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The President of the Senate
The Speaker of the House of Representatives

This report addresses the major performance and management challenges that have limited the effectiveness of the U.S. Department of Agriculture (USDA) in carrying out its mission. It also addresses corrective actions that USDA has taken or initiated on these challenges and identifies further actions that are needed.

The management challenges USDA faces are as diverse as its missions, which include ensuring the safety of the nation's food supply, providing food assistance for the needy, supporting the agriculture sector, and managing the national forests. Given the importance of these missions, it is critical that USDA manages the programs designed to fulfill these missions as efficiently and effectively as possible. However, over the last several years, we have highlighted problems in each of these areas that reduce program effectiveness. For example, we have identified inefficient and wasteful practices in the Forest Service that have cost taxpayers hundreds of millions of dollars. In addition, we have found significant management problems in USDA's use of information technology. Furthermore, we have designated financial management at the Forest Service and farm loan programs as high-risk areas.

This report is part of a special series entitled the Performance and Accountability Series: Major Management Challenges and Program Risks. The series contains separate reports on 20 agencies—one on each of the cabinet departments and on most major independent agencies as well as the U.S. Postal Service. The series also includes a governmentwide report that draws from the agency-specific reports to identify the performance and management challenges requiring attention across the federal government. As a companion volume to this series, GAO is issuing an update to those government operations and programs that its work identified as "high risk" because of their greater vulnerabilities to waste, fraud, abuse, and mismanagement. High-risk government operations are also identified and discussed in detail in the appropriate performance and accountability series agency reports.

The performance and accountability series was done at the request of the Majority Leader of the House of Representatives, Dick Armey; the Chairman of the House Government Reform Committee, Dan Burton; the Chairman of the House Budget Committee, John Kasich; the Chairman of the Senate Committee on Governmental Affairs, Fred Thompson; the Chairman of the Senate Budget Committee, Pete Domenici; and Senator Larry Craig. The series was subsequently cosponsored by the Ranking Minority Member of the House Government Reform Committee, Henry A. Waxman; the Ranking Minority Member, Subcommittee on Government Management, Information and Technology, House

Government Reform Committee, Dennis J. Kucinich; Senator Joseph I. Lieberman; and Senator Carl Levin.

Copies of this report series are being sent to the President, the congressional leadership, all other Members of the Congress, the Director of the Office of Management and Budget, the Secretary of Agriculture, and the heads of other major departments and agencies.

David M. Walker
Comptroller General of
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Overview

Since its creation in 1862, the U.S. Department of Agriculture (USDA) has grown substantially and is now one of the nation's largest federal agencies, employing over 100,000 people and managing a budget of almost $60 billion. Its 29 agencies and offices are responsible for operating more than 200 programs that, among other things, support the productivity and profitability of farming and ranching, protect the natural environment, ensure food safety, improve the well-being of rural America, promote domestic marketing and the export of food and farm products, conduct biotechnology and other agriculture research, and provide food assistance to those Americans who need it.

Over the years, we, USDA's Inspector General, and others have documented the performance and management problems that have inhibited the effectiveness or efficiency of USDA's operations. In some cases, the Congress and/or USDA has taken actions to address these problems. However, a number of important challenges remain.

The Challenges

USDA's Field Structure Is Inefficient

USDA's field structure for managing its farm programs is obsolete and inefficient. While USDA has made progress in closing about 1,000 county office locations, its field structure still includes about 2,700 county office locations that serve a decreasing number of farmers. To improve the efficiency of its farm service operations, USDA needs to consider using alternative methods for delivering services to farmers and reconsider the level of personalized service it provides to farmers.

Fundamental Changes Are Needed to Improve Food Safety

The increasing incidence of foodborne illness has heightened concerns about the federal government's effectiveness in ensuring the safety of food. This concern has resulted in, among other things, the use of more scientific approaches to meat and poultry inspections. However, while these changes are important to better ensuring the safety of our food, they do not address the fundamental problem of having the responsibilities for food safety scattered among 12 different federal agencies, which results in inconsistent oversight, poor coordination, and the inefficient allocation

of resources. The current highly fragmented federal system for food safety needs to be replaced with a uniform, risk-based inspection system under a single food agency.

Inefficiency and Waste Within the Forest Service Continue

Inefficiency and waste throughout USDA's Forest Service's operations and organization have cost taxpayers hundreds of millions of dollars. In particular, the Forest Service has not obtained fair market value for its goods or recovered its costs for services, cannot accurately account for a significant amount of its assets and expenditures, has generally unreliable financial statements, and has weak contracting practices. While the Forest Service has made progress in recent years, it is still far from achieving financial accountability and possibly a decade or more away from being fully accountable for its performance. Since the financial problems at the Forest Service are so pervasive and long-standing, we are now designating the Forest Service's financial management a high-risk area. To improve its operational efficiency and effectiveness, the Forest Service must be accountable for its financial operations and performance.

USDA's Farm Loan Programs Remain Vulnerable to Loss

In 1990, we placed USDA's farm loan programs on our high-risk list. In 1998, we reported that the size of USDA's direct loan portfolio, $9.7 billion at the end of fiscal year 1997, as well as the percentage of the portfolio held by delinquent borrowers had decreased since 1995. Nevertheless, USDA continues to carry a high level of delinquent farm loan debt and to write off large amounts of unpaid loans held by problem borrowers. In addition, farm loan delinquencies may increase because of the droughts and low prices for major crops and livestock in 1998. USDA and the Congress need to continue to monitor the effects of recent lending and servicing reforms intended to improve the financial integrity of the farm loan programs.

Reducing Overpayments in the Food Stamp Program

Millions of dollars in overpayments in the Food Stamp Program occur because eligible persons are paid too much or because ineligible individuals improperly participated in the Food Stamp Program. For example, thousands of prisoners and deceased individuals have been included as members of households receiving food stamps. Computer matching can provide a cost-effective mechanism to accurately and independently identify households that

include ineligible food stamp participants. Some states have taken actions to reduce food stamp overpayments by using computer matching to identify ineligible participants. USDA can enhance the states' effectiveness in identifying other ineligible participants and reducing overpayments by taking a lead role in promoting the sharing of information among federal and state agencies.

USDA Lacks Financial Accountability Over Billions of Dollars in Assets

USDA has a long-standing history of deficiencies in its accounting and financial management systems. Since 1991, because of these deficiencies, USDA's Inspector General has issued a series of unfavorable financial audit reports on USDA and several of its component agencies' financial statements. In addition, USDA's ability to comply with budgetary and financial statement reporting requirements is severely hampered by its lack of adequate financial systems. USDA currently has an action plan for resolving its accounting and financial systems' deficiencies that calls for full implementation by fiscal year 2000. Given the long-standing nature of USDA's financial management deficiencies, complete resolution by fiscal year 2000 will be a significant challenge. In addition, as previously mentioned, because the financial

problems at the Forest Service are so pervasive and long-standing, we are now designating the Forest Service's financial management a high-risk area.

USDA Can Save Millions by Better Managing Its Telecommunications Investments

USDA is not effectively managing its telecommunications systems and services. Among other things, USDA has not consolidated and optimized telecommunications where opportunities exist to do so or established sound management practices to ensure that telecommunications resources are effectively managed and payments for unused, unnecessary, or uneconomical services are terminated. To respond to these problems, USDA has identified improvements it states could reduce its annual $200-plus million telecommunications investment by as much as $70 million each year. As a first step, USDA is developing a Telecommunications Action Plan for correcting its telecommunications management deficiencies. However, once this plan is developed, USDA will need to effectively implement it to correct deficiencies and achieve cost savings.

Significant Weaknesses in USDA's Multibillion-Dollar Modernization of Service Center Information Technology Place Effort at Risk

Since 1993, USDA has been attempting to undertake the most costly and challenging information technology (IT) modernization in its history. Several management weaknesses raise concerns regarding the extent to which USDA's service center IT modernization effort, which could ultimately cost more than $3 billion, will achieve an adequate return on its investment or significantly improve customer service. These weaknesses include, for example, (1) acquiring new IT without first determining how it will operate to provide required service, (2) not managing the IT projects as investments, and (3) not developing a comprehensive plan and management structure. Among other things, USDA needs to develop a concept of operations and new mission-critical business processes for providing one-stop service to better ensure the success of its IT modernization efforts.

USDA Faces Serious Year 2000 Computing Challenges

In May 1998, we testified that USDA will have a great deal of difficulty in correcting, testing, and implementing its mission-critical automated information systems to work beyond 1999—that is to become Year 2000 compliant—in time. While USDA has begun to address the Year 2000 problem, it still faces significant challenges renovating and

replacing all its mission-critical systems in time and taking the necessary steps to ensure that vital public services are not disrupted.

We have not comprehensively evaluated how effectively the strategic and annual performance plans required by the Government Performance and Results Act address USDA's management problems. However, we have reported that USDA's 1997 strategic plan did not address certain management problems that we had previously identified, including those related to IT programs. Regarding USDA's performance plans, we reported on the key areas in which USDA's performance plans could be improved to better meet the purposes of the Results Act. Specifically, we reported that USDA's performance plans should (1) discuss mitigation strategies for each significant external factor that may interfere with the achievement of performance goals; (2) describe the procedures that will be used to ensure that the data needed to measure progress in meeting performance goals are complete, accurate, and credible; and (3) identify what, if any, limitations exist with respect to the data used for measuring performance.

Furthermore, we reported that neither the strategic or performance plan adequately explained how USDA is coordinating crosscutting issues both inside and outside the Department.

Progress and Next Steps

As discussed earlier, USDA is addressing many of its management challenges. For example, to improve the efficiency of its farm service operations, it has closed about 1,000 county office locations nationwide. Furthermore, USDA has implemented more scientific approaches to meat and poultry inspections to better ensure the safety of our nation's food. Despite these actions, USDA still faces formidable challenges to ensure the efficiency and effectiveness of its operations. This will not be easy, in part because the challenges are as diverse as USDA's missions. As might be expected, there is no single action USDA can take that would effectively address all of these problems. As a result, this report identifies a variety of actions USDA can take to address each individual problem. In addition, the Results Act could serve as a powerful tool to guide USDA in the many decisions it will have to make as it works toward mitigating the problems associated with these challenges.

Major Performance and Management Issues

Over the years, we, USDA's Inspector General, the National Performance Review, and others have documented problems with USDA's performance and management and recommended reforms. This report summarizes our recent findings on the effectiveness of USDA in revamping its obsolete field structure; improving the safety of our nation's food supply; improving the effectiveness of, and reducing waste in, the Forest Service; reducing farm loan defaults; reducing overpayments in the Food Stamp Program; accounting for billions of dollars in assets and expenditures; managing its telecommunications investments; addressing weaknesses in its multibillion-dollar service center information technology modernization effort; and meeting the Year 2000 challenge. We have also indicated, where applicable, actions USDA has taken to address these management and performance problems.

USDA's Field Structure Is Inefficient

The role of USDA's county office structure and the relationship of that structure to farmers has not changed significantly since USDA began delivering programs at the local level in the 1930s. Even though improvements have been made in the transportation and communications

infrastructure, and the number of farmers living in rural America has declined, USDA continues to provide the same kind of personalized service in the county office that it did 60 years ago. However, this service now comes at a cost of almost $1 billion annually. While many farmers prefer this kind of service, it is questionable whether the federal government should support this service over the long term.

The Federal Crop Insurance Reform and Department of Agriculture Reorganization Act of 1994 (P.L. 103-354, Oct. 13, 1994) directed the Secretary of Agriculture to streamline departmental operations by consolidating county offices. USDA has made progress in implementing the act. Between December 1994 and March 1998, it reduced the number of county office locations by more than 1,000—from 3,760 to about 2,700. Our reports have recognized this progress but have noted several concerns associated with the consolidation efforts:

- USDA needs to consider alternative, more efficient means of delivering services to farmers. Currently, most farmers deal directly with USDA personnel in local county offices. USDA needs to study the costs and benefits of using alternative delivery

methods, such as mail, telephones, and computers, to deliver these services. Using alternative delivery methods should allow USDA to operate with fewer staff and offices, which could reduce personnel expenses by millions of dollars. Conversely, we realize that making significant changes to USDA's field office structure to reduce government expenses and improve program efficiency could increase the administrative requirements for, and thereby the costs to, farmers who participate in farm programs.

- USDA needs to better evaluate the costs and impact of its consolidation actions. More specifically, although USDA has made a number of organizational changes since 1994 to reduce its staff and streamline its operations, it does not plan to determine the extent to which these efforts have achieved the objectives of the 1994 act, other than determining the savings associated with staff reductions. As a result, USDA will not be able to assess the extent to which its efforts have been successful in achieving all the objectives mandated by the 1994 act, including the impact on the quality of services it provides.

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Fundamental Changes Are Needed to Improve Food Safety

Foodborne illnesses in the United States are widespread and costly. The magnitude of the problem is uncertain, however, because these illnesses are underreported and health officials cannot determine their source. Estimates of foodborne illnesses range widely, from 6.5 million to 81 million cases each year and result in as few as 500 to as many as 9,100 related deaths annually. According to USDA's Economic Research Service, the costs for medical treatment and productivity losses associated with these illnesses and deaths range from $6.6 billion to $37.1 billion.

The increasing incidence of foodborne illness has heightened concerns about the federal government's effectiveness in ensuring the safety of the nation's food supply. This concern in part helped spawn a major new approach to food safety regulation that is currently being phased in. This approach, in line with our prior

recommendations, requires meat and poultry plants to use a scientific system called Hazard Analysis and Critical Control Point (HACCP) to ensure the safety of their products. The new regulations also require that meat and poultry slaughter plants conduct microbial tests for E.coli, which is a general indicator of sanitary conditions.

Requiring HACCP and microbial testing is without question an important step toward moving to a more scientific approach to ensuring a safer food supply. However, these requirements do not address several other fundamental problems with our current food safety system. Most importantly, the current system is highly fragmented. As many as 12 different federal agencies, administering over 35 different laws, oversee food safety. As a result, the current food safety system suffers from inconsistent oversight, poor coordination, and inefficient allocation of resources. For example:

- Subtle differences in food products often dictate which agency regulates a product and what actions it takes. A case in point: USDA is responsible for inspecting plants that produce open-faced meat sandwiches and pizzas with meat toppings. It conducts these inspections at least once each operating

shift. On the other hand, the Department of Health and Human Services' Food and Drug Administration (FDA) is responsible for inspecting plants that produce traditional meat sandwiches and nonmeat pizzas. It conducts inspections of plants under its jurisdiction, on average, once every 10 years.

- More than one-fourth of the over $1 billion federal budget for food safety—about $271 million—could be used more efficiently if the current carcass-by-carcass slaughter inspection requirement is eliminated once HACCP-based inspection systems are in place. These statutory inspections do not optimize federal resources because they do not detect the most serious health threat associated with meat and poultry—microbial contamination. The funds currently used for these inspections could be better spent on other food safety activities, such as helping smaller slaughter plants implement HACCP or conducting better surveillance of imported foods.

In summary, the highly fragmented federal food safety structure needs to be replaced with a uniform, risk-based inspection system under a single food safety agency. In the interim, the implementation of the Results Act's planning requirements may better

facilitate the use of food safety resources across the federal government.

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Inefficiency and Waste Within the Forest Service Continue

Over the last decade, we have reported that inefficiency and waste throughout the Forest Service's operations and organization have cost taxpayers hundreds of millions of dollars. For example, the Forest Service has often not obtained fair market value for goods or recovered costs for services as permitted under federal law and has not always responded to reduce or contain costs pursuant to congressional request. The agency's financial statements are generally unreliable, and significant assets and expenditures cannot be accurately accounted for. Because the Forest Service has struggled for years to improve the reliability of its financial statements without success, we are now designating the Forest Service's financial management a high-risk area. Furthermore, the Forest Service's weak

contracting practices have exposed appropriated dollars to an increased risk of fraud, waste, and abuse. These and other findings have led us, USDA's Inspector General, and Forest Service task forces to make numerous recommendations to improve performance. We testified on March 26, 1998, that the Forest Service had not acted on some of these recommendations, had studied and restudied others without implementing them, and has left the implementation of others to the discretion of its independent and autonomous regional offices and forests, with mixed results.

To improve its operational efficiency and effectiveness, the Forest Service must be accountable for its financial activities and performance. While the agency has made progress in recent years, it is still years away from achieving financial accountability and possibly a decade or more away from being accountable for its performance. Specifically, the Forest Service has identified the actions required to correct known accounting and financial reporting deficiencies and has established a schedule to attain financial accountability within the next few years. In addition, the agency has taken an important first step toward

becoming accountable for its performance by making clear that its overriding mission and funding priority, consistent with its existing legislative framework, has shifted from producing goods and services to maintaining and restoring the health of the lands entrusted to its care. However, it has not identified the actions required to correct decades-old problems with its data and reporting, addressed new challenges resulting from its changed priorities, or established a schedule to achieve accountability for its performance by a certain date. Strong leadership within the agency and sustained oversight by the Congress will be needed to ensure that the actions required to hold the Forest Service accountable for its performance are identified and that it adheres to schedules to achieve both performance and financial accountability.

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USDA's Farm Loan Programs Remain Vulnerable to Loss

USDA's farm loan programs are intended to provide temporary financial assistance to farmers and ranchers who are unable to obtain commercial credit at reasonable rates and terms. In operating the farm loan programs, USDA faces the conflicting tasks of providing temporary credit to high-risk borrowers so they can stay in farming until they are able to secure commercial credit and of ensuring that the taxpayers' investment is protected. The unpaid principal on USDA's active direct farm loan portfolio totaled about $9.7 billion at the end of fiscal year 1997.

In 1990, we placed USDA's farm loan programs on our high-risk list because the programs (1) had an exceptionally high rate of defaults and (2) had become a continuous source of subsidized credit for nearly half of the borrowers under these programs. In the

1996 Farm Bill, the Congress made fundamental changes to the programs, such as prohibiting delinquent borrowers from obtaining direct operating loans and limiting the number of times delinquent borrowers can receive debt forgiveness. In our 1997 high-risk series of reports, we noted that these changes, if implemented properly, would significantly reduce the financial risk associated with the farm loan programs. In 1998, we reported that the value of farm loans held by delinquent borrowers decreased from $4.6 billion, or 40.7 percent of USDA's total outstanding direct farm loan principal in 1995, to $2.7 billion, or 28.2 percent, in 1997.

Despite the indications of improvement in the farm loan portfolio's financial condition, the farm loan programs remain high risk for several reasons. First, USDA continues to carry a high level of delinquent debt and to write off large amounts of unpaid loans held by problem borrowers. Moreover, these delinquencies may increase because of the droughts and low prices for major crops and livestock in 1998. Second, the Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999 (P.L. 105-277, Oct. 21, 1998) eased some of the lending reforms initiated under the 1996 Farm Bill. For

example, it expanded exceptions to the Farm Bill's general prohibition against providing additional loans to borrowers who had prior loan losses. Finally, both we and USDA's Inspector General have reported on continuing management problems with the farm loan programs. For example, in May 1998, we reported that USDA still has problems in complying with some of its own loan servicing standards. Similarly, in December 1998, USDA's Inspector General identified USDA's farm loan programs as one of its key problem areas and plans to expand its reviews of USDA's loan-making and loan-servicing actions.

USDA and the Congress need to continue to monitor the effects of recent lending and servicing reforms intended to improve the financial integrity of the farm loan programs.

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Reducing Overpayments in the Food Stamp Program

The Food Stamp Program is one of the largest elements of the nation's social safety net and is the largest single program administered by USDA. In fiscal year 1997, over $19 billion in food stamps was provided to about 23 million recipients. Fraud and abuse in the program generally occurs because of overpayments to food stamp recipients or because of trafficking—exchanging food stamp benefits for cash or other non-food items.[1]

Overpayments occur when ineligible persons are provided food stamps, as well as when eligible persons are provided more than they are entitled to receive. In 1997, the states overpaid recipients an estimated $1.4 billion. That same year, the states underpaid recipients by about $509 million. Millions of dollars in overpayments have occurred because ineligible individuals improperly participated in the Food Stamp Program. For example, thousands of prisoners and deceased individuals have been included as members of households receiving food stamps. Computer matching can provide a cost-effective mechanism to accurately and

[1]With regard to trafficking, USDA estimates that in 1993 (the latest year of available data) about $815 million in food stamps, approximately 4 percent of the food stamps issued, were traded for cash at retail stores. No one knows the extent of trafficking between individuals before the food stamps are redeemed at authorized retailers.

independently identify households that include ineligible food stamp participants.

Some states already conduct data-matching programs, such as matches with the rolls of other states to find participants receiving duplicate benefits. The Congress has passed and the President has signed legislation to require the states to ensure that food stamps are not issued to prisoners and deceased individuals. USDA can enhance the states' effectiveness in identifying other ineligible participants and reducing overpayments by taking a leading role in promoting the use of and the sharing of information among federal and state agencies.

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USDA Lacks Financial Accountability Over Billions of Dollars in Assets

USDA has a long-standing history of deficiencies in its accounting and financial management systems. Since 1991, because of these deficiencies, USDA's Inspector General has issued a series of unfavorable financial

audit reports on USDA and on several of its component agencies' financial statements. For example, the Office of the Inspector General qualified its opinion on the fiscal year 1997 financial statements for the Rural Development mission area because it was unable to reliably estimate the subsidy cost of the mission area's $53.7 billion direct loan programs, as is required for budgetary and financial reporting. In addition, the Inspector General was unable to issue an opinion on the Forest Service's fiscal year 1997 financial statements in part because of the absence of an integrated general ledger and supporting subsidiary records and because of significant weaknesses in the financial systems.

The Inspector General was also unable to issue an opinion on USDA's fiscal year 1997 consolidated statements, primarily because of the problems described earlier and numerous material internal control weaknesses reported in the Inspector General's fiscal year 1997 internal control review of USDA's National Finance Center. For example, the Inspector General was unable to determine if the USDA systems maintained by the National Finance Center had adequate security in place to prevent misuse or unauthorized access to, or modification of, data. Furthermore, the

Inspector General noted instances in which access had been granted to individuals who should have not had access and numerous instances in which modifications were made to software programs without proper authorization and testing. In its report on USDA's fiscal year 1997 consolidated statements, the Inspector General also cited problems with USDA's internal controls and accounting systems, which prevented USDA from complying with the Federal Financial Management Improvement Act (FFMIA) of 1996.[2] The Inspector General recommended that for USDA to comply with the act, it needs to (1) report its noncompliance with FFMIA to the Office of Management and Budget and (2) prepare a remediation plan to bring its financial management systems into substantial compliance within a 3-year period.

USDA's ability to meet budgetary and financial statement reporting requirements is severely hampered by its lack of adequate financial management systems. USDA operates 70 of these financial management systems, which include 142 applications, and a number of

[2]FFMIA requires agencies to implement and maintain financial management systems that comply substantially with Federal Financial Management System Requirements, applicable federal accounting standards, and the U.S. Standard General Ledger at the transaction level.

mission area financial management subsystems. The data in some of these systems are neither timely nor readily accessible. Many systems were developed to address specific component agencies' needs, with little central coordination or oversight by USDA. Standardization and data interchange were frequently not addressed when the systems were built, and, as a result, information is often incompatible with related information drawn from other systems. Generating consolidated reports and responding to queries from inside and outside USDA in this environment is often a complex and labor-intensive task.

USDA has developed a plan of action for resolving its accounting and financial management systems' deficiencies. The plan includes steps to correct deficiencies, scheduled dates of completion for each step, names of senior agency officials who are responsible for resolving each deficiency, and procedures for measuring the agency's progress. Procedures for measuring progress include having USDA's component agencies submit progress reports to USDA's Chief Financial Officer and holding progress reviews with appropriate officials within the Office of Management and Budget. The plan calls for full implementation by fiscal year

2000. However, because of the magnitude and long-standing history of the problems, complete resolution of USDA's financial management deficiencies by fiscal year 2000 will be a significant challenge.

As discussed above and in the section of this report on inefficiency and waste within the Forest Service, the financial management problems at that agency are particularly serious, given their pervasive and long-standing nature. Because of this, we are now designating the Forest Service's financial management a high-risk area.

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USDA Can Save Millions by Better Managing Its Telecommunications Investments

USDA spends more than $200 million each year for its telecommunications systems and services, such as the voice and data communications provided by the federal government's Federal Telecommunications System 2000 programs and hundreds of commercial carrier networks. USDA relies on these systems to effectively administer federal programs and serve millions of constituents. Yet, as we have reported, USDA has not cost-effectively managed and planned these substantial investments. Consequently, USDA has wasted millions of dollars each year paying for unused, unnecessary, or uneconomical services.

In response to our reports and recommendations, USDA has taken positive steps to begin correcting its telecommunications management weaknesses—improvements that USDA says could reduce its $200 million-plus reported annual investment in telecommunications by as much as $70 million each year. However, USDA has not achieved significant cost savings or management improvements because many of its corrective actions are incomplete or inadequate. For example, USDA has not (1) established the sound management practices necessary for ensuring that telecommunications resources

are managed cost effectively and that payments for unused, unnecessary, or uneconomical services are stopped; (2) consolidated and optimized telecommunications to achieve savings where opportunities exist to do so; (3) adequately planned integrated networks in support of information-sharing needs; and (4) determined the extent to which it is at risk for telephone abuse and fraud and acted to mitigate those risks, nationwide. Furthermore, it is unclear how and when these needed corrective actions will be implemented because USDA has not established time frames, milestones, and resources for making improvements.

In its October 22, 1998, statement of actions on our most recent report, USDA reiterated its commitment to implementing our recommendations and strengthening the leadership and management of its telecommunications program. As a first step, USDA is developing a comprehensive Telecommunications Action Plan for correcting its telecommunications management deficiencies. In addition, after consultation with other senior USDA officials, the Chief Information Officer designated the Deputy Chief Information Officer as the senior-level official responsible for providing

leadership over this effort, which includes day-to-day responsibility and the requisite authority necessary for overseeing the implementation of the corrective plan of action. While these are positive steps, USDA still needs to effectively implement its action plan and take the necessary steps to correct its telecommunications weaknesses—or its estimated $70 million in annual savings will not be achieved.

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Significant Weaknesses in USDA's Multibillion-Dollar Modernization of Service Center Information Technology Place Effort at Risk

Since 1993, USDA has been attempting to modernize IT[3] for its service centers—the biggest, most costly, and most challenging modernization in its history. USDA experienced a failure with its initial $2.6 billion modernization program—called Info Share—which was disbanded in 1995. Then, in 1995, USDA initiated another modernization effort—called the Service Center Implementation initiative—for the purpose of providing "one-stop" service to customers of the farm service, natural resources, and rural development agencies. Plans under this initiative include modernizing business processes and IT for these agencies' 3,100 locations at estimated life-cycle costs that could ultimately exceed $3 billion.

We found that USDA's current multibillion-dollar undertaking has several weaknesses that place the entire effort at risk of not achieving an adequate return on investment or significantly improving customer service. Such weaknesses include (1) acquiring new IT without first determining how it will operate to provide "one-stop" service, (2) not managing the IT projects as investments, and

[3]IT means any equipment or interconnected system or subsystem of equipment that is used in the automatic acquisition, storage, manipulation, management, movement, control, display, switching, interchange, transmission, or reception of data or information.

(3) not developing a comprehensive plan and management structure for an effort of this magnitude. Because USDA has failed in past efforts to plan and manage IT modernization, and because some of the same weaknesses are present with the ongoing modernization, concerns exist that USDA could again fail unless it acts to address these weaknesses.

In August 1998, we recommended, among other things, that until it resolves critical weaknesses, USDA should limit IT funding for its service centers to only that necessary to bring mission-critical systems in compliance with Year 2000 computing requirements. USDA is still in the process of determining how it will address our August 1998 recommendations.

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USDA Faces Serious Year 2000 Computing Challenges

If the systems that support USDA's various programs cannot operate reliably into the next century, it will not take long for the effects to be felt. USDA's systems support many vital public health and safety and economic activities, and if not properly fixed, tested, and implemented, severe consequences could result. While USDA and its component agencies have begun to address the Year 2000 problem, we testified in May 1998 that USDA will have a great deal of difficulty correcting, testing, and implementing all of its hundreds of mission-critical systems to work beyond 1999—that is to become Year 2000 compliant—in time.

Given the enormous risk posed by the Year 2000 challenge at USDA, we also testified that USDA's Chief Information Officer and Year 2000 Program Office needed to provide more effective leadership in overseeing USDA's Year 2000 efforts by setting Year 2000 priorities, providing sufficient guidance, and adequately tracking progress.

In response to our testimony, USDA took some actions to strengthen and improve its Year 2000 program. These actions included establishing departmental priorities for its Year 2000 efforts; issuing departmentwide

guidance on business continuity and contingency planning, systems testing, and independent verification and validation; and revising progress reports to more accurately reflect USDA's progress in making mission-critical systems Year 2000 compliant. Even so, USDA faces a significant challenge renovating and replacing all its mission-critical systems in time and taking the necessary steps to ensure that vital public services are not disrupted.

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Related GAO Products

Making USDA's Field Structure More Efficient

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