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Report to the Chairman, Committee on Agriculture, Nutrition, and Forestry, U.S. Senate

February 2000

USDA REORGANIZATION

Progress Mixed in Modernizing the Delivery of Services

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United States General Accounting Office
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Resources, Community, and
Economic Development Division

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February 3, 2000

The Honorable Richard G. Lugar
Chairman, Committee on Agriculture,
Nutrition, and Forestry
United States Senate

Dear Mr. Chairman:

The Federal Crop Insurance Reform and Department of Agriculture Reorganization Act of 1994 (P.L. 103-354, Oct. 13, 1994) authorized the Secretary of Agriculture to reorganize and modernize the U.S. Department of Agriculture (USDA) to achieve greater efficiency, effectiveness, and economy in delivering programs to support agriculture and rural areas. One major component of this effort focuses on USDA's county-based agencies—the Farm Service Agency (FSA), the Natural Resources Conservation Service (NRCS), and the agencies in the Rural Development (RD) mission area.[1] At the time of the 1994 act, these USDA agencies accounted for over 43,000 employees in more than 7,000 county offices at over 3,700 locations; they were responsible for about $31 billion in operating costs and program benefits.

Although these USDA agencies have different purposes, some of the programs they administer provide similar services, and some share customers and goals. For example, FSA guarantees and makes direct loans to fund farm ownership and operating expenses and compensates farmers for losses caused by natural disasters. The RD agencies also guarantee and make direct loans for home ownership, the construction of multifamily housing, and business development in rural areas. In its conservation programs, FSA provides financial assistance to farmers who undertake conservation projects, such as planting trees to reduce erosion. Similarly, NRCS provides technical assistance to farmers and others who undertake conservation projects.

Concerned about the success of USDA's efforts to modernize and reorganize its county-based agencies, you asked us to (1) identify USDA's

[1] The three agencies in this mission area are the Rural Business-Cooperative Service, the Rural Housing Service, and the Rural Utilities Service.

major reorganization and modernization initiatives for these agencies, (2) examine the progress USDA has made in completing these initiatives, and (3) identify major issues impeding progress toward completing the initiatives.

Results in Brief

Since 1995, USDA has been engaged in a reorganization and modernization effort targeted at achieving greater economy and efficiency and better customer service by the Farm Service Agency, the Natural Resources Conservation Service, and the agencies in the Rural Development mission area. USDA's effort consists of five interrelated initiatives: (1) collocation—locating the agencies' county offices at one site within each county and their state offices at one location in each state; (2) administrative convergence—merging the agencies' administrative functions at the state and headquarters levels under a single support organization; (3) business process reengineering—redesigning how the agencies' perform their work; (4) information technology modernization—providing an updated communications network and a common computing environment so that the employees of all the agencies can use compatible computer hardware and software to share information; and (5) cultural change—improving customer service by implementing a seamless interagency approach to delivering services, increasing outreach efforts to customers, and working cooperatively with other service providers, such as state and local governments and private organizations. USDA has spent over $380 million on these initiatives and estimates it will need to invest another $544 million through fiscal year 2004 to complete them.

USDA's progress in implementing its initiatives has been mixed. For example, it closed over 1,000 of its 3,726 county office locations and established collocated service centers throughout the nation. It also deployed personal computers and a modern telecommunications network to most of its service centers. However, despite the agencies' collocation, little has changed in how the three agencies serve their customers, and many modernization and reengineering projects have encountered delays. USDA officials attribute the delays to (1) program demands and funding constraints that have limited the agencies' ability to direct resources to the modernization effort, (2) limited cooperation among the agencies, and (3) some employees' resistance to change. In addition, the Congress stopped USDA from implementing the administrative convergence initiative. However, USDA remains committed to obtaining approval for merging the agencies' administrative organizations.

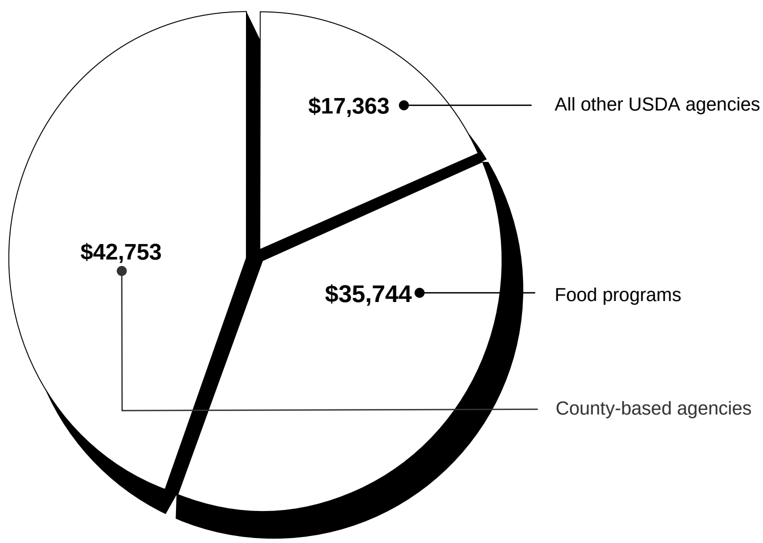
Three major issues have impeded USDA's progress toward completing its five initiatives. We identified two of these issues—the lack of a comprehensive plan to guide the modernization effort and the lack of a management structure with the accountability and authority to resolve differences among the agencies—along with related issues, in an August 1998 report. USDA is working toward addressing these issues. In November 1999, USDA issued its final Service Center Modernization Plan, which lays out USDA's vision and goals for the service centers and the phases for implementation, and describes its management strategy and processes. Furthermore, USDA plans to announce a new management structure for the initiatives by February 2000. A third issue—the need for a change in the existing organizational culture—is crucial to completing the reorganization and modernization effort. While USDA has recognized the importance of this issue by making it the focus of one of the five initiatives, it has not succeeded in overcoming resistance from the affected agencies and employees. Without this support, progress on each of the initiatives is at risk.

Background

USDA is attempting to change its organizational structures, business processes, and cultural environment. One major component of USDA's overall reorganization and modernization effort focuses on its county-based agencies—FSA, NRCS, and the agencies in the RD mission area. These county-based agencies currently have over 36,000 employees, more than one-third of USDA's total staff, and the agencies' operating costs and program benefits total nearly $43 billion, almost half the total for all of USDA in fiscal year 1999.[2] (See figs. 1 and 2).

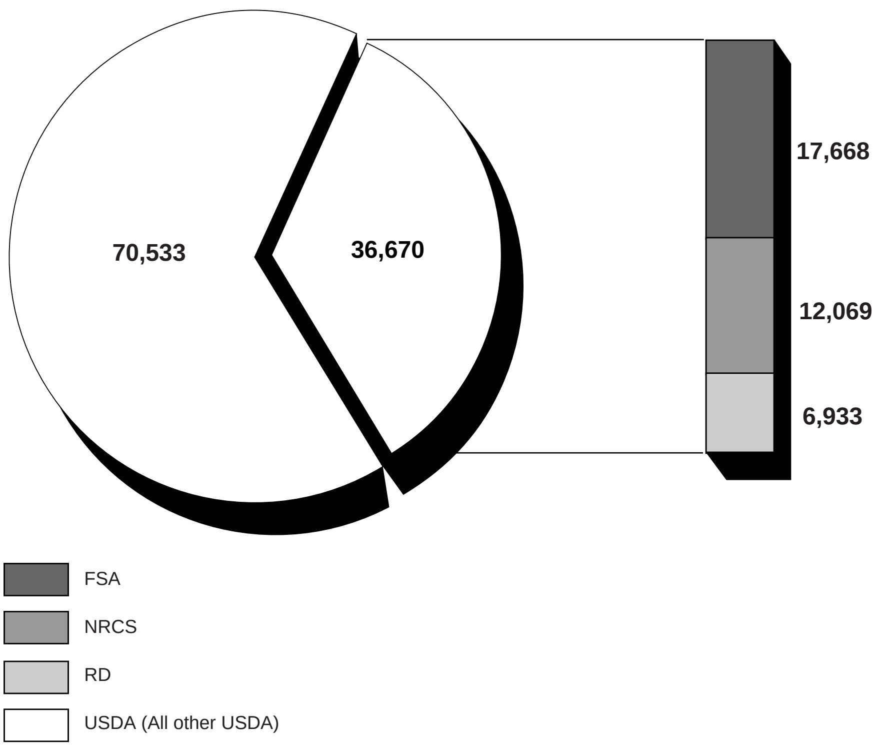
[2] USDA's program benefits and costs represent the gross value of all financial assistance and services provided to the public. This assistance may be in the form of grants, guaranteed or direct loans, cost-sharing, professional services, or in-kind benefits.

Figure 1: USDA County-based Agency Operating Costs and Program Benefits, as a Component of Total USDA Operating Costs and Program Benefits, Fiscal Year 1999



Source: GAO's analysis of USDA's data.

Figure 2: USDA County-based Agency Staffing as a Component of Total USDA Staffing, Fiscal Year 1999



Source: GAO's analysis of USDA's data.

USDA Has Developed Five Major Reorganization and Modernization Initiatives

USDA has launched a number of reorganization and modernization projects that it groups into five major initiatives—collocation, administrative convergence, business process reengineering, information technology modernization, and cultural change—to further its modernization and reorganization goals of greater economy and efficiency and better customer service. These initiatives are interdependent and require coordination and cooperation for their successful completion. USDA has spent over $380 million on these initiatives and estimates it will need to invest another $544 million through fiscal year 2004 to complete them.

USDA's Five Initiatives

Under the first major initiative—field office collocation—USDA is locating FSA, NRCS, and RD offices at the same sites within counties and states to reduce its total number of office sites. Its goals include reducing overhead costs and achieving greater efficiency by sharing resources. At the county level, the initiative establishes service centers where USDA customers can obtain "one-stop" service as if they were conducting business with a single organization. At the state level, collocation is intended to support USDA's efforts to (1) improve its overall delivery of services in each state by bringing the state's program leaders together in one location and (2) streamline state administrative operations by merging the agencies' administrative support functions at a single location. USDA plans to complete collocating its field offices by 2002.

With the second major initiative—administrative convergence—USDA intends to merge the agencies' administrative support activities into one organizational unit, the Support Services Bureau, which will use the same administrative procedures for all the county-based organizations. The initiative's goals are to increase efficiency and conserve resources by eliminating duplicate systems for personnel management, financial management, civil rights, information technology support, and management services. USDA's target for fully implementing administrative convergence is 2002.

For the third major initiative—business process reengineering—USDA is seeking new and more efficient ways of doing business and providing administrative support. More than automating current processes, business reengineering is intended to identify which processes consume most of the available staff years and then streamline those processes for greater efficiency. Business process reengineering is also intended to support USDA's efforts to adopt common administrative processes under the Support Services Bureau, to integrate the agencies' customer service, and to allow service center employees to invest more time in customer outreach and coordination with other service agencies. USDA plans to complete its current initiative to reengineer business processes by 2004.

Under the fourth major initiative—information technology modernization—USDA is replacing the agencies' existing information systems with a single, integrated information system, which USDA refers to as the common computing environment. This common environment consists of new computer hardware and software for office automation; geographic, program, and customer information; and a modern telecommunications network. USDA's goals are to enhance productivity through improved communications, information sharing, and modern office automation tools. USDA is also focusing on improving customer services by providing conservation planners with sophisticated computer mapping of land use, soil types, and ground cover. Information technology modernization is also intended to support USDA's efforts to reengineer both program and administrative business processes. USDA plans to complete its initiative to modernize information technology in fiscal year 2004.

Finally, under the fifth major initiative—cultural change—USDA is seeking to alter the business environment within the service centers to reflect a more customer-oriented, seamless delivery of services. USDA's goals are to have the agencies' employees work as a unit to provide customer service, to reach new customers, and to use the resources of other federal, state, and local governments, private organizations, and communities to better serve their customers.

Management and Costs of These Initiatives

USDA has assigned the responsibility and authority for accomplishing its modernization and reorganization initiatives to a committee composed of the administrators of FSA, NRCS, and RD.[3] USDA established two project teams to work on the initiatives. One team, led by the Acting Executive Director of the Support Services Bureau's implementation team, works on the administrative convergence initiative. A second team, led by the Executive Officer of the National Food and Agriculture Council, works on the four remaining initiatives. The teams depend on the three agencies to provide the funds and personnel they need to accomplish the initiatives.

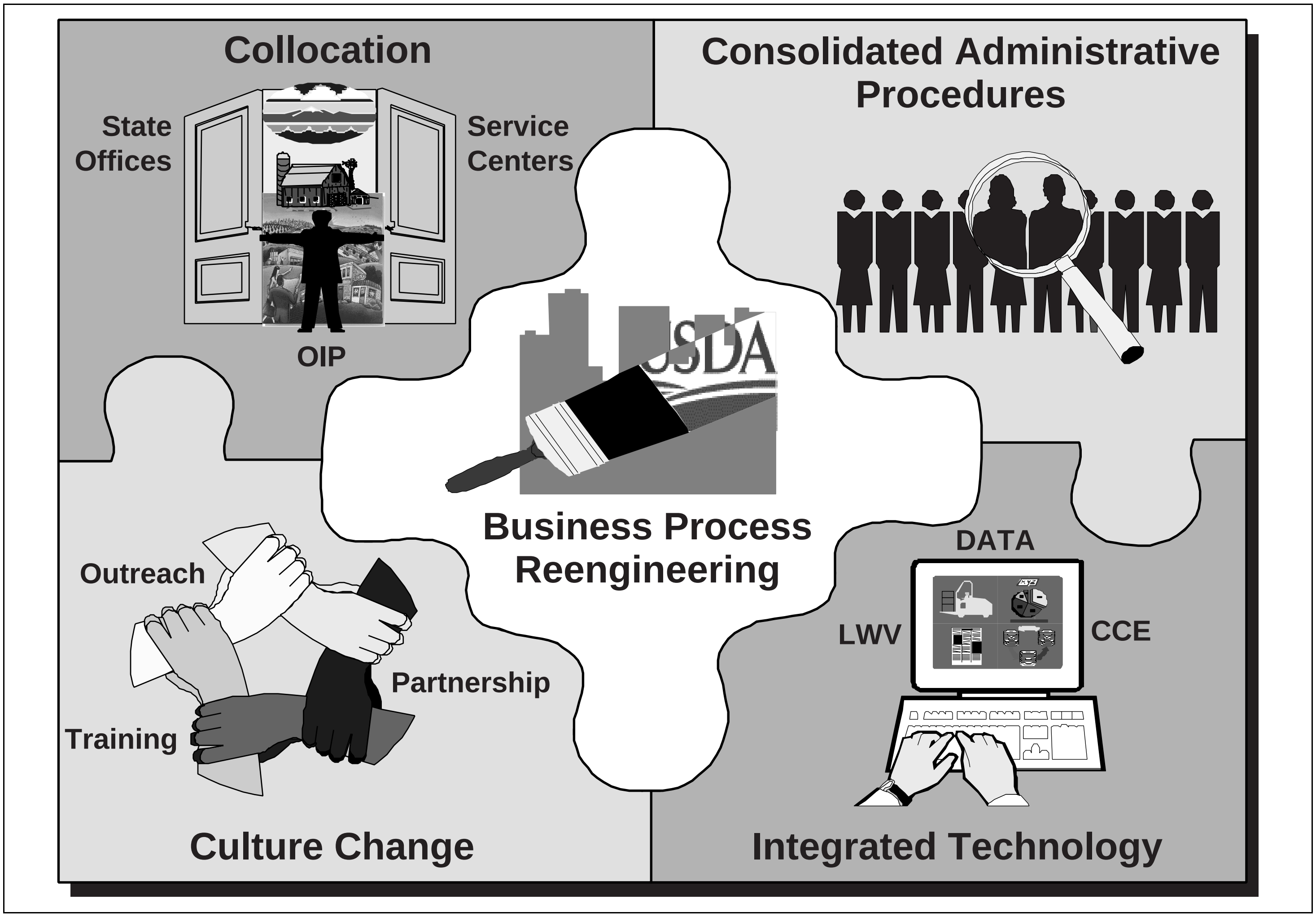
Many of the activities performed under any one of the five major initiatives affect the success or failure of the others. For example, as we pointed out in a prior report,[4] business process reengineering needs to be completed before making significant investments in information technology. At the same time, information technology and a common computing environment are needed to deliver many of the reengineered processes. Likewise,

[3] Specifically the Administrator for FSA; the Chief of NRCS; and the Deputy Under Secretary for Operations and Management, RD, under their joint roles as the National Food and Agriculture Council and the National Board of Directors for the proposed Support Services Bureau.

[4] *USDA Service Centers: Multibillion-Dollar Effort to Modernize Processes and Technology Faces Significant Risks* (GAO/AIMD-98-168, Aug. 31, 1998).

administrative convergence requires reengineered processes to realize increased productivity and economic savings. Figure 3 illustrates USDA's view of the interdependency of its five major initiatives.

Figure 3: Interrelationship of USDA's Five Major Initiatives



Source: USDA.

Table 1 shows implementation costs for each of these initiatives for fiscal years 1996 through 1999. USDA spent about $380 million on four of the five initiatives to modernize and reorganize the county-based agencies during this period.[5] Of this amount, USDA spent about $19.7 million for contractor support services. According to a USDA official, the costs associated with the administrative convergence initiative have not been tracked because the initiative does not have a separate budget. USDA estimates additional investment costs of about $544 million through fiscal year 2004 to complete four of its five initiatives.

Table 1: USDA's Implementation Costs for the Five Major Initiatives, Fiscal Years 1996-99

Dollars in millions

	Direct expenditures				
	Fiscal year				
USDA initiatives	**1996**	**1997**	**1998**	**1999**	**Total[a]**
Collocation	$22.1[b]	$25.2[b]	$10.8[b]	$0[b]	**$58.0**
Administrative convergence	[c]	[c]	[c]	[c]	[c]
Information technology modernization	106.9	28.2	78.6	69.0[d]	**282.6[e]**
Business process reengineering	.8	8.6	9.6	12.1	**31.1**
Cultural change	1.4	2.0	2.1	3.1	**8.6**
Total	**$131.2**	**$63.9**	**$100.9**	**$84.2**	**$380.3**

Note: These amounts do not include USDA's cost for personnel, estimated at about $13.7 million for fiscal years 1998 and 1999, which is associated with the work performed for the modernization initiatives and field office collocations.

[a] Total may not add due to rounding.

[b] USDA estimates.

[c] Costs for administrative convergence consist solely of staff years, which the agencies did not track.

[d] Includes $11.7 million in special Y2K supplemental funds.

[e] Includes $77.6 million for the common computing environment, $122.7 million for the communications network, and $82.3 million for acquiring geographic data.

Source: USDA.

[5] According to a USDA official, costs associated with preliminary work on the initiatives in early 1995 consisted only of staff years and were not specifically tracked. Accordingly, no data are available for fiscal year 1995.

USDA Has Made Mixed Progress in Completing Its Initiatives

USDA's progress in implementing its initiatives has been mixed. It closed over 1,000 of its 3,726 county office locations and established collocated service centers throughout the nation. It also deployed personal computers and a modern telecommunications network to most of its service centers. However, although the agencies are now collocated in service centers, little has changed in how these centers, including the administrative units, conduct business; and many modernization and reengineering projects have encountered delays. USDA officials attribute the delays to (1) program demands and funding constraints that have limited the agencies' ability to direct resources to the modernization effort, (2) limited cooperation among the agencies, and (3) some employees' resistance to change. In addition, the Congress stopped USDA from implementing the administrative convergence initiative.

County Office Collocations Are Nearly Complete, but State Office Collocations Lag Behind

As of November 1999, USDA reported that the planned transition to 2,567 collocated service centers was 95-percent complete.[6] It has closed 1,065 office sites, reducing the total number of field office sites from 3,726 in 1994 to 2,661 as of December 10, 1999. Progress reports indicate that the offices not yet collocated still need to resolve local funding constraints or find suitable office space. According to the collocation effort's executive officer, most of these issues were resolved by December 31, 1999.

In addition, the county-based agencies continue to assess their field structures for increased efficiency. According to an August 1999 report issued jointly by USDA and the Office of Management and Budget (OMB), reduced staffing has increased the number of small, less efficient service centers. For example, USDA has 299 service centers with three or fewer employees. The report also noted that large numbers of service centers remain located near each other in some regions. Similarly, in May 1999, we reported that 287 small FSA county offices are within an estimated driving distance of 25 miles or less of another FSA county office.[7]

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[6] Collocation of field offices was originally scheduled for completion by July 1, 1998.

[7] *Farm Service Agency: Characteristics of Small County Offices* (GAO/RCED-99-162, May 28, 1999).

Concerning the reorganization of state offices, USDA has established collocated state offices in 25 of 52 states[8] and is considering locations for collocating offices in the remaining states. These locations are awaiting USDA's final approval, pending the results of an independent review of USDA's selection criteria and process. Under the direction of the Acting Assistant Secretary for Administration and the Under Secretary for Marketing, USDA has hired a public accounting firm to perform this review. According to the executive officer, state office collocation has moved more slowly than county office collocation because of sensitive issues involved in closing larger state offices and relocating employees. USDA officials plan to complete state office collocations by 2002.

Administrative Convergence Has Been Blocked by the Congress

In addition to directing the Secretary of Agriculture to collocate field agencies at common sites, the 1994 Reorganization Act directed USDA to reduce staffing, particularly at headquarters offices. Beginning in 1994, the Farm and Foreign Agricultural Services mission area cut the number of its administrative support units from four to one. Similarly, RD cut its administrative structures from three to one, and NRCS reduced the size of its administrative staff nationwide. In March 1998, after discussing his intentions with members of congressional oversight committees, the Secretary of Agriculture directed the responsible Under Secretaries to proceed with merging these agencies' administrative organizations into one organization—the Support Services Bureau. Initially, USDA's plan called for implementation by October 1998. However, in December 1998, we reported that USDA had not begun to implement its plan to consolidate and streamline administrative functions, and we recommended that USDA move quickly to appoint permanent leadership to implement the convergence effort.[9]

USDA adjusted its target and planned to establish the Support Services Bureau on October 1, 1999. According to the USDA official responsible for overseeing the implementation of the Bureau, after 2 years of intensive effort, USDA was ready to transfer an estimated 3,300 employees from the agencies to the Bureau on that date and was about to hire a permanent executive director for the new organization. However, the Congress

[8] We define "states" to include the Commonwealth of Puerto Rico and the Territory of Guam.

[9] *U.S. Department of Agriculture: Administrative Streamlining Is Expected to Continue Through 2002* (GAO/RCED-99-34, Dec. 11, 1998).

blocked this administrative convergence. Section 750 of the appropriations act for USDA's fiscal year 2000 budget states, "None of the funds appropriated or otherwise made available by this Act or any other Act shall be used for the implementation of a Support Services Bureau or similar organization." The legislative record is silent on the basis for this prohibition.

Even if USDA had succeeded in establishing the new organization, much of the work to complete the administrative convergence would still have to be done. This work includes changes in staffing, office locations, and administrative processes. For example, USDA would still have had to reengineer administrative processes and finish collocating administrative personnel in headquarters and state offices. Without collocation and the implementation of common administrative processes, USDA would not have realized the economic benefits from reducing the number of administrative support organizations.

USDA officials remain committed to the Secretary's directive to merge administrative organizations. They said that USDA could reduce costs by eliminating redundant administrative activities and management structures. Moreover, they said USDA plans to pursue congressional approval for implementing the Bureau. However, USDA's ability to achieve administrative convergence will depend on future appropriation actions.

Business Reengineering Is Under Way but Behind Schedule

USDA established an infrastructure for reengineering business processes and developed 24 reengineering projects as part of this initiative. At USDA's Integration Center in Beltsville, Maryland, teams of service center and other agency employees and contractors assess and redesign current business processes. The Center includes a laboratory to initially test reengineered processes in a simulated service center environment. The laboratory also oversees field tests at nine pilot service centers.[10] These pilot sites test reengineered business processes and provide feedback before deploying these processes nationwide. As individual projects finish the pilot phase, USDA gathers data to determine if its initial estimates of returns on investment are correct. USDA estimates an overall 40 percent return on investment from its reengineering projects.

[10] The pilot service centers are at Okeechobee Florida; Scottsburg, Indiana; Paola, Kansas; Snow Hill, Maryland; The Dalles, Oregon; Las Lunas, New Mexico; Rolla, North Dakota; Abilene, Texas; and Sacramento, California..

USDA began the first national deployment of one of its reengineering projects in December 1999, about 1 year later than planned. After testing the project on a pilot basis in six states, USDA added a second group of six states on December 6, 1999, expected to add nine more states by February 2000, and is scheduling phased deployment of this project to additional states during 2000. This project is the first phase of a human resources management system for processing personnel actions, scheduling training, and tracking employees' performance appraisals. Deployment was delayed when OMB withheld funds until USDA responded to various recommendations from an October 1998 PricewaterhouseCoopers report that, if adopted, would affect USDA's reengineering efforts.[11] This study, commissioned by USDA, recommended reorganizing service centers around core business processes.

However, as of November 1999, the overall reengineering initiative was about 2 years behind schedule, according to the modernization effort's executive officer. Individual project managers also reported that projects had fallen behind schedule. For example, in an August 1999 management review briefing, USDA noted that the service centers' Information Management System—an integrated reengineering effort that encompasses 4 of the 24 projects and provides a foundation for other projects—was behind schedule. USDA also noted that most projects had fallen behind schedule since a previous briefing, held 2 months earlier.

According to USDA officials, demand for the agencies' program services, which has increased because of natural disasters and low commodity prices, has kept agency staff from working on reengineering projects. They said that the same people are needed both to deliver the agencies' programs, which have first priority, and to reengineer business processes. USDA's progress reports noted that the initiative needs full-time agency staff to maintain project schedules and that progress on some projects remains suspended for lack of program staff support. USDA officials also said that keeping qualified technical staff is difficult in the current reorganization environment.

[11] *USDA County-Based Agency Study* (PricewaterhouseCoopers, Oct. 2, 1998).

Major Steps Remain to Be Completed in the Information Technology Initiative

To begin building a common computing environment, USDA has purchased and is deploying about 29,000 new computers with general business software, 7,000 printers, and other related equipment to its field offices. This effort represents about 76 percent of the 38,000 computers USDA plans to buy. In addition, USDA has provided new telecommunications equipment to 2,308 service centers and 45 state offices, which represent about 90 percent of the planned county office and state office sites. In an August 1998 report on USDA's effort to modernize technology at its service centers, we noted that USDA was acquiring new technology without first reengineering work processes and without developing a comprehensive plan to guide the effort.[12] We recommended that USDA develop new business processes before investing in additional technology beyond that needed to make existing systems year 2000 compliant. According to USDA officials, the 1999 purchases were made prior to completing the reengineering effort and the modernization plan because they needed to immediately replace computers that could not meet year 2000 requirements.

An upcoming step in building the common computing environment—buying servers—will be more expensive, according to USDA officials. Servers are computers that perform specialized functions, like storing complex applications and large databases. Until recently, USDA intended to purchase servers for each of its service centers. According to USDA's November 1999 Modernization Plan, technological advances will allow USDA to build a common computing environment for the county-based agencies using a different and less costly strategy. The proposed strategy calls for USDA to identify core office sites that will house the servers, which early estimates indicate could total about 1,000 to 1,200 sites. Other offices will access the servers through the telecommunications network. According to the plan, USDA intends to reduce the total capital investment and overhead costs for those offices that will not have to maintain servers and to more effectively use technical support staff by concentrating the servers and related equipment in fewer locations. USDA officials said they plan to complete this evaluation by June 2000 before making any significant investment in servers. How or whether the new strategy will meet USDA's needs is unclear because all prior planning for information technology and interrelated projects was based on a different approach, and reengineering is behind schedule.

[12] *USDA Service Centers: Multibillion-Dollar Effort to Modernize Processes and Technology Faces Significant Risks* (GAO/AIMD-98-168, Aug. 31, 1998).

Another major interim step in building the common computing environment will be to integrate FSA's existing information system into the new environment. To date, FSA employees are not using their new computers when delivering program services because FSA's existing information system is not compatible with the new computing environment. USDA had intended to select a method for linking the old and new systems by June 1999, but technical evaluations did not result in a decision by that time. USDA's decision will affect all three county-based agencies because they all will use whatever system USDA buys to address the compatibility problem. Preliminary USDA estimates for connecting FSA's system to the common computing environment range from $3 million to $22 million.

USDA pilot-tested two methods of connecting FSA's old system to the new computing environment. The tests showed that neither method provided a solution acceptable to all parties. In this regard, a USDA contractor's April 1999 evaluation of the selection process and of the test results found numerous problems. For example, the laboratory testing performed on the two methods was compromised because, as the contractor found, USDA did not (1) test the two methods in the same environment, (2) document test results for each method in the same manner, or (3) use the same group to evaluate test results. Similarly, USDA's pilot tests did not use an independent team comprised of representatives from each of the three affected agencies; nor did it provide objective test criteria to facilitate a comparison of test results. These and other concerns caused USDA to delay its decision on how best to connect FSA's existing information system to the new computing environment.

In December 1999, USDA's Office of the Chief Information Officer hired a contractor to again review the issue. USDA asked the contractor to identify viable alternatives and recommend a solution. USDA officials expect the contractor to complete this assessment by May 2000.

Two other issues also limit the usefulness of USDA's new computers. First, USDA's efforts to acquire geographic information to support its business processes for conservation activities are moving slowly. According to USDA officials, this information is costly, and the rate of acquisition depends on the availability of resources. To date, USDA has spent about $82.3 million to obtain geographic data for its service centers. USDA expects that the acquisition of additional geographic data will cost $188 million during fiscal years 2000 through 2004. Second, USDA's service center employees lack computer training. USDA has provided employees at pilot sites with intensive on-site training on using their new computers. However, because of the costs involved, it is relying on employees at nonpilot sites to initiate their own training using course materials provided on computer disks. Many of the employees we spoke with had not used their training disks.

USDA estimates that, as of November 1999, its initiative to modernize information technology was about 2 years behind its original schedule. The modernization effort's executive officer noted that lengthening the implementation timetable will increase total costs because the agencies must support both their old systems and the partially implemented new system during implementation.

Resistance to Cultural Change Hampers Improved Service Delivery

USDA has taken a number of actions to improve its outreach and service delivery to customers. For example, in October 1998, USDA began piloting a new customer feedback system in six states. Recently, it acquired 11 kiosks with computers capable of interacting with potential customers to provide program information. USDA envisions that such kiosks could be stationed both inside service centers and at public locations, such as shopping malls, college campuses, and county fairs. In addition, USDA has acquired two mobile service centers capable of delivering program services to remote areas, such as Indian reservations, and at the site of natural disasters.

While these changes can provide more access for customers, USDA's envisioned seamless customer service requires an enormous change in the culture within the county-based agencies. Until recently, these agencies focused only on serving their own customers and delivering their own programs. The cornerstone of USDA's goal of one-stop service is its vision of an interagency team approach to customer service. While USDA has not clearly defined how this would work, it envisions all service centers having the necessary information sources, knowledge, and skills to satisfy basic customer requirements, regardless of the agencies represented at the service center or the people on duty.

In an effort to effect this change, USDA has trained over 24,000 of its employees in the skills they need to cooperate in working together across agency lines. USDA has completed the initial teamwork training for service center employees, but many headquarters employees have failed to attend scheduled classes. While about 63 percent of USDA's headquarters and state employees have not attended the training, USDA expects to complete it by May 2000, according to USDA's project manager for training. However, as a USDA contractor pointed out in January 1998, training alone may not be sufficient to effect a cultural change within the county-based agencies.[13] The contractor pointed out that USDA will have to provide employees with additional incentives to gain their support for USDA's initiatives.

At several of the service centers we visited, we observed that USDA has not yet achieved an integrated, interagency workforce. For example, one service center originally had separate entrances that gave direct access to each agency located in the building. To give the appearance of a seamless organization, these entrances were subsequently closed, and traffic was redirected to a central building entrance. Inside this entrance, a sign directed the public to either a right or left hallway. The left hallway led to NRCS, Conservation District, and state agricultural offices; the right led to FSA and RD offices. In short, the effort to convey a seamless organization consisted of inconveniently rerouting customers.

In addition, some headquarters and field staff have said that the agencies' missions, responsibilities and customers are too dissimilar to ever effectively implement the seamless service envisioned by USDA, and some employees are resisting the changes. For example, according to employees at one pilot service center, when USDA attempted to brief them about a new cross-agency pamphlet explaining USDA's loan and grant programs, an employee who works with other programs reportedly became angry and walked out of the briefing. The employee said that his own agency's current workload did not allow for additional duties related to the work of the other agencies.

Contributing to staff resistance is the frustration with the slow implementation of modern technology. USDA staff reductions at the county and state level were premised on the implementation of more efficient

[13] *Independent Verification & Validation for the USDA Field Service Center Business Needs and Technology Alternative Evaluation Study and the USDA Business Process Reengineering Business Case* (Computer Sciences Corporation, Jan. 26, 1998, p. 1-3).

business processes. Because the promised technological improvements have not been made, service centers are carrying out the same, or in some instances, increased workloads with fewer staff and without the promised implementation of more efficient business processes.

Three Major Issues Have Impeded Progress on Completing the Initiatives

Three major issues have impeded USDA's progress on completing the five initiatives. Two of these issues—the lack of a comprehensive modernization plan and an appropriate management structure—have been identified, along with related issues, in prior GAO reports. A third issue—the need to successfully complete the cultural change initiative—is crucial to improving progress on each of the other initiatives.

In our August 1998 report, we identified major weaknesses that were impeding progress on USDA's information technology and business process reengineering initiatives and that placed the entire effort at risk. Among these, we noted USDA lacked a comprehensive plan specifying critical milestones, required resources, and relationships among projects. We also noted it lacked a management structure with the requisite responsibility, accountability, and authority to resolve differences among the agencies and ensure the timely completion of critical tasks. While these observations primarily related to the information technology and business process reengineering initiatives, they are equally valid for the entire reorganization and modernization effort. Furthermore, the October 1998 PricewaterhouseCoopers study pointed out the problems associated with the current management-by-committee structure.

USDA recently addressed the first issue by issuing a plan for the modernization effort in November 1999. However, our review of USDA's modernization plan showed that it still does not fully address our prior recommendations. For example, the plan documents milestones but does not spell out the relationships among major segments—such as which segments have to be completed first so that another segment can go forward. The plan also does not clearly show how and when USDA will transfer FSA's applications from its present system to the new common computing environment or where staffing resources are most needed to complete reengineering projects. In October 1999, Congress approved $12.6 million for USDA's common computing environment. The conferees for this appropriation conditioned the availability of these funds on congressional approval of USDA's plan for developing and implementing the effort to modernize information technology.

In addition, while USDA's modernization plan acknowledges the need to strengthen the management structure of its modernization initiatives, the Department has not yet taken the necessary steps to do so. Currently, the heads of the affected agencies share responsibility, accountability, and authority for the reinvention effort. They serve together on a committee in order to jointly make decisions on the reinvention effort. Under this cumbersome arrangement, the priorities placed on individual projects often differ, both among the three agencies and from the priorities set by the implementation teams. As a result, cooperation in funding and staffing reorganization and modernization projects is uneven. In its plan, USDA acknowledged the need to improve the management structure for the initiatives to ensure an integrated approach to modernization. The plan states that, as part of recent discussions with OMB to improve the modernization effort, USDA agreed to establish a "permanent entity" to plan and coordinate modernization activities. It also said that USDA and OMB agreed this management entity must have "strong links" to leaders in delivering programs and to policy makers. According to USDA officials, USDA expects to announce a new management structure by February 2000.

A third issue—successfully completing the cultural change initiative–is even more basic and must be addressed before more progress can be made on each of the other initiatives. While USDA has recognized the importance of this issue by making it the focus of one of the five initiatives, the three agencies responsible for implementing the initiatives do not appear to be fully committed to the team approach of program delivery envisioned by the Secretary of Agriculture. In this regard, some headquarters and field office staff have expressed concern that the agencies' missions and customers are too different to make a team approach work. This lack of a common vision hampers cooperation among the agencies in the joint reinvention initiatives. Although other problems could arise that would hamper the ultimate completion of the effort, USDA must effect a basic change in the culture of the county-based agencies—otherwise, the success of the reorganization and modernization initiatives will remain at risk.

Agency Comments

We provided USDA with a draft of this report for its review and comment. We met with USDA officials, including the Executive Officer, National Food and Agriculture Council; and the Acting Executive Director, Support Services Bureau Implementation Team, who generally agreed with the information presented in the draft report. However, the USDA officials expressed concern that the draft did not adequately highlight the impact that the lack of funding had on its progress in completing the initiatives.

While we recognize that funding constraints have forced USDA to make difficult program choices, the extent to which this factor has affected the modernization and reorganization initiatives is unclear. However, we modified our report to better recognize the officials' concern. The USDA officials also noted the agency's continued support for the administrative convergence initiative and expressed concern that the draft report did not fully acknowledge the considerable effort that went into preparing for the initiative prior to its being blocked by the Congress. We revised the report to better reflect USDA's efforts on this initiative. Finally, while the USDA officials acknowledged that lack of cooperation among the three agencies had hampered progress in implementing the initiatives, they believe that cooperation has recently improved. The USDA officials also provided technical clarifications, which we incorporated as appropriate.

Scope and Methodology

To determine the status of USDA's modernization and reorganization initiatives, we reviewed relevant service center reorganization and modernization plans, studies, and progress reports, including the November 1999 Service Center Initiative Modernization Plan. However we did not perform a detailed technical evaluation of the plan. We interviewed senior USDA officials from the three county-based agencies overseeing and coordinating the modernization effort, as well as those leading various component projects. We also interviewed field personnel at nine service centers and two state offices and observed how they were using newly acquired computing capabilities. These included five pilot service centers—located in Scottsburg, Indiana; Okeechobee, Florida; Snow Hill, Maryland; Paola, Kansas; and The Dalles, Oregon—and four nonpilot service centers—located in Princess Anne, Maryland; Salisbury, Maryland; and Salem and Eugene, Oregon. At the state level, we visited two pilot offices in Gainesville, Florida, and Portland, Oregon. In addition, we interviewed USDA officials and staff engaged in planning and coordinating the formation of the proposed Support Services Bureau.

We performed our review from April 1999 through January 2000 in accordance with generally accepted government auditing standards.

As requested, unless you publicly announce its contents earlier, we plan no further distribution of this report until 7 days after the date of this letter. At that time, we will send copies of this report to Senator Tom Harkin, Ranking Minority Member, Senate Committee on Agriculture, Nutrition, and Forestry; Representative Larry Combest, Chairman, and

Representative Charles W. Stenholm, Ranking Minority Member, House Committee on Agriculture; and other appropriate congressional committees. We are also sending copies to the Honorable Dan Glickman, Secretary of Agriculture; the Honorable Jacob J. Lew, Director, Office of Management and Budget; and other interested parties. We will also make copies available on request.

Please contact me at (202) 512-5138 if you or your staff have any questions about this report. Key contributors to this report were Ronald E. Maxon, Jr., Patricia M. Crown, and Robert R. Seely, Jr.

Sincerely yours,

Robert E. Robertson
Associate Director, Food
and Agriculture Issues

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