United States General Accounting Office

GAO

Report to the Ranking Minority Member, Committee on Governmental Affairs, U.S. Senate

August 2001

DEPARTMENT OF AGRICULTURE

Status of Achieving Key Outcomes and Addressing Major Management Challenges

GAO

Accountability * Integrity * Reliability

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United States General Accounting Office
Washington, DC 20548

August 23, 2001

The Honorable Fred Thompson
Ranking Minority Member
Committee on Governmental Affairs
United States Senate

Dear Senator Thompson:

As you requested, we reviewed the U. S. Department of Agriculture's (USDA) fiscal year 2000 performance report and fiscal year 2002 performance plan required by the Government Performance and Results Act of 1993 (GPRA) to assess the agency's progress in achieving selected key outcomes that you identified as important mission areas for the agency.[1] USDA presented one performance report with agency-by-agency coverage and 1 departmental and 24 agency and office performance plans. We reviewed the same outcomes we addressed in our June 2000 review of the agency's fiscal year 1999 performance report and fiscal year 2001 performance plans to provide a baseline by which to measure the agency's performance from year-to-year.[2] These selected key outcomes are

- ensuring an adequate and reasonably priced food supply;
- opening, expanding, and maintaining global market opportunities for agricultural producers;
- reducing hunger and ensuring food for the hungry;
- ensuring a safe and wholesome food supply; and
- reducing food stamp fraud and error.

As agreed, using the selected key outcomes for USDA as a framework, we (1) assessed the progress USDA has made in accomplishing these outcomes and the strategies the agency has in place to achieve them; and

[1] This report is one of a series of reports on the 24 Chief Financial Officers (CFO) Act agencies' fiscal year 2000 performance reports and fiscal year 2002 performance plans.

[2] *Observations on the U.S. Department of Agriculture's Fiscal Year 1999 Performance Report and Fiscal Year 2001 Performance Plan* (GAO/RCED-00-212R, June 30, 2000).

(2) compared USDA's fiscal year 2000 performance report and fiscal year 2002 performance plan with the agency's previous year performance report and plan for these outcomes.[3] Additionally, we agreed to analyze how USDA addressed its major management challenges, including the governmentwide high-risk areas of strategic human capital management and information security, that we and USDA's Office of Inspector General identified. Appendix I provides detailed information on how USDA addressed these challenges.

Results in Brief

USDA made progress in achieving the selected key outcomes while recognizing that, in some areas, more progress is needed to meet its goals. As advised by the Congress and as we suggested, USDA developed for the first time a departmentwide annual performance plan, which contains five broad departmental strategic goals. USDA's new plan represents a significant improvement by focusing on the department's central missions—a focus that was absent last year when USDA's plans contained 1,700 goals and did not identify the department's priorities. While the new plan is improved, it is a work-in-progress that could more clearly link the departmental strategies and goals and individual agency performance plans. Information related to each outcome follows:

- Planned Outcome: Ensuring an Adequate and Reasonably Priced Food Supply

  Although USDA did not select this outcome as a key departmental goal in its fiscal year 2002 plan, the department views this as an important outcome and reported making some progress. For example, USDA reported that it met its goals for stabilizing peanut and tobacco prices and maintaining the economic viability of peanut and tobacco producers. USDA includes important annual performance goals related to this outcome under the department's first strategic goal of expanding economic and trade opportunities for U.S. agricultural producers. This departmental strategic goal is mainly concerned with developing creative solutions to ensure the long-term profitability and

[3] Under GPRA, annual performance plans are to clearly inform the Congress and the public of (1) the annual performance goals for agencies' major programs and activities, (2) the measures that will be used to gauge performance, (3) the strategies and resources required to achieve the performance goals, and (4) the procedures that will be used to verify and validate performance information. These annual plans, issued soon after transmittal of the president's budget, provide a direct linkage between an agency's longer-term goals and mission and day-to-day activities. Annual performance reports are to subsequently report on the degree to which performance goals were met.

sustainability of U.S. agriculture. The plan contains performance goals such as those to improve farmers' incomes, reduce pest and disease outbreaks, and expand international sales opportunities for U.S. agricultural products.

- Planned Outcome: Opening, Expanding, and Maintaining Global Market Opportunities for Agricultural Producers

  USDA reported progress in achieving this outcome. However, it is difficult to isolate and measure the extent of USDA's progress because some of the key measures are affected by variables that extend beyond the department's authority and capability. For example, the decrease in the value and volume of U.S. agricultural exports over the last several years is generally recognized to be the result of deteriorating economic conditions in the Asian market that could not be overcome by USDA policy or activities. In its fiscal year 2002 performance plan, USDA presents a number of strategies that are relevant to this important federal activity. USDA states its intention to develop an integrated long-range marketing plan to work with the private sector to expand sales of agricultural products abroad. In most instances, these strategies do not yet contain adequate explanations of the key elements that will facilitate success such as operational concepts and methods and human capital and technological resources that are necessary to achieve its goals. Moreover, the department does not provide mitigation strategies to explain how it would adapt to changing global conditions.

- Planned Outcome: Reducing Hunger and Ensuring Food For the Hungry

  USDA reported continued progress in fiscal year 2000 toward achieving this outcome and that its performance exceeded that of fiscal year 1999. For example, the department reported meeting its goals for distributing food nutrition education information to low-income Americans. USDA's fiscal year 2002 departmental performance plan contains general strategies for achieving this outcome—such as the strategy to "effectively deliver assistance to eligible people" that provides little insight into how progress is to be achieved. USDA's Food and Nutrition Service—the agency primarily responsible for achieving these strategies—has not yet drafted a performance plan for fiscal year 2002—so we could not determine how well its agency goals and measures support the departmental plan.

- Planned Outcome: Ensuring a Safe and Wholesome Food Supply

  USDA reported that it met or exceeded nearly all of its fiscal year 2000 performance goals related to this outcome. It reported, for example, that it met its target for implementing the new scientific-based food safety system for federally inspected meat and poultry plants. In USDA's fiscal year 2002 departmental performance plan, it generally provides clear strategies for achieving this outcome. For example, one clear set of strategies to improve USDA's reviews of foreign food safety programs includes intensifying the reviews of animal feeds, animal identification, and process control systems in countries exporting meat and poultry products to the United States.

- Planned Outcome: Reducing Food Stamp Fraud and Error

  USDA reported continued progress toward achieving this outcome and it met or exceeded many of its fiscal year 2000 performance goals. The department, for example, reported exceeding its target for payment accuracy in delivering Food Stamp Program benefits. It also reported collecting about $216 million in overpayments to recipients in fiscal year 2000, exceeding its original target of collecting $194 million. The fiscal year 2002 performance plan contains strategies for meeting this outcome, but they are too general to demonstrate how it would further reduce fraud and error in its Food Stamp Program. For example, the plan does not include a discussion of sanctions against retail stores that traffic in food stamps—a violation of program requirements. A recent Food and Nutrition Service study estimated that stores each year illegally provided cash for benefits (trafficking of benefits) totaling about $660 million.

Although USDA has additional work to do on the outcomes that we reviewed, its fiscal year 2000 performance report and fiscal year 2002 performance plan show improvement over the prior year's report and plan. In particular, the fiscal year 2002 performance plan presented USDA as a single department with clear missions, rather than a collection of separate agencies with a diversity of loosely related roles. While this plan is a welcome development, we found that it is also a work-in-progress. The plan could be strengthened by improving linkages among important key outcomes, goals and indicators, and the strategies for achieving the key outcomes. For example, the plan recognized departmentwide strategic human capital management issues, such as emerging skill gaps and the need for staff to shift to a greater use of technology. However, the plan did not link measurable goals and strategies for addressing these and other human capital management issues discussed in the plan. Additionally, we found that the departmental plan could more consistently link to some of USDA's individual agencies' plans, and thereby improve accountability for achieving the departmental goals. In transmitting USDA's fiscal year 2002 performance plan, the Secretary recognized the plan as a beginning effort that will be replaced, once USDA's new leadership team is in place, by another plan that better reflects the administration's priorities.

Of the 10 management challenges identified by GAO, we found that USDA's performance report and plan generally discussed the department's progress, except that the fiscal year 2000 performance report did not include the two governmentwide major management challenges identified by GAO—strategic human capital management and information security. USDA acknowledged multiple strategic human capital management issues in its fiscal year 2002 plan, such as skill gaps in its workforce, but it does not include performance goals and measures for addressing the specific challenges it identified. Similarly, USDA identified the need to strengthen departmentwide information security, but it does not provide performance goals or measures for addressing this management challenge. Finally, USDA did not recognize or address all of the management challenges identified by its own Office of Inspector General (OIG). We found that the OIG did not provide a copy of its letter to congressional requesters identifying major management challenges to each affected USDA agency.

We are recommending that the Secretary of Agriculture set priorities for improving the timeliness of data used for reporting on performance goals and measures; provide more consistent discussions of data verification and validation; better match the department's goals with its capabilities for expanding and maintaining global market opportunities; include performance goals and measures for strategic human capital management and information security in USDA's departmental plan; and include in its departmental plan an annual performance goal for reducing food stamp trafficking. We are also recommending that the Secretary address the major management challenges identified by USDA's OIG in its future performance plans.

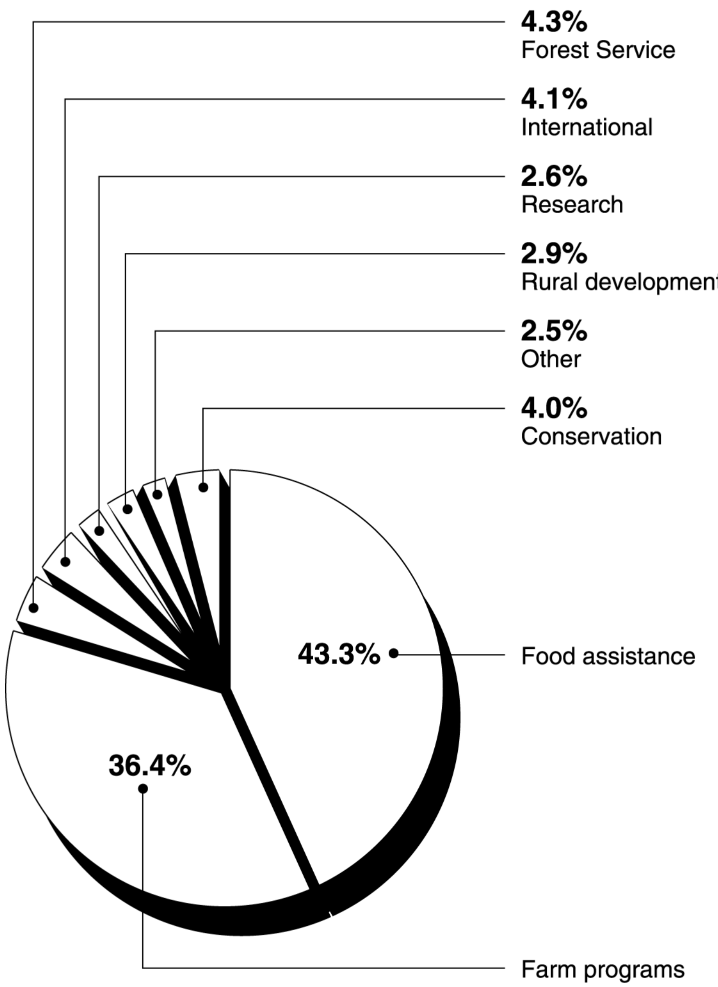
We obtained oral comments on a draft of our report from the Department of Agriculture. USDA generally agreed with the information presented in the draft report. However, USDA OIG officials disagreed with one recommendation that calls for them to facilitate the discussion of major management challenges in USDA's performance plan. We modified our recommendation based on these comments. USDA officials also disagreed with our recommendation to improve the departmental strategic performance goal and maintained that its measure—U.S. global market share—is the ultimate performance measure describing overall changes in international markets. We retained our recommendation because we believe that USDA has relatively little influence on overall U.S. global market share and therefore should select a departmental performance goal that is more in keeping with USDA's actual influence over international market events.

Background

GPRA is intended to shift the focus of government decisionmaking, management, and accountability from activities and processes to the results and outcomes achieved by federal programs. New and valuable information on the plans, goals, and strategies of federal agencies has been provided since federal agencies began implementing GPRA. The fiscal year 2002 performance plan is the fourth of these annual plans under GPRA. The fiscal year 2000 performance report is the second of these annual reports under GPRA. The issuance of the agencies' performance reports, due by March 31, 2001, represents a new and potentially more substantive phase in the implementation of GPRA—the opportunity to assess federal agencies' actual performance for the prior fiscal year and to consider what steps are needed to improve performance and reduce costs in the future.

USDA is one of the nation's largest federal agencies, employing over 110,000 people and managing a budget of over $78 billion. Its agencies and offices are responsible for operating more than 200 programs. These programs support the profitability of farming, promote domestic agricultural markets and the export of food and farm products, provide food assistance for the needy, ensure the safety of the nation's food supply, manage the national forests, protect the environment, conduct biotechnological and other agricultural research, and improve the well being of rural America.

Figure 1: Estimated Percent of Total Outlays for USDA’s Major Activities



Fiscal Year 2000 estimated outlays—$78.6 Billion

Source: USDA’s Strategic Plan for Fiscal Year 2000-2005.

Assessment of USDA's Progress and Strategies in Achieving Selected Key Outcomes

This section discusses our analysis of USDA's performance in achieving the selected key outcomes and the strategies the agency has in place to achieve these outcomes, particularly for strategic human capital management and information technology.[4] In discussing these outcomes, we have also provided information drawn from our prior work on the extent to which the department provided assurance that its reported performance information is credible.

An Adequate And Reasonably Priced Food Supply

USDA's fiscal year 2000 performance report, which was issued in March 2001, indicated that the department continued to make some progress toward achieving this outcome. For example, USDA reported that it met its goals for stabilizing peanut and tobacco prices and maintaining the economic viability of peanut and tobacco producers. However, it is difficult to assess USDA's progress because the department did not provide an overall evaluation of this outcome in its report. According to the performance report, USDA met about 72 percent of the performance goals related to this outcome, less than last year when USDA reported it met over 80 percent of its goals.

USDA did not select the outcome of providing an adequate and reasonably priced food supply as a key departmental strategic goal in its fiscal year 2002 performance plan, which was issued in June 2001. Some of USDA's efforts to achieve this outcome are discussed under the top ranked departmental strategic goal of expanding economic and trade opportunities for U.S. agricultural producers and a USDA official stated that this outcome continues to be important for the department. USDA's discussion of this strategic goal stated that farming and ranching is being transformed by changes in biological and information technology, environmental and conservation concerns, greater threats from pests and diseases spreading across continents, natural disasters and the industrialization of agriculture, and globalization of markets. Under this goal, USDA chose as its first objective to provide an effective safety net and to promote a strong, sustainable U.S. farm economy.[5] USDA explained

[4] GAO has selected strategic human capital management and information technology as governmentwide high-risk areas. Key elements of modern human capital management include strategic human capital planning and organizational alignment; leadership continuity and succession planning; acquiring and developing staffs whose size, skills, and deployment meet agency needs; and creating results-oriented organizational cultures.

[5] A safety net for farmers is mainly providing farm income assistance to help farmers maintain a profitable operation when there are collapses in market commodity prices, decreases in crop yields, and/or natural disasters.

that if it is to achieve its goal of promoting a strong farm economy that is less dependent of government support, then it must also place a heavy emphasis on helping farmers proactively manage the risks inherent in agriculture and improve farmers income. USDA's second objective under this strategic goal is to expand export markets—USDA illustrated the opportunity for exports by estimating that 96 percent of American agriculture's potential customers reside outside the United States. Some of the performance goals presented for this strategic goal are to improve farmers' incomes, reduce pest and disease outbreaks, and expand international sales opportunities.

Opening, Expanding, and Maintaining Global Market Opportunities for Agricultural Producers

USDA reported progress in fiscal year 2000 that was similar to its performance last year in that it met some of its goals and indicators for this outcome. USDA stated that it exceeded its targets for two key goals. The gross trade value of markets created, expanded, or retained annually due to market access activities reached $4.35 billion, significantly higher than its $2 billion target. USDA attributed $2 billion of this gain to negotiations on China's accession to the World Trade Organization in fiscal year 2000. Similarly, annual sales, which were reported by U.S. exporters from on-site sales at international trade shows, reached $367 million in fiscal year 2000, compared to USDA's target of $250 million. Despite these successes, USDA fell short in meeting other goals. The department reported $837 million in U.S. agricultural exports resulted from the implementation of trade agreements under the World Trade Organization, below its target of $2 billion. It also reported that the total value of U.S. agricultural exports supported by its export credit guarantee programs reached $3.1 billion, falling short of its $3.8 billion target.

USDA uses a questionable methodology for measuring the success of its efforts to expand and maintain global markets for U.S. agricultural products. USDA's goals and indicators emphasize growth in the U.S. share of the global agricultural market—measured by changes in the dollar value of exports resulting from the implementation of trade agreements, market access enhancements, sales from annual trade shows, and agricultural exports. Yet, the dollar value of exports is subject to powerful external variables that transcend USDA's authority and ability to affect change in international trade. These variables include exchange rates, government policies, global and national economic conditions, climactic changes, and numerous other factors over which USDA has no control or strategies to address. For example, the decrease in the value and volume of U.S. agricultural exports over the last several years is generally recognized by economists, government officials, and private sector representatives to be the result of deteriorating economic conditions, particularly in the Asian market, over which USDA has no control. USDA's Economic Research Service has consistently held that U.S. agricultural export performance results more from market forces, which include multiple variables beyond the control of USDA, than from the actions of the U.S. government to expand international market opportunities. Along with other research institutions, it has confirmed that the decline in the value of U.S. agricultural exports from $60 billion in fiscal year 1996 to $50.9 billion in fiscal year 2000 was not attributable to U.S. government trade policies, programs, and activities. It further observed that USDA programs typically have a limited effect on the dollar value of U.S. exports and market share. We have previously raised questions about the extent of the relationship between USDA's export policies and programs and increased exports.[6]

USDA's fiscal year 2002 plan is based on the assumption that government policies, programs, and activities have a significant influence on the U.S. share of the global agricultural market. USDA has set a goal to increase exports by $14 billion by fiscal year 2010, or about 22 percent of the global market. This level would return the United States to the same global market share it held in the early 1990s. USDA's plan is consistent with the assumption that the government's impact is enhanced when the government works with the private sector to create a facilitative environment to expand sales of agricultural products abroad. USDA's strategies are to include a long-range integrated marketing plan, which would provide a generalized framework that goes beyond the traditional narrow and short-term programmatic and reactive export oriented approaches. Among its goals are those for (1) developing a long-range marketing plan that enlists USDA's network of domestic and foreign field offices in an effort to assist U.S. producers in capturing new market opportunities, (2) partnering with private U.S. market development groups to leverage resources aimed at expanding market opportunities abroad for U.S. food and agricultural products, (3) expanding U.S. access to foreign markets through active participation in the World Trade Organization and international trade forums, and (4) continuing to monitor international trade agreements and negotiating new agreements to open overseas markets to U.S. food and agricultural products. However, what is not yet spelled out are the key elements of the integrated marketing plan that will move beyond a generalized concept to the reality of specific actions that

[6] *U.S. Agricultural Exports: Strong Growth Likely But U.S. Export Assistance Programs' Contribution Uncertain* (GAO/NSIAD-97-260, Sept. 30, 1997) and *Agricultural Trade: Changes Made to Market Access Program, but Questions Remain on Economic Impact* (GAO/NSIAD-99-38, Apr. 5, 1999).

will lead to success. Among the elements that could be further addressed would be the organizational structure, the human capital and technological resources, and the operational concepts and methods that will actually enable USDA to meet its global marketing objectives.

USDA's Foreign Agricultural Service said that its plans are necessarily generalized at this point in time and should be considered as their first steps in developing an integrated marketing plan. The Service also said that it would be instituting quarterly reporting to track progress. In addition, the Service disagreed with our views about its departmental level strategic performance goal to affect U.S. market share, and said that it believed it had selected the ultimate measure of change for international agricultural markets. However, as previously discussed, we disagree with the selection of this goal because USDA's activities have little influence on the overall level of international market shares. Since the GPRA was designed to lead to better insights into the performance of government, USDA will need to adopt a realistic departmental performance goal to meet this purpose.

Food for the Hungry

According to its performance report, USDA reported continued progress toward this outcome and met about 80 percent of its goals. USDA's performance exceeded that of fiscal year 1999. For example, the department reported meeting its goals for distributing food nutrition education information to low-income Americans, for increasing the number of schools that meet USDA's dietary guidelines, and for improving the effectiveness and efficiency of commodity acquisition and distribution to support domestic and international food assistance programs. Some of the goals do not have specific performance targets, so it is not always clear what USDA is actually accomplishing. For example, USDA determined that it is meeting its goal of improving the nutritional status of Americans by such actions as distributing revised dietary guidelines and by promoting media coverage, and observing seminar attendance and web-page usage related to improved nutrition and diet. These measures of performance do not tell us whether USDA's actions are improving Americans' nutritional status.

USDA's fiscal year 2002 departmental performance plan contains many general strategies for achieving its goals and measures. For example, one general strategy called for reallocating funds from areas with excess funds to areas with high demand for the Special Supplemental Nutrition Program for Women, Infants, and Children. However, some of the general strategies make it difficult to assess USDA's progress. For example, USDA's goal to improve food security for children and low-income individuals calls for expanding program access to the needy—and the plan's strategies for doing this involves "effectively delivering assistance" and "continuing efforts" to ensure that the Food Stamp Program is accessible. Such strategies provide little insight into the specific actions USDA intends to take to achieve its goals. In addition, at the time of our review, USDA's Food and Nutrition Service, the agency primarily responsible for this outcome, had yet to draft a performance plan for fiscal year 2002. The detailed goals and strategies that the agency level plan would contain are needed to support USDA's departmental plan. The Acting Administrator of the Food and Nutrition Service reported that the agency is assembling a policy team and will issue a draft performance plan after the team is selected.

A Safe and Wholesome Food Supply

According to its performance report, USDA met or exceeded nearly all of its fiscal year 2000 performance goals for ensuring a safe and wholesome food supply. USDA stated that it met its goals for key areas, such as the percentage of federally inspected meat and poultry slaughter and/or processing plants that had implemented the basic hazard analysis and critical control points (HACCP) requirements. GAO issued a report on this subject in 1997.[7] USDA also reported that it exceeded its goal for the number of reviews it conducted of foreign meat and poultry food safety programs to ensure their compliance with U.S. safety standards. GAO also issued a report on this subject in 1998.[8] When performance goals were not met, USDA generally provided specific explanations, including describing external factors when applicable, for not achieving the performance goals. For example, USDA reported that it fell short of meeting its goal for deploying 607 computers to state inspection programs because 4 states did not have the funding available to meet their 50-percent share of the computers' costs. In another example, USDA did not meet its goal to perform 68,000 laboratory tests, falling short of its target by 8,000 tests. USDA did not provide any additional strategies for achieving this goal in the following fiscal year, but it stated that it believed many of the difficulties in meeting the goal have been alleviated by the implementation of the new HACCP system.

[7] *Food Safety: Fundamental Changes Needed to Improve the Nation's Food Safety System* (GAO/T-RCED-98-24, Oct. 8, 1997).

[8] *Food Safety: Federal Efforts to Ensure the Safety of Imported Foods Are Inconsistent and Unreliable* (GAO/RCED-98-103, Apr. 30, 1998).

USDA's fiscal year 2002 performance plan describes several strategies to ensure a safe and wholesome food supply. Such strategies include (1) strengthening laboratory and risk assessment capabilities, (2) implementing a HACCP system for eggs, and (3) strengthening its foreign food safety program efforts. These strategies generally provided a clear description of USDA's approach for reaching its performance goals. For example, USDA described a strategy that seeks to improve its foreign food safety program review efforts by intensifying reviews of animal feeds, animal identification, and process control systems in countries exporting meat and poultry products to the United States. However, the strategies did not show how USDA plans to address and overcome the fundamental problem it faces in this area—the current food safety system is fragmented with as many as 12 different federal agencies administering over 35 laws regarding food safety. USDA's plan states that the creation of a single federal food safety agency, as previously recommended by us, extends beyond the legal scope of any one federal agency. We have maintained that until this fragmented system is replaced with a risk-based single food agency, the U.S. food safety system will continue to under perform.[9] USDA pointed out that it does not have the authority to merge with other federal agencies and form a single food safety agency. (See app. I.)

Food Stamp Fraud and Error

According to its performance report, USDA met or exceeded many of its fiscal year 2000 goals and made progress toward reducing food stamp fraud and error.[10] The department, for example, reported exceeding its goal for payment accuracy rate in the delivery of Food Stamp Program benefits and stated that it would support continued improvements by seeking opportunities to simplify program rules—a recommendation made by us in a recent report on reducing payment errors.[11] It also reported collecting about $219 million in overpayments to recipients in fiscal year 2000, which exceeded its original target of collecting about $194 million. In some instances, USDA fell short of meeting its goals for this outcome. For example, USDA did not meet its goal for increasing the percentage of debt owed by retailers who were delinquent on their food stamp payments that was referred to Treasury, and it narrowly missed its goal for the number of

[9] *Food Safety: U.S. Needs a Single Agency to Administer a Unified, Risk-Based Inspection System* (GAO/T-RCED-99-256, Aug. 4, 1999).

[10] Food stamp fraud is a crime, and error refers to administrative problems such as incorrectly calculated benefit payments.

[11] *Food Stamp Program: States Seek to Reduce Payment Errors and Program Complexity* (GAO-01-272, Jan. 19, 2001).

retailers sanctioned for not meeting regulatory requirements. In those instances when goals were not met, USDA generally provided specific explanations for not achieving them. For example, the department reported that it did not meet its goal for referring to the Treasury Department cases of food stamp retailers with delinquent debts for collection because it did not submit cases in a timely manner and because of shortcomings in the processing of such referrals.

USDA did not base its fiscal year 2000 performance report assessments on actual performance data in some cases. For example, for two performance goals—maintain payment accuracy in the delivery of Food Stamp Program benefits and the number of states qualifying for enhanced funding based on high payment accuracy—the department reported progress from fiscal year 1999, and it stated that it would meet its fiscal year 2000 performance goals based on "early indications" and planned activities. USDA also recognized that actual data would be available 3 months after the performance report was issued, which represents an improvement in data reporting. Nevertheless, the absence of timely performance data makes it difficult for USDA and others to annually assess performance and determine if changes in strategies are needed.

USDA's fiscal year 2002 departmental performance plan contained several strategies for reducing food stamp fraud and error. USDA stated that it intended to continue to improve the accuracy and consistency of its quality control system and support state efforts to improve food stamp benefit accuracy through technical assistance and by using the best practices for information-sharing. However, the departmental plan did not have specific strategies to demonstrate how USDA would achieve its strategic goals and objectives. In some instances, a discussion of goals, objectives, and strategies directly related to this key outcome were not included. For example, the plan did not include a discussion of how it would deal with retail stores that violate program requirements. A recent Food and Nutrition Service study estimated that stores each year illegally provided cash for benefits (trafficking of benefits) totaling about $660 million. USDA's departmental plan also did not specifically discuss the Food and Nutrition Service's targets or measures for reducing trafficking in food stamps, and it does not contain details on the strategies to be used to reduce fraud and error in the Food Stamp Program. The details of these strategies may be included in the Food and Nutrition Service's agency level performance plan for fiscal year 2002, which has not yet been prepared. Additionally, we have identified efforts to reduce fraud and error in the food stamp program as a major management challenge. (See app. I.)

Comparison of USDA's Fiscal Year 2000 Performance Report and Fiscal Year 2002 Performance Plan With the Prior Year Report and Plan for Selected Key Outcomes

For the selected key outcomes, this section describes major improvements or remaining weaknesses in USDA's (1) fiscal year 2000 performance report in comparison with its fiscal year 1999 report, and (2) fiscal year 2002 performance plan in comparison with its fiscal year 2001 plan. It also discusses the degree to which the agency's fiscal year 2000 report and fiscal year 2002 plan addresses concerns and recommendations by the Congress, GAO, USDA's OIG and others.

Comparison of Reports

- The fiscal year 2000 report continues to provide a comprehensive review and detailed discussions of the current performance, and in most cases, the reports for fiscal years 1999 and 2000 include appropriate explanations of the goals and measures.
- However, USDA could improve its future reports as it develops more current data for reporting on its performance goals and measures.

Comparison of Plans

- The fiscal year 2002 plan was streamlined considerably and organized around five departmental strategic goals, a significant improvement over last year's plan.
- The plan also included a more thorough and consistent presentation and discussion of data verification and validation issues than the previous year's plan.
- However, USDA can improve linkages among the strategies, outcomes, and goals it has set department-wide and between the departmental and individual agency plans.

Comparison of Performance Reports for Fiscal Years 1999 and 2000

USDA's fiscal year 2000 performance report presentation has remained largely unchanged compared with the prior year's report. Specifically, the report continued to be an agency-by-agency discussion of its progress without an overview presenting a picture of the department's overall performance. As discussed previously, the fiscal year 2000 performance report has limitations such as its reliance on narrative measures that track agency actions but that do not provide information about the impacts of the agency's performance. There are also areas where the data is limited and of questionable reliability—USDA has reported that the vast scale and complexity of its programs present major management challenges in terms of the availability of accurate, credible, and timely performance data. For example: (1) the Foreign Agricultural Service reported that it has limited resources for tracking issues related to the World Trade Organization and barriers in foreign markets leading to errors and limitations in data verification; (2) USDA's estimates of the populations that are participating in food stamp and other nutrition assistance programs are generally not available in time for preparing its annual performance reports; (3) USDA has relied on data about school food services that is collected informally and without standardized procedures because of opposition to the collection of this data; and (4) USDA reported that its data on agricultural producers' awareness of risk management alternatives had not been collected consistently from state to state.

In addition, the fiscal year 2000 performance report varied from providing a detailed discussion of USDA's data verification and validation efforts, to little or no information about its data accuracy. In many cases, USDA did not provide information on the steps that were taken to verify and validate the data. For example, concerning the performance goal to eradicate a common animal disease, the report simply stated that staff members are responsible for ensuring the reliability and accuracy of the data. Also, UDSA did not report on the reliability of the information reported by the Cooperative State Research, Education, and Extension Service, which relies on the accomplishments and results reported by the universities receiving its research funds.

Comparison of Performance Plans for Fiscal Years 2001 and 2002

USDA developed a new departmental plan for fiscal year 2002 that is significantly different than its 2001 plan. The fiscal year 2002 plan provided, for the first time, a departmentwide approach to performance management. This streamlined presentation consolidated the more than 1,700 agency specific performance goals and measures it presented in 2001 into 5 departmental strategic goals, 56 annual performance goals, and 79 measures for fiscal year 2002. The departmental strategic goals USDA selected were as follows: (1) expand economic and trade opportunities for U.S. agricultural producers; (2) promote health by providing access to safe, affordable, and nutritious food; (3) maintain and enhance the nation's natural resources and environment; (4) enhance the capacity of all rural residents, communities, and businesses to prosper; and (5) operate an efficient, effective, and discrimination-free organization. The new departmental plan is supported by agency-level annual performance plans that offer more detailed information on evolving strategies, priorities, and resource needs.

We found USDA's new plan to be a work-in-progress, as discussed throughout this report. USDA did not consistently provide the detailed strategies that were needed for achieving its departmental goals. Of the 56 annual performance goals in the departmental plan, 33 goals do not contain overall performance targets against which to measure overall progress. For each of these 33 goals, USDA provided various performance indicators, some of which contain performance targets that are representative measures of progress. Also, there were goals that were substantially affected by external factors beyond the scope of USDA's activities. Examples include the goals to (1) grow the U.S share of the global agriculture market, even though USDA's programs have a limited effect on the total dollar value of U.S. exports, and (2) enhance the capacity of all rural residents, communities, and businesses to prosper, when the scope of USDA's rural assistance programs is not designed to provide for a comprehensive federal effort in this area. Moreover, in the Secretary's message transmitting the fiscal year 2002 plan, the Secretary stated that she had not thoroughly reviewed the new strategic plan, did not have a full leadership team in place, and recognized that more needed to be done. The Secretary also stated that once USDA's full leadership team is in place, it will be working to conduct a top-to-bottom review of the department's programs, and will develop new strategic and annual performance goals to carry out this administration's priorities.

Additionally, in response to our prior GPRA reviews, USDA included two new sections in its 2002 performance plan—one that includes a discussion of data verification and validation by each performance goal and one that recognizes major management challenges identified by GAO. The discussion of USDA's data and its sources is a valuable addition to USDA's plan because it provides a more consistent picture of the data USDA uses, the steps USDA takes to verify its data, and the limitations that need to be taken into account.

USDA's Efforts to Address its Major Management Challenges Identified by GAO

GAO has identified two governmentwide high-risk management challenges: strategic human capital management and information security. Regarding human capital management, USDA's plan contains a key outcome—to ensure USDA has a skilled, satisfied workforce and strong prospects for retention of its best employees. The plan recognized emerging skill gaps, high retirement eligibility rates, and the need for staff to shift to a greater use of technology as departmental strategic issues. However, USDA has identified only one human capital performance measure—an employee satisfaction survey—which would not measure the closing of skill gaps, the retention of critical employees, or changes related to the use of new technology. Furthermore, the extent of the discussion of human capital strategies in USDA's individual agency plans varies. For example, the plans of the Farm Service Agency and the Food Safety and Inspection Service did not discuss human capital issues, and the Food and Nutrition Service has not completed a plan. With respect to information security, we found that the Chief Information Officer's performance report did not explain its progress in implementing its August 1999 action plan for improving departmentwide information security, or time frames and milestones for doing so. In addition, USDA's performance plan did not have departmental goals and measures related to this important area. In commenting on a draft of this report, USDA officials stated that progress had been made in implementing their August 1999 action plan to strengthen information security and agreed that USDA's annual performance plan could be improved by including information security performance goals and measures.

GAO has also identified 10 major management challenges facing USDA. USDA's performance report discussed the agency's progress in resolving many of its challenges, and its performance plan had (1) goals and measures that were directly related to seven of the challenges, (2) goals and measures that were indirectly applicable to two of the challenges, and (3) no goals and measures related to one of the challenges. Appendix I provides detailed information on how USDA addressed these challenges and high-risk areas as identified by both GAO and the agency's Inspector General. However, USDA did not recognize or address some of the management challenges identified by its own Inspector General because according to USDA officials, the Office of the Inspector General did not send a copy of its letter to the affected USDA agencies.

Conclusions

USDA's fiscal year 2000 performance report and fiscal year 2002 performance plan have the potential for focusing the department's missions, but these efforts are compromised in a number of areas. USDA's goals and measures are too general to give insight into the actual achievements that USDA is striving to make. In particular, it is difficult to assess USDA's progress when it uses unrealistic goals to achieve strategic outcomes and when it uses untimely data that has not been consistently verified. In two particular areas—strategic human capital management and information security—the process of measuring USDA's performance could be improved by including goals and measures in USDA's annual performance plan. Finally, USDA missed the opportunity to develop strategies and plans to respond to the major management challenges identified by the OIG.

Recommendations for Executive Action

To improve USDA's performance reporting and planning, we recommend that the Secretary of Agriculture (1) set priorities for improving the timeliness of the data that USDA is using for measuring its performance; (2) improve USDA's performance report by including more consistent discussions of data verification and validation; (3) better match the department's goals and outcomes with its capabilities for expanding and maintaining global market opportunities; (4) include performance goals and measures for strategic human capital management issues and information security issues in the departmental performance plan; (5) make reducing food stamp trafficking an annual performance goal in USDA's plan; and (6) address and include the Office of Inspector General's major management challenges in future performance plans. To facilitate our last recommendation, we also recommend that the Inspector General work with the Chief Financial Officer and USDA agency officials in identifying and including major management challenges in USDA's performance plans.

Agency Comments

We provided USDA with a draft of this report for its review and comment. USDA chose to meet with us to provide oral comments, and we met with the Acting Chief Financial Officer and other officials from the department on August 13, 2001, to discuss these comments. The Acting Chief Financial Officer said that the department generally agreed with the information presented in the draft report. USDA officials also provided the following comments.

Regarding major management challenges, USDA agency officials questioned whether there is a requirement for USDA to report on major management challenges as part of its performance plan and to include related performance goals. Our review, as requested, included an assessment of USDA's progress in addressing its major management challenges. In addition, OMB Circular A-11 states that federal agencies should include a discussion of major management challenges in their annual performance plans and present performance goals for these challenges.

USDA's OIG disagreed with our recommendation calling for the OIG to distribute future OIG letters on major management challenges to affected USDA agencies. The OIG commented that its audit reports already identify management challenges and that these are discussed with the affected agencies. The OIG also stated that its letter to congressional requesters identifying major management challenges was provided informally to the department and that the OIG is required by Public Law 106-531 to report on the most serious management challenges in USDA's annual report to the president and the Congress.

We are well aware that the OIG identifies management challenges in audit reports and reports separately on these challenges. Nevertheless, as stated in our draft report, our recommendation is directed at facilitating the inclusion and discussion of the OIG identified major management challenges in USDA's annual performance plan. The OIG's reporting of the management challenges to congressional requesters in December 2000 appeared to us to be a document that could have served as a timely starting point for the major management challenge section of USDA's departmental annual performance plan. We continue to believe that the OIG should play a role in facilitating the major management challenge section of the departmental performance plan, and have modified our recommendation to directly call for the OIG to participate in the development of this section of USDA's plan.

The Foreign Agricultural Service disagreed with our recommendation to better match the department's goals and outcomes with its capabilities for expanding global market opportunities. It stated that the measure it is using—global market share—is the ultimate performance measure for describing overall changes in international markets and that the Congress is interested in U.S. international market share. However, in discussing this concern, the Service itself acknowledged that market forces are the principal cause of changes in exports rather than its activities. Therefore, we continue to believe that it would be appropriate to use more realistic goals for performance that are more closely related to the outcomes that USDA activities can achieve. The Service's agency level performance plan contains some performance indicators that are more limited and better reflect the government's role in changing export values and market share.

The Foreign Agricultural Service also expressed concern that if it were to make detailed information on its strategies available to the public, it could be used by foreign competitors to offset U.S. efforts. Because of the limited federal role in affecting international market share, we believe that more specific information on U.S. role and activities would not compromise U.S. efforts.

USDA officials stated that that they had made progress in improving information security and strategic human capital management. Specifically, USDA officials said that progress had been made in implementing their August 1999 action plan to strengthen information security. However, USDA officials recognized that this information, along with information security goals and measures, was generally not included in the department's performance plan or report and that the process of measuring USDA's performance would be improved by including it. Also, concerning strategic human capital management, USDA's performance report and plan did not summarize key actions that USDA officials said have been taken on workforce planning, recruitment, and the retention of employees. USDA will have the opportunity to summarize its progress in these areas in its future performance reports and plans.

Department officials also provided technical clarifications, which we made as appropriate.

Scope and Methodology

As agreed, our evaluation was generally based on a review of the fiscal year 2000 performance report and the fiscal year 2002 performance plan and the requirements of GPRA, the Reports Consolidation Act of 2000, guidance to agencies from the Office of Management and Budget (OMB) for developing performance plans and reports (OMB Circular A-11, Part 2), previous reports and evaluations by us and others, our knowledge of USDA's operations and programs, GAO identification of best practices concerning performance planning and reporting, and our observations on USDA's other GPRA-related efforts. We also discussed our review with agency officials in the Office of the Chief Financial Officer and with the USDA Office of Inspector General. The agency outcomes that were used as the basis for our review were identified by the Ranking Minority Member of the Senate Governmental Affairs Committee as important mission areas for the agency and generally reflect the outcomes for key USDA programs or activities. The major management challenges confronting USDA, including the governmentwide high-risk areas of strategic human capital management and information security, were identified by us in our January 2001 performance and accountability series and high-risk update or were identified by USDA's Office of Inspector General in December 2000. We did not independently verify the information contained in the performance report and plan, although we did draw from our other work in assessing the validity, reliability, and timeliness of USDA's performance data. We conducted our review from April 2001 through August 2001 in accordance with generally accepted government auditing standards.

As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days after the date of this letter. At that time, we will send copies to appropriate congressional committees; the Secretary of Agriculture; and the Director of the Office of Management and Budget. Copies will also be made available at to others on request.

If you or your staff have any questions, please call me at (202) 512-9692. Key contributors to this report are listed in appendix II.

Sincerely yours,

Lawrence J. Dyckman
Director, Natural Resources
and Environment

Appendix I: Observations on the U.S. Department of Agriculture's Efforts to Address Its Major Management Challenges

The following table identifies the major management challenges confronting the U.S. Department of Agriculture (USDA), which includes the government-wide high-risk areas of strategic human capital management and information security. USDA has one performance report and a departmentwide plan with supporting plans from the department's individual agencies. The first column lists the challenges identified by our office and USDA's Office of Inspector General. The second column discusses what progress, as discussed in its fiscal year 2000 performance report, USDA made in resolving its challenges. The third column discusses the extent to which USDA's fiscal year 2002 performance plan includes performance goals and measures to address the challenges that we and the USDA's OIG identified. While USDA's fiscal year 2000 performance report addressed progress in resolving some of the 17 management challenges, the department did not have goals for the following: strategic human capital management, information security, Forest Service land exchange program, grant agreement administration, grant competitiveness, research funding accountability, and Rural Business Cooperative Service and therefore did not discuss progress in resolving these challenges. USDA's fiscal year 2002 performance plans provided some goals and measures or strategies for all but five of its management challenges. USDA did not have goals for the management challenges involving the Forest Service land exchange program, grant agreement administration, grant competitiveness, research funding accountability, and Rural Business Cooperative Services. For the remaining 12 major management challenges, its performance plan had (1) goals and measures that were directly related to 8 of the challenges, (2) goals and measures that were indirectly applicable to 3 of the challenges, or (3) had no goals and measures related to 1 of the challenges, but discussed strategies to address it. In commenting on a draft of this report, USDA stated that it made additional progress in resolving its management challenges that had not been reflected in its fiscal year 2000 performance report and fiscal year 2002 performance plan.

Table 1: Major Management Challenges

Major management challenge	Progress in resolving major management challenge as discussed in the fiscal year 2000 performance report	Applicable goals and measures in the fiscal year 2002 performance plan
GAO-designated governmentwide high risk		
Strategic Human Capital Management: GAO has identified shortcomings at multiple agencies involving key elements of modern human capital management, including strategic human capital planning and organizational alignment; leadership continuity and succession planning; acquiring and developing staffs whose size, skills, and deployment meet agency needs; and creating results-oriented organizational cultures.	USDA's fiscal year 2000 report did not address this management challenge. It contained no performance goals and indicators for measuring progress in human capital management. The departmentwide report section cited a human capital objective—that of ensuring consistent, uniform key administrative policies to increase employee productivity and improve the well being of the workforce. It further noted that sound leadership and adequate performance incentives help create a work environment for serving customers effectively. However, the cited goal was not related to the desired outcome. In commenting on a draft of this report, USDA officials said that their performance report and plan did not reflect all of the progress that has been made on this management challenge. For example, USDA officials stated that they have completed and submitted a departmental workforce plan to the Office of Management and Budget. The Forest Service acknowledged human capital management challenges and referred to its own recently developed comprehensive workforce strategy but did not link the strategy to specific objectives and goals. Several USDA agencies included human resource performance goals to address Equal Employment Opportunity concerns and improve program delivery.	USDA's fiscal year 2002 plan takes, for the first time, a single-entity approach to performance management. It also recognizes, for the first time, selected USDA-wide human capital management challenges related to emerging skill gaps and the "brain drain" that may result from a high retirement eligibility rate. However, its performance goal to improve employee work satisfaction will not measure progress in addressing these challenges. Indeed, human capital management is subsumed in an objective that focuses on greater use of technology to improve organizational productivity, accountability, and performance. However, the plan does not link the objective to goals or indicators for key human capital management challenges, such as progress in strategic human capital planning, organizational alignment, leadership continuity, and succession planning, that will be necessary to achieve technology advances. Furthermore, the plan will not facilitate USDA's ability to acquire and develop staffs whose size, skills, and deployment meet agency needs or to create a results-oriented organizational culture.
Information Security: Our January 2001 high-risk series update noted that governmentwide efforts to strengthen information security have gained momentum and expanded. Nevertheless, recent audits continue to show federal computer systems are riddled with weaknesses that make them highly vulnerable to computer-based	USDA's Office of Chief Information Officer's (OCIO) fiscal year 2000 performance report discussed actions underway or planned to address performance goals for establishing a department-level risk management program and developing an information and telecommunications security architecture. However, it did not discuss either the department's overall progress in	USDA's fiscal year 2002 performance plan has some general discussion of efforts to strengthen departmentwide information security; however, no information security performance goals or measures were provided. USDA did list one performance goal with indicators for establishing a common computing environment for USDA Service Centers, which includes hardware,

Major management challenge	Progress in resolving major management challenge as discussed in the fiscal year 2000 performance report	Applicable goals and measures in the fiscal year 2002 performance plan
attacks and place a broad range of critical operations and assets at risk of fraud, misuse, and disruption.	implementing USDA's August 1999 action plan for improving departmentwide information security or the time frames and milestones for doing so.	software, security, websites, telecommunications, and databases.
GAO and USDA's OIG have identified significant weaknesses in the department's information security program and its two major data centers that place the department's computer systems, which support billions of dollars in benefits, at risk. USDA has taken positive steps to improve its information security by developing its August 1999 action plan to address vulnerabilities and potential threats. However, at the time of our August 2000 report, little progress had been made to implement many components of the action plan that are critical to strengthening departmentwide information security[1]. USDA also needed to develop and document a detailed strategy with time frames and milestones to fully implement the action plan. Because of this, we also recommended that USDA report its information security weaknesses as a material internal control weakness under the Federal Managers' Financial Integrity Act (FMFIA). The OIG also identified information resources management as a management challenge. Specifically, the OIG reported on widespread weaknesses in information technology security controls.	OCIO's performance report included a key performance goal for establishing a central cyber security office, which the department says it has met. However, the performance report stated that key performance goals for establishing a department-level risk management program and developing an information and telecommunications security architecture have not been met. For example, the report stated that only some security risk assessments had been done, but they were often incomplete and conducted in a nonstandard manner.	USDA's fiscal year 2002 performance plan did identify the need to strengthen departmentwide information security along with other major management challenges and program risks identified by GAO. The plan also discussed work on the OCIO's August 1999 action plan to strengthen information security and referred to OCIO's separately prepared annual performance plan for information on measures for tracking performance. OCIO's fiscal year 2002 performance plan included performance goals and indicators for (1) ensuring that USDA agencies identified security vulnerabilities and implemented strategies to mitigate them and (2) developing and implementing an information and telecommunications security architecture. While these actions are important to address part of USDA's security needs, performance goals or indicators for implementing the department's August 1999 overall action plan to strengthen information security are not discussed. Moreover, OCIO's plan did not address USDA's designation of information security as a material control weakness in the department's fiscal year 2000 FMFIA report and how this issue will be resolved.
GAO-designated major management challenge		
Farm Service Delivery: USDA has an important role in distributing benefits and addressing farmers' concerns. Since 1995, USDA has been engaged in a reorganization and modernization effort	USDA developed performance goals relating to customer satisfaction with both program delivery and service quality. However, USDA did not provide its actual performance percentages as of the end of	USDA's fiscal year 2002 performance plan stated that it is working to improve customer service and operational efficiency by building a modern information technology infrastructure—named Common Computing

[1] *Information Security: USDA Needs to Implement Its Departmentwide Information Security Plan* (GAO/AIMD-00-217, Aug. 10, 2000).

Major management challenge	Progress in resolving major management challenge as discussed in the fiscal year 2000 performance report	Applicable goals and measures in the fiscal year 2002 performance plan
to achieve operational efficiencies and better customer service. While USDA has co-located its county field offices into service centers, it needs to improve how these centers deliver program benefits to their customers.	fiscal year 2000. Thus, USDA's progress toward resolving this management challenge could not be measured.	Environment (CCE)—at its service centers and moving many of its common transactions to Internet-based systems. USDA established fiscal year 2002 goals of 100 percent for the CCE implementation and to transition to a fully integrated Internet system.
Food Stamp Program: Millions of dollars in overpayments occur because eligible persons are paid too much or ineligible individuals improperly participate in the program. In addition, trafficking of food stamps continues to be a problem.	USDA's fiscal year 2000 performance report stated that the Food and Nutrition Service's (FNS) had a performance goal for maintaining payment accuracy and a goal relating to recovering overpayments to participants. Although the report stated that FNS data was not yet available to measure fiscal year 2000 progress in maintaining payment accuracy, FNS officials stated that early indications are that it would achieve its payment accuracy goal of 90.5 percent in fiscal year 2000.	USDA's fiscal year 2002 performance plan established a target goal for food stamp benefit accuracy of 90.8 percent in fiscal year 2002 (same as for fiscal year 2001). Strategies for meeting this goal include continuing to improve the accuracy and consistency of the food stamp benefit quality control system and supporting state efforts to improve benefit accuracy through technical assistance and "best practices" information-sharing.
	USDA reported that FNS collected about $216 million in overpayments to recipients in fiscal year 2000, which exceeded its original target of collecting $193.6 million. As a result, FNS increased its target to $215.8 million for fiscal year 2001.	USDA's plan did not discuss improving the recovery of overpayments to recipients. USDA's plan contained a general goal of improving the stewardship of federal nutrition assistance programs and contained strategies to achieve this but does not specifically discuss this issue.
	USDA reported that FNS sanctioned 1,349 stores that violated program regulations, thus it narrowly missed its target of sanctioning 1,365 stores. Also, FNS cited a number of recent program evaluations that contributed to its knowledge base about preventing illegal use of benefits.	USDA's plan had a goal of improving stewardship of federal nutrition assistance programs, but it does not specifically discuss goals, strategies, and measures for minimizing illegal use of benefits by participants or retailers.
	USDA reported that FNS exceeded its target of maintaining the baseline of 1.54 percent of authorized stores that did not meet regulatory requirements for type and amount of food sold. The actual percent achieved was 1.48.	
	A recent FNS study estimated that stores each year illegally provided cash for benefits (trafficking of benefits) totaling about $660 million. USDA's report did not specifically discuss FNS' targets or measures for reducing trafficking.	USDA's plan did not discuss trafficking of benefits.

Major management challenge	Progress in resolving major management challenge as discussed in the fiscal year 2000 performance report	Applicable goals and measures in the fiscal year 2002 performance plan
Food Stamp Program: Implement Electronic Benefit Transfer (EBT) Nationwide and Ensure Adequate Controls. (This management challenge is also discussed in this report under the "Food Stamp Fraud and Error" caption.)	USDA reported that FNS met its fiscal year 2000 goal of having 42 states issue benefits by EBT. FNS stated that 41 states and the District of Columbia had operational EBT systems (39 of these systems were operating statewide). USDA did not address whether the state EBT systems contained adequate controls.	USDA's plan contained a target of having 89 percent of food stamp benefits issued by EBT for fiscal year 2002. To achieve its target, USDA plans to work aggressively with states needing to implement statewide systems. The plan pointed out the need for USDA to address other EBT-related cost and service challenges.
Child and Adult Care Food Program (CACFP): This Program provides for the nutritional well being of young children and adults in day-care homes and centers and for teenagers in after school programs. Improve state and local management and program controls to reduce fraud and abuse.	USDA reported that FNS was premature to assess the effectiveness of its goal of better targeting and higher quality program reviews by state agencies because fiscal year 2000 was a start up year for comprehensive management evaluations and data was not available to measure this activity. Instead, FNS focused its efforts on conducting comprehensive and aggressive program oversight in the form of management evaluations of state agency operations. FNS revised its indicators for improving CACFP management in the fiscal year 2001 performance plan, and it will begin reporting based on the new indicators in that year's performance report. However, the report did not specify any of these indicators.	USDA's plan contained a goal of strengthening state and local management of CACFP. It established the following two targets for fiscal year 2002: (1) USDA to conduct management evaluations of all state agencies administering the program and (2) USDA to work with state agencies to ensure that all states train program sponsors on new regulations.
GAO- and OIG-designated major management challenges		
Civil Rights Complaints: There continues to be problems in the timely processing of discrimination complaints in USDA's Civil Rights Office. Processing delays have caused a significant backlog in both program and employee discrimination complaints, resulting in USDA's failure to comply with federal regulations that affect the livelihood and well-being of individuals who believe they have been discriminated against. Complaints involve the treatment of minority farmers when they applied for farm loans or loan servicing and employee's civil rights. The OIG recently reported that this backlog was not being resolved fast enough.	Although USDA continued to address this issue, the Office of Civil Rights did not meet its fiscal year 2000 performance goal reduction of 15 percent from the previous year in the number of days for processing farmer program and employment civil rights complaints. USDA's Long Term Improvement Plan for civil rights activities, completed in October 2000, cited the systems and processes for handling civil rights complaints as inadequate, resulting in lost files, delays, inaccurate accounting, and other problems. The plan also identified insufficient staffing, lack of expertise, insufficient employee training, and inefficient automated tracking systems as reasons for continued delays in processing discrimination complaints. These problems were similar to the weaknesses previously identified by the OIG and us. USDA believed that focused attention on case processing, professional training, and other efforts should help close more complaints each year.	According to USDA's fiscal year 2002 performance plan, USDA revised its performance measure, lowering it significantly from fiscal year 2000. For fiscal year 2001, the measure is to reduce by 5 percent the amount of time it takes to resolve the average civil rights complaints. For fiscal year 2002, USDA will aim to reduce the processing time by yet another 5 percent. USDA plans to continue these efforts until it reaches its long-term strategic goal of resolving all program and employee complaints by issuing its reports of civil rights investigations within its regulatory requirement of 180 days by fiscal year 2005. However, USDA will not meet its goal by applying this performance measure to its current average processing time for program and employee discrimination complaints. It could take over a decade for USDA to come into compliance. Nevertheless, USDA plans that by fiscal year 2005 it will be in compliance with regulations by issuing its reports of civil

Major management challenge	Progress in resolving major management challenge as discussed in the fiscal year 2000 performance report	Applicable goals and measures in the fiscal year 2002 performance plan
		rights investigations within its regulatory time frame of 180 days.
Financial Management: USDA continues to lack financial accountability over billions of dollars in assets. As such, USDA does not have meaningful and accurate financial information to evaluate its financial performance and provide assurance that its consolidated financial statements are reliable and presented in accordance with federal accounting standards. In January 2001, because major barriers to achieving financial accountability at the Forest Service remain, we continued to designate the Forest Service's financial management a high-risk area vulnerable to waste, fraud, abuse, and mismanagement.	USDA reported meeting its performance goal of 50 percent of its agency components receiving an unqualified audit opinion on their stand-alone financial statements. This represented an important step toward improving financial accountability. USDA also reported meeting its performance goal of partially implementing a new accounting system, the Foundation Financial Information System (FFIS) that will assist USDA in its preparation of meaningful and accurate financial information. In addition, the Forest Service reported that it had partially met its performance goal of completing its real property inventory, a long-standing problem that has contributed to our high-risk designation of the Forest Service's financial management as well as USDA's lack of financial accountability over billions of dollars in assets. Progress reported by the Forest Service included completing its physical verification of real property, issuing protocols for maintenance and capital improvements of real property, and determining the value of its forest roads.	USDA's fiscal year 2002 performance plan included performance goals and measures to address the lack of financial accountability. Specifically, to promote financial accountability throughout the department, USDA has established goals and measures that included achieving an unqualified opinion on its consolidated financial statements for fiscal year 2002 and implementing FFIS departmentwide. USDA reported that its new financial management system will provide the integration and capabilities to improve the delivery of timely and meaningful financial management information and will allow USDA to comply with external legislation including the Chief Financial Officer Act of 1990. Furthermore, USDA reported that the implementation of this financial information system will provide auditable financial data that can be used to prepare the USDA consolidated financial statements. The Forest Service's fiscal year 2002 performance plan includes performance goals and measures that address achieving an unqualified audit opinion on its financial statements and providing timely, accurate, and reliable financial information, which are consistent with those established departmentwide. However, the Forest Service's plan does not specifically address how it will correct its financial management weaknesses related to real property, a component that has contributed to our high-risk designation of the Forest Service's financial management.
Food Safety: The number of food-borne illnesses has heightened concerns about the effectiveness of the federal food safety system. GAO has found the current multi-agency federal food safety system needs to be replaced by a single food safety agency. (This management challenge is also discussed in this report under the "A Safe and Wholesome Food Supply" caption.) The OIG reported that the Food Safety and Inspection Service (FSIS) needs to improve activities relating to implementation of the Hazard Analysis	USDA's fiscal year 2000 performance report contained an objective to establish effective working relationships with other agencies. USDA reported that FSIS had made substantial progress in resolving this management challenge. FSIS had met or exceeded most of its goals relating to HACCP system implementation, compliance and enforcement activities, safety of imported meat and poultry products, and the contamination and adulteration of foods. However, FSIS did not meet its fiscal year 2000 target goal to perform 68,000 laboratory tests, falling short of its target by	The fiscal year 2002 performance plan did not contain a performance goal to create a single federal food safety agency. USDA's plan stated that concerns about the need for fundamental changes in food safety programs and about food safety fragmentation are being addressed through "cross-Departmental partnerships" and other coordination activities. USDA stated that FSIS is a mandated federal program and that FSIS can take no action to dismantle itself or to merge with other agencies. USDA stated that it did not have the legal authority to create a single food safety organization, and therefore did not mention

Major management challenge	Progress in resolving major management challenge as discussed in the fiscal year 2000 performance report	Applicable goals and measures in the fiscal year 2002 performance plan
and Critical Control Point (HACCP) system, compliance and enforcement activities, laboratory testing of meat and poultry products, safety of imported meat and poultry products, and the contamination and adulteration of foods.	8,000 tests. In commenting on a draft of this report, FSIS stated that it does not consider this OIG issue to be a major management challenge because the OIG findings concerned incomplete documentation rather than inadequate performance.	a merger of agencies in the USDA plan or FSIS plan. FSIS' fiscal year 2002 performance plan included tangible and measurable performance goals relating to the safety of imported foods. However, the plan did not include measurable performance goals for the other elements of this management challenge.
Also, the OIG reported that USDA needs to identify and halt criminal activity involving the intentional contamination of food products.	USDA did not directly discuss this management challenge. However, it reported that FSIS met a related performance goal to establish standard operating procedures for coordinating food-borne illness outbreaks and other food safety emergencies, both unintentional and intentional in nature.	FSIS' fiscal year 2002 performance plan did not have a performance goal related to identifying and halting criminal activity involving the intentional contamination of food products. In commenting on a draft of this report, FSIS stated that it was unaware that the OIG considered this to be a major management challenge and that it had enhanced its efforts to review high-risk firms in the last few years.
<u>Farm Loan Programs:</u> USDA needs monitoring to ensure improvements to the programs continue to further reduce the significant level of delinquent farm debt. The OIG reported that it is continuing to work on determining whether borrowers are meeting eligibility requirements and whether loan proceeds are being used for their intended purposes. In January 2001, we removed the Farm Loan Programs from our high-risk list. We did so because the financial condition of the programs had improved since we first designated the programs as high-risk in 1990 and because actions taken by the Congress and USDA, many of which we recommended, have had a significant and positive impact on the operations and condition of USDA's farm loan programs.	USDA reported overall improvement in the Farm Service Agency farm loan portfolio. It met its performance goals of the delinquency rate for direct loans and the loss rates for direct and guaranteed loans. More specifically, since the end of fiscal year 1995, the amount of outstanding principal owed by borrowers who were delinquent on their direct farm loans and the percentage of debt owed by such borrowers declined each year—from $4.6 billion, or about 41 percent of the outstanding principal, in fiscal year 1995 to $1.8 billion, or about 21 percent of the outstanding principal, in fiscal year 2000.	The Farm Service Agency's plan included performance goals to reduce delinquencies and losses on direct loans and to maintain the loss rate for guaranteed loans at or below 2 percent. USDA planed to achieve a low loss rate by using prudent underwriting practices, borrower supervision, and its loan servicing tools. However, USDA commented that maintaining a low loss rate will be a significant challenge in fiscal years 2001 and 2002 because commodity prices may remain weak and producers will be recovering from the effects of recent natural disasters.
<u>Forest Service-Improving Performance Accountability:</u> The Forest Service is refocusing its activities, resulting in a significant change in its mission and funding priorities. We concluded that it is	The Forest Service reported that it is implementing a new process and a new approach to performance accountability that it believes will provide the Congress and the public with a clear understanding of what it accomplished with its appropriated funds.	In fiscal year 2001, the Forest Service revised its strategic plan to better focus on outcomes and results to be achieved over time and to better link strategic goals and objectives to long-term measures and 5-year milestones. The agency's fiscal year

Major management challenge	Progress in resolving major management challenge as discussed in the fiscal year 2000 performance report	Applicable goals and measures in the fiscal year 2002 performance plan
important for the Forest Service to provide the Congress and the public with a better understanding of what is achieved with the funds that are being spent. In addition, the OIG found that the Forest Service's strategic and annual plans lacked meaningful goals and objectives with relevant performance measures and past performance measurement data were irrelevant and lacked basic accuracy.	The new process and approach include (1) developing the annual performance plan before formulating the related fiscal year budget; (2) using the plan to set priorities and to sequence milestones and goals; and (3) developing clear links among the budget structure, program activities and outputs, annual goals and measures, and long-term strategic outcomes and measures. In addition, in response to OIG reviews, the agency made several improvements to its data collection processes during fiscal year 2000.	2002 performance plan begins to provide a bridge between the strategic plan and the on-the-ground activities funded through the annual budget process by linking annual performance goals and associated annual performance measures to the strategic plan's goals and objectives. Moreover, in fiscal year 2002, the Forest Service plans to use an Activity-Based Costing system to track the costs of about 80 core business activities that describe on-the-ground work accomplished. However, the agency recognizes that much work still needs to be done to be fully accountable.
IG-designated major management challenges		
<u>Forest Service Land Exchange Program:</u> OIG audits have disclosed significant weaknesses in the management and controls over land exchanges. Private/public land exchanges did not reflect current market conditions and resulted in undervalued public property and overvalued private property. In addition, some transactions resulted in limited or no public value.	USDA's fiscal year 2000 performance report did not address progress for this challenge.	The Forest Services' fiscal year 2002 performance plan did not include performance goals, measures, or strategies applicable to this management challenge. Also, this management challenge was not included as one of USDA's major management challenges in USDA's fiscal year 2002 plan.
<u>Grant and Agreement Administration:</u> The Forest Service did not effectively manage grant agreements to ensure funds were expended for their intended purposes. OIG audits have disclosed several issues, for which the agency has taken limited action. Management decisions have not been made on six audit recommendations made over 2 years ago.	USDA's fiscal year 2000 performance report did not address progress for this challenge.	The Forest Services' fiscal year 2002 performance plan did not include performance goals and measures applicable to this management challenge. Also, this management challenge was not included as one of USDA's major management challenges in USDA's fiscal year 2002 plan.
<u>Crop Insurance:</u> Crop insurance has become a major USDA farmer "safety net." OIG audits have identified areas where crop insurance program integrity needs to be strengthened: Oversight and monitoring procedures to evaluate the effectiveness of the insurance companies quality control processes are weak. Conflicts of interest problems exist among policyholders, sales agents, claims adjusters, and insurance companies' employees. Material weaknesses and shortcomings during the verification process by adjusters have resulted in claim	The Risk Management Agency's (RMA) performance report for fiscal year 2000 did not directly address the management challenge. The report indicated that it met the four broad performance indicators to improve the integrity of the federal crop insurance program. However, the report provided no support to substantiate this claim, and it noted that data used to measure progress were unavailable for three of the indicators and unreliable for the fourth. The report explained that RMA is transitioning to new performance measures that should help it to better address this management challenge in fiscal year 2001.	RMA's performance plan for fiscal year 2002 did not directly address the management challenge. The plan contained an overall performance goal to reduce crop insurance program vulnerabilities and improve program integrity. However, the measure for the goal was generally inadequate. For example, the plan did not identify a target for the goal and noted that data used to measure the goal may be unreliable.

Major management challenge	Progress in resolving major management challenge as discussed in the fiscal year 2000 performance report	Applicable goals and measures in the fiscal year 2002 performance plan
overpayments and other program abuses. Insurance claim overpayments resulting from overstated or unreasonable crop yields and replacement cost for lost crops. OIG audits have also found that the catastrophic insurance program may not be providing the expected safety net coverage to all farmers, particularly low-income or other socially disadvantaged farmers.	RMA's performance report for fiscal year 2000 did address insurance availability to all producers.	RMA's performance plan contains a goal to improve insurance availability to small and low-income farmers by funding projects that provide information and technical assistance necessary to participate in the insurance programs. However, the report relies on a measure that focuses on outputs rather than on outcomes. The measure is based on the number of outreach projects jointly funded rather than on the number of small and low-income producers actually participating in RMA's insurance programs.
Research Funding Accountability: USDA's Cooperative State Research, Education, and Extension Service's (CSREES) management controls do not ensure sufficient monitoring, review, and accountability for the use of its funds.	USDA's fiscal year 2000 performance report did not address progress for this challenge.	CSREES' fiscal year 2002 performance plan did not include performance goals, measures, or strategies applicable to this management challenge. Also, this management challenge was not included as one of USDA's major management challenges in USDA's fiscal year 2002 plan.
Competitive Grants Program Compliance: OIG reviews of current grant programs have found that they favor large institutions and that applicants questioned the fairness of the grants awarded. In addition, The Congress recently authorized two new competitive grants: the Fund for Rural America and the Initiative for Future Agriculture and Food Systems. The OIG will continue reviewing this program.	USDA's fiscal year 2000 performance report did not address progress for this challenge.	USDA's fiscal year 2002 performance plan did not include performance goals and measures applicable to this management challenge. Also, this management challenge was not included as one of USDA's major management challenges in USDA's fiscal year 2002 plan.
Rural Business-Cooperative Service: The Rural Business-Cooperative Service needs to address several management challenges that have affected the integrity it's program. For example, the OIG reported that management action is needed to assure that (1) grants and loans are made only to eligible recipients located in qualified rural areas, (2) improper exceptions to loan making requirements are not made, and (3) lender underwriting reviews and servicing are adequate.	USDA's fiscal year 2000 performance report did not address progress for this challenge. In commenting on a draft of this report, RBS stated that the issues raised by the OIG have been and are being addressed: (1) the rural area concerned only Puerto Rico and a difference of opinion on the eligible area; (2) the improper exceptions to loan making requirements involved a former official who was removed, and new procedures have been adopted; and (3) lender underwriting has been addressed through several	USDA's fiscal year 2002 performance plan did not include performance goals and measures applicable to this management challenge. Also, this management challenge was not included as one of USDA's major management challenges in USDA's fiscal year 2002 plan. In commenting on a draft of this report, RBS stated that it has addressed these issues and does not believe that performance goals or measures are needed because these items were not chronic problems.

Major management challenge	Progress in resolving major management challenge as discussed in the fiscal year 2000 performance report	Applicable goals and measures in the fiscal year 2002 performance plan
	actions, including further reviews of states, assistance from the Farm Credit Administration, and by obtaining software to assist field staff making credit decisions and in monitoring lender recommendations.	
Rural Rental Housing: There has been a history of fraud and abuse in the Rural Housing Service's (RHS) Rural Rental Housing (RRH) Program. Owners and management companies have shown indifference toward the health and safety of low-income and elderly tenants.	The Rural Development mission area's report did not specifically address progress in reducing fraud and abuse in the RRH Program. The report also did not address reducing the indifference shown by management companies toward the health and safety of low-income and elderly tenants. RHS measured progress by the number of new units built, the number of units rehabilitated, and the direct resources given to those rural communities and customers with the greatest need. The report did include a new performance indicator to minimize loan delinquencies and future losses. It established a fiscal year 2001 target to reduce the number of RRH projects with accounts more than 180 days past due to 130 projects. The actual fiscal year 2000 number was 153.	The Rural Development mission area's plan did not include goals and measures that specifically addressed this management challenge. The plan did acknowledge that we and the OIG have identified a continuing history of fraud and abuse by owners and management companies, along with instances of indifference toward the health and safety of low-income and elderly tenants. According to the plan, the performance indicator "to develop systems and processes which strengthen the management of Multifamily Housing (MFH) projects and help preserve the portfolio" and encourage a sound life-cycle management was added for fiscal year 2001 to address this issue. However, we do not believe that the addition of this indicator adds enough detail or discussion of the fraud and abuse issues.

Appendix II: GAO Contact and Staff Acknowledgments

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