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# REPORT TO THE CONGRESS

## Two Ways The Food And Nutrition Service Could Reduce Costs Of Donating Commodities

B 133059

Department of Agriculture

B-133059

BY THE COMPTROLLER GENERAL OF THE UNITED STATES

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FEB 4, 1972

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COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON D C 20548

B-133059

To the President of the Senate and the  
Speaker of the House of Representatives

This is our report on two ways the Food and Nutrition  
Service, Department of Agriculture, could reduce costs of  
donating commodities

Our review was made pursuant to the Budget and Ac-  
counting Act, 1921 (31 U S C. 53), and the Accounting and  
Auditing Act of 1950 (31 U S C 67)

Copies of this report are being sent to the Director,  
Office of Management and Budget, and to the Secretary of  
Agriculture

Comptroller General  
of the United States

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ABBREVIATIONS

FNS	Food and Nutrition Service
GAO	General Accounting Office

D I G E S T

WHY THE REVIEW WAS MADE

The Food and Nutrition Service administers the commodity distribution program under which food is donated to such recipients as needy persons, schools, and charitable institutions. In fiscal year 1970 the Federal Government donated about 2.4 billion pounds of commodities at a cost of \$577.6 million.

The General Accounting Office (GAO) reviewed program operations to evaluate the reasonableness of the costs incurred for certain packaged commodities and for special purchases.

FINDINGS AND CONCLUSIONS

The cost to the Government of donating certain commodities could be reduced substantially if the Service (1) enforced its requirement that commodities be requisitioned in the most economical size packages practicable and (2) required State distributing agencies to submit requisitions promptly to avoid special purchases which are more costly.

Packaging costs

In the seven States where GAO reviewed program operations, the State distributing agencies, rather than requisitioning flour, vegetable shortening, and nonfat dry milk in large-size packages when practicable for schools and institutions, requisitioned small-size packages meant for small users, such as families.

The Service did not question the agencies' requesting commodities in small packages, nor did it require the agencies to justify their requests, because it believed the agencies were ordering the proper package sizes. (See p. 7.)

Some schools and institutions used only small amounts of one or more of these commodities, and the use of small packages may have been warranted in such cases. Many schools and institutions, however, used large quantities of these commodities. GAO visited 105 schools, school systems, and institutions of various sizes participating in the program. Representatives of

- 103 said that they used or could have used 50-pound packages of flour,
- 95 said that 50-pound containers of vegetable shortening would be practicable for their use, and
- 78 said that 50-pound bags of nonfat dry milk would be practicable for their use.

For fiscal year 1970 GAO estimated that, nationwide, the additional cost of providing these three commodities to schools and institutions in small, rather than large, containers was about \$1.6 million. A substantial part of this cost could have been saved by the acquisition of these commodities in large packages.

#### Special purchases

Controls over special purchases of processed grain commodities--such as flour, cornmeal, and rolled wheat--needed to be strengthened. State distributing agencies frequently were late in submitting monthly requisitions for such commodities, so that special purchases were required to meet the States' needs. In many instances, justifications indicating the need for such purchases were not provided.

Special purchases are made in emergency situations or when an earlier than normal delivery is needed. Only a limited number of potential vendors are asked to submit bids for the items.

Average prices paid for special purchases of processed grain commodities during fiscal year 1970 were from 3 to 8 percent higher than prices paid for regular monthly purchases. About \$1 million worth of special purchases for 17 million pounds of processed grain commodities were made nationwide during fiscal year 1970.

Subsequent to GAO's bringing this matter to the attention of the Department, the Service's regional officials were instructed to inform State agencies to submit requisitions by the established deadlines and to discontinue making special purchases without valid justifications. (See p. 14.)

#### RECOMMENDATIONS OR SUGGESTIONS

The Administrator of the Food and Nutrition Service should

- vigorously enforce the requirement that State agencies requisition commodities in the most economical size packages practicable and
- have State agencies justify, when necessary, the requisitioning of commodities in small-size packages for schools and institutions. (See p. 13.)

#### AGENCY ACTIONS AND UNRESOLVED ISSUES

The Department (see app. I) agreed generally with GAO's conclusions and outlined a proposed long-run approach for improving the situation by helping States to redesign and better finance their distribution systems.

GAO expressed concern over the need for more timely corrective actions to take advantage of the possible savings from the use of large-size, rather than small-size, packages. Subsequently the Service instructed its regional officials to reemphasize to the State agencies the need to provide foods in larger containers to certain recipients, when possible.

GAO believes that these actions are directed toward implementing its proposals but that a vigorous follow-up review is necessary at the national and regional office levels to provide assurance that full implementation is effective and timely (See p 12 )

MATTERS FOR CONSIDERATION BY THE CONGRESS

This report informs the Congress of two ways the Food and Nutrition Service can reduce costs of the commodity distribution program

## CHAPTER 1

### INTRODUCTION

The commodity distribution program of the Department of Agriculture is administered by the Food and Nutrition Service (FNS) with assistance from the Consumer and Marketing Service and the Agricultural Stabilization and Conservation Service. All are constituent agencies of the Department

Our review was directed primarily toward evaluating the reasonableness of costs for packaged flour, vegetable shortening, and nonfat dry milk and for special purchases of processed grain commodities. We did not review the overall administration of the program. The review was conducted at three of the five FNS regional offices and included visits to State distributing agencies, schools, school systems, and charitable institutions in seven States.

### DESCRIPTION AND OBJECTIVES OF COMMODITY DISTRIBUTION PROGRAM

The Department of Agriculture, through its commodity distribution program, makes many commodities available for use by (1) schools operating nonprofit school lunch programs, (2) State and local public welfare agencies for distribution to needy persons, (3) charitable institutions, (4) State correctional institutions, (5) needy Indians, (6) victims of natural disasters, and (7) mothers, infants, and small children most vulnerable to nutritional deficiencies

The Department acquires food for the program through its price-support program and its program for removing surplus agricultural products from the market and by purchases under the National School Lunch Act. The commodities are available for distribution pursuant to section 416 of the Agricultural Act of 1949, as amended (7 U.S.C. 1431); section 32 of the act of August 24, 1935, as amended (7 U S C 612c), and section 6 of the National School Lunch Act, as amended (42 U S C. 1755)

The costs of acquiring, processing, and transporting commodities to delivery points are payable, under FNS

regulations, with Federal funds. State distributing agencies are responsible for allocating the commodities within the States. Generally State welfare or education departments, or in some States both, act as State distributing agencies.

The State agencies enter into agreements with public (State or local) or private agencies--designated as recipient agencies--which distribute the commodities to eligible families and individuals. Distributions by these recipient agencies are supervised by, and remain the responsibility of, the State distributing agencies.

In fiscal year 1970 the Federal Government donated about 2.4 billion pounds of commodities under the program at a cost of \$577 6 million.

#### FEDERAL ADMINISTRATION

The Secretary of Agriculture has assigned overall administration of the commodity distribution program to FNS. FNS is responsible for entering into written agreements with State distributing agencies prior to the inauguration of a distribution program and for administering these agreements. FNS has five regional offices, each responsible for administering consumer food programs, including the commodity distribution program, within its designated geographical area. The regional offices analyze State agency operations to determine whether commodities are distributed in accordance with FNS instructions and agreements.

The Consumer and Marketing Service is responsible for procuring commodities under the school lunch program and the program for removing surplus agricultural products from the market. The Agricultural Stabilization and Conservation Service is responsible for procuring price-support commodities. The Agricultural Stabilization and Conservation Service assists FNS in administering the program by carrying out the instructions of the Consumer and Marketing Service and FNS for ordering commodities, arranging for transportation, and paying for purchase, transportation, and handling charges.



## CHAPTER 2

### OPPORTUNITIES TO REDUCE COSTS

#### OF DONATING COMMODITIES

The cost to the Government of donating certain commodities under the commodity distribution program could be substantially reduced if FNS (1) enforced its requirement that commodities be requisitioned in the most economical size packages practicable for donation to schools and institutions and (2) required State distributing agencies to submit requisitions for commodities promptly to avoid special purchases which are more costly.

#### SAVINGS AVAILABLE THROUGH INCREASED USE OF LARGE PACKAGES

In the seven States covered by our review, the State distributing agencies, rather than requisition flour, vegetable shortening, and nonfat dry milk in large-size packages, when practicable, for large users, such as schools and institutions, requisitioned such commodities in small-size packages meant for small users, such as families.

Our discussions with various persons at a number of schools and institutions indicated that receiving these donated commodities in large-size packages would present no real problems.

FNS instructions to State distributing agencies require that, to the extent practicable, commodities to be donated to schools and institutions be requisitioned in the most economical size packages. When commodities are available in more than one size package, the instructions require that the State agencies requisition the commodities in the small-size packages for donations to families and, to the maximum extent practicable, in large-size packages--such as 50-pound containers--for schools and institutions.

FNS regional officials advised us that, although they encouraged State distributing agencies to requisition commodities in the most economical size packages practicable, they

had not questioned the propriety of State agencies' requesting commodities in small-size packages for schools and institutions and that they had not required the agencies to justify such requests because they believed that the agencies were making the proper determinations as to package sizes.

We visited 105 units--individual schools, school systems, and institutions--in the seven States and interviewed individuals knowledgeable of food service operations, including administrative, dietetic, and supervisory kitchen personnel. The average number of daily participants in the program at the units visited ranged from less than 40 at several small schools and institutions to over 20,000 at a few large school systems; in one case, 60,000.

Although many of the individuals knowledgeable of food service operations told us that they preferred small packages of flour, shortening, and nonfat dry milk because of convenience, almost all acknowledged that, except for units using small amounts of shortening and nonfat dry milk, there would be no serious objections to receiving the commodities in large packages. Personnel at several of the larger school systems told us that large packages would be more appropriate in their operations because of the large volume of food used.

Some of the individuals interviewed stated that the lack of male help to handle heavy packages might be a problem. Of the 105 units visited, however, only 23 had no male help. Representatives at only 10 of these 23 units told us that the lifting of 50-pound packages would present a problem. At 95 of the units (including eight of the 10 mentioned above), we were told that they had been purchasing food in 50-pound or larger containers.

On the basis of our review, we believe that, nationwide, a substantial part of the additional costs of providing flour, shortening, and nonfat dry milk in small containers to schools and institutions could be saved. We estimate that, nationwide, these additional costs amounted to about \$1.6 million for fiscal year 1970.

Details concerning the donation of flour, vegetable shortening, and nonfat dry milk to schools and institutions follow.

## Flour

FNS criteria provide that flour be distributed to needy families in 5- and 10-pound bags and to schools and institutions generally in 50-pound bags. Of 279 million pounds of flour donated to schools and institutions nationwide in fiscal year 1970, about 146 million pounds, or 52 percent, were in family-size packages.

Several large city school systems that we visited used flour in family-size packages in quantities up to 30,000 pounds a week. Officials of some of these school systems told us that they would prefer to receive flour in 50-pound containers. One school system official informed us that using small packages was bothersome and time consuming. State agency officials told us that they had provided flour in small-size packages because it was a size that could be used by all participants, including needy families.

At 97 of the 105 units visited, officials told us that, if they had to buy the flour which was being donated by FNS, the purchases would be made in 50-pound or larger size packages to save money.

The following table shows, for selected States, that flour is donated to schools and institutions in some States generally in 50-pound packages and in other States generally in 10-pound packages.

<u>State</u>	<u>10-pound packages</u>	<u>50-pound packages</u>
	(hundredweight)	
Florida	109,304	-
Georgia	14,344	109,349
Illinois	-	64,504
Indiana	39,943	-
Louisiana	106,578	9,245
Missouri	38,215	8,987
North Carolina	8,188	84,395
South Dakota	184	12,452
Tennessee	81	90,928
Texas	153,901	5,701
Virginia	-	59,483

On the basis of our analysis of selected purchases of flour in 10- and 50-pound packages, we estimate that the average cost of flour donated by FNS was about 34 cents, or 6 percent, a hundredweight less when packaged in the larger packages. Therefore we estimate that, during fiscal year 1970, the cost of providing 146 million pounds of flour to schools and institutions in small, rather than large, packages was about \$500,000.

Of the 105 units we visited in the seven States, 103 indicated that flour donated in 50-pound packages would present no problems, some units already were using the large packages. We believe that, nationwide, substantial costs could have been saved through acquisition of flour in large packages for donation to schools and institutions, when practicable.

### Vegetable shortening

FNS criteria provide that generally vegetable shortening be distributed to needy families in 16- or 30-ounce metal containers and to schools and institutions in 50-pound metal containers. Of 17.4 million pounds of vegetable shortening donated to schools and institutions nationwide during fiscal year 1970, about 6.6 million pounds, or 38 percent, were in family-size containers. The donations of shortening to one large city school system that we visited were in small-size packages, although it used about 6,500 pounds a week.

At 95 of the 105 units visited, we were told that it would be practicable to use shortening in 50-pound containers. At the remaining 10 units, we were told that larger packages of shortening were impracticable, principally because of the small quantities used and the possibility of spoilage.

On the basis of our analysis of selected purchases of shortening in 30-ounce and 50-pound containers, we estimate that the average cost of shortening donated by FNS was about \$4, or 18 percent, a hundredweight less when packaged in the larger containers. Therefore we estimate that, during fiscal year 1970, the cost of providing 6.6 million pounds of vegetable shortening to schools and institutions in small, rather than large, containers was about \$260,000. We believe that, nationwide, substantial costs could have been

saved by acquiring vegetable shortening in large containers for donation to schools and institutions, when practicable.

#### Nonfat dry milk

FNS criteria provide that generally nonfat dry milk be distributed to needy families in 4-1/2-pound packages and to schools and institutions in multiwall, polyethylene-lined paper bags containing 50 pounds. Of 42.6 million pounds of nonfat dry milk donated nationwide to schools and institutions in fiscal year 1970, about 41.5 million pounds, or 97 percent, were in family-size packages. Some school systems we visited were using nonfat dry milk in small packages even though they used more than 1,000 pounds a month. For example, one school system in a large city used an average 4,500 pounds a week.

The average cost of nonfat dry milk purchased for donation in fiscal year 1970 was \$2.25, or 8 percent, a hundred-weight less when packaged in the larger size. Therefore we estimate that, during fiscal year 1970, the cost of providing the 41.5 million pounds of nonfat dry milk to schools and institutions in small, rather than large, packages was about \$900,000.

At 78 of the 105 units visited, we were told that it would be practicable to use nonfat dry milk in the 50-pound packages. At the remaining 27 units, the principal reason given as to why large packages were impracticable for use was that nonfat dry milk was a relatively slow-moving item which could spoil before all the contents of the package would be consumed.

On the basis of our review, we believe that, nationwide, substantial costs could have been saved by acquiring nonfat dry milk in large packages for donation to schools and institutions, when practicable.

- - - -

In a draft of this report, we proposed that FNS enforce its requirement that State agencies requisition commodities--particularly flour, vegetable shortening, and nonfat dry milk--in the most economical size packages practicable and require the agencies to justify the requisitioning of commodities for schools and institutions in small packages.

## Agency comments and our evaluation

In commenting on our findings and proposals, the Department of Agriculture informed us by letter dated October 8, 1971 (see app. I), that it agreed that recipient agencies should accept commodities in the package size most practicable for use in their particular operations. The Department stated that a private consulting firm was employed to study the commodity distribution program and that it recently had received a report from that firm with recommendations for program improvement.

Although the study did not consider differences in the costs of providing commodities in large, rather than small, packages, the Department stated that the consultant's report did comment on certain costs--administrative, inventory carrying, and warehousing--which would be somewhat affected by decisions to stock different size packages of products

In commenting further the Department stated that it was concentrating on helping States to redesign and better finance their distribution systems so that there could be a full variety and volume of foods available for delivery to recipient agencies at economical rates. According to the Department, this action would cut down the practice of shipping to all agencies in an area the one package size of product the smallest recipient agency could use most efficiently, thereby aiding the agency in selecting the product that it could use most economically

The Department stated also that States were being encouraged to enter into processing contracts with private industries to convert bulk product into product forms that could be used more conveniently in schools and institutions and that FNS was developing a prototype processing contract for this purpose

In a discussion with FNS officials on October 26, 1971, regarding the Department's comments, we were told that redesign of the States' distribution systems was a long-run approach to a solution and that they did not know when such a redesign would be initiated. We expressed our concern over the need for more timely corrective actions to take

advantage of the possible savings from the use of large-size packages, rather than small-size packages, for schools and institutions

Therefore the Acting Director, Food Distribution Division, FNS, sent a letter to the regional administrators on November 10, 1971, summarizing our findings and proposals and instructing them to remind the State distributing agencies to survey their needs for foods which were available in more than one package size. He also told the regional administrators that they were to reemphasize to the State agencies that they were to provide foods for schools, institutions, and summer camps in the larger containers to the maximum extent possible.

The Department did not specifically comment on our proposal that State agencies be required to justify the requisitioning of commodities for schools and institutions in small-size packages. We noted, however, that, in corresponding with one of the regional administrators after receiving our draft report, the FNS national office indicated that such action might be necessary because of laxities in implementing the FNS instructions to use the most economical size packages practicable.

Although the actions taken by FNS are directed toward implementing our proposals, we believe that a vigorous follow-up review is necessary at the national and regional office levels to provide assurance that full implementation is effective and timely.

#### Recommendations to the Secretary of Agriculture

In view of the savings available by acquiring commodities in large-size packages, we recommend that the Administrator of FNS take appropriate action to have FNS regional offices vigorously enforce the requirement that State agencies requisition commodities--particularly flour, vegetable shortening, and nonfat dry milk--in the most economical size packages practicable. We recommend also that State agencies be required to justify, when necessary, the requisitioning of the commodities in small-size packages for schools and institutions.

CONTROLS OVER SPECIAL PURCHASES  
SHOULD BE STRENGTHENED

State distributing agencies frequently have been late in submitting their monthly requisitions for processed grain commodities--such as flour, cornmeal, and rolled wheat--which has required the Agricultural Stabilization and Conservation Service to make special purchases. In many instances, justifications indicating the need for such purchases were not provided. The procedures applicable to making special purchases, such as in emergency situations or when an earlier than normal delivery is needed, provide that only a limited number of potential vendors be asked to submit bids.

Average prices paid for special purchases of processed grain commodities in fiscal year 1970 were from 3 to 8 percent higher than prices paid for regular monthly purchases. Also, because the special purchases are in addition to the regular monthly purchases, they require special handling. During fiscal year 1970, about 17 million pounds of processed grain commodities were purchased nationwide at a cost of about \$1 million under the special purchase procedures.

Depending upon the commodity involved, normally from 14 to 96 prospective vendors are invited to submit bids for purchases of processed grain commodities requested by State distributing agencies. Because of the large number of vendors involved, a relatively long lead time is needed to analyze the bids. Under the special purchasing procedures, only three vendors normally are asked to submit bids. An official of the Agricultural Stabilization and Conservation Service told us that usually the vendors selected are those who have other contracts for the same commodity with that agency.

Invitations for bids normally are prepared and distributed once each month for purchases to be made in the second succeeding month. Requisitions from State agencies are required to be submitted to FNS regional offices by prescribed deadline dates. Summaries of these requisitions are required to be submitted to the Agricultural Stabilization and Conservation Service by the 20th day of the month so that the requisitions can be included on the invitations.



that month. Those that are received later are included in the invitations in the following month, or, if earlier delivery is required, the requisitioned item is purchased under the special purchasing procedures.

We noted many instances in which specific reasons for the late requisitions were not identifiable. For example, in fiscal year 1970, seven State distributing agencies in one region submitted 180 requisitions for processed grain commodities totaling 10.9 million pounds to the FNS regional office after the prescribed deadline. Of these requisitions, 46 indicated that special purchases should be made, but only 18 were accompanied by what appeared to be valid justifications for making special purchases. These 46 requisitions were for commodities totaling about 1.9 million pounds.

Also three States submitted requisitions in 1 month for flour totaling 7.2 million pounds, too late for the purchases to be included with regular purchases in the month. These purchases were made under the special purchasing procedures, although no justification was obtained evidencing the need to do so.

- - - -

In a draft of this report, we proposed that FNS emphasize to State distributing agencies the need to submit requisitions by the prescribed due date and require the agencies to submit justifications evidencing the need for special purchases.

#### Agency comments and our evaluation

In commenting on these proposals, the Department agreed that the States should manage their orders so that there would be no need for emergency shipments. The Department expressed the belief that many emergency-order problems related to suppliers' not shipping on time and to the lack of timely delivery by common carriers. Another problem, according to the Department, was the absence of good information systems in some States for forecasting their needs.

Regarding the need for better and more current information, the Department said that an information retrieval

system was being tested in Maine that would help the States to better manage their inventories and to be aware of supply situations. The Department expected that such a system would minimize the number of emergency purchases resulting from inaccurate forecasts of needs by the States. FNS officials later told us that they believed that the system also would help to alleviate the problem we had identified--the late submission of requisitions by States--because the States' needs would be determined on a more timely basis.

In his November 10, 1971, letter to the regional administrators, the Acting Director, Food Distribution Division, FNS, told them that efforts must be made to get the States to manage their food inventories and their requisitions so that there would be little need for emergency procurements. He also instructed the regional administrators to inform the State agencies that they were to submit requisitions for foods purchased monthly so that they would reach the FNS regional offices by the established deadlines and that failure to do so would no longer be condoned. He further instructed them that no special purchases were to be made unless there were valid justifications for making them.

We believe that the actions taken or proposed are responsive to our proposals and, if properly implemented, should result in the elimination of unjustified special purchases.

## CHAPTER 3

### SCOPE OF REVIEW

Our review was concerned primarily with evaluating the reasonableness of costs for packaged flour, vegetable shortening, and nonfat dry milk and for special purchases of processed grain commodities donated to State agencies under the commodity distribution program.

We reviewed basic laws authorizing the donation programs and the FNS policies and procedures for administering the program. We examined pertinent records and interviewed officials at the FNS headquarters office in Washington, D C., and at FNS regional offices located in Atlanta, Georgia, Chicago, Illinois; and Dallas, Texas. We interviewed also officials of seven State distributing agencies and 105 units, including schools, school systems, and institutions, located in the States of Florida, Georgia, Indiana, Louisiana, Missouri, North Carolina, and Texas. We examined also pertinent cost records at the Agricultural Stabilization and Conservation Service's commodity office in Minneapolis, Minnesota.

UNITED STATES DEPARTMENT OF AGRICULTURE  
FOOD AND NUTRITION SERVICE  
WASHINGTON D C 20250

OCT 8 1971

Mr. Max Hirschhorn  
Associate Director, Civil Division  
United States General Accounting Office  
Washington, D.C. 20548

Dear Mr. Hirschhorn:

The Secretary has asked that we comment on the draft of the report to the Congress on "Opportunities to Reduce Costs of Providing Donated Commodities, Food and Nutrition Service". We appreciate this opportunity to review the report and to share our thoughts on these matters.

We agree that recipient agencies should accept commodities in the package size most practical for use in their particular operations and that States should manage their orders so there is no need to resort to emergency shipments. States have routinely been kept aware of the desirability of their using the larger sized package, but we have imposed few constraints on ordering in our effort to have them make maximum use of the foods available through the Food Donation Program. As you know, we have increasingly relied on food donations as a resource to have more free and reduced-price lunches served and small variations in use of foods affect that effort. In the belief that there is room for improvement, however, we contracted for, and have just received, a report from A. T. Kearney and Company, Inc., with recommendations for program improvement.

The question asked of recipient agencies about use of larger packages of product is a first step in the analysis of a State's attention to supplying appropriate size packages. The A. T. Kearney and Company, Inc., report comments, however, that administrative costs increase proportionately with the number of distributions, that inventory carrying costs increase proportionately with the number of different items and package sizes in inventory; that warehousing needs increase proportionately with the number of items in inventory, and that distribution costs increase as the volume (size) of shipments is reduced. Each of these cost considerations is somewhat affected by decisions to stock different size packages of products. However, this necessitates constant evaluation by distributing agencies as to how more efficiently and accurately each recipient agency's needs may be met.

## APPENDIX I

Further, we believe that many of our "emergency order" problems relate to suppliers not shipping on time and to the lack of timely delivery by common carriers, both are actions that may necessitate emergency shipments from other sources to meet emergency needs of recipient agencies. Another problem now existing is the absence of good information systems in some States for forecasting their needs.

Our approach to improving this situation now is to concentrate in helping States redesign and better finance their distribution systems so that there can be a full variety and volume of foods available for delivery to recipient agencies at economical rates. This action will cut down the practice of shipping to all agencies in an area the one package size of product the smallest recipient agency can use most efficiently and, thereby, aid the agency in selecting the product that it can most economically use. Secondly, we are encouraging States to enter into processing contracts with private industries to convert bulk product into product forms that can be used more conveniently in schools and institutions. The increased use of these contracts will increase the use of bulk shipments. In FY 1971, we arranged for bulk shipments of flour to several bakeries which were supplying bread products to schools. More than 7 million pounds of bread flour have been so shipped at a considerable savings in packaging costs.

We are testing in Maine a prototype for an automated information retrieval system that will help States to better manage inventories and to be aware of their supply situations. The system has been designed to have counties furnish to States, and subsequently, to USDA, the quantities of food received, distributed and in inventory. This information may then be aggregated, by computer, and provide for more precise planning for future needs. We expect that this system will be acceptable to most States and, when implemented, will bring a sharp reduction in the number of emergency shipments that are the result of inaccurate forecasts of needs by States.

In summary, we believe the objectives of your proposed recommendations can be achieved by providing more guidance materials such as the A. T. Kearney Company, Inc., report suggests. We are developing now a prototype processing contract that will guide States in the use of bulk product in their central food preparation centers. We are also working on procedures to help States better judge the inventories needed to maintain food service despite interrupted production and transportation schedules.

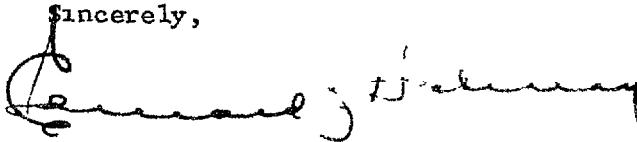
[See GAO note.]

GAO note Deleted material pertained to suggested editorial changes which have been made in the final report.

[See GAO note ]

We will be glad to discuss our views further if you desire.

Sincerely,

A handwritten signature in cursive script, appearing to read "Edward J. Hekman".

EDWARD J HEKMAN  
ADMINISTRATOR

BEST DOCUMENT AVAILABLE

APPENDIX II

PRINCIPAL OFFICIALS OF THE  
DEPARTMENT OF AGRICULTURE  
HAVING RESPONSIBILITY FOR THE  
ACTIVITIES DISCUSSED IN THIS REPORT

Tenure of office  
From                      To

DEPARTMENT OF AGRICULTURE

SECRETARY OF AGRICULTURE.

Earl L. Butz	Dec. 1971	Present
Clifford M. Hardin	Jan. 1969	Nov. 1971

UNDER SECRETARY OF AGRICULTURE.

J. Phil Campbell	Jan. 1969	Present
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FOOD AND NUTRITION SERVICE

ADMINISTRATOR

Edward J. Hekman	Sept. 1969	Present
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