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In the area of domestic food assistance programs, GAO has identified major problems and issues, including: abuses in the summer food service program for children, the food stamp program's accountability system, overissued food stamp benefits, and amounts of food and nutrients in the school lunch program. Matters of concern in the area of nutrition involve the availability of reliable nutrition information and documentation of the results of feeding programs. GAO's activities in the area of conservation focused on technical and financial assistance programs, water pollution, and water resources. Questions were raised about the effectiveness of the Department of Agriculture's field offices. Energy issues considered by GAO included development of solar energy technologies. The Food for Peace and related foreign aid programs were examined. In terms of funding practices for agriculture programs, GAO reviewed entitlement funding, unobligated balances of budget authority, no-year appropriations, and net borrowings. The Commodities Futures Trading Commission activities and personnel were also considered. (RRS)

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Statement of
Elmer B. Staats
Comptroller General of the United States
before the
Subcommittee on Agriculture, Rural Development,
and Related Agencies
Senate Committee on Appropriations
on
General Accounting Office reviews of
Department of Agriculture activities

We are here today at the request of the Subcommittee to provide information on Department of Agriculture operations in the areas of domestic food assistance programs, nutrition research and education, conservation, operation of the Department's local field offices, use of renewable natural resources as energy sources, international aspects of food assistance, and program funding practices; and on the Commodity Futures Trading Commission. I will discuss each of these areas briefly.

DOMESTIC FOOD ASSISTANCE PROGRAMS

First, our work in the domestic food assistance programs area--which accounts for the bulk of Agriculture appropriations--has identified major problems and important issues, some of which I will highlight.

Since 1971, when the summer food service program for children began, it has had serious problems. In our March 1978 report, we noted that, although some of the earlier, more flagrant abuses were not apparent in 1977, the program still had a lot of serious problems. A basic cause of these problems is the inflexible legislative formula for providing Federal funds for State administration--generally limited to 2 percent of program costs. In some States this amount is insufficient and can result in more money being wasted on improper and inefficient feeding operations than would have been spent for more careful and effective administration. We recommended that the Secretary be required to conduct a study of State administrative expenses and that he be authorized to provide States extra administrative funds based on criteria developed in the study. Bills covering this program recently reported by the legislative committees do not adopt our recommendation.

Another basic cause of program problems has been the approval of sites for feeding children that do not have access to (1) refrigeration for storing leftover meals overnight and (2) sheltered feeding facilities for use in inclement weather. Among other things, this leads to the waste or unauthorized use of meals for which Federal reimbursement is subsequently claimed. Solutions to this problem are difficult and none of the alternatives is ideal. We recommend that the Subcommittee request the Department to present an analysis

of alternative solutions, a justification of the one chosen, and a discussion of how that alternative will address the existing waste and abuse.

Some time ago we were asked to review the food stamp program's accountability system because of reports of widespread problems. Our June 1977 report described how the system was designed to track and account for food coupons and cash receipts and how the system, from its inception, had operated ineffectively. The Department's auditors found misuses and mishandling of over \$34 million of receipts. Since then, the Service seems to have improved its control over cash receipts. This part of the system will not be needed once the food stamp purchase requirement is eliminated as mandated by law. However, a system to account for food coupons--which are almost like cash--will still be needed. Although we have not reviewed this area in the last year, our recent inquiries indicated that the coupon part of the system still needs improvements.

To reduce the size and cost of the food stamp program, the law requires recipients to register for and accept suitable employment unless specifically exempted by law. The intent is to help recipients find jobs and thus remove them from the food stamp rolls, and to deny further assistance to those who are able but unwilling to work. We reported in April 1978 that, of the recipients in our sample who were required to register, only 1 in 200 obtained jobs and that

over half were not even registered for work at the employment service offices responsible for helping them find jobs. Work registration appeared to be treated as a paper-pushing exercise rather than as a useful tool for reducing the program's size. We recommended that the Secretary insure that the work registration requirements are properly carried out. If this is done, the Department should then compare a well-run work registration program with the results of the 14 workfare pilot projects required by the 1977 food stamp act (but not yet started). The results of such a comparison could be helpful to the Congress in evaluating the work requirement provisions in the various welfare reform approaches being proposed. The Subcommittee may want to encourage the needed corrective measures and the subsequent analytical comparisons by the Department.

In a July 1977 report we estimated that the Government was losing over half a billion dollars a year in overissued food stamp benefits. Also, State and local food stamp offices were not adequately identifying and recovering overissuances or taking action against recipients suspected of committing fraud. A basic cause of the inadequate recovery efforts was that the States had a financial disincentive to perform these functions because they have to pay part of the costs of these efforts but are not allowed to retain any part of the amounts recovered. The Congress adopted our recommendation that the Federal share of States'

costs for these functions be increased from 50 to 75 percent but the law has not been changed to allow the States to retain part of the overissuances they recover.

Although proposed regulations to implement the Food Stamp Act of 1977 might result in certain improvements in this area, they also contain provisions that might make recovery of overissuances less likely. Fewer overissuances would be treated as suspected recipient fraud and efforts to recover all types of nonfraud overissuances, including those caused by recipients' errors, would become less aggressive. We recommend that the Subcommittee pursue this matter further with the Department.

In implementing the National School Lunch Act, the Department intends that school lunches provide one-third of the nutrition in the recommended dietary allowances developed by the National Academy of Sciences. To achieve this goal, the Department requires that school lunches contain prescribed amounts of various types of foods. We reported in February 1978 that many federally subsidized lunches in New York City contained less than the required amounts of food and that this appeared to be a nationwide problem. Such noncompliance means that students are not always getting the nutritional benefits intended from this program for which the Congress appropriates about \$2 billion a year. The Food and Nutrition Service is currently working on plans to correct the problem. Our report contains specific recommendations for correcting this problem.

We also obtained lunches from schools in three cities and had them tested for conformance with the Department's nutritional goal. Many of the lunches tested fell short of the goal. It is clear that the Department needs to modify its requirements. The Department is studying the results of our work but, as far as we know, it has not corrected the problem.

In the near future, we plan to issue a report discussing the interrelationships of 13 major Federal domestic food assistance programs. The report will discuss benefit gaps and overlaps, differences in eligibility criteria and procedures, and ways to help streamline administration of these programs.

NUTRITION

We have been expanding our efforts on national nutrition issues, and I will touch on some additional matters of concern in this area.

Availability of reliable nutrition information is necessary for American consumers to make wise food choices. In March 1978, we reported that neither the Department of Agriculture nor the Department of Health, Education, and Welfare has an effective method of screening and evaluating nutrition material, or knows how much money is spent in providing nutrition information. We recommended establishment of central reviewing and coordinating groups in each department and an interdepartmental coordination committee.

The Government spends anywhere from \$73 to \$117 million annually on human nutrition research or about 3 percent of the \$3 billion it spends annually on all agriculture and health research. We reported in March 1978 that there were information gaps on human nutrition requirements, food composition, diets, disease causation, food safety, food consumption, and nutritional status. Barriers to human nutrition research include a lack of central focus and coordination of research efforts, shortage of nutrition scientists, and the uncertainty of Federal funding. We recommended that the Office of Science and Technology Policy work with the 13 agencies involved to provide a coordinated approach to human nutrition research.

Survey data on the kind, amount, and monetary value of foods consumed in the United States is widely used by Government and industry. In March 1977, we reported that Agriculture's Nationwide Food Consumption Survey, conducted every 10 years at a current cost of \$8.9 million, did not include in its sample sufficient numbers of low-income families and that the survey methodology had not been validated. Steps subsequently taken to remedy these shortcomings will provide better information for decisions on feeding programs.

Even though feeding programs are intended to improve nutrition and health, there is little documentation of the results of the programs in those terms. One way to provide

this documentation is through a nutrition surveillance system that identifies nutritional deficiencies and provides data to monitor the effectiveness of intervention programs. At the request of the House Committee on Science and Technology, we are reviewing (1) existing surveillance programs to determine whether they constitute an adequate national system and (2) the uses, basis, and limitations of the recommended dietary allowances, including a comparison of our standards with those of other nations.

CONSERVATION

In the conservation area, the productive soil of the Nation's agricultural land must be maintained and protected if the United States is to continue to meet its domestic food needs, help alleviate world food shortages, and minimize pollution problems and cleanup costs.

We reported in February 1977 that technical and financial assistance programs designed to help farmers control erosion have not been as effective as they could be in establishing enduring conservation practices. We recommended that the Soil Conservation Service realine its priorities and seek out and offer assistance to farmers who have critical erosion problems. We also recommended that the Agricultural Stabilization and Conservation Service give funding emphasis and priority to critically needed conservation practices which farmers ordinarily would not undertake without Federal cost-sharing assistance.

Department officials agreed with our recommendations and took steps to implement most of them. They said that these actions would have greater impact if buttressed by appropriate legislative changes to update and clarify the Agricultural Conservation Program's goals and objectives. We recommended that the Congress clarify the program's legislation concerning the types of conservation practices that should be funded.

The Food and Agriculture Act of 1977 placed more emphasis on funding enduring conservation and environmental enhancement practices but the 1977 appropriations legislation language left the selection of practices to be funded to the county committees. These two concepts may work at odds with each other. If the Congress wants to avoid a shift away from needed conservation practices intended under the Agricultural Conservation Program and prevent widespread Government cost sharing of production-oriented practices that farmers would normally carry out without Federal assistance, this Subcommittee may want to consider placing emphasis on funding critically needed conservation practices by limiting program spending on other kinds of practices.

Two new legislative initiatives in the conservation area will increase the Department's emphasis on conservation activities: the Clean Water Act of 1977 which requires a planning program to help control nonpoint water pollution, and the Soil and Water Resources Conservation Act of 1977

which requires a continuing appraisal of soil, water, and related resources, and the development of a national soil and water conservation program. Because these programs are just getting off the ground, we have not yet reviewed them and are not able to comment on their potential results.

FIELD OFFICES

You have raised questions as to how effectively the Department carries out its programs through its numerous local field offices. In our February 1977 report on soil erosion, we questioned the workload priorities established in Soil Conservation Service local offices, and in a September 1976 report we discussed some problems that Agriculture and other departments and agencies have had in trying to locate or relocate Federal facilities in rural areas. At this Subcommittee's request, we also have an ongoing study to evaluate proposed staffing levels in Agricultural Stabilization and Conservation Service field offices. We have not undertaken any reviews of the feasibility of interchanging field personnel among agencies for better staff utilization during peak workload periods. We understand that the Department has recently formed a task force to study the issue of co-locating agency offices, but we are not in position to comment on this effort.

ENERGY

To accelerate development and use of solar energy systems, the Congress has greatly increased appropriations

for research, development, and demonstration of solar energy over the past few years. The solar energy technologies that would be of particular interest to the agri-business community are

- production of fuels, such as gasohol, from biomass,
- agricultural and industrial process heat applications,
- and
- wind energy systems.

These technologies are in various stages of development. While some are still the subject of early engineering development, others are beginning to gain consumer acceptance. The major focus of our past work has been evaluating the Department of Energy's predecessor agencies' planning and administration of solar energy research, development, and demonstration programs, and three reports have been issued on this area during the past 18 months.

We are currently reviewing the energy implications of the biomass program administered by the Department of Energy and the coordination of that program with others being administered by Agriculture, the National Science Foundation, the National Aeronautics and Space Administration, and the Environmental Protection Agency. Our planned report will discuss the near-, mid-, and long-term potential of agricultural and forest residues and biomass from land, fresh water, and ocean energy farms. It will also present information on the status of development of different types and sizes

of biomass energy systems. Our initial observations are that biomass can contribute considerable amounts of energy to this Nation; however, Federal biomass energy development efforts generally have suffered from inadequate funding and low priorities.

INTERNATIONAL FOOD ASSISTANCE

On the international scene, the United States continues to be one of the most important food suppliers to the world. Agricultural exports are expected to reach a record volume of over 110 million tons in fiscal year 1978, up from 102 million tons in fiscal year 1977.

The Agricultural Trade Development and Assistance Act of 1954, commonly referred to as P.L. 480, uses the abundant agricultural productivity of the United States to combat hunger and malnutrition and encourage economic development in developing countries. An estimated 6 million tons of grain are provided annually to other countries under this program in the form of concessional sales (title I) and food donations (title II). We consider the P.L. 480 Food for Peace program to be an important area for our review in the agriculture and international areas.

The administration of the program is coordinated among several Government agencies through a committee chaired by a representative of the Department of Agriculture, with representatives from the Agency for International Development; the Departments of State, Commerce, and the Treasury; and

the Office of Management and Budget. The Executive Branch is studying the responsibilities and authorities of these agencies. Also bills have been introduced, notably the proposed International Development Cooperation Administration Act (the Humphrey bill) to help streamline international development and food aid efforts. We are following developments in this area but have not reached an independent conclusion regarding possible changes in agency responsibilities.

In a 1975 report, we discussed the need for sustaining our overseas food donations. Since then, new legislation has been enacted stipulating minimum amounts of food to be made available under title II of P.L. 480.

In a November 1975 report on disincentives to agricultural production in developing countries, we recommended that U.S. agencies providing food and agricultural assistance give maximum consideration to recipient countries' self-help measures, and encourage the countries to provide positive incentives to farm production. Subsequent amendments to P.L. 480 require greater emphasis on recipient countries' self-help measures.

The United Nations' World Food Program is a major channel for P.L. 480, title II food aid. The United States, its biggest contributor, has donated over \$640 million since 1963. In one of a series of 1977 reports on U.S. participation in international organizations, we noted that the program could do a better job of focusing its aid on

the countries that needed it most. We said that the program could be made more effective by establishing a long-range planning system with priorities for reaching the poorest nations. We understand that the Departments of State and Agriculture and the Agency for International Development are working to improve the program's planning and priority system.

In addition, on the basis of an ongoing review, we have indications from six countries that, although the title II program is generally benefitting large numbers of needy people, the Agency for International Development needs to do a better job of targeting food aid to the poorest people within the countries. Also, some of the poorest countries are receiving less title II food aid than other less needy nations, although food allocations are affected by several factors not under U.S. control.

FUNDING PRACTICES FOR AGRICULTURE PROGRAMS

The Subcommittee has expressed a strong interest in entitlement funding (those programs requiring payment of benefits to all persons meeting the legal requirements), no-year funding, unobligated balances, and the use of appropriation limitations and other methods to help tighten up Agriculture programs.

In an April 1978 report to this Subcommittee, we stated our general views on entitlement funding and whether such funding would seem appropriate for the Special Supplemental Food Program for Women, Infants, and Children. We expressed

concern about the weakening of congressional budgetary control inherent in entitlement programs. We have consistently taken the position that the public interest is best served when congressional control over activities is exercised through periodic reviews, affirmative congressional action on planned programs, and financing requirements through the appropriations process. Any action or arrangement (such as entitlement funding) which permits a Federal activity or program to depart from that process lessens congressional budgetary control, and should be permitted only upon a clear showing that the public interest would be best served by such a departure.

We have been making an overall review of the use of unobligated balances of budget authority carried forward to finance the following year's programs. The Department's unobligated balances since fiscal year 1972 increased from \$1.6 billion to \$13.8 billion in 1976, with a downward trend to \$7.1 billion at the end of 1977. Unobligated balances carried forward are important to the appropriations process because they are not counted as budget authority in setting the targets or ceilings in the congressional budget resolution. Thus the actual amount of budget authority that will be available for a program depends on the accuracy of the carryover estimates.

The Department uses no-year appropriations for many of its programs. We are doing some work for this Subcommittee

in this area, and early indications are that it might be feasible to discontinue some of the no-year funding. Generally, it is our position that appropriations for the regular operations of a department--other than for construction, other capital needs, and long-term contracts--should be on a fixed-period basis such as 1-year or multi-year. Closely related to this effort is some work we are doing for the Budget Committees on multiple and no-year funding of entitlement programs. Earlier this year we reported to the Chairmen of the Budget Committees that the basic difference in the amount of budget authority required for funding entitlement programs by a regular 1-year appropriation versus a multi-year or no-year appropriation is the amount of carryover of unobligated balances of budget authority. As part of our review, we asked the Department to provide us written reasons for using no-year appropriations in funding entitlement programs administered by its Food and Nutrition Service. Since the Department just responded yesterday, we are not in a position to reach any firm conclusions in that area.

Another on-going study concerns the way in which Federal agencies (including the Department's Farmers Home Administration, Rural Electrification Administration, and Commodity Credit Corporation) with permanent authority to borrow funds record their budget authority for borrowings. Some agencies make multiple use ("roll-over") of authorized budget authority, and have gross borrowings in excess of authorized budget

authority. In short, authorized budget authority represents a level of net borrowings rather than gross borrowings. This makes it essential that there be full disclosure to the Congress of all relevant budgetary information regarding gross borrowings so that congressional control over budget and fiscal aspects of various programs is not impaired.

COMMODITY FUTURES TRADING COMMISSION

Finally, you asked us to comment on the recent report on the Commodity Futures Trading Commission. The Commission was created in April 1975 with a 3-year life, to regulate the mushrooming commodity futures industry. If not reauthorized, it will go out of existence on September 30, 1978. During reauthorization hearings earlier this year, we testified on the results of our review and recommended that the Commission be reauthorized for 4 years.

We reviewed the Commission's planning and management practices, resource allocation and use, personnel training and staff development, and staff turnover. In terms of staff resource allocation and use, the Commission had not succeeded in making optimal use of its staff. Staffing problems were seriously aggravated by the diversion of staff resources from the regulation of commodity futures trading--the Commission's primary responsibility--to problems of fraud and customer abuse in the sale of commodity options.

The Commission needs to find ways to slow the rate of employee turnover, which is among the highest in Government; to train and professionalize its staff; and to develop cadres of experienced managers and commodity specialists. Although the Commission might well require additional funds and staff as requested for its 1979 operations to effectively carry out its responsibilities and enhance the regulatory process in general, we believe that much could be done to improve the use of existing staff and resources.

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This concludes my statement, Mr. Chairman. We will be glad to respond to any questions you may have.

Issued Reports Discussed in StatementStatement
referenceReport TitleDomestic Feeding Programs

- p. 2 The Summer Feeding Program for Children: Reforms Begun--Many More Urgently Needed (CED-78-90), March 31, 1978.
- p. 3 Food Stamp Receipts--Who's Watching the Money? (CED-77-76), June 15, 1977.
- pp. 3 Food Stamp Work Requirements--Ineffective Paperwork
and 4 or Effective Tool? (CED-78-60), April 24, 1978.
- pp. 4 The Food Stamp Program--Overissued Benefits Not
and 5 Recovered and Fraud Not Punished (CED-77-112),
 July 18, 1977, and its supplement (CED-77-112A),
 August 31, 1977.
- pp. 5 How Good Are School Lunches? (CED-78-22),
and 6 February 3, 1978.

Nutrition

- p. 6 Informing the Public About Nutrition: Federal Agencies Should Do Better (CED-78-75), March 22, 1978.
- p. 7 Federal Human Nutrition Research Needs a Coordinated Approach to Advance Nutrition Knowledge (PSAD-77-156), March 28, 1978.
- pp. 7 Nationwide Food Consumption Survey: Need for
and 8 Improvement and Expansion (CED-77-56),
 March 25, 1977.

Conservation

- pp. 8 To Protect Tomorrow's Food Supply, Soil
and 9 Conservation Needs Priority Attention
 (CED-77-30), February 14, 1977.

Field Offices

- p. 10 To Protect Tomorrow's Food Supply, Soil Conservation Needs Priority Attention (CED-77-30), February 14, 1977.

- p. 10 Progress and Problems in Giving Rural Areas
First Priority When Locating Federal Facilities
(CED-76-137), September 7, 1976.

Energy

- p. 11 Letter Report on Adequacy of the Planning of
Solar Energy Research, Development, and
Demonstration Program (EMD-77-8),
November 30, 1976.
- p. 11 The Magnitude of the Federal Solar Energy
Program and the Effects of Different Levels
of Funding (EMD-78-27), February 2, 1978.
- p. 11 Letter Report on ERDA's Wind Energy Program
(EMD-77-33), March 29, 1977.

International Food Assistance

- p. 13 The Overseas Food Donation Program--Its
Constraints and Problems (ID-75-48),
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- p. 13 Disincentives to Agricultural Production in
Developing Countries (ID-76-2),
November 26, 1975.
- p. 13 The World Food Program--How the U.S. Can
Help Improve It (ID-77-16), May 16, 1977.

Funding Practices for Agriculture Programs

- pp. 14 Letter Report on WIC Entitlement Funding
and 15 (CED-78-98), April 13, 1978.
- p. 16 Letter Report on Entitlement Funding
(PAD-78-46), January 13, 1978.

Commodity Futures Trading Commission

- pp. 17 Regulation of the Commodity Futures Markets--
and 18 What Needs to Be Done (CED-78-110),
May 17, 1978.