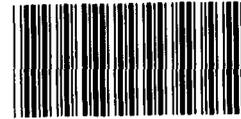


Resources, Community, and
Economic Development Division

B-252324

March 24, 1993

The Honorable Sharron S. Longino
Acting Administrator
Farmers Home Administration
U.S. Department of Agriculture

148811

Dear Ms. Longino:

Recognizing that effective internal communications are key to a well-managed organization, the Chairman of the Agricultural Credit Subcommittee, Senate Committee on Agriculture, requested that we review how the Farmers Home Administration's (FmHA) National Office and field offices communicate with each other.¹

As agreed with the requester's office, we are not proceeding at this time to a more detailed review of this area. However, we would like to bring to your attention some initial observations that we believe should be considered in order to better manage FmHA. In general, these observations raise questions about (1) the reliability of key operational statistics that county offices communicate to headquarters for management decision making and (2) the effectiveness and efficiency of the current Administrative Notice (AN) process in communicating procedures and policies to the agency's 46 state offices, 260 district offices, and 1,900 county offices.² The information in this letter is based on interviews we conducted with eight county offices and four district offices in two states, Georgia and South Carolina, and FmHA's National Office in Washington, D.C.

¹For additional information on management issues within FmHA and the U.S. Department of Agriculture (USDA), see the list of recently released GAO reports (enclosure I).

²These are 1990 figures.

COUNTY OFFICE WORK LOAD DATA MAY BE
INACCURATE AND UNVERIFIED

As with any organization, it is important for FmHA to have accurate information on the activities of its field offices. Currently, this information is developed through the County Office Operating Report (COORs). The operating report presents information on 72 different categories of work elements for each program administered by FmHA. Work load categories range from information on the number of possible borrowers inquiring about FmHA loans to the actual amount of time spent servicing each loan. Operating reports are compiled monthly by hand and mailed to FmHA's Finance Office in St. Louis, Missouri, where they are individually keyed into FmHA's data base.

Data from the operating report are then used to produce various agencywide reports, including the Resource Management System (RMS), which is FmHA's primary source for budget and production data. This system provides information that is used for field office staffing distribution, resource allocations, and cost projections. Operating report data are also used to compile the Farm and Housing Activity Report (FHAR), which is used for program management. In addition, various ad hoc reports are produced using data from operating reports in order to assist FmHA managers in making decisions on loan-making and loan-servicing activities, as well as in projecting goals and staffing levels for each office.

We did not evaluate whether the operating reports are collecting the most useful information. However, because FmHA itself has raised concerns about the accuracy and validity of operating report data, we are concerned about the accuracy of the information collected in these reports. Internal reviews conducted by FmHA officials at the state level have consistently noted that the operating reports are not a real portrayal of actual work load and are not verified for accuracy. A 1990³ FmHA nationwide trends analysis found that 30 percent of the county offices had inaccurate operating reports.

³Latest available data.

There are several ways that errors can enter the reports undetected. One source of potential errors is differences in how county staff can interpret instructions for reporting day-to-day activities in the operating reports' work categories. For example, one FmHA official in the National Office said that county staffs have always been confused about what activities constitute loan servicing and how these should be recorded in the operating reports' work categories. Likewise, FmHA officials at the state level noted that county staffs lack adequate training in completing the operating report forms and that the guides provided to assist them need to be updated.

The method of recording operating report data also allows for possible errors because it relies on county staffs to manually tabulate large quantities of data on tally sheets and then transfer this information, by hand, to the report form. A Program Review Assistant we interviewed said that errors occur from manual input because staff may not be aware of the significance of the operating report data and therefore may not put sufficient emphasis on accurately completing the report. In fact, in county and district offices we visited, staff told us that the process of manually recording monthly work load data onto the operating report is a time-consuming task and an added paperwork burden.

In addition to possible errors in the county offices' submissions, ample opportunities for mistakes occur when the data are being manually keyed into the Finance Office data base systems. Furthermore, FmHA has little assurance that mistakes made during this part of the process--or at any previous time--will be detected because the software used by FmHA's Finance Office is designed to perform only limited data verification; the office assumes all information to be correct and verified by the county supervisor. This limited verification consists of performing "edit checks" on 16 of the 72 categories. For 11 categories dealing with applications and loans, these edit checks use a mathematical formula to compare the current month's entry with the previous month's entry. If they differ by an unacceptable amount, the system rejects the county's entire operating report. For five other categories, the edit check determines only whether information has been entered--if the category is blank, the entire report is rejected. (Examples of information captured in these work categories include information on

the total number of active farm borrowers and the number of farm borrowers behind on scheduled loan payments.) The remaining 56 categories receive no formal edit check, according to staff we spoke with. (Some examples of information captured in these 56 work categories are the number of appeals cases, the number of properties in inventory, and loan-servicing elements.)

FmHA National Office staff have recommended that current information systems be enhanced to allow the county offices to directly input operating report data. Efforts are under way to modify the current system. However, state and district staff we spoke with said that similar pilot systems are already available to county offices, but field office staff prefer to use the manually compiled form. In fact, officials in FmHA's South Carolina state office, the pilot state for the proposed new system, reported that the direct input system has not saved the county offices any time or effort. If anything, the state office reported, it has added to the work load.

COMMUNICATIONS ON PROGRAM
GUIDANCE ARE UNCLEAR

FmHA uses ANs as the primary mechanism for conveying information to its field offices. ANs clarify existing FmHA instructions or provide temporary operating policies and procedures. In 1992 FmHA issued 280 ANs--in addition to 667 unnumbered letters, which are used to pass on information about day-to-day operations. Between the ANs and unnumbered letters, state, district, and county offices receive written guidance at a rate of four documents per day.

FmHA state offices have repeatedly identified these communications as inaccurate, outdated, or unclear. According to state vulnerability assessments for fiscal years 1990, 1991, and 1992, which were completed by program chiefs and district directors, 27 of 46 FmHA state offices stated that National Office policies, procedures, and instructions were too complicated, were poorly explained, and changed too often. The fiscal year 1993 vulnerability statement for the Georgia state office noted similar problems and recommended that ANs be coordinated among National Office divisions, as well as a select group of field office personnel, to determine deficiencies in clarity and instructions before issuance.

Our work supports these concerns. For example, a district director in South Carolina said that the volume of administrative information coming to the county staffs from headquarters is overwhelming. The guidance provided by the National Office changes so frequently that often staff are unsure of which AN is the most current. Additionally, according to county supervisors we interviewed, in many cases ANs issued by the National Office are often too technical and therefore unclear, which makes them difficult to understand. In these instances, district directors will convene a meeting--or conference call--to better interpret and explain the information in the AN, and in some cases the state will issue its own document clarifying the National Office's AN.

Another indication of the confusion in interpreting the National Office's ANs is the large number of ANs and unnumbered letters issued by each FmHA state office.⁴ ANs issued at the state level require only a post review by the National Office. However, some program divisions--farmer programs and housing, for example--require that ANs be reviewed by the National Office prior to issuance. Unnumbered letters issued by the state office receive a post review during the Coordinated Assessment Review process, which occurs only every 3 years. An FmHA official in Georgia told us that they use unnumbered letters rather than ANs to clarify the National Office's issuances. This practice enables them to issue program guidance while avoiding National Office review. Because other state offices may use this same technique, the National Office may not be aware of the magnitude of the problems that field staff are having interpreting ANs.

The sheer volume of National Office and state office guidance--coupled with the fact that the guidance is often complex and technical--makes it difficult to keep track of changes to policies and procedures and raises the possibility that some county offices may not be using the most current procedures. In fact, a 1985 internal USDA task force wrote to the Secretary that the agency's

⁴Our survey of all 46 FmHA state offices found that the number of state ANs issued in fiscal year 1992 ranged from a high of 166 in Iowa to a low of 7 in Puerto Rico. See enclosure 2.

administrative regulations "have gotten out of hand" and have "become substitutes for the manager's judgment and common sense."

CONCLUSIONS

While limited in nature, the work we performed has demonstrated problems with FmHA's overall communications structure. The difficulties FmHA is experiencing with its internal communications methods are important and need to be addressed. The National Office needs to have reliable information on the activities of its field offices, and the field offices need clear guidance for implementing FmHA's many diverse programs. We also recognize that there are no simple solutions. More importantly, the National Office cannot by itself be expected to analyze and develop solutions to these problems. Rather, such an effort must include all those involved in the process. In our view, one way to handle this would be to convene a working group with representation from the various levels of FmHA county, district, and state offices, as well as the National Office, to examine these problems and develop proposals to address them.

VIEWS OF AGENCY OFFICIALS

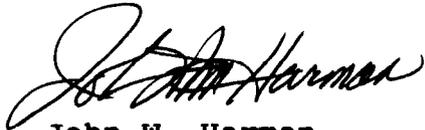
We have discussed our concerns with the Acting Deputy Administrator for Program Operations and other members of FmHA's National Office staff. The officials made a number of comments on specific points raised in this letter, and we have incorporated these comments where appropriate. In addition to specific clarifications, the officials made several general observations. With regard to the COORs system, officials said that the agency recognizes many of the problems we identified and had initiated efforts to update the system prior to our review. With respect to the AN process, however, the officials believed that we had not provided convincing evidence that serious problems exist. Among other things, they noted that the large numbers of ANs may not indicate a communications problem, given the complexity of FmHA's programs. The officials also believed that concerns raised by the field staff regarding the AN process need to be viewed in the context of a basic difference of opinion between National Office and field staff over the exact type of guidance that the National Office should provide.

B-252324

We agree that, in and of itself, a large number of ANs or concerns raised by staff may not necessarily indicate that the existing AN process is ineffective. However, as the end user of the ANs, the concerns expressed by field office staff about the effectiveness and efficiency of the AN process suggest the need to get to the heart of the National Office/field office communications problem. Accordingly, we continue to believe that the different perceptions of the National Office and field office staff support a need to explore these issues.

Our work was performed between July 1992 and February 1993. If you have any questions, please contact me at (202) 512-5138 or Bob Robertson of my staff at (202) 254-6100.

Sincerely yours,



John W. Harman
Director, Food and
Agriculture Issues

RELATED GAO PRODUCTS

Farmers Home Administration: Final Resolution of Farm Loan or Servicing Appeals (GAO/RCED-93-28, Feb. 10, 1993).

High Risk Series: Farmers Home Administration's Farm Loan Programs (GAO/HR-93-1, Dec. 1992).

Farmers Home Administration: Billions of Dollars in Farm Loans Are at Risk (GAO/RCED-92-86, Apr. 3, 1992).

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

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

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

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

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

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

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

STATE ANs AND UNNUMBERED LETTERS ISSUED IN FISCAL YEAR 1992

State	No. of state ANs	No. of unnumbered letters
Alabama	a	
Alaska	23	79
Arizona	99	b
Arkansas	a	
California	a	
Colorado	139	None
Delaware	60	None
Florida	57	None
Georgia	59	113
Hawaii	21	None
Idaho	103	c
Illinois	102	None
Indiana	88	None
Iowa	166	1
Kansas	142	182
Kentucky	98	d
Louisiana	36	b
Maine	36	e
Massachusetts	a	
Michigan	74	b
Minnesota	112	201
Mississippi	66	100
Missouri	a	
Montana	134	14
Nebraska	148	132
New Jersey	63	None

State	No. of state ANs	No. of unnumbered letters
New Mexico	129	^b
New York	50	84
North Carolina	62	194
North Dakota	120	286
Ohio	102	138
Oklahoma	81	41
Oregon	^a	
Pennsylvania	55	145
Puerto Rico	7	97
South Carolina	89	^b
South Dakota	118	None
Tennessee	28	22
Texas	39	9
Utah	132	None
Vermont	36	176
Virginia	97	None
Washington	45	60
West Virginia	22	None
Wisconsin	157	40
Wyoming	57	^b

^aSix states did not respond to our request for information. No reason was given.

^bAccording to FmHA officials in the state office, the state does not maintain a list of unnumbered letters.

^cAccording to FmHA staff in the Idaho state office, to alleviate the paperwork burden, they do not issue unnumbered letters.

^dPer a telephone conversation with FmHA staff in the Kentucky state office, the office does not maintain a list of unnumbered letters.

However, unnumbered letters are used to clarify FmHA National Office ANs.

*The FmHA state office in Maine could provide only a partial listing of unnumbered letters issued in fiscal year 1992; therefore, we did not estimate a number for this category.

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