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BY THE U.S. GENERAL ACCOUNTING OFFICE

Report To The Secretary Of Agriculture

Agricultural Marketing Act Inspections Should Be Administered By Single USDA Agency

Responsibility within the Department of Agriculture for food inspection and grading services is divided between the Agricultural Marketing Service and the Federal Grain Inspection Service. Each performs similar functions but for different commodities. GAO believes there is no compelling reason for this divided responsibility and that consolidating responsibility in the Marketing Service would be feasible and beneficial.



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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

COMMUNITY AND ECONOMIC
DEVELOPMENT DIVISION

B-207201

The Honorable John R. Block
The Secretary of Agriculture

Dear Mr. Secretary:

This report summarizes the results of our review of the Department's food inspection and grading activities carried out under authority of the Agricultural Marketing Act of 1946, as amended. Responsibility within the Department for administering these activities is currently shared by the Agricultural Marketing Service and the Federal Grain Inspection Service. We reviewed this division of responsibility because centralized management of like functions usually results in more consistent and economical management and because our prior work indicated that marketing act functions were adversely affecting the Federal Grain Inspection Service's administration of the U.S. Grain Standards Act. On March 29, 1982, the Assistant Secretary for Marketing and Inspection Services and officials of the above agencies provided us with their views on our findings and tentative recommendations, which we incorporated in this report.

The report contains recommendations to you on page 36. As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the Senate Committee on Governmental Affairs and the House Committee on Government Operations not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

We are sending copies of this report to interested congressional committees and members; the Congressional Research Service; the Director, Office of Management and Budget; and industry representatives whom we contacted during our review. We are also sending copies to your Assistant Secretary for Marketing and Inspection Services, Office of the Inspector General, Office of Operations and Finance, Agricultural Marketing Service, and Federal Grain Inspection Service.

Sincerely yours,

A handwritten signature in cursive script that reads "Henry Eschwege".

Henry Eschwege
Director

D I G E S T

Transferring marketing act functions of the Department of Agriculture's Federal Grain Inspection Service (FGIS) to the Agricultural Marketing Service (AMS) would, according to GAO, offer opportunities for reducing or eliminating problems experienced by FGIS and likely would result in higher quality and more efficient services at plants now under FGIS' jurisdiction.

Responsibility within the Department for administering marketing act services is currently divided between two agencies. These services are a primary mission of AMS, which provides marketing act services for most food products--meat, poultry, dairy, fruits, and vegetables. Although FGIS was established by the U.S. Grain Standards Act of 1976 to administer the national grain inspection and weighing program, the Department also assigned it responsibility for inspecting and grading certain marketing act products (such as rice, dry beans and peas, and processed grain products). (See pp. 1 and 2.)

The marketing act inspections and grading of grain-related commodities were assigned to FGIS because they had been performed by the AMS division which became FGIS. In GAO's opinion, this is not a compelling reason to continue the divided responsibility, particularly in light of the potential advantages of transferring FGIS' marketing act functions to AMS. (See pp. 6 and 7.)

FGIS has found it difficult to adequately carry out both of its responsibilities simultaneously. Although they accounted for only 14 percent of FGIS' fiscal year 1981 staff years, marketing act functions, particularly contract compliance inspections (inspections of Federal food purchases to ensure that they meet contract quality and quantity requirements), have presented problems and impeded FGIS' grain act mission.

Transferring FGIS' contract compliance inspection responsibility to AMS is feasible and offers several opportunities for greater

efficiency. Although transferring FGIS' other marketing act functions (grading certain commodities) would not necessarily result in similar benefits, GAO believes this would be desirable in the interest of program continuity and consistency.

GAO reviewed the Department's division of marketing act responsibility because centralized management of like functions normally results in more consistent, uniform, and economical management and because prior GAO reviews indicated that FGIS' dual functions were adversely affecting its primary mission--grain inspection and weighing. (See p. 2.)

ADVANTAGES OF TRANSFERRING FGIS' CONTRACT COMPLIANCE WORK TO AMS

FGIS of necessity relies heavily on local individuals under annual personal service contracts (called contract samplers) rather than its own employees to do contract compliance inspections. Samplers, however, are difficult to attract and retain, primarily because the work is part-time and irregular and earning potential is low. FGIS also has had problems with the reliability and the quality of the samplers' work, but FGIS has found it difficult to adequately monitor the samplers' performance because its field offices and employees usually are not located near the plants at which the samplers work. This monitoring, however, is important to ensuring the accuracy of inspection results. (See pp. 9 to 13.)

AMS now provides contract compliance services for most marketing act products. For this, it relies primarily on its own employees. In most cases, AMS already has employees near or in the immediate area of plants currently under FGIS jurisdiction who could absorb most of FGIS' workload. In some cases, both agencies now inspect different products at the same plants. (See pp. 16 to 20.)

Since AMS' employees usually are either full-time or part-time commodity graders, with higher qualifications and more experience than FGIS' samplers, they likely would provide higher quality and more reliable services. (See pp. 20 and 21.) Opportunities for more efficient inspection at FGIS' plants also would exist if AMS did the work. Foremost among these is the potential for reducing duplicative costs the two

agencies now incur supervising or monitoring two groups of inspection personnel when one group could do the work. To fully capitalize on the opportunities for greater efficiency, however, AMS will have to serve inspection sites now under FGIS' jurisdiction with its closest employees. Because AMS now provides contract compliance services for different groups of commodities through separate organizational units, it will have to more effectively cross-utilize employees assigned to the various commodity units, as a June 1980 internal study recommended. (See pp. 22 to 24.)

Since testing processed grain products in connection with contract compliance inspections is the primary mission of FGIS' laboratory in Beltsville, Maryland, it too should be transferred. AMS has three laboratories that do similar testing on processed dairy, poultry, and fruit and vegetable products. The transfer would put AMS in a better position to absorb inhouse the excess workload which sometimes occurs at the Beltsville facility. FGIS now diverts a certain amount of testing work to private laboratories to keep them under contract in case the Beltsville facility cannot handle peak workloads. Obtaining these services and monitoring the private laboratories' performance costs FGIS over \$100,000 a year. (See pp. 24 to 26.)

TRANSFER OF FGIS' OTHER MARKETING ACT FUNCTIONS IS FEASIBLE

FGIS provides other services under the marketing act besides contract compliance services. Upon request, it grades rice, dry beans and peas, and various other grain-related commodities. It also inspects and tests grain and processed commodities being exported. These latter services normally are requested by the exporter.

In the case of grain, the export services are provided by FGIS in conjunction with grading services authorized by the U.S. Grain Standards Act of 1976. Export services include testing wheat for protein content and corn for aflatoxin, checking processed commodities for damage and insect infestation, and inspecting vessels to ensure they are suitable to transport food products. (See pp. 27 and 28.)

GAO believes transferring the marketing act functions would be desirable, even though such

transfer would not necessarily result in higher quality or more efficient services. Without these marketing act responsibilities, however, FGIS could devote more attention to its primary grain inspection mission and thus could better maintain that program's integrity despite recent staff cuts. By having responsibility for all marketing act activities, AMS could better ensure that consistent inspection services are provided for all types of commodities inspected under the same authority.

The transfer of grading activities will require a limited transfer of FGIS personnel experienced in grading the commodities involved. This workload, however, is highly concentrated in a few geographic areas and, except for rice, is relatively small. As a result, GAO believes enough FGIS personnel to handle this work could be transferred to AMS with a minimum of difficulty or disruption to service and with few, if any, personnel relocations. (See pp. 28 to 33.)

Unlike AMS, FGIS already has personnel at major ports; thus it can provide export inspection services more efficiently. In GAO's opinion, however, this should not block the total transfer of marketing act activities and its resultant benefits. GAO believes, and FGIS headquarters officials agree, that FGIS could continue providing these services, on a reimbursable basis, under an agreement with AMS. (See p. 33.)

INDUSTRY VIEWS ON THE TRANSFER

The users of FGIS' marketing act services that GAO contacted generally were neutral on the transfer. They said that they did not oppose the transfer, provided services would be available when needed and at a reasonable cost. (See pp. 22 and 32.)

VIEWS OF AGENCY OFFICIALS

AMS and FGIS headquarters officials had widely divergent views on GAO's conclusions and recommendations. AMS officials said that their agency could effectively assume FGIS' marketing act functions and that the transfer of these functions would improve the reliability and quality of service. FGIS officials disagreed and their position was supported by the

Assistant Secretary for Marketing and Inspection Services. (See pp. 36 and 37.)

CONCLUSIONS

GAO believes the transfer offers opportunities for higher quality and more efficient contract compliance services at plants now assigned to FGIS and that it could improve the quality of the other marketing act services that FGIS currently provides. In GAO's opinion, marketing act services would have greater emphasis and visibility in an agency in which they are a primary, rather than a secondary, responsibility. (See pp. 32 and 34 to 36.)

RECOMMENDATIONS

GAO recommends that the Secretary of Agriculture transfer to the Agricultural Marketing Service responsibility for all Agricultural Marketing Act activities that are now assigned to the Federal Grain Inspection Service. GAO also is recommending several specific actions necessary to ensure a smooth and orderly transfer. (See p. 36.)

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ABBREVIATIONS

AMS	Agricultural Marketing Service
FGIS	Federal Grain Inspection Service
GAO	General Accounting Office
USDA	U.S. Department of Agriculture

CHAPTER 1

INTRODUCTION

The U.S. Department of Agriculture (USDA) inspects, grades, or classes a host of diversified agricultural commodities. Although specific legislation covers certain commodities--cotton, tobacco, grain, and naval stores (rosin and turpentine)--USDA inspects or grades most food commodities under the general authority contained in the Agricultural Marketing Act of 1946, as amended (7 U.S.C. 1621 et seq.). The marketing act authorizes USDA, upon request, to inspect, certify, and identify the class, quality, quantity, and condition of agricultural products shipped or received in interstate commerce. These services are intended to facilitate orderly marketing and trading and to ensure that consumers obtain products of the quality they desire. 1/

USDA also is responsible for making contract compliance inspections, which are intended to assure the quality of food purchased by the Federal Government with appropriated funds. Under authority granted by the marketing act, USDA inspects and tests purchases to ensure that they comply with contract requirements and/or established Federal specifications regarding quality and quantity. Purchased products usually are inspected initially at the vendor's plant, and samples taken at the plant are normally tested at a USDA laboratory.

USDA, the Department of Defense, and the Veterans Administration make most Federal food purchases. USDA purchases food for domestic assistance programs such as the National School Lunch Program and programs for feeding the elderly, Indians, and other needy persons. It also coordinates food purchases made by foreign governments under title I of Public Law 83-480 and buys food which is donated to developing countries under title II of the same statute. The Department of Defense purchases food for regular troop feeding and special combat rations. The Veterans Administration purchases food for patients in its hospitals.

USDA estimates that its total costs for food grading, inspection, and contract compliance services provided under the marketing act were about \$70.7 million in fiscal year 1981. As authorized by the act, USDA recovered most of these costs (an estimated \$64.2 million, or 91 percent) through fees charged to users of the services. During fiscal year 1981 USDA personnel and authorized

1/Responsibility for inspecting fish, shellfish, and the products thereof, as authorized by the marketing act, was transferred from USDA to the Department of the Interior in 1958 and then to the Department of Commerce. (23 F.R. 2304 and 1970 Reorganization Plan No. 4, 35 F.R. 15627, 1970.) USDA, however, inspects some fresh and frozen fish for the Department of Commerce.

non-Federal personnel ^{1/} inspected and/or graded about 130 billion pounds of marketing act food commodities--about 4 billion pounds of dairy products, 65 billion pounds of fresh fruits and vegetables, 15 billion pounds of processed fruits and vegetables, 16 billion pounds of poultry products, 14 billion pounds of meat, and 16 billion pounds of grain-related commodities.

DIVIDED RESPONSIBILITY FOR MARKETING ACT SERVICES

Responsibility within USDA for administering inspection and grading activities under the marketing act is currently divided between the Agricultural Marketing Service (AMS) and the Federal Grain Inspection Service (FGIS). While providing marketing act services is one of AMS' primary missions, it is a secondary responsibility for FGIS, which was created by the U.S. Grain Standards Act of 1976 (7 U.S.C. 71 et seq.) to administer a national grain inspection and weighing program.

AMS is responsible for marketing act services for most food commodities--poultry products, dairy products, meat, and fresh and processed fruit and vegetable products. It also is responsible for two other small marketing act programs: (1) grading livestock traded in the futures market and (2) inspecting and certifying the quality of seed imported, exported, or purchased by Federal agencies. FGIS is responsible for certain grain-related commodities covered by the marketing act, including rice, dry beans and peas, lentils, hay and straw, hops, sunflower seeds, and processed products made from grains (for example, flour, cornmeal, noodles, macaroni, and bakery mixes and products).

OBJECTIVES, SCOPE, AND METHODOLOGY

We made this review because our prior reviews of USDA's grain inspection and weighing program indicated that FGIS' responsibility for certain marketing act commodities was adversely affecting the agency's ability to properly administer the grain program--its primary mission as directed by the U.S. Grain Standards Act of 1976. The potential for more consistent and uniform policies and procedures, normally associated with centralized management of like functions, also was a factor in our initiating the assignment.

We reviewed USDA's major food grading and inspection programs conducted under the marketing act's authority to determine if it would be feasible and beneficial to consolidate responsibility for these similar programs in a single USDA agency. In pursuing this issue, we assumed that AMS would be the most

^{1/}USDA enters into cooperative agreements with State agencies and into personal service contracts with individuals to perform certain marketing act services.

logical USDA agency in which to consolidate marketing act programs because it already had responsibility for most of them and because marketing act functions comprised only a minor portion of FGIS' total workload. We then focused on (1) comparing the locations and qualifications of each agency's personnel in the areas we visited to determine if AMS could take over FGIS' marketing act workload and provide equal or better quality services with equal or greater efficiency, (2) identifying the size and geographic distribution of FGIS' marketing act workload nationwide, and (3) evaluating various potential advantages and disadvantages of transferring FGIS' marketing act work to AMS.

We made the review in accordance with our "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions." We reviewed both the marketing and grain acts and pertinent implementing regulations, policies, and procedures. We interviewed FGIS and AMS program management officials in Washington, D.C., and the field; reviewed agency studies, memorandums, and documents; and coordinated our work with USDA's Office of the Inspector General. We also obtained the views of major users of AMS and FGIS services on the quality of services received and the feasibility of consolidating marketing act responsibilities.

We relied on information from agency data systems for many of the workload, cost, and revenue statistics in this report. Because this information came from routine agency records and reporting systems, verifying it would have required an inordinate amount of time and thus was impractical.

We also identified several opportunities for greater efficiency which would be possible if FGIS' marketing act responsibilities were transferred to AMS. Quantifying the potential net cost reductions that may result, however, was not practical for reasons discussed later in the report. (See p. 22.)

We did most of our audit work between late July and mid-November 1981. We made our review primarily at AMS and FGIS headquarters offices in Washington, D.C., and at certain of their field locations. We judgmentally selected 2 of 42 FGIS field offices in operation at the beginning of fiscal year 1981 (Peoria, Illinois, and Minneapolis, Minnesota) for their mix of marketing act contract compliance work and grain act inspection work. We consulted with various FGIS officials on our selection of these offices, and they agreed the offices would give us a view of typical FGIS' contract compliance inspection work. We included in our review all 12 AMS field locations involved in marketing act work in the general geographic areas served by these two FGIS field offices. We also visited FGIS' commodity laboratory in Beltsville, Maryland, and two AMS laboratories in Chicago, Illinois. In addition, we obtained information on an AMS laboratory in Gastonia, North Carolina.

To obtain coverage of FGIS' rice grading activities (its largest marketing act grading activity, accounting for about 70 percent of such inspections in fiscal year 1981), we judgmentally selected FGIS' Stuttgart, Arkansas, field office because of its

heavy rice grading workload and large number of full-time rice graders. In fiscal year 1981 the Stuttgart office accounted for almost 24 percent of rice inspections and about 35 percent of FGIS' full-time rice graders--more than any of its other field offices. We also visited or contacted judgmentally selected large users of FGIS' and AMS' contract compliance services and the Rice Millers' Association, which represents major users of FGIS' rice grading service. (App. I contains a complete list of agency field locations and industry representatives that we contacted.)

The marketing act activities in the areas we visited are not intended to be statistically representative nor capable of being projected across the whole marketing act program. However, because most of our findings involve systemic problems (agency policies and procedures that apply nationwide or the location of agency personnel) and since we considered the national distribution of FGIS' marketing act workload, we have concluded that the situations we found at the three FGIS offices reviewed are likely to occur on a widespread basis.

CHAPTER 2

ADVANTAGES OF TRANSFERRING FGIS' CONTRACT

COMPLIANCE WORK TO AMS

Although only a minor portion of FGIS' total workload, marketing act responsibilities, particularly contract compliance work, detract from the agency's primary mission of administering the national grain inspection and weighing program authorized by the U.S. Grain Standards Act. FGIS' field offices and personnel are, of necessity, located where its grain act services are required, and thus they usually are not near plants where its contract compliance services are required. For this reason, FGIS relies on independent contract samplers to do its contract compliance work whenever possible. These are individuals under personal service contracts with FGIS who work on an as-needed basis and who normally reside near plants assigned to FGIS. FGIS personnel, however, must travel from their field offices to the plants to monitor the samplers' performance or to do the actual work when samplers are unavailable. Because of the time required for these duties, FGIS has found it difficult to adequately carry out one of its important grain act responsibilities--supervising authorized State and private agencies which inspect domestic grain.

FGIS also has experienced other problems because of its reliance on contract samplers. Samplers are difficult to attract and retain, and FGIS has found that some samplers are unreliable and do poor quality work. FGIS also has been unable to adequately monitor samplers' performance, primarily because of the time and distance required for its personnel to travel to the plants to observe the samplers' work. In the past FGIS has tried unsuccessfully to overcome the distance problems associated with its contract compliance work--a problem that recent FGIS staff reductions will likely compound.

The current division of USDA's marketing act responsibilities resulted from an administrative decision made when FGIS was created in 1976. Although FGIS was created to administer the grain act, USDA also assigned it responsibility for marketing act services on grain-related commodities because both functions had been performed by the AMS division that became FGIS. This decision admittedly was rather arbitrary and, because of time constraints, was made without analyses to determine which agency would have been the most logical one to do the work. In the absence of compelling reasons for the current division of responsibility, we believe it would be desirable and more practical for AMS to administer all of USDA's marketing act contract compliance activities for several reasons.

Transferring FGIS' contract compliance functions to AMS is feasible and would solve FGIS' contract sampler problems. AMS already does this work for most marketing act commodities, and

its personnel are already trained, qualified, and located near the plants under FGIS' jurisdiction. Since these AMS personnel are either full-time or part-time employees who generally have higher qualifications and more experience than FGIS' contract samplers, they likely would provide higher quality services. Since the AMS personnel could absorb most of the contract samplers' workload, the need for contract samplers would be greatly reduced.

Major users of FGIS' contract compliance services whom we interviewed did not oppose a transfer. While some believed that FGIS' contract samplers could respond more quickly to requests for service made on short notice, some believed that AMS would provide better quality service.

The transfer also offers identifiable, but unquantifiable, opportunities for greater efficiency. Foremost among these are the reduction of certain costs which FGIS now incurs with contract samplers--monitoring their performance, recruiting and training them, renegotiating their contracts each year, and recordkeeping. To maximize these opportunities, however, AMS will have to serve FGIS' plants with its closest personnel. This will require AMS to use personnel who are assigned to its various commodity-oriented organizational units--a practice the agency follows to some extent but which could be used more often with regard to contract compliance work.

FGIS maintains a laboratory in Beltsville, Maryland, which has the primary mission of performing tests, either inhouse or through contracts with private laboratories, in support of FGIS' contract compliance inspections. AMS, however, has three laboratories with similar capabilities that perform similar tests on commodities within its jurisdiction. Transferring the Beltsville facility to AMS would be feasible and offers the potential for shifting excess routine chemical testing work at the Beltsville facility to one of the AMS laboratories rather than to private laboratories. This would reduce or eliminate the added expense (currently over \$100,000 a year) of diverting some of Beltsville's work to private laboratories in order to keep them under contract and available in case excess workloads occur.

WHY USDA'S MARKETING ACT RESPONSIBILITIES WERE DIVIDED

The current division of USDA's marketing act responsibilities between AMS and FGIS resulted from an administrative decision in 1976 when FGIS was established. Before that time, AMS was responsible for all marketing act grading and inspection activities, as well as grain inspections under the U.S. Grain Standards Act then in effect. When USDA was planning the establishment of FGIS in 1976, one issue needing resolution was whether the marketing act services involving grain-related commodities, which were then being performed by AMS' Grain Division, should be transferred to FGIS along with the grain inspection program. Primarily because

its Grain Division was administering both programs and many of the division's inspectors were already trained in both, AMS recommended that the marketing act's grain-related functions be transferred.

According to AMS' Deputy Administrator for Marketing Program Operations, who participated in meetings on functions to be assigned to FGIS, the decision to transfer the marketing act's grain-related activities to FGIS was rather arbitrary and unscientific. He said that time did not permit an analysis of the location of AMS' inspectors and graders to determine which agency could provide the marketing act services most efficiently.

Although two subsequent USDA reorganizations have reassigned responsibilities for certain marketing act activities, they have not affected those assigned to FGIS in 1976. In March 1977 the Secretary of Agriculture established the Food Safety and Quality Service and transferred to it responsibility for most marketing act programs--poultry, dairy, meat, and fruits and vegetables. (AMS retained the small programs for grading livestock and inspecting seed.) In a June 1981 reorganization, however, the Secretary transferred these marketing act programs back to AMS and changed the name of the Food Safety and Quality Service to the Food Safety and Inspection Service. 1/

According to AMS' Deputy Administrator for Marketing Program Operations, there was a limited discussion of transferring FGIS' marketing act functions to AMS in connection with the 1981 reorganization. The idea, however, was dismissed because USDA wanted to include only major realignments and this was not considered major.

CONTRACT COMPLIANCE WORK DETRACTS
FROM FGIS' PRIMARY MISSION

Marketing act activities comprise a minor portion of FGIS' total workload. During fiscal year 1981 these activities accounted for only 14 percent of the agency's total staff years (about 250 of 1,786 staff years). Time spent on contract compliance work cannot be identified in FGIS' records because it is combined with time spent inspecting or grading marketing act commodities other than rice (beans, peas, lentils, hops, etc.). The

1/The Food Safety and Inspection Service has responsibility for USDA's mandatory meat and poultry inspection program, as required by the Federal Meat Inspection Act, as amended (21 U.S.C. 601 et seq.), and the Poultry Products Inspection Act, as amended (21 U.S.C. 451 et seq.). Under this program, USDA inspects slaughter and processing plants to ensure the wholesomeness and proper labeling of meat, poultry, and processed products.

combined staff years charged to these activities, however, comprised only 5.8 percent of FGIS' total fiscal year 1981 staff years (about 104 of 1,786 staff years). The vast majority of its fiscal year 1981 staff years (about 1,536 of 1,786, or 86 percent) went to grain act activities. (See app. II.)

Although a small part of its workload, FGIS' marketing act responsibilities, particularly its contract compliance work, detract from FGIS' primary mission of administering the national grain inspection and weighing program. As discussed previously (see p. 2), the U.S. Grain Standards Act of 1976 established FGIS to administer this program. Under the act, FGIS employees are responsible for inspecting (grading) and weighing export grain at major ports. Domestic grain, however, is inspected by authorized State and private agencies, with FGIS responsible for supervising their work and for reinspecting grain when the agencies' grade determinations are appealed.

FGIS, however, has been unable to supervise grain inspection agencies as frequently as is required in part because of its marketing act responsibilities. As discussed later (see pp. 10 and 11), FGIS relies primarily on local, independent contract samplers to provide its contract compliance inspection services because of the distance between its field offices and most plants where the services are provided. FGIS inspectors, however, must travel from their field offices to periodically monitor the samplers' performance or to do the actual inspection work when samplers are not available. The time required for FGIS inspectors to perform these duties has been a major problem. FGIS' marketing act grading responsibilities (performance of actual inspections and supervision of State agencies performing inspections under cooperative agreements) have been less of a problem because, as discussed in the next chapter (see pp. 30 and 31), this work is highly concentrated in a few geographic areas.

Although FGIS' field offices are responsible for deciding how best to carry out their assigned responsibilities within available staff and funds, FGIS headquarters has informally provided them with the following recommended priorities for their work.

1. Grain Standards Act and Agricultural Marketing Act services provided to users by FGIS employees.
2. Appeal inspections (under both acts).
3. Monitoring performance of grain inspection agencies and marketing act contract samplers.

The two field offices we visited that used contract samplers generally followed these guidelines. As a result, their marketing act workload, particularly contract sampler compliance checks (monitoring of contract samplers), was done at the expense of monitoring grain inspection agencies. Neither the Minneapolis nor the Peoria field office was able to meet grain inspection

agency monitoring requirements, in part, because of its contract compliance work.

FGIS instructions state that FGIS inspectors are to visit each official grain inspection agency at least once a month and that they are to perform a supervisory regrading on 3 percent of the official agencies' inspections. Although the Minneapolis field office met the 3-percent requirement during fiscal year 1980 and the first half of fiscal year 1981, it did not make the required onsite visits. The Peoria field office supervised only 1.75 percent of its official agencies' grain inspections in fiscal year 1980 and had supervised only 1.3 percent in the first 6 months of fiscal year 1981. Data on Peoria's onsite visits was not readily available.

FGIS headquarters officials attributed the reduced level of grain agency supervision to travel restrictions, rather than to competing marketing act functions. Both cognizant field office supervisors, however, attributed the lack of supervision, in part, to their offices' contract sampler monitoring and other marketing act workloads. One supervisor said that his field office could adequately supervise either contract samplers or grain inspection agencies, but not both.

The importance of properly supervising authorized State and private grain inspection agencies was discussed in our April 14, 1980, report entitled "Grain Inspection and Weighing Systems in the Interior of the United States--An Evaluation" (CED-80-62). In that report we noted that the grain act requires that all official inspection, whether done by FGIS employees or the agencies, be supervised in accordance with such regulations as the FGIS Administrator may provide. We found that during fiscal year 1978 the six FGIS field offices we reviewed regraded an average of about 1 percent of official agencies' inspections and that none of the six made more than 23 percent of planned supervisory onsite visits. We concluded that this level of supervision was not sufficient to provide reliable control over grain sampling and grading accuracy and that it had contributed to continued sampling and grading accuracy problems. FGIS agreed and subsequently implemented the current 3-percent and once-a-month requirements discussed above.

FGIS HAS DIFFICULTY PERFORMING AND MONITORING ITS CONTRACT COMPLIANCE WORK

The location of much of FGIS' contract compliance work makes it difficult for the agency to do or monitor the work--a problem which FGIS has tried unsuccessfully to overcome. Most of FGIS' personnel and field offices are, of necessity, located at traditional grain consolidation points, where its grain inspection and weighing services are required. Plants requiring its contract compliance services, however, are widely scattered and tend to be located nearer production points. Although contract samplers do most of FGIS' contract compliance work, FGIS personnel must monitor their performance. Because of the distances

involved, it is difficult and costly for FGIS personnel to monitor samplers or to do the work themselves when samplers are not available.

FGIS relies heavily on contract samplers to provide contract compliance services

FGIS has found that in most cases it is more practical to use contract samplers rather than its own inspectors to perform contract compliance inspections. Contract samplers are not Federal employees but are individuals authorized and licensed by FGIS under annual personal service contracts to draw and mail samples for laboratory analysis and to perform checkloading (verifying the proper loading of the proper number of units on transportation conveyances), checkweighing (verifying that a sample of units are of the proper net weight), condition and container examinations, acceptance inspections, and related special inspection services.

Contract samplers, who work on an as-needed basis, generally reside in the immediate area of the plant or plants they serve. They submit an hourly rate bid to FGIS and, if accepted, are trained, licensed, and monitored by FGIS field office personnel. Their contracts and hourly rates must be renegotiated, and their licenses renewed, each year. They submit drawn samples and paperwork to FGIS, which issues the USDA certificate. They bill FGIS for hours worked and are paid by USDA's National Finance Center in New Orleans, Louisiana. FGIS bills the plants for services provided according to a standard fee schedule.

FGIS relies heavily on contract samplers for its contract compliance inspection work, which is widely scattered throughout the country. During fiscal year 1981 contract samplers performed about 87 percent of FGIS' contract compliance workload (20,066 of 23,057 inspections). FGIS identified 162 active plants where it was providing service as of April 1980 (the latest data available). These plants were located in 37 States, including Hawaii. During fiscal year 1980 the Minneapolis and Peoria field offices were responsible for contract compliance service on 134 contracts at 16 plants and 165 contracts at 15 plants, respectively. Although a nationwide list of FGIS plants active during fiscal year 1981 was not available, we found that FGIS' contract compliance workload during that year was widely distributed among 27 of its 42 field offices in existence at the beginning of the year. (See app. III.)

A major reason why FGIS finds it more practical to provide contract compliance inspection services with contract samplers rather than FGIS personnel is the distance between FGIS' field offices and the plants requiring service. Most FGIS field offices are located in cities such as Minneapolis, Kansas City, Peoria, and Omaha, which have traditionally served as grain consolidation points. However, commodity plants tend to be located closer to the points of production. For example, only

5 of the 16 plants served by FGIS' Minneapolis field office in fiscal year 1980 were actually in the Minneapolis-St. Paul metropolitan area. These five plants accounted for only about 21 percent of the contracts awarded and about 13 percent of the commodities inspected. The remaining 11 plants, with about 79 percent of the contracts and about 87 percent of the volume, would have required travel and/or per diem for FGIS personnel. For the Peoria field office, the closest plant served was about 70 miles away, in Springfield, Illinois.

Monitoring contract sampler performance is difficult and costly for FGIS

While using contract samplers rather than FGIS inspectors for contract compliance work usually is more practical, the samplers' performance must be monitored. The very problem which makes it difficult for FGIS personnel to do the work themselves, however--the distance from the field offices to the plants--also makes it difficult and costly for them to monitor adequately. As a result, FGIS has not met its goal of observing each active sampler's performance at least once a month. As with the supervision of grain inspection activities discussed previously, proper monitoring of samplers' performance is necessary to ensure the accuracy of inspection results and that Federal food purchases actually are of the quality for which the Government is paying.

Because contract samplers are not Federal employees, they are not subject to normal employee supervision and disciplinary actions. They are individuals performing under personal service contracts, and their performance must be judged against contract requirements. For this reason FGIS instructs its supervisors to be careful to avoid any appearance of an employer-employee relationship with the contract samplers. Supervisors are not allowed to work side-by-side with the samplers, except for training purposes, and they cannot warn, suspend, or otherwise discipline samplers for failure to perform, except under limited circumstances.

FGIS instructions require field office supervisors to make spot checks of contract samplers to ensure that performance is according to their contracts. These onsite observations of performance are to be made at least once a month for each active sampler.

Complying with the once-a-month standard is difficult because, as with providing service with its own personnel, FGIS must overcome the problems of time and expense caused by the distances between its field offices and contract plants. The problems are compounded in situations where FGIS has more than one contract sampler in a plant or area and they do not work concurrently (for example, they work different shifts or one backs up another). In such cases more than one trip may be needed to observe each contract sampler working in a particular plant or area.

Obviously, monitoring samplers' performance under these conditions is expensive. Total costs of compliance check visits were not identifiable from accounting records in FGIS' field offices, but the following examples, taken from some field office trip reports that happened to include costs, illustrate the costs involved. In fiscal year 1981 a 3-day monitoring trip from FGIS' Peoria field office to the Springfield, Illinois, area cost \$380; to the Danville, Illinois, area, \$400; and to the Kankakee, Illinois, area, \$280. These amounts do not include the cost of transportation, which was by Government car.

Attempts at monitoring sampler performance also can be unsuccessful and wasteful. In some cases FGIS supervisors have traveled great distances only to find the contract sampler finished work, on standby, or not on duty because the plant was not working on a Government contract at the time.

Neither the Minneapolis nor Peoria field office had come close to meeting FGIS' once-a-month sampler monitoring standard. As the following table shows, these offices performed between 24 and 66 percent of required monitorings during the last 2 fiscal years.

Compliance Checks Performed By FGIS'
Minneapolis and Peoria Field Offices

<u>Compliance checks</u>	<u>Minneapolis</u>		<u>Peoria</u>	
	<u>FY 80</u>	<u>FY 81 (note a)</u>	<u>FY 80</u>	<u>FY 81 (note b)</u>
Required	125	95	259	166
Actual	51	33	61	110
Percent performed	41	35	24	66

a/Through 7/11/81.

b/Through 8/08/81.

FGIS' distance problem, and the resultant costs, appears to be the major cause of its failure to meet its established monitoring standard. One field office supervisor said that visiting each plant once a month may be possible but observing each contract sampler's performance once a month was impossible with his budget. Another said that he was forced to use FGIS employees to do contract compliance inspections because he did not have enough staff to recruit, train, and monitor contract samplers' performance.

The monitoring which FGIS has done has disclosed considerable problems with the reliability and quality of some samplers' work. As noted later (see p. 20), FGIS has found problems, such as improper sampling and the submission of false and erroneous

official documents, that jeopardize the accuracy and purpose of contract compliance inspections.

FGIS headquarters officials did not agree that the agency has been unable to adequately monitor contract samplers' performance. They told us in March 1982 that the ability of the monitoring program to detect performance problems is a reflection of the adequacy of the program. They also noted that the once-a-month standard was implemented at a time when resources were less constrained and a high level of Federal involvement was considered desirable, but not necessarily essential.

In late September 1981, however, FGIS officials had told us that the headquarters' reviews of contract compliance inspections and contract samplers' performance were being discontinued in conjunction with the FGIS headquarters reorganization. (See p. 14.) The Acting Director of FGIS' Field Management Division said that because of this change, field offices would be expected to do "more" monitoring of contract samplers than they had been doing and that FGIS would probably assign a higher priority to this function.

We do not question the ability of the monitoring system to detect performance problems, but rather the extent to which the system has been used. We believe that the current frequency, although considerably less than that required, has detected serious performance problems. In our view, this raises the question of how many more instances have gone undetected and uncorrected simply because individual samplers were monitored infrequently or not at all. In our opinion, the once-a-month monitoring standard should not be deemed excessive until it has been adhered to for a reasonable period of time and proven to be excessive based on the absence of frequent and/or serious problems. Reducing the frequency without this assurance may be premature, particularly in light of the suspension of headquarters monitoring efforts.

FGIS headquarters officials also pointed out that the once-a-month monitoring standard applies only when contract samplers are working. It should be noted that our comparison of required and actual monitorings at the Minneapolis and Peoria field offices takes this fact into account. For example, if a sampler worked only 3 months during the year, we counted this as 3, rather than 12, required compliance checks.

Attempts to solve FGIS' contract compliance problems have been unsuccessful

FGIS has tried, without success, to solve the problem of distance associated with its contract compliance work. One such attempt was the "key point" concept under which the contract compliance workload of a very large area was assigned to one "key" field office. For example, before June 1981 the Peoria field office was

responsible for plants in Illinois and Indiana, although FGIS had field offices in Chicago and Indianapolis as well. Also, the Minneapolis field office was responsible for plants in Minnesota and Wisconsin even though there was another field office in Duluth. The intent was to make better use of limited field staff by consolidating many small, sporadic requests in field offices with staff already trained and knowledgeable in this type of work. The effects, however, were to further remove FGIS from the plants and contract samplers, increase travel costs, and reduce sampler monitoring.

In June 1981 FGIS switched to a policy of assigning responsibility for plants according to field office boundaries. Under this concept, each field office is generally responsible for plants within its geographic boundaries, although there are a few exceptions to this rule. This concept, however, does not necessarily result in plants' being assigned to the nearest FGIS field office. For example, FGIS' Denver field office is responsible for plants in Montana even though FGIS' field office in Moscow, Idaho, is 800 to 1,000 miles closer to the plants.

Actually, neither method of assignment is efficient. The key point method results in higher travel costs. The field office boundary method generally means lower travel costs, but it requires the added expense of training personnel and maintaining necessary administrative support personnel in each field office. This can be very inefficient, especially when a given field office does relatively little contract compliance work. It is particularly inefficient in cases where field office supervisors distribute contract compliance and sampler monitoring work evenly among their inspectors, as was the practice at both the Minneapolis and Peoria field offices.

FGIS does not recognize contract compliance work for promotion to the journeyman level (GS-9). Since promotions are based on proficiency in grading grains, any employee assigned to perform or monitor contract compliance inspections for an extended period will not receive the training and experience needed to remain competitive with his or her peers. As a result, both the Minneapolis and Peoria field office supervisors trained all their inspectors in both grain inspection and contract compliance work and tried to distribute the respective work fairly and equitably among their staffs. Although this practice is costly, one supervisor said that to do otherwise would violate the employees' labor contract, which provides that an employee cannot be discriminated against or denied training which is necessary for career development.

RECENT REORGANIZATION AND PERSONNEL
CUTS WILL LIKELY COMPOUND FGIS'
CONTRACT COMPLIANCE DIFFICULTIES

On September 21, 1981, FGIS effected a major reorganization of its Washington headquarters and subsequently implemented a large, agencywide reduction-in-force. Its headquarters staff

was cut 28 percent (from 277 to 200 positions) and its field staff was cut 22 percent (from 1,225 to 953 positions). Overall, FGIS positions were reduced by 349 (from 1,502 to 1,153), or 23 percent. The effects of these changes were already being felt in the field offices we visited.

The intent of the reorganization and reduction-in-force was to reduce costs, particularly overhead costs, and to cut back FGIS' grain act activities to those functions specifically mandated by the act. The reorganization of the headquarters office combined formerly separate divisions for inspection and weighing programs into a single Field Management Division. The former Inspection Division had a separate unit (branch) responsible for marketing act activities. It was eliminated and its responsibilities were reassigned to the new Field Management Division. According to its Acting Director, the new Field Management Division plans to devote about 1 staff year to marketing act programs during fiscal year 1982, as compared with about 10 in fiscal year 1981 under the old organization.

By mid-November 1981, near the end of our fieldwork, the effects of the reduction-in-force already were being felt at the FGIS field offices we visited. As of November 12, 1981, the Peoria field office had eliminated one grader, demoted two graders from GS-7 to GS-4, and reduced its marketing act commodities clerk from a full-time to a part-time employee. Two other Peoria graders had resigned to take other employment. The Minneapolis field office lost two graders, and one grader was demoted from GS-11 to GS-9.

The field office supervisors said that the staff reductions will reduce supervision of grain act activities as well as monitoring of contract compliance inspections. They said they would not be able to keep up with both responsibilities. The situation is aggravated by contract samplers' becoming more difficult to attract and more costly. Some samplers' bids for fiscal year 1982 were rejected by FGIS because they were too high. In some cases FGIS found replacements. In other cases it did not and was forced to use its own employees. One field office supervisor expressed concern that FGIS may reject more bids, forcing him to use more of his employees and thus further reduce grain supervision.

As of January 21, 1982, FGIS had efforts under way which ultimately could result in a realignment of its field office structure and/or additional staff cuts. It was evaluating recommendations for streamlining its procedures for supervising official grain inspection agencies, which were made in November 1981 by a special FGIS Task Force on Reorganization, and recommendations for streamlining its rice inspection procedures, which were received on January 19, 1982, from the Rice Millers' Association. It also was reviewing the need for and cost-effectiveness of each specific FGIS procedure being performed under the grain act. According to the individual in the Administrator's office

in charge of reorganization efforts, completing the latter effort could take up to 2 years.

According to this individual, FGIS had made no major realignments of its field offices (opening new field offices or closing existing ones) as of January 21, 1982, nor had it reassigned responsibility for any contract compliance plants from one field office to another. He said, however, that such actions, and additional staff cuts, may be necessary in the future, depending on the outcome of the above efforts. The only change in field office responsibilities made as of that time was the designation of FGIS' Houston, Texas, field office as a rice inspection office (effective January 10, 1982) and the transfer of Houston's grain inspection workload to the nearby Pasadena, Texas, field office.

TRANSFERRING FGIS' CONTRACT COMPLIANCE
FUNCTIONS TO AMS IS FEASIBLE AND WOULD
SOLVE FGIS' CONTRACT SAMPLER PROBLEMS

AMS already provides contract compliance inspection services for most marketing act commodities. Unlike FGIS, AMS primarily uses full-time and intermittent (part-time) employees to do this work. These personnel are already qualified, trained, and located near plants under FGIS' jurisdiction. Most importantly, they could absorb most of FGIS' workload.

In addition to difficulties in monitoring the contract samplers' performance, FGIS has found it difficult to attract and retain reliable contract samplers. It also has documented instances of unreliability and poor quality work on the part of some samplers. Since AMS' personnel generally have higher qualifications and more experience, they likely would be more reliable and provide higher quality services. Since these personnel could absorb most of the samplers' workload, there would be little need for samplers if FGIS' contract compliance functions were transferred to AMS. As a result, the transfer would vastly reduce or possibly eliminate the problems FGIS has experienced because it must rely heavily on samplers.

AMS personnel are capable and properly located
to assume FGIS' contract compliance work

AMS could assume FGIS' contract compliance workload with little or no difficulty. It already provides these services for food commodities other than processed grain products. AMS' personnel also are located near plants now served by the FGIS field offices we visited.

AMS and FGIS use similar contract compliance inspection procedures. Many of FGIS' procedures were developed in the old AMS Grain Division and transferred with it when it became FGIS in 1976. Unlike FGIS, however, AMS relies primarily on full-time and part-time inspectors (USDA employees) for its contract compliance

inspections. These personnel are already trained and experienced in this type of work, and the AMS supervisors we interviewed said that their personnel would be able to perform FGIS' work with little difficulty.

More importantly, in many cases AMS' personnel are located near FGIS-inspected plants--often in the immediate area and usually closer than FGIS personnel. This point is illustrated by the following table showing the location of AMS personnel (both full- and part-time) in relation to localities where FGIS' Minneapolis and Peoria field offices provided contract compliance inspection services in fiscal year 1981. In 11 of the 12 localities, AMS had personnel closer than did FGIS. Although both agencies had personnel in the Minneapolis-St. Paul area, AMS had personnel in six other localities, whereas the nearest FGIS personnel were located between 45 and 325 miles away.

<u>Area served by FGIS</u>	<u>Approximate distance to nearest FGIS personnel</u>	<u>Location of nearest AMS personnel</u>	<u>Approximate distance to service area</u>
Milwaukee, Wis.	325 mi.	Milwaukee, Wis.	local
Dawson, Minn.	150 mi.	Bristol, S. Dak.	100 mi.
Danville/Paris, Ill.	120/150 mi.	Danville, Ill.	local
Kankakee, Ill.	110 mi.	Chicago, Ill.	60 mi.
Albert Lea, Minn.	100 mi.	Mason City, Iowa	40 mi.
Bird Island, Minn.	90 mi.	New Ulm, Minn.	40 mi.
Eau Claire, Wis.	90 mi.	Eau Claire, Wis.	local
Wabasha, Minn./ Cochrane, Wis.	90/110 mi.	LaCrosse, Wis. & Rochester, Minn.	45 mi.
Mankato/New Ulm, Minn.	80 mi.	Mankato/New Ulm, Minn.	local
Springfield, Ill.	70 mi.	Springfield, Ill.	local
New Prague/Northfield, Minn.	45 mi.	Northfield, Minn.	local
Minneapolis-St. Paul, Minn.	local	Minneapolis-St. Paul, Minn.	local

It should be noted that AMS administers its food inspection and grading activities through separate organizational units (branches) for dairy, meat, poultry, and fresh and processed

fruit and vegetable products. Since the above analysis is based on the use of the nearest AMS personnel, regardless of the unit to which they are assigned, AMS would have to cross-utilize personnel between units. This is currently done in some, but not all, instances. (See pp. 23 and 24.)

Sometimes AMS and FGIS serve the same plants, depending on the product being inspected. For example, FGIS provides inspection service on corn products to plants in Milwaukee, Wisconsin, and Danville, Illinois, while AMS' Dairy Division provides service to these same plants when they are producing cornsoya-milk products. As shown in the preceding table, AMS has personnel located in both cities, whereas the nearest FGIS personnel are 325 miles and 120 miles away, respectively. Although FGIS would have the work done by local contract samplers, if possible, FGIS must send its field office personnel to periodically monitor the samplers or to do the actual inspection if a sampler is not available. According to a field office supervisor and an industry representative we interviewed, a similar situation exists at plants in Crete, Nebraska, and St. Joseph, Missouri.

According to an October 1981 AMS memorandum to the Director, Fruit and Vegetable Division, from the Chief of its Processed Products Branch regarding division of responsibility for marketing act commodities, the same thing has occurred at oil and syrup plants. FGIS is responsible for oils made from commodities such as corn, cottonseed, and soybeans while AMS inspects oils such as peanut and olive oil. Also, FGIS inspects syrups made from grain, while AMS inspects cane, beet, and maple syrups. According to the memorandum, this has resulted in both agencies' inspecting their respective products at the same plants at the same time. The memorandum noted that AMS' Processed Products Branch has the laboratory capability and field office personnel capable to inspect these commodities, and it recommended a reevaluation of the division of responsibilities between FGIS and AMS for these and other products.

AMS could absorb FGIS'
contract compliance workload

AMS should be able to perform much of FGIS' contract compliance workload with its existing personnel. Part-time personnel already employed by AMS at the locations we reviewed were working less than the permissible maximum of 1,280 hours a year. These unused hours (capacity) far exceeded inspection hours spent by FGIS contract samplers in their localities.

For example, in fiscal year 1981 FGIS used four contract samplers to serve five processing plants in the Minneapolis-St. Paul area. AMS' Dairy Division and Meat Grading Branch each had five intermittent employees in the area. Collectively, these persons worked about 6,800 hours in fiscal year 1981--4,283 by the dairy personnel, 1,583 by the meat grading personnel, and

931 by FGIS' samplers. However, as shown in the following comparison of hours worked by FGIS' samplers with unused AMS hours, AMS could have done the FGIS work (assuming services would not have been required at many plants at the same time).

<u>Accounting period</u>	<u>Hours worked FGIS</u>	<u>Unused AMS hours</u>	
		<u>Dairy</u>	<u>Meat</u>
1	75	350	116
2	159	187	97
3	29	268	147
4	73	225	196
5	56	70	286
6	129	98	294
7	100	158	196
8	87	70	129
9	60	136	239
10	51	157	294
11	102	296	244
12	6	298	217
13	<u>4</u>	<u>260</u>	<u>87</u>
Total	<u>931</u>	<u>2,573</u>	<u>2,542</u>

It also should be noted that the above table does not include six full-time AMS dairy and meat graders in the area. According to AMS supervisors, these graders would have been capable of performing some of the FGIS samplers' work.

We analyzed all areas served by FGIS' Minneapolis field office and found that the unused hours of AMS' part-time and/or full-time employees were sufficient to accommodate the FGIS samplers' workload. We did not make a similar analysis for the Peoria field office because the cognizant AMS offices were not in the Peoria area. We did learn, however, that one AMS division was providing service in the area through a full-time employee who traveled back and forth from Chicago weekly. The cognizant supervisor indicated that, with the FGIS workload, he could assign a person to the area permanently and eliminate travel and per diem costs. The division has since hired an intermittent employee in the area.

AMS officials we interviewed generally were receptive to assuming FGIS' contract compliance workload. Field supervisors said that it would enable them to better use their part-time, as well as their full-time, personnel. Headquarters officials agreed that AMS could effectively assume this work. They pointed out, however, that full utilization of present personnel could be achieved only if AMS were to fully control the time when services are provided--a departure from its current policy of providing services at the time and place requested by those paying for the services. As a result, the officials believed that AMS may need some additional employees to serve FGIS' plants in a timely manner. After we explained our "unused hours" analysis,

however, the Deputy Administrator for Management agreed that AMS could handle most of FGIS' contract compliance workload with its existing personnel.

AMS personnel would likely provide more reliable and higher quality service than FGIS' contract samplers

The FGIS supervisors we interviewed said that a major problem with using contract samplers is finding and retaining reliable people. One reason is that most people want full-time, or at least regular part-time, work, while FGIS' contract compliance work is both part-time and irregular. FGIS supervisors said that generally they could find and retain reliable contract samplers for their busier plants, where the work is steady, but not at other plants. As one FGIS field office supervisor put it, he often finds persons willing to work and trains them, only to have them quit as soon as they find a more desirable job.

Another probable factor making it difficult to attract and retain reliable samplers is low earnings, as illustrated by data on samplers employed by FGIS' Minneapolis and Peoria field offices. Complete data on sampler earnings during fiscal year 1981 was not available when we visited these offices, but data for the preceding year showed that the vast majority of their samplers (52 of 62) earned \$5,000 or less during fiscal year 1980. Only 3 of the 62 earned more than \$10,000 that year, while 24 earned \$1,000 or less.

FGIS' monitoring of contract samplers, while limited, has disclosed considerable problems with the reliability and quality of some contract samplers' work. Compliance review reports submitted by FGIS headquarters and field office personnel, while noting good performance by some samplers, are replete with documented problems on many other samplers, such as failure to report to work, improper sampling, insubordination, abandoning the work station, submitting erroneous and false official documents, and other improper practices. As discussed in our April 14, 1980, report entitled "Grain Inspection and Weighing Systems in the Interior of the United States--An Evaluation" (CED-80-62), FGIS has found similar problems with contract samplers used by authorized State and private agencies in its grain act inspection program.

These problems should be greatly reduced, or possibly eliminated, by transferring FGIS' contract compliance work to AMS. Unlike FGIS, AMS primarily uses full-time USDA graders and retired USDA graders working as intermittent employees (some with as much as 25 years of experience) for contract compliance work. Since these personnel generally have higher qualifications and more experience than FGIS' contract samplers, they likely would be more reliable and provide higher quality service than the contract samplers.

AMS commodity graders are required to administer, supervise, or perform work concerned with examining and evaluating agricultural products to determine their official U.S. grade and/or their acceptability in terms of quality or condition. To qualify as a GS-5 grader, an individual must have either

--3 years of experience that demonstrated the knowledge, skills, and abilities needed to do grading work; or

--a bachelor's degree from a 4-year accredited college, with at least 9 semester-hours in courses directly related to the commodity to be graded; or

--any time-equivalent combination of the above requirements.

In addition, an individual's experience and education must have demonstrated (1) a knowledge of the general characteristics of a commodity group, (2) a familiarity with the standard methods of processing, storing, transporting, or marketing that affect quality, and (3) an ability to learn product grading and inspection techniques.

In contrast, FGIS has no experience or education requirements for its contract samplers. To become samplers, individuals need only demonstrate that they can perform the functions for which they are being hired and pass a simple written test. Each FGIS field office devises and administers its own written test. According to the former head of FGIS' former Commodities Inspection Section, these tests consist of questions on the marketing act and implementing regulations (taken from a list of answered study questions provided applicants in advance) and questions developed by the field offices to test an applicant's ability to read, write, and do basic arithmetic.

The industry officials we interviewed who had obtained service from both agencies indicated that AMS personnel do better work. While they liked certain features of FGIS' contract sampler arrangement (see p. 22), they said that AMS' personnel were better trained, more qualified, and more professional than FGIS' contract samplers.

AMS headquarters officials agreed that the problems we found regarding contract samplers would be overcome by using AMS employees instead, and they were convinced that such a change would improve the quality and reliability of service. FGIS headquarters officials maintained, however, that contract samplers are high caliber and reliable individuals who have proven to be quite acceptable in providing accurate and timely service. As indicated previously, however, the comments of the FGIS field personnel directly involved in recruiting and monitoring the samplers, the comments of industry representatives using their services, and FGIS headquarters and field office monitoring reports all indicate otherwise.

USERS' VIEWS ON TRANSFERRING FGIS'
CONTRACT COMPLIANCE RESPONSIBILITIES

Major users of FGIS' contract compliance inspection services whom we interviewed did not oppose a transfer of responsibilities to AMS, provided services would be available when needed and at a reasonable cost. While some believed that FGIS' contract samplers could respond more quickly to requests for service needed on short notice, some believed that AMS personnel would provide better service. The users also noted that they pass inspection fees paid to USDA through to buyers and that any reduction in fees resulting from greater efficiency would result in lower prices to their Government customers.

Some company officials pointed out problems which result in unnecessary production and inspection costs. One commented that having to train new contract samplers (because of turnover) slows production and thereby increases production costs. Another said that FGIS assigned one contract sampler per production line, which was more inefficient and costly than AMS' practice of assigning one inspector for two lines.

TRANSFERRING FGIS' CONTRACT
COMPLIANCE ACTIVITIES TO AMS
OFFERS POTENTIAL FOR GREATER EFFICIENCY

Based on user fees currently charged, which are set to recover actual costs, it appears that both AMS and FGIS now incur about the same costs for contract compliance inspection activities. As of February 1982 FGIS charged \$20.80 per hour for basic inspection services and AMS charged an average of \$20.43 per hour. (Rates for various commodity groups ranged from \$18.96 to \$23.20 per hour.) It should be noted, however, that FGIS has not been performing nearly the required number of onsite checks of contract samplers' performance. (See pp. 11 to 13.) Had FGIS done this, its costs undoubtedly would have been greater than they have been.

Although consolidating contract compliance activities in AMS offers several opportunities for greater efficiency, quantifying net cost reductions that may result is difficult, if not impossible. One reason for this is that contract compliance costs cannot be readily identified in FGIS' accounting records. As a result, quantifying probable cost reductions would require the laborious task of making detailed, case-by-case comparisons of specific costs (such as for wages, travel, and supervision or monitoring) for each inspection provided by FGIS. Another reason is that realizing these opportunities depends greatly on AMS serving plants now assigned to FGIS with the nearest AMS employee. To do this, AMS will have to cross-utilize personnel among its various food inspection/grading organizational units--something which AMS now does to some extent, but which an agency study concluded could be done more.

Although resultant cost reductions cannot be quantified, transferring FGIS' contract compliance responsibilities to AMS offers several opportunities for greater efficiency. Because AMS has either full-time or part-time personnel with inspection time available near most plants which FGIS now serves, the need for contract samplers would be greatly reduced. This would result in varying types of potential cost reductions, some of which depend on the specific situation involved.

One immediately apparent opportunity is the reduction of duplicative supervision and monitoring costs. At present, AMS is supervising its employees and FGIS is monitoring its contract samplers; AMS personnel could do most of the work now done by both agencies. Also, as discussed previously, FGIS personnel usually must travel considerable distances to monitor samplers' performance. In the areas we visited, however, AMS' intermittent employees almost always worked under the supervision of a full-time grader in the immediate or nearby area.

In some cases the entire cost of an FGIS contract sampler could be avoided. For example, during fiscal years 1980 and 1981, FGIS paid contract samplers almost \$22,000 for services provided at plants in the areas of New Prague/Northfield, Minnesota, (\$5,400); Mankato/New Ulm, Minnesota (\$1,800); and Wabasha, Minnesota/Cochrane, Wisconsin (\$14,700). However, AMS had full-time employees who, according to their supervisors, normally serve these areas and who had sufficient time available to do the samplers' work. Had the AMS employees done the work, USDA would have saved the entire amount paid to the samplers. It also would have saved the cost of 34 trips which FGIS personnel made from field offices located between 45 and 90 miles away to monitor the samplers' performance.

We also noted cases in the field offices we visited where FGIS had used its own personnel, rather than contract samplers, when AMS had full-time and/or part-time employees located closer to the plants. These cases occurred in Albert Lea, Bird Island, New Prague, and Dawson, Minnesota; Chicago, Illinois; and other areas. Had the AMS personnel been used instead of more distant FGIS personnel, travel costs would have been less and the FGIS inspectors would have been available for grain act work.

Eliminating or reducing the number of FGIS contract samplers also would reduce paperwork costs. FGIS must recruit samplers, negotiate or renegotiate their contracts, and license or relicense the samplers each year. Field offices must maintain records on each sampler's contract and process the paperwork necessary for USDA's National Finance Center to pay the samplers each month for the hours they worked. FGIS' difficulty in locating and retaining interested contract samplers only compounds FGIS' administrative problems and increases its paperwork costs.

Realizing these opportunities for greater efficiency depends greatly on the extent to which AMS will cross-utilize personnel

among its food inspection/grading organizational units. Although AMS has no formal cross-utilization policy, it already does so to some extent on contract compliance functions.

According to a June 1980 report on cross-utilization of field personnel by the Food Safety and Quality Service (the USDA agency responsible for AMS' food inspection/grading activities at that time), inspectors and graders already perform work for units other than their own to some extent (about 9,700 hours annually). The report stated that much of this cross-utilization occurred with contract compliance functions, such as checkloading, checking labeling, taking samples for laboratory analysis, and product acceptance procedures. It concluded, however, that there were immediate opportunities for savings through greater cross-utilization of personnel to perform these functions.

Noting that each location where services are needed has its own particular set of circumstances, the report recommended establishing a formal cross-utilization policy and a systematic, case-by-case approach by which field supervisors in the various units could identify additional locations for cross-utilization. AMS' Deputy Administrator for Management told us that these recommendations had not been implemented, but he did not know why. Both the Deputy Assistant Secretary of Agriculture for Marketing and Inspection Services and AMS' Deputy Administrator for Marketing Program Operations told us in November 1981 that better cross-utilization of personnel offers the potential for improving the efficiency of USDA's marketing act services.

TRANSFERRING LABORATORY SUPPORT
FUNCTIONS IS FEASIBLE AND COULD
RESULT IN FURTHER EFFICIENCIES

FGIS maintains a commodity laboratory in Beltsville, Maryland, which performs testing in support of FGIS contract compliance inspections. This facility also contracts with private laboratories to handle possible excess workloads during peak periods. AMS has three laboratories--two in Chicago and one in Gastonia, North Carolina--with similar testing responsibilities and capabilities. If FGIS' contract compliance activities are transferred to AMS, the FGIS laboratory also should be. AMS could shift routine chemical testing work among these facilities to better accommodate peak workloads inhouse and thereby reduce or eliminate the extra expense of contracting with private laboratories.

Laboratory analysis of Government food purchases is an important part of contract compliance inspections. Samples taken from products at production plants are subjected to various chemical and performance tests to ensure that purchases meet contract requirements and specifications.

Most of the Beltsville laboratory's analysis work is done in support of FGIS' contract compliance inspections. It also does

some testing related to FGIS' marketing act grading activities and a small amount of applied research and testing related to FGIS' grain inspection program. According to its director, the Beltsville laboratory employs about 20 persons and handles about 25,000 samples a year. Although the laboratory does not keep statistics on individual tests performed, the director told us that almost all tests support contract compliance inspections. He estimated that between 75 and 80 percent of the laboratory's work is on commodities purchased by the Agricultural Stabilization and Conservation Service under title II of Public Law 83-480 (commodities donated to developing countries).

The laboratory's director also said that FGIS sends an average of 3,000 to 5,000 samples annually to contract laboratories. To keep the private laboratories under contract so they can be used if necessary, he said that he tries to program Beltsville's staffing so that this amount of work can be sent to them. According to the director, the cost of contract laboratory services normally is about \$90,000 to \$100,000 a year.

The Beltsville laboratory also must monitor the performance of the contract laboratories. It randomly selects and retests about 10 percent of the samples tested by contract laboratories to check the accuracy of their work. Beltsville personnel also visit contract laboratories about three times each year to review their operations and performance. According to the Beltsville laboratory's director, these monitoring efforts cost FGIS about \$11,400 a year.

According to AMS officials, the three AMS laboratories that support its contract compliance inspections--a dairy laboratory and a processed fruit and vegetable laboratory, both in Chicago, and a poultry products laboratory in Gastonia, North Carolina--have chemical testing capabilities similar to those of FGIS' laboratory.

The supervisor of AMS' dairy laboratory, after reviewing a list of FGIS tests and talking with Beltsville personnel, said that his facility has the technical capability to make tests on flour and cornmeal products and would only need one additional piece of equipment, costing about \$5,000, to make FGIS' chemical tests on these products. The director of AMS' processed fruit and vegetable regional office in Chicago said that his laboratory could make the tests on oils which FGIS now makes. He noted that his laboratory now tests peanut oils and that the procedures for testing oils assigned to FGIS are quite similar, although the standards the oils must meet are different. The director of AMS' Poultry Division said that his laboratory had similar testing capabilities and possibly could handle a small amount of additional testing work occasionally.

According to its director, FGIS' Beltsville laboratory does about 135 tests routinely, about 25 or 30 of these on a daily basis. He said that AMS' laboratories (and most commercial

laboratories) have the capability to conduct the chemical tests Beltsville performs, but not the performance tests which it conducts on flour and bakery mixes.

These performance tests involve mixing and baking products according to manufacturers' directions to determine whether the finished products meet contract requirements. This determination is made by physical measurements and visual examinations of the finished products to ensure proper volume, weight, consistency, appearance, and so forth. As a result, the performance tests require a certain degree of expertise and some special equipment. The Beltsville laboratory spends about 2 staff years annually (roughly 10 percent of its total workload) on performance testing. About 95 percent of this testing is on products purchased by the military.

Since the Beltsville laboratory's primary mission is support of FGIS' contract compliance inspections, the facility should accompany such activities should they be transferred to AMS. Given the similarity of tests and technical capabilities between this laboratory and the AMS laboratories, there is potential for shifting routine contract compliance chemical tests among them to accommodate peak workloads inhouse. This, in turn, could reduce or eliminate the need for contracts with private laboratories and the additional costs associated with contracting for, obtaining, and monitoring the quality of their services. Because performance testing of bakery products requires expertise and equipment currently available at Beltsville, however, it should continue to perform this function.

Transferring the Beltsville laboratory to AMS also would require alternative arrangements for the laboratory's minimal grain program research efforts. According to the laboratory's director, FGIS' grain standardization laboratory, located at Richards-Gebaur Air Force Base in Grandview, Missouri, is technically capable of doing this work but probably would not be able to absorb the additional workload without additional staff. He noted, however, that the Beltsville laboratory, if transferred to AMS, could continue to do this work for FGIS on a reimbursable basis through a memorandum of understanding.

The Acting Deputy Director of FGIS' Field Management Division agreed with the Beltsville laboratory director's comments. He said that it would be feasible to either transfer the grain research work to the Richards-Gebaur laboratory or to let the Beltsville laboratory continue the work under a memorandum of agreement.

CHAPTER 3

TRANSFERRING FGIS' OTHER MARKETING

ACT ACTIVITIES IS FEASIBLE

FGIS' other responsibilities under the Agricultural Marketing Act--grading certain grain-related commodities and providing certain inspection services on exported commodities--also could be transferred to AMS. Although such transfer offers less potential for greater efficiency and higher quality services than with contract compliance activities, it would be desirable. If AMS were responsible for all marketing act activities, it would be better able to ensure program continuity and consistency (uniformity) and FGIS would be able to concentrate greater attention on its legislatively mandated grain inspection and weighing mission.

Transferring responsibility for these other marketing act activities is feasible but will require two related actions which can easily be accomplished. First, some FGIS personnel experienced in grading marketing act commodities now assigned to FGIS would have to be transferred to AMS because grading these commodities requires expertise and experience not currently available in AMS. This workload, however, is highly concentrated in a few geographic areas and, with the exception of rice, is very small. As a result, a sufficient number of FGIS personnel to handle this workload could be easily transferred to AMS. Since these FGIS personnel are already stationed near the work, there would be little if any need to relocate them. Second, FGIS personnel stationed at major export locations could, and probably should, continue providing inspection and testing services on exported commodities but could do so under an interagency agreement between FGIS and AMS.

FGIS GRADING AND EXPORT INSPECTION SERVICES
PROVIDED UNDER THE MARKETING ACT

The grain-related commodities for which FGIS currently is responsible under the marketing act--rice, dry beans, dry peas, split peas, lentils, hay and straw, buckwheat, hops, sunflower seeds, and rapeseeds ^{1/}--are graded upon request either by FGIS inspectors or by State inspectors under FGIS supervision, as provided in cooperative agreements between FGIS and certain States. To grade these commodities, inspectors must apply established

^{1/}Buckwheat, hops, sunflower seeds, and rapeseeds are not considered official USDA-graded commodities because there are no U.S. grade standards for them. FGIS and authorized State agencies inspect these commodities, however, using State standards. The only difference between inspections of these and the other commodities is that these are not assigned an official USDA grade designation.

standards for determining quality and condition (such as size, color, percent of damaged pieces, and amount of foreign material) and they must make subjective judgments on the degree to which the inspected commodity meets the standards. As a result, grading normally requires a certain degree of expertise and experience in a particular commodity.

The export inspection, sampling, and testing services that FGIS provides at major ports under authority of the marketing act are normally requested by the exporter. Some of these services, while provided under authority of the marketing act, are performed on whole grains graded under authority of the grain act. These services involve either online tests or the drawing of samples for laboratory testing and are done as whole grains are loaded on ships for export. Such services include testing corn for aflatoxin, wheat for protein content, and wheat for factors which adversely affect baking properties.

Other export inspection services on marketing act commodities include sampling for quality, condition-only inspections (such as checking for damaged containers or for insect infestation), checkweighing, checkcounting, and stowage examinations (ensuring vessels are dry, clean, free of insects, and suitable to transport food commodities).

FGIS GRADING EXPERTISE COULD EASILY BE TRANSFERRED TO AMS

Although AMS is capable of performing FGIS' contract compliance inspection activities, it does not now possess the technical expertise necessary to grade marketing act commodities assigned to FGIS. As discussed previously (see pp. 6 and 7), AMS once had responsibility for grading these commodities. AMS personnel experienced in grading these commodities, however, were transferred to FGIS when it was established in 1976.

Commenting on the feasibility of transferring these functions to AMS, FGIS headquarters officials noted that grading marketing act commodities assigned to FGIS, particularly rice, requires considerable expertise and training not available in AMS. They believed transfer of FGIS' marketing act grading functions to AMS would require either transfer of FGIS personnel with the necessary expertise or substantial additional training of AMS personnel. We believe enough FGIS personnel with the necessary expertise to handle this workload could be transferred with relative ease, considering the relatively small size of the workload in most commodities and the fact that the workload is highly concentrated in a few geographic areas. Since these personnel are already stationed in the areas where the work is concentrated, few if any of them should have to be relocated to continue the current level of coverage.

During fiscal year 1981 FGIS and authorized State agencies performed 82,395 marketing act grading inspections. About

37 percent of these (30,348 inspections) were on samples submitted by applicants. The remaining 52,047 inspections were gradings of entire lots of commodities. (See app. IV.) This distinction is important to measuring workload in that submitted sample inspections normally require much less time than lot inspections because inspectors do not have to visit an inspection site to draw the samples. ¹/

Most of FGIS' marketing act grading workload in fiscal year 1981 consisted of rice inspections--57,368 of 82,395 inspections, or about 70 percent. The remaining 25,027 inspections were for all other marketing act commodities assigned to FGIS. As the following table shows, the workload in each of these other commodities, when compared with rice, was much less (sometimes negligible), and many of the inspections were actually done by State agencies under cooperative agreements with FGIS.

FGIS Agricultural Marketing Act Grading Inspections
Fiscal Year 1981

<u>Commodity</u>	<u>Number of inspections</u>		
	<u>FGIS</u>	<u>State</u>	<u>Total</u>
Rice	45,288	12,080	57,368
Dry beans	5,410	5,436	10,846
Dry peas	2,113	2,993	5,106
Split peas	176	745	921
Lentils	1,738	4,252	5,990
Hops	-	1,903	1,903
Sunflower seeds and rapeseeds	68	75	143
Hay and straw	52	12	64
Buckwheat	<u>48</u>	<u>6</u>	<u>54</u>
Total	<u>54,893</u>	<u>27,502</u>	<u>82,395</u>

¹/In either case, only the sample is actually graded. Federal certificates for submitted sample inspections, however, attest only to the grade of the samples, whereas certificates for lot inspections attest to the grade of the entire lot from which the sample was drawn. The reason for this distinction is that the inspecting agency has no assurance on submitted samples that the applicant drew the sample properly or that the sample fairly represents the quality of the whole lot.

FGIS' marketing act grading workload also is highly concentrated in relatively few field offices. In fiscal year 1981 just 10 of FGIS' 42 field offices accounted for almost 95 percent of all FGIS marketing act grading inspections (77,940 of 82,395). Inspections of most individual commodities were concentrated in even fewer field offices, as the table on the following page shows.

Determining the exact number of FGIS grading personnel that would have to be transferred is difficult. As noted previously (see p. 7), inspection time attributable to graded commodities other than rice cannot be identified in FGIS' records. However, given the extremely small number of inspections for these other commodities and the fact that many of them are done by State rather than FGIS inspectors, it appears that very few FGIS personnel would have to be transferred to provide adequate coverage of graded commodities other than rice.

The transfer of rice inspection responsibilities would require transfer of a somewhat larger number of FGIS personnel. Because FGIS' rice grading expertise and workload are highly concentrated in a few geographic areas, however, transferring the responsibility and personnel to AMS would be relatively simple and should not require the relocation of personnel.

According to an agricultural commodity grader in FGIS' Field Management Division (who headed FGIS' former marketing act Commodity Inspection Section), rice inspections in fiscal year 1981 required about 48 staff years of actual grader time in the field. According to the official, there were 31 full-time rice graders located in four field offices: 11 at Stuttgart, Arkansas; 10 at Crowley, Louisiana; 7 at Jonesboro, Arkansas; and 3 at Olive Branch, Mississippi. Most of the remaining 17 staff years of effort was accounted for by graders from two field offices (Houston, Texas, and Lake Charles, Louisiana) who worked on rice part-time. As the table on the following page indicates, these six field offices accounted for the vast majority of the rice inspections in fiscal year 1981 (43,688 of 57,368 inspections, or about 76 percent).

Five of these six field offices could be transferred to AMS virtually intact, with little or no effect on either rice grading services or FGIS grain inspection activities. These include (1) the four field offices which had full-time rice graders and whose workloads are normally almost all rice inspections (90 percent or more) and (2) the Houston field office from which FGIS transferred grain inspections on January 10, 1982 (see p. 16), thereby making it a rice inspection field office. With the exception of Lake Charles, Louisiana, where only enough graders to handle its rice workload would need to be transferred, the only other area with a significant amount of rice grading activity is Sacramento, California. In California, however, authorized State inspectors do the actual inspections; thus, only supervisory FGIS personnel there would need to be transferred.

Geographic Concentration of FGIS' Agricultural Marketing Act Grading Work

Fiscal Year 1981

<u>FGIS field office</u>	<u>Rice</u>	<u>Dry beans</u>	<u>Dry peas</u>	<u>Split peas</u>	<u>Lentils</u>	<u>Hay/ straw</u>	<u>Buckwheat</u>	<u>Hops</u>	<u>Sunflower seeds/ rapeseeds</u>	<u>Total</u>
Sacramento, Calif.	12,078	3,703	2	1	4	9	0	0	25	15,822
Houston, Tex.	11,786	1,916	0	0	0	0	0	0	0	13,702
Stuttgart, Ark.	13,656	0	0	0	0	0	0	0	0	13,656
Moscow, Idaho	0	896	4,878	824	4,948	0	0	0	0	11,546
Jonesboro, Ark.	6,774	0	0	0	0	0	0	0	0	6,774
Crowley, La.	5,441	0	0	0	0	0	0	0	0	5,441
Olive Branch, Miss.	4,011	0	0	0	0	0	0	0	0	4,011
Grand Forks, N.Dak.	0	2,533	0	0	424	0	23	0	3	2,983
Lake Charles, La.	2,020	0	0	0	0	0	0	0	0	2,020
Portland, Oreg.	0	51	26	0	5	0	0	1,903	0	1,985
Total	55,766	9,099	4,906	825	5,381	9	23	1,903	28	77,940
All other field offices	1,602	1,747	200	96	609	55	31	0	115	4,455
Total inspections	57,368	10,846	5,106	921	5,990	64	54	1,903	143	82,395
Percent of total inspections	97.2	83.9	96.1	89.6	89.8	14.1	42.6	100.0	19.6	94.6

----- (Number of inspections) -----

Regarding the transfer of rice grading services from FGIS to AMS, the Rice Millers' Association expressed concern about what it termed the escalating costs and needless complexity of FGIS' services, and it feared reduced quality and timeliness of service due to the recent reduction of FGIS' field staff. It did not believe, however, that AMS would necessarily do a better or more efficient job than FGIS. As noted previously, the association made recommendations for streamlining rice inspection procedures which FGIS received on January 19, 1982.

We understand the association's concern about the costs of rice grading services. Although we see little potential for reducing these costs significantly solely by transferring responsibility to AMS, we see no reason why the association's recommendations, if viable, could not be implemented equally well by AMS. Also, since we are proposing that the FGIS personnel with expertise in grading rice and other marketing act commodities be transferred to AMS, we believe it reasonable to assume that the transfer would not diminish the quality of service that would otherwise be provided. In fact, quality of service may well be enhanced through the increased program visibility and emphasis likely by having these activities administered by an agency with marketing act services as a primary, rather than a secondary, responsibility.

AMS headquarters officials believe that AMS could assume responsibility for grading rice and other grain-related marketing act commodities, including attendant laboratory functions, now assigned to FGIS. FGIS headquarters officials disagreed. They said that rice and graded commodities require technical expertise and equipment similar to that required for grading grains and that separating these commodities from the grain program would eliminate cross-utilization of inspectors and result in duplicative standards and equipment research efforts.

In our view, however, FGIS officials are overemphasizing the benefits derived from retaining the marketing act grading work. As discussed previously, rice accounts for the vast majority of FGIS' marketing act grading work; yet most rice grading inspections performed by FGIS personnel in fiscal year 1981 (29,882 of 45,288 inspections, or 66 percent) were accounted for by the four field offices that used full-time rice graders (Stuttgart and Jonesboro, Arkansas; Crowley, Louisiana; and Olive Branch, Mississippi). In addition, FGIS transferred grain inspection duties from its Houston field office in January 1982 so that this office could concentrate exclusively on rice grading work--a change we believe is in direct opposition to FGIS officials' cross-utilization philosophy. Based on the number of inspections performed in fiscal year 1981, this change likely will mean that field offices with full-time rice graders will account for more than 90 percent of rice inspections performed by FGIS inspectors during fiscal year 1982.

The amount of duplication that would exist in the areas of standards research and equipment would be minimal. We had been told previously that FGIS had very little research and equipment development underway or planned involving marketing act commodities. Further, AMS already has its own standards development units and USDA's Agricultural Research Service is involved in equipment development for grain and grain-related commodities.

FGIS COULD CONTINUE PROVIDING
EXPORT INSPECTION SERVICES UNDER
AN INTERAGENCY AGREEMENT WITH AMS

FGIS headquarters officials noted that FGIS is in a better position than AMS to provide sampling, testing, and inspection services on exported grains and processed commodities currently provided by FGIS under the marketing act. They noted that FGIS already has experienced personnel at major ports, whereas AMS does not. According to the officials, FGIS or authorized non-Federal personnel are already stationed and currently provide the bulk of these services at the following ports: Pensacola, Florida; Biloxi, Mississippi; New Orleans and Litcher, Louisiana; Orange, Beaumont, Galveston, Houston, and Corpus Christi, Texas; Mobile, Alabama; and Baltimore, Maryland.

FGIS records do not identify the specific number of export services which FGIS provides because some of the services also can apply to domestic commodities and FGIS field offices do not report services for exported and domestic commodities separately. During fiscal year 1981 FGIS reported a total of 21,495 "other services," part of which were export services. These involved both lot (onsite) and submitted sample inspections made by Federal and licensed personnel. (See app. IV.)

We agree that it would be more practical and efficient for FGIS to continue providing these export services, but we believe this should not preclude transferring FGIS' marketing act responsibilities to AMS. Even if its marketing act responsibilities were transferred to AMS, FGIS and authorized non-Federal inspectors could continue to provide the actual services, on a reimbursable basis, under a memorandum of understanding with AMS. FGIS headquarters officials agreed that this would be possible. AMS headquarters officials said that there may be some difficulties in administering this arrangement, but they believed the difficulties could be overcome.

CHAPTER 4

CONCLUSIONS AND RECOMMENDATIONS

CONCLUSIONS

FGIS' marketing act functions, particularly contract compliance inspections, are a secondary responsibility which, although a minor portion of the agency's total workload, compete with and impede its primary mission of grain inspection and weighing under the U.S. Grain Standards Act. FGIS has found it difficult to simultaneously administer both programs, and its attempts to do so have hampered its ability to properly supervise authorized State and private grain inspection agencies to ensure the accuracy of their work. Considering the dispersed nature of its contract compliance workload and the need to locate FGIS field offices and inspectors at major grain collection and export points, it is doubtful that FGIS will ever be able to align its field offices to overcome the current situation. Given recent personnel reductions in FGIS, the situation will likely worsen in the future.

Contract compliance inspections have been particularly troublesome for FGIS. Because its field offices and personnel normally are not located near plants where the inspections must be made, FGIS relies heavily on independent contract samplers. Samplers, however, are difficult to attract and retain, and FGIS has had problems with samplers' reliability and the quality of their work. The distances between the plants and FGIS' field offices also have made it difficult for the agency to properly monitor the samplers' performance.

USDA's decision to divide marketing act responsibilities between FGIS and AMS was, in our opinion, an arbitrary one which failed to address the basic question of which agency is the most logical to do the work. We believe it would be more practical for AMS to provide the marketing act services now provided by FGIS and that transferring FGIS' marketing act functions would be both feasible and beneficial.

Foremost among the potential benefits is that transferring FGIS' contract compliance functions to AMS would reduce or possibly eliminate FGIS' contract sampler problems. AMS, which provides these same services for most other types of food commodities, has personnel already trained in this work who, in most cases, are located near plants now assigned to FGIS and who could absorb most of FGIS' contract sampler workload. Since most of these personnel are either full-time or part-time AMS graders with higher qualifications and more experience than FGIS' contract samplers, they likely would provide more reliable and higher quality services.

The transfer also offers opportunities for more efficient inspection at FGIS' plants. Foremost among these opportunities is the reduction of duplicative costs the two agencies now incur

supervising or monitoring the performance of individuals who do the inspection work. At present, AMS supervises its employees and FGIS monitors its samplers; AMS personnel could absorb much of the work now done by both agencies. Reducing the need for FGIS' samplers would also provide opportunities to reduce related paperwork costs, such as annual relicensing and contract renegotiation costs.

Because these opportunities for increased efficiency depend heavily on AMS serving FGIS' plants with its nearest employees, AMS will have to effectively cross-utilize personnel among its several food inspection/grading organizational units to fully capitalize on the opportunities. AMS would be better able to do this if it established a formal cross-utilization policy and systematic approach for identifying specific cases where this practice could be used more, as a June 1980 internal study recommended.

Virtually the entire workload of FGIS' Beltsville laboratory supports FGIS' contract compliance inspection activities; therefore, the laboratory also should be transferred to AMS along with program responsibility. AMS laboratories with similar chemical testing capabilities could be used to help handle any workload exceeding the Beltsville laboratory's capacity and therefore reduce or eliminate the need for maintaining contracts with private laboratories.

It would be more practical for the Beltsville facility to continue all performance testing on bakery mixes and products since it already has the necessary expertise and special equipment. The laboratory also could continue performing grain research work for FGIS, under an interagency agreement, or this work and the necessary personnel could be transferred to FGIS' grain standardization laboratory in Grandview, Missouri.

Although transferring FGIS' grading and export inspection services provided under the Agricultural Marketing Act would not necessarily result in higher quality or more efficient services, as in the case of contract compliance services, we believe this would be desirable in the interest of program continuity and consistency. By being free of its marketing act responsibilities, FGIS would be able to concentrate its attention and personnel on its legislatively mandated mission of administering the national grain inspection and weighing program, and it would be in a better position to maintain the integrity of that program in spite of recent staffing cutbacks. With responsibility for all marketing act activities, AMS would be in a better position to ensure that consistent services are provided on all types of commodities inspected or graded under the act.

Transferring FGIS' marketing act activities to AMS will require a limited transfer of FGIS personnel with expertise in grading rice and other commodities. However, with the exception of rice, this workload is relatively small and it is highly

concentrated in a few geographic areas. As a result, a sufficient number of personnel to handle the workload could be transferred with a minimum of difficulty or disruption to service. Since the personnel are already located where this work is concentrated, their transfer should require few, if any, personnel relocations. Also, since FGIS already has personnel at most export locations, it would be more practical and less costly for it to continue providing certain inspection and testing services on exported commodities. This could easily be done on a reimbursable basis under a memorandum of understanding between the two agencies.

RECOMMENDATIONS TO THE SECRETARY OF AGRICULTURE

We recommend that the Secretary transfer to AMS responsibility for inspecting and grading commodities covered by the Agricultural Marketing Act of 1946 that are now assigned to FGIS. As part of this action, the Secretary should (1) transfer a sufficient number of FGIS personnel with expertise in grading rice and other commodities which FGIS now grades under the act, (2) transfer FGIS' commodity testing laboratory in Beltsville, Maryland, (3) instruct the Administrators of FGIS and AMS to execute a memorandum of understanding providing for FGIS personnel to continue inspection and testing services they now provide on exported commodities, and (4) instruct the Administrator, AMS, to establish a formal policy and system for maximizing cross-utilization of AMS personnel on contract compliance inspection work.

We recommend also that the Secretary instruct the Administrator, FGIS, to either (1) transfer grain research work now done by the Beltsville laboratory to FGIS' laboratory in Grandview, Missouri, or (2) effect a memorandum of agreement with the Administrator, AMS, providing for the Beltsville laboratory to continue this work on a reimbursable basis.

VIEWS OF AGENCY OFFICIALS

AMS and FGIS headquarters officials expressed widely divergent views on our findings and tentative conclusions and recommendations. AMS officials said that their agency could effectively assume FGIS' marketing act responsibilities and that the transfer of these functions would improve the quality and reliability of service. FGIS officials did not agree and stated a number of reasons why they believed the current division of responsibility should be maintained. The specific views of both agencies' officials, which we considered relevant, are included in this report where appropriate.

After considering both views, the Assistant Secretary for Marketing and Inspection Services opted to support the position taken by FGIS headquarters officials. When informing us of this decision, the Deputy Assistant Secretary acknowledged the

existence of many of the problems we found but told us that his office would prefer to deal with these problems within the existing organizational structure. A major concern of his was that AMS' organization is highly structured along commodity lines, which he said is not conducive to the efficient cross-utilization of staff between organizational units which would be necessary to fully realize the potential benefits of the transfer. (The FGIS Administrator had made a similar comment.) The Deputy Assistant Secretary told us that his office would probably address this AMS organizational problem at some future, but unspecified, date.

We did not evaluate the need for modifying AMS' organizational structure, but we see no reason why effective cross-utilization cannot be accomplished within AMS' current structure. Opportunities for greater efficiency through cross-utilization exist primarily in the area of contract compliance inspection work. As discussed on pages 16 to 18, personnel in AMS' various organizational units are already experienced in, and are now doing, this type of work. Supervisors in the various AMS units told us their personnel could inspect products now assigned to FGIS with little difficulty.

FGIS headquarters officials, while agreeing that centralized management of like functions normally results in more consistent and uniform management, questioned the practicality of applying this principle to AMS' management of marketing act activities. They noted that AMS' commodity-oriented organizational units operate independently to a large extent. While we agree that AMS' current organization is characterized by a certain degree of autonomy, we believe uniform program management is more likely under a single agency and administrator than under two agencies. Furthermore, as noted above, the Deputy Assistant Secretary for Marketing and Inspection Services acknowledged problems with AMS' current organization and indicated that changes may be in order.

As discussed on page 24, a 1980 agency study determined that cross-utilization of certain functions, particularly contract compliance inspections, is practical. We agree with the study's conclusion that the major obstacles to greater cross-utilization are the lack of appropriate emphasis from AMS management and the lack of a system by which field supervisors in the various units could identify specific cases where cross-utilization would be appropriate.

AGENCY FIELD LOCATIONS AND INDUSTRYREPRESENTATIVES GAO CONTACTED

	<u>Location</u>
FGIS:	
Field office	Peoria, Ill.
Field office	Minneapolis, Minn.
Field office	Stuttgart, Ark.
Commodity Testing Laboratory	Beltsville, Md.
AMS:	
Dairy Grading Branch	
Field office	Minneapolis, Minn.
Field office	Chicago, Ill.
Laboratory	Chicago, Ill.
Processed Products Branch,	
Fruit and Vegetable Division	
Regional office	Chicago, Ill.
Field office	Ripon, Wis.
Field suboffice	Mankato, Minn.
Laboratory	Chicago, Ill.
Fresh Products Branch, Fruit and	
Vegetable Division	
Regional office	Chicago, Ill.
State office	St. Paul, Minn.
Meat Grading Branch	
Main station	Chicago, Ill.
Main station	South St. Paul, Minn.
Poultry Grading Branch	
State office	St. Paul, Minn.
INDUSTRY:	
International Multifoods	Minneapolis, Minn.
Krause Milling Company	Milwaukee, Wis.
Lauhoff Grain Company	Danville, Ill.
Anderson Clayton Foods	Jacksonville, Ill.
Riceland Foods	Stuttgart, Ark.
The Rice Millers' Association	Arlington, Va.

DISTRIBUTION OF FGIS STAFF YEARS, FISCAL YEAR 1981

	<u>Staff years</u>	<u>Percent</u>
Marketing act activities:		
Rice	139.0	7.8
Miscellaneous and processed commodities	104.3	5.8
Miscellaneous agreements (note a)	4.1	0.2
Standardization (note b)	<u>2.3</u>	<u>0.1</u>
Total	<u>249.7</u>	c/ <u>14.0</u>
Grain act activities:		
Inspection	464.6	26.0
Weighing	397.3	22.2
Appeals	31.3	1.8
Supervision	414.5	23.2
Other (note d)	<u>228.7</u>	<u>12.8</u>
Total	<u>1,536.4</u>	<u>86.0</u>
Total	<u><u>1,786.1</u></u>	<u><u>100.0</u></u>

a/Supervision of States performing inspection/grading services under cooperative agreements.

b/Standardization activities consist primarily of developing and maintaining U.S. grade standards by which the quality of commodities is judged.

c/Does not add to 14.0 due to rounding.

d/Washington office management (211.5 staff years) and Canadian operations (17.2 staff years).

FGIS CONTRACT COMPLIANCE INSPECTIONS, FISCAL YEAR 1981

<u>Field office</u>	<u>Number of inspections</u>		<u>Total</u>
	<u>By FGIS</u>	<u>By contract samplers (note a)</u>	
Albany, N.Y.	2	924	926
Baltimore, Md.	0	0	0
Cedar Rapids, Iowa	2	211	213
Chicago, Ill.	33	103	136
Crowley, La.	50	0	50
Denver, Colo.	417	0	417
Destrehan, La.	0	0	0
Duluth, Minn.	0	0	0
Fort Dodge, Iowa	0	0	0
Fort Worth, Tex.	296	2,358	2,654
Galveston, Tex.	0	0	0
Grand Forks, N. Dak.	149	0	149
Houston, Tex.	0	0	0
Indianapolis, Ind.	0	0	0
Jonesboro, Ark.	0	0	0
Kansas City, Mo.	0	2,412	2,412
Lake Charles, La.	0	0	0
Lumberton, Tex.	215	0	215
Lutcher, La.	0	0	0
Minneapolis, Minn.	303	1,076	1,379
Mobile, Ala.	33	1,408	1,441
Montreal, Canada	0	0	0
Moscow, Idaho	119	0	119
New Orleans, La.	3	495	498
Norfolk, Va.	51	146	197
Olive Branch, Miss.	0	0	0
Omaha, Nebr.	37	3,539	3,576
Pasadena, Tex.	0	0	0
Peoria, Ill.	135	1,313	1,448
Philadelphia, Pa.	335	308	643
Plainview, Tex.	1	0	1
Portland, Oreg.	0	0	0
Portland, Tex.	1	0	1
Sacramento, Calif.	0	34	34
Saginaw, Mich.	0	0	0
San Pedro, Calif.	0	905	905
Seattle, Wash.	147	1,573	1,720
Spokane, Wash. (closed in early FY 1981)	0	20	20
St. Louis, Mo.	37	250	287
Stuttgart, Ark.	200	0	200

<u>Field office</u>	<u>Number of inspections</u>		<u>Total</u>
	<u>By FGIS</u>	<u>By contract samplers (note a)</u>	
Toledo, Ohio	286	124	410
Wichita, Kans.	<u>139</u>	<u>2,867</u>	<u>3,006</u>
Total	<u>2,991</u>	<u>20,066</u>	<u>23,057</u>

a/Includes an indeterminable number of inspections performed by State personnel in California, Louisiana, Montana, New York, and North Carolina. Other than in California, however, the State personnel perform much like individual contract samplers. In these States, FGIS contracts with the State for services on an as-needed basis and pays the States for hours worked at an agreed rate. In California, State personnel perform inspections under a cooperative agreement with FGIS. California bills users directly for services provided and pays FGIS an agreed percentage of its revenue to cover FGIS' overhead and supervision costs.

FGIS AGRICULTURAL MARKETING ACT INSPECTIONSFISCAL YEAR 1981

	<u>Number of inspections</u>			<u>Total</u>
	<u>Grading</u>	<u>Contract compliance</u>	<u>Other services</u>	
Lot inspections:				
Federal	41,057	2,981	15,305	59,343
Licensed	<u>10,990</u>	<u>20,061</u>	<u>2,589</u>	<u>33,640</u>
Total	<u>52,047</u>	<u>23,042</u>	<u>17,894</u>	<u>92,983</u>
Submitted sample inspections:				
Federal	13,836	10	3,601	17,447
Licensed	<u>16,512</u>	<u>5</u>	<u>-</u>	<u>16,517</u>
Total	<u>30,348</u>	<u>15</u>	<u>3,601</u>	<u>33,964</u>
All inspections:				
Federal	54,893	2,991	18,906	76,790
Licensed	<u>27,502</u>	<u>20,066</u>	<u>2,589</u>	<u>50,157</u>
Total	<u>82,395</u>	<u>23,057</u>	<u>21,495</u>	<u>126,947</u>

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