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GAO

Report to the Chairman, Committee on Agriculture, House of Representatives

April 2000

NATURAL RESOURCES CONSERVATION SERVICE

Additional Actions Needed to Strengthen Program and Financial Accountability

GAO

Accountability * Integrity * Reliability

GAO/RCED-00-83

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Abbreviations

NRCS	Natural Resources Conservation Service
O&E	Oversight and Evaluation
PRMS	Performance and Results Measurement System
TCAS	Total Cost Accounting System
USDA	U.S. Department of Agriculture
WLA	Workload Analysis System

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Accountability * Integrity * Reliability

United States General Accounting Office
Washington, D.C. 20548

Resources, Community, and
Economic Development Division

B-284675

April 7, 2000

Honorable Larry Combest
Chairman, Committee on Agriculture
House of Representatives

Dear Mr. Chairman:

The U.S. Department of Agriculture's Natural Resources Conservation Service (NRCS) is the federal agency primarily responsible for conserving and protecting natural resources on private lands, which constitute about 75 percent of all acreage in the contiguous United States. NRCS' $1 billion budget funds a variety of technical and financial assistance programs to help farmers, ranchers, other landowners/managers, and communities conserve and protect soil, water, and related resources on these lands. NRCS has nearly 11,000 employees—with about three-fourths located in its 2,500 county offices—who work with individuals and communities to develop conservation plans and apply conservation or resource management practices on the land. The agency has not been successful in gathering and analyzing information from these county offices to provide a comprehensive picture of its activities and accomplishments. As a result, the Congress, NRCS staff, and others have questioned the agency's accountability for how it spends its funds and what it has accomplished.

In 1998, in response to these criticisms, the Chief of NRCS called for a new agencywide effort to improve accountability by providing better information and analyses on how the agency uses its resources and what it achieves with its funds. This information is needed internally to ensure that NRCS is making effective use of its resources and externally for the reporting needed to demonstrate this accountability to the Congress and others.

Because of your interest in improved NRCS accountability, you asked us to (1) describe the agency's new approach and the status of its implementation and (2) assess the extent to which the approach will improve accountability. As NRCS was developing its approach to improving accountability, it was also implementing the Government Performance and Results Act of 1993 (Results Act), which seeks to improve the management of federal programs by shifting the focus of decisionmaking from staffing and activity levels to the results of federal programs. Under the Results Act,

agencies are required to prepare strategic plans, annual performance plans, and annual performance reports.

Results in Brief

NRCS' new approach to improving accountability is based principally on implementing the requirements of the Results Act and establishing four new databases to compile better information on the (1) agency's accomplishments, (2) full cost of programs and activities, (3) workload at the local level, and (4) future workforce needs. In addition, NRCS' Oversight and Evaluation staff, who conduct reviews to assess quality, accountability, effectiveness, and consistency in the agency's delivery of conservation assistance, is an important part of the agency's approach. NRCS plans to use the information from its new databases to, among other things, measure its progress towards meeting its strategic objectives, more accurately account for staff time and funding, analyze workload to develop budget proposals, and estimate future staffing levels and skills needs. NRCS has taken substantial steps to put its new accountability approach in place, but critical implementation tasks remain. NRCS has prepared agencywide strategic and annual performance plans, as part of the U.S. Department of Agriculture's strategic and annual performance plans, which were submitted to the President and the Congress. Its state offices have also begun developing annual performance and business plans. The agency has also used its performance goals to guide its allocation of fiscal year 2000 funds to its state offices. Equally important, NRCS has largely completed the databases and begun using some of the information for agency decisionmaking and reporting on its performance. However, the databases do not yet contain all the data NRCS plans to include, and NRCS has not yet completed verification and validation efforts to ensure that the data are credible. These efforts are likely to take a year or longer.

Because NRCS' new approach has not been fully implemented, it is too early to determine the extent to which the approach will improve accountability. If implemented as currently planned, NRCS' approach is likely to improve accountability by providing better information and analyses on how the agency uses its resources and what it accomplishes. However, we identified additional actions that NRCS could take to strengthen its efforts. First, and most importantly, the agency could better integrate the financial management function and the accountability approach. Although NRCS' accountability policy states that it is critical for the agency to ensure accountability in its use of public funds, NRCS has not included the financial management function—budget execution, funds control, and financial reporting—in this policy. Moreover, responsibilities

for NRCS' accountability approach and for financial management are organizationally separated. Financial management is an essential ingredient of accountability, and without this integration, NRCS and the Congress cannot be certain that the agency's efforts to ensure accountability for financial management and for program performance are closely linked, are consistent, and support each other. For example, a key element of financial management is providing reliable information on the full cost of federal programs. While NRCS has taken actions to more accurately account for its staff costs by program for its internal use, it needs to develop methods to better account for other costs, such as transportation and rent, and then fully incorporate these more accurate cost data into its financial reporting. Unless the agency more accurately accounts for its costs, it will continue to lack the financial information needed for internal decisionmaking and for external reports to the Congress and other stakeholders that demonstrate NRCS is implementing its programs cost effectively.

Second, with respect to planning, the agency could make its annual performance goals more results-oriented and better indicate progress made during the fiscal year toward achieving its strategic, or long-term, objectives. NRCS' performance goals are primarily output-oriented, such as conservation practices implemented on a certain number of acres. More results-oriented performance goals, such as increasing the portion of the nation's grazing land without serious ecological or management problems, would be more useful in judging NRCS' (1) performance in carrying out its mission to help conserve the soil, water, and related resources on private lands and (2) achievements with a given level of funding. Although NRCS' strategic and annual performance plans recognize the important contributions that the agency's partners, such as state conservation agencies, make to achieving its strategic objectives and performance goals, these plans could better articulate the extent to which achieving the objectives and performance goals depends on these partnerships.

Finally, NRCS' Oversight and Evaluation staff—who provide an important internal review of the effectiveness and efficiency of the agency's programs, activities, and operations—could be more independent if they were to report directly to the Chief or Associate Chief of NRCS, rather than to one of the managers subject to review by the staff.

We are recommending that NRCS strengthen its approach to improving its accountability by taking actions to improve financial management,

strategic and performance planning, and the oversight and evaluation of its programs and activities.

Background

The Federal Crop Insurance Reform and Department of Agriculture Reorganization Act of 1994 established NRCS by combining the authorities of the former Soil Conservation Service and other U.S. Department of Agriculture (USDA) financial or technical assistance programs for natural resource conservation and rural development into the new agency. The agency and its predecessor have carried out a program of soil and water conservation on the nation's private and nonfederal land since 1935. NRCS is a decentralized agency, and its programs are principally implemented at the state and local levels.

NRCS' staff provide technical assistance to land managers and communities in planning the use of, and protecting the soil, water, and related resources on, private and nonfederal lands. For example, NRCS staff advise farmers and ranchers on actions they can take to reduce soil erosion; better manage their cattle, hog, and poultry wastes; and preserve wildlife habitat. The staff also assist in other activities, such as installing levees and repairing stream banks to help protect communities from flood damage.

NRCS' primary partners are state conservation agencies and local conservation districts.[1] Conservation districts, which total about 3,000 nationwide, are units of local government organized by citizens under state law. According to NRCS, there are about 8,000 district and state government employees, and in some field offices these employees outnumber NRCS staff. These organizations support local conservation efforts with their own programs and staff, who work closely with NRCS staff to promote conservation on private lands. For example, NRCS, state, and local employees, according to NRCS, work as a team, using the same case files and technical assistance tools, such as computer programs for predicting soil erosion and the effects of grazing practices on the health of rangeland, to serve the local community.

[1]According to NRCS, the agency also works closely with Resource Conservation and Development Councils, which are composed of volunteers representing many units of government and civic organizations within an area. These councils serve as catalysts for drawing resources together from the private sector and all levels of government to solve problems in their areas.

NRCS Has Taken Substantial Steps to Put Its New Accountability Approach in Place, but Critical Implementation Tasks Remain

NRCS is revising its processes for planning, budgeting, and performance reporting to focus more directly on setting agencywide goals and holding itself accountable for achieving these goals. The agency is creating new databases to support these processes with better information on the agency's operations, especially at the local level, where most of its employees work and where it primarily implements its programs. The purpose of this information—including data on natural resource needs and workload at the local level, program activities and accomplishments, full cost of programs and activities, and staffing levels and skills—is to enable agency managers to make more informed decisions about what the agency's goals should be, how they will assign responsibility for achieving these goals to different parts of the organization, and what resources and strategies they need to achieve the goals. NRCS also plans to use the information to assess and report on its performance in achieving its goals and to respond to congressional and other stakeholders' requests for specific data on conservation needs and agency programs and activities.

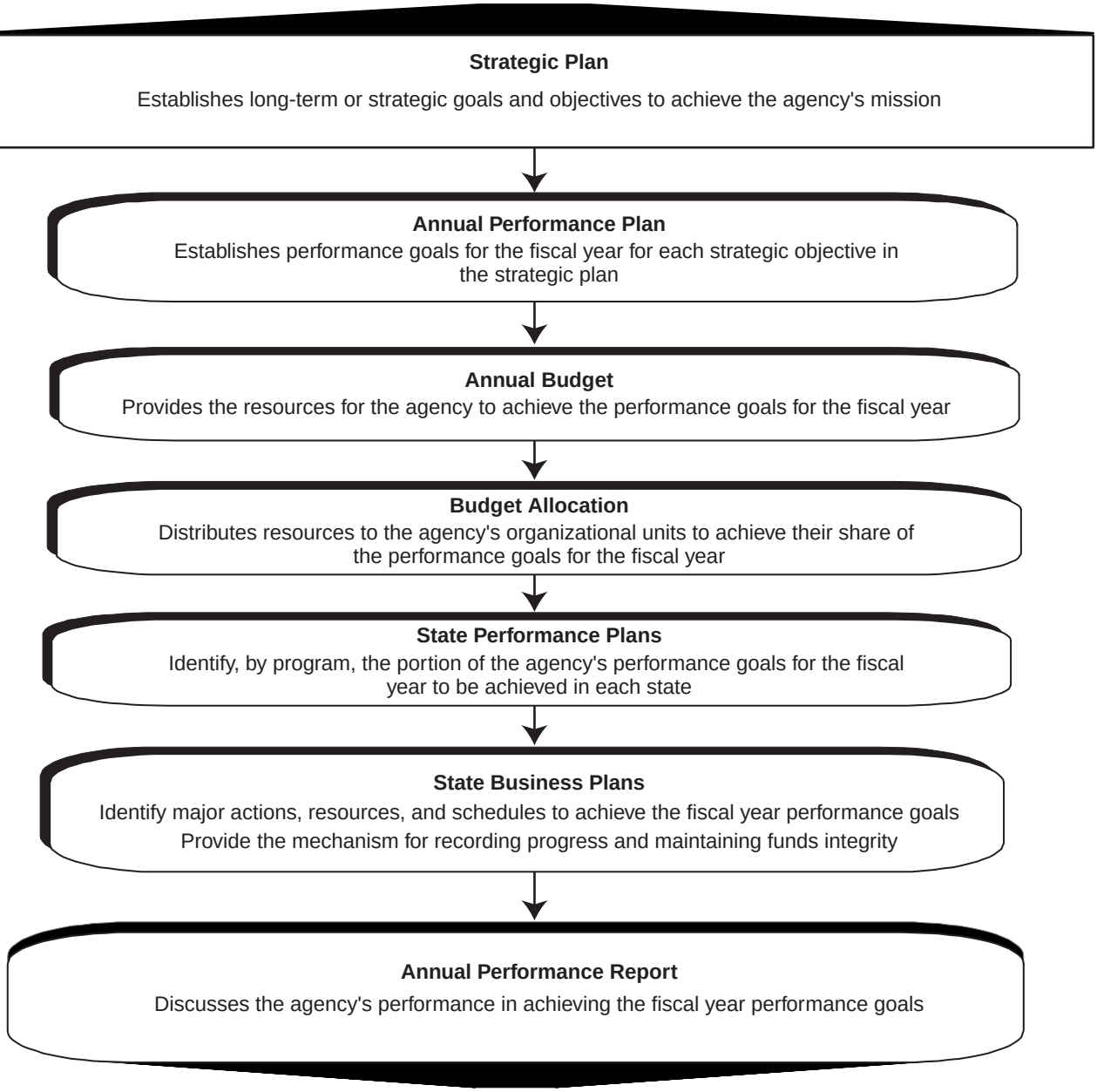
NRCS has revised its planning, budgeting, and performance reporting processes and is beginning to use some of the information from the databases. However, it still needs to complete the databases and take actions to ensure that the information produced is accurate and credible. According to NRCS officials, additional changes or adjustments in planning, budgeting, and performance reporting may be needed to integrate the information from the new databases and as the agency gains experience with using the processes. As a result, it may be several years before NRCS' new approach will be fully operational.

NRCS Is Revising Its Planning, Budgeting, and Performance Reporting Processes to Focus on Achieving Results

NRCS' changes in its planning, budgeting, and performance reporting processes are intended to address internal and stakeholders' concerns about its accountability and to implement the requirements of the Results Act.[2] Figure 1 shows the major components of NRCS' approach and illustrates how they are to be linked through the agency's strategic objectives and performance goals.

[2]NRCS is also implementing the Chief Financial Officers Act of 1990 and legislation on reforming information technology, such as the Clinger-Cohen Act of 1996. The Congress enacted the Results Act in conjunction with these acts to instill performance-based management in the federal government and to address the need for more effective and less costly government.

Figure 1: The Major Components of NRCS' New Accountability Approach



Note: This figure is based on information provided by NRCS officials. Its purpose is to show how these components are linked by NRCS' strategic objectives and annual performance goals. The figure does not detail all the elements of each component or all the requirements of the Results Act.

As the figure shows, NRCS' approach attempts to integrate planning, budgeting, and performance reporting through the use of strategic objectives and annual performance goals. (See app. I for NRCS' strategic and fiscal year 2000 performance goals.) In addition to preparing agencywide strategic plans, annual performance plans, and annual performance reports, NRCS is requiring its state offices to prepare annual performance and business plans to help ensure that critical parts of the organization are accountable for achieving the agency's goals.[3] Each state office's performance plan is to identify the portion of the overall agency goals for which it is responsible. The state office's business plan is to set out how it will conduct its operations to achieve its performance goals. When NRCS headquarters allocates budgetary resources to the state offices, it is to include performance goals to be achieved with the resources. These goals, which are subject to negotiation, are to represent the state office's share of the agency's annual performance goals. Each NRCS state office is to use the agreed-to performance goals to develop a final performance plan. As these additional requirements suggest, NRCS' field office employees are primarily responsible for carrying out the activities needed to achieve the annual performance goals.

These strategic, performance, and business plans are to be the basis for assessing the agency's and the individual units' performance. NRCS' annual performance report to the President and the Congress is the major document for reporting on its performance in meeting its strategic objectives and annual performance goals. In addition to this report, various performance reports are to be provided internally to the agency's management and leadership. This information will be used to respond to the Congress; USDA; and other stakeholders, such as the Office of Management and Budget; on NRCS' operations and accomplishments.

The status of NRCS' efforts to improve its planning, budgeting, and performance measurement and reporting processes in order to achieve greater accountability is outlined below:

- *Strategic planning*. NRCS issued its first strategic plan under the Results Act in September 1997, as a component of USDA's plan. NRCS' plan, which covers fiscal years 1997 through 2002, described the agency's mission, established general goals and objectives, and set out strategies

[3]NRCS is also requiring other parts of the agency, such as its regional and program offices, to prepare business plans.

and performance targets to achieve these goals and objectives. NRCS expects to issue an updated plan for fiscal years 2000 through 2005 by September 2000. According to the NRCS officials responsible for strategic planning, the agency's initial strategic plan was almost entirely developed in response to departmental guidance, thus meeting broad departmental needs but falling short of NRCS' more detailed needs for strategic planning. According to these officials, NRCS expects to develop a strategic plan that meets departmental needs and provides the greater detail and resource analysis it needs to guide its activities.

- *Annual performance planning*. NRCS has issued performance plans for fiscal years 1999 (the first year required under the Results Act), 2000, and 2001. These plans set out annual performance goals for the long-term goals in the strategic plan, present the strategies and resources to accomplish these goals, and describe procedures to verify and validate the agency's performance information. NRCS officials said that the availability of the new databases will make the performance plan a more useful document for managing the agency. For example, NRCS officials expect that the Performance and Results Measurement System (PRMS), which is the agency's new database for its staff and partners to report on program activities and accomplishments, will be used to determine if performance on a specific element in the plan is behind or ahead of schedule.
- *Annual budget formulation*. According to NRCS officials, the fiscal year 2001 budget formulation process has stressed identifying and providing the resources to achieve the performance goals in the fiscal year 2001 performance plan. The performance goals will be revised, as necessary, if the budget approved by the Congress differs substantially from the request. NRCS officials said that the factors they consider in developing their budget proposals include congressional direction; the agency's strategic and performance plans; the priorities of the NRCS Chief, the Secretary of Agriculture, and the President; workload requirements; partners' recommendations and local resource conservation concerns; and federal budget constraints.
- *Budget allocation*. According to NRCS officials, the agency allocated the fiscal year 2000 funds to its organizational units on the basis of the resources the units need to achieve their portion of NRCS' performance goals for the year. NRCS used a budget allocation team to provide information to the NRCS managers responsible for recommending the allocations to the Chief. According to the head of the allocation team, this information included available performance data and data from the workload analysis system on current staffing in NRCS' field offices, natural resource conservation needs in each state, the programs

available to address these needs, and the accomplishments possible under the programs in light of the resources needed to carry out program activities. NRCS tested this process using its budget request for fiscal year 2000.

- *State performance and business planning*. When NRCS informed its state offices of the budget funds that they would receive for fiscal year 2000, it attached a set of draft performance goals that were based on these offices' share of the agency's annual performance goals and management initiatives. The state offices were to use these goals in developing their performance and business plans for the fiscal year. In January 2000, NRCS provided its state offices with a computerized application for preparing their performance and business plans for fiscal year 2000. This application was designed to ensure that the state offices follow a consistent method in developing and maintaining their performance and business plans. The resulting automation of the plans will allow NRCS headquarters to monitor compliance with the requirements for the plans and the state offices' progress in implementing them. According to NRCS officials involved in developing the application, the agency was concerned that the state offices were inconsistent in their development and use of these plans.
- *Performance reporting*. NRCS anticipates that its performance report for fiscal year 1999 will be issued by March 31, 2000, as part of USDA's performance report under the Results Act. The agency is primarily using information from its new database—the PRMS—on the agency's accomplishments to report on its progress in achieving its fiscal year 1999 performance goals. NRCS' report is primarily based on data, by performance goals, reported by 287 sample counties that began entering information into the new database on October 1, 1998.

NRCS Has to Complete Its New Accountability Databases and Verify the Information

In order to increase its accountability for the funds it spends and what it accomplishes, NRCS is developing four new databases to obtain better information on its (1) accomplishments, (2) full costs of programs and activities, (3) workload at the local level, and (4) future workforce needs. The databases are largely complete, but some important work remains to be done. For example, NRCS has not developed a methodology for incorporating nonpersonnel costs into its Total Cost Accounting System (TCAS). These costs, which are estimated to represent 30 to 40 percent of the agency's costs, are needed to identify the full cost of programs and the cost of achieving agency goals. In addition, NRCS has to verify and validate the data to ensure that they are reliable and integrate the databases so that reports and analyses can be produced using data from one or more of the

databases. According to NRCS officials, the agency spent $793,000 during fiscal years 1998 and 1999 on developing its new accountability databases. The agency plans to spend about $1 million in fiscal year 2000 and may need to conduct additional work beyond fiscal year 2000. At the same time, NRCS staff need additional training on how to use the databases. According to NRCS officials, this training is scheduled to begin in June 2000.

Table 1 describes the data to be collected by the new databases, planned uses for these data, and the status of each database.

Table 1: NRCS' New Accountability Databases—Types of Data Collected, Planned Uses, and Status

Database	Examples of data to be collected	Planned uses	Status
Performance and Results Measurement System (PRMS)[a]	• Number of customers assisted. • Type of assistance provided. • Conservation practices or treatments planned and installed. • Program results or outcomes obtained from other databases, such as the National Resources Inventory on natural resource conditions. • Contributions of NRCS' partners, such as conservation district staff.	• Measure progress toward the goals in NRCS' strategic and annual performance plans. • Support program management, agency accountability, and resource allocation. • Communicate NRCS' accomplishments internally and to the Congress and other stakeholders.	• On October 1, 1998, 287 NRCS field offices began entering data. These offices were statistically selected to be able to project NRCS' national performance for fiscal year 1999. • As of February 2000, approximately 2,100, or 84 percent, of field offices were entering data. • Remaining 400 field offices are scheduled to begin entering data by the end of June 2000, when telecommunication problems associated with accessing and using the Internet are to be resolved. • NRCS state offices began entering data in February 2000. NRCS to provide related training to state-level staff during February and March 2000. • NRCS to provide additional training to partnership staff in fiscal year 2000, after telecommunication problems are resolved.

Continued

Database	Examples of data to be collected	Planned uses	Status
Total Cost Accounting System (TCAS)	• NRCS employees' time charges reported on a biweekly basis by 30 programs and 10 activities. (The Actual Cost Recovery Evaluation System summarizes the data and calculates the personnel costs of programs.) • Data on nonpersonnel costs, such as office space and transportation, from NRCS' financial management system.	• Enhance accountability over how NRCS staff use their time by program and activity. • Determine actual costs of NRCS' programs. This information to be used in setting priorities, establishing strategic and annual performance goals, and determining what budgetary resources are needed to accomplish goals.	• Data on fiscal year 1999 time charges collected but not made available to agency managers because of incomplete data. Fiscal year 2000 data being made available to managers beginning in January 2000. • NRCS employees generally do not enter their time charges directly into TCAS via the Internet, which is planned to save costs and reduce the number of errors. NRCS to provide additional training to staff and phase in Internet entry from June 2000 to January 2001. • Data on nonpersonnel costs, which may account for 30 to 40 percent of the agency's costs, according to an NRCS official, have not been incorporated. NRCS has not selected the methodology for incorporating these costs. NRCS is uncertain when it will complete this task because it is focusing its efforts on implementing USDA's new financial management system in NRCS by October 1, 2000.

Database	Examples of data to be collected	Planned uses	Status
Workload Analysis System (WLA)	• Resource conservation problems or needs at the local level. • Time required by discipline for employees' activities at the field level to address resource conservation problems, as defined by 28 core work activities or products. • NRCS' and partners' staff by office, location, and discipline.	• Determine the short- and long-term conservation workload and the human resource needs of NRCS and its partners at the field level. • This information to be used in strategic planning to identify future staffing needs and in deciding on strategic goals and objectives. • Budget formulation, to consider the impacts of budget proposals. • Budget allocation and performance planning, to determine what can be accomplished with available staff resources and to make staffing plan modifications. • Program management, to estimate the effects of alternative staffing levels and priorities and to identify workforce gaps.	• Workload analyses completed for fiscal years 1999, 2000, and 2001. The 2001 data made available to managers in February 2000. Hereafter, analyses are planned for every 3 years. • A blue ribbon panel is to review and validate the latest WLA data during fiscal year 2000. • By May 2000, NRCS to develop and implement a process for updating and maintaining staffing/office information.

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Database	Examples of data to be collected	Planned uses	Status
Workforce Planning System (WFP)	• Staffing levels and skills needed to address resource conservation needs and priorities over the next 5-year period, gaps in what staff and skills are available, and strategies to bridge the gap.	• Estimate future staffing and skill needs. Similar to the WLA, these data to be used in strategic planning, budget formulation and allocation, and performance planning.	• Pilot test of the WFP completed in October 1999. First 5-year WFP to be completed in October 2000. To be updated annually. • During February and March 2000, NRCS is providing training to its regional and state staff on the workforce planning process and using the automated computer system.

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[a]These data can be entered on a real-time basis via the Internet.

These new databases are replacing other agency databases that were ineffective or difficult to use. For instance, according to NRCS officials, the previous system that employees used to report their time charges for specific programs and activities consisted of seven separate systems that generated inconsistent data and lacked detailed information on how time was spent. The prior performance measurement system, the National Information Measurement System, collected more data but, according to NRCS officials, was difficult to use and required an excessive amount of time, both for data entry and for validation and verification to ensure consistent national data. NRCS is integrating its databases in a phased approach that began in June 1998 and is expected to continue through June 2000.

NRCS has not completed the task of verifying and validating the data from its new accountability databases. Completing this task is critical to ensuring that the data are accurate and reliable and therefore useful. Credible performance information is essential for accurately assessing an agency's progress towards achieving its goals—the cornerstone of performance reporting. NRCS' effort to verify and validate the data will take time. For example, to verify the data in each of its accountability database systems, NRCS began to develop and implement a quality assurance strategy in November 1999, and this effort is expected to continue through at least fiscal year 2000.

As part of this strategy, NRCS plans to have its Oversight and Evaluation staff extensively review the accuracy of data from the databases at the end of fiscal year 2000.[4] Earlier, in fiscal year 1999, the staff's limited survey found data accuracy problems with three of the databases—PRMS, TCAS, and WLA—in the eight field offices reviewed. The staff reported that if these problems are widespread, the data will be of limited use for agency decisionmaking, financial reporting, and supporting congressional budget initiatives. According to NRCS officials, training for all field-level employees on how to use the accountability databases will occur during the summer of 2000 in response to the staff's findings. The officials said that this 1 to 2 days of training should help to improve the quality of the data in the databases.

Fully Implementing NRCS' Planned Approach Can Improve the Agency's Accountability, but Additional Actions Could Strengthen It

Because NRCS' new approach has not been fully implemented, it is too early to determine the extent to which it will improve accountability. For example, NRCS has to complete the new databases and ensure that the information they produce for agency managers and stakeholders is accurate and reliable. Even if the databases, which are critical to the success of NRCS' approach, produce the right types of information, their usefulness is limited if the data are not credible. It appears that the approach, if implemented as currently planned, will provide NRCS with the means to set agencywide goals, determine the resources and strategies needed to achieve them, hold the different parts of the agency responsible for achieving the goals, and report on its performance. Under the approach, the agency's strategic, annual performance, and business plans are established as key accountability documents. According to NRCS, the goals set out by these plans are commitments that are the basis for assessing the agency's performance in carrying out its mission. In addition, the new databases, when completed, will provide considerable data on the agency's use of its staff and other resources and its program activities and accomplishments so that agency managers and stakeholders can make more informed decisions.

Nonetheless, in reviewing NRCS' planned approach to improving accountability, we identified three ways that the agency can strengthen the approach: (1) better integrating its financial management policies and

[4] NRCS' Oversight and Evaluation staff, who are located in the agency's Operations Management and Oversight Division, review quality, accountability, effectiveness, and consistency in the agency's delivery of conservation assistance.

procedures and the approach; (2) enhancing its planning process to include more outcome-oriented goals, better tracking of progress towards these goals, and better reporting of partners' contributions; and (3) enhancing the independence of its oversight and evaluation staff.

NRCS Has Not Fully Integrated Financial Management and the New Approach

While effective financial management is critical to the success of NRCS' approach to improving accountability, NRCS has not fully integrated financial management and its approach. NRCS' accountability policy states that it is critical for NRCS to ensure accountability in its use of public funds, but NRCS did not include the financial management function—budget execution, funds control, and financial reporting—in this policy. Organizationally, responsibilities for accountability and for financial management are separate. The Deputy Chief for Strategic Planning and Accountability has the lead on developing NRCS' approach to improving accountability, while the Deputy Chief for Management is responsible for financial management and other management functions. (See app. II for NRCS' organization chart.) Until financial management and NRCS' approach are fully integrated, NRCS and the Congress cannot be certain that NRCS' efforts to ensure accountability for financial management and for program performance are closely linked, are consistent, and support each other.

To be fully accountable for its funds, NRCS needs to be able to effectively control and provide reliable, useful, and timely information on how it spends them. Neither NRCS nor USDA's Inspector General has conducted a comprehensive review of the agency's financial management system, financial statements, or financial management polices and practices. Nevertheless, the Inspector General found problems with certain aspects of NRCS' financial management system in an audit performed in response to a whistleblower complaint. Specifically, an Inspector General's review during fiscal year 1999 found a number of material weaknesses in NRCS' financial management system. These weaknesses allowed an employee to make payments from NRCS' financial management system to himself or others and then change the payee's name to disguise the improper payment. In this case, as of March 10, 1999, the Inspector General had found more than $300,000 in improper payments from August 1994 through October 1998. According to an official in the Office of the Inspector General, NRCS has actions under way to correct these problems.

The USDA Inspector General's report on the Department's consolidated financial statement, issued in February 1999, concluded that it is difficult to know how well or poorly an agency within USDA has performed financially because USDA's current financial management system is unable to provide accurate and timely accounting and financial reporting.[5] The Inspector General and we have both reported on USDA's long-standing history of financial management deficiencies and its lack of financial accountability over billions of dollars in assets. [6] According to the Inspector General, USDA has efforts under way to implement a new departmentwide financial management system.[7] But the Inspector General believes that USDA's financial management problems will continue at least until 2002, and possibly longer.

A key element of financial management is providing reliable information on the full cost of federal programs. During the course of our review, we identified an NRCS financial management policy that can misstate the actual costs of individual programs or activities—charging staff time as budgeted rather than actually worked.[8] Some NRCS staff work on different programs and activities during the year that are funded by different appropriation accounts, according to NRCS officials. However, although an individual employee may work on more than one program, that employee's time will be charged to one funding account throughout the fiscal year. In addition, other expenses, such as travel, training, rent, printing and supplies, are assigned to one funding account at the beginning of the fiscal year. As a result, costs are accounted for throughout the fiscal year as planned at the start of the fiscal year rather than on the basis of actual costs.

[5] *U.S. Department of Agriculture Consolidated Financial Statements for Fiscal Year 1998* (Audit Report No. 50401-30-FM, Feb. 1999).

[6] *Major Management Challenges and Program Risks: Department of Agriculture* (GAO/OCG-99-2, Jan. 1999); *Forest Service: Barriers to Financial Accountability Remain* (GAO/AIMD-99-1, Oct. 2, 1998); *Forest Service: Status of Progress Toward Financial Accountability* (GAO/AIMD-98-84, Feb. 27, 1998).

[7] USDA's new financial management system is called the Foundation Financial Information System.

[8] NRCS refers to this as its "Offset Policy; Base Offset Method."

As we reported on the Forest Service in October 1999,[9] the policy of charging as budgeted and not as worked often misstates a project's costs by underestimating the costs to one account and overstating the costs to another. In addition, this practice precludes NRCS from providing the Congress and other interested parties with meaningful, useful, and reliable information on the costs of its programs and activities. Moreover, the Federal Financial Management Improvement Act of 1996 requires that federal agencies follow federal financial accounting standards and that financial management systems support disclosure of the full cost of federal programs and activities. Specifically, the Statement of Federal Financial Accounting Standards No. 4, Managerial Cost Accounting Standards, is aimed at providing reliable information on the full cost of federal programs, their activities, and their outputs.

NRCS has been following its charged-as-budgeted-but-not-as-worked policy for the last 13 years, according to an NRCS official. Originally, this policy was instituted to reduce the administrative burden on field staff. NRCS recognizes the importance of collecting data on actual time worked. Since October 1998, NRCS has required field staff to report their time charges by programs and activities—currently, 30 programs and 10 activities—into TCAS but has not changed its financial management policy to report actual time worked in its financial management system. NRCS is reviewing its current financial policies and procedures as part of its process of implementing USDA's new financial management system in NRCS by October 1, 2000. According to USDA and NRCS officials, this review presents an opportunity for NRCS to consider revising this policy.

NRCS Can Enhance Its Planning Process

While we found that NRCS' strategic and annual performance plans provide a foundation for directing the agency's activities and assessing its performance, we believe that the plans could be improved in three areas: (1) making strategic objectives and annual performance goals more outcome-oriented, (2) using annual performance goals to track progress toward strategic objectives, and (3) having annual performance plans better indicate how NRCS' partners are to contribute to the agency's performance goals. First, the plans' annual performance goals and strategic objectives could be oriented more to achieving outcomes, rather than

[9] *Forest Service: A Framework for Improving Accountability* (GAO/RCED/AIMD-00-2, Oct. 13, 1999); *Forest Service Management: Little Has Changed as a Result of the Fiscal Year 1995 Budget Reforms* (GAO/RCED-99-2, Dec. 2, 1998).

outputs, which are the direct products and services delivered by a program, such as the development of a conservation plan for a landowner. In contrast, outcomes are the results of these products and services, such as reduced soil erosion or more productive land. Goals are more useful to the agency, the Congress, and other decisionmakers in judging the results to be achieved for a given level of resources if they are not expressed as program outputs but rather as program outcomes.

According to NRCS, the agency's activities contribute to three broad national outcomes: (1) sustainable, productive, and prosperous farms, ranches, and communities; (2) healthy people; and (3) a healthy natural environment. These broad, overarching outcomes, which are the ultimate desired effects of the agency's programs, are referred to by NRCS as end outcomes. They are long-term and often depend on subjective or qualitative measures to assess progress. Intermediate outcomes support the achievement of end outcomes and are based on more discrete and quantifiable components of the end outcomes. For example, an intermediate outcome under the first broad national outcome is a reduction in soil erosion from wind and water. Soil erosion ultimately can adversely affect the land's productivity and farmers' prosperity.

According to our analysis of NRCS goals, its annual performance goals are primarily expressed as outputs, such as resource management systems applied on a certain number of acres. Additional outcome goals in the annual performance plan, such as the amount of soil erosion prevented or the net gain in wetlands acreage, would better communicate the program results the agency intends to achieve for the fiscal year with the budgetary resources it receives. However, the annual data on natural resource conditions that would be needed to use outcome measures in annual performance plans have not been routinely available. For example, NRCS' National Resources Inventory of natural resource trends, such as soil erosion and the loss of wetlands, has been done every 5 years—the last 2 in 1992 and 1997. According to NRCS officials, the agency has efforts under way to implement an inventory approach that includes collecting these data on a continuing basis, which would provide frequently updated information on natural resource conditions. The availability of timely data on natural resource conditions could make it possible to include more outcome goals in annual performance plans. At a minimum, it would allow NRCS to increase its reporting on outcomes in its annual performance reports.

Unlike its annual performance goals, NRCS' strategic objectives in its strategic plan are generally expressed as outcomes. However, they are expressed as intermediate outcomes, rather than as the end outcomes that could better indicate the agency's performance in carrying out its mission of helping people conserve, improve, and sustain the nation's natural resources and environment. According to NRCS officials, in early 1999 the agency identified 18 potential outcomes to be considered for use in future strategic planning. These potential outcomes, according to the officials, include end outcomes, such as the number of healthy watersheds, and additional intermediate outcomes, such as reductions in the amount of agricultural nutrients and pesticides that end up in surface and groundwater. The agency has established technical teams to develop strategies for developing these outcome measures.

Second, NRCS' strategic and annual performance plans would be more useful if the annual performance goals could more easily be used to track the progress made during a particular fiscal year toward achieving the long-term strategic objectives. For example, NRCS has a strategic objective of "45 percent of U.S. rangeland having no serious ecological or management problems by 2002." A related annual performance goal in NRCS' fiscal year 2000 performance plan is that resource management systems will be used on 5.8 million acres of grazing land.[10] It is not clear from the performance plan that the use of these resource management systems will result in the grazing land's having no serious ecological or management problems. The performance plan also does not readily indicate what portion the 5.8 million acres of grazing land represents of the 45 percent of rangeland with no serious problems. NRCS' increased use of outcome goals in annual performance plans would provide a greater opportunity to better link annual performance goals to strategic objectives.

Finally, NRCS could improve its performance plans if it better conveyed how its partners, such as state agencies and local conservation districts, are to contribute to the agency's performance. According to NRCS' fiscal year 2000 performance plan, partnership is key to the agency's conservation efforts. NRCS officials told us that the agency and its partners often work together in providing technical assistance to an individual landowner or community. The officials said that NRCS and its partners

[10]NRCS defines resource management systems as a combination of conservation practices and management that, when implemented, prevents resource degradation and permits sustained use.

have begun to use PRMS to report on these accomplishments. According to the officials, although NRCS' and its partners' portion of these individual accomplishments cannot easily be quantified, this information on the accomplishments achieved jointly by NRCS and its partners could help convey how partners are contributing to NRCS' goals. (See app. I for NRCS' strategic objectives and fiscal year 2000 performance goals.)

Current Organizational Placement of NRCS' Oversight and Evaluation Staff Reduces Their Independence

NRCS' Oversight and Evaluation (O&E) staff provide an important internal review function for the agency. These staff conduct surveys and comprehensive and limited studies to assess quality, accountability, effectiveness, and consistency in delivering conservation assistance. Because of NRCS' decentralized organization, the oversight and evaluation function is an important feedback mechanism on how well agency policies and requirements are being implemented. It is also an important part of NRCS' approach to improving accountability because internal reviews provide information on the agency's performance by evaluating the effectiveness and efficiency of NRCS' programs, activities, and operations.

Given the importance of this function and the need for independence from the activities it reviews, O&E staff should be reporting to the Chief or Associate Chief of NRCS. Instead, in October 1999, the oversight and evaluation function was centralized at NRCS headquarters within the Operations Management and Oversight Division. The head of this division reports to the Deputy Chief for Strategic Planning and Accountability. The Deputy Chief is to establish the agency's oversight and evaluation priorities semiannually for review by and concurrence with the agency's leadership. Review proposals can be offered to the Operations Management and Oversight Division at any time. The O&E staff plan and implement the reviews. (See app. II for the agency's organization chart.)

Considering the major role that the oversight and evaluation function has in NRCS' approach to improving accountability, it is important that the O&E staff and their work continue to be viewed within and outside the agency as unbiased and credible. We are concerned that over time the O&E staff's independence will be reduced because the staff report to one of the deputy chiefs responsible for activities that are subject to review by the office. That is, this official—the Deputy Chief for Strategic Planning and Accountability—manages and establishes NRCS' policies and procedures for the agency's strategic and annual performance planning, budget formulation and allocation, and performance measurement and reporting processes. These policies, procedures, and processes are subject to review

by the O&E staff. For example, during 1999, this staff reviewed the accuracy of the agency's new accountability databases. The O&E staff plan a more comprehensive review of the databases at the end of fiscal year 2000.

In addition, the Deputy Chief for Strategic Planning and Accountability coordinates the priority-setting and budget allocation processes. The results of oversight and evaluation reviews are to be used, along with other evaluative information, in assessing the performance of the agency's organizational units and programs. Performance is a factor in deciding on priorities and the allocation of funds to individual units. In our opinion, over time, as planning and budget allocation decisions are made, these units may perceive that the deputy chief is (1) competing with them for resources or (2) has preconceived views on performance, priorities, and the allocation of funds.

Independence is generally recognized as a key component of the evaluation function. Generally accepted government auditing standards used by federal inspector generals, other federal auditors, and nonfederal auditors when auditing federal organizations, programs, activities, and functions require independence in all matters related to the audit work.[11] This standard places responsibility on the internal and external auditors and the audit organization to maintain independence so that opinions, conclusions, judgments, and recommendations will be impartial and will be viewed as impartial by knowledgeable third parties. Recognizing that independence can be affected by the location of the auditors within the structure of the organization, the standards state that audit organizations should report the results of their work and be accountable to the head or deputy head of the organization and should be organizationally located outside the staff or line management function of the unit under audit.[12] In the case of NRCS, the head and deputy head would be the Chief and Associate Chief.

Conclusions

NRCS' efforts to improve its accountability have not been fully implemented, and it is too early to determine the extent to which these efforts will be successful. These efforts are designed to implement the

[11]The term "audit" includes both financial and performance audits.

[12]*Government Auditing Standards: 1994 Revision* (GAO/OCG-94-4, June 1994).

Results Act and to provide considerable information on NRCS' use of funds and its accomplishments, which have been major accountability concerns.

However, a critical step remains—integrating financial management and the approach. Financial management is the cornerstone of accountability and needs to be treated equally with other management functions, like planning and evaluation, that ensure accountability. In a fully integrated accountability approach, the agency's goals and objectives, federal resources used to accomplish the goals and objectives, and actual results are closely linked and create an effective process for improving program management and accountability. Integrating financial management may require NRCS to overcome organizational barriers associated with coordination across functional areas. Until financial management and its approach are fully integrated, NRCS cannot be certain that its efforts to ensure financial accountability and its efforts to ensure accountability for program performance are closely linked, consistent, and support each other.

In addition, NRCS' current policy of charging staff time and other costs as budgeted and not as worked can misstate the costs of NRCS' programs. NRCS' efforts to develop a database of actual time charge costs by program show that the agency recognizes the importance of more accurately accounting for its costs by program. However, methods to better account for the other costs have not been developed and implemented. In addition, NRCS has not taken the necessary steps to integrate these more accurate cost data into its financial management reporting. Without more accurately accounting for its costs, NRCS will continue to lack the financial information it needs for internal management decisionmaking and external reporting to the Congress and other stakeholders to demonstrate that it is implementing its programs in a cost-effective manner.

One important aspect of NRCS' new accountability approach is that it is intended to be results-oriented. However, the agency's strategic and performance goals do not always address the results or outcomes that NRCS is working to achieve. If these goals are not expressed as program outcomes, they are less useful to NRCS and the Congress in judging the results to be achieved for a given level of resources. Furthermore, the strategic and annual performance plans do not articulate the contributions of NRCS' partners, such as state conservation agencies and local conservation districts, toward achieving the agency's goals. The plans recognize the importance of these partnerships to the agency's success but

do not convey the extent to which achieving the goals depends on the partnerships.

Finally, the independence of NRCS' Oversight and Evaluation staff is reduced because the staff do not report to the head of the agency. Oversight and evaluation of NRCS programs, activities, and operations is critical to the efficient and effective use of NRCS resources and the operation of such a decentralized organization.

Recommendations

To help ensure the success of NRCS' efforts to improve its accountability, we recommend that the Secretary of Agriculture direct the Chief, NRCS, to take the following actions:

- Improve the integration of financial management and the accountability approach by (1) revising the agency's strategic planning and accountability policy to make financial management an integral part; (2) developing a plan, including a methodology and time frame, to incorporate nonpersonnel costs into its total cost accounting database in order to provide accurate information on program costs; and (3) evaluating alternatives and taking appropriate actions to more accurately account for costs reported by its financial management system.
- Incorporate into future strategic and annual performance plans (1) goals that better represent the desired outcomes of the agency's programs and (2) a better articulation of partners' contributions to the agency's goals.
- Have the Oversight and Evaluation staff report directly to the Chief or Associate Chief to better ensure that it maintains its independence.

Agency Comments

We provided USDA with a draft of this report for its review and comment. We met with NRCS officials, including the Deputy Chief for Strategic Planning and Accountability. These officials generally agreed with the draft report. However, they disagreed with our recommendation to have the Oversight and Evaluation staff report directly to the Chief or Associate Chief of NRCS. According to the officials, the current placement of the staff under the Deputy Chief for Strategic Planning and Accountability is working well, and the staff is independent. The officials further said that the agency recently made improvements in the oversight and evaluation function by consolidating the staff, which were located in the regional offices, into NRCS headquarters. The officials also provided a number of

technical comments or suggestions, which we incorporated, as appropriate.

We continue to believe that NRCS' Oversight and Evaluation staff should report directly to the Chief or Associate Chief to ensure their independence. We are concerned that, even if the staff's opinions, conclusions, judgments, and recommendations are not impaired by their current location in the agency's organizational structure, this location could lead others to question their independence. As recognized by generally accepted government auditing standards, perceptions that the staff are not independent will reduce their credibility and thus their effectiveness. Because of the importance of the oversight and evaluation function, NRCS cannot risk impairing the staff's ability to effectively evaluate the agency's programs and operations. For these reasons, we have not changed our recommendation.

Scope and Methodology

To describe NRCS' overall approach to improving its accountability, we interviewed the Deputy Chief for Strategic Planning and Accountability and various officials of the offices responsible for developing and/or implementing aspects of the new approach, including the divisions for Budget Planning and Analysis, Operations Management and Oversight, Strategic and Performance Planning, and Financial Management. In addition, we reviewed various NRCS documents, including schematic depictions of how the new approach is to work, the agency's July 1999 strategic planning and accountability policy statement, and written plans for various components of the approach.

To determine the status of NRCS' efforts to implement its approach, we interviewed the Deputy Chief for Strategic Planning and Accountability and officials of the various offices, such as the Strategic and Performance Planning Division, that are responsible for implementing the approach. We also interviewed officials at NRCS' Information Technology Center in Fort Collins, Colorado, about the status of the technical development of the new accountability databases. Furthermore, we reviewed reports and other documents on the status of the development and implementation of the agency's revisions to its planning, budgeting, and performance measurement and reporting processes and development of the databases. We compared the status to implementation plans and timelines for the various components of the approach and reviewed various implementation documents, such as training guides for entering and using information in

the new databases. We also accessed the agency's Internet web sites to determine the databases' completeness and current capabilities.

To assess the extent to which the approach will improve accountability, we compared and contrasted NRCS' plans for its new approach with its accountability needs. To determine its needs, we reviewed NRCS' analysis of concerns raised within the agency and by its stakeholders, including congressional committees, the Office of Management and Budget, and representatives of state and local conservation agencies. We also reviewed congressional hearings concerning NRCS during fiscal years 1998 and 1999 and prior reports on NRCS activities by GAO, the USDA Inspector General, and NRCS' O&E staff. In addition, we interviewed program officials at NRCS headquarters and in the states of California, Georgia, Iowa, Minnesota, Washington, and Wisconsin. Furthermore, we analyzed the agency's strategic and annual performance plans and draft performance report to determine if the measures were sufficient to track annual progress, as well as to provide useful information to agency managers and stakeholders.

We conducted our review from July 1999 through March 2000 in accordance with generally accepted government auditing standards.

As agreed with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report for 30 days. At that time, copies of this report will be sent to the congressional committees with jurisdiction over NRCS and its activities; the Honorable Dan Glickman, Secretary of Agriculture; and the Honorable Jacob J. Lew, Director, Office of Management and Budget. We will also make copies available to others on request.

If you have any questions about this report, please contact me at (202) 512-5138. Key contributors to this report were Triana D. Bash; Andrea W. Brown; James L. Dishmon, Jr.; and Raymond H. Smith, Jr.

Sincerely yours,

Lawrence J. Dyckman
Director, Food and
Agriculture Issues

NRCS' Strategic Objectives and Related Multiyear and Fiscal Year 2000 Performance Targets

Strategic objectives	Multiyear performance targets	FY 2000 performance goals
Healthy and productive cropland sustaining U.S. agriculture and the environment.	• By 2002, the acreage of non-highly erodible cropland eroding above T (soil loss tolerance level) will be cut by one-third from 1992 levels.	• 4 million acres of cropland protected against excessive erosion.
	• By 2002, the acreage of highly erodible cropland eroding above 2T will be cut by one-third from 1992 levels.	• Included in the above measure.
	• By 2002, 50 percent of U.S. cropland will be managed with conservation systems that enhance soil quality.	• Resource management systems applied on 6 million acres of cropland.
Healthy watersheds providing clean and abundant water supplies for people and the environment.	• By 2002, NRCS and its partners will be completing 100 priority watershed projects each year that meet the goals set by local communities for water supply, water quality, or flood protection.	• Nutrient management systems applied on 2.9 million acres. • 9,300 animal waste management systems assisted. • $914 million in annual flood prevention benefits achieved. • Irrigation water management resulting in a reduction of 7.2 million acre-inches of water applied.
	• By 2002, helped landowners and communities establish 2 million miles of buffer strips to protect watersheds and water supplies.	• 940,000 miles of conservation buffers for water quality and wildlife established (cumulative).
Healthy and productive grazing land sustaining U.S. agriculture and the environment.	• By 2002, 45 percent of U.S. rangeland will have no serious ecological or management problems.	• Resource management systems applied on 5.8 million acres of grazing land.
	• By 2002, 60 percent of U.S. permanent pastureland will have no serious ecological or management problems.	• Included in above measure.
	• By 2002, 65 percent of rangeland acreage with streams will have no serious streambank erosion taking place.	• Included in above measure.

Continued

Strategic objectives	Multiyear performance targets	FY 2000 performance goals
Healthy and productive wetlands sustaining watersheds and wildlife.	• By 2000, helped landowners and communities increase wetland functions on agricultural land.	• Wetland creation or restoration systems applied on 200,000 acres. • Wildlife (wetland and upland) habitat management applied on 3.8 million acres.
High-quality habitat on private land supporting the nation's wildlife heritage.	• By 2002, 20 million acres of cropland or pastureland will be converted to native grassland vegetation in the Midwest and the Great Plains. • By 2002, riparian habitat along 600 miles of rivers, streams, lakes, or wetlands will be restored.	• Targets to be established for native grassland conversion. • Practices included in the conservation buffer measure above are indicators of work on riparian restoration.
A strong and effective grassroots conservation partnership across the United States and its territories, commonwealths, and affiliated governments.	• (NRCS is no longer using the targets originally set out in its 1997 strategic plan for this strategic objective because they focused on internal agency process. Starting in fiscal year 2000, annual performance goals are being set on the basis of the number of group and areawide plans developed, which NRCS officials believe are better representative of its efforts under this strategic objective.)	• 2,500 group and area-wide plans developed.
(According to NRCS, the agency did not establish a strategic objective in its 1997 strategic plan for forestlands because its role in this area is not as large as in other areas. NRCS is including these performance goals because forestland was identified as a priority concern in five of the agency's six regions.)		• Forest stand improved on 270,000 acres. • Trees and shrubs established on 308,000 acres.

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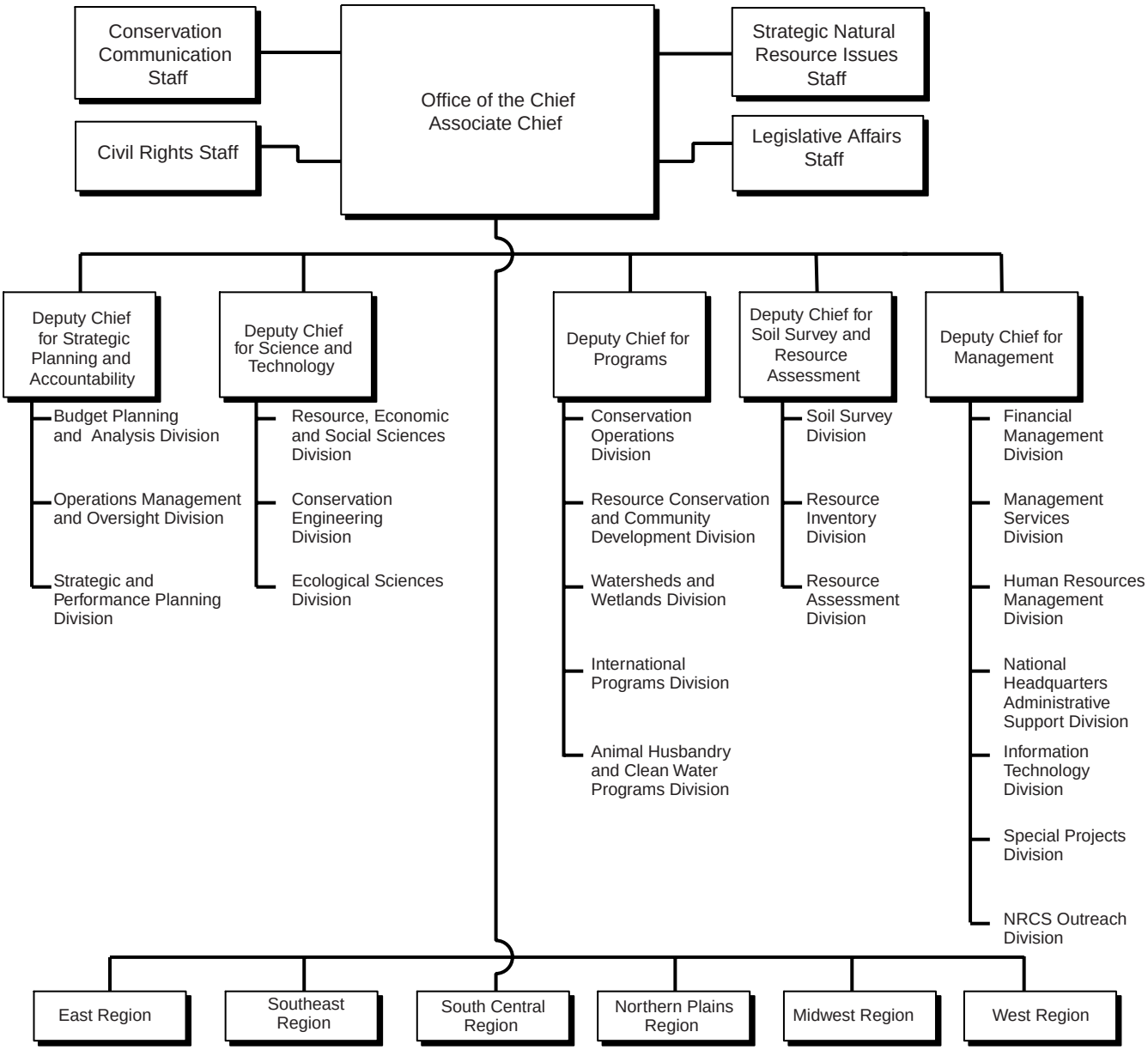
NRCS' Organization Chart



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