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Report to the Secretary of Agriculture

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U.S. DEPARTMENT OF AGRICULTURE

Strengthening Management Systems to Support Secretarial Goals

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Resources, Community, and
Economic Development Division

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July 31, 1991

The Honorable Edward R. Madigan
The Secretary of Agriculture

Dear Mr. Secretary:

This report on the U.S. Department of Agriculture's basic management systems is one in a series of GAO management reviews of major federal departments and agencies. Our purpose in these reports is to assess the Department's management, analyze problems and determine their underlying causes, and identify ways in which departmental management processes and structures could be improved. This report makes specific recommendations to you for improving the management of the Department's financial, information resource, and human resource management systems.

The head of a federal agency is required by 31 U.S.C. 720 to submit a written statement on actions taken on these recommendations to the Senate Committee on Governmental Affairs and the House Committee on Government Operations not later than 60 days after the date of this report and to the House and Senate Committee on Appropriations with the agency's first request for appropriations made more than 60 days after the date of this report.

We are sending copies of this report to the Director, Office of Management and Budget; interested congressional Committees and Subcommittees; and individual Members of Congress. We will also make copies available to others upon request.

This work was performed under the direction of John W. Harman, Director of Food and Agriculture Issues, who can be reached on (202) 275-5138. Other major contributors are listed in appendix II.

Sincerely yours,

J. Dexter Peach
Assistant Comptroller General

Executive Summary

Purpose

The U.S. Department of Agriculture (USDA) makes decisions every day that rely heavily on its financial, information, and human resources management systems. These basic management systems were set up in a simpler era, and it is uncertain whether they can keep pace both with USDA's increasingly complex responsibilities and with changing socioeconomic conditions.

GAO reviewed these systems to determine how they could be improved to better enable USDA to address its responsibilities. This report is one in a series elaborating on issues GAO identified in its October 1989 report, U.S. Department of Agriculture: Interim Report on Ways to Enhance Management (GAO/RCED-90-19).

Background

USDA has over 110,000 full-time employees in more than 15,000 locations. Its total assets amount to over $140 billion; cash outlays for fiscal year 1991 are estimated at $55.4 billion. These programs are administered by 36 agencies in the Department, under the leadership of 2 under and 7 assistant secretaries.

The ability of USDA to effectively manage its programs depends heavily on the support of its basic management systems. These systems generate financial data for reporting on the condition of programs and administrative operations, produce program information to aid decisionmakers, and recruit and train skilled employees.

Results in Brief

Weaknesses in basic management systems at USDA severely limit its ability to carry out its responsibilities efficiently and effectively. These weaknesses, often long-standing, developed because the Department has not had strong central leadership and oversight. Without strong central leadership commitment to basic management systems, improvements are likely to be ad hoc, not occur in all agencies, and ultimately cost more than necessary.

More specifically:

- USDA's major financial management systems are flawed. They do not always provide managers, the Congress, and the public with reliable financial information on program operations. Consequently, the Department is at increased risk of mismanagement, fraud, waste, and abuse.

- Information systems do not provide USDA managers and decisionmakers with the critical information they need, despite years of effort and billions of dollars invested. As a result, managers and decisionmakers cannot operate programs or make strategic decisions effectively.
- Human resource management systems lack a comprehensive departmental approach to personnel issues, which prevents USDA from addressing its work force problems as effectively as possible. Typically, individual agencies independently carry out work force management activities. As a result, duplication of effort sometimes occurs, and the Department is ill prepared to develop and direct a work force that is expected to be more culturally diverse in future years.

USDA has launched several important initiatives to improve its management systems. However, without strong central leadership and more comprehensive solutions to persistent problems, these efforts will not be adequate to address underlying weaknesses in the management systems.

Principal Findings

Stronger Financial Management Commitment Needed

USDA's financial management systems suffer from significant weaknesses in internal and accounting controls—from National Finance Center computer programs that allow users unrestricted access to the operating system to the Farmers Home Administration's not maintaining accurate and complete accounting and financial information on acquired property. These weaknesses, which are often long-standing, substantially increase the risk of mismanagement, fraud, waste, and abuse in USDA programs.

USDA does not have a senior Department-level manager responsible for overseeing improvements in financial systems, nor does it have a comprehensive plan for improving systems across agencies. Moreover, USDA does not require its agencies to have independent financial audits. As a result, internal and external decisionmakers cannot be sure they have reliable information on USDA programs worth billions of dollars.

USDA should build a framework to better address its financial management weaknesses. It needs to establish a senior Department-level manager for financial management and provide for independent audits of financial statements. USDA also needs to improve the structure of financial management within its many agencies. Many agencies' financial officers do not report to senior levels and lack necessary tools to make system improvements. (See ch. 2.)

Information Systems Need to Better Serve Managers

Despite substantial investments in information systems, managers throughout USDA do not have the information necessary to effectively manage their programs. Most investment has focused on automating processes without providing for improved information planning and sharing among agency managers. Such planning could better help meet managers' needs. Because systems are developed by each agency, rather than departmentally, resulting data bases rarely allow effective sharing of data.

Ineffective agency oversight and leadership contribute to this condition. Agency program managers and computer professionals have not worked well together in specifying their needs, partly because agency managers lack adequate information management training. Moreover, all levels of management require a basic understanding of information management in order to operate effectively. However, less than 10 percent of managers in the Farmers Home Administration, the Agricultural Stabilization and Conservation Service, and the Foreign Agricultural Service have had computer training in the last 2 years.

USDA's strategic plan for information management is now under development and holds promise for addressing many of USDA's significant information problems. Its success, however, will depend on whether departmental leadership can ensure its adoption by the agencies. The agencies in turn must be held accountable for ensuring that program and computer managers work together more effectively and make a greater commitment to training. (See ch. 3.)

Comprehensive System Needed to Address Work Force Issues

USDA agencies require people with a wide variety of skills to administer complex programs—from agricultural economists and financial analysts to veterinarians and biotechnology specialists. Attracting people with these skills is difficult in the face of private sector competition and an expected shrinking pool of qualified applicants.

Agency recruiting and training efforts could benefit from increased central direction and assistance. Agencies recruit independently, sometimes duplicating each other's efforts. They also have been individually developing and operating similar training programs. USDA internal studies have documented these coordination problems and others that result from the decentralized human resources efforts, but recommendations for more central guidance and oversight have not been adopted.

Department-wide proposed solutions hold promise for improving USDA's work force. For example, USDA's recently developed strategic plan for achieving work force diversity shows how a Department-wide approach can address a difficult issue—USDA is historically less diverse than most federal agencies. (See ch. 4.)

Recommendations

To strengthen the Department's financial, information, and human resources management systems, the Secretary of Agriculture should, among other things,

- require agencies to strengthen their agency-level financial officer responsibilities and authorities,
- hold senior agency officials accountable for adopting the Department's strategic plan for information resources management, and
- hold agency heads accountable for compliance with standards and personnel orders, such as mandatory use of the Department's training information system.

Agency Comments

USDA generally agreed with GAO's findings, and GAO has incorporated its comments where appropriate. Most notably, USDA concurred that weaknesses in USDA's basic management systems limit its ability to carry out its responsibilities efficiently and effectively. USDA also stated that it has initiatives under way in some of the basic management system areas. GAO recognizes those efforts in this report. Specific agency comments are included in chapters 2 through 4 and in appendix I.

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Abbreviations

APHIS	Animal and Plant Health Inspection Service
ARS	Agricultural Research Service
ASCS	Agricultural Stabilization and Conservation Service
CCC	Commodity Credit Corporation
CFO	Chief Financial Officer
FAS	Foreign Agricultural Service
FCIC	Federal Crop Insurance Corporation
FMFIA	Federal Managers' Financial Integrity Act
FmHA	Farmers Home Administration
FNS	Food and Nutrition Service
FS	Forest Service
FSIS	Food Safety and Inspection Service
IRM	information resources management
NFC	National Finance Center
OFM	Office of Finance and Management
OIRM	Office of Information Resources Management
OMB	Office of Management and Budget
OP	Office of Personnel
SCS	Soil Conservation Service
USDA	U.S. Department of Agriculture

Introduction

The U.S. Department of Agriculture (USDA) has broad responsibilities affecting every American. It works to improve farm income, expand overseas markets for farm products, and ensure an adequate food supply at reasonable prices. The Department also works to safeguard the food supply by inspecting meat and poultry; helps consumers by providing food safety and nutrition information; and provides the less fortunate with better diets through food assistance programs. Finally, USDA conducts agricultural research and protects the environment by helping landowners conserve natural resources.

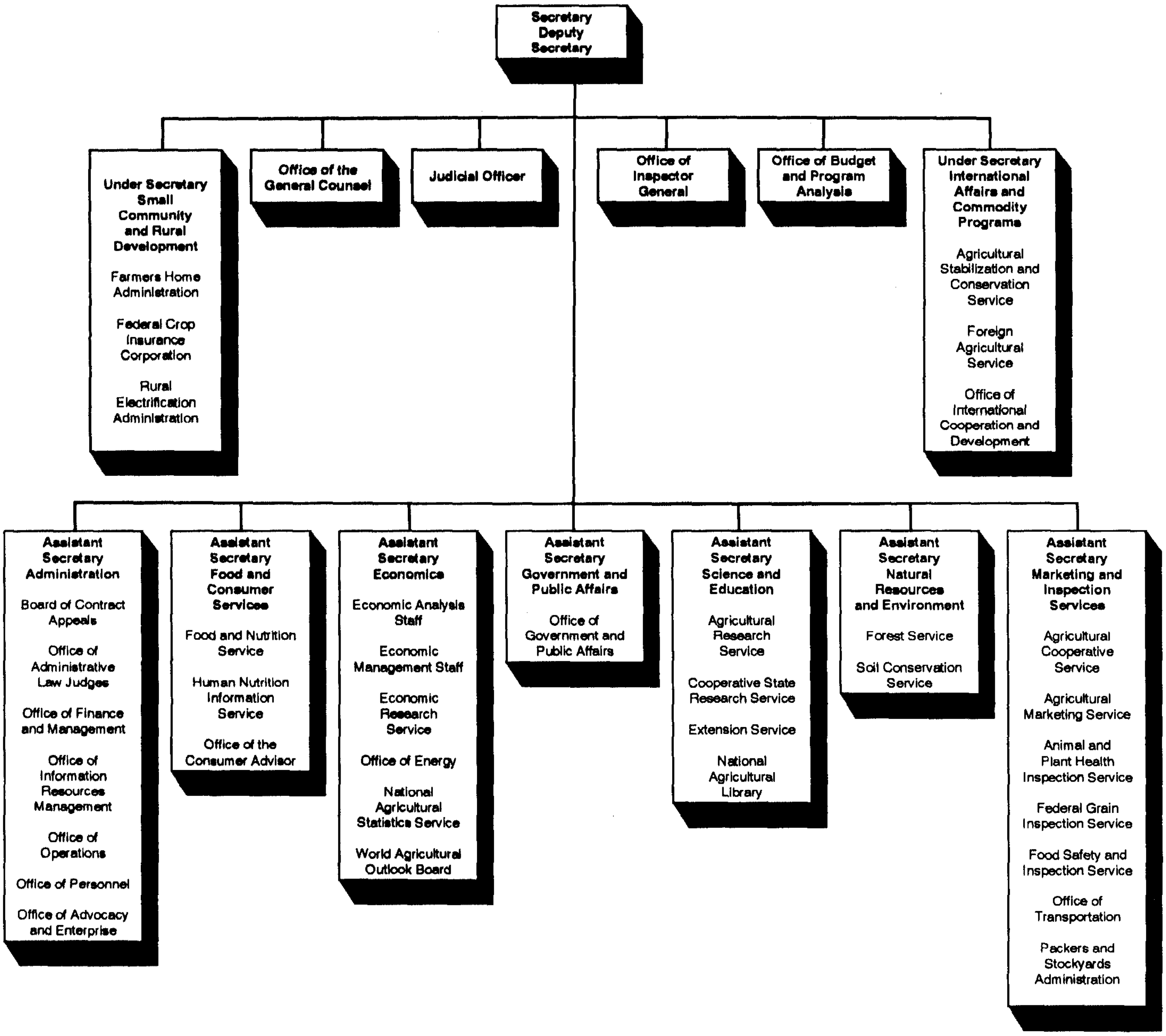
This report examines the Department's basic management systems. It is one in a series examining the management of USDA.

Departmental Profile

USDA administers these diverse programs through one of the largest, most decentralized organizations in government. It is the third largest civilian department, overseeing 36 agencies that employ over 110,000 people in over 15,000 locations in 80 countries.

The Department is headed by the Secretary of Agriculture, a deputy secretary, and nine under and assistant secretaries. The 36 individual agencies and offices are divided into 9 groups, each headed by an under or assistant secretary. A number of the departmental offices, including those responsible for the Department's basic management systems, report to the Assistant Secretary for Administration. These offices include the Office of Finance and Management (OFM), the Office of Information Resources Management (OIRM), and the Office of Personnel (OP) (See fig. 1.1.). The director of another departmental office, the Office of Budget and Program Analysis, in contrast, reports directly to the Deputy Secretary. Responsibility for day-to-day management of system operations has historically been delegated to the under the assistant secretaries, and in turn, to the individual agencies. With a few exceptions, such as identifying internal control weaknesses and action plans for addressing those weaknesses under the Federal Managers' Financial Integrity Act, there are no formal Department-level planning systems. USDA has reduced the emphasis given to Department-wide evaluations over the years, and has shifted that function to individual agencies.

Figure 1.1: USDA Organizational Chart



Source: USDA.

With such a large, decentralized organization, Secretarial efforts to implement agricultural policies, make significant changes, and exercise managerial control are challenging and time-consuming. Also, USDA programs are characterized by strong client participation in the structuring and implementation of local programs. Politically, this involvement mobilizes constituent support for the programs, and to a great degree this involvement has proven highly successful. Local cooperatives provide electrical power to virtually all rural America; farmer-organized districts implement soil conservation plans; and locally elected farmer committees rather than bureaucrats oversee the county offices that administer federal program benefits and farmer payments. USDA is one of only a few federal entities that have direct, day-to-day, personal contact with its constituents, and, in key programs, the Department is managed at the grass-roots level by its constituents.

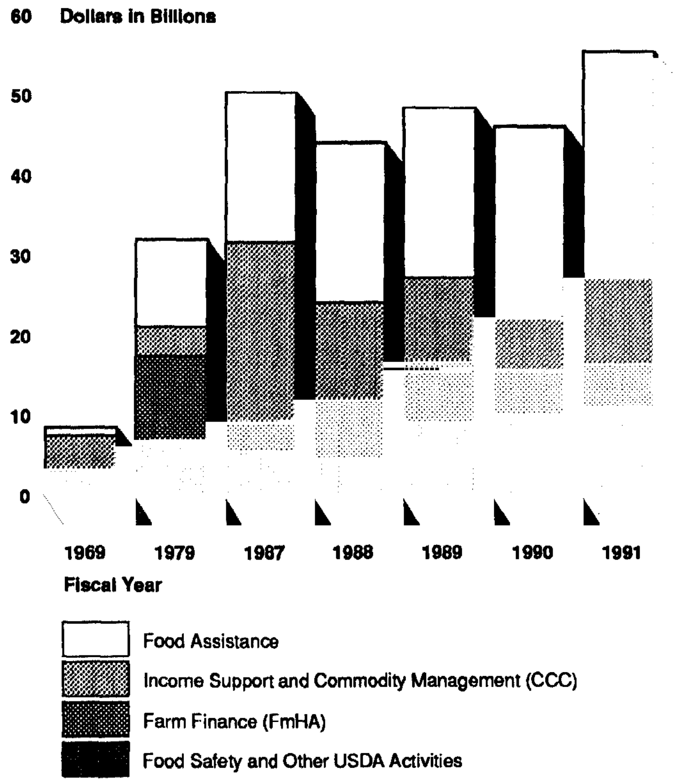
Although successful in making USDA responsive to its clients, the heavy constituent involvement has been criticized by some as the reason for difficulty in instituting reform: USDA is composed of a number of diverse, autonomous, and entrenched local self-governing systems that, to varying degrees, are regulated by the constituent groups themselves. This organizational structure makes USDA slow to recognize the need for and implement change. Yet, management actions are even more critical now because the Department faces severe budget constraints, growing responsibilities, and major changes in the scope and nature of its missions. If the Secretary is to effectively manage and implement wide-ranging initiatives, management systems must be in place to adequately support policy development and implementation.

Critical Role of Management Support Systems

To develop and implement critical agricultural policies and programs efficiently and effectively, USDA must depend on the strength and support of its basic management systems. These systems—financial management, information resources, and human resources—are the lifeblood of every large organization. Cost-cutting proposals and other changes will require the Department to have sound basic management systems for making and implementing difficult decisions and for making efficient use of its limited resources.

Sound financial management practices provide the basis for reliable financial information, which is necessary for making informed program and administrative decisions and for better managing resources. Significant increases in USDA outlays beginning in the 1980s (see fig. 1.2), coinciding with the current period of overall federal budget stress, intensify the need for reliable and accurate financial management systems to help prevent fraud, waste, and abuse. In 1990, USDA's total spending was $46 billion. In addition to annual budget outlays, USDA is responsible for managing substantial assets. Three of the Department's components alone—the Farmers Home Administration (FmHA), the Commodity Credit Corporation (CCC), and the Rural Electrification Administration—had a total of $136.6 billion in assets, according to their 1987 statements of financial position.

Figure 1.2: USDA Outlays



Note: Data for 1991 are estimated.

Information resources management provides a strategic tool to support USDA missions, programs, and initiatives. The Department plans to spend about $4 billion on information technology between 1990 and 1994.

Human resources management—the third system we discuss in this report—is intended to attract, develop, and retain top-quality people to carry out departmental programs. The responsibility for ensuring that employees are recruited, trained, and retained is no small task. USDA, like all federal agencies, is faced with major program challenges that will require the best work force that it can develop. As we approach the twenty-first century, competition among all employers for the best qualified candidates will increase. Moreover, changing demographics indicate that the incoming work force will represent a more culturally diverse group, with more women and minorities, and this change will require managers to be more sensitive to the cultural and work force experiences of these groups.

Objectives, Scope, and Methodology

We reviewed the Department's basic management systems—financial, information, and human resources—to identify ways in which they could be improved. This report is part of a series of reports elaborating on issues we identified in our October 1989 interim report.[1]

In the financial management area, we interviewed key officials in OFM, and financial management and/or management control officials in the Agricultural Stabilization and Conservation Service (ASCS), Forest Service, Food and Nutrition Service (FNS), Rural Electrification Administration, Foreign Agricultural Service (FAS), Federal Crop Insurance Corporation (FCIC), CCC, and FmHA. We reviewed prior GAO financial audits on USDA agencies, program reviews, and Inspector General reports. In addition, we reviewed USDA's past and current efforts to develop a departmental financial management system. Our evaluation focused primarily on OFM's role and the activities of ASCS and FmHA. We relied heavily on recent GAO work assessing USDA's financial management.

In the information resources management (IRM) area, we assessed the adequacy of information management in supporting program management and decision-making. We interviewed officials in the Office of the Secretary and IRM officials at both the departmental level (OIRM) and agency level. We focused our efforts on the four agencies most directly responsible for implementing the farm program provisions of the 1985 Farm Bill: the Soil Conservation Service (SCS), FAS, ASCS, and FmHA. These agencies were most directly involved in responding to the early 1980s decline in the U.S. farm economy. In these agencies, we reviewed and focused on the management information currently available, the kinds of information needed for managing programs, and the obstacles to automating information. We interviewed program and IRM officials,

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

administrators, and senior officials, and reviewed strategies, plans, information and information systems, and education and training programs at headquarters. To describe unmet needs, we obtained written responses from two under secretaries, four agency administrators, and eight major farm program directors. In addition, we analyzed reports from GAO and USDA's Office of Inspector General and other pertinent documents.

In the human resources management area, we focused on concerns in training, planning, diversity, and overall preparation for a quality work force in the future. We interviewed officials in the Office of the Assistant Secretary for Administration, the Office of Personnel, and eight USDA agencies. The agencies included the Agricultural Research Service (ARS), ASCS, Animal and Plant Health Inspection Service (APHIS), FAS, FmHA, Forest Service, Food Safety and Inspection Service (FSIS), and SCS. We interviewed experts in managing work force diversity. We reviewed and analyzed relevant reports from the Office of Personnel, the Office of the Inspector General, the federal Office of Personnel Management, Equal Employment Opportunity evaluation reports by the Office of Advocacy and Enterprise, and USDA agencies' Personnel Management Evaluation reports. We also looked at relevant literature, such as studies done by the American Society for Training and Development.

We discussed our methodology with and obtained comments on a draft of this report from our consultant Charles Bingman, a member of the National Academy of Public Administration.

We performed the review in accordance with generally accepted government auditing standards. Our review was done at USDA headquarters in the Washington, D.C., metropolitan area between August 1989 and June 1990. This report builds on the preliminary work conducted for our October 1989 interim report. In December 1989 and January 1990, we briefed the Assistant Secretary of Agriculture for Administration on our findings in the human and information resources management areas. In March 1990, we reported on the need for improved work force planning at USDA.[2]

USDA reviewed a draft of this report, and its comments were incorporated where appropriate. The Department's response is included in chapters 2, 3, and 4, and in appendix I.

[2]U.S. Department of Agriculture: Need for Improved Work Force Planning (GAO/RCED-90-97, Mar. 6, 1990).

Stronger Leadership and Direction Needed in USDA's Financial Management Operations

With total assets of $140 billion at the end of fiscal year 1988, USDA has vast financial resources by any measure.[1] Many of the Department's activities—from its insurance and lending operations to its government corporations—have financial information needs that parallel those of the private sector's insurance, banking, and corporate environments. To be effectively managed and controlled, these programs require accurate and reliable financial information.

However, internal control and accounting weaknesses in USDA's financial management systems have limited its capability to (1) produce accurate financial information for its managers and (2) report on the financial condition of its programs. These weaknesses are long-standing and tend to be perpetuated in the absence of strong central and individual agency financial leadership.

The Congress recently enacted the Chief Financial Officers Act of 1990.[2] This legislation requires USDA and other agencies to, among other things, establish a Chief Financial Officer (CFO) who reports directly to the agency head (the Secretary of Agriculture), and oversees all financial management activities.

Long-Standing Internal Control Problems Plague USDA Financial Systems

Financial management systems at those USDA agencies with major financial operations contain many internal control and accounting weaknesses. As a result, systems are not generating information that accurately portrays the financial condition of programs.

Agency System Weaknesses Widespread

Particular areas in individual USDA agencies' financial management systems can be strengthened and financial information improved, as we, USDA's Inspector General, and the agencies themselves have reported for many years. Financial management systems with internal control problems and financial management weaknesses include the following:

[1] Assets include loans receivable, future financing sources (expenses incurred primarily by the CCC for its reimbursable loans for which future appropriations will provide funding), and cash.

[2] P.L. 101-576, Nov. 15, 1990. Sections of this legislation pertinent to USDA are discussed throughout this chapter.

- The Food and Nutrition Service (FNS) system allowed individuals without authority and supporting documentation to change financial balances in the accounting records by millions of dollars. The system also lacked (1) the information necessary to ensure that food coupon redemption funds were paid only to legitimate vendors and (2) proper accounting for letter-of-credit disbursements, advances receivable from grantees, and uncollectible accounts.[3]
- The Farmers Home Administration (FmHA) financial systems failed to alert agency managers and the Congress to the severity of mounting loan losses until fiscal year 1987—when the total loan loss adjustment reached about $9 billion. Better financial information on FmHA's operations could have revealed its deteriorating financial condition earlier if (1) reasonable allowances for loan losses had been established, (2) interest had not been accrued on loans in default for 90 days or more, and (3) reasonable losses had been recognized on guaranteed loans.[4] FmHA recently changed how it classifies the loans in its $27.5-billion farm loan portfolio so that it can establish an allowance for losses; however, significant internal control weaknesses in the farm loan classification system made it unreliable.[5] For example, 212 of 500 cases we reviewed had inaccurate loss estimates for a variety of reasons, including reliance on historical rather than current market values, numerous computational errors, and failure to reconcile field office records with headquarter files. Some loans were omitted from the central system.
- FmHA's Acquired Property Tracking System (an automated subsidiary accounting system for farm and housing properties acquired through foreclosure and voluntary conveyance) contains inaccurate and incomplete information because (1) acquired properties were not always entered into the system, (2) other properties remained in the system after they were sold, (3) appraisals that reduced property values were not always recorded in the system, and (4) data entry errors were not always detected and corrected.[6] FmHA has recognized the seriousness of the system's problems and has worked to improve the quality of its

[3]Internal Controls: Food and Nutrition Service Lacks Effective Controls (GAO/AFMD-88-16, Mar. 18, 1988).

[4]Financial Audit: Farmers Home Administration's Losses Have Increased Significantly (GAO/AFMD-89-20, Dec. 20, 1988).

[5]Financial Audit: Farmers Home Administration's Financial Statements For 1988 and 1987 (GAO/AFMD-90-37, Jan. 25, 1990).

[6]Financial Audit: Farmers Home Administration's Financial Statements for 1988 and 1987 (GAO/AFMD-90-37, Jan. 25, 1990).

financial information. Nevertheless, FmHA's Administrator told the Secretary in his 1989 Federal Managers' Financial Integrity Act (FMFIA) report that the system does not adequately serve the agency's needs for fundamental accounting and financial control.

- Weak controls in Forest Service systems (1) prevented the Service from ensuring that $444 million in recorded accounts payable were properly classified as liabilities rather than undelivered orders, (2) required an adjustment of $1.6 billion to properly report accounts receivable, and (3) allowed program managers to over-obligate the fiscal year 1988 apportionment in the National Forest System Account by more than $4 million.
- The Forest Service's general ledger is not effectively integrated with its subsidiary accounting and reporting systems. As a result, these systems sometimes conflict. Using the subsidiary fixed asset records maintained by its field units, the Forest Service estimated the value of its fixed assets to be almost $8 billion and reported that figure to the General Services Administration. At the field units we visited, we found errors in the fixed asset records to be so pervasive that they could not be relied on for accurate information. For the same period, the Forest Service's general ledger showed a fixed asset balance of $3.4 billion. In addition, as of September 30, 1988, more than $103 million in credits for roads built by timber purchasers were contained in the Forest Service's Timber Sales Accounting System but not in its general ledger.[7]
- Certain computer programs supplied by a major vendor to the National Finance Center (NFC) allowed users unrestricted access to the operating system. This internal control weakness severely compromised the security and integrity of all administrative and financial systems at the Center.[8] NFC handles 18 million transactions a year, disburses $7.7 billion, collects $418 million, and provides many cross-services to a variety of federal agencies. A 1989 USDA task force reported that NFC's systems are on the edge of obsolescence.[9] NFC systems need to be totally redesigned to make the best use of the newest systems concepts and recent technology advances, according to USDA's Chief Financial Officer. Consequently, NFC is no longer expanding its services to other agencies and is currently redesigning its systems.

[7]Purchaser road credits are credits for roads that timber purchasers build in conjunction with timber harvests but that also have future uses not connected with the timber sale. Timber purchasers can use these credits in lieu of cash to pay for timber they harvest.

[8]Office of Inspector General, Semiannual Report to Congress, FY 1990 - First Half.

[9]MAP Task Force, Report on the Modernization of the Administrator Process in the Department of Agriculture, July 28, 1989.

Weak Systems Lead to Inadequate Reporting

Weak financial management systems, stemming from weak controls, prevent agencies from producing and reporting accurate financial information for managers, the Congress, and the public. Reporting problems were present in most USDA agencies we examined. For example, our 1988 audit of FNS disclosed that adjustments in excess of $7 billion were required to correct material errors in FNS' financial statements.[10] In addition, we found FNS' financial reports omitted critical transactions—$85 million in salaries and benefits expense—because of failure to record general ledger information from USDA's National Finance Center. As a result, FNS could not rely on its general ledger for preparing reports to the Treasury and the Office of Management and Budget.

Actions Needed to Strengthen USDA's Financial Operations

The seriousness and persistence of USDA's financial systems problems will require a more concerted effort to correct than USDA has yet undertaken. Many of USDA's financial system problems are serious and long-standing. Prior improvement attempts have not always worked, despite large investments of government funds. To overcome traditional agency independence, USDA management must develop comprehensive plans to improve existing systems and hold agencies accountable for adopting plans.

Specific measures needed include strengthening USDA's Chief Financial Officer structure, developing a coordinated overall USDA and agency-level plan for improving and maintaining the Department's and agencies' financial management systems, and requiring that financial statements be prepared and issued annually and audited on a continuing basis. These actions would help make improvement of USDA's financial management systems a priority at the highest levels within the Department, thereby providing the support and accountability necessary to achieve reliable and accurate financial systems. Most of these actions are now required by the Chief Financial Officers Act of 1990.

Improving the Chief Financial Officer Structure

Agencies need strong financial management leadership to solve their serious and long-standing systems' problems. Although USDA has a CFO, the position has not had the authority necessary to effectively carry out strong leadership. As a result, it does not meet the requirements envisioned in the CFO legislation.

[10] Financial Audit: Food and Nutrition Service's Financial Statements for 1988 and 1987 (GAO/AFMD-91-3, Dec. 21, 1990).

USDA's current CFO has little direct control over agencies' financial operations. While he is directly responsible for managing the NFC, agencies' program accounting systems are under the direct control of USDA under and assistant secretaries who report directly to the Secretary, rather than to the CFO. Thus, USDA's CFO has limited ability to ensure that agencies are consistently planning and implementing costly changes.

The CFO act requires USDA's CFO to report directly to the Secretary, an action intended to strengthen his ability to oversee Department-wide and individual agency financial management systems. Elevating the CFO position in this way will help ensure that the CFO's full time and attention are directed at financial management issues and that a single individual has ultimate authority and accountability for accomplishing improved financial management systems across USDA.

Improving the Agency-Level CFO Structure

USDA has also designated CFOs within individual agencies with major accounting operations. (The new CFO legislation does not directly address agency-level CFO structures.) Unfortunately, these agency-level CFOs face many of the same impediments to effectively carrying out their financial management functions as the Department's CFO. For example, some do not report directly to the agencies' top officials. In the Forest Service, the CFO reports to one of two Associate Deputy Chiefs for Administration, who is three levels below the agency head. The Rural Electrification Administration CFO reports to an official two levels below the agency's head. Reporting to an agency head provides greater assurance that the CFO has the authority to oversee improvements in financial management systems.

We also found that the agency-level CFOs do not have consistent authorities and responsibilities. For example, the CFO's scope of responsibility at FNS is much broader with respect to financial management than the CFO's counterparts at other agencies. The Forest Service's CFO is also responsible for nonfinancial matters, such as the Service's law enforcement programs and policies, in addition to fiscal and accounting responsibilities.

Improving Financial Management Systems Through a Department-Wide Plan

USDA does not have a Department-wide plan to improve its financial management systems. Although USDA has prepared a 5-year system modernization plan for the Office of Management and Budget (OMB) (as required by OMB circular A-127), this plan is not comprehensive, does not set priorities, or provide the kind of objectives needed to guide corrective action over the long run. A comprehensive plan is essential to guide the CFO in ensuring that current system problems are addressed. It would generate greater confidence that system improvement projects will result in better financial management systems. A plan would also give continuity to systems development projects and provide direction when leadership changes at the Department and agency levels.

USDA should develop a more comprehensive plan. The CFO act requires USDA to manage a Department plan that will meet the requirements of OMB's 5-year financial management plan. In meeting this requirement, USDA could develop a plan covering all Department systems, set priorities for their implementation, and track progress over time. Agencies would be responsible for meeting the plan's objectives. The plan would include both Department and agency milestones for completing projects and their major phases, and would identify the resources necessary and the people accountable for completion of each part of the plan.

Requiring Audited Financial Statements

It has become increasingly important for federal agencies to issue annual audited financial statements. We have found that such statements provide a means for ensuring that agency financial management systems produce reliable information; these audits underscore the need for improved systems and technically proficient personnel. Also, preparing and auditing financial statements is an integral part of improving agency financial management because it promotes discipline and accountability among accounting transactions, accounting systems, and financial information. The concept of audited financial statements is especially relevant to USDA. Government corporations, including FCIC and CCC, which account for a large part of USDA expenditures, are required by the Government Corporation Control Act (31 U.S.C. 9105) to have audited financial statements. However, the Congress, the public, and USDA's top management also need assurance that resources are adequately safeguarded for other major USDA operations that expend government funds and cover major lending programs, such as those of FmHA, FNS, Rural Electrification Administration, and the Forest Service.

Under a pilot project, required by the CFO act, USDA has an initiative underway to prepare and submit to OMB financial statements for the accounts of all of its activities. The act further requires that these statements be audited.

Requiring Government Corporations to Disclose Internal Control Weaknesses

One area of particular concern to GAO is internal control weaknesses in government corporations, which have historically not fallen under the reporting requirements of the Federal Managers' Financial Integrity Act (FMFIA). FMFIA requires government agencies to disclose their internal control problems in an annual report to the President and the Congress. Since these government corporations represent a substantial part of USDA's expenditures—47 percent—we believe that the Department's reports to the President and the Congress on internal control problems are incomplete unless information related to CCC and FCIC is included. The CFO act now requires that these corporations submit an annual management report to the Congress on their fiscal year operations, including a statement on internal accounting and administrative control systems by the head of the management of the corporation, consistent with the FMFIA requirements for agencies.

Conclusions

USDA has multibillion-dollar programs, ranging from insurance and loanmaking to government corporations, that require accurate and reliable financial information. However, USDA has serious internal control and accounting weaknesses in its major financial management systems. These systems are not providing managers, the Congress, and the public with reliable information on USDA's financial condition.

Strong leadership, good planning, and accurate reporting are the keys to better financial systems. The requirements of the new CFO legislation will provide USDA with a sound basis on which to begin improving its financial systems in these important areas. The legislation requires, among other things, establishing a Department-level CFO position that reports directly to the Secretary and has authority and responsibility for the overall improvement and operation of USDA's financial management systems. In addition, it includes requiring audited financial statements and disclosure of financial information from USDA's government corporations.

USDA needs to develop and implement a comprehensive plan for improving its financial systems across agencies, and for restructuring its agency-level CFO positions. Agency-level CFOs lack consistent authority and responsibility throughout USDA.

Recommendations

To strengthen individual agency financial management, we recommend that the Secretary of Agriculture direct agency heads with major financial operations to (1) establish an agency-level CFO position that reports directly to the agency head and has only financial management functions and (2) provide the agency-level CFO with overall responsibility for an agency's financial management systems operation and improvement.

Agency Comments

USDA concurred with our findings that USDA has internal control and accounting weaknesses in some of its major financial management systems that prevent system users from obtaining reliable financial information. USDA stated, however, that it believes the ultimate resolution of the problems cited are much more complex than our recommendations indicate. USDA also stated that it intends to improve the overall supervision and coordination of its financial management systems by implementing a comprehensive strategy that will include (1) strong leadership from USDA's Chief Financial Officer, who will fully implement the requirements of the Chief Financial Officers Act of 1990; (2) modernized integrated administrative and accounting systems; and (3) financial management training for both program managers and technical personnel. Although we limited our recommendations to areas not specifically included in the CFO act to give USDA an opportunity to address the new financial management requirements, we believe that these actions can contribute significantly to carrying out our recommendations.

Better Management Information Needed to Enhance Program Operations

In recent years, USDA has used its information resources management (IRM) technology to improve certain support activities. While this approach has successfully automated processes previously performed manually, it has not provided improved information resource planning and sharing that would better meet managers' needs. Without more attention to the information needs of program managers, USDA's planned IRM expenditures of nearly $4 billion over the next several years have little likelihood of meeting the needs of managers who are facing increasing responsibilities with limited resources.

Senior departmental managers recognize the need to change and have launched a strategic IRM planning initiative that could make future information systems more responsive to management needs. The Secretary endorsed the new initiative in July 1990.

Measures are now needed to ensure that the individual agencies adopt the new initiative. Agency planning environments must enable IRM and program managers to work together more effectively; IRM staff need better technical skills; and the central IRM office should exercise leadership and oversight over agency activities to ensure compliance with the Department's new initiative.

Managing IRM in the Department

USDA has seen a substantial increase in the use of information technology in recent years. Today, it ranks among the top spenders for IRM technology in the federal government. USDA plans to spend about $4 billion for IRM in the 1990-94 period alone, mostly on computer technology for automating the manual processes associated with providing program benefits. The multimillion-dollar county office automation project underway in the Agricultural Stabilization and Conservation Service (ASCS) is a prime example of the emphasis on using IRM for program benefits. ASCS maintains over 2,800 field offices, serving hundreds of thousands of farmers under a variety of different programs. Automating ASCS field offices, according to some agency managers, has increased local office productivity.

Most USDA IRM expenditures are managed at the agency level. Similarly, individual agencies are responsible for planning and implementing the entire range of IRM activities pertinent to their programs, including system and data definition, and hardware and software procurement.

Agency 5-year plans drive IRM activities. These plans are updated annually and consolidated by the central Office of Information Resources

Management (OIRM) into an overall departmental IRM plan. Current plans expire in 1992. These plans are not generally integrated with other planning activities, such as the work performed for the annual budget cycle. Agencies also maintain a network of IRM offices, usually under the direction of deputy administrators for management. These offices typically manage all agency IRM activities, including planning.

OIRM, under the Assistant Secretary for Administration, provides guidance and direction for all USDA information management activities. OIRM also manages two computer centers servicing the program needs of several agencies. Beyond setting general policies and providing guidance, OIRM is not responsible for an individual agency's IRM needs determination or system development.

Systems Not Meeting Management Needs

Individual agencies' IRM investments remain heavily oriented toward automating administrative processes for specific programs, an approach that falls short of meeting the information needs of managers. Managers throughout the Department said that they do not believe they have the information needed to effectively manage their programs. Additionally, we found that a lack of data-sharing between agencies, poor agency IRM plans, and limited IRM expertise compound management information problems.

Senior officials in several agencies reported lacking good management information. We asked two under secretaries, four agency administrators and eight major farm program directors to describe their unmet information needs. All provided examples of important information they needed but could not obtain. For instance:

- According to a senior FmHA manager, FmHA's greatest information need is for consistent and timely performance data on field office operations. FmHA's $26 million in IRM investments since 1974 have yielded productivity benefits but little consideration was given over the years to how computerized data can be used to meet program managers' needs. The manager needs weekly reports of loan applications received and on hand at the county and state level so he can (1) ensure that field offices are meeting statutory loan-making and servicing time frames, (2) improve loan servicing and loan quality, (3) target staff to high work load offices, and (4) identify offices that could benefit from increased training.
- Senior ASCS management officials cited more timely and accurate information as their greatest unmet need. One official said that his office

needs to assess program status more frequently than current systems allow. While the situation has improved lately, he said, ASCS managers still make many decisions on the basis of old information. Another official reported needing daily information on a number of variables, such as the total inventory of each commodity by kind, class, and grade. ASCS continues to determine its inventory as of the first day of each month from manually prepared records, instead of using information generated by computerized information systems.

Recent reports also highlight a need to better manage information resources. For example, we found that USDA cannot identify areas where surface water and/or groundwater problems exist or the location of specific cropland that contributes to water quality degradation.[1] We reported that such information is vital for the successful implementation of USDA's water quality responsibilities through the Conservation Reserve Program.

Lack of Data-Sharing

Management information needs are served effectively when program data are efficiently shared between agencies. Because individual agencies independently develop their own data systems, they seldom take into account the need to facilitate the exchange of information with other agencies, even when they have interrelated responsibilities for program administration.

According to the Assistant Secretary for Administration, this problem is a function of USDA's decentralized management philosophy. Because each agency has its own legislatively mandated mission and data requirements, it has historically set up its own independent data collection systems. She said that the inefficiencies will remain until USDA agencies shift from a data ownership to a "data stewardship" philosophy. With such a change, the physical location of the data will be less important than the ability to access the data.

Agency Plans Do Not Focus on Information Needs

Despite the need for better management information, most of USDA's individual agency IRM plans still focus on automating processes. The plans generally do not address how to best meet managers' needs throughout the organization. Further, few plans are comprehensive or focus on strategic considerations. For example, improving productivity

[1] Farm Programs: Conservation Reserve Program Could Be Less Costly and More Effective (GAO/RCED-90-13, Nov. 15, 1989).

and service delivery are the two main goals embodied in agency plans that cover activity through 1992. USDA's overall 1988-92 IRM plan ranked the goal of improving service delivery and program management through IRM technology as its first goal; increased productivity as its second. These two goals were essentially the same as reported in USDA's 1984-88 long-range IRM plan.

Organization Weaknesses Cause Poor Planning

Structural obstacles cause poor IRM planning. Responsibility for developing and implementing IRM plans is typically assigned to agency IRM staff while the information produced is used by program managers. Agency program officials generally believe they had little input into the decisions affecting system designs or resource allocations. IRM officials, on the other hand, believe that program officials fail to participate fully in their processes.

This organizational separation, common throughout USDA, is a barrier to full and effective integration of program and technology interests. As a result, information systems are planned and implemented in ad hoc environments, and often do not support a full range of program needs. For example, we recently reported that ASCS suffered significant cost overruns and delays in installing its inventory systems for grain and processed commodities.[2] ASCS seriously misjudged user requirements in the design of the systems, largely because management did not involve key users in defining needs. As a result, numerous enhancements were required to meet user needs immediately after the system was installed in 1987. We found that, among other things, poor planning and insufficient requirements analysis prevented ASCS from finishing the systems on time, staying within original cost estimates, and meeting important user needs.

The absence of effective program planning also precludes effective IRM planning. Ideally, identification of information needs occurs when agencies conduct their basic planning for program and mission accomplishment. These planning outcomes would feed into the IRM planning process, which could then focus on how such information needs could be met through technology.

[2]Information Resources: Management Improvements Essential for Key Agriculture Automated Systems (GAO/IMTEC-90-85, Sept. 12, 1990).

Limited Expertise Hinders Better Planning

The limited experience of IRM personnel in individual agencies is contributing to poor planning. Integrating management needs with technical support requires staff with a background in both programs and systems development procedures and processes. In many cases, only staff with this in-depth knowledge and experience can provide the bridge between programmatic and technical issues. Weaknesses in USDA's IRM skills was documented in a 1988 consultant report, which identified a need to train managers on information management to enhance their ability to make informed judgments on system needs.

Although all levels of management require a basic understanding of information management to perform efficiently, less than 10 percent of about 500 mid-level program managers in FmHA, ASCS, and the Foreign Agricultural Service, the agencies we examined, had attended formal IRM training during the past 2 years. The Soil Conservation Service (SCS), on the other hand, is training its program managers as part of an effort to identify the skills necessary for systematically analyzing information needs. SCS' 1988 IRM plan recommended that general managers receive an IRM management training program to be better prepared for decision-making on proposed information systems. The plan also recommended an end-user training program to increase proficiency and improve awareness of the capabilities and limitations of information technologies.

USDA's Strategic IRM Plan Provides a Strong Foundation for Improving Information Systems

Recognizing the need for better management information, USDA is now developing an IRM strategic plan. The draft plan proposes (1) integrating IRM planning with budget and program planning, (2) maximizing opportunities to share data, (3) creating and maintaining a cost-effective technological environment that supports management and program delivery, (4) ensuring availability of qualified personnel consistent with USDA's work force diversity guidelines, and (5) implementing procedures to comply with governmentwide regulations. The cornerstone of the plan is the development of a common USDA information architecture, defined as a "blueprint explaining the structure of and communications among the Department's information technology resources—hardware, software and people." Theoretically, a common information architecture will pave the way to integrated data bases that can be understood and accessed across agency lines. It would also create, for the first time, a systematic basis for developing technology that meets the needs of management at all levels of the organization. The plan, which is endorsed by the Secretary, is scheduled for implementation in 1991.

USDA's plan is significant because it clearly recognizes that managers throughout USDA lack the information they need to manage their programs effectively. It represents a major step, in our opinion, toward the development of a Department-wide solution to a persistent problem.

Stronger OIRM Oversight Is Needed to Ensure IRM Plan Success

The key to the plan's success, however, is the degree to which individual agencies will be held accountable for implementing the new plan in their units. Strong central leadership and oversight is needed. OIRM is the key organizational unit for providing this role, and with support from top management, is the only unit that can influence agency cooperation. OIRM planning activities in the past have been limited to preparing overall IRM plans that simply synthesized individual agency plans. Agencies have always defined their own requirements and then planned and implemented systems with little central OIRM oversight. A strong OIRM role is necessary if the agencies are to overcome the planning and expertise problems described earlier in this chapter.

Conclusions

USDA needs to reconsider what it is trying to achieve through the planned expenditure of nearly $4 billion on IRM technology in the next few years. Current plans call for the majority of these funds to be spent on automating existing processes, with little effort devoted to addressing the information needs of decisionmakers. Existing information systems are not providing managers with the data they need to manage and make decisions, nor is information produced in a form that can be easily shared with other agencies. Faulty systems are developed principally because program officials and IRM planners do not work together effectively. Agency IRM plans have traditionally reflected the focus of IRM staff, rather than the combined efforts of program managers and IRM officials.

To benefit from the rapid advances in information management and technology, we believe agencies need to train and educate senior, middle, and lower level managers in the technical, managerial, and human relations skills necessary to carrying out an effective IRM program. Such skills will become increasingly important as agencies move towards greater systems integration and increased dependence on computers.

Improving agency planning environments will require closer coordination between IRM and program managers. Program managers should have substantial responsibility for the design, development, and implementation of information projects, should periodically assess the usefulness and value of current information flows and data holdings, and should make adjustments as necessary. More cooperative and effective alliances are needed between IRM organizations and program management in deciding how technological tools and techniques can be used to support program information projects.

Departmental officials acknowledge that better systems are needed and have proposed a new strategic plan to address USDA's information problems. The initiative holds great promise for the future, providing agencies embrace it and adjust their own IRM plans accordingly. Central leadership is the key to success, given traditional agency independence.

Stronger oversight by the central OIRM could not only help ensure the successful implementation of the proposed strategic plan but could also assist agencies in overcoming their planning problems. To begin, OIRM needs to ensure that milestones for implementing the proposed plan are established, tracked, and measured for accomplishment.

Recommendations

To help develop better information for program management, we recommend that the Secretary of Agriculture

- charge OIRM with responsibility for overseeing completion of the strategic IRM initiative and
- hold agencies accountable for adopting the IRM strategic planning initiative.

Agency Comments

In its formal response, USDA agreed with our recommendations in the IRM area, particularly with holding OIRM responsible for overseeing completion of the strategic IRM initiative and holding agencies accountable for its adoption. USDA added that it is taking steps to ensure that implementation does not turn into a paper exercise. To this end, it has (1) obtained support through the Secretary's Policy Coordination Council, (2) revised the planning guidance to focus plans on agricultural program objectives rather than IRM objectives, and (3) required agencies to include in their plans how cross-cutting program initiatives and other interagency sharing needs will be handled.

Stronger Departmental Leadership Needed to Improve Human Resources Management

A skilled work force is the key to managing change and competing in today's technological and global economy. USDA, however, experiences problems in recruiting staff, providing adequate training programs for its employees, and developing a more diversified work force that better reflects national demographics. Lack of comprehensive approaches to personnel issues prevents USDA from addressing its work force problems as effectively as possible. Agencies have traditionally been responsible for recruiting, training and diversifying their staff, with little central direction and leadership.

USDA is beginning to more effectively address its work force problems. For example, its recent comprehensive diversity plan represents the type of Department-wide approaches needed in other human resource areas. Central leadership and commitment are needed to ensure that the diversity plan, as well as recruiting, training, and other human resource initiatives, are implemented throughout USDA.

Changes in the Work Force

In its 1988 report on future civil service needs, the Hudson Institute reported that federal agencies will find it difficult to maintain a skilled work force in light of demographic changes--a more culturally diverse population that has historically been less skilled. According to the report, most new employees will come from historically less educated and less skilled population groups, at a time when the federal government will increasingly need a work force composed of more highly trained employees. It also said that agencies should reinvest continuously in their senior-level technical work force to maintain an up-to-date skill base.[1] Noting that more than half of the work force for the year 2000 is already on the payroll, the Institute recommended systematically investing more in the existing work force as a cost-effective way to build skills and to make the federal government a more attractive work place.

USDA currently faces the challenge the Hudson Institute describes. In 1989, the average age of USDA's employees was almost 42; most of these will be working beyond the year 2000. As USDA needs higher skill levels—to carry out complex programs, such as food safety, water quality, and biotechnology—it will have to rely heavily on its present work force to achieve its objectives. Assuming the Hudson Institute's

[1]Civil Service 2000 (Indianapolis: June 1988, Hudson Institute). (A study prepared for the Office of Personnel Management.)

projections are correct, USDA's work force will have to change dramatically as it draws from a culturally diverse applicant pool. USDA's challenge will be to provide the workplace environment and the training that accommodate cultural differences and educational needs.

Departmental Approaches Needed to Address USDA's Human Resources Problems

USDA agencies require a wide range of skills to administer a variety of programs—from agricultural economists and computer specialists to veterinarians and biotechnology specialists. Agency recruitment and training programs are key to finding and developing these types of skills. However, agencies frequently encounter problems in recruiting the right staff, and agency training programs are not effective. Central leadership can play a stronger role in these areas.

Recruitment Problems Widespread

USDA finds it difficult to recruit employees in many occupational categories. Senior officials in several USDA agencies expressed concern about the Department's ability to attract qualified staff in the future, especially in the more technical disciplines.

For example, officials in the Food and Nutrition Service (FNS) told us of problems in attracting qualified accountants from the private sector and from colleges, largely because more attractive salaries are available in the private sector. A September 1989 study for USDA's National Finance Center also portrays the serious staffing problems associated with USDA's financial operations. According to this study, developed by the Office of Financial Management's Strategic Planning Advisory Committee, "given the anticipated shortage of skilled personnel, the NFC must take steps to use its present work force optimally through work force planning, to develop an effective program for recruiting new personnel, and to provide incentives and benefits that will retain the best of the personnel it attracts."

USDA agencies are not only competing with the private sector for a small population of qualified staff, but also with themselves. In order to attract minorities for example, agencies are separately recruiting targeted schools, at times visiting an institution on the same day. A 1985 study on streamlining USDA expressed this problem in this way:

"USDA's decentralized approach to minority recruitment puts it at a disadvantage with corporate and many other government agency competitors....A coordinated, centralized approach could yield better results and should be tried."[2]

A departmental approach to recruiting, as well as improved recruiting coordination among agencies, is still needed to overcome individual agency inefficiencies. Toward this end, in 1990, the central Office of Personnel (OP) produced a USDA-wide recruitment video and brochures for all agencies and began training interested agency recruiters to develop skills and represent all of USDA in their recruitment activities. Also, in 1989, the Department instituted liaison officers at 17 1890 land-grant institutions to promote agricultural programs and recruiting.[3] Such activities to provide more centralized activity to support agency recruitment are steps in the right direction. Other activities, such as a recent OPM-approved demonstration project that will streamline hiring in two USDA agencies and an expanded summer intern program to include more minorities, also show great potential.

Training Problems Are Well Documented

Providing staff with the necessary skills to perform their jobs most effectively is a major challenge. As our program reviews and USDA studies have shown, failure to provide necessary skills can be detrimental to system integrity.

Our reviews of financial and information management systems found inadequately trained staff were frequently the cause of bad performance and poor systems. For example, unreliable results in the FNS financial reporting process occurred because the accounting staff could not apply generally accepted accounting principles and standards.[4] We also reported that, according to the Farmers Home Administration's (FmHA) Assistant Administrator for Farmer Programs, FmHA county supervisors often do not record end-of-year data because of more pressing duties,

[2]"A Blueprint for the Future Organization of the United States Department of Agriculture" USDA, Oct. 21, 1985.

[3]State land grant colleges and universities were created by the Morrill Land-Grant College Act of 1862 to encourage further practical education in agriculture, homemaking, and the mechanical arts. The "1890s universities" are traditional black universities designated as land-grant institutions by the Second Morrill Act of 1890.

[4]Financial Audit: Food and Nutrition Service's Financial Statements for 1988 and 1987 (GAO/AFMD-90-71, Dec. 21, 1990).

inadequate training in credit analysis, and a general lack of understanding among staff of the importance of such data.[5] We found a similar situation in the information resources management (IRM) area, where personnel lacked the skills needed to design and implement information systems. As discussed in chapter 3, both FmHA senior officials charged with developing a strategic IRM plan and managers who oversee IRM contracts lacked IRM skills, which contributed to serious program problems.

USDA studies identified problems with the Department's limited agency-based training system. USDA's 1985 streamlining report noted:

> Despite an annual USDA investment in training estimated at $23 million, there is virtually no department-level policy direction, coordination, or oversight. Agencies are free to develop and conduct, or contract for, training intended to equip USDA personnel with virtually identical knowledge, skills, and abilities in management, supervisory and clerical functions. The result is waste, duplication, and inefficiency in the development and delivery of training.

An internal USDA study also completed in 1985 identified training weaknesses in developing the skills of its managers and supervisors.[6] Areas identified as needing attention included interpersonal skills, communication skills, employee development, conflict management and supervisory behavior. With few exceptions, the study said, USDA supervisors are hired or promoted on the basis of technical competence rather than supervisory skills or potential. Thus, supervisors without training may not know how to (1) help their employees develop their skills, (2) plan for the work force they need, and (3) foster good relations between themselves and their employees. Such knowledge is essential to maintain a qualified staff.

To improve training and to elevate the importance of training on a Department-wide basis, the internal study recommended actions to (1) help individual supervisors develop necessary skills, (2) establish a USDA training advisory group, (3) promote supervision and management as highly regarded careers in USDA, and (4) develop a pre-supervisory training program. Except for the recent establishment of a Supervisor's Training Academy for new supervisors and seminars for SES executives, however, none of these recommendations has been adopted.

[5] Farmers Home Administration: Sounder Loans Would Require Revised Loan Making Criteria (GAO/RCED 89-9, Feb. 14, 1989).

[6] Supervisory, Managerial and Executive Training and Development in USDA: Status and Recommendations. (An internal study).

Efforts to Improve Training Largely Unsuccessful

The Office of Personnel (OP) has attempted to improve USDA training. However, lack of departmental and agency support has meant that these efforts have been largely unsuccessful. For example, OP developed a series of generic training courses in 1988, with the agencies, to assist agencies in meeting common training needs. Approximately 60 percent of the courses were scheduled for locations outside of Washington, D.C., to reduce travel costs. Nearly all of the course offerings were scheduled, 26 courses were held, and then the series was canceled. Only a handful of courses still remain. Officials cite lack of up-front funds and agency and departmental support as reasons for the initiative's failure. Courses were canceled at the last minute when attendance was too low to allow the course to break even. Repeated cancellations discouraged further enrollment.

To help monitor training, in 1988 OP implemented a Department-wide training information system to record, track, and analyze training activities and cost. The Assistant Secretary for Administration ordered all USDA agencies to record training information in the system. However, not all agencies have complied, leaving OP unable to verify how much money is spent on training, who is receiving training, and what kind of training is being given. Although USDA reported to the Office of Personnel Management that it spent $27 million in direct and indirect training costs for fiscal year 1988, officials are not confident about the reliability of that figure.

OP has, however, achieved some success in its Department-wide Supervisor's Academy. The Academy was designed to help new managers develop supervisory skills. We received favorable feedback on the Academy during our review. However, if the Department does not provide support for this needed program, it also may not continue.

The extent of USDA's overall commitment to training is uncertain. The Department requires all employees to have individual development plans for their training; however, our review showed agencies are not evaluating the extent to which training is conducted nor determining whether such training is meeting departmental goals. In addition, our review revealed several instances in which individual development plans were never implemented.

Some USDA agencies, however, are recognizing the importance of training. For example, the Food Safety and Inspection Service (FSIS) launched a major effort to train inspectors as food technicians—a need prompted by new technologies available for food inspections. FSIS opened a training center and spends about $2.5 million to train approximately 1,200 people per year. The center provides continuing education for veterinarians, and supervisory and executive training for the agency. Other agencies, including the Agricultural Stabilization and Conservation Service (ASCS), the Animal and Plant Health Inspection Service (APHIS), and the Forest Service (FS) are increasing training to meet needed skills.

Agency-Based Training Is Duplicative

USDA's agency-based training approach has led to duplication of effort. For example, several agencies, such as FS, APHIS, and the Soil Conservation Service (SCS) have developed projects to address weak supervisory skills. FS developed managerial skills competencies to provide consistency in managerial skills and program quality and recommended that its nine regions individually start programs to develop these skills. As of spring 1990, six regions had developed managerial training programs. APHIS developed a similar managerial development program and its central training office is developing courses to address the five developmental stages. Further, SCS established assessment centers for the purpose of identifying areas in which its managers used training. Similarly, clerical training is also being developed in several of these agencies. Agency officials told us that the individually developed training programs have resulted in duplicative training efforts.

We also described efforts to address duplication problems in our March 1990 report on work force planning.[7] We noted that although some agencies, such as FS and APHIS, had begun to lay the groundwork for effective work force planning and some had planning systems, most efforts were not comprehensive and did not project future needs. We recommended that these weaknesses and inconsistencies be addressed in developing Department-wide standards and mandatory regulations for work force planning. USDA is now addressing our recommendations to develop mandatory standards.

Strengthening the Central Office of Personnel

With most personnel functions the responsibility of individual agencies, OP's role is limited to monitoring and setting guidelines for personnel functions USDA-wide. Organizationally, OP is on a lower level than the assistant and under secretaries who direct agency operations and, therefore, has little power of its own to hold agencies accountable for personnel activities. Given the problems agencies have in recruiting,

[7] U.S. Department of Agriculture: Need for Improved Work Force Planning (GAO/RCED-90-97, Mar. 6, 1990).

training, and in other areas such as work force planning, a strong leadership role from OP, backed by top management, is needed to achieve departmental approaches to common agency problems.

Establishing Work Force Planning Standards

USDA is faced with managing new cross-cutting issues in a new global-oriented marketplace. Changing work force demographics will make attracting, retraining, and maintaining a high quality work force more difficult in the future. These new conditions require work force planning if USDA is to ensure personnel requirements are geared to meet changing program objectives.

In March 1990, we reported that USDA lacked both Department-wide work force planning standards and formal systems to evaluate and monitor individual agency systems. We also cited problems in USDA agencies' abilities to plan for their work force needs. We reported that while some USDA agencies were laying the groundwork for effective work force planning systems, most personnel systems were not comprehensive and seldom included long-term plans. USDA, in responding to these findings, stated it is developing a work force planning strategy and will begin requiring its agencies to institute such planning.

Overseeing Personnel Evaluations

Like other federal agencies, USDA uses personnel management evaluations to assess the effectiveness of personnel operations and identify areas needing improvement. Currently, OP delegates responsibility for personnel management evaluations to all but the small agencies. However, the Department has not specified how often reviews should be done, nor provided mandatory minimum standards on what should be included in these evaluations. Although agencies are required to forward a copy of every personnel management evaluation to OP, they do not always comply. Further, we found most personnel management evaluations in OP's files focused on personnel administration rather than on how well human resources management was supporting agency/Department goals.

Recognizing the need for accountability in this area, the program evaluation division is developing a system to track the agencies' personnel problems. The system will identify recommendations, deficiencies, trends, and Department-wide needs. The results are to be reported annually to the Director of Personnel. USDA could use this system to manage the agencies' personnel programs. However, unless USDA enforces agency use of the system, it may not realize this potential. Also, such a system needs set elements, such as a mandatory timetable for personnel management evaluations and defined elements to be covered in the review. These elements should include not only compliance with administrative requirements but also, as USDA's OP Personnel Management Evaluation Handbook suggests, "how well personnel management activities are contributing to mission accomplishment, productivity, and overall organization effectiveness." Follow-up by the Assistant Secretary for Administration on reported deficiencies and common problems would ensure accountability and effective implementation of corrective actions.

USDA's Work Force Diversity Strategy

USDA has developed and is implementing a departmental approach to one common problem—work force diversity. On May 3, 1990, the Secretary of Agriculture endorsed the goal of diversifying USDA's work force over the next decade. The new plan, "Framework for Change: Work Force Diversity and Delivery of Programs," confirms top management's commitment to a work force that reflects the diversity in the national work force and to achieving fairness in the delivery of USDA programs by the year 2000.

Described as a "strategic framework" to accomplish goals and objectives, the program stipulates that specific implementation actions will be defined in individual agency plans negotiated between agency officials and the Assistant Secretary for Administration and approved by the Secretary. The framework proposes to achieve (1) work force diversity whenever under-representation exists, (2) a work force that values cultural diversity and provides opportunities for career advancement, and (3) fairness in the delivery of USDA programs.

Dimensions of the Diversity Issue

An increasingly diverse work force presents a particularly difficult challenge for USDA. USDA is less culturally diverse than most federal agencies, ranking 52 out of 56 agencies in the employment of minorities, according to fiscal year 1988 federal statistics.[8] In our review of the literature and discussions with experts, it became clear that managing cultural diversity is more difficult than simply managing personality differences. Race and culture add another layer of complexity, expectations, values and perspectives, on top of the already varied personalities that characterize any large group. As a result, problems may result between new

[8] Annual Report on the Employment of Minorities, Women, and People With Disabilities in the Federal Government, Fiscal Year 1988, (Washington, D.C.: U.S. Equal Employment Opportunity Commission).

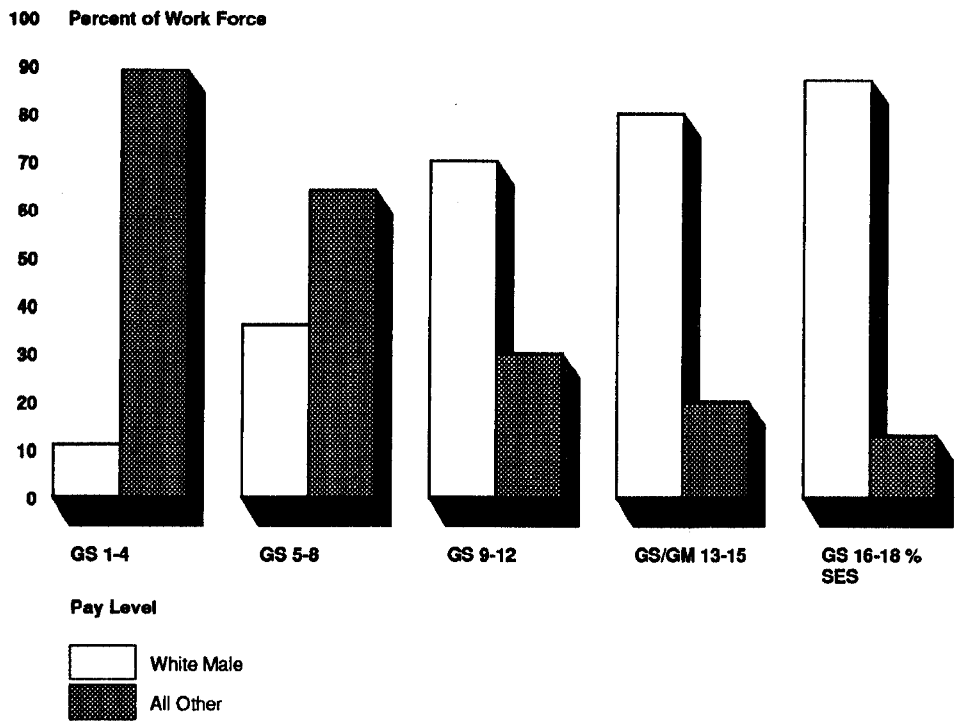
employees and supervisors that prevent new employees from advancing. Like other organizations, USDA needs to remove any obstacles to advancement for these new employees that may be unconsciously present in its culture.

Employers at every level will also have to address the increased cultural mix predicted by demographic studies. New workers will be different from the present work force. According to the Hudson Institute report, by the year 2000, 68 percent of any additional work force is expected to be non-white, and/or female, and/or immigrant compared with 53 percent in 1987. The Institute reported that these workers often have lower levels of language competence, poorer educational preparation, and other labor market problems. This type of employee profile would place increasing emphasis on the need for effective training.

USDA faces a challenge in changing from a Department weak in hiring and promoting minorities and women to one that can attract and retain the best of a diverse work force. Data show that about 87 percent of executive positions at USDA (GS 16 to 18 and Senior Executive Service) are filled by white males, and about 80 percent of managerial positions (GS/GM 13 to 15) are also filled by white males.

Further, figure 4.1 shows the vast majority of people who make USDA program and policy decisions and who run agency programs are from one cultural group. This singularity of cultural background in USDA's decisionmakers does not reflect the diversity of the population it serves—USDA activities touch the lives of every American daily. A key tenet of federal human resource management policy is to mirror the cultural diversity of the nation's labor force.

Figure 4.1: Current USDA Work Force



Note: All other includes white females; male and female totals include Black, Hispanic, Asian American/Pacific Island, and American Indian/Alaskan Native groups. The data have not been verified by GAO.
Source: USDA Office of Personnel.

Conclusions

USDA is experiencing problems in recruiting skilled staff, effectively training its employees, and making progress in developing a diversified work force. Changes in demographics—a less skilled pool of future workers to hire from, and a more culturally diverse population—point to the importance of effective work force planning for all of USDA. Human resources management in USDA, however, is left to agencies and thus lacks the central leadership and oversight needed to ensure agency programs are effective and integrated. As a result, the Department is ill prepared to develop and direct a work force that will need more training and will be more culturally diverse in future years.

USDA's recent efforts to develop a comprehensive strategy to ensure that cultural diversity issues in the work force are addressed has the Secretary's endorsement and illustrates the need for departmental approaches to other personnel problems as well. In addition, USDA is developing a strategy for work force planning to ensure that skills in the workplace meet agency needs, and it will begin requiring work force planning among its agencies. OP needs to monitor the effectiveness of agency programs and compliance with these standards. Monitoring is crucial, not only to ensure compliance but also to provide OP with the information it needs to identify areas that need to improve performance, effect cost efficiencies, or better support departmental goals.

USDA needs to develop similar strategies in other areas—principally recruitment and training. Its central Office of Personnel needs to take a greater leadership role in developing these approaches so that new initiatives can be incorporated into the Department's independent agencies.

Recommendations

To develop a strong work force that will meet current and future challenges in USDA, we recommend that the Secretary and the Assistant Secretary for Administration actively support the Office of Personnel as the central body responsible for ensuring a quality work force Department-wide by

- reaffirming the Office of Personnel's leadership role for human resource management Department-wide and
- holding agency heads accountable for compliance with standards and personnel orders, such as mandatory use of the Department's training information system.

We also recommend that the Secretary of Agriculture direct the Assistant Secretary for Administration to

- establish agency accountability for maintaining a quality work force through tracking and reporting of evaluations of program effectiveness, and
- assume responsibility for addressing common work force problems in areas such as training, recruiting, and work force planning to avoid duplication and to provide centralized services when most efficient.

Agency Comments

USDA responded that efforts to develop and implement systemic reform in the human resources area have been frustrated by continuing competition for scarce resources and by agency resistance to organizational and field structure change. USDA agreed with the draft report's contention that the lack of investment in integrated human resource and other basic management systems has had a detrimental effect on program delivery. USDA said that it intends to strengthen OP's leadership role in recruitment, training, and work force planning, although increased responsibilities have affected OP's capacity to exercise its central leadership and oversight functions.

Comments From the U.S. Department of Agriculture

Note: GAO comments supplementing those in the report text appear at the end of this appendix.

DEPARTMENT OF AGRICULTURE
OFFICE OF ASSISTANT SECRETARY FOR ADMINISTRATION
WASHINGTON, D.C. 20250

APR 8 1991

Mr. J. Dexter Peach
Assistant Comptroller General
U.S. General Accounting Office
Washington, D.C. 20548

Dear Mr. Peach:

This is in response to the letter of February 21, 1991, transmitting the draft report entitled "U.S. Department of Agriculture: Strengthening Management Systems to Support Departmental Goals," GAO/RCED-91-49. The Department's comments on the draft report are enclosed.

Sincerely,

Adis M. Vila

Adis M. Vila
Assistant Secretary
for Administration

Enclosure

cc: John W. Harman, GAO/RCED

AN EQUAL OPPORTUNITY EMPLOYER

USDA Comments on GAO Draft Report
"U.S. Department of Agriculture: Strengthening Management Systems to Support Departmental Goals"
RCED-91-49

FINANCIAL MANAGEMENT

The draft report recognizes that USDA has multi-billion dollar programs that require accurate and reliable financial information. The draft report also states that USDA has internal control and accounting weaknesses in some of its major financial management systems that prevent these systems from providing users with reliable information. We concur with these findings. The General Accounting Office (GAO) should recognize and report on USDA's ongoing initiative of producing auditable agency and consolidated financial statements. We support the auditing of financial statements annually in order to provide support for maintaining accurate financial systems.

See comment 1.

GAO states that strong leadership, good planning, and accurate reporting are the keys to better financial systems. GAO believes that meeting the requirements of the new CFO legislation will provide USDA a sound basis for improving its financial systems. The draft report points out the legislated requirement to establish a Department-level CFO position reporting directly to the Secretary and with authority and responsibility for the overall supervision and coordination of USDA's financial management systems. This Department intends to implement fully the requirements of the Chief Financial Officers Act of 1990.

See comment 2.

However, we believe that the ultimate resolution of the problems cited in chapter 2 is much more complex than indicated by the recommendation for this chapter. We believe that resolution of these problems requires a comprehensive strategy including strong leadership from the USDA Chief Financial Officer; modernized integrated administrative and accounting systems; and financial management training for both program managers and technical personnel. We intend to implement such a strategy and will have more details available as the implementation plan moves forward.

See comment 3.

The issue concerning the Commodity Credit Corporation's (CCC) financial statements not reflecting estimated losses on foreign debt and contingent liabilities under export credit guarantees made available in connection with sales to foreign countries is not the result of a weak financial management system, but a Corporation policy consistent with the policies of the United States Government. In an April 13, 1987, memorandum to GAO, the Controller of CCC stated that the establishment of loss reserves on foreign debt was a highly sensitive issue involving international relations, and the ultimate resolution of establishing such a reserve rested with the Departments of State and Treasury. In situations like this, CCC follows the policy guidance of these two departments which, at that time did not provide for loss allowances with respect to foreign debt.

In early 1990, Government agencies were encouraged by the Administration to reflect a more realistic picture of assets and liabilities, particularly relating to risks associated with foreign debt and export credit guarantee programs. As a result, the policy of CCC establishing a loss allowance for foreign debt and export credit guarantee contingent liability was approved by the Secretary of Agriculture. Beginning with fiscal year 1989, CCC's comparative financial statements reflect the establishment of loss allowances for foreign debt and contingent liabilities on export credit guarantees made available in connection with sales to foreign countries.

INFORMATION RESOURCES MANAGEMENT

We agree with the GAO recommendations that the Office of Information Resources Management (OIRM) be responsible for overseeing completion of the strategic IRM initiative and hold agencies accountable for adopting the IRM strategic planning initiative. We recognize that strategic planning is important and that it could turn into a paper exercise if not properly implemented.

Completion of the USDA IRM Strategic Plan continues to be a high priority initiative. The focus of the new IRM planning process is to change the way IRM initiatives are identified, justified, and implemented to ensure that they support information sharing and provide management with timely and relevant information. We agree that attention must be placed on implementation of the IRM Strategic Plan even while it is still under development. Several steps have already been taken:

- In order to bring IRM planning and program planning together, we need the support of the Department's policy officials. The Secretary's Policy Coordination Council (PCC) has continued to be actively involved in this project. They have participated in the development of the USDA Business Plan which will provide an overview of program priorities and the forces that may cause changes to these priorities over the next five to ten years. We believe the continued support from the PCC will assist us in the implementation phase.

- OIRM revised the planning guidance for the FY 1991 agency IRM plans to focus on support of agricultural program objectives rather than IRM objectives. The USDA Business Plan was included in the planning guidance. Agencies are required to include in their plans a description of their support of cross-cutting programs initiatives and other interagency information sharing needs.

- OIRM is coordinating with the Office of Budget and Program Analysis during the earliest phase of program budget development to ensure that agency IRM initiatives are consistent with Departmental direction. OIRM's responsibilities include IRM technology standards, technical approvals for agency IRM acquisitions, and IRM reviews. The focus of these oversight responsibilities will emphasize the issues of information sharing and management information as defined in the USDA IRM Strategic Plan.

HUMAN RESOURCES MANAGEMENT

We concur with the GAO finding that weaknesses in USDA's basic management systems severely limit the ability of the Department to carry out its vast responsibilities efficiently and effectively. As the Department's principal human resources agency, the Office of Personnel (OP) shares the concern with USDA's historical lack of commitment to the development and implementation of management systems. Our efforts to develop and implement systemic reform have been frustrated by the continuing competition for scarce resources. Traditionally, emphasis in the allocation of fiscal and other resources has rightfully gone to program delivery. Thus, long-term investment in the management of human resources (as well as other processes) has been limited. As identified in the draft report, over time this lack of investment in integrated resource systems has had a detrimental effect on program delivery. OP intends to strengthen its leadership in the vital areas the draft report cited and some others.

Our most recent efforts to anticipate the rapidly changing face of human resources management in the areas of recruitment, training and work force planning are highlighted below.

Recruitment

"Framework for Change: Work Force Diversity and Delivery of Programs" has inextricably linked adequate program delivery with effective human resources management. This philosophy is evident in our coordinated approach to recruitment which focuses both on developing and acquiring technical skills while accomplishing work force diversity goals. We are exercising central leadership through the pursuit of initiatives such as the following:

- OP was responsible for developing and implementing a demonstration project under 5 U.S.C. Chapter 47, one of 7 such projects currently authorized by the Office of Personnel Management (OPM) throughout all of the Federal Government. The goal of the project is to develop an alternative recruitment and hiring system which will enable Federal managers to meet the recruitment challenges of the future. The USDA project is the only one currently underway which deals solely with Federal recruitment and hiring. The project was implemented in July 1990 and preliminary reports show substantially increased representation of women, minorities, individuals with disabilities, and veterans among those hired.

- OP has detailed two individuals to OPM to participate in the development of regulations implementing the Federal Employees Pay Comparability Act of 1990. Efforts are simultaneously underway to develop Departmental regulations to ensure consistent use by all USDA agencies of the flexibilities provided by the Act.

- OP coordinated the identification of over 800 positions nationwide for summer interns from educational institutions with significant enrollments of women, minorities and individuals with disabilities. OP requested a waiver on behalf of the entire Department to exempt the Summer Intern Program from the requirements of OPM's Summer Employment Program to increase managerial flexibility.

- In January 1991, OP forwarded a request to the Office of Management and Budget (OMB) to collect race, national origin, sex and disability data on applicants for permanent positions. Automated applicant data collection and tracking would improve efforts to conduct statistical analyses of Department-wide recruitment efforts to attract women, minorities and individuals with disabilities. USDA data collection efforts under the demonstration project are serving as a prototype for Government-wide data collection and analysis. Neither the Equal Employment Opportunity Commission nor OPM has provided a centralized means through which race, national origin and disability data are collected from applicants for employment.

Training

Other initiatives are underway in the training area in addition to those noted in the report. Farmers Home Administration (FmHA), for example, has reorganized its human resources management structure to establish an enlarged training staff to oversee a greatly expanded nationwide program of technical and management training. The Food Safety and Inspection Service (FSIS) is also consolidating management and program training staff to eliminate duplication and provide a better coordinated, more effective total training effort.

OP will lead a Department-wide effort to explore ways to implement OPM's new human resources development policy to strengthen a coordinated approach to training in USDA. Program highlights include the following:

- The USDA Supervisory Academy has been expanded; 5 sessions will have been conducted by October 1991. Demand is high and the offerings will be expanded.
- A total of 32 generic training modules have been developed in the areas of Drugs, Alcohol and Substance Abuse, Cultural Diversity, Ethics, and Supervision.
- Individual Development Plans are now required for all permanent, full-time USDA employees as stipulated in the Department's Five Year Affirmative Employment Program Plan.
- A headquarters training facility is being developed for use in FY 1992.
- Self-instructed Adult Literacy programs in English usage have been developed and field tested (1,250 employees participating). These materials are being shared with other departments and agencies.

Work Force Planning

As the report also notes, OP is in the process of developing a uniform work force planning framework and standards which all USDA agencies will be required to integrate with their program planning activities. OP plans to take a more active role in evaluating the human resources management programs of the USDA agencies, focusing specifically on those high priority initiatives undertaken to solve long-standing problems.

Increased Demands

Demands on human resources management have continued to increase in recent years, with complex changes in employee benefit programs and pay, increased delegations from OPM, and ethics reform. These increased responsibilities have affected OP's capacity to exercise its central leadership and oversight function.

Finally, we note in the report the statement that agency organizational and field structures have remained unchanged over the years because of agency resistance to change. On numerous occasions, agency and Department initiatives to consolidate or streamline offices have been stopped by outside forces.

TECHNICAL COMMENTS

See comment 4.

We question the use of examples citing old findings from past Food and Nutrition Service audits without citing corrective actions that have been taken. A case in point is the example cited on page 6 which is being taken out of context and should be removed.

See comment 5.

Page 21 includes a reference to the "Assistant Secretary for **Management**." The correct title is Assistant Secretary for Administration.

See comment 6.

If "future financing sources" noted in the footnote on page 22 include appropriations not yet enacted, such amounts should be clearly labeled so as to advise the reader of the relative significance of those amounts to total assets of the Department.

See comment 7.

The statement that the "Federal Crop Insurance Corporation's (FCIC) Financial Management System (1) had not established procedures to ensure that all transactions it sent to the National Finance Center were accurately processed and recorded, and (2) did not adequately reconcile expense vouchers for $55 million in salaries and other administrative expenses" (pages 23-24 of draft report) is inaccurate.

The following comments were taken from the auditor's report on FCIC's financial statements for the fiscal year ended September 30, 1989, (GAO/AFMD 90-107 of September 1990):

> **Processing and payment of Administrative Expenses**
>
> Arthur Andersen was able to verify that transactions were properly supported and that the related amounts were accurately reported in the financial statements by (1) obtaining computer tapes from the National Finance Center showing how Corporation expenses were processed, (2) comparing the tapes to detailed transaction registers to verify transactions processed, and (3) tracing a sample of transactions from registers to source documentation.
>
> To correct this weakness, the National Finance Center has designed an on-line fund control system for obligations and is working to provide this data base to the individual Corporation cost centers that input the data.

6

FCIC is currently beginning to implement this fund control system known as the Central Accounting Data Information System (CADI)."

In addition, the statement that "FCIC had also not established premium rates to adequately cover losses on insured crops and to enable it to build a reasonable reserve against unforeseen losses" (page 24 of draft report) should be revised to reflect recent legislation.

Progress is being made to make the crop insurance program fair and equitable for the taxpayer, producer, Federal Government and our private sector delivery partners. The Food, Agriculture, Conservation, and Trade Act of 1990 authorized premium increases provided that rates may not be increased more than twenty percent (20%) over the comparable rates for the preceding crop year. FCIC is also implementing a "Non-Standard Classification System" to identify individuals with frequent or unusual loss patterns and to adjust their rates and coverages to mitigate the higher risk they represent.

Page 28 includes the admonition that "top USDA management must develop comprehensive plans to improve existing systems and hold agencies accountable for adopting such plans." While we have already agreed with the concept that there is much to be done in the area of systems design and implementation, we disagree with the idea that "top USDA management" must develop these plans. Any plans for improving the systems of the Department must build on input and advice from the users of the systems--which means that the agencies and USDA management as a team must develop and be held responsible for comprehensive system improvement plans. To assist in clarifying this point, we suggest that the wording of the first sentence on page 29 be reworked. We believe it should be changed to read "Specific measures needed include strengthening USDA's Chief Financial Officer (CFO) structure, developing a coordinated overall USDA and agency plan for improving and maintaining the Department's and agencies' financial management systems, and requiring that financial statements be prepared and issued annually and audited on a continuing basis."

See comment 8.

We request an edit to page 49, second paragraph. The following sentence "We found a similar situation in the IRM area, where we found personnel lacked the skills....." should be moved to a new paragraph or otherwise clarified to note that this finding pertains to FmHA staff and not to FNS staff. We further believe the senior official quoted on page 37 of the draft report is not the official charged with developing the strategic IRM plan for FmHA. It should be noted that FNS management has committed considerable training resources and recruitment efforts to building an IRM Division that is highly skilled. FNS has received numerous accolades on the quality of their software redesign accomplishments under the Software Renewal Plan.

See comment 9.

See comment 10.

The reference to Forest Service regions on page 52 should be changed from "its 11 regions" to "its 9 regions."

See comment 11.

The following are GAO's comments on the U.S. Department of Agriculture's letter dated April 8, 1991.

GAO Comments

1. USDA has efforts underway to annually produce audited financial statements for its components and consolidated Department-wide statements. As part of a pilot program at selected agencies, the CFO Act requires USDA to have audited financial statements for fiscal years 1991, 1992, and 1993. Changes were made in the report.

2. We agree that resolving USDA's financial problems is a complex task and goes beyond the recommendations made in this report. As USDA states, improved financial management for the Department will involve strong leadership, centralized planning, modernized financial management systems, and increased training. These are factors USDA needs to consider in implementing the Chief Financial Officers Act. To give USDA an opportunity to address the new financial management legislative requirements, we have made recommendations only in areas not specifically included in the act, such as those involving responsibilities of USDA component agency CFOs.

3. This example was removed.

4. This example was removed.

5. The title was changed to the Assistant Secretary for Administration.

6. The footnote was expanded to give the reader a more descriptive definition of "future financing sources." According to USDA's consolidated financial statements, total "future financial sources" for fiscal year 1988 were $16.4 billion, of which $14.6 billion was the amount due to the Commodity Credit Corporation's for its reimbursable losses.

7. This example was removed.

8. We agree that user buy-in is an important component of the strategic planning process. The suggested changes were made.

9. The finding that USDA staff are sometimes weak in the financial management area pertains to FNS staff, FmHA staff, and staff of other USDA agencies. The example in question pertains to the FNS staff. The section has been expanded to cite such an example in FmHA as well.

10. We do not believe the fact that the senior official quoted is not in charge of the IRM strategic plan for FmHA to be a relevant point. The relevant issue is that he is a user of the information and is not satisfied with the consistency and timeliness of the information.

11. The number was changed.

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