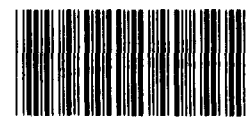


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U.S. DEPARTMENT OF  
AGRICULTURE

Revitalizing and Streamlining  
the Department

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



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Mr. Chairman and Members of the Committee:

We are pleased to participate in this hearing on the U.S. Department of Agriculture. Our testimony today is based on our general management review of the Department. Unlike traditional audits and evaluations of individual programs, management reviews examine the overall effectiveness of the management processes and systems of departments and agencies. Between October 1989 and September 1991, we issued a series of reports on various management issues at USDA and recommended ways to improve the Department's organizational structure, management systems, and strategies.<sup>1</sup>

My testimony today will focus on

- the need for USDA to revitalize to better respond to the challenges of rapidly changing world markets, new customer needs, and cross-cutting and emerging issues like food safety and biotechnology;
- opportunities for streamlining USDA's existing field structure; and
- USDA's ongoing efforts to respond to our recommendations, and begin a needed course of change.

In summary, USDA needs to revitalize to again become a force in leading American agriculture into the 21st century. Increased responsibilities in nutrition, international trade, and environmental issues have greatly diversified USDA's client base over the years. Yet, USDA's structure has changed little since the time most Americans were farmers and sold their goods to local markets. As a result, USDA is in a poor position to draw on expertise and respond quickly to cross-cutting and emerging issues. USDA needs to reexamine its mission and goals, then design an organizational structure and system that can achieve them.

Opportunities also exist to streamline USDA's current field structure, in which farmers and others may have to deal with different offices, employees, and administrative procedures. We have recommended that USDA look to the efficiencies and cost savings to the U.S. taxpayer that could result from streamlining through consolidations and collocations within the existing field structure. For the long run, senior USDA officials and the Congress need to seriously consider integrating the Department's farm agency delivery system so that multiple agencies operate as a unit at local levels. USDA will have to overcome the parochial concerns of individual agencies as it moves towards an organization that meets the needs of a rapidly changing agricultural sector.

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<sup>1</sup>App. I contains a list of GAO's general management review reports and other reports on USDA.

Making change requires strong leadership and a long-term commitment from those in a position to influence the Department. The Secretary has expressed personal interest in streamlining and improving the management of USDA and has begun to take some actions to address the recommendations we made in our series of management review reports. However, revitalizing USDA will not be an easy task. The difficulty is compounded by the current environment of severe fiscal restraint, in which taxpayers can ill afford to continue funding government institutions that are inflexible and unresponsive to change. Responding to this challenge will require determined, creative, and sustained efforts by the leadership in USDA and in the Congress.

Before we discuss the need for revitalization and streamlining the Department's field structure in detail, let us briefly describe how USDA got where it is today.

### BACKGROUND

USDA, with the third largest civilian agency budget in the federal government, affects the lives of all Americans and millions of people around the world. USDA oversees a food and agriculture sector of major importance to the nation's economy, accounting for 17 percent of the gross national product and 20 million jobs. To carry out its missions in 1990, USDA spent about \$46 billion, controlled assets of about \$140 billion, and employed over 110,000 full-time employees in 36 agencies in over 15,000 locations worldwide.

USDA administers its farm programs and services through one of the federal government's largest and most complex organizational structures. USDA is made up of over 36 separate agencies and the number is growing. The Department has added new offices and renamed old ones over time, but the basic farm service agencies<sup>2</sup> operate one of the oldest and most decentralized field structures in government. Operating this decentralized field network is costly. In fiscal year 1989, four farm service agencies alone spent about \$2.4 billion, with 63,000 employees to administer their programs in over 11,000 county offices.

USDA's structure reflects the era in which it was established --the 1930s, when communication and transportation systems were greatly limited by geographic boundaries. Since then, the number of farmers has declined sharply; only one in 50 Americans lived on a farm in 1990, compared with 1 in 4 in 1935. Furthermore, only 16 percent of the nation's counties are currently designated as farm counties, down substantially from 63 percent so designated in 1950.

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<sup>2</sup>Agricultural Stabilization and Conservation Service, Soil Conservation Service, Farmers Home Administration, Extension Service, and Federal Crop Insurance Corporation.

Not only does USDA have far fewer clients to serve but telephones, computers, and highways have also greatly increased farmers' access to information and assistance programs.

### USDA NEEDS TO REVITALIZE

Our 3-year series of studies on the general management of USDA shows that the Department is poorly organized to deal with increasingly complex issues, preventing it from operating effectively as a unit. Increased responsibilities in nutrition, international trade, and environmental issues have greatly diversified USDA's client base over the years, yet the Department's structure and management practices, as noted earlier, have remained largely unchanged since the 1930s. USDA has added agencies and functions over time, making it larger but not fundamentally different from its production-oriented, commodity-based past. The result is an organization that does not operate as an integrative unit for the most part, and has difficulty adapting to changes in its clients' needs in the most effective and balanced way.

For example, we found that eight USDA agencies have responsibilities in biotechnology, an important area of science that could revolutionize the production of food and fiber by allowing scientists to transfer genes between related or unrelated organisms to improve plants or animals. Responsibilities for agricultural biotechnology cut across many USDA programs. Numerous conflicts among individual agencies have blocked development of a single strategy in this important area. A similar condition exists in the area of the environment, in which the 10 agencies that have some authority in water quality matters are slow to develop departmentwide strategies and a structure for managing divergent agency interests. It is a struggle for USDA's management to develop comprehensive, timely, and effective strategies and coordinating mechanisms in these and other cross-cutting areas, largely because of the difficulty of exerting leadership and improving communication in so large and diverse an organization.

Nowhere is the struggle to develop a cohesive strategy more apparent than in USDA's field offices. Multiple agencies operate independent field offices all over the country, often right next door to each other. USDA itself does not have field offices, only its agencies do: Individual agencies, not the Department, are represented at the field level. The result of this lack of integration is that farmers must supply the same information in different formats to several agencies, computer systems do not communicate with each other, and agencies sometimes work at cross purposes on common issues. At the very least, USDA is spending more than it needs to; at best, most clients are not being well served.

Growing competition in international markets also provides a compelling argument for a more streamlined and flexible structure--

responsive to change--at headquarters and in the field. As international competition grows, so does the need for the United States to have comprehensive and effective strategies for positioning U.S. producers more favorably in foreign markets. We found, however, that USDA does not have comprehensive policies, nor do the four USDA agencies with trade management responsibilities operate toward a set of common goals. Several of the agencies lack strategic marketing plans and each operates under a different philosophy. In the absence of a strategic marketing focus, the Department remains reliant on its traditional production-oriented philosophy. As a result, it risks the loss of opportunities in food processing and marketing--the fastest growing aspects of global agribusiness.

Several internal USDA studies have called for changes in how the Department conducts its business. One of the most comprehensive studies and the most recent--a 1985 effort led by a cross section of USDA senior managers--called for a variety of reform measures at headquarters and in the field. The report suggested reexamining the continuing relevance of existing agencies, noting that agencies established long ago may have outlived their usefulness. The report's major recommendations centered on the need for a more integrated farm delivery system and offered several options for achieving a more effective organization.

The 1985 report's thesis that current agencies should be examined for mission relevance is still true today. Examining current USDA missions in the wake of significant changes in the world and the agricultural sector is a necessary first step toward developing an effective and efficient structure. Without this step, USDA is in danger of simply altering an obsolete structure that is not in concert with new, revised missions and goals. The objective is not simply to make the current structure more efficient but to build a structure around the Department's current, updated missions. Such a rebuilding is the ideal way to achieve major gains.

#### STREAMLINING USDA'S EXISTING STRUCTURE

Within USDA's existing field delivery structure, many opportunities exist to save money and better service clients through streamlining. Although the existing structure can be streamlined, however, significant change must be made in the context of a reassessment of missions. As the basic link between headquarters and the agriculture sector, USDA's field structure should reflect the focus and direction of the Department. USDA's organizational structure, however, has changed little despite its own 1973 and 1985 studies recognizing this need.

In a January 1991 report on the farm agencies' field structure, we reported that USDA could save millions of dollars while maintaining or improving operational effectiveness by (1)

more aggressively pursuing incremental improvements through field office collocations and consolidations and (2) restructuring to provide a more flexible, integrated field organization.<sup>3</sup>

As stated earlier, USDA's county-based presence is substantial. This structure was established during the Great Depression to serve a largely rural America, in which one in four Americans lived on a farm. Today however, only 1 in 50 Americans lives on a farm, and many farmers manage large, sophisticated operations. Advances in communications, computers, and transportation systems have greatly increased access to information and sources of assistance, lessening the need for farmers to have contact with multiple farm agencies.

Consolidating field offices provides potential savings and efficiencies. For example, we found that about 32 percent of Agricultural Stabilization and Conservation Service (ASCS) offices pay out less than 3 percent of total ASCS program benefits, leaving many offices with a relatively low work load--in fact, many county offices spend more on overhead expenses than they pay out in program benefits. Unless offices with low levels of activity can be justified because they provide critical services, more cost-effective service could be provided by consolidating some of these offices. Furthermore, USDA does not routinely examine field offices for consolidation opportunities, and is thus in a weakened position to determine if and where consolidation or other actions, such as collocating and sharing resources, are needed.

We recognize that the cost of county office operations is only one factor to consider in streamlining the field structure and that other criteria may be appropriate for determining the need for local offices in low-activity areas. In this period of budget restriction, USDA needs to weigh the benefits of using its limited resources to staff these low-volume offices against other critical needs. These needs will include the challenges laid out in the 1990 farm bill: reducing spending, increasing agricultural competitiveness, and enhancing the environment. Consolidating offices that spend more for administration than the typical ASCS office would save about \$90 million annually.

While we are not advocating the closure of specific offices, our analysis clearly indicates a need to examine USDA's entire field structure. Incremental measures, including collocations and consolidations, improve efficiency but merely cut at the margins of existing operations. They do not address large-scale concerns affecting the Department's overall design, mission, and service

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<sup>3</sup>Collocation of offices occurs when two or more field agencies occupy common office space. Consolidation of offices occurs when individual field agencies combine the operations of two or more offices at a single location.

delivery system. In our September 1991 report on revitalizing USDA's structure, systems, and strategies, we recommended that senior officials and the Congress seriously consider integrating the Department's farm agency delivery system so that multiple agencies operate as a unit at local levels. USDA's own reports have called for such an integrated system, but the leadership has never acted on these recommendations.

Only the Secretary has sufficient authority to direct change affecting all field operations. As we noted in our January 1991 report, if USDA is to succeed in streamlining its headquarters and field structure, the Secretary must bring together the proper mix of central and field management, outside experts, and state and local office staff. For the 1985 report mentioned earlier, USDA set up a Secretarial task force to obtain comments on alternative organizational structures--including integrating the farm agencies --from under secretaries, representatives from state agricultural panels, public interest groups, congressional staff, and others. The process used an approach based on grass roots proposals made through the state panels that could potentially result in a leaner but stronger USDA field presence. However, in the 7 years since that effort, USDA has implemented few of the task force's recommendations, in part because the Department has not developed the systems necessary to deal with opposing viewpoints and implement change.

We recognize that agency and external opposition from agricultural constituencies creates strong barriers to restructuring USDA's field operations. In some cases, specific prohibitions in legislation limit structural change. Actions affecting local offices can generate concern in the Congress as well. This is when leadership and commitment to change are critical. Again, we believe that USDA needs to engage its local staff, top management, clients, and the Congress in an effort to revisit and redefine its mission and build an organization to meet these revised mission goals.

In the absence of an active reform commitment by USDA, external events may force reform. Technological, demographic, and fiscal changes may compel the Department to adopt hurried, ill-conceived reforms that could leave it with a structure ill suited for administering farm programs. Reductions in funding for agriculture programs as the budget deficit grows, sudden shifts in the international market, or a major food safety or environmental incident could abruptly alter USDA's course. Rather than be managed by events, USDA should seize the initiative. With the cooperation of the Congress, the Secretary can actively begin the revitalization process.

## RECOMMENDATIONS AND AGENCY STATUS

In our series of management review reports, we presented a number of recommendations specific to departmental structures, strategies, and systems that, if implemented with strong Secretarial leadership and congressional support, would help USDA begin a course of change. For example, we recommended that USDA improve the effectiveness of its field structure by (1) expanding its collocation tracking system to include information on the extent to which collocated agencies have reduced costs through sharing resources, (2) reporting annually on the potential for additional savings at collocated offices, and (3) stepping up individual agencies' consolidation efforts.

We have had several discussions with Secretary Madigan and his staff to discuss USDA's ongoing initiatives to address these specific recommendations as well as others aimed at improving management systems and operations. Our series of management review reports described the need for leadership. The Secretary has expressed personal interest in streamlining and improving the management of the Department and we believe that attitude is critical to beginning any revitalization efforts. He has begun by holding discussions with departmental clients in an effort to find ways to best serve customer needs. For example, this spring, USDA is conducting pilot tests for eight projects in 16 locations across the nation as part of the Department's "Easy Access" program to improve the services and cut through red tape and paperwork. A pilot Shared Resources Survey is being undertaken to identify and expand cost-savings projects in local field offices. Both the Secretary and Deputy Secretary have been meeting with farmers and ranchers to hear their concerns and suggestions for improvement. Furthermore, the Deputy Secretary plans to coordinate an overall review of the current field structure in preparation for discussions with the Congress during the development of the next farm bill.

The creation of the Rural Development Administration, mandated by the 1990 farm bill, is another significant development. Some of the community and business development offices, programs, and functions formerly under the Farmers Home Administration are being transferred to the new Rural Development Administration. The Secretary's plan for this new agency calls for establishing seven regional offices rather than state or county offices. The Secretary has said that regional offices will end much duplication in administration of certain functions and will result in a more efficient program delivery system. If USDA can document how this plan will save money and improve service to its clients, the plan could lead to similar efforts to streamline other USDA agencies.

We recognize the challenges facing the Department as it tries to change and adapt to the future. These challenges are



substantial. They can be overcome, however, by leadership and commitment from both the Department and the Congress.

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That concludes my statement. I appreciate the opportunity to present our observations to the Committee. I would be happy to respond to any questions you and the other members of the Committee may have.

RELATED GAO REPORTSUSDA MANAGEMENT REVIEW REPORTS

U.S. Department of Agriculture: Revitalizing Structure, Systems, and Strategies (GAO/RCED-91-168, Sept. 3, 1991).

U.S. Department of Agriculture: Strengthening Management Systems to Support Departmental Goals (GAO/RCED-91-49, July 31, 1991).

U.S. Department of Agriculture: Improving Management of Cross-Cutting Issues (GAO/RCED-91-41, Mar. 12, 1991).

U.S. Department of Agriculture: Farm Agencies' Field Structure Needs Major Overhaul (GAO/RCED-91-09, Jan. 29, 1991).

U.S. Department of Agriculture: Strategic Marketing Needed to Lead Agribusiness in International Trade (GAO/RCED-91-22, Jan. 22, 1991).

U.S. Department of Agriculture: Need for Improved Workforce Planning (GAO/RCED-90-97, Mar. 6, 1990).

U.S. Department of Agriculture: Status of the Food and Agriculture Councils Needs to Be Elevated (GAO/RCED-90-29, Nov. 20, 1989).

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

OTHER USDA REPORTS

Financial Audit: Department of Agriculture's Financial Statements for Fiscal Year 1988 (GAO/AFMD-91-65, Aug. 13, 1991).

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

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