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Review Of Data Gathered And Reported For The Federal Outlays Report By The Food And Nutrition Service

B-175150

Department of Agriculture

**BY THE COMPTROLLER GENERAL
OF THE UNITED STATES**

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JUNE 27, 1972



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-175150

Dear Mr. O'Konski:

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2 This is our report on our review of data gathered and reported for the Federal Outlays report by the Food and Nutrition Service, Department of Agriculture. Our review was made pursuant to your request of January 21, 1972, and subsequent discussions with our representatives. 513 42

We reviewed the background of the Government-wide Federal Outlays report, the policies and procedures used by several agencies of the Department of Agriculture--particularly the Food and Nutrition Service--to gather and report data, and the reliability of the published data. We interviewed officials of several agencies of the Department of Agriculture, the Office of Management and Budget, the Office of Economic Opportunity, and several State agencies. Our work was performed primarily at the Food and Nutrition Service headquarters in Washington, D.C.

We identified some of the problems contributing to the lack of report reliability and made a number of suggestions to the Food and Nutrition Service aimed at improving the reliability of the data and the usefulness of the report. This report discusses the results of our examination and the suggestions we made.

We plan to make no further distribution of this report unless copies are specifically requested, and then we shall make distribution only after your approval has been obtained or public announcement has been made by you concerning the contents of the report.

We trust the information provided will be of assistance to you.

Sincerely yours,

Comptroller General
of the United States

cl/r

The Honorable Alvin E. O'Konski
House of Representatives

REVIEW OF DATA GATHERED AND REPORTED

FOR THE FEDERAL OUTLAYS REPORT

BY THE FOOD AND NUTRITION SERVICE

BACKGROUND INFORMATION

The Federal Outlays report was established as a regular Government-wide data reporting system by Circular No. A-84 of the Bureau of the Budget--now the Office of Management and Budget (OMB)--in June 1967. Circular No. A-84 provided a basis for collecting information on Federal outlays by geographic location in the United States and specified that, with certain exceptions, each Government agency provide a listing of Federal obligations by program in each State and county, regardless of population, and each city of more than 25,000 people. Cities independent of counties, regardless of size, were to be treated as counties for report purposes.

The State and Local Government Division, Office of Operations, Office of Economic Opportunity (OEO), collects data from the various agencies and publishes the outlays report for the Executive Office of the President. The report is issued twice each fiscal year: once to report the first 6 months' outlays and once to report outlays for the entire fiscal year. Reports usually are distributed 5 to 10 months after the close of the reporting period. OEO is responsible for issuing instructions on the format in which the data are to be submitted and on specific reporting requirements.

The published reports recognized that some of the data therein were estimates and cautioned users regarding reliability of the data. The fiscal year 1969 report, for example, stated that:

**** in some cases, agency accounting systems do not provide data by geographic location and approximations or statistical derivations have been made. Therefore, the reader should exercise care in the interpretation, quotation, or summary of individual figures."

The fiscal year 1970 report evidenced more confidence in the data but cautioned users that individual agency feeder systems which produced the data were still evolutionary and developmental and that various estimating techniques had been used. The report also recognized special problems in meeting reporting deadlines when data passed through State governments.

Agencies of the Department of Agriculture gather data for the report using varying methods. Some agencies solicit data from State or county offices; others prepare the data without such field contact. Some of the report data are actual figures and some are estimates. The Department's Office of Budget and Finance collects report data from each agency and transmits the data to OEO.

RELIABILITY OF REPORT DATA

We talked to officials of several of the Department's agencies about the data submitted for the outlays report. Officials of only one agency--the Food and Nutrition Service (FNS)--told us that they believed that the data submitted for their agency were highly unreliable. Officials of the other agencies stated that their figures had been reasonably reliable even when estimates had been used. Our comparison of outlays report data with program expenditures for several programs as reported in the various agencies' summary financial documents seemed to substantiate these views.

For example, outlays report data for fiscal year 1970 for the programs we compared for each of the agencies other than FNS averaged 10 percent or less below the expenditures the agencies identified as actual, whereas outlays report data for FNS programs for fiscal year 1970 averaged 26 percent below the expenditures which FNS officials told us were actual. The FNS expenditures cited as actual were published in the fiscal year 1970 FNS Annual Statistical Review several months after the outlays report data were reported. We used fiscal year 1970 data because the fiscal year 1971 Annual Statistical Review was not available at the time of our review.

For FNS the individual program totals shown in the outlays report ranged from 9 to 45 percent below the amounts shown in the Annual Statistical Review. The following table compares, for selected FNS programs, the outlays report data with those taken from the Annual Statistical Review.

SET-ASIDES AND OTHER AWARDS TO SMALL BUSINESS BY DSA AND VA
IN FISCAL YEARS 1969-1971 FOR DRUGS, BIOLOGICALS, AND CHEMICALS

	<u>Fiscal year 1969</u>		<u>Fiscal year 1970</u>		<u>Fiscal year 1971</u>	
	<u>DSA</u>	<u>VA</u>	<u>DSA</u>	<u>VA</u>	<u>DSA</u>	<u>VA</u>
Set-asides	\$ 336,000	\$ 11,400	\$ 672,000	\$ 15,800	\$ 800,000	\$
Other awards (note a)	8,728,000	1,783,800	5,011,000	1,048,800	6,640,000	1,434,700 (note b)
TOTAL (small business)	<u>\$ 9,064,000</u>	<u>\$ 1,795,200</u>	<u>\$ 5,683,000</u>	<u>\$ 1,064,600</u>	<u>\$ 7,440,000</u>	<u>\$ 1,434,700</u>
TOTAL (drugs, biologicals, and chemicals)	<u>\$102,366,000</u>	<u>\$23,427,100</u>	<u>\$71,997,000</u>	<u>\$23,019,100</u>	<u>\$95,066,000</u>	<u>\$27,186,700</u>
Small business as percent of total	8.9	7.7	7.9	4.6	7.8	5.3

^aThese awards resulted, for the most part, from small business firms' meeting price competition under normal procurement procedures.

^bIncludes purchases of about \$299,100 from small business minority group enterprises. (See p. 4.)

<u>Program</u>	Fiscal year 1970 program totals--nationwide	
	<u>Federal Outlays report</u>	<u>Annual Statistical Review</u>
Food Stamp Bonus Coupons	\$452,579,740	\$549,663,811
Payments to States for School Milk	91,286,746	101,163,760
Nonfood Assistance to Schools	11,805,279	16,705,170
Direct Food Distribution to Schools	110,561,935	201,404,192
Direct Food Distribution to Families	229,130,773	289,423,186

In comparing fiscal year 1970 State totals for FNS programs in the outlays report with the amounts in the Annual Statistical Review, we noted similar differences. For 39 of the 50 States, FNS reported less dollar outlays in the outlays report than it reported in the Annual Statistical Review as actually having been incurred. The outlays reported in the outlays report ranged from 1 percent (Utah) to 57 percent (Delaware) below those reported in the Annual Statistical Review. Outlays data reported for Wisconsin were about 56 percent below Annual Statistical Review data. A comparison of outlays report program totals with Annual Statistical Review data for Wisconsin follows.

<u>Program</u>	Fiscal year 1970 program totals--Wisconsin	
	<u>Federal Outlays report</u>	<u>Annual Statistical Review</u>
Food Stamp Bonus Coupons	\$ 4,166,694	\$ 5,743,496
Child Breakfast	15,156	64,558
Nonfood Assistance to Schools	164,213	171,570
School Lunch--Cash Payments	709,523	4,301,845
Donation of Commodities to School Lunch	2,247,246	1,388,135
Payments to States for School Milk	528,552	3,550,749
Special Food Service Program for Children	98,465	193,834
Direct Food Distribution to Schools	1,001,122	3,694,254
Direct Food Distribution to Families	951,084	3,604,587
Direct Food Distribution to Institutions	226,885	550,630
Total	<u>\$10,108,940</u>	<u>\$23,263,658</u>

An FNS official told us that the Annual Statistical Review data were compiled from accounting records several months after the close of the reporting period. State agencies were required to submit outlays report data about

1 month after the close of the reporting period. FNS officials told us also that a change from quarterly to semi-annual reporting in fiscal year 1970 might have affected the reliability of outlays report data. Additional problems contributing to the lack of reliability of the data in outlays reports are discussed in the following sections.

DATA REPORTING SYSTEM

Although data on some programs which FNS administers are gathered at FNS headquarters, data on other programs, such as commodity distribution programs, are gathered at the State level because active participation by FNS in such programs ends with food deliveries to the States. To complete the required report for such programs, therefore, FNS regional office officials generally obtain data from State agencies and transmit the data to FNS headquarters officials, who submit the data, unaltered, for publication in the report.

One FNS official told us that data from some State recordkeeping systems did not provide program data to meet the county and city reporting requirements of the outlays report. He said that the problem was especially difficult when school districts participating in a program overlapped two or more counties. Another FNS official said that records kept by the States for the National School Lunch Program had been maintained by school districts, not by county or city geographic boundaries. According to other FNS officials, FNS provided the States with alternative techniques for prorating data to counties but the officials were not certain which techniques the States actually had used to allocate school lunch outlays among counties.

REPORTING INSTRUCTIONS AND FORMS

The initial instruction to the States for providing data for the outlays report was issued by the Consumer and Marketing Service (C&MS)¹ in 1968. At that time C&MS administered the programs--which have been under FNS jurisdiction from August 1969--and provided data on the programs for the outlays report. FNS issued numerous supplemental instructions to clarify, modify, and update the initial

¹C&MS was renamed the Agricultural Marketing Service on April 2, 1972, when its meat and poultry inspection activities were transferred to the Department's Animal and Plant Health Inspection Service.

instruction but did not incorporate such changes in one document. An FNS official told us that the instructions were not always current, that they did not clearly define responsibilities, and that certain matters were not covered adequately.

We asked State agency officials in 11 States about the instructions they had received pertaining to the outlays report. Generally these officials did not have all applicable FNS instructions. For example, the officials did not have the instructions relating to the change in reporting requirements that made the second report in each fiscal year cover the entire year. As a result officials in all but one State told us that they planned to submit data for 6 months for the second report for fiscal year 1972. In some cases the officials had received instructions from an FNS regional office that were contradictory to those issued by FNS headquarters.

The form which the States use to report outlays data also was prescribed initially by C&MS. Among other things, the form did not provide for reporting data on all current programs. FNS issued instructions to provide for reporting outlays for programs not listed on the form but the form had not been revised.

RESPONSE TO REQUESTS FOR DATA

FNS officials told us that some States did not submit data to FNS for the outlays report. One of the officials said that, in some cases, FNS regional officials prepared estimates of outlays in the States to meet the requirements of the reporting system.

Some States did not meet deadlines for reporting data for some programs. FNS did not prepare estimates in such cases but submitted for publication the data it had received by the deadline. An FNS official told us that this would result in lower than actual report totals. For fiscal year 1970, 21 States either failed to report data or submitted data for at least one program too late for publication.

In some instances FNS officials had not actively solicited the receipt of timely and accurate reports from the States. FNS officials told us, for example, that following informal discussions with an OEO official, FNS had advised State agencies that the requirement for reporting outlays for the first 6 months of fiscal year 1971 would be rescinded. OEO, however, did not rescind that reporting requirement. Because FNS had delayed too long to obtain

outlays estimates from the States for the first 6 months of fiscal year 1971, it revised and submitted to OEO data for the first half of fiscal year 1970 as data for the first half of fiscal year 1971.

The FNS officials with whom we met generally expressed sympathy for State agencies facing multiple reporting requirements. No FNS official we consulted thought that more aggressive action on the part of FNS would produce more reliable or timely data. An OEO official told us that OEO was willing to assist FNS in its efforts to obtain timely reports from the States.

CLASSIFICATION OF DATA

Until fiscal year 1970, data on commodity purchases and distributions were reported as Federal outlays both at the time the commodities were purchased, generally by agencies other than FNS, and at the time the commodities were distributed, generally by FNS. This represented a double counting of Federal funds and misrepresented actual outlays.

To distinguish between actual outlays and other kinds of Federal assistance, a new category, Influence of Federal Activities, was included in the fiscal year 1970 report. The dollar values of activities that did not involve actual outlays of funds, including the distribution of commodities already purchased, were to be included in this category.

We noted, however, that certain FNS commodity distribution activities continued to be listed in the fiscal year 1970 report as actual cash outlays rather than as influence activities. We brought this matter to the attention of OEO officials who subsequently informed us that these activities had been recategorized and would be listed as influence activities in the fiscal year 1971 report.

ESTIMATING AND REPORTING COMMODITY VALUES

Commodities donated by FNS to States for distribution often are stored by the States and not distributed in the same fiscal year in which they are received from FNS. An FNS official told us that, for purposes of the outlays report, States estimated the value of the commodities which had been distributed during each reporting period. We identified two problem areas with respect to the estimating and reporting of the values of distributed commodities.

The first problem area involved the manner in which State officials estimated the value of distributed commodities. OEO had issued no instructions in this regard. FNS

instructions specify that average Federal costs be used in computing commodity values.

FNS officials told us that, despite FNS instructions, State officials had employed varying techniques in estimating the value of commodities actually distributed. They said that in some cases States had used average Federal costs, as FNS instructed, but that in other cases State officials had used estimated current wholesale and retail prices. FNS officials were unable to tell us what part of the amounts shown for the commodity distribution programs in the outlays report was computed using current prices and what part was computed using Federal costs.

The fiscal year 1970 outlays report stated that the values of donated commodities reported therein had been computed at current market prices. We were unable to determine the source of that statement. The fiscal year 1971 report stated that donated commodities had been valued at current market prices, apparently due to a November 1971 notification to this effect from the Department to OEO. A Department official told us that this notification had been made in error. An OEO official told us that future reports would show the valuation method which the Department reports.

The second problem area involved the reporting of the techniques used by State officials in prorating commodity values to county and city geographic levels.

OEO established a system for reporting the nature of proration techniques and for identifying in the report the techniques used. FNS officials told us, however, that the States had not been asked to provide descriptions of the proration techniques they used for FNS programs. FNS officials told us that they had received data from the States on each program and, using their best judgment as to proration techniques that were used, had reported both the data and the assumed proration techniques to OEO.

The fiscal year 1971 report indicated that all States had used the same proration technique for each program. It showed, for example, that total Child Breakfast Program outlays had been prorated to each county and city on the basis of population. An FNS official told us, however, that all States likely had not used the same proration technique for each program. It was possible, he said, that in many cases some States had used proration techniques other than those they reported.

REPORT RESPONSIBILITY WITHIN FNS

FNS has divided the responsibility for obtaining and reporting outlays data among several organizational entities. According to FNS officials:

- The Program Reporting staff acquires outlays data from the States for most FNS programs.
- The Finance and Program Accounting Division provides data on administrative expenses and other program costs.
- The Minneapolis Commodity Office contributes data on some commodity purchases on the basis of records of checks written.
- The Management Studies and Systems Branch compiles the data from all sources and, with the assistance of the Washington Data Processing Center, forwards the data to the Department's Office of Budget and Finance for transmittal to OEO.

MEETING ON WAYS TO IMPROVE REPORT DATA

In February 1972 we attended a meeting of representatives of the Department's Office of Budget and Finance, FNS, C&MS, OEO, and OMB. The purpose of the meeting was to discuss ways of improving the reliability and timeliness of the data the Department submitted for the report. The discussion centered on the special problems of FNS.

FNS officials stated that some haphazard guesses had been included in reported data due to the lack of time and resources at the State level. The Department's representatives told OEO and OMB representatives that some State agency officials had been reluctant to submit report data and that State officials had no authority to require counties to prepare the data. State officials, it was explained, might not recognize the uses and importance of the geographic data they submitted. Distribution of the report to State agency officials was mentioned as one means of improving data-gathering motivation.

GAO SUGGESTIONS AND AGENCY RESPONSE

During our review we made a number of suggestions to FNS officials aimed at improving the reliability of the data included in the outlays report and the manner in which they are obtained and reported. We suggested that FNS:

1. Issue a new instruction bringing together in one document the policies and procedures to be followed by the States in gathering and reporting data for the report.
2. Ensure that all States report commodity values on the same basis--either Government costs or current market prices--and report the method used to OEO.
3. Request States to identify the proration techniques used for each program and report this information to OEO.
4. Review the form on which data are reported by the States and revise it to ensure that data are provided on all existing programs and that the proration techniques used and the period covered by the report are identified.
5. Establish methods of distributing instructions to ensure complete and timely receipt of reporting instructions by State agency officials.
6. Assign overall responsibility for preparing outlays report data to one organizational entity within FNS at a level which would ensure emphasis on accurate and timely completion of the report.
7. Identify to OEO those States which do not submit outlays data and those States which do not meet reporting deadlines and request OEO to assist FNS in its efforts to obtain timely reports and accurate data from such States.
8. Advise OEO of those activities which should be identified as influence items in the outlays report.

We suggested also that, to promote interest on the part of State officials, State agencies administering FNS programs be provided with copies of the published reports.

We discussed these suggestions with FNS officials who stated that some measures to improve the reporting system were underway. They said that a new instruction had been under preparation for some time but that a draft could not be made available for our review. They said also that a new form for data collection was being prepared.

FNS officials told us that, although the States had been instructed to use average Government costs in valuing commodities, FNS lacked the authority to enforce that

instruction. FNS officials concurred with the need to request States to identify proration techniques used but gave no assurance that they would implement this suggestion.

The officials told us that some consolidation of report responsibilities was under consideration. Also they endorsed our suggestion that they work with OEO to obtain timely State cooperation and reliable report data. They said that these efforts would be coordinated with the Department.

The officials told us that distribution of the report to State agency officials was a good suggestion and that it would be implemented. They said also that the methods of distributing instructions would be reviewed and that they would clarify the reporting instructions to ensure that the States submit full-year data for the second report for fiscal year 1972.

The officials maintained that time and resource limitations at both State and FNS levels were the primary difficulties in ensuring timely and reliable reporting. They said that more reliable reporting would be possible if the report data were required annually rather than semiannually and if FNS were given several months, rather than several weeks, to submit data for the report.

Most State agency officials contacted, however, told us either that they had sufficient time to compile and submit outlays report data or that 2 additional weeks would be sufficient.