



U.S. Department of Agriculture
Office of Inspector General
Midwest Region
Audit Report

Implementation of the
Government Performance and Results Act
In the Farm Service Agency
Washington, DC

Fiscal Year 2000



Report No.
50601-4-Ch
SEPTEMBER 2002



UNITED STATES DEPARTMENT OF AGRICULTURE

OFFICE OF INSPECTOR GENERAL

Washington D.C. 20250



DATE: September 30, 2002

REPLY TO

ATTN OF: 50601-4-Ch

SUBJECT: Implementation of the Government Performance and Results Act in
the Farm Service Agency – Fiscal Year 2000

TO: James R. Little
Administrator
Farm Service Agency

ATTN: T. Mike McCann
Director, Operations Review and Analysis Staff

This report presents the results of our audit of the Implementation of the Government Performance and Results Act in the Farm Service Agency. Your response to the draft report, dated June 25, 2002, is included in its entirety as exhibit C, with excerpts and the OIG position incorporated into the Findings and Recommendations sections of the report.

Based on the actions described in your response, we have reached management decision on all recommendations. Please follow your agency's internal procedures in forwarding documentation for final action to the Office of the Chief Financial Officer.

/ s /

RICHARD D. LONG
Assistant Inspector General
for Audit

EXECUTIVE SUMMARY

IMPLEMENTATION OF THE GOVERNMENT PERFORMANCE AND RESULTS ACT IN THE FARM SERVICE AGENCY, WASHINGTON, D.C. FISCAL YEAR 2000

REPORT NO. 50601-4-Ch

RESULTS IN BRIEF

Farm Service Agency (FSA) performance measures need to be improved to show what progress is being made in achieving its long-term (strategic) goals, as required by The Government Performance and Results Act (GPRA). The Act requires agencies to set long-term strategic goals, measure performance, and report, on an annual basis, the extent to which goals were met. The objectives of the audit included evaluating the system of controls over GPRA performance reporting and assessing the validity and verifiability of reported performance measurement data, and also evaluating the linkage of long-term goals to annual performance goals and measures. We found errors in the results reported in the Annual Program Performance Report (annual report) for 3 of 21 performance measures. Further, 18 of the 21 performance measures were output oriented (expressed in terms of a quantitative result) rather than outcome oriented (expressed in terms of a program result) and the results reported did not indicate the degree to which long-term goals were being met.

The results FSA reported for these 18 measures would not permit readers of the annual report to gauge the impact of its programs' products or services. FSA documented its efforts to develop outcome-oriented performance measures to replace 4 of the 18 performance measures but had not completed development of reporting systems that would provide accurate and supportable results. This issue is discussed in the General Comments section of the report. In addition, FSA indicated that it intends to drop 3 of the 18 performance measures from future reporting.

As noted, review of 21 of FSA's 72 performance measures disclosed that the results reported for 3 were inaccurate. FSA had not implemented controls or developed written procedures over some of the activities related to the reporting of performance results, and reported data on loans that did not match the verbal description in its annual plan and annual report. As a result, FSA reported some performance results that did not reflect its actual accomplishments.

KEY RECOMMENDATIONS

We recommend that FSA develop performance measures that are outcome oriented, linked to the achievement of its long-term goals, and for which results reported would indicate the degree to which the long-term goals are being met. FSA should also ensure that written procedures are established and implemented, including internal controls over the collection, calculation, and reporting of performance data. We also recommend that FSA ensure that annual plans include specific verification and validation methods that will ensure the accuracy of performance results, and that those methods are fully implemented.

AGENCY RESPONSE

In response to the draft report, FSA officials agreed with the recommendations and have initiated corrective actions. They stated that they are continuing efforts to improve development of performance information that is more outcome-oriented and also more transparent, accessible and reliable. FSA has added three recently developed outcome oriented performance measures to the fiscal year 2003 annual performance plan. FSA officials also stated that they are re-evaluating performance goals and measures as part of their annual performance plan development process. The emphasis of the re-evaluation is on limiting the performance goals and measures to the most important to show progress towards accomplishment of the strategic goals. The current evaluation is to be completed February 14, 2003, the target completion date for the fiscal year 2004 annual performance plan.

In addition, FSA officials stated that, beginning with the fiscal year 2004 annual performance plan guidance, issued August 14, 2002, specific instructions will require documentation of internal control methodology for collecting, calculating, and reporting performance data. The performance plan guidance also includes specific instructions for preparation of the verification and validation section.

We have included applicable portions of the FSA response, along with our position, within the Findings and Recommendations section of the report. The FSA response is included in its entirety as exhibit C of the audit report.

OIG POSITION

Based on the FSA response, we have reached management decision on all recommendations.

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INTRODUCTION

BACKGROUND

In 1993, Congress passed and the President signed into law the Government Performance and Results Act (GPRA). The Act changed the Federal Government's budgeting and policymaking mechanisms in dramatic ways. GPRA required Federal agencies to prepare and submit a multi-year strategic plan by September 30, 1997, and an annual performance plan (annual plan) starting in fiscal year (FY) 1998, as part of the FY 1999 budget submission. The first annual program performance reports (annual report), assessing the FY 1999 results, were due March 31, 2000.

The strategic plan covers a 5-year period, and is required to include a mission statement, a set of general goals and measures, and a description of the linkage between these general goals and measures and the performance goals that are included in the annual plan. The mission statement sets forth the basic purpose for what an agency does programmatically and operationally. The long-term general goals and measures define what the agency intends to achieve over the 5-year time period of the plan to further its overall mission.

Annual plans set out measurable goals that define what will be accomplished during a fiscal year. They also should provide the direct linkage between an agency's long-term focus in the strategic plan, to more detailed and year-specific goals and measures. Performance measures may relate to either "outputs" or "outcomes," the latter usually being the more important for policy purposes, but the former often being a useful management tool (especially when per-unit costs are also tracked). An outcome is the result, effect, or consequence of a program or activity. In order to provide perspective on an agency's performance, the strategic and annual plans contain baselines which provide a historical performance reference against which subsequent targets can be set and comparisons made. The baseline is intended to clearly communicate the agency's status as evaluated against a specific goal or measure.

Annual reports provide the feedback to managers, policymakers, and the public as to what was actually accomplished for the resources expended - in other words, how well the original goals were met. The annual report provides information on actual performance and progress in achieving the goals and objectives in the strategic plan and annual plan.

The mission of the Farm Service Agency (FSA) is to ensure the well-being of American agriculture and the American public through efficient and equitable administration of agricultural commodity, farm loan, conservation, environmental, emergency assistance, and domestic and international food programs. FSA's major goals address farm programs, conservation and environment, farm loans, and commodity operations. In addition, FSA provides administrative support services to the Foreign Agricultural Service to achieve consolidation of administrative support for the Farm and Foreign Agricultural Services mission area.

FSA commodity programs, FSA and Natural Resources Conservation Service conservation programs, and Foreign Agricultural Service export programs are funded through the Commodity Credit Corporation (CCC). CCC is a Government-owned and operated entity that was created to stabilize, support, and protect farm income and prices. It helps to maintain balanced and adequate supplies of agricultural commodities and aids in their orderly distribution. CCC borrows funds needed to finance these programs from the U.S. Treasury and repays the borrowings, with interest, from receipts and from appropriations provided by Congress.

The Management's Discussion and Analysis (MD&A) section included in CCC's financial statements contains selected performance goals and results related to FSA's operations. This is also true for the MD&A in the Department's consolidated financial statements, but to a lesser extent because the performance goals and results included in the consolidated financial statements would also include other agencies within the Department. The measures in the MD&A should be limited to the agency's most significant program measures and should be consistent with the measures used by the agency as part of its GPRA implementation efforts. The MD&A should provide program results expressed in terms of objective and relevant measures that show the extent to which programs are achieving their intended objectives.

OBJECTIVES

The objectives of our audit were to: (1) Evaluate the system of controls over GPRA performance reporting and assess the validity and verifiability of reported performance measurement data; and (2) evaluate the linkage of long-term (strategic) goals to annual performance goals and measures.

Because the MD&A sections of CCC's and the Department's consolidated financial statements rely, in part, on information developed through the GPRA process as implemented by FSA, we also assessed the validity and verifiability of FSA performance measures in the MD&A sections of those financial statements and notified the applicable audit team responsible for each financial statement audit of the results of our review.

SCOPE

To evaluate FSA's performance reporting for FY 2000, we reviewed its FY's 1997-2002 and 2001-2005 Strategic Plans; FY's 1999/2000 and 2000/2001 annual plans; and its FY 2000 annual report. We included in our scope a review of the draft FY 2001 MD&A sections of CCC's financial statements and the Department's consolidated financial statements. Finally, we verified selected results (accomplishments) FSA included in its FY 2000 annual report.

We performed our audit in the Headquarters offices of FSA in Washington, D.C., and at FSA service centers in Illinois, Michigan, Minnesota, and Ohio between September and December 2001. (We also contacted the State offices for the service centers we visited.) We relied upon FSA's computer applications to accurately delineate performance results. However, at the service centers visited, we did perform limited testing of input controls over computer-based data used by FSA in its GPRA performance reporting. We judgmentally selected for review 21 of 72 performance measures FSA included in its annual report.

We performed the audit in accordance with Government Auditing Standards.

METHODOLOGY

To accomplish the audit objectives we:

- Reviewed requirements set forth in the GPRA legislation and in the guidance provided by the General Accounting Office (GAO) and the Office of Management and Budget (OMB).
- Reviewed FSA operational procedures and/or manuals to obtain an understanding of the GPRA implementation process and the controls established over the reporting of performance results.
- Reviewed the Federal Manager's Financial Integrity Act and report to determine if material weaknesses were properly addressed in FSA's annual plan and annual report.
- Reviewed FSA's strategic plans, annual plans for FY's 1999/2000 and 2000/2001, and its FY 2000 annual report.
- Reviewed the draft FY 2001 MD&A sections of both CCC's financial statements and the Department's consolidated financial statements to determine if performance measures included were valid and verifiable.

- Conducted interviews with, and obtained documentation from, FSA Headquarters officials and staff from four States and from 21 of 304 FSA service centers. (See exhibit B.) We conducted the interviews to obtain an understanding of the flow of information, from origination to compilation, for GPRA reporting and obtained documentation to verify performance results reported.
- Selected 21 of 72 performance measures in FSA's annual report for substantive testing. We generally selected measures that were intended to be included in the MD&A in CCC's financial statements or the Department's consolidated financial statements. Of the 21 measures reviewed, 10 appeared in the draft MD&A of the CCC financial statements for FY 2001 and an additional measure was to be used in the MD&A of the Department's consolidated financial statements for FY 2001. (See exhibit A.)

FINDINGS AND RECOMMENDATIONS

CHAPTER 1	PERFORMANCE MEASURES WERE NOT OUTCOME ORIENTED AND DID NOT DEMONSTRATE FSA'S STATUS IN ACHIEVING ITS STRATEGIC GOALS
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FINDING NO. 1

FSA's performance reporting could be improved to better show the agency's progress in achieving its long-term (strategic) goals if performance measures were more

outcome oriented and were better linked to its long-term goals. We reviewed 21 of the 72 performance measures listed in the FY 2000 annual report to determine whether: (1) The results FSA reported were valid; (2) the performance measures were linked to the agency's long-term goals; and (3) the performance measures provided sufficient information to show FSA's progress toward achieving those goals. (See exhibit A.) Of these 21 performance measures, 18 were output measures that would not show progress by FSA in achieving its long-term goals. (FSA was developing outcome-oriented performance measures to replace 4 of the 21 measures reviewed. These are discussed in the General Comments section of the report.) Results reported for the remaining 14 measures were either based on Congressionally-established mandates, and thus did not represent FSA performance, or were measures of efficiency, rather than quantitative measures that would show progress in fulfilling the long-term goals of the agency. As a result, the performance reported for these measures did not clearly show FSA's progress in achieving its goals and their usefulness would be limited in gauging the impact of its programs to Congress, The Executive Branch, and other users of the annual report.

GPRA requires agencies to set strategic goals, measure performance, and report on the extent to which goals were met. Agencies are required to develop strategic plans in which they set long-term strategic goals which must cover the major functions and operations of the agency. Annual performance plans are to provide the direct linkage between the long-term goals outlined in the agency's strategic plan and what managers and employees do day-to-day. Basically, the annual plan is to contain the annual performance goals the agency will use to gauge its progress toward accomplishing its strategic goals and identify the performance measures the agency will use to assess its progress. The annual report, based on the performance measures in the annual plan, describes the

agency's actual performance compared to the performance goals it established in its annual performance plan.

OMB Circular A-11, part 2, section 230.1, dated July 1999, states that the annual report is to provide information on the agency's actual performance and its progress in achieving the goals in the strategic plan and annual plan.

We reviewed 7 of the 10 performance measures FSA developed to address its first long-term (strategic) goal, as shown in the following table.

Strategic Goals	FY 2000 Performance Measures	1999 Actual	2000 Target	2000 Actual
Strategic 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.	98.8%	98%	98.8%
	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 \$.038/lb. Quota Peanuts \$.00366/lb Non Quota Peanuts \$.0011/lb.	Tobacco \$.08/lb. Quota Peanuts \$.00366/lb. Non Quota Peanuts \$.0011/lb	Tobacco \$.054/lb Quota Peanuts \$.00366/lb. Non Quota Peanuts \$.0011/lb.
	Average Price per pound of tobacco and ton of peanuts	Tobacco \$1.81/lb. Quota Peanuts \$610.00/ton Non Quota Peanuts \$175.00/ton	Tobacco \$1.70/lb. Quota Peanuts \$610.00/ton Non Quota Peanuts \$175.00/ton	Tobacco \$1.83/lb. Quota Peanuts \$610.00/ton Non Quota Peanuts \$132.00/ton

One performance measure, related to production flexibility contract participation, did little to show FSA's progress in achieving the long-term goal. During the audit, FSA informed us they had decided to drop this performance measure from future performance reporting.

The remaining six performance measures reviewed for this goal reported on the average assessments and prices for peanuts and tobacco. The price support level for quota peanuts of \$610 per ton was mandated by Congress and was to remain the same from 1997 through 2002. The

price support level for additional peanuts was administratively set at a level to ensure no loss to the Government resulted from the sale or disposal of additional peanuts. Also, the marketing assessment, as a percentage of the average quota and additional peanut price support level, was also set at a constant level for the 6-year period. The assessment on tobacco was administratively set at a rate to assure no loss to the Government to meet the requirements of the No-Net-Cost Tobacco Act of 1982. These measures do not demonstrate any FSA performance in accomplishing the goal. Price support levels and peanut assessment rates, which are established by Congress, are beyond the influence of FSA and are not valid program measurements.

OMB Bulletin 97-01 requires that the MD&A section of financial statements provide program and financial results in terms that disclose the extent to which programs are achieving their intended objectives. The performance measures should be clear, meaningful, relevant, and limited to the most significant program measures. By clarifying performance measures included in the annual plan and annual report, CCC would be able to include measures in the MD&A section of the financial statements that address major programs, would permit an assessment of the efficiency and effectiveness of FSA programs, and would demonstrate the agency's performance in a meaningful and understandable way.

We also reviewed the performance measures in the FY 2000 annual report that addressed the first management initiative in FSA's Strategic Plan for FY's 1997 through 2002 of providing fair and equal treatment in employment and delivery of FSA programs.

Strategic Goals	FY 2000 Performance Measures	1999 Actual	2000 Target	2000 Actual
Management Initiative 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 compared to departmental guidelines	58	24	23.8
	Maintain the percentage of employment complaints resolved at the informal level	50%	55%	57.3%
	Complete 10 equal employment opportunity (EEO)/civil rights management reviews of State offices/service centers and take appropriate corrective actions timely.			
	Final EEO/civil rights management review reports submitted within 45 days of completing the on-site review	100%	90%	100%
	Corrective actions taken within scheduled timeframes for noncompliances	100%	95%	90%
	Improve workforce diversity by increasing the representation of women, minorities and persons with targeted disabilities.			
	Representation of Hispanics and Asian Pacific employees in the workforce	Not Available	Not Available	Hispanics 3.1%; Asian Pacific .9%
	Representation of persons with targeted disabilities in the Agency	1.46%	1.37%	1.33%

This management initiative was modified into a strategic goal in FSA's Strategic Plan for FY's 2001 through 2005. The measures were based on the FSA Administrator's performance standards. During the audit, FSA informed us they had decided to drop the measures regarding the completion of management reviews of State offices and service centers and the associated measure regarding corrective actions. Those measures and the remaining measures such as the average number of days spent processing program complaints, were output measures and did not clearly show progress in achieving the initiative of providing fair and equal treatment in employment and program delivery. Instead, they constituted measures of efficiency rather than quantitative measures that would show progress in fulfilling the goal. FSA needs to develop

outcome-oriented measures to supplement or replace these measures such as a performance measure related to the reduction or elimination of producer and employee complaints because of disparate or discriminatory treatment. This would more clearly show the agency's progress in achieving its goal of providing fair and equal treatment.

Although performance plans can include both outcome and output measures, GPRA is clearly outcome oriented and thus an agency's performance plan should include outcome measures whenever possible. Measures must clearly represent or be related to the performance they are trying to assess. In discussing performance measures, the Senate Committee on Government Affairs GPRA Report stated, "While the Committee believes that a range of measures are important for program management and should be included in agency performance plans, it also believes measures of program outcomes, not outputs, are the key set of measures that should be reported to OMB and Congress." Performance planning and reporting are also to be integrated with agency budgets. Congress and OMB are now beginning to link program performance to program funding and will begin the process of separating programs that work from those that do not. It is therefore imperative that agencies be able to clearly demonstrate the effectiveness of their programs and the impact the programs have on peoples' lives. FSA must continue to refine performance reporting to effectively present what its programs are accomplishing for the funding received.

RECOMMENDATION NO. 1

Develop performance measures that are outcome oriented, linked to the achievement of its long-term goals, and for which results reported would indicate the degree to which the long-term goals are being met.

Agency Response

FSA officials agreed with the recommendation and stated that their performance management efforts continue to evolve and improve as they strive to develop performance information that is more outcome oriented and also more transparent, accessible, and reliable. They also stated that they are re-evaluating their performance goals and measures as part of the annual performance plan development process. The emphasis of the re-evaluation is on limiting the performance goals and measures to the most important to show progress towards accomplishment of the strategic goals. The current evaluation is to be completed February 14, 2003, the target completion date for the FY 2004 annual performance plan.

As an indication of their commitment to improve performance measures in GPRA documents, they stated that they recently developed new outcome oriented performance measures for the Conservation Reserve Program and included them in the FY 2003 annual performance plan. They provided specific information on the measures added.

OIG Position

We accept FSA's management decision. For Final Action, FSA should provide documentation to the Office of the Chief Financial Officer (OCFO) as evidence that the re-evaluation of performance goals and measures being conducted for the FY 2004 annual performance plan has been completed.

FINDING NO. 2

Our review of 21 of the 72 performance measures that FSA used to evaluate and report accomplishments for FY 2000 disclosed that the results reported for 3 measures were

inaccurate or not properly supported. The reported number of loans to beginning and socially disadvantaged (SDA) farmers/ranchers did not include both applicable loan categories, average assessment for non-quota peanuts was overstated by 39 percent, and processing time for EEO/CR management reviews could not be confirmed. This occurred because FSA did not always have controls to ensure adequate verification and validation of the performance results reported. As a result, the report did not present reliable and credible evidence of agency accomplishments for these three measures.

Section 220.12 of OMB Circular A-11, dated July 2000, states that, “* * * the annual plan must include an identification of the means the agency will use to verify and validate the measured performance values.” The circular further states that the means the agency intends to use to verify and validate results reported should be sufficiently credible and specific to support the general accuracy and reliability of the performance information that is recorded, collected, and reported.

According to the GAO published Standards for Internal Control in the Federal Government (GAO/AIMD-00-21.3.1), dated November 1999, internal controls and all transactions and other significant events need to be clearly documented, and the documentation should be readily available for examination. The documentation should appear in management directives, administrative notices, or other operating manuals and may be in paper or electronic form. All documentation and records should be properly managed and maintained.

FSA reported incorrect and misleading data in its performance report due, in part, to calculation errors. These errors were caused by the lack of internal controls that would require verification and validation processes, such as a second party or supervisory review of reported results. Although FSA included verification and validation methods in its annual plan, these methods neither included the specificity needed to ensure the reliability of performance results reported nor were they adequately implemented.

- FSA inaccurately reported the actual results for its performance measure entitled “* * * increase the number of loans to beginning and socially disadvantaged farmers/ranchers * * * ” because loans to beginning farmers/ranchers were not included in the figure reported. For this measure, FSA reported its actual results as 10.9 percent (or 3,376 of its 31,040 farm ownership and operating loans made or guaranteed in FY 2000). However, FSA only included its 3,376 loans to SDA farmers in this calculation and not its 6,998 loans to beginning farmers/ranchers. Had FSA included loans made or guaranteed to both beginning and SDA farmers/ranchers in its calculations, it would have reported 33.4 percent as its actual results (or 10,374 of its 31,040 farm ownership and operating loans).

An FSA official stated that FSA never intended to report on the number of loans to beginning farmers in this measure. However, the verbiage in the performance summary of FSA’s FY 2000 annual report was not changed to reflect this intention. It remained the same as the verbiage in FSA’s Strategic Plan for FY 1997 – 2002, FSA’s Strategic Plan for FY 2001 – 2005, and FSA’s FY 2000 annual plan, all of which included the terminology of loans to both beginning and SDA farmers/ranchers. In fact, this performance measure included loans to both beginning and SDA farmers/ranchers in the MD&A section of the Department’s consolidated financial statements for FY 2000 and the draft MD&A for FY 2001.

At the exit discussion, FSA officials stated that this measure had been discontinued effective with the FY 2002 annual performance plan. Because loan demand and the size of the loans distorted the measure, FSA determined that a better measure of progress in providing financial and technical assistance to both beginning and socially disadvantaged farmers was to measure the dollar value of loans made to these farmers.

- Due to a calculation error, FSA overstated the actual results for its performance measure of the average non-quota peanut assessment. This measure relates to FSA’s goal of maintaining the economic viability of peanut programs, and producers, by establishing producer/purchaser assessments and stabilizing peanut prices. This error occurred because FSA did not use the correct numbers in its calculation and did not verify through second party or supervisory review that the reported results were accurate. The actual average assessment for non-quota peanuts was \$0.000792 per pound. However, FSA reported that the average assessment for non-quota peanuts was \$0.0011 per pound, a 39 percent overstatement. FSA officials informed us that this measure has been discontinued as a result of changes to the peanut program in the 2002 Farm Bill.

FSA did not have written GPRA reporting procedures for the performance measure regarding the percentage of final EEO/CR management review reports submitted within 45 days of completing on-site reviews. FSA did not maintain written instructions on how this measure was calculated and its oral instructions were not correct. According to FSA officials, they had already decided to drop the measure regarding EEO/CR reviews from their annual plan and report; therefore, the calculation would not be an issue in the future.

RECOMMENDATION NO. 2

Ensure written procedures are established and implemented for all GPRA measures, including internal controls over the collection, calculation, and reporting of performance data, to support the results included in FSA's annual reports.

Agency Response

FSA officials agreed with the recommendation. They stated that beginning with the FY 2004 annual plan, specific instructions to agency performance management contacts, issued annually, will require that the internal control methodology for collecting, calculating, and reporting performance data be documented. The FY 2004 annual performance plan guidance that included these instructions was issued on August 14, 2002. The Strategic Management and Corporate Operations Staff of FSA will maintain copies of the control methodology for each performance measure.

OIG Position

We accept FSA's management decision. For Final Action, FSA should provide documentation to OCFO showing that the FY 2004 annual plan guidance included instructions for documenting the internal control methodology for performance data.

RECOMMENDATION NO. 3

Ensure annual plans include specific verification and validation methods that will ensure the accuracy of performance results reported and that these specific methods are fully implemented.

Agency Response

FSA officials agreed with the recommendation. They stated that the FY 2004 annual performance plan guidance, issued August 14, 2002, includes specific instructions for the preparation of the verification and validation section. They also stated that the Strategic Management and Corporate Operations staff will work closely with performance management contacts to ensure that a comprehensive description of performance data verification and validation methods is included in the annual performance plan.

OIG Position

We accept FSA's management decision. For Final Action, FSA should provide documentation to OCFO showing that the FY 2004 annual plan guidance included specific instructions for preparing the verification and validation section.

GENERAL COMMENTS

Among the 21 performance measures reviewed, we included four measures FSA had developed to demonstrate progress in meeting its second long-term (strategic) goal that related to the conservation of soil, water, air and wildlife resources.

Strategic Goals	FY 2000 Performance Measures	1999 Actual	2000 Target	2000 Actual
Strategic 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)	31.5 million	32.8 million	31.5 million
	Acres of highly erodible land (HEL) retired	22.6 million	24.0 million	23.7 million
	Restored acres of wetlands	1.4 million	1.6 million	1.5 million
	Acres planted with trees	1.9 million	2.0 million	2.1 million

The measures resulted in the reporting of numerical data that represented plantings, set asides, etc., that generally supported the broad thrust of the goal but were not outcome oriented. The measures did not show the extent to which FSA programs were achieving the goal. For example, the number of acres enrolled into the Conservation Reserve Program or the number of acres planted with trees provided no gauge of the extent to which FSA was achieving its goal. We believe FSA should be reporting on the results their programs are having on the environment, for example the extent of the reduction in the erosion of soil from farmland that is occurring because of their programs.

FSA had referred to its present measures as "proxies," to be used until outcome measures could be developed that would better show the impact of its program on environmental quality, protection of natural resources, and enhancement of wildlife habitat. FSA is currently working to develop these outcome-oriented measures and to develop reporting systems that would provide supportable results. Data necessary to quantify some of the results may already be available. FSA should incorporate these types of measures into its GPRA reporting as soon as possible.

EXHIBIT A – PERFORMANCE MEASURES REVIEWED

NO.	GOALS AND MEASURES	DESCRIPTION
	Goal	Maintain at least a 95% production flexibility contract participation rate for eligible acreage, including acreage released from the Conservation Reserve Program (CRP).
1	Measure	Same as the goal <u>1/ 4/</u>
	Goal	Maintain the economic viability of tobacco and peanut programs, and producers, by establishing producer/purchaser assessments and stabilizing tobacco and peanut prices.
2	Measure	Average tobacco assessment <u>1/ 2/</u>
3	Measure	Average peanut assessment for quota peanuts <u>1/ 2/</u>
4	Measure	Average peanut assessment for non-quota peanuts <u>1/ 2/</u>
5	Measure	Average price per pound of tobacco <u>1/ 2/</u>
6	Measure	Average price per ton of quota peanuts <u>1/</u>
7	Measure	Average price per ton of non-quota peanuts <u>1/</u>
	Goal	Reduce soil erosion, protect water and air quality, restore wetlands and improve wildlife habitat by establishing conversation cover and/or installing priority practices on enrolled CRP acreage.
8	Measure	Number of acres enrolled per fiscal year (cumulative) <u>1/ 2/</u>
9	Measure	Acres of highly erodible land retired <u>1/ 2/</u>
10	Measure	Restored acres of wetlands <u>1/ 2/</u>
11	Measure	Acres planted with trees <u>1/ 2/</u>
	Goal	Reduce direct loan delinquencies by 29%.
12	Measure	Same as the goal
	Goal	Increase the number of loans to beginning and socially disadvantaged farmers/ranchers by 100%.
13	Measure	Same as the goal <u>1/ 3/</u>
	Goal	Increase the number of program and employee complaints processed on time.
14	Measure	Average number of days spent processing program complaints compared to departmental guidelines <u>1/</u>
15	Measure	Maintain the percentage of employment complaints resolved at the informal level <u>1/</u>

NO.	GOALS AND MEASURES	DESCRIPTION
	Goal	Complete ten EEO/civil rights management reviews of State offices/service centers and take appropriate corrective actions timely.
16	Measure	Final EEO/CR management review reports submitted within 45 days of completing the onsite review (%) <u>1/</u> <u>4/</u>
17	Measure	Corrective actions taken within scheduled timeframes for non-compliances (%) <u>1/</u> <u>4/</u>
	Goal	Improve workforce diversity by increasing the representation of women, minorities, and persons with target disabilities.
18	Measure	Representation of Hispanics and Asian Pacific employees in the workforce (%) <u>1/</u>
19	Measure	Representation of persons with targeted disabilities in the agency (%) <u>1/</u>
	Goal	Establish electronic funds transfer for all eligible service center initiated program and vendor payments.
20	Measure	Service center initiated vendor payments made by electronic funds transfer compared to total number of payments made (%) <u>2/</u>
21	Measure	Service center initiated producer payments made by electronic funds transfer compared to total number of payments made (%) <u>2/</u>

1/ Not appropriate to clearly show progress in meeting strategic goal.

2/ Included in draft MD&A of CCC's financial statements for FY 2001.

3/ Included in draft MD&A of the Department's consolidated financial statements for FY 2001.

4/ Measure dropped by FSA from future performance reporting.

EXHIBIT B – SERVICE CENTERS VISITED FOR VERIFICATION AND VALIDATION REVIEWS

NO.	STATE	NO.	SERVICE CENTER
1	Illinois		
		1	Hillsboro, Illinois
		2	Salem, Illinois
		3	Vandalia, Illinois
2	Michigan		
		4	Adrian, Michigan
		5	Jonesville, Michigan
		6	Paw Paw, Michigan
3	Minnesota		
		7	Albert Lea, Minnesota
		8	Blue Earth, Minnesota
		9	Gaylord, Minnesota
		10	Glencoe, Minnesota
		11	Le Center, Minnesota
		12	Rochester, Minnesota
		13	Waite Park, Minnesota
		14	Willmar, Minnesota
		15	Worthington, Minnesota
4	Ohio		
		16	Hillsboro, Ohio
		17	Kenton, Ohio
		18	Mansfield, Ohio
		19	Norwalk, Ohio
		20	Tiffin, Ohio
		21	Xenia, Ohio

EXHIBIT C- FSA'S RESPONSE TO THE DRAFT REPORT



United States
Department of
Agriculture

Farm and Foreign
Agricultural
Services

Farm Service
Agency

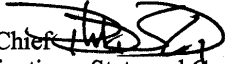
Operations Review
and Analysis Staff

Audits,
Investigations,
State and County
Review Branch

1400 Independence
Avenue, SW
Stop 0540
Washington, DC
20250-0540

SEP - 5 2002

TO: Director, Administration and Finance Division
Office of Inspector General

FROM: Philip Sharp, Chief 
Audits, Investigations, State and County Review Branch

SUBJECT: Response to Audit No. 50601-04-CH, Implementation of the Government
Performance and Results Act in the Farm Service Agency

Enclosed is a copy of a memorandum dated August 28 from FSA's Director Strategic Management and Corporate Operations Staff, which responds to your request for information regarding the subject audit.

Please address any questions to Karren Fava at 720-6152.

Enclosure

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AUG 28 2002

United States
Department of
Agriculture

Farm and Foreign
Agricultural
Services

Farm Service
Agency

1400 Independence
Avenue, SW
Stop 0571

Washington, DC
20250-0571

TO: Philip Sharp, Chief
Audits, Investigations, State and County Review Branch

FROM: Jack Sikora, Director *Jack Sikora*
Strategic Management and Corporate Operations Staff

SUBJECT: Transmittal of Draft OIG Audit Report No. 50601-04-CH,
Implementation of the Government Performance and Results Act
in the Farm Service Agency – Fiscal Year 2000

We have reviewed the subject audit report and our response to the recommendations is as follows:

Recommendation No. 1

Develop performance measures that are outcome oriented, linked to the achievement of its long-term goals, and for which results reported would indicate the degree to which the long-term goals are being met.

Agency Response

We agree with the recommendation. The Agency's performance management efforts continue to evolve and improve as we strive to develop performance information that is not only more outcome oriented, but also more transparent, accessible, and reliable. Each year, as part of the annual performance plan development process, FSA re-evaluates its performance goals and measures. The emphasis of this evaluation is on limiting the performance goals and measures to those most important to show progress towards accomplishment of the strategic goals. The current evaluation will be completed February 14, 2003, which is the target completion date for the fiscal year (FY) 2004 annual performance plan.

An indication of the commitment to improve the quality of performance measures in the GPRA documents is the recent development of new, outcome oriented, performance measures for the Conservation Reserve Program (CRP). FSA's FY 2003 annual performance plan includes a performance measure for the amount of sheet and rill erosion reduced each year as a result of installing priority conservation practices or establishing conservation ground cover through the CRP. A second outcome oriented

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measure has been developed to show the reduction in wind erosion as a result of the CRP. A third performance measure added for FY 2003 measures the amount of carbon sequestered in soil and vegetation through long-term retirement of crop and grazing lands.

Recommendation No. 2

Ensure written procedures are established and implemented for all GPRA measures, including internal controls over the collection, calculation, and reporting of performance data, to support the results included in FSA's annual reports.

Agency Response

We agree with the recommendation. Beginning with the FY 2004 annual performance plan, Agency performance management contacts will be required to document the internal control methodology for collecting, calculating, and reporting performance information. Specific instruction for documenting the internal control methodology is included in the FY 2004 annual performance plan guidance issued August 14th. The Strategic Management and Corporate Operations Staff will maintain copies of the internal control methodology for each performance measure.

Recommendation No. 3

Ensure annual plans include specific verification and validation methods that will ensure the accuracy of performance results reported and that those specific methods are fully implemented.

Agency Response

We agree with the recommendation. The FY 2004 annual performance plan guidance, issued on August 14th, includes specific instructions for preparing the verification and validation section. The Strategic Management and Corporate Operations Staff will work closely with Agency performance management contacts to ensure that a comprehensive description of performance data verification and validation is included in the performance plan, including a discussion of data limitations if applicable.