United States General Accounting Office 140732

GAO

Testimony

140732

For Release
on Delivery
Expected at
9 a.m. EST
Wednesday
February 28, 1990

Status of the Food and Agriculture Councils Needs to be Elevated

Statement of
John W. Harman, Director
Food and Agriculture Issues
Resources, Community, and Economic
Development Division

Before the Government Information, Justice,
and Agriculture Subcommittee
Committee on Government Operations
United States House of Representatives

047857/140732

GAO/T-RCED-90-36

GAO Form 160 (12/87)

Mr. Chairman and Members of the Subcommittee:

We are pleased to discuss the U.S. Department of Agriculture's (USDA) management of its field delivery systems in general, and specifically, our November 1989 report on the Department's Food and Agriculture Councils (FACs).[1] This work is part of GAO's ongoing general management review of USDA that is similar to management reviews by GAO at numerous other federal departments and agencies in recent years. In contrast to our traditional programmatic reviews, general management reviews examine the effectiveness of management processes and systems of all or major portions of Departments and agencies. We issued an interim report on the results of our initial management review work at USDA in October 1989.[2] During the remainder of this year, we will issue a series of reports on underlying causes of specific problems discussed in our interim report and recommend specific actions for improving departmental operations.

In summary, USDA established the FACs to provide a crucial communication link between headquarters and its agencies in the field, as well as other federal agencies. Comprised of representatives from the various USDA agencies, notably the farm agencies,[3] the FACs are in a position to serve a vital management function in the Department. Unfortunately, a lack of top management support has diminished the effectiveness of the FACs in recent years. At the time of our review, the FACs had no liaison

---

[1] U.S. Department of Agriculture: Status of the Food and Agriculture Councils Needs to Be Elevated (GAO/RCED-90-29).

[2] U.S. Department of Agriculture: Interim Report on Ways to Enhance Management (GAO/RCED-90-19).

[3] Agricultural Stabilization and Conservation Service (ASCS), Soil Conservation Service (SCS), Farmers Home Administration (FmHA), Federal Crop Insurance Corporation (FCIC), and the Extension Service (ES).[3]

in USDA headquarters, which created a leadership vacuum. USDA is currently reviewing options for properly managing the FACs.

We believe that FACs have a potentially important role as ongoing trends, particularly declining federal budgets, place pressure on the Department to reassess the mission and design of its 1930s-era system of delivering farm programs. Given changes in USDA's mission and the external environment over the years, the FACs, if properly structured, can provide USDA's top management and the Congress with valuable input for periodically evaluating how well the field system is performing.

FACS CAN PROVIDE CRITICAL HEADQUARTERS-FIELD LINKAGE

USDA's extensive field structure requires constant, committed interagency coordination if the programs are to work most economically and efficiently. Also, absent a coordination mechanism such as the FACs, directives intended to carry a Department-wide perspective can be recast to reflect individual agency priorities, thereby hindering attainment of the Secretary's objectives.

We believe the Councils, created in 1982, provide the foundation upon which USDA can aggressively pursue productivity improvements and organizational changes that can be implemented in USDA field offices nationwide. However, the FACs need high-level representation at USDA headquarters if they are to perform their functions effectively. At the time of our review, such representation did not exist.

The FAC concept is not new to USDA: the Department has had similar coordinating groups since at least 1962. Former Secretary Block established the current FAC mechanism to function under his direct authority to (1) facilitate the flow of USDA-wide initiatives to the state and local levels and (2) provide a source of feedback from the field on pressing issues affecting farm communities.

USDA organized the FACs on three levels. The state FACs are comprised of senior officials of the individual USDA agencies in a given state. The local FACs consist of USDA representatives at the county, parish, borough, or multi-county level. In headquarters, the National Food and Agriculture Council has served as liaison for the FACs, with responsibility for coordinating USDA initiatives that require cooperation among USDA agencies operating at the state and local levels.

All state and local FAC officials perform their FAC functions as part of their official duties for their respective agencies. In this sense, the FACs may be considered "budget neutral," that is, the Department incurs no additional costs.

In May 1989, the Inspector General (IG) provided an example of why an aggressive coordination mechanism is necessary if the field structure is to work efficiently. The IG's audit of 27 counties in 6 states found almost $1.2 million in government overpayments and lost rental income because of improper internal controls. According to the IG report, over $500,000 of improper ASCS benefits were paid out because FmHA did not notify ASCS that it had acquired eight farm properties.

Headquarters farm agency officials told us that their agencies' internal control systems would not normally identify problems resulting from communication lapses with other field agencies. We believe that active FACs, aggressively pursuing their mandate for improving interagency coordination, could help identify and remedy such situations. However, we do not believe the FACs will perform this mandate consistently without the support and guidance of the Department's top management.

We believe a high-level liaison in Washington, D.C., and ongoing communication between headquarters and the state and local FACs are needed to make FAC ideas a reality. The liaison could provide the oversight and direction needed to more fully involve the field in helping to implement program, policy, and administrative initiatives. Therefore, we recommended in November 1989 that the Secretary institutionalize the headquarters liaison for the FACs in the Office of the Secretary. We also provided a number of suggestions for the Secretary's consideration, including improving FAC accountability and increasing FAC member incentives, that could help elevate the status of the FACs and allow them to operate as the budget-neutral, strategic management tools that they were originally intended to be.

In response to our recommendation, the Department stated that it recognized the importance of the FACs as a management function, but USDA was still studying internal proposals on which management unit should oversee this function.

REASSESSING THE FARM DELIVERY SYSTEM

One area where participation by a strong and active FAC could be important is in reassessing of the structure of USDA's delivery system for farm programs. During our management review, numerous former USDA officials expressed concern about the cost and effectiveness of USDA's field delivery structure. Three recent Secretaries of Agriculture expressed their frustration over attempts to streamline the field. One emphasized that our work would not be complete if we did not take a hard look at identifying ways to streamline USDA's field delivery system. Their reasoning was consistent. Each saw a responsive but expensive field structure: About 90 percent of the Department's over 110,000 full-time employees work outside Washington, D.C., in almost every county in the United States and in many cities. USDA's farm agencies alone spent nearly $2.1 billion in fiscal year 1988 and used over 63,000 staff years to administer their farm programs through about 10,600 local office networks operating in over 3,000 counties.

Also, although many public and private organizations periodically reorganize to respond to external changes, few adjustments have been made to USDA's field structure since it was first shaped in the 1930s. The last 50 years have brought vast improvements in transportation and communication systems, a continuing decline in the number of farmers, and most recently, significant budget tightening. In addition, a growing number of emerging policy issues--such as addressing agricultural-related environmental issues, enhancing farm sector competitiveness, and revitalizing rural America--cut across traditional agency lines, resulting in new coordination and management challenges.

Largely out of concern that the quality of service to constituents might suffer, proponents of the existing field delivery system have successfully resisted change. Taking action that may affect local offices, however, is a highly emotional issue that generates concern not only in the local area, but in the Congress as well--much like closing a post office. Given the opposition this generates, USDA has been reluctant to embark on a course of change.

Opposition notwithstanding, perceived inefficiencies in the delivery system have prompted frequent suggestions for change. As early as 1945, initiatives were suggested to streamline USDA's field structure. Further, USDA's field structure has been the subject of eight studies conducted during the past 2 decades, many of which recommended substantial changes, including reorganizations. The most recent, a Secretary's 1985 task force report on streamlining USDA, found many instances where costs could be reduced and service improved by bringing USDA employees closer together and sharing services and facilities, either through more aggressive collocation and consolidation policies or by restructuring USDA's agencies.

Office collocations can be a particularly effective mechanism for reducing field structure costs. In a collocated field office, two or more USDA agencies are able to provide convenient, one-stop services to farmers. Equally important, these offices present numerous opportunities to share equipment, supplies, and support services among the collocated agencies, according to USDA officials, thereby increasing cost savings. For example, officials told us that a resource-sharing project in collocated offices in Georgia is expected to yield total cost savings of $12.6 million over a 10-year period.

State and local FACs are well-positioned to assess the potential for improved efficiency and possible cost savings through integrated administrative support services and field office collocations at the state and county levels. When Secretary Block asked all state FACs in 1985 to prepare preliminary plans for streamlining state operations and other suggestions for improving USDA's organizational structure, the response was very positive. For example, all 50 state FACs supported one or more resource-sharing concepts, including the sharing of equipment and supplies; 8 proposed the closure of agency offices where declining work loads no longer justified a full-time USDA presence; and 16 supported the merger of 2 or more agencies or farm programs into 1 to eliminate duplications of service.

Unfortunately, USDA did not maintain the 1985 streamlining momentum. Only 5 of the proposals submitted by the 50 state FACs were implemented, and these proposals ultimately suffered from reduced headquarters interest in the FACs. For example, USDA was slow to implement a Colorado FAC telecommunications project in selected USDA offices across the country and consequently realized only $1.44 million or less than two-fifths of the $3.75 million in savings it had expected from the project.

Office consolidations, combining the operations of two or more offices of an agency at a single location, can also provide significant cost savings opportunities. For example, FmHA headquarters officials were able to identify 24 office consolidations in 10 states since 1987, projecting first-year savings of $1.2 million. Typically, offices were closed or reduced to part-time status where increased urbanization had caused loan work loads to drop, or where loan servicing was done by phone or correspondence. ASCS officials in Washington also told us that they have closed county offices over the past few years and are aware of other offices that are candidates for consolidation because of a diminishing number of clients.

We believe these examples suggest the potential for substantially greater cost savings to USDA. However, we found that at present USDA does not adequately promote or closely monitor cost-savings initiatives undertaken in collocated offices. Moreover, USDA has not taken full advantage of potential consolidations.

We further believe the only way to move toward changing the field structure is to marshal the proper mix of leadership from headquarters and input from USDA's state and local offices. Commitment from USDA's top management in pursuing a more streamlined and efficient Department is a necessary first step.

Management analysts in both the private and public sectors generally believe that a well-run organization is responsive to changes in its overall environment and conscious of controlling costs. USDA needs to periodically engage the FACs, along with its top management, farm clients, and the Congress, in the task of seeking more cost-effective methods for delivering the Department's field services in an ever-changing agricultural environment. As part of the process, an assessment of the mission, design, and service delivery system of its present field structure could help USDA foster an attitude receptive to change.

- - - - -

This concludes my statement. We would be glad to respond to your questions.

SUMMARY

Mr. Chairman and Members of the Committee:

We appreciate this opportunity to appear before the Committee today to discuss Senate Bill S. 1379 to reauthorize and amend the Defense Production Act of 1950 (DPA).

In recent years the United States has moved to a more interdependent approach in procuring parts and components for its major weapon systems. It is apparent that national security is increasingly tied to the strength of the nation's economy and the ability of industry to compete, particularly in areas where technology leadership is important.

We agree with the emphasis that S. 1379 places on a healthy industrial and technological base. We also generally agree with the thrust of several provisions in S. 1379 that seek to modernize the Defense Production Act of 1950 by providing or authorizing mechanisms or tools to enhance the competitiveness of defense industries. In particular, we support those provisions that seek to (1) foster development of technologies and advanced processes by providing protection from the antitrust provisions inhibiting joint undertakings, (2) encourage contractors to invest in modern equipment to increase productivity, (3) improve the integration of national security and economic policy, and (4) ensure a realistic assessment of the demands placed on industry by national defense plans.

In addition, we have some observations for your consideration. DPA requires an annual report to the Congress on the impact of offsets on U.S. defense preparedness, industrial competitiveness, employment, and trade. We believe that S. 1379 should be changed to better provide for disclosure of significant dissenting agency views in the report. Such views have not been disclosed in the past. S. 1379 currently does not propose this change.

We have two concerns regarding the DPA fund that S. 1379 would create. First, acquiring the initial $200 million for the fund from the national stockpile could have a detrimental effect on the stockpile program. Second, S. 1379 would authorize stockpiling components and subassemblies in sufficient quantities to meet mobilization needs; but rapid technological developments increase the risk that inventories of such goods could become obsolete.

Finally, we would like to emphasize that effective implementation of DPA requires systematic information gathering and analysis to accurately assess the health of our defense industrial and technology base at all levels, and ensure that critical items and technologies are available. We believe that the Congress should consider the need for adequate information on selected defense industries that support major weapon systems, including critical subtier industries.