congress any obstacles, including legislative restrictions and federal regulations, that it encounters in considering specific cases of consolidating field offices and operations.

In the absence of an active commitment to reform by USDA, external events may force reform. Technological, demographic, and fiscal changes may compel the Department to adopt hurried, ill-conceived reforms that could leave it with a structure ill suited for administering farm programs. Reductions in funding for agriculture programs as the budget deficit grows, sudden shifts in the international market, or a major food safety or environmental incident could abruptly alter USDA's course. Rather than be managed by events, USDA should seize the initiative. With the cooperation of the Congress, the Secretary can actively begin the revitalization process.

CHANGING USDA'S ORGANIZATIONAL STRUCTURE WILL AFFECT THE FARM SERVICE AGENCIES' COMPUTER MODERNIZATION EFFORTS

Because USDA's organizational structure is so large and decentralized, the operational costs for information systems are very high. Over the next 5 years, farm agencies' information technology budgets alone will account for almost \$2 billion.

Modernizing the Department's information technology for farm service agencies before knowing the changes that the Congress and the Secretary will make for streamlining USDA is risky. If agencies acquire information technology before USDA's business processes and information flow are reengineered, it could cost millions of dollars to replace equipment or redesign information systems to meet the needs of the restructured Department.

The House Agriculture Committee is considering several changes including establishing a single farm service agency responsible for all programs administered by the four principal farm service agencies and consolidating two or more of the agencies' field offices. Both of these options would affect the agencies' information technology needs. For example, moving to a single service agency would alter the business processes and information flow within and among the offices, changing field office computer equipment and information system requirements. Similarly, consolidating field offices would mean reallocating the work loads and, therefore, reevaluating the technology needed to support that work load.

Consequently, it would be unwise for the farm service agencies to modernize their information technology until they know what USDA's new structure will be. In the meantime, USDA needs to aggressively pursue several actions. First, USDA should ensure that the farm service agencies move effectively towards integrating their data bases, as required by the 1990 Farm Bill.

Second, the Secretary must continue the effort begun through the Easy Access pilot project to establish common data definitions and ensure that agencies use these common definitions when developing information systems. Since the fall of 1991, USDA has been pilot testing eight projects in 16 locations across the nation as part of the Easy Access Program. USDA initiated this program to respond to 1990 Farm Bill provisions to reduce paperwork and the number and length of visits to USDA offices required of a typical farmer. Two of these projects rely heavily on information technology to improve service. These projects are (1) placing a shared computer in a field office to allow field office employees and farmers access to Agricultural Stabilization and Conservation Service (ASCS), Farmers Home Administration (FmHA), and Soil Conservation Service (SCS) agency information, all from one computer terminal, and (2) installing a geographic information system in field offices. If planned and properly implemented, these projects should reduce paperwork and thus improve service to the farmer.

Recently Secretary Madigan demonstrated his commitment to ensuring that USDA's information technology acquisitions are well-planned and prudent. In a July 17, 1992, letter to the Chairman of the Senate Committee on Agriculture, Nutrition, and Forestry, Secretary Madigan discussed actions he is taking to

ensure that USDA does not make irrevocable investments in new field office computer systems that would be rendered useless by future decisions on USDA's field structure. Key among these actions is establishing a consolidated procurement program for future information systems acquisitions for ASCS, FmHA, and SCS.

We believe this is a positive step that should help USDA and the farm service agencies move collectively and uniformly to address a restructured USDA. However, a consolidated procurement program will not guarantee that these agencies will use technology effectively and efficiently. Past actions by USDA have shown that consolidating computer procurements is not enough. For example, in 1985 USDA conducted a consolidated procurement effort by awarding a single contract to automate FmHA's and SCS' field offices. However, after the contract was awarded, each agency independently bought computer equipment and developed information systems. As a result, these agencies spent millions of dollars on computer equipment and information systems that could not easily share information across agency lines. To help ensure that agencies effectively and efficiently improve delivery of service to farmers, USDA must identify and adopt new and better ways of delivering services, and use technology to accomplish these improvements.

RECOMMENDATIONS AND AGENCY STATUS

In our series of management review reports, we presented a number of recommendations specific to departmental structures, strategies, and systems that, if implemented with strong Secretarial leadership and congressional support, would help USDA begin a course of change. For example, we recommended that USDA improve the effectiveness of its field structure by (1) expanding its collocation tracking system to include information on the extent to which collocated agencies have reduced costs through sharing resources, (2) reporting annually on the potential for additional savings at collocated offices, and (3) stepping up individual agencies' consolidation efforts.

We have had several meetings with Secretary Madigan and his staff to discuss USDA's ongoing initiatives to address these specific recommendations as well as others aimed at improving management systems and operations. Our series of management review reports described the need for leadership. The Secretary has expressed personal interest in streamlining and improving the management of the Department, and we believe that attitude is critical to beginning any revitalization efforts.

Based on our meetings with Secretary Madigan and other senior managers, we believe that the Secretary is deeply interested in and aware of USDA management issues. Secretary Madigan has said that he will expand his efforts to look for ways to streamline USDA. He has said that a review of the Department's field structure cannot be conducted on a piecemeal basis and must be expanded. He is

collecting information on the field office structure of ASCS, FmHA, and SCS, and the Federal Crop Insurance Corporation. He has also said that he plans to look at the Forest Service, the Animal and Plant Health Inspection Service, the research laboratories, and the grain inspection services. Secretary Madigan has also asked the Office of Management and Budget to "share their expertise on efficient management of bureaucracies."

In addition, Secretary Madigan has begun by holding discussions with departmental clients in an effort to find ways to best serve customer needs. For example, as mentioned earlier, USDA is conducting pilot tests as part of the Department's Easy Access program to improve services and cut through red tape and paperwork. A pilot Shared Resources Survey is being undertaken to identify and expand cost-savings projects in local field offices. Both the Secretary and Deputy Secretary have been meeting with farmers and ranchers to hear their concerns and suggestions for improvement. Furthermore, the Deputy Secretary plans to coordinate an overall review of the current field structure in preparation for discussions with the Congress during the development of the next farm bill.

We recognize the challenges facing the Department as it tries to change and adapt to the future. These challenges are substantial. They can be overcome, however, by leadership and commitment from both the Department and the Congress.

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That concludes my statement. I appreciate the opportunity to present our observations to the Subcommittee.

RELATED GAO REPORTSUSDA MANAGEMENT REVIEW REPORTS

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U.S. Department of Agriculture: Interim Report on Ways to Enhance Management (GAO/RCED-90-19, Oct. 26, 1989).

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Department of Agriculture: Restructuring Will Impact Farm Service Agencies' Automation Plans and Programs (GAO/T-IMTEC-92-21, June 3, 1992 and GAO/T-IMTEC-92-23, June 23, 1992).

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