FARM SERVICE AGENCY

FY 1999 ANNUAL PROGRAM PERFORMANCE REPORT

The Farm Service Agency (FSA) was established October 13, 1994, pursuant to the Department of Agriculture Reorganization Act of 1994, P.L. 103-354. FSA's mission is to ensure the well-being of American agriculture and the American public through efficient and equitable administration of farm commodity, farm loan, conservation, environmental, emergency assistance, and domestic and international food assistance programs.

The following programs are included in this Annual Program Performance Report: Production Flexibility Contracts, Marketing Assistance Loans and Loan Deficiency Payments, Tobacco and Peanut Price Support and Production Control Programs, Noninsured Crop Disaster Assistance Program, USDA Certified State Mediation Program, Conservation Reserve Program, Emergency Conservation Program, Hazardous Waste Management Program, Farm Loan Programs, Commodity Warehouse Activities, and Commodity Procurement Activities. More information regarding FSA programs can be found in the FSA Strategic and Annual Performance Plans.

Only federal employees were involved in the preparation of this report.

The following table summarizes FSA's achievement of FY 1999 annual performance goals.

FSA PERFORMANCE SUMMARY

Strategic Goals/ Management Initiatives	FY 1999 Performance Goals	Performance	
		Target	Actual
Goal 1: Provide an economic safety net through farm income support to eligible producers, cooperatives, and associations to help improve the economic stability and viability of the agricultural sector and to ensure the production of an adequate and reasonably priced supply of food and fiber.	Maintain at least a 95% production flexibility contract participation rate for eligible acreage, including acreage released from CRP.	98%	98.8%
	Issue loans or LDPs on eligible production, by commodity (except sugar), when loan rates exceed market prices. (*=wheat, corn, barley, oats and soybean, **=upland cotton)	67%	*87% **41%
	Maintain the economic viability of tobacco and peanut programs, and producers, by establishing producer/purchaser assessments and stabilizing tobacco and peanut prices. Average tobacco and peanut assessment	Tobacco $.08/lb. Quota Peanuts $.00366/lb. Non Quota Peanuts $.0011/lb.	Tobacco $.038/lb. Quota Peanuts $.00366/lb. Non Quota Peanuts $.0011/lb.
	Average price per pound of tobacco and ton of peanuts	Tobacco $1.70/lb. Quota Peanuts $610.00/ton Non Quota Peanuts $175.00/ton	Tobacco $1.81/lb. Quota Peanuts $610.00/ton Non Quota Peanuts $175.00/ton
	Improve NAP area and crop eligibility determinations by decreasing the time to designate NAP areas and determining producer eligibility.	55 days	35 days
Goal 2: Assist agricultural producers and landowners in achieving a high level of stewardship of soil, water, air, and wildlife resources on America's farms and ranches while protecting the human and natural environment.	Reduce soil erosion, protect water and air quality, restore wetlands and improve wildlife habitat by establishing conservation cover and/or installing priority practices on enrolled CRP acreage. Number of acres enrolled per fiscal year (Cumulative)	31.1 million	31.5 million
	Regular (competitive) enrollment acres	29.4 million	29.4 million

FSA PERFORMANCE SUMMARY			
Strategic Goals/ Management Initiatives	**FY 1999 Performance Goals**	**Performance**	
		Target	**Actual**
	Continuous (including CREP) enrollment acres	1.7 million	1.0 million
	States with approved CREP agreements	15	8
	Acres established in conservation buffers (including filter strips and riparian buffers)	2.4 million	1.0 million
	Acres of highly erodible land (HEL) retired	23.1 million	23.0 million
	Acres of HEL that would erode above "T" when farmed with conservation plan (Environmental Benefits Index $\geq$15)	10.3 million	10.3 million
	Acres enrolled in the Prairie Pothole, Chesapeake Bay, Great Lakes, and Long Island Sound national conservation priority areas	7.0 million	7.0 million
	Acres in trees or other non-crop vegetative or water cover that provides permanent wildlife habitat	3.8 million	3.8 million
	Acres planted with vegetative covers determined best suited for wildlife	12.6 million	12.6 million
	Restored acres of wetlands	1.4 million	1.4 million
	Acres planted with trees	2.0 million	2.0 million
	Established acres of restored rare and declining wildlife habitat	57 thousand	57 thousand
	Rehabilitate damaged acreage to agricultural production under ECP.	2.5 million	4.9 million
	Improve the timeliness and cost-effectiveness of site remediation initiatives for CCC hazardous waste activities. Site investigation costs	$675,000	$600,000
	Average amount of time to perform site investigations	10.5 months	10 months
	Continue to protect public health by providing communities safe drinking water.	4 completed	8 completed
Goal 3: Assist eligible individuals and families in becoming successful farmers and ranchers.	Reduce direct loan delinquencies by 22%.	17%	14.2%
	Reduce first-year delinquency rate on new loans by 22%.	9.5%	7.2%
	Reduce first-year delinquency rate on restructured direct loans by 18%.	14.4%	11.9%
	Increase the percentage of guaranteed loans made to direct borrowers by 8%.	33.7%	33.3%
	Reduce losses on direct loans by 19%.	7.2%	3.5%
	Maintain the guaranteed loan loss rate at or below 2.0%.	1.9%	.93%
	Reduce direct loan processing times by 17%	21 days	17 days
	Reduce guaranteed loan processing times by 21%.	10 days	8 days

FSA PERFORMANCE SUMMARY

Strategic Goals/ Management Initiatives	FY 1999 Performance Goals	Performance	
		Target	**Actual**
	Process 80% of all requests for primary loan servicing within 60 days.	80%	77%
	Increase the number of loans to socially disadvantaged farmers/ranchers by 73%.	14.4%	11.9%
Goal 4: Improve the effectiveness and efficiency of FSA's commodity acquisition, procurement, storage, and distribution activities to support domestic and international food assistance programs, and administer the U.S. Warehouse Act (USWA).	Reduce CCC's costs associated with USWA examination operations to 40% of the total costs.	45% $1.98 million	45% $1.83 million
	Increase the percentage of on-time deliveries and shipments for domestic processed commodities purchased to 95%.	95%	96%
MI 1: Provide fair and equal treatment in employment and the delivery of FSA programs.	Increase the number of program and employee complaints processed on time. Average number of days spent processing program complaints (24 day department guidelines)	50 days	58 days
	Average number of days to process informal employment complaints (90 day department guidelines)	60 days	45 days
	Increase, by 5%, the percentage of employment complaints that are resolved at the informal level	52.5%	50%
	Complete five Civil Rights Management Reviews of State Offices /service centers and take appropriate corrective actions timely. Final management evaluation reports submitted within 45 days of completing the on-site review	75%	100%
	Corrective actions taken within scheduled time frames for noncompliances	80%	100%
	Improve workforce diversity by increasing the representation of women, minorities, and persons with targeted disabilities. Representation of women and minorities in the Agency in under-represented grade levels by organizational component Representation of persons with targeted disabilities in the Agency	To be determined 1.37%	Not Available 1.46%
MI 2: Enhance the ability of small, limited-resource, and socially disadvantaged (SDA) family farmers/ranchers to operate successfully.	Increase the representation of small, limited-resource, and socially disadvantaged family farmers and ranchers on the County Office Committee.	12%	13.87%
MI 3: Improve Financial Management and Reporting	Participate in Treasury Offset Program and Cross-Servicing Program under the Debt Collection Improvement Act of 1996. Eligible Debts referred to Treasury Offset Program	100%	90%
	Eligible Debts referred for Cross-Servicing to Treasury	100%	86%
	Establish electronic funds transfer for all eligible Service Center initiated program and vendor payments. Service Center initiated payments made by electronic funds transfer compared to total number of payments made	50%	75%

FSA PERFORMANCE SUMMARY			
Strategic Goals/ Management Initiatives	**FY 1999 Performance Goals**	**Performance**	
		Target	**Actual**
	Obtain an unqualified audit opinion on CCC's Financial Statements. (*****Opinion to be issued in April 2000)	Yes	%
	Complete implementation of the CORE Accounting System. FSA General Ledger Systems replaced by CORE	40%	50%
	General ledgers systems that meet U.S. Standard General Ledger requirements	60%	60%
MI 4: Achieve greater cost and operating efficiencies in the delivery of FFAS programs by implementing integrated administrative management systems and reinventing/ reengineering FFAS business processes and systems.	Install USDA's Purchase Card Management System. Cost per transaction for simplified acquisitions under $100,000 using credit cards	$17	$22.80
	Ensure there is no disruption of service in the year 2000 because of invalid date computations for FSA mission critical information technology systems. Mission critical information technology systems renovated	100%	100%
	System downtime caused by interface failures between mainframe COTS software and application software does not exceed baseline downtime averages	1%	0%
MI 5: Expand the USDA Certified State Mediation Program to more efficiently and effectively resolve program disputes.	Expand the Certified State Mediation Program. Authorized USDA agencies utilizing the USDA Certified State Mediation Program	4	4
	States with certified mediation programs that meet the needs of participating USDA agencies	22	24
	Increase the level of agreements reached through mediation by 2.63% over the baseline year. Cases resolved with agreements through State Mediation Programs	77%	70%
	Reduce the average administrative costs per case of State programs by 4.1%. Administrative cost per case mediated by State programs	$615	$504

Goal 1: Provide an economic safety net through farm income support to eligible producers, cooperatives, and associations to help improve the economic stability and viability of the agricultural sector and to ensure the production of an adequate and reasonably priced supply of food and fiber.

Objective 1.1 Maintain a high Production Flexibility Contract participation rate for eligible acreage.

Key Performance Goal

Maintain at least a 95% production flexibility contract participation rate for eligible acreage, including acreage released from CRP.
Target: 98%
Actual: 98.8%

1999 Data: The 1999 Contract Enrollment Data Report (PF-2R) shows that 98.8 percent of potential Production Flexibility Contract acreage is enrolled in a Production Flexibility Contract. The report is generated from data residing on the FSA mainframe computer at the Kansas City Management Office (KCMO), which was uploaded by FSA service centers. The data used in the report is pulled from the relevant automated files residing in the service center automated system. The report reflects the actual information in service centers.

Analysis of Results: The target was achieved by ensuring that participants were adequately informed of requirements for program compliance and potential participants were adequately informed of opportunities to participate. A high enrollment level is important in providing stability and reducing risk for agricultural producers. If a participant complies with the terms and conditions of the Production Flexibility Contract, the payment amounts are predictable and can be used in predicting cash flow.

At the direction of Congress, Production Flexibility Contracts were also used as a means to determine eligibility for an amount of additional payments authorized by the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2000. These Market Loss Assistance payments were distributed using the FY 1999 Production Flexibility Contracts as the payment mechanism because Congress recognized it was an effective and efficient way to provide additional assistance to the agricultural community.

For FY 1999, 1,220,918 participants received $5,535,910,462 in Production Flexibility Contract payments and $5,227,917,879 in Market Loss Assistance payments based on the FY 1999 Production Flexibility Contracts.

Current Fiscal Year Performance: It is anticipated that FSA will maintain a high participation rate and achieve the FY 2000 target.

Program Evaluations: According to the General Accounting Office (GAO) report RCED-98-98, producers are spending less time on administrative requirements than they did before implementation of the Agricultural Market Transition Act, which authorized Production Flexibility Contracts. GAO found that the number of required producer visits to service centers and the amount of time spent on paperwork have declined.

Objective 1.2: Provide marketing assistance loans and loan deficiency payments (LDP) enabling recipients to continue farming operations without marketing their product immediately after harvest.

Key Performance Goal

<u>Issue loans or LDPs on eligible production, by commodity (except sugar), when loan rates exceed market prices. (%) (Baseline: 10% - FY 1997)</u>

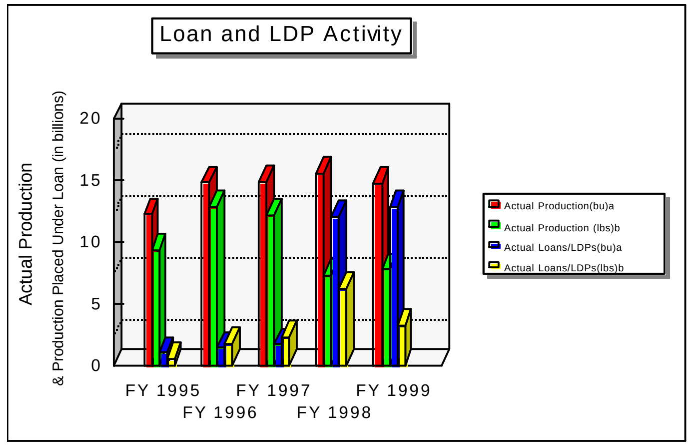
Target: 67%

Actual: 87% (Wheat, Corn, Barley, Oats, and Soybeans) **Preliminary**
41% (Upland cotton) **Preliminary**

1999 Data: The data for 1999 is preliminary. Actual loan/LDP data is as of February 15, 2000 and actual production is as of January 12, 2000. Final data is expected to be available in May 2000, when the 1999 crop year loan availability period ends. The actual loan/LDP data originates from the service centers. Data is uploaded to an automated system at KCMO daily. The 1999 preliminary estimated percentages are based on current loan/LDP activity and the latest 1999 crop year commodity production. Data on actual commodity production is provided by the National Agricultural Statistics Service.

Year	Actual Production	Actual Loans/LDPs	Actual	Target
1995	12,277,483,000 bu.[a] 9,344,662,600 lbs.[b]	981,173,790 bu.[a] 543,655,473 lbs.[b]	8% 6%	
1996	14,844,373,000 bu.[a] 12,889,450,000 lbs.[b]	1,377,105,313 bu.[a] 1,772,864,000 lbs.[b]	9% 14%	
1997	14,904,172,000 bu.[a] 12,151,170,000 lbs.[b]	1,680,031,810 bu.[a] 2,260,109,630 lbs.[b]	11% 19%	
1998	15,587,829,000 bu.[a] 7,341,582,100 lbs.[b]	12,032,577,410 bu.[a] 6,250,035,400 lbs.[b]	77% 85%	
1999	14,808,200,000 bu.[a] 7,803,552,000 lbs.[b]	12,865,708,896 bu.[a] 3,232,441,920 lbs.[b]	87% 41%	67% 67%
2000				85% 85%
2001				85% 85%

[a] Wheat, Corn, Barley, Oats, and Soybeans [b] Upland cotton
Note: There was no LDP activity on these commodities in FY 1995-96.



Analysis of Results: The percentage of actual production placed under loan, or on which a LDP was disbursed increased from 11 percent in 1997 to 77 percent in 1998 for wheat, corn, barley, oats and soybeans, and from 19 percent in 1997 to 85 percent in 1998 for upland cotton. This increase was largely due to extremely poor market prices for those commodities. Because such a large percentage of the actual production was funneled through the marketing assistance loan and LDP programs, it is apparent that producers are aware of the program benefits, and are using the programs to obtain some relief from the depressed market conditions. The restrictions on eligible commodities were also significantly relaxed in late 1998, which made poor quality grain, contaminated grain, and commodities harvested as other than grain eligible for loans and LDPs. Although the 1999 market conditions are similar to what they were in 1998, an increase in the percentage of actual production funneled through the marketing assistance loan and LDP programs can be expected because more producers are aware of the program requirements on eligible quantities, and are requesting LDPs before losing title to a commodity. Also, changes mandated by Congress in Public Law 106-78 increased the payment limitation and effectively suspended the beneficial interest requirements for 1999.

The FY 1999 annual performance plan contained an additional performance measure for this objective. However, FSA determined that the measure did not contribute to the measurement of overall program performance and discontinued the measure for FY 2000.

Current Fiscal Year Performance: Most States are predicting greater than normal LDP activity, therefore FSA expects an increase in the percentage of 1999-crop actual production that will be paid LDPs or placed under loan. Preliminary data shows that FSA's Price Support Division (PSD) has made significant progress in resolving problems identified in 1999 by clarifying loan and LDP procedures, streamlining the application process, and publicizing the availability of the program. Despite the increased activity, State Offices are reporting that they are not as far behind as they were at the same time a year ago. PSD will continue to monitor the effectiveness of the changes already implemented and take necessary and appropriate actions in the event performance is less than expected.

Program Evaluations: GAO is currently auditing the marketing assistance loan and LDP programs. Data necessary to fully evaluate the program should be available shortly after the audit is completed in the second quarter of FY 2000.

During January 1999, PSD conducted management meetings on current major loan/LDP issues. Based on these meetings, as well as correspondence and telephone inquiries from State Offices, House and Senate staffers, producer organizations, and industry representatives, several initiatives were developed to simplify the marketing assistance loan and LDP programs.

As a result of meetings, a new Directive, Handbook 8-LP, was elevated to top priority, and used as a vehicle for clarifying existing and announcing new marketing assistance loan and LDP policies. The handbook was issued October 19, 1999. Policy changes included easing requirements for providing production evidence, providing more discretionary authority to State and County Committees for determining production for commodities harvested as other than grain, and continuing to allow producers to request LDPs using facsimile copies. PSD conducted a National training session for State Office specialists in July 1999.

A proposal to develop a new form (CCC-697) for locking in repayment rates was implemented in October 1999.

Also, proposals to implement a uniform National LDP rate and permit producers to file LDP requests by e-mail using PC's from their homes, banks, warehouses, or any other remote location with Internet access, are currently in process.

Objective 1.3: Stabilize the price and production of tobacco and peanuts.

Key Performance Goals

Maintain the economic viability of peanuts program, and producers, by establishing producer/purchaser assessments and stabilizing peanut prices

Average Peanut Assessment				
Quota Peanuts			Non Quota Peanuts	
Target:	$.00366/lb.		Target:	$.0011/lb.
Actual:	$.00366/lb.		Actual:	$.0011/lb.
Average Price Per Ton of Peanuts				
Quota Peanuts			Non Quota Peanuts	
Target:	$610.00/ton		Target:	$175.00/ton
Actual:	$610.00/ton		Actual:	$175.00/ton

1999 Data: Average peanut assessment **-** The peanut assessments are collected and reconciled by the three area peanut associations, in conjunction with CCC.

FSA's Tobacco and Peanuts Division (TPD) oversees the collection of assessments. However, the area peanut associations are required to monitor and reconcile the collection of assessments for marketings in their applicable area.

FSA's Peanut Marketing Assessment Database System, which is maintained by the peanut associations, contains checks and balances to ensure peanut assessment data is accurate and complete. Also, KCMO performs validity checks on the data prior to transferring it to FSA's Information Technology Services Division (ITSD) and the peanut associations, who verify and reconcile the assessment data with peanut handlers' records and Financial Management Division (FMD) records to determine final assessment collection figures at the end of each crop year.

Data is electronically transferred from peanut buying points to their affiliated handlers to KCMO's Data Collection Center daily. KCMO post data files daily to the mainframe for ITSD to capture and provide to the peanut associations on the FSA Bulletin Board System. The peanut associations upload the data files into the Peanut Marketing Assessment Database System daily.

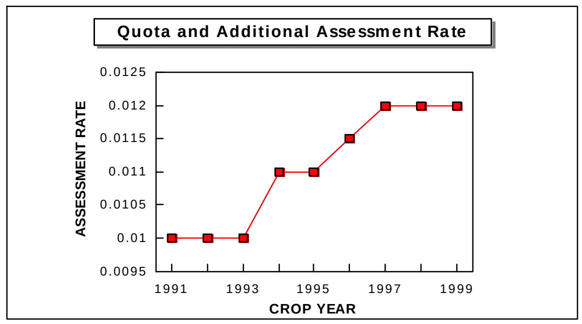
Average price per ton of peanuts: The peanut association software application, which monitors price support loan activity, provides program checks to ensure the integrity of loan data. Peanut association personnel enter data from FSA-1007's into the association application software to double check the accuracy of the data provided to the peanut associations by KCMO. Also, KCMO runs validity checks on the data prior to providing it to the peanut associations.

Peanut buying points electronically transmit data daily to their affiliated handlers who transmit it to KCMO's data collection center. KCMO provides peanut associations with data files daily to be uploaded into the peanut association software application.

Average peanut assessment: The component parts of the average peanut assessment are the quota and additional price support levels and the assessment rate of 1.2 percent as established by the 1996 Act. For the 1999 crop year, the applicable price support level is multiplied by the assessment rate of 1.2 percent to determine the peanut assessment rate.

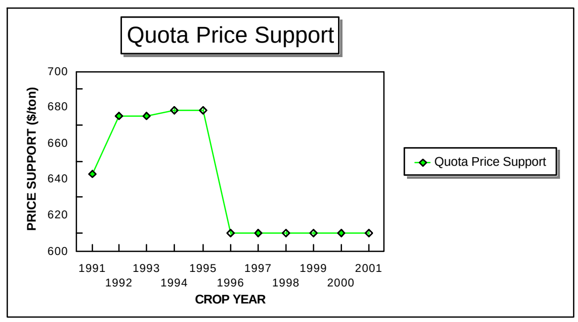
Crop Year	Assessment Rate	Quota Price Support	Quota Rate	Additional Price Support	Additional Rate
1991	1%	$642.79	$.00321395	$149.75	$.00074875
1992	1%	$674.93	$.00337465	$131.09	$.00065545
1993	1%	$674.93	$.00337465	$131.09	$.00065545
1994	1.1%	$678.36	$.00373098	$132.00	$.00072600
1995	1.1%	$678.36	$.00373098	$132.00	$.00072600
1996	1.15%	$610.00	$.00350750	$132.00	$.00075900
1997	1.2%	$610.00	$.00366000	$132.00	$.00079200
1998	1.2%	$610.00	$.00366000	$175.00	$.00105000
1999	1.2%	$610.00	$.00366000	$175.00	$.00105000
2000 Target	1.2%	$610.00	$.00366000	$175.00	$.00105000
2001 Target	1.2%	$610.00	$.00366000	$175.00	$.00105000

Average price per ton of peanuts: The price per ton of peanuts does not have any component parts because the quota price support level is set by legislation at $610 through the 2002 crop year and the additional price support level is established by the Secretary each year.



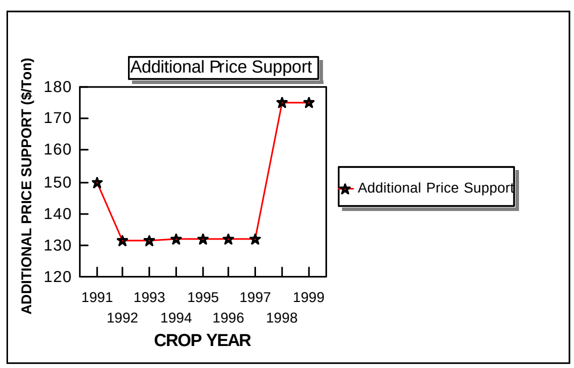
Average peanut assessment: The average peanut assessment rate increased slightly from 1991 to 1997. However, the average peanut assessment rate has been set at 1.2 percent for the 1997 through 2002 crop years.

Average price per ton of peanuts: The quota price support level dropped in 1996 when the 1996 Act was implemented. Again, the 1996 Act set the quota price support level at $610 for the 1996 through 2002 crop years.



The additional price support level increased in 1998 to $175 per ton. The increase was made in an effort to ensure no loss to CCC on the sale or disposal of additional peanuts.

Analysis of Results: Average peanut assessment - The 1996 Act set the assessment rates for the 1996 through 2002 crop years. The assessment rate remains the same, 1.2 percent of the quota or additional price support, for the 1997 through 2002 crop years. In addition, the 1996 Act provides the use of peanut assessments collected for the current crop year to be used to offset losses in the peanut price support program. If current assessment collections are not sufficient to cover peanut price support program losses, the subsequent crop year's assessment on producers of quota peanuts will be increased to cover prior year losses. Therefore, assessments are significant in maintaining the economic viability of the peanut price support program by assisting in establishing a no-net-cost program.



One external factor that would impact the average additional assessment is the additional peanut price support level established by the Secretary each year. The additional peanut price support level that is set by the Secretary will determine the average peanut assessment for additional peanuts. Since the 1996 Act establishes the quota price support level at $610 for the 1996 through 2002 crops, the only external factor impacting the quota assessment rate would be program losses for the previous crop year, if any. The amount of the previous year's program loss will determine the quota assessment rate the following year.

Average price per ton of peanuts: The 1996 Act established the quota price support loan rate ($610) for producers to assist in maintaining a balance between supply and demand in the marketplace which stabilizes the price of peanuts by helping ensure that market prices exceed price support loan rates. When market prices exceed loan rates, producer income increases and loan inventories decrease, thereby lowering expenses associated with the operation of the peanut price support program. The Secretary sets the additional price support level each crop year at a level estimated to ensure no loss to CCC on the sale or disposal of additional peanuts.

Since the 1996 Act sets the quota price support through the 2002 crop year, only the additional price support established by the Secretary is impacted by external factors, which are the expected prices of other vegetable oils and protein meals, and the demand for peanuts in foreign markets.

Current Fiscal Year Performance: FSA is on target in maintaining the economic viability of the peanut program and the producers by establishing producer/purchaser assessments to assist in maintaining a no-net-cost program, and by stabilizing the price of peanuts to ensure that market prices exceed price support loan rates.

Program Evaluations: None conducted during FY 1999.

<u>Maintain the economic viability of the tobacco program, and producers by establishing producer/purchaser assessments and stabilizing tobacco prices.</u>

Average Tobacco Assessment
- Target: $.08 or less /lb.
- Actual: $.038/lb.

Average Price per Pound of Tobacco
- Target: $1.70/lb.
- Actual: $1.81/lb. **Preliminary**

Average tobacco assessment:

Total Assessment paid	1995	1996	1997	1998	1999
Flue-cured	$.01	$.0119	$.0038	$.0037	$.02
Burley	$.0028	$.0026	$.0024	$.042	$.06

Average price per pound of tobacco received by farmers:

Average price received by farmers	1995	1996	1997	1998	1999
Flue-cured tobacco	$ 1.716	$ 1.730	$ 1.739	$ 1.756	$ 1.750
Burley tobacco	$ 1.824	$ 1.837	$ 1.866	$ 1.881	$ 1.903

1999 Data: Assessments - Data used in determining the tobacco assessment is electronically transferred from the tobacco cooperatives and FMD on a monthly basis to the Tobacco Loan Association Automation System. The assessment reported is the weighted average of flue-cured and burley tobacco, which account for approximately 90 percent of U.S. tobacco production.

TPD requires the grower-owned cooperatives to reconcile the no-net-cost accounts at the end of each crop year to ensure the correct amount of assessments were collected. Also, TPD reconciles the no-net-cost accounts by type of tobacco utilizing bank statements from FMD and crop production reports from KCMO.

Prior to the beginning of each crop year, TPD determines funding available in Commodity Credit Corporation trust accounts (no-net-cost accounts) to administer the tobacco price support program, and projects anticipated outlays and losses associated with this program. Based on this evaluation, assessment rates are established for the upcoming crop year. Annually, TPD compares actual loan outlays to account balances of assessments to determine the actual tobacco assessment level for the subsequent year.

Average Price – Data is preliminary. The average price reported is the weighted average of flue-cured and burley tobacco, which account for approximately 90% of U.S. tobacco production. Flue-cured data is final, while the price for burley is based on 62% of the 1999 crop year tobacco that has been marketed to date. Final data for burley is expected to be available by March 1, 2000, after the marketing season ends. Final data is not expected to be materially different from the preliminary data reported.

TPD receives daily, weekly, and year-end market news summary reports from the Agricultural Marketing Service (AMS), which collects and disseminates tobacco price data on a daily basis during the marketing of each kind of tobacco that receives price support. During the marketing seasons, these reports enable TPD to identify the quantity of tobacco being placed under price support loan, marketed, or introduced into the trade. These reports also enable it to compare average market prices to price support loan rates established by the Secretary. TPD verifies actual loan receipts through the tobacco cooperatives.

Analysis of Results: Assessments – The No-Net-Cost Tobacco Program Act of 1982 requires that the tobacco programs operate at no-net-cost to the Federal government, other than administrative expenses common to the operation of all price support programs. The assessment rates and the amount of funds in the no-net-cost accounts for each type of tobacco are evaluated each year to ensure this mandate is met. The no-net-cost assessment for the following year is adjusted to maintain the fund at the desired level. The assessments are significant in maintaining the economic viability of the tobacco price support program by ensuring it operates at no-net-cost.

Average Price – The 1949 Act established the procedure to determine the price support loan rate for each type of tobacco. The price is set to assist in maintaining a balance between supply and demand in the marketplace, which stabilizes the price of tobacco by helping to ensure that market prices exceed price support loan rates. The Secretary sets the price support level each crop year at a level determined by Section 106 of the 1949 Act.

The market price (preliminary) received in 1999 is higher than the loan rate, resulting in increased producer income and decreased loan inventories, which reduces expenses associated with the operation of the tobacco price support program. The cost savings is then passed to tobacco producers/purchasers in the form of lower tobacco assessments.

Current Fiscal Year Performance: FSA is on target in maintaining the economic viability of the tobacco program and producers, by establishing producer/purchaser assessments to assist in maintaining a no-net-cost program and by stabilizing the price of tobacco, to ensure that market prices exceed price support loan rates.

Program Evaluations: None conducted in FY 1999.

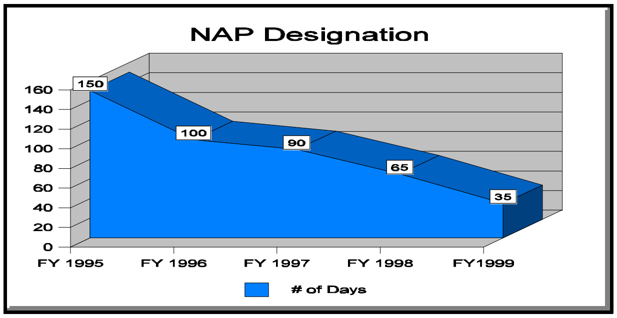
Objective 1.4: Provide a financial assistance safety net to eligible producers when natural disasters result in a catastrophic loss of production or prevent planting of noninsured crops.

Key Performance Goal

Improve NAP area and crop eligibility determinations by decreasing the number of days to designate NAP areas and determine crop eligibility.

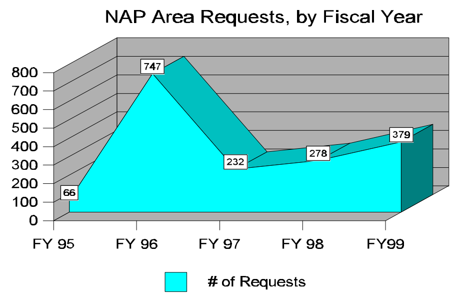
Target: 55 days
Actual: 35 days

FY	Average # of Days (actual)	Target
1995	150	
1996	100	
1997	90	
1998	65	
1999	35	55
2000		35
2001		30



1999 Data: Data is maintained on in-house tracking system, developed specifically for monitoring designation timeliness. The data is submitted to headquarters from each State and input into the system. Information regarding the number of days necessary to designate a Noninsured Crop Disaster Assistance Program (NAP) area and determine crop eligibility is through September 30, 1999. An actual count is used through the tracking system, which is updated weekly, to track the number of days in categories of 0-30, 31-60, and 61- 90, so management can monitor the age of area requests.

Analysis of Results: FSA accomplished its FY 1999 performance goal despite receiving an increased number of NAP area requests in FY 1999.



The average number of days necessary to designate a NAP area and determine crop eligibility in FY 1999 was 35 days, which is a substantial decrease from the 65 day designation time in FY 1998. The result is attributable to:

- Better understanding by field personnel of required data necessary to conclusively determine whether an area should be designated.
- Delegation of authority to State FSA Committees to approve NAP area and determine crop price and yield.

Because of expeditious NAP area determinations, farmers and ranchers have been able to receive payments closer to the time of their natural disaster occurrence, allowing them to recover a percentage of the production and input costs associated with the failed crop.

The FY 1999 Annual Performance Plan contained an additional performance measure for this objective. However, after further evaluation, FSA determined that the performance goal could not be achieved. Therefore, the measure has been discontinued for FY 2000. See Appendix A for an explanation of the discontinued measure.

Current Fiscal Year Performance: Current FY performance indicates a continuing, although slower, decrease in the number of days necessary to designate a NAP area and determine crop eligibility. As a result of FY 1999 results, targets for FY 2000 and FY 2001 have been revised. No further actions to improve area review determinations are planned, however, additional State Committees may be approved to determine area, crop price, and yield in the future.

Program Evaluations: None conducted in FY 1999.

Goal 2: Assist agricultural producers and landowners in achieving a high level of stewardship of soil, water, air, and wildlife resources on America's farms and ranches while protecting the human and natural environment.

Objective 2.1: Provide Conservation Reserve Program (CRP) funding to help improve environmental quality, protect natural resources, and enhance habitat for fish and wildlife, including threatened and endangered species.

Key Performance Goal

Reduce soil erosion, protect water quality and air quality, restore wetlands, and improve wildlife habitat by establishing conservation cover and/or installing priority practices on enrolled CRP acreage.

Number of acres enrolled per fiscal year (cumulative)
- Target: 31.1 million
- Actual: 31.5 million

- Regular (competitive) enrollment acres
  - Target: 29.4 million
  - Actual: 29.4 million
- Continuous (including CREP) enrollment acres
  - Target: 1.7 million
  - Actual: 1.0 million

States with approved CREP agreements
- Target: 15
- Actual: 8

Acres established in conservation buffers (including filter strips and riparian buffers)
- Target: 2.4 million
- Actual: 1.0 million

Acres of highly erodible land retired
- Target: 23.1 million
- Actual: 23.0 million

Acres of highly erodible land that would erode above "T" when farmed with conservation plan (EBI$\geq$15)
- Target: 10.3 million
- Actual: 10.3 million

Acres enrolled in the Prairie Pothole, Chesapeake Bay, Great Lakes, and Long Island Sound national conservation priority areas
- Target: 7.0 million
- Actual: 7.0 million

Acres in trees or other non-crop vegetative or water cover that provides permanent wildlife habitat
- Target: 3.8 million
- Actual: 3.8 million

Acres planted with vegetative covers determined best suited for wildlife
- Target: 12.6 million
- Actual: 12.6 million

Restored acres of wetlands
- Target: 1.4 million
- Actual: 1.4 million

Acres planted with trees
- Target: 2.0 million
- Actual: 2.0 million

Established acres of restored rare and declining wildlife habitat
- Target: 57 thousand
- Actual: 57 thousand

1999 Data: Data comes from the National CRP Contract Data File, which is an automated system maintained at KCMO. Service centers upload data to the Contract Data File monthly. A monthly review of contract data is being implemented in FY 2000 to help ensure data quality. Any data limitations would primarily result from the time lag from when contracts are signed and when contract data is input into the system at the service center. Generally, if there is a time lag, it is no more than 2-3 weeks.

Analysis of Results: The performance goal for CRP, to reduce soil erosion, protect water and air quality, restore wetlands and improve wildlife habitat by establishing conservation cover and/or installing priority practices on enrolled acreage is a long term goal and is not directly measurable. To assist in measuring the results of CRP, a variety of performance measures, with targets for each year, have been developed. In FY 1999, 10 of the 13 targets established in the FY 1999 annual performance plan were achieved.

The 18th CRP signup held in FY 1999 during a seven week period from October 26 through December 11, 1998, accepted over 60,000 offers, representing 5.0 million acres. This included 3.2 million acres of highly erodible land, 2.8 million acres of land within conservation priority areas, 456 thousand acres of wetlands and protective upland areas, and 216 thousand acres of rare and declining habitats to be restored. Additionally, a new National Conservation Priority Area was added for signup 18 in nine southeastern States to encourage the restoration of habitat for over 30 threatened and endangered species. About 102 thousand acres of longleaf pine habitat will be restored.

In addition to the 18th CRP signup, Conservation Reserve Enhancement Program (CREP) Federal-state partnerships were created in Oregon, Washington, Delaware, and North Carolina in FY 1999.

- Oregon CREP: designed to restore up to 100,000 acres of environmentally sensitive land along 4,000 miles of salmon and trout streams. This program protects the habitat for eight different endangered salmon species and two endangered trout species.

- Washington CREP: designed to restore up to 100,000 acres of environmentally sensitive land along 3,000 miles of salmon streams. The land along stream and river banks is planted with trees to serve as a riparian buffer, which, when properly planted, can filter as much as 90 percent of sediment, nutrients, and other contaminants for surface runoff before it reaches streams and rivers.

- Delaware CREP: designed to improve the water quality of the watersheds of the Chesapeake Bay, Delaware Bay, and the Inland Bays basin area. This program pays farmers to plant hardwood trees, grass filter strips, riparian buffers, and vegetation on highly environmentally sensitive land. Other acreage is planted as habitat for wildlife and wetlands restoration.

- North Carolina CREP: designed to improve the water quality of the Albemarle Estuary. This program pays farmers to plant hardwood trees, grass filter strips, riparian buffers, and vegetation that serves as habitat for wildlife and restores wetlands. The vegetation and wetlands filter contaminants from water runoff before it enters streams and rivers. Up to 85,000 acres of riparian habitat and 15,000 acres of wetlands will be enrolled.

Description of Actions and Schedules: To help meet Departmental targets for continuous enrollment acreage and establishment of riparian buffers, an interagency team of FSA and NRCS employees developed several initiatives to improve enrollment, which are currently being reviewed by the Department. Regarding CREP partnership agreements, USDA continues to promote CREP benefits and work with individual State governments to establish new partnerships. A significant factor which may limit CREP expansion is budget constraints at the State level.

Current Fiscal Year Performance: Based on results achieved in FY 1999, the FY 2000 target (as reflected in the revised FY 2000 annual performance plan) for the number of States with approved CREP agreements has been changed from 20 to 15.

Program Evaluations: None conducted in FY 1999.

Objective 2.2: Provide Emergency Conservation Program (ECP) funding for farmers and ranchers to rehabilitate farmland damaged by wind erosion, floods, hurricanes, or other natural disasters, and for carrying out emergency conservation measures during periods of severe drought.

Key Performance Goal

<u>Rehabilitate damaged acreage to agricultural production under ECP.</u> Target: 2.5 million Actual: 4.9 million

1999 Data: Data comes from the Conservation Reporting and Evaluation System (CRES), which is maintained at KCMO. The source of the data in the system comes from service center records. CRES reports are reviewed on a monthly basis to help ensure data accuracy.

Analysis of Results: In FY 1999, FSA issued $76.075 million in ECP assistance to farmers and ranchers in 42 States and the Virgin Islands. The funding was used to help farmers and ranchers fund practices to rehabilitate farmland damaged by droughts, floods, hurricanes, and other natural disasters.

The target of 2.5 million acres established for FY 1999 was developed based on projected expenditures for ECP practices. It is impossible to predict the performance of ECP in any given year because program activity is based on the occurrence of natural disasters, whose severity and frequency is not known until after the fact. In FY 1999, due to the severity of disasters, actual damaged acres exceeded the target of 2.5 million acres by 2.4 million acres, and required rehabilitation under ECP.

Current Fiscal Year Performance: The target of 5.3 million acres established for FY 2000 was developed based on projected expenditures for ECP practices. The acreage amount is based on estimated expenditures for FY 2000 of $67.815 million at approximately $12.63 per acre.

Program Evaluations: None conducted during FY 1999.

Objective 2.3: Protect public health of communities' water supply contaminated by carbon tetrachloride through continued implementation of CCC's Hazardous Waste Management Program.

Key Performance Goals

<u>Improve the timeliness and cost-effectiveness of site remediation initiatives for CCC hazardous waste activities.</u>

Site investigation costs
- Target: $675,000
- Actual: $600,000

Average amount of time to perform site investigations
- Target: 10.5 months
- Actual: 10 months

<u>Continue to protect public health by providing communities safe drinking water.</u>
- Target: 4 alternative water sources
- Actual: 8 alternative water sources

1999 Data: Data sources included monthly budget and accounting documents prepared by Argonne National Laboratories, and purchase orders and reimbursable agreements developed by CCC.

Analysis of Results: In FY 1999, a total of eight alternative water sources were either implemented or obligated, providing a safe water supply to residents impacted by ground water contamination. The systems implemented include a rural water supply line to Navarre, Kansas, new wells for Kansas towns Agra and Agenda, a new well for Humphrey, Nebraska, and a connection to rural water lines or bottled water to residents in four other communities in Nebraska and Missouri.

CCC completed five site investigations in FY 1999 with an average cost of $600,000 per site, a significant reduction from the targeted goal of $675,000. The lower average cost is due to the result of the initial investigation of a contaminated site in Canada, Kansas, where it was determined that CCC was not responsible for the contamination.

The established goal for completing site investigations (average time in months) in FY 1999 was 10.5 months. The actual result was an average of 10 months per site. The reason for surpassing the target time frame was due to a reduction in the time needed to complete the Canada site investigation.

CCC continues to work with Argonne National Laboratories to develop methods to reduce site costs, improve quality, and reduce time needed to perform investigations. A study by the University of Chicago's Graduate School of Business, released in June 1999, showed a substantial cost and time savings for the site investigation process developed jointly by CCC and Argonne Laboratories, compared to industry standards. The study indicated that at larger, more complex sites, the CCC/Argonne process is more economical. In some cases, CCC costs were about 50% less than the cost for private industry to conduct the investigation. Reasons for CCC's process being more economical include having over 10 years experience performing grainbin cleanup in Kansas and Nebraska and having developed numerous innovative technologies for performing investigations.

Current Fiscal Year Performance: Based on results achieved in FY 1999, FSA anticipates that FY 2000 goals will be accomplished.

Program Evaluations: The University of Chicago's Graduate School of Business completed a study of CCC's site investigation process in June 1999, and determined that the process was efficient and economical. Copies of the study may be obtained by contacting the University of Chicago's Graduate School of Business.

Objective 2.4: Assist the Natural Resources Conservation Service with Environmental Quality Incentive Program and Conservation Farm Option program policy and procedure development. Maintain responsibility for implementing administrative processes and procedures for contracting, financial reporting, and other financial operations, including allocations and program accounting.

After further evaluation by FSA, this objective which was contained in the FY 1999 Annual Performance Plan has been discontinued. Assisting NRCS with developing policies and procedures and providing administrative and financial support requires significant FSA resources. Therefore, it has been determined that this objective should be part of the means and strategies section for Goal 2. See Appendix A for an explanation regarding discontinuation of this objective.

Goal 3: Assist eligible individuals and families in becoming successful farmers and ranchers.

Objective 3.1: Improve the economic viability of farmers and ranchers.

Key Performance Goals

Reduce direct loan delinquencies by 22%.(Baseline: 20.3% - FY 1996)
Target: 17.0%
Actual: 14.2%

Reduce first-year delinquency rate on new loans by 22% and restructured loans by 18%.(Baselines: 11% and 16.4%, respectively - FY 1996)

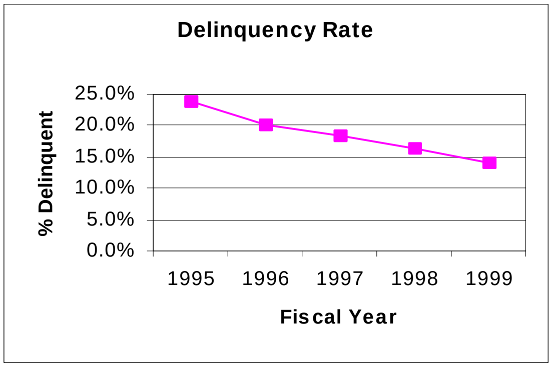
First year delinquency rates on new direct loans
Target: 9.5%
Actual: 7.2%

First year delinquency rates on restructured direct loans
Target: 14.4%
Actual: 11.9%

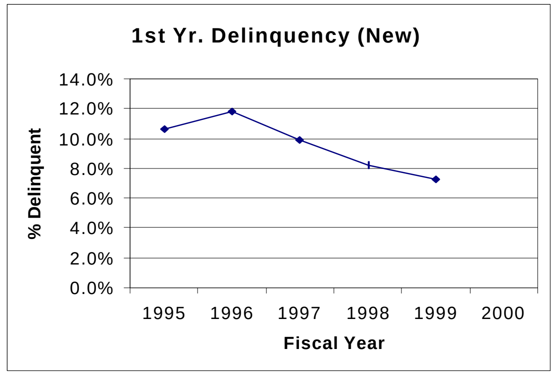
Increase the percentage of guaranteed loans made to direct borrowers by 8%.(Baseline: 32.5% - FY 1996)
Target: 33.7%
Actual: 33.3%

Direct Loan Delinquency Rate

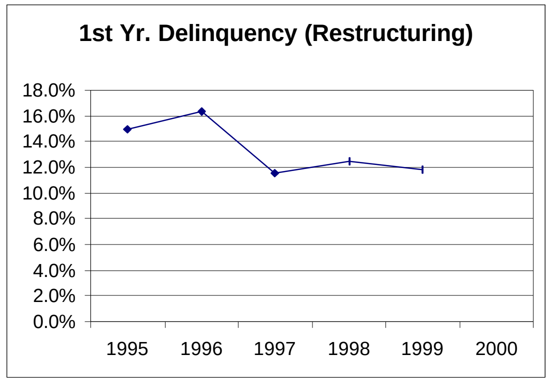
Fiscal Yr.	Dollars Outstanding	Dollars Delinquent	Percent Delinquent	Target
1995	$14,341,752,192	$ 3,408,219,189	23.8%	
1996	$12,502,576,222	$ 2,506,775,699	20.3%	Baseline
1997	$11,611,028,025	$ 2,136,769,979	18.1%	
1998	$10,899,900,964	$ 1,774,916,862	16.3%	
1999	$10,441,403,925	$ 1,480,275,885	14.2%	17.0%
2000				15.8%
2001				14.5%
2002				



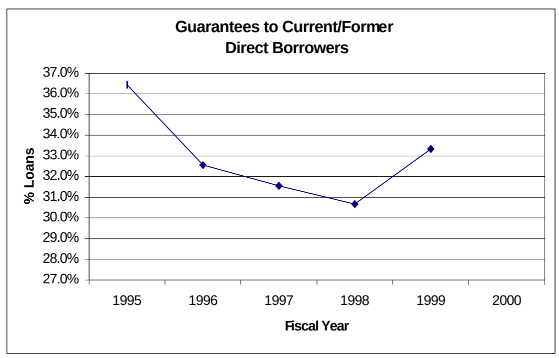
1st Yr. Delinquency (New)				
Fiscal Yr.	# Loans Made in Year	# Loans Made That Are Delinquent	Percent Delinquent	Target
1995	23,015	2,452	10.7%	
1996	13,444	1,584	11.0%	Baseline
1997	18,296	1,809	10.5%	
1998	17,439	1,435	7.0%	
1999	18,121	1,310	7.2%	9.5%
2000				7.0%
2001				7.0%
2002				7.0%



1st Year Delinquency (Restructuring)				
Fiscal Yr.	# Loans Restructured in Prior Year	# Prior Year Restructured Loans Delinquent	% Delinquent	Target
1995	15,176	2,276	15.0%	
1996	12,170	1,993	16.4%	Baseline
1997	14,763	1,706	15.5%	
1998	12,477	1,554	12.0%	
1999	11,082	1,314	11.9%	14.4%
2000				10.0%
2001				10.0%
2002				10.0%



Guarantees to Current/Former Direct Borrowers				
Fiscal Yr.	Total # Guaranteed Loans Made	Total to Fmr/Cur Direct	% to Fmr./Cur. Direct	Target
1995	16,233	5,919	36.5%	
1996	14,563	4,745	32.6%	Baseline
1997	11,944	3,768	31.5%	
1998	10,557	3,325	31.5%	
1999	15,688	5,231	33.3%	33.7%
2000				35.3%
2001				35.3%
2002				35.3%



1999 Data: The data originates from FSA's accounting system. Loan transactions are entered daily by FSA service center staff and processed through the finance office. Since this data flows through the financial accounting system, it is subject to both internal and external audits.

Analysis of Results: A low delinquency rate means more producers are on schedule with their loan payments and are less likely to cease farming. Additionally, declining First-Year delinquency rates show improved loan origination and analysis. FSA surpassed its FY 1999 performance target in all three delinquency categories. Also, FSA reached its goal of a 22 percent reduction in overall delinquencies and an 18 percent reduction in first-year delinquencies on restructured loans. The Agency is ahead of its target to reduce first-year delinquencies on new loans by 22 percent by 2002.

Improved monitoring and training loan officers contributed to the reduction in delinquency rates. Delinquency monitoring reports have been enhanced and State Offices trained to run their own reports. With these tools, State and service center staff have placed a priority on resolving a number of older delinquent cases and responded accordingly. In addition, new regulatory authorities have helped FSA manage borrower delinquency. Specifically, the new 1951-T regulation permits FSA to defer a loan payment when the borrower is unable to make payments as scheduled.

In FY 1999, delinquency rates declined despite low commodity prices and numerous natural disasters. This can be attributed to increased government assistance which helped maintain farm income and temper financial hardship for producers.

Current Fiscal Year Performance: FSA is on target to meet FY 2000 targets and plans to continue to closely monitor and quickly resolve delinquencies. However, meeting the FY 2000 targets will be challenging since commodity prices are projected to remain weak and many farmers are still recovering from 1999 disasters.

Program Evaluations: None conducted in FY 1999.

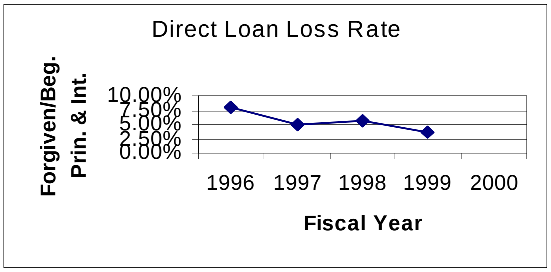
Objective 3.2: Reduce losses in loan programs.

Key Performance Goals

Reduce losses on direct loans by 19%.(Baseline: 8% - FY 1996)
Target: 7.2%
Actual: 3.5%
Maintain the guaranteed loan loss rate at or below 2.0%. (Baseline: .82% - FY 1997)
Target: 1.9%
Actual: .93%

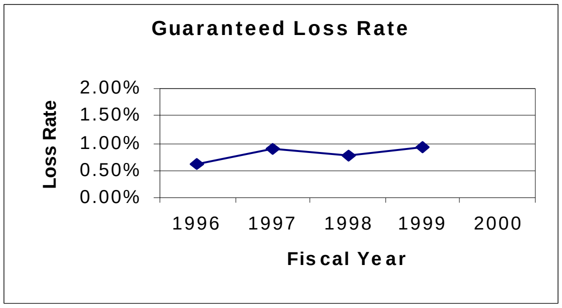
Direct Loan Loss Rate

Fiscal Yr.	Beg. Principal & Interest Outstanding	Amount Debt Forgiven**	Loss Rate	Target
1996	$ 14,341,752,192	$ 1,147,340,175	8.0%	Baseline
1997	$ 12,502,576,222	$ 612,976,112	4.9%	
1998	$ 11,611,028,025	$ 642,476,227	5.4%	
1999	$ 10,899,900,964	$ 411,042,265	3.5%	7.2%
2000				6.5%
2001				5.9%
2002				



Guaranteed Loss Rate

Fiscal Yr.	Beg. Principal Outstanding	Total Losses Paid**	Loss Rate	Target
1996	$ 5,933,136,200	$ 36,840,897	0.62%	
1997	$ 6,378,468,262	$ 56,161,235	0.82%	Baseline
1998	$ 6,505,290,939	$ 50,753,069	0.78%	
1999	$ 6,537,611,899	$ 60,953,367	0.93%	1.9%
2000				1.9%
2001				1.9%
2002				1.9%



1999 Data: The direct and guaranteed loan losses data, and the direct loan outstanding principal and interest, originates from FSA's accounting system. Loan transactions are entered daily by the FSA service center staff and processed through the finance office. Since this data flows through the financial accounting system, it is subject to both internal and external audits.

The guaranteed loan outstanding principal balance comes from reports received from lenders servicing the guaranteed loans, which are required to be submitted to FSA twice each year. FSA service center staff receive these reports, input the data into the Agency's information system, and follow up with lenders to ensure all required reports are provided. FSA District, State, and National Offices monitor this process as part of routine oversight to ensure the reports are received and entered.

Analysis of Results: Low losses indicate that producers are better able to meet their financial obligations and are likely to continue farming. Both direct and guaranteed loss rates are below the FY 1999 targets. The guaranteed loss rate has fluctuated between .6% and 1% for the past several years. The direct loss rate declined moderately after a sharp fall from 1996 to 1997. In FY 1999, direct loan loss rates declined and guaranteed loss rates remained stable despite low commodity prices and numerous natural disasters. This can be attributed to increased government assistance which helped maintain farm income and temper financial hardship for producers.

Current Fiscal Year Performance: FSA is on target to meet its FY 2000 targets. However, meeting the FY 2000 targets will be challenging since commodity prices are projected to remain weak and many producers are still recovering from 1999 disasters. FSA intends to continue using prudent underwriting practices, borrower supervision, and loan servicing tools to maintain the low loss rates realized in FY 1999.

Program Evaluations: None conducted in FY 1999.

Objective 3.3: Respond to loan making and servicing requests in a timely manner.

Key Performance Goals

Reduce direct loan processing times by 17% and guaranteed loan processing times by 21%.(Baseline: 23 days direct; 14 days guaranteed - FY 1996)

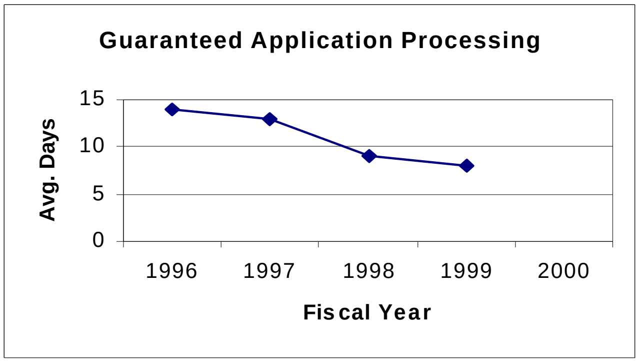
Direct loan average processing times
- Target: 21 days
- Actual: 17 days

Guaranteed loan average processing times
- Target: 10 days
- Actual: 8 days

Process 80% of all requests for primary loan servicing within 60 days.(Baseline: 80% in FY 1998)
- Target: 80%
- Actual: 77%

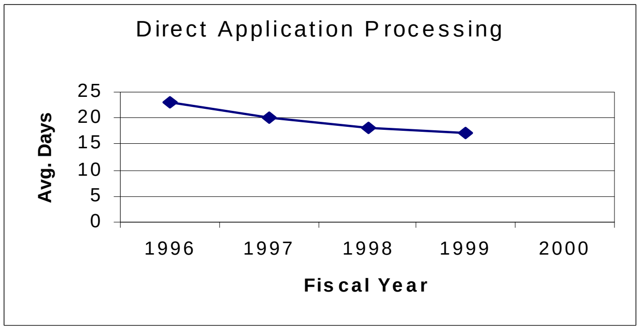
Guaranteed

Fiscal Yr.	Average Days from Complete to Decision	Target
1996	14	Baseline
1997	13	
1998	9	
1999	8	10
2000		8
2001		8
2002		8



Direct

Fiscal Yr.	Average Days from Complete to Decision	Target
1996	23	Baseline
1997	20	
1998	18	
1999	17	21
2000		15
2001		15
2002		15



1999 Data: FY 1999 data originates from FSA service center staff entries into the FSA's Management Resource System. This system is being replaced in FY 2000 with an upgraded system, Management of Agricultural Credit. Late in FY 1999, service centers lost the ability to upload this data. Therefore, only records up to September 16 are included in the above averages. The records which are not included would not significantly affect the nationwide average and the data is considered final. All application processing data will be available through the Management Agriculture Credit in FY 2000.

Guaranteed loan application data is entered in a similar manner by the service center. In addition to the problems, discussed above, FSA implemented the second phase of a new Guaranteed Loan System in February 1999. Because of this transition, some records were not available. This problem will be corrected in FY 2000 data.

FY 1999 data on the processing of primary loan servicing requests is preliminary. This data has been collected manually from State Offices. In FY 2000, this data will be automated and available through the new field office Management of Agricultural Credit information system.

Analysis of Results: Faster response times on loan decisions indicate FSA is providing its customers with decisions when needed. The average processing time for direct loans has steadily declined from 23 days to 17 days. Improved monitoring, temporarily shifting personnel during peak loan season, and use of non-farm loan employees contributed to this drop. Likewise, the average guaranteed loan processing time declined from 14 days in 1996 to 8 days in FY 1999. Similar monitoring and use of employees contributed to this decline.

In 1999, FSA completely revised its guaranteed loan regulations. Included in these changes were the Preferred Lender Program and many other application streamlining changes. FSA expects the full effect of the changes to be realized in the FY 2000 loan season and guaranteed loan processing time to continue to decline. Similar streamlining changes are underway for the Direct Loan Program, including a Low Doc application for small loans.

Current Fiscal Year Performance: FSA is on target to meet its FY 2000 targets.

Program Evaluations: None conducted in FY 1999.

Objective 3.4: Maximize financial and technical assistance to under served groups to aid them in establishing and maintaining profitable farming operations.

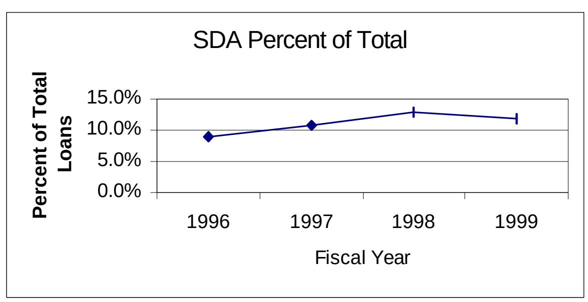
Key Performance Goal

Increase the number of loans to socially disadvantaged farmers/ranchers by 73%. (Baseline: Direct and guaranteed loans to socially disadvantaged farmers/ranchers 9% - FY 1996)

Target: 14.4
Actual: 11.9

SDA Loans

Fiscal Year	Number of SDA Loans	Total Number of Loans	SDA Percent of Total	Target
1996	2600	28,687	9.0%	Base
1997	2677	24,835	10.8%	
1998	3186	24,523	13.0%	
1999	4005	33,620	11.9%	14.4
2000				13.9
2001				16.0
2002				18.0



1999 Data: This data is entered by the FSA service center staff at the time loans are obligated. Loans are classified as socially disadvantaged (SDA) based on the funding codes assigned when the loan is obligated. There is potential for the field offices to use the wrong code. However, since funds are very limited for non-SDA categories, field offices are normally very careful about using the SDA codes whenever possible.

Analysis of Results: More loans to SDA applicants indicates FSA is providing assistance to traditionally under served farmers and ranchers. Although the number of loans made to SDA farmers and ranchers increased by 25% over FY 1998, the total number of Farm Ownership and Operating Loans increased by 37 percent. Therefore, the percent of total loans to SDA applicants declined to 11.9 percent. FSA considers the sharp increase in loan demand by non-SDA farmers and ranchers as the reason for not meeting the 1999 target.

Description of Actions and Schedules: In FY 2000, FSA plans to continue its outreach to minority farmers and ranchers to ensure program benefits are received by all qualifying applicants.

Current Fiscal Year Performance: FSA is on target to meet its FY 2000 targets.

Program Evaluations: None conducted in FY 1999.

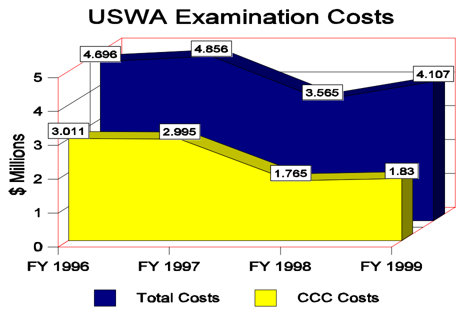
Goal 4: Improve the effectiveness and efficiency of FSA's commodity acquisition, procurement, storage, and distribution activities to support domestic and international food assistance programs, and administer the U.S. Warehouse Act (USWA).

Objective 4.1: Reduce the percentage of USWA examination costs paid by CCC, thereby increasing the self sufficiency of USWA examination operations.

Key Performance Goal

Reduce CCC's costs associated with USWA examination operations to 40% of the total costs.
Target: 45%; $1.98 million
Actual: 45%; $1.83 million

Year	Total Examination Costs Million $'s	CCC's Examination Costs Million $'s	CCC's Share of Examination Costs	Target %
1996	4.696	3.011	64%	
1997	4.856	2.995	62%	
1998	3.565	1.765	50%	50%
1999	4.107	1.83	45%	45%
2000				45%
2001				40%



1999 Data: The data is received on a monthly basis from three sources. The first, Form WA-130, Warehouse Examination Work Progress Report, which shows the number of hours per exam, is prepared by the Kansas City Commodity Office and forwarded to headquarters for analysis. The remaining two reports are generated by the CORE accounting system, the MQB-117R2 and the MQB-101, which summarize warehouse exam expenses by object class. FSA is not aware of any limitations to the data.

Analysis of Results: Total USWA examination costs were $4.107 million, of which CCC's expenditures were $1.83 million or 45 percent. There were 7,727.4 million bushels of grain pledged as collateral to CCC for commodity loans for FY 1999 (crop year 1998). This was a 49.1 percent (2,545.5 million bushel) increase over the previous year. In addition, rice loans increased 18 percent and cotton loans increased 13 percent. Although experiencing a huge increase in loan activity, CCC continued to lower its percentage of USWA examination costs from FY 1996 levels and achieved its performance goal.

Current Fiscal Year Performance: A significant commodity price decline occurred in conjunction with the large 1998 crop volume, resulting in continued heavy loan volume for CCC in FY 2000. CCC has determined that until commodity prices improve and loan placements decline, which is not expected in the near future, funding of USWA examinations should remain at the current level because of the increase in examinations conducted on behalf of CCC. CCC has decided that reaching the original FY 2000 target of 40% (established in the FY 1999 annual performance plan) would increase the risk of loss associated with the commodity loan programs above acceptable levels. Thus, the FY 2000 performance plan maintains the 45% funding level. The size of the 1998 crop and the resulting decline in market prices were outside CCC's control.

Program Evaluations: None conducted in FY 1999.

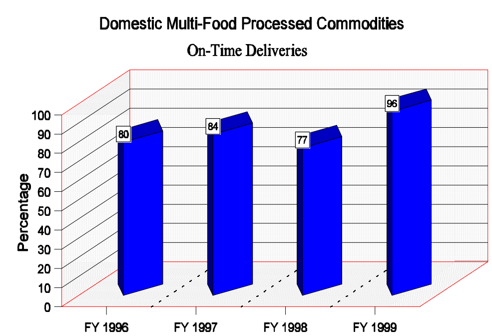
Objective 4.2: Purchase processed commodities in a more timely and cost effective manner and improve timeliness of processed commodity deliveries to customers.

Key Performance Goal

Increase the percentage of on-time deliveries and shipments for domestic multi-food processed commodities purchased to 95%.
Target: 95%
Actual: 96%**Preliminary**

FY	Total number of Deliveries	Number of On-time Deliveries	On-time Delivery Percentage	Target
1996*	n/a	n/a	80%	
1997	1,861	1,561	84%	
1998	2,083	1,616	77%	
1999	1,453	1,384	96%	95%
2000				95%
2001				95%

* 1996 information unavailable at this time.



1999 Data: Preliminary FY 1999 data indicates on time delivery performance exceeding the target of 95%. Final data is expected in late February 2000 with a variance of less than ± 5% for on-time delivery percentage. Vendors self-certify the delivery date on a forwarding notice sent to FSA which is input daily into the Processed Commodity Inventory Management System. FSA verifies and validates the data through two methods. First, as a regular part of the Total Quality Systems Audits, vendor delivery records are checked and compared to reported delivery dates. Second, FSA conducts random checks of warehouse logs and compares the information with FSA's copy of the forwarding notice.

Analysis of Results: FSA's customers have stated that 100% on-time delivery is a critical issue to them. Moving from 80% on-time delivery in FY 1996 to 96% in FY 1999 is a significant improvement. FSA's current rate of 96% is substantially closer to meeting customer expectations. FSA accomplished the improvement by entering into two long-term contracts with Americold Services Corporation in Carthage, MO, and CCWS in Visalia, CA. In conjunction with the new contracts, the primary storage facilities for the multi-food program moved from Kansas City, KS, to Carthage, MO, and relocated from Exeter, CA, to Visalia, CA. The new facility and transportation suppliers have invested heavily in state-of-the-art technology that enables them to track multi-food shipments throughout the nation. Additionally, more emphasis is being placed on ensuring shipments go out on time and remain on schedule.

Current Fiscal Year Performance: FSA expects to continue to improve multi-food program delivery performance in FY 2000. FSA will regularly monitor performance measures and take appropriate action as necessary.

Program Evaluations: None conducted in FY 1999.

Objective 4.3: Improve the quality of processed commodities purchased.

The FY 1999 Annual Performance Plan contained performance measures for objective 1.3. However, after further evaluation, FSA determined that the data did not contribute to the underlying performance goals and objectives FSA is trying to achieve. Therefore, the measures have been discontinued for FY 2000. See Appendix A for an explanation of the discontinued measures.

Management Initiative 1: Provide fair and equal treatment in employment and the delivery of FSA programs.

Key Performance Goals

Increase the number of program and employee complaints processed on time.

Average number of days spent processing program complaints compared to departmental guidelines (#)

Target: 50/24
Actual: 58

1999 Data: Data was compiled by an in-house tracking system. Management controls are in place to track processing of Agency responses during several stages of the internal process. USDA's Office of Civil Rights (CR) has an in-house data base in place. CR and FSA's Civil Rights & Small Business Utilization Staff (CRSBUS) data is reconciled monthly. Data limitations would be due to data input errors, or CR not sending program complaints to FSA in a timely fashion (program complaints are received by CR, and they forward them to the Agency). However, CRSBUS communicates with the Department CR frequently, and files are spot checked to ensure proper system input. CRSBUS reviews the record printouts regularly to mitigate problems. Data is input on a daily basis, reviewed in weekly and monthly reports, and reported to the Department quarterly.

Analysis of Results: The data indicates that the response time for average number of days to complete an agency response continues to improve. During the first quarter of FY 1999, CRSBUS was still finalizing responses to the backlog from FY 1998. However, by the end of FY 1999 all complaints received in FY 1999 were 100% complete. The 58-day actual performance was tallied during the first half of FY 1999. However, by Spring 1999, CR had changed the way they wanted agency responses handled. Therefore, for the 3rd quarter of FY 1999, CRSBUS received only five agency response requests, and no requests for the 4th quarter.

Until May 1999, agencies gathered responses from both the complainant and the agency employees. Now, agencies speak to employees only. Since agencies are no longer allowed to speak to the complainant, the time needed to complete the agency response is considerably less.

Description of Actions and Schedules: CR will be gathering most of the data in FY 2000. Therefore, CRSBUS should be able to meet the 24-day response time goal.

Current Fiscal Year Performance: Preliminary data gathered in FY 2000 indicates that FSA should meet the 24-day requirement. During October 1999, FSA had four response requests and the average response time was 14 days. Also of special interest, in August/September 1999, CRSBUS took a pro-active step to mitigate the number of complaints from producers by introducing a new training program to train Farm Loan Program staff on producer dissatisfaction and public perception of those programs. Feedback from that training has been extremely positive in helping employees better understand producer concerns.

Program Evaluations: None conducted in FY 1999.

Increase the number of program and employee complaints processed on time.

Average number of days to process informal employment complaints (90 day Department guideline)

Target: 60

Actual: 45 **Preliminary**

Increase by 5% the percentage of employment complaints that are resolved at the informal level

Target: 52.5

Actual: 50

1999 Data: The data is compiled by an in-house tracking system, compared with the complaint intake form, input into the system, and validated. Limitations would be due to human errors, such as inaccurate information provided by the counselor or data input errors. The complaint intake form was modified in November 1999 to mitigate errors. Data is reviewed by management, input daily, and reports are prepared weekly, monthly, and quarterly. The monthly and quarterly reports are provided to CR.

Since this is the first year FSA has collected data, calculations are available for FY 1999 only. The total number of informal EEO complaints filed in FY 1999 was 251. There were 66 resolutions and 59 withdrawals. The percentage resolved = resolutions+withdrawals/total number of complaints [(66+59)/251=49.8%].

Analysis of Results: FSA achieved the goal of processing informal complaints within the allotted timeframe. FSA instituted the Early Resolution Program to quickly address employee disputes. The program provides an opportunity for the employee to be heard quickly, take ownership of any resolution obtained, and most importantly, preserve relationships.

However, outside constraints did not allow FSA to meet the goal of a 5% increase in employment complaints being resolved at the informal level. In FY 1999, 24 complaints were counseled by non-FSA counselors, of which only five were resolved. If these non-FSA cases are removed from calculations, FSA's resolution rate would have been 53%, which exceeds the 52.5% target.

Description of Actions and Schedules: CR issued regulations that require USDA employees to contact counselors within their agencies, except when the complaint is filed on hiring. In those cases, the employee must contact a counselor with the hiring agency. These regulations provide FSA with responsibility and control over the process.

Current Fiscal Year Performance: FSA anticipates achievement of the FY 2000 target.

Program Evaluations: During the annual training sessions of the EEO Counseling and Mediation Branch, management reviews the process with counselors and makes necessary changes to the standard operating procedures to ensure compliance with EEOC MD 110 and 29 CFR 1614 regulations governing EEO complaint processing.

Complete five Civil Rights Compliance reviews of State Offices/service centers and take appropriate corrective actions timely.

Final management evaluation reports submitted within 45 days of completing the on-site review (%)

Target: 75%

Actual: 100%

Corrective actions taken within scheduled timeframes for noncompliances (%)

Target: 80%

Actual: 100%

1999 Data: The name of the review has changed from Compliance Reviews to "Management Reviews." Five states were reviewed in FY 1999. All of the on-site review reports were completed and forwarded to the Executive Director for State Operations for corrective action. The states reviewed during FY 1999 were Virginia, North Carolina, Texas, Connecticut, and Florida. The reviews were completed by September 24, 1999. All management review reports were completed by November 8, 1999. Corrective action reports are in preliminary stages and completion dates for corrective actions will be determined.

Analysis of Results: The FY 1999 target of submitting 75% of final reports to the Executive Director for State Operations within 45 days of completing the on-site review was surpassed. One hundred percent of reports were submitted on time. Issuance of reports is just one part of the review process. Once final reports are issued, the States reviewed have 30 calendar days to prepare and submit corrective action reports to the Executive Director for State Operations. Follow-up will be performed within 90 days of receipt of correction action reports to help ensure that corrective actions have been implemented. Only one of the States was scheduled to complete its corrective actions by October l, 1999, and this was done.

FSA overhauled its management review system in FY 1999. A pilot review was performed in Virginia to test the new system. The pilot review disclosed some minor problems with the management review process and with many of the forms. These problems were corrected before the other reviews were performed. Forms and the format for submitting the on-site management reports were standardized. The new forms and reporting format were used in the North Carolina, Texas, Connecticut, and Florida reviews.

The FY 1999 performance plan stated that seven States would be reviewed. However, CRSBUS' travel budget was decreased and the target was changed to five at the beginning of FY 1999. Also, the performance plan was compiled before CRSBUS had its planning session to determine the number of days needed to complete the review report. During the meeting, it was determined that 30 days was an unrealistic target for completing the management review reports and target was changed to 45 days.

Current Fiscal Year Performance: CR is requiring that 20 percent of the States be reviewed in FY 2000, doubling the number of reviews completed annually. FSA has determined which States will be reviewed and provided the tentative dates and reasons for reviews to CR. If full funding is received, the reviews will be completed on time.

Program Evaluations: In FY 1999, FSA conducted an extensive review and overhaul of its on-site State management review system. A new directive was developed and forms were reformatted. After the initial pilot review in May 1999 of Virginia, the forms were again improved. The new management review system is in place and has helped the on-site reviews remain consistent from State to State. Also, the efficiency of the State management review process has greatly improved.

Improve workforce diversity by increasing the representation of women, minorities, and persons with targeted disabilities.

Representation of women and minorities in the Agency in under-represented grade levels by organizational component (%)

Target:	TBD	
Actual:	TBD	Incomplete

Representation of persons with targeted disabilities in the Agency (%)

Target:	1.37
Actual:	1.46

1999 Data: Diversity - incomplete data. Data will be collected from the NFC data base and compared to Office of Personnel Management, US Census, and USDA data. Targeted Disabilities - Data is from the NFC data base, is collected semi-annually, and is for FSA Federal employees only. Data is "self-reported" on the SF-256, Self-Identification of Handicap, by employees when hired. As a result, it is possible that data limitations do exist. Additionally, there are situations where individuals do not have a disability when hired, but as a result of such factors as aging, illness, and accident, could be classified as having a targeted disability, but do not complete a SF-256. Therefore those individuals would not be reflected in the data.

Analysis of Results: A diversity analysis was completed in FY 1999 and the information developed will be used as the baseline on diversity. Additionally, FSA will benchmark its diversity levels with those of USDA and Federalwide government.

FSA achieved its targeted disabilities performance goal in FY 1999. One of the best success stories of FY 1999 was FSA's Workforce Recruitment Program (WRP) for college students with targeted disabilities. FSA surpassed its 1999 national summer employment goal, more than doubling the number of placements at headquarters from 1998. FSA employed 13 WRP summer interns nationwide in 1999 - the goal was 9 - which included 4 field placements, and made one permanent hire from the WRP. In addition to the number of students participating, an important result was that most of the WRP students held positions related to their degrees, positions such as Employee Relations Assistant, Economics Assistant, Accounting Technician, and Management Assistant.

FSA continues to emphasize and promote disability awareness for employees through training. In FY 1999, FSA held seven training sessions on a variety of topics. In addition, FSA distributed Disability Employment Training "Module B" to headquarters and field supervisors and managers. This is an electronic self-study training guide, covering general information about reasonable accommodation, guidelines for determining reasonable accommodation, and accommodation scenarios.

Current Fiscal Year Performance: In FY 2000 FSA will develop specific strategies for diversity. FSA intends to track promotions and training to encourage managers to provide more diversity in these areas. Regarding targeted disabilities, FSA will continue to promote awareness through employee training, expand outreach for temporary and permanent employment through organizations targeting people with disabilities, and continue to utilize the WRP as a recruitment resource. Despite these efforts, maintaining the current targeted disability employment level will be a significant challenge as a result of dwindling hiring opportunities.

Program Evaluations: No program evaluations were conducted in FY 1999 on diversity. Regarding targeted disabilities, the Department completes an annual review of Agency efforts and planned actions for increasing representation of people with disabilities and disabled veterans. FSA received no recommendations for improvement.

Management Initiative 2: Enhance the ability of small, limited-resource, and socially disadvantaged family farmers/ranchers to operate successfully.

Key Performance Goal

<u>Increase the representation of small, limited-resource, and socially disadvantaged family farmers and ranchers on the County Office Committee (COC)</u>
Target: 12%
Actual: 13.87%

This performance goal has been modified from the way it was originally presented in the FY 1999 Annual Performance Plan. Instead of measuring the individual representation numbers for each targeted group, FSA is reporting on the targeted group as a whole. However, the table below provides complete data for each group to show how the overall percentage was calculated.

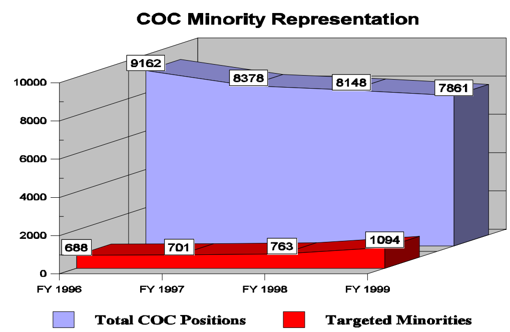
Targeted Groups																	
FY	Black			Hispanic			Asian American/ Pacific Islander			American Indian/ Alaskan			Women (white)	Total Targeted Groups	Total COC Positions	Actual %	Target%
	M	W	T	M	W	T	M	W	T	M	W	T					
96	35	1	36	55	3	58	19	2	21	49	2	51	522	681	9162	7.51%	

Targeted Groups																	
FY	**Black**			**Hispanic**			**Asian American/ Pacific Islander**			**American Indian/ Alaskan**			**Women (white)**	**Total Targeted Groups**	**Total COC Positions**	**Actual %**	**Target%**
97	19	1	20	50	7	57	14	5	19	51	6	57	548	701	8378	8.37%	
98	36	1	37	55	10	65	15	6	21	63	5	68	572	763	8148	9.36%	
99	63	12	75	72	10	82	16	6	22	123	23	146	765	1090	7861	13.87%	12%
00																	15%
01																	17%

M=men; W=women; T=total

1999 Data: Data comes from FSA service centers and is maintained at the Kansas City Management Office.

Analysis of Results: The most recent FSA COC election, in December 1998, resulted in a significant increase in the number of underserved family farmers and ranchers being elected to COC positions. The number of Black and American Indian/Alaskan elected to COC positions more than doubled in FY 1999. The largest numerical increase was for white women, which increased from 572 to 765. As a result of COC outreach efforts, including newsletters, advertising in local newspapers, public announcements, and radio ads, to name a few, participation among the underserved groups continues to increase. The FY 1999 results maintain the upward trend towards improved diversity in committee membership since 1996, when the targeted groups comprised only 7.51% of the total. In addition to the elected members, FSA has Minority Advisors to the COC who are appointed by the State Executive Directors. Currently, there are 1,721 COC Minority Advisors.



The FY 1999 Annual Performance Plan contained an additional performance measure for this initiative, however, because funding was not approved for the activity, the measure has been discontinued for FY 2000. See Appendix A for an explanation of the discontinued measure.

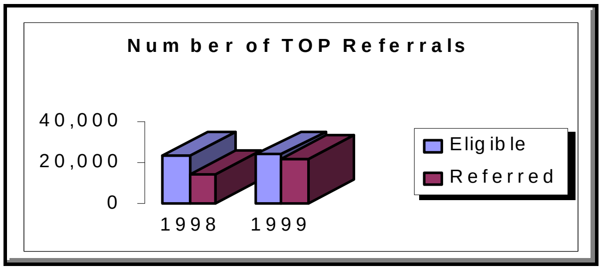
Current Fiscal Year Performance: As a result of FY 1999 accomplishments, the FY 2000 and FY 2001 targets reported in the FY 2001 Annual Performance Plan will be revised upward.

Program Evaluations: None conducted in FY 1999.

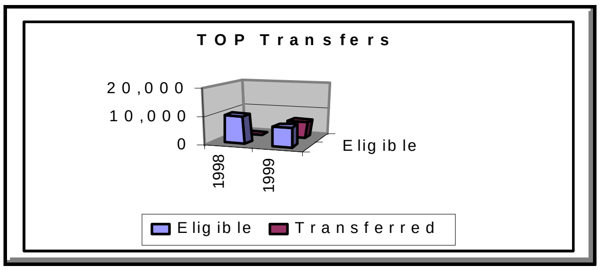
Management Initiative 3: Improve Financial Management and Reporting

Key Performance Goals

Participate in Treasury Offset Program (TOP) and Cross Servicing Program under the Debt Collection Improvement Act of 1996.
Eligible Debts referred to Treasury Offset Program
Target: 100%
Actual: 90%
Eligible Debts referred for Cross-Servicing to Treasury
Target: 100%
Actual: 86%



Year	Debts Eligible for TOP	Debts Referred to TOP	Percent of Eligible Debt Referred to TOP	Target
1998	23,308	14,045	61%	75%
1999	23,723	21,567	90%	100%
2000				100%
2001				100%



Year	Debts Eligible for Cross Servicing	Eligible Debts Referred for Cross Servicing	Percent of Eligible Debts Referred for Cross Servicing	Target
1998	10,136	0	0%	N/A
1999	7,154	6,154	86%	100%
2000				100%
2001				100%

1999 Data: The source of this information is the Central Claims Database for farm program claims and the Program Loan Accounting System for farm loans. The methods used to collect the data are automated applications that feed from the end user into the centralized databases. The information is then available for control and reporting purposes. The limitation on the data is that it is as accurate as the information that is input by the originating office. However, there are many validations built into the Automated Claims System to ensure the accuracy of the data and that only valid information is accepted. Also, all FSA employees are provided instructions on handling the program data. Handbooks and notices are provided on processing of all program activity. The error rate on data is less than 1/10 of one percent. When errors occur, the transaction is suspended, reviewed and corrected as soon as possible. The data is collected on a nightly basis from all field offices. The debt collection information that is received from the Department of Treasury is fed into the Automated Collection Application System the day it is received. These processes allow for the most current and accurate data available.

Analysis of Results: Treasury Offset Program - In FY 1999, FSA transferred 90% of its eligible debts, which included all Farm Loan Program and Farm Program debts centralized in the Kansas City Management Office to TOP. FSA updates TOP on a weekly basis so as new debts become eligible they are referred to TOP.

Cross Servicing Program - In FY 1999, FSA transferred 86% of its eligible program debts to Treasury for cross servicing. FSA will continue to update Treasury's cross servicing data base on a weekly basis so as new debts become eligible they are referred to Treasury.

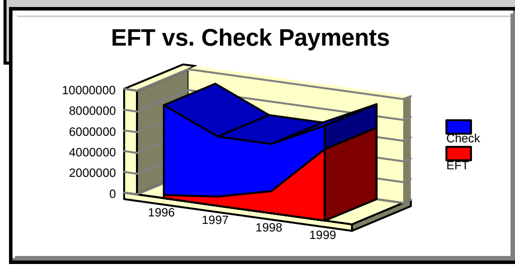
Description of Actions and Schedules: All eligible debts were transmitted to TOP by the end of December 1999. The remainder of the eligible debts for the Cross Servicing Program, FSA Farm Loan Program debts, required additional system modifications which were completed in October 1999. FSA is now in full compliance with both the TOP and Cross Servicing requirements, as well as meeting the targeted goal of 100%.

Current Fiscal Year Performance: FSA met its goal of referring all eligible debts to the Treasury Offset Program and for cross servicing by the end of calendar year 1999.

Program Evaluations: Office of the Inspector General (OIG) Audit Report No. 06401-7-FM. In the audit for FY 1997 and 1996 CCC Financial Statements, OIG determined that CCC/FSA was not in compliance with the TOP requirements to offset program payments. A copy of the audit report is available from FSA's Operations, Review and Appeals Staff at (202) 690-2532. During discussions with FSA personnel in 1998, OIG was advised that FSA was working on its project plan to implement all requirements of the Debt Collection Improvement Act. CCC had referred about 75 percent of eligible debts to TOP, as of December 31, 1997. Based on the information provided, OIG made no further recommendations at that time.

Establish electronic funds transfer (EFT) for all eligible service center initiated program and vendor payments.

Service center initiated payments made by electronic funds transfer compared to total number of payments
Target: 50%
Actual: 75%



Year	# of Payments Made	# by EFT	%	Target
1996	8,964,831	306,696	3.4%	3.9%
1997	6,660,982	870,465	13.1%	13.1%
1998	6,669,260	2,140,815	32.1%	32.0%
1999	9,148,670	6,893,097	75.4%	50.0%
2000				85%
2001				90%

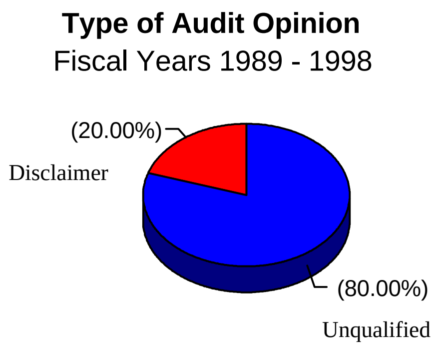
1999 Data: This performance element reflects the percentage of all CCC-initiated payments being made by EFT.

Analysis of Results: During FY 1999, CCC experienced substantial growth in its customer use of EFT as the primary payment mechanism. Some customers opted to invoke a waiver from the EFT requirement, varying from about 33% to over 80% during specific quarters. The variances reflect increased participation by customers and changes in the types of payments during the FY. Sometimes there were major producer payment cycles that were heavily EFT supporting. During those quarters the percentages were higher. Originally, Treasury regulations made it mandatory for payment recipients to receive their payments by EFT. During the early part of FY 1999, the Treasury Department issued revised regulations that gave payment recipients the option to provide a waiver from the requirement to receive government initiated payments by EFT, if receiving EFT payments was either technically unavailable or personally undesirable. During calendar year 1999, the percentage of payments made by EFT has risen to a high of over 80% during an individual quarter. Percentages vary during the year depending on the mix of the types of payments being made, i.e. vendor versus producer. Normally payments initiated by the service center are deposited in the customer's bank account on the second workday after the payment was authorized. However, many payment recipients will continue to choose a paper check due to personal preference, technical issues, or business practices.

Current Fiscal Year Performance: The percentage of participation by customers is currently at a plateau of between 75 and 80 percent. During FY 2000, all FSA-initiated payroll payments will be eliminated with the transfer of that function to the National Finance Center in New Orleans on November 1, 1999. At this time, it is unclear how this change might affect FSA's actual performance for this goal. Without the Treasury mandate and enforcement capability, the request is nothing more than a voluntary process. As a voluntary process, 75-80 percent participation is an exceptional result. As such, the performance targets for FSA's FY 2000 and FY 2001 annual performance plan have been revised.

Program Evaluations: No program evaluations were performed. However, CCC provided the Office of the Chief Financial Officer quarterly reports showing the distribution of payments made by CCC for their review and comment. These reports were broken into salary, vendor, and miscellaneous categories. CCC uses the miscellaneous category to identify most of its program payments made to producers.

Obtain an unqualified audit opinion on CCC Financial Statements (Yes/No):
Target: Yes
Actual: Not available (Opinion will be issued in April 2000)



Year	Audit Opinion Issued (Actual)	Target
1989	Unqualified	Yes
1990	Unqualified	Yes
1991	Unqualified	Yes
1992	Unqualified	Yes
1993	Unqualified	Yes
1994	Unqualified	Yes
1995	Unqualified	Yes
1996	Disclaimer	Yes
1997	Unqualified	Yes
1998	Disclaimer	Yes
1999		Yes
2000		Yes
2001		Yes

1999 Data: USDA's OIG annually audits and issues an opinion on the CCC financial statements. The actual performance data for FY 1999 is not available at this time because the FY 1999 financial statements audit is still in process. The audit opinion is expected to be issued in April 2000. CCC received a disclaimer of opinion on its FY 1998 financial statements because the auditors were unable to substantiate certain material account balances related to the Corporation's direct credit and credit guarantees to foreign countries in the shortened time frame required by the Chief Financial Officer to complete the USDA consolidated financial statements.

Analysis of Results: An analysis of the results cannot be provided at this time because the audit opinion has not been issued. Analysis of FY 1999 results will be included in the FY 2000 performance report.

Current Fiscal Year Performance: In FY 2000, CCC implemented a new general ledger accounting system for its domestic activities. FSA/CCC will work closely with OIG auditors to demonstrate the capabilities and internal controls established in the system to accurately and timely produce the FY 2000 financial statements.

Program Evaluations: No program evaluations were performed. However, to assist OIG in the year-end audit efforts, CCC prepared and submitted March 1999 financial statements for their review and comment.

Complete implementation of the CORE Accounting System.
FSA general ledger systems replaced by CORE
Target: 40%
Actual: 50%
General ledger systems that meet U.S. Standard General Ledger requirements
Target: 60%
Actual: 60%

1999 Data: FSA has four legacy general ledger systems, FSA, Credit Reform Accounting System (CRAS), CCC, and FAS, that have been or are being replaced by the Core Accounting System (CORE). Performance Measure #1 tracks the percentage of legacy systems replaced by CORE. Two of the four systems (FSA and CRAS) were replaced by CORE in FY 1997. Beginning in October, 1999, CCC implemented CORE. The FAS system will be implemented by FY 2001.

FSA has five legacy general ledger systems (CCC, FSA, Farm Loan Program, CRAS and FAS) that were not standard general ledger (SGL) compliant. Performance Measure #2 tracks the percentage of legacy systems that are now compliant as of September 30, 1999, which includes the FSA, Farm Loan Program, and CRAS systems. The CORE - CCC was implemented in October 1999. The CORE-FAS implementation will integrate the funds control and general ledger functions of FAS and replace the Financial Accounting and Reporting System. The funds control functions were completed in October 1999, and the general ledger function will be replaced by FY 2001.

The CORE is transaction driven via feeder systems data. The data is entered and updated on a daily basis. The information in the CORE is validated by system validations to update the general ledgers. Hard copy reports and automated quality assurance reports are also produced and reviewed through the CORE as a validation process. Users can compile reports from CORE via Data Warehouse on an as-needed basis. There are no limitations on the data. Extensive acceptance testing was completed before and during the implementation of CORE. Therefore, CORE meets all general ledger requirements.

Analysis of Results: The implementation of CORE will bring the legacy CCC, FSA and FAS general ledger systems into compliance with the Federal financial management systems requirements, applicable Federal accounting standards, and the Standard General Ledger at the transaction level. The legacy Farm Loan Program general ledger system was compliant and did not require a system replacement. The legacy FSA general ledger systems were replaced by CORE in FY 1997. This consolidated general ledger will directly feed the Department's Foundation Financial Information System for preparation of the Department's consolidated financial statements and report and provide data to prepare the required financial statements for the CCC, FSA, and FAS. FSA general ledger systems are already in compliance.

CORE has been implemented in phases, each manageable, narrow in scope, brief in duration, and involving specific mission area business entities. Each segment delivers a measurable net benefit independent of future phases. The CORE acquisition strategy involved the acquisition of commercial off-the-shelf accounting software, which is the same software procured by the USDA Chief Financial Officer for the Foundation Financial Information System.

Current Fiscal Year Performance: The legacy CCC general ledger system (Financial Management System) was replaced by CORE in October 1999. The legacy FAS general ledger system (NFC's Centralized Accounting System) will be replaced by FY 2001. FSA is working with the USDA Chief Financial Officer to fully integrate CORE into the Department's Foundation Financial Information System during FY 2000. FSA is also working to develop the CORE Data Warehouse as the reporting solution to meet the reporting needs of program managers. This system will extract financial information from multiple systems, integrate and organize the data for reporting and analysis, and make the data available directly to managers, analysts and other end users for decision making.

Program Evaluations:

- **USDA's OIG Audit Report Number 06401-7-FM and 06401-14-FM.** OIG's reports state "CCC has not fully implemented the U.S. SGL chart of accounts at the transaction level in its Financial Management System (FMS)." Copies of the audit reports are available from FSA Operations, Review and Appeals Staff at (202) 690-2532. With the implementation of CORE, the USDA Office of the Chief Financial Officer (OCFO) and OIG closed these longstanding audit issues in FY 1999.

- **USDA's OIG Audit Report Number 06401-18-FM.** In OIG's report it states, "CCC should ensure the

CORE project provides for more accurate and efficient generation of the Statement of Cash Flows - Direct Method through the use of tightly controlled “cash only” transactions codes, and CCC should ensure that the CORE project provides advance funds control/budgetary accounting entries which are fully integrated with the proprietary accounting entries made.” A copy of the audit report is available from FSA Operations, Review and Appeals Staff at (202) 690-2532. With the implementation of CORE, USDA’s OCFO and OIG closed this audit issue in FY 1999.

Management Initiative 4: Achieve greater cost and operating efficiencies in the delivery of FFAS programs by implementing integrated administrative management systems and reinventing/ reengineering FFAS business processes and systems.

Key Performance Goals

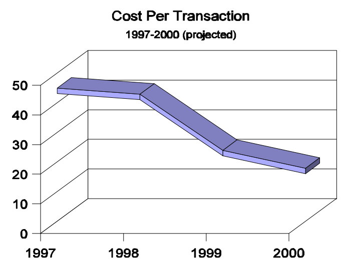
Install USDA Purchase Card Management System.
Cost/transaction for simplified acquisitions under $100,000 using credit cards
Target: $17
Actual: $22.80

1999 Data: The source of the FY 1999 data shown in Table 1 is from the USDA Purchase Card Management System, which tracks the number of credit card transactions processed by the National Finance Center (NFC). Purchase orders are tracked by USDA through the Federal Procurement Data Reporting System, a Government-wide system used for tracking procurements. There are no known limitations to this data.

Table 1

Year	# of Credit Card transactions	# of Purchase Orders (PO)*	Transaction Costs	Savings (assuming all PO’s if credit card not available)
1997	7,568	2,230	($34 x 7,568) + ($77 x 2,230) = $429,022 ($43.79/action)	$325,424
1998	10,017	2,138	($34 x 10,017) + ($77 x 2,138) = $505,204 ($41.56/action)	$430,731
1999	15,566	1,666	($17 x 15,566) + ($77 x 1,666) = $392,904 ($22.80/action)	$996,960

* The reduction in purchase order usage is more pronounced than shown here, because CCC actions cannot be done by purchase card.



Analysis of Results: The figures in Table 1 ($34 per transaction for purchase card purchases in 1997 and 1998, $17 per transaction for FY 1999, and $77 per transaction for all purchase orders) are provided by the departmental re-engineering study which accompanied the implementation of the purchase card system. The head of the purchase card implementation team confirms that the data are still viable, but that a reexamination of the figures will be undertaken in the future. The data shows a continuing trend to increased usage of the purchase card, a reduction in purchase order actions, and continued savings to the Government by implementation of the purchase card system. In addition, there is the unquantifiable reduction in cost brought about by the fact that the purchase card contractor makes payment to the vendors, thus reducing the National Finance Center workload.

Description of Actions and Schedules: FSA continues to encourage the use of the purchase card, is issuing new cards, and providing user training on a regular basis. Meeting the target entails encouraging all FSA personnel to use the purchase card whenever possible. However, FSA has not made card use mandatory due to varying levels of acceptance of the card among Agency personnel.

Current Fiscal Year Performance: FSA is continuing to implement the purchase card system in FY 2000. The $17 figure assumes perfect penetration of card usage; this goal is probably not totally achievable but represents a goal to work towards.

Program Evaluations: FSA monitors the purchase card/purchase order figures through the USDA Purchase Card Management System to ensure that the savings detailed above continue to accrue to USDA. The usage of the card is available in real time, with cumulative totals and specific period totals generated in a variety of report formats. Also, FSA officials and OIG representatives are continuously auditing the use of the card.

<u>Ensure there is no disruption of service in the year 2000 because of invalid date computations for FSA mission critical information technology systems.</u>

Mission critical information technology systems renovated
- Target: 100%
- Actual: 100%

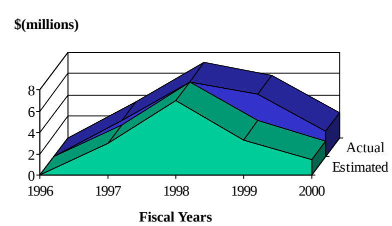
System downtime caused by interface failures between mainframe commercial off-the-shelf software and application software does not exceed baseline downtime averages
- Target: 1%
- Actual: 0%

1999 Data: Corrections to FSA's information technology systems are required to prevent invalid date computations. Without correction, the invalid date computation could begin as early as FY 2000 rollover. This project is to insure there are no disruptions in service from FSA's 146 mission-critical application systems. Twelve of these systems are on the Department's high impact system list because they potentially affect areas of health, safety, finance, or economics. FSA dedicated over two years of software development effort to insure that all application systems are 100% Y2K compliant. Date handling routines have been installed to properly process dates. Application software programs were then recompiled or rewritten, as applicable. Application software programs were then tested, certified, and redeployed as Y2K compliant applications.

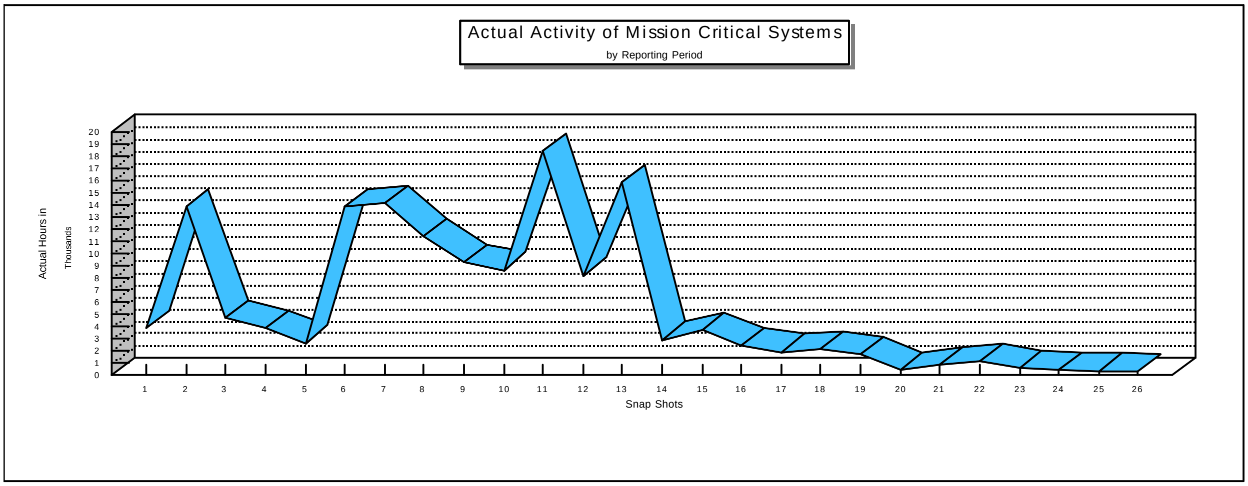
All tests and verifications were conducted in accordance with the targeted Departmental Y2K completion date of March 31, 1999.that date, FSA was 99% complete with mission critical system production implementation. One system remained to be fully implemented in the production environment. Its completion coincided with the Office of Management and Budget's Y2K completion target of June 30, 1999. On June 30, 1999, FSA was 100% complete with mission critical system implementation.

FSA participated fully in mainframe time machine testing conducted by the National Information Technology Center. Commercial off-the shelf software packages were extensively tested to ensure that performance measure #2 does not exceed expected norms. As stated, performance measure #2 is intended to track mainframe system service interruptions caused be Y2K related failures between commercial off-the-shelf utility software and customized Agency software applications. This performance measure is monitored through published mainframe service level reports prepared by the National Information Technology Center. In FY 1999, there were zero incidences of mainframe downtime caused or attributed to this of type of Y2K related failure.

Analysis of Results: FSA implemented the "FSA Year 2000 Methodology" to complete the Y2K project. This methodology directed the implementation of the Year 2000 Strategy, Project Organization Structure, Project Management, Common Support Functions, Technical Considerations, and Inter-agency Dependencies. Consistent with oversight body guidance, FSA established assessment, renovation, testing and implementation phases for Y2K mission critical system remediation.



To ensure completion of the Y2K project, FSA utilized an independent organizational unit separate from the systems development staff to verify that each software system was in fact Y2K compliant. This approach was validated by USDA's OIG in Audit Report No. 50099-21-FM. FSA also used independent verification and validation contractors provided under Departmental contract to further insure systems are Y2K compliant. Under the contracts, code scans were completed for the twelve high impact systems. FSA further validated the operational nature of mission critical systems by participating with the USDA National Information Technology Center mainframe computer time machine tests. These tests subjected mainframe application software to a hardware operational environment where the system date was advanced to replicate critical calendar year 2000 date scenarios. Field delivery systems used by State offices and field service centers were tested



on an A/36 time machine.

Project tracking was accomplished through an automated system used to record employee time worked against estimated project effort as shown in the table above.

Current Fiscal Year Performance: No additional action is required during FY 2000, because the system renovation is complete for all mission critical systems. However, to avoid any business disruption on January 1, 2000, FSA completed Business Continuity Planning efforts, including a Day 1 Strategy, to provide guidance and direction to all FSA managers and staff regarding actions to be taken in the event of disruptions to normal business operations due to the impact of the millennium date change. With the Business Continuity Planning, FSA can avoid a crisis that could result if systems are unable to recognize year 2000 dates. Resources critical to operating our core business processes and key support processes have been identified to provide a basic level of services until the normal level of services can be restored to all customers. The Business Continuity Planning identifies risks and threats, establishes mitigation strategies for the identified risks and threats, and provides contingencies in the event risk mitigation efforts fail.

Program Evaluations:

- **USDA's OIG Audit Report Number 50099-21-FM**, September 1999. OIG conducted an on-site audit at the Kansas City Management Office to review FSA's methodology for Y2K compliance. A copy of the audit report is available from FSA Operations, Review and Appeals Staff at (202) 690-2532. The audit included a review of the testing results of 12 major mission critical systems. The final audit report issued by OIG confirmed that FSA system validation efforts substantially met all testing requirements. OIG also noted in the report that FSA validation plans and testing execution were complete, well documented and included an internal independent verification and validation process.

- **GAO Report Number GAO/AIMD-99-178**, May 1999. GAO's report analyzes USDA progress in completing the Business Continuity Plan for mission critical processes. A copy of the report is available from FSA Operations, Review and Appeals Staff at (202) 690-2532. As of the May 1999 report, FSA is cited as having completed planning work and needs to test contingency procedures. Business Continuity Planning contingency procedures testing was completed in September 1999.

Independent Verification and Validation Contractors

- COBOL Code **-** CCD Online Systems Canada Co., Quebec, Quebec: FSA provided COBOL source code to CCD Online for FSA's 12 most mission critical systems. Validation reports were received on September 30, 1999, relating to three of the 12 mission critical systems: mainframe COBOL modules for the Automated Price Support System, mainframe COBOL modules for the Conservation Reserve Program, and Advanced/36 modules for Production Flexibility.

- Test Documentation **-** SRA International, Inc., Arlington, VA: During FY 1999, FSA participated in two test documentations. Test plans, test results, test schedules, pre-test assessments, output from automated tools identifying lines of code with date fields, test scenarios, and other documentation were submitted on FSA's 12 top most mission critical system to SRA International, Inc. for review.

- Time Machine Testing **-** FSA's 12 most mission critical systems successfully completed time machine testing.

Management Initiative 5: Expand the USDA Certified State Mediation Program to more efficiently and effectively resolve program disputes.

Key Performance Goals

<u>Expand the Certified State Mediation Program.</u>	
Authorized USDA agencies utilizing the USDA Certified State Mediation Program	
Target:	4
Actual:	4
States with certified mediation programs that meet the needs of participating USDA agencies	
Target:	22
Actual:	24

1999 Data: Data regarding the number of USDA agencies utilizing the Certified State Mediation Program and the number of States with certified mediation programs is maintained by the FSA Mediation Program director.

Analysis of Results: The Forest Service published a final rule in FY 1999 authorizing its field offices to participate in the USDA Certified State Mediation Program, increasing the number of agencies participating in the program from three to four.

In FY 1999, Idaho, Maryland and Texas received USDA certification of their State's agricultural mediation programs, increasing the number of USDA certified states from 21 to 24. The FY 1999 Appropriation Act provided $2 million for State mediation program grants. States participating in the mediation program in FY 1999 requested $3,703,508 in matching grant funds. These mediation grant requests were prorated at 60 percent to give all States the same percentage of available grant funds. The funding level made it difficult to recruit additional States into the Agricultural Mediation Program. States participating in the FY 1999 mediation program budgeted over $1.7 million as their match for the USDA mediation matching grant program.

States participating in the USDA Certified State Mediation Program for FY 1999 include Alabama, Arizona, Arkansas, Florida, Illinois, Indiana, Idaho, Iowa, Kansas, Maryland, Minnesota, Michigan, Missouri, Nebraska, Nevada, New Mexico, North Dakota, Oklahoma, South Dakota, Texas, Utah, Washington, Wisconsin, and Wyoming.

Current Fiscal Year Performance: FSA anticipates FY 2000 goals will be achieved. Regarding USDA agencies utilizing the mediation program, Rural Development is expected to begin using the Certified State Mediation Program in FY 2000. In FY 1999, the target for number of States with certified mediation programs was exceeded. However, the FY 2000 and FY 2001 targets should not be revised. Without additional funding it will be difficult to increase the number of States participating in the program. Certifying additional States, without corresponding funding increases, will negatively impact the quality of the mediation program.

Program Evaluations: The National Association of State Departments of Agriculture policy statement dated February 23, 1999, supports the expansion of agricultural mediation. The association reported that funding of the Certified State Agricultural Mediation Program is more important now than ever. It stated that the Certified State Agricultural Mediation Program has played a significant role in resolving agricultural credit and other disputes. Its policy statement supports the expansion of the program and urges that risk management/crop insurance, civil rights, rural housing and other rural development issues be added to the programs currently authorized under the mediation program. The association further urged the expansion of mediation to include other Federal agencies which play a role in land and resource management, including the Department of Interior and the Army Corps of Engineers.

Increase the level of agreements reached through mediation by 2.63% over the baseline year.

Cases resolved with agreements through State Mediation Programs

Target: 77%

Actual: 70%

Reduce the average administrative costs per case of State programs by 4.1%.

Administrative cost per case mediated by State programs

Target: $615

Actual: $504

Year	Total Number of Mediation Cases	Total Number of Mediation Agreements	Rate of New Mediation Agreements	Target
1998	3023	2297	76%	75%
1999	4,140	2,898	70%	77%
2000				70%
2001				70%

Year	Total Number of Mediation Cases	Total Cost of Mediation	Cost Per Mediation Case	Target
1998	3,023	$2,000,000	$628	$662
1999	4,140	$2,000,000	$504	$615
2000				$658
2001				$631

1999 Data: The data comes from annual reports submitted by Certified State Mediation Programs. Certified State Mediation Programs must comply with the standards for financial management and reporting found in 7 CFR Parts 3015 and 3016, and provide an annual report on the effectiveness of the programs. The Coalition of Agricultural Mediation Programs Data Collections Steering Committee continues to help FSA fine tune the data collection process, among the committee, the national office, and individual States. Additionally, FSA is working with the Department's Conflict Prevention and Resolution Center to develop a more uniform information collection procedure for Certified State Mediation Programs and to measure program benefits and effectiveness.

Analysis of Results: The rate of mediation agreements dropped from 76% in FY 1998 to 70% in FY 1999. However, the total number of mediation agreements (resolutions) increased from 2,297 in FY 1998 to 2,898 in FY 1999. The number of mediation cases increased significantly in FY 1999, from 3,023 in FY 1998 to 4,140. State mediation program administrators report the resolution rate for credit issues is generally higher than for non-credit issues. Despite not reaching the 77% target resolution rate, the 70% resolution rate achieved is an outstanding result.

The USDA Certified State Mediation Program has been very effective in resolving FSA program disputes at the field level. FSA's most frequent domestic program conflicts include: Conservation Reserve Program payment eligibility/limitation (farms, ranchers & third parties), Highly Erodible Land/Water Conservation Program requirements (producers), price support payments (farmers and ranchers) Farm Loan and Servicing Programs (farmers, ranchers and guaranteed lenders), and Production Flexibility Contracts (farmers, ranchers & third parties).

The cost per mediation case dropped from an estimated $628 in 1998 to $504 in FY 1999, despite a significant increase in the caseload. The FY 1999 caseload was 4,140, compared to 3,023 in FY 1998. This caseload involves both informal and formal mediation services. For example, in addition to formal mediation services, the North Dakota State Mediation Program assists agricultural producers by providing informal mediation through its negotiators. These services often help avoid formal mediation by planning for and resolving credit problems before a default occurs.

Description of Actions and Schedules: FSA is continuing to work with the Coalition of Agricultural Mediation Programs to improve the mediation program. The annual meeting will be held in January 2000 and will focus on new program issues, publicizing the mediation program, training Agency personnel on how to better prepare for mediation, and training mediators. Also, FSA is working with the Conflict Prevention and Resolution Center to develop standards and monitor the program to determine its strengths and weaknesses.

Current Fiscal Year Performance: FSA anticipates meeting the FY 2000 target established for cost per mediation case. In FY 1999, the cost per mediation case was well below the target established. However, the FY 2000 target will not be lowered. FSA expects the cost per case to rise in FY 2000 because on average, cases are becoming more and more complex as the trend toward larger, more complicated operations, often involving several agencies continues; and costs for mediation services continue to rise, partly because of the additional training required to become knowledgeable in other program areas now covered by the program. Despite the projected increase, mediation is still a cost effective alternative to traditional litigation and appeals.

Based on FSA's evaluation of resolution rates achieved in FY 1999 and the current trends in the mediation program, the performance targets for FY 2000 and FY 2001 are being revised. The revised goal will be to maintain the resolution rate at 70%. These changes will be reflected in the FY 2000 Revised and FY 2001 Annual Performance Plan.

Program Evaluations: The USDA Agricultural Mediation Program was cited for its efficiency and effectiveness in Vice President Gore's Report of the National Performance Review, Creating a Government that Works Better and Costs Less. The program was singled out as an example of activities which agencies throughout the Federal government should use more frequently. USDA customers view mediation as "putting them first" and cutting red tape. Government employees are empowered by a process (mediation) which allows them to remain in control at the local level. The report is available on the NPR website at http://www.npr.gov/library/review.html. It may also be obtained from the Government Printing Office at (202) 512-1800, stock number (S/N) S/N 040-000-00592-7.

Also, the Plains State Governors recognized the exceptional work and efficiency of the agricultural mediation programs in their Plains States Rural Crisis Summit, held in Oklahoma, August 6-7, 1998. The Governors cited that State agricultural mediation programs have helped thousands of farmers and ranchers resolve extreme agricultural financial problems.

Appendix A

FARM SERVICE AGENCY

DISCONTINUED PERFORMANCE MEASURES

Goal 1: Provide an economic safety net through farm income support to eligible producers, cooperatives, and associations to help improve the economic stability and viability of the agricultural sector and to ensure the production of an adequate and reasonably priced supply of food and fiber.

Objective 1.2: Provide marketing assistance loans and loan deficiency payments enabling recipients to continue farming operations without marketing their products immediately after harvest.

Discontinued Performance Measure

Maintain the 1997 levels of sugar loan program activity to sugar processors

Explanation: Upon further evaluation, this performance measure was dropped because it did not substantially contribute to measuring overall performance for the objective. However, in FY 2000 FSA will revisit this program area and attempt to develop a more meaningful, outcome oriented measure, as part of the strategic plan revision and development of the next annual performance plan.

Objective 1.4: Provide a financial assistance safety net to eligible producers when natural disasters result in a catastrophic loss of production or prevent planting of noninsured crops.

Discontinued Performance Measure

Provide producers additional security to secure production loans, formulate farm management decisions, and assess risk Number of days between producer filing acreage and production reports and issuance of NAP Summary of Protection

Explanation: The NAP Summary of Protection would have been helpful for the producer to assist them in determining their guarantee in case of 100% loss of production occurred due to a natural disaster.

After further evaluation, FSA recognized that its ability to provide producers with a summary of protection statement was dependent upon developing and pre-approving annual crop price and yield data. Development of this data will require substantial up-front work and annual effort at the local level with a high potential for minimal return on investment. Accordingly, this performance measure has been dropped until an efficient method for collecting the prerequisite information can be identified.

Goal 2: Assist agricultural producers and landowners in achieving a high level of stewardship of soil, water, air, and wildlife resources on America’s farms and ranches while protecting the human and natural environment.

Objective 2.4: Assist the Natural Resources Conservation Service with Environmental Quality Incentive Program and Conservation Farm Option program policy and procedure development. Maintain responsibility for implementing administrative processes and procedures for contracting, financial reporting, and other financial operations, including allocations and program accounting.

This objective is being discontinued and will be reported in the means and strategies section of Goal 2 in the revised FY 2000 and FY 2001 Annual Performance Plan.

Goal 4: Improve the effectiveness and efficiency of FSA's commodity acquisition, procurement, storage, and distribution activities to support domestic and international food assistance programs, and administer the U.S. Warehouse Act (USWA).

Objective 4.3: Improve the quality of processed commodities purchased.

Discontinued Performance Measures

<u>Continue implementation of the Total Quality Systems Audit (TQSA) program for vendors contracted with USDA to manufacture processed commodities for use in domestic and international food assistance programs.</u>

- Customers satisfied with quality of processed commodities
- Companies participating in TQSA that improved their standards for manufacturing processed commodities

Explanation: Customer satisfaction baselines were not established during FY 1999 due to both internal and external factors. First, both FSA and FNS began major business process reengineering (BPR) efforts in FY 1999 in the domestic food assistance program area. In both agencies, financial and human resources were dedicated full-time to examining and analyzing core businesses functions and making recommendations for improvement. Some recommendations have been forwarded for consideration, others are still in development. Secondly, FSA is partnering with both FNS and AMS to reevaluate an effort to create a customer survey card based on the results of the BPR effort. Finally, during the process of completing the survey cards Paperwork Reduction Act paperwork, additional issues were raised that were deferred to the BPR efforts. Results of the BPR efforts should result in new and meaningful objectives and goals for FY 2000 and beyond. As part of the effort, data collection will also be addressed.

During analysis of the baseline TQSA audit scores, FSA realized that the data did not contribute to the underlying performance goals and objectives FSA is trying to achieve. As a result, this objective was removed from the FY 2000 plan and is not relevant for the FY 1999 performance report. However, FSA is developing new objectives and goals related to TQSA audits that accurately reflect FSA's performance in monitoring the manufacture and quality of food used in domestic food assistance programs.

Management Initiative 1: Provide fair and equal treatment in employment and the delivery of FSA programs.

Discontinued Performance Measure

<u>Average number of days to process formal employment complaints compared to Department guidelines.</u>

Explanation: Control of the overall formal employment complaint process is the responsibility of the Department's Office of Civil Rights. Therefore, FSA has no control over the timeliness of formal complaint processing.

Management Initiative 2: Enhance the ability of small, limited-resource, and socially disadvantaged family farmers/ranchers to operate successfully.

Discontinued Performance Measure

Establish cooperative agreements/ grants with educational institutions, community-based organizations, and other local, state, and federal government agencies to provide targeted farmers and ranchers with information, technical, and other assistance to better utilize the programs and services administered by FSA and partner agencies, consistent with available resources.

Explanation: This performance goal was discontinued because FSA was unable to obtain Cooperative Agreement authority.

Management Initiative 3: Improve Financial Management and Reporting

Discontinued Performance Measure

Financial Management System material weaknesses identified in CCC's annual financial statement audit.

Explanation: This performance measure has been discontinued due to the lack of a substantive and objective method of determining what constitutes a Financial Management System material weakness, as identified in the financial statement audit opinion. Although the audit opinion identifies material weaknesses, it is difficult to distinguish whether the weaknesses are attributable to the system itself or to the procedures and policies in place that create the data to post to the system.

Additionally, in prior audit reports, the OIG has identified as a material weakness the fact that CCC's current general ledger system does not provide detailed information needed on cash expenditures to accurately produce the CCC Summary Expenditures Report. In the FY 1998 audit, OIG discontinued its review related to this report, so this performance goal has also been discontinued.