

RURAL DEVELOPMENT

FY 2002 ANNUAL PROGRAM PERFORMANCE REPORT

The Rural Development mission area was established on October 13, 1994, by the Federal Crop Insurance Reform and Department of Agriculture Reorganization Act. The mission area consists of three Agencies, the Rural Business-Cooperative Service (RBS), the Rural Housing Service (RHS), and the Rural Utilities Service (RUS). These agencies are responsible for delivering programs authorized by the Consolidated Farm and Rural Development Act; the Food Security Act of 1985; the Rural Electrification Administration Act of 1936 as amended; the Cooperative Marketing Act of 1926; the Agricultural Marketing Act of 1946; the Housing Act of 1949; and the Rural Economic Development Act of 1990, as amended.

The mission of Rural Development is to: Enhance the ability of rural communities to develop, to grow, and to improve their quality of life by targeting financial and technical resources in areas of greatest need through activities of greatest potential.

This report addresses the performance goals included in the Rural Development FY 2002 and FY 2003 Annual Performance Plan, published in March 2002.

The following chart identifies the 5 goals of the mission area strategic plan and the page number of this report where each goal is addressed in this report:

GOALS	PAGE *
1: Good Jobs and Diverse Markets. Rural Development will improve the quality of life in rural America by encouraging the establishment and growth of rural businesses and cooperatives.	2
2: Quality Housing and Modern Community Facilities. Rural Development will improve the quality of life of rural residents by providing access to technical assistance, capital, and credit for quality housing, and modern, essential community facilities.	6
3: Modern Affordable Utilities. Rural Development will improve the quality of life of rural residents by promoting and providing access to capital and credit for the development and delivery of modern affordable utility services.	13
4: Community Capacity Building. Rural Development will provide information, technical assistance, and, when appropriate, leadership to rural areas, rural communities and cooperatives to give their leaders the capacity to design and carry out their own rural development initiatives.	18
5. Effective, Efficient Service to the Public. Rural Development will develop the staff, systems, and infrastructure needed to ensure high quality delivery of its programs to all rural residents.	18

* Page numbers may vary slightly depending upon the printer being used.

Additional information on Rural Development and its programs can be found on the Internet at the mission areas home page, <http://www.rurdev.usda.gov>. The mission areas long-range strategic plan and Annual Performance Plan can also be found on the Internet. From the home page, click on "About Us" and then click on "Strategic Plans."

Only Federal employees were involved in the development of this report.

Goal 1: Good Jobs and Diverse Markets. Rural Development will improve the quality of life in rural America by encouraging the establishment and growth of rural businesses and cooperatives.

MAJOR PROGRAM FUNDING: Rural Business-Cooperative Service	FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 PROJECTED	FY 2002 ACTUAL
Business Programs	\$1.2b	\$2.903b	\$1.26b	\$960m
Cooperative Development Programs	\$16m	\$36.5m	\$7.75m	\$7.75m

* Amount of funding on which the targets were established. May not include all supplementals or recissions, which occurred during the fiscal year.

Objective 1.1: Increase the availability and quality of jobs in rural areas.

Key Performance Goal and Indicators	FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 TARGET	FY 2002 ACTUAL
Create or save jobs in rural areas.				
Number of jobs created or saved:				
B&I Guaranteed Loans	29,118	29,927	31,049	27,452
B&I Direct Loans	1,080	1,816	0	
IRP Loans	29,266	29,866	29,206	23,868
Rural Business Enterprise Grants	9,550	39,292	32,721	16,033
Rural Economic Development Loans	2,967	3,697	2,444	2,745
Rural Economic Development Grants	1,521	624	844	196
Rural Business Opportunity Grants	N/A	N/A	N/A	6007
Community economic benefits (millions)				
B&I Guaranteed Loans	\$2,968	\$2,689	\$2,789	\$2,156.8
B&I Direct Loans	\$75.5	\$126.3	\$0	\$0
IRP Loans	\$95.6	\$97.6	\$95.43	\$78
Rural Business Enterprise Grants	\$86.0	\$123.1	\$102.5	\$108.2
IRP dollars lent by intermediaries/IRP dollars obligated to intermediaries (cumulative since Program inception).	78.5%	80.6%	75%	82%
Non-IRP funds leveraged for each dollar of IRP funds.	\$3.12	\$3.12	\$3.76	\$.53
Number of businesses benefiting from RBEG program.	1,483	3,792	1,741	5,442
Non-RBEG funds leveraged for each dollar of RBEG.	\$1.12	\$1.29	\$2.40	\$1.53
Non-REDLG funds leveraged per dollar of program funds:				
Loans	\$4.56	\$6.44	\$3.00	\$4.47
Grants	\$3.00	\$5.29	\$3.00	\$2.78

2002 Data: Data come from a variety of sources including: an internal management system, two internal accounting systems; the Program Loan Accounting System (PLAS) and the Guaranteed Loan System (GLS); Department of Labor employment estimates; and an external report, Revolving Loans for Rural America, by Robert Rapoza (the Rapoza report). Data are final and considered sufficiently accurate to be used for management decisions. Reports from PLAS and GLS are used by the OIG in the development of the mission area's audited financial statement.

The number of jobs created or saved for the B&I guaranteed and direct programs, plus the RBEG program, is reported by the applicant/borrower and input into the Guaranteed Loan System (GLS) automated system by the field

staff. The number of jobs created for REDLG is reported by the applicant/borrower and summarized by the National Office staff in the process of reviewing the loan or grant requests.

Determining the number of jobs saved and created for the IRP is much more difficult. These are loans made to an intermediary lender who then uses the funds to make loans to entrepreneurs. As the loan is repaid to the intermediary, the funds are used to make new loans to other entrepreneurs. In order to recognize the impact of the relending of funds for this program on jobs, the findings of the Rapoza report have been used. This report indicates on page 70, Table 17, that the average cost per job, or amount of IRP loan per job, is \$4,278. This translates into 23,375 jobs per \$100,000 in loan funds invested in an intermediary lender. To maintain a conservative estimate of the number of jobs created or saved, we have used 22.5 jobs per \$100,000 invested. Table 13, page 68, of the Rapoza report indicates that the average term of an IRP loan to the ultimate recipient is 8.8 years. Since virtually all IRP loans to the intermediaries have a loan term of 30 years, the funds revolve 3.4 times during the term of the loan.

The community economic benefits are calculated by multiplying the program level by 2.5. This multiplier is based upon a study done for the Department of Labor by the Department of Commerce.

Analysis of Results: This goal was not met due, in part, to the failure to obligate the full amount of Business and Industry Guaranteed Loan program funds projected to be available. Demand for the various programs was not great enough to utilize the funds available. Outreach in the Rural Economic Development Loan and Grant program was not vigorously pursued because funding for the program was not made available until late in the fiscal year. In the Rural Business Enterprise Grant program the jobs were not realized due to a lower level of funding than was used to project the jobs projected.

Description of Actions and Schedules: Projections for FY 2003 are based on actual accomplishments in FY 2002 and the President's Budget as presented to Congress. Delinquent loans present a serious problem. The agency is looking at deferral of loan principal, workouts, re-amortization, etc., to provide solutions to this problem. However, RBS must avoid interference with borrowers and lenders that could result in suits against the government. However, there are certain monitoring responsibilities, as required by regulation and the lender's agreement that may provide solutions.

Current Fiscal Year Performance: RBS will monitor performance progress quarterly and take necessary and appropriate actions in the event performance is less than expected.

Program Evaluations: The agency conducted a file review of all Business Program loans in the Puerto Rico state office and the findings for that field review indicated serious improprieties in both loan making and servicing. As a result of the findings, a number of teams comprising field and national office personnel were dispatched to Puerto Rico. Tasks included reporting all delinquent loans. Twenty-four direct and forty-four guaranteed loans were found to be delinquent. In addition, the continuing sag in the world economy has adversely impacted a number of guaranteed borrowers.

Objective 1.2: Encourage and promote the use of marketing networks and cooperative partnerships to increase and expand business outlets.

Key Performance Goal and Indicators	FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 TARGET	FY 2002 ACTUAL
Assist marketing networks and cooperative partnerships in the establishment and expansion of business outlets.				
Number of Technical assistance and educational services provided.	205	244	200	227
Customer rated quality of technical assistance (0-5 rating scale).	3.5	N/A	3	N/A
Leverage of research expenditure (dollar value of RBS sponsored research per dollar of RBS research expenditures).	\$1.25	\$1.44	1.25	1.12
Research and educational materials provided to customers.	51,137	53,594	25,000	74, 524
Number of responses to inquires for information.	16,000	16,000	15,000	18,000
Percentage of B&I Guaranteed funds obligated to cooperatives.	11%	3.9%	20%	N/A

2002 Data: Data are compiled from State reports, surveys, contracts let, shipment logs and customer service logs. The data are final. This information, while not audited, is considered sufficiently accurate to be used for management decisions.

Analysis of Results: This goal was met. There was no set-aside for B&I Guaranteed Loans for Cooperatives; therefore, this goal was not measured. No technical assistance survey was administered, pending OMB survey approval. Research leverage figures resulted from a different mix and a smaller level of new research agreement funding than anticipated

Current Fiscal Year Performance: RBS will monitor performance progress quarterly and take necessary and appropriate actions in the event performance is less than expected.

Objective 1.3: Direct Rural Development program resources to those rural communities and customers with the greatest need.

Key Performance Goal and Indicators	FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 TARGET	FY 2002 ACTUAL
Direct Rural Development program resources to those rural communities and customers with the greatest need.				
Percentage of funds obligated in Empowerment Zones/Enterprise Communities and REAPs.				
B&I Guaranteed	2.0%	.8%	2.3%	2.6%
IRP	4.7%	10.8%	19% *	8.8%
RBEG	20.3%	12.7%	22% **	15.0%
Percentage of funds obligated for Mississippi Delta and Native American Initiatives:		<u>MD</u> <u>NA</u>	<u>MD</u> <u>NA</u>	<u>MD</u> <u>NA</u>
B&I Guaranteed	0	0% 1.1%	0% 5%	0% 1.1 %
IRP	0	21% 10%	21% 10%	6.4% 9.6 %
RBEG	0	2% 6%	2% 6%	2.4% 6.9%

* Should be 16.5% based on appropriated funds. The initial RBS target was 19% for the IRP, based on our budget request. However, the appropriation language only provided 16.5% earmarked for the program. The Agency obligated 10.8% for FY 2001.

** The initial RBS target was 22% for the RBEG program based on our budget request. However, the appropriation language only provided 17.2% earmarked for the program. The Agency actually obligated 12.7% for FY 2001.

2002 Data: Data are compiled from RDAPTS, the Program Loan Accounting System (PLAS), and state surveys. PLAS, while not audited by OIG, provides reports used by OIG in their audit of the mission areas financial statement and information in PLAS is generally considered reliable. While data from RDAPTS and state surveys is considered soft, it is considered sufficiently accurate to be used for management decisions.

Analysis of Results: The goal for the IRP and RBEG funding for the use of funds in EZ/EC and REAP zones was overly optimistic and there were not enough applications to accomplish the goal. The goal for use of B&I Guaranteed Loan funds to Native Americans was not met due to a lack of applications sufficient to accomplish the projected goal.

Description of Actions and Schedules: The goals for use of the IRP and RBEG programs in EZ/EC and REAP zones and B&I Guaranteed Loan assistance to Native Americans have been adjusted to reflect a more reasonable historical level of demand and use for FY 2003 and 2004.

Current Fiscal Year Performance: RBS will monitor performance progress quarterly and take necessary and appropriate actions in the event performance is less than expected.

Program Evaluations: None.

Objective 1.4: Manage the loan portfolio in a manner that is efficient and effective.

Key Performance Goal and Indicator	FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 TARGET	FY 2002 ACTUAL
Manage the B&I portfolio effectively to minimize the delinquency rate.				
Delinquency rate (excluding bankruptcy cases)	4.2%	3%	3%	10.29%

2002 Data: Data are reliable and final. RDAPTS is a non-accounting management system, which contains a variety of data related to Business Programs, such as the number of jobs created or saved. Data in RDAPTS is input by the field staff and contains edits to require completion of mandatory fields. Manual reports from State Directors will be used to obtain data regarding several of the performance measures. This information will be less reliable because it is obtained manually and its accuracy cannot be verified. However, confidence in these data is high enough to be acceptable for the purposes for which it is used. Therefore, the information is considered sufficiently accurate to be used for management decisions.

Analysis of Results: The target goal was not met. The general decline in the economic conditions which had a heavy impact on businesses was not anticipated and had a huge impact on the ability of the businesses in rural areas for which the B&I Guaranteed Loan Program is intended to serve.

Description of Actions and Schedules: The Agency is working with lenders to offer every potential loan servicing option to borrowers in an effort to assist them to recover from the adverse economic conditions. The target performance measure for 2003 and 2004 is below the current delinquency rate but above the goal for FY 2002. We are optimistic that hopes for an improved economy and our continued effort to assist troubled businesses will result in a more reasonable delinquency rate for FY 2003 and 2004.

Current Fiscal Year Performance: The national office will monitor at least quarterly for achievement levels.

Program Evaluations: The national office conducts a Business Programs Assessment Review of 10 states per year to determine if the program intent is being properly met by interviewing both lenders and borrowers and by reviewing the States' loan processing and servicing activities. Areas found to be deficient are documented, recommendations for corrections are made and national office staff performs monitoring to ensure conformance.

Goal 2: Quality Housing and Modern Community Facilities. Rural Development will improve the quality of life of rural residents by providing access to technical assistance, capital, and credit for quality housing and modern, essential community facilities.

MAJOR PROGRAM FUNDING: Rural Housing Service	FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 ESTIMATED*	FY 2002 ACTUAL
Single Family Housing Programs	\$3.357b	\$3.51b	\$4.38b	\$3.5b
Rural Rental Housing Programs	\$941m	\$859m	\$1b	\$1b
Community Facilities Programs	\$302m	\$535m	\$478m	\$573m

* Amount of funding on which the targets were established. May not include all supplementals or rescissions that occurred during the fiscal year. Starting with the FY 2001 budget, the S&E budget for all Rural Development agencies are combined. Therefore S&E and FTE figures, at the agency level, cannot be provided separately.

Objective 2.1: Improve the quality of life for the residents of rural communities by providing access to decent, safe, sanitary and affordable housing.

Key Performance Goal and Indicators	FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 TARGET	FY 2002 ACTUAL
Improve the quality of life of residents of rural communities by providing access to credit for decent, safe, and sanitary housing.				
Rural households receiving financial assistance to purchase a home of their own.	45,420	44,073*	53,000*	42,069*
Total Units Sec. 502 Direct and Guaranteed 502 and Sec. 504 Loan and Grant	58,018	57,234**	69,000**	56,017**
Number of houses financed through the Section 502 Direct Loan Program	17,026	14,638*	15,000*	14,013*
Number of houses financed through the Section 502 Direct Loan (Natural Disaster) Program	519	143*	N/A	42*
Number of houses financed through the Section 502 Guaranteed Loan Program	29,123	29,326*	39,000*	28,056*
Number of existing houses improved (Section 504 Loans and Grants)	10,360	11,762*	11,700*	10,014*
Number of existing houses improved (Section 504 Loans and Grants Natural Disaster)	990	507*	N/A	143*
Number of jobs created (Direct 502)	17,520	16,171	16,500	16,039
Number of jobs created (Guaranteed 502)	14,323	14,438	24,000	24,721

* These figures are initial loans only, since subsequent loans do not create additional houses.

**This figure is total units obligated, including subsequent loans.

2002 Data: Data on the number of homes financed or improved came from Obligations Report 205 which is derived from Rural Development Finance Office obligation records, which are reliable and used by OIG in the development of the mission area's financial audit. The number of jobs created was based on a construction industry multiplier of 2.448 jobs per new home built. The multiplier, obtained from the National Association of Home Builders, is not subject to governmental audits. All data are final.

Analysis of Results: The goal overall and most targets were met for the direct loan program, but were not met for the guaranteed loan program. The target of 53,000 loans assumed the use of all of the funds allocated for the program. However, all funds were not used because the number of loans closed for the whole year under the Section 502 Guaranteed Loan Program (28,356) was 28 percent, or 10,944 loans, less than the 39,000 target for the Section 502 Guaranteed Loan Program. This decline is attributable to factors in the RHS program such as the lack of an automated underwriting capability, the statutory prohibition on cash-out or equity withdrawal refinancing and fees higher than other similar government affordable housing programs. According to the Mortgage Bankers Association of America, more than 50 percent of those refinancing their mortgages have taken out equity in the process. Section 502 loans do not permit equity withdrawals when refinancing an existing RHS loan. The Direct 502 program missed the target by 987 units (7 percent). The primary reason for this is that the average loan amount was slightly higher than anticipated, due to an increase in the cost of housing and also partially due to the smaller number of leveraged loans, which made our average loan amount a little higher. The number of jobs created, which is based on the number of new construction homes, is under target by 461 (3 percent). Since this number is derived from the number of new construction houses, it was affected by the same higher costs. Fewer houses built means fewer jobs.

Descriptions of Actions and Schedules: Efforts are underway to improve the acceptance of USDA guaranteed mortgages by the mortgage origination and investment industry by increasing their similarity to other governmental insured or guaranteed mortgages. This includes development of an automated underwriting system, which we are proposing to have completed and deployed in FY 2003. In addition, the FY 2003 fee rate is reduced to 1.5 percent for new loans and to 0.5 percent for refinances.

Current Fiscal Year Performance: All current performance indicators for this goal will continue for FY 2003. RHS will continue to monitor performance progress quarterly and take necessary and appropriate actions in the event performance is less than expected.

Program Evaluations: N/A

Key Performance Goals and Indicators	FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 TARGET	FY 2002 ACTUAL;
Improve the quality of life for the residents of rural communities by providing access to decent, safe, sanitary and affordable rental housing.				
Total Number of units funded for new construction (FY)*	5,357	2,457	5,500	5,349
Sec. 515	1,626	1,578	1,700	1,796
Sec. 514/516	680	855	1,000	806
Sec. 514/516 Natural Disaster	156	24	0	0
Sec. 538	2,895	0	2,800	2,747
Total Number of units funded for rehabilitation (FY)*	7,100	8,243	8,400	8,685
Sec. 515	4,990	5,511	5,500	5,488
Sec. 514/516	696	1,003****	1,200	1,064****
Sec. 533	1,414	1,729	1,700	2,133
Direct resources to those rural communities and customers with the greatest need.				
Average tenant income.	\$7,775	\$7,980	\$8,135	\$8,135***
Income of tenants who do not receive Rental Assistance.	N/A	N/A	N/A	N/A
Income of tenants who receive Rental Assistance.	N/A	N/A	N/A	N/A
Number of tenants who are rent overburdened.	N/A	74,377	N/A	74,377***
Number of households not displaced by loss of rental assistance (number of renewals).	38,489	43,300	42,330	39,454
Percent of tenants not displaced by loss of rental assistance.	100%	100%	100%	100%
Number of tenants living in affordable, decent, safe, and sanitary housing.	429,288**	435,246**	433,246**	461,509**

*For purposes of clarification, the wording of this indicator has been changed from "Number of units funded" to "Number of units selected for funding." The new wording does not create a new indicator, but merely clarifies it. Numbers from previous years are correct according to the new wording.

** Estimated, actual data not available.

***These data are from the FY 2002 Fair Housing Occupancy Survey, which is done in January. Therefore the data are from January 2002 and is the same as was used last year. If possible, it will be replaced with new data, when the January 2003 report is run.

****Under the FLH program, the number of units funded also reflects those units needing FY 2002 funds to cover construction cost overruns via subsequent loans.

2002 Data: The number of new units built and the number of units rehabilitated were derived from Multi-Family Housing staff's internal records, which are not audited but are considered reliable for management purposes. The data on rental assistance was obtained from the 205 Obligations Report, which is subject to audit by OIG. System development needed to provide data for those indicators showing "Not Yet Available" was completed during FY 2001, with full implementation of the new version of the Multi-Family Information System (MFIS) completed in November 2002. Data for these indicators will be available for use as FY 2003 performance indicators.

Analysis of Results: Most targets were met or exceeded. In the program by program breakdown, the 538 program missed the target by only 53 units out of 2,800 (2 percent). It is significant that this is a NOFA driven program that used all of its available funds. The number of units is only an approximation of the units that might come in under a NOFA. The section 515 rehabilitation target was missed by only 12 units out of 5500 (0.2 percent).). The number of 514/516 units for rehabilitation was under target by 136 (11.3 percent). Although, we missed the target for the rehabilitation number, it is an estimate, and all requests for rehabilitation received were funded. The number of 514/516 units for new construction missed the target by 194 or 19 percent. The estimated number of units is an approximation of the units that will be submitted under the NOFA. As all funds for the program were obligated, the lower number of units funded is a reflection of the higher per unit cost of the projects. The higher costs can be attributed to larger than anticipated increases in building components, higher land costs, and decreased participation from other sources. The number of households not displaced by loss of Rental Assistance (RA), i.e., the number of renewals, was slightly below target because the number of actual renewals was less than projected. Projections made prior to the fiscal year are estimates and are dependent upon inflation and rates of usage of RA by project owners. Additionally a small amount of remaining FY 2001 RA funds was used to pre-fund FY 2002 RA needs at FY 2001 year end. It is important to note that no tenants were displaced by loss of rental assistance and that 100 percent of FY 2002 expiring RA units were renewed. The RA not needed for renewals was used for additional RA units in existing and new MFH projects.

Description of Actions and Schedules: Target performance will be established for the various tenant income indicators with available data from the new update of MFIS, which was fully implemented in November 2002. Other available MFIS data will be examined for possible inclusion as FY 2003 performance indicators. Funding for both the section 515 RRH program and the 514/516 FLH programs are flexible funding streams whose use can be changed from new construction to rehabilitation or vice versa. Additionally, the section 515 program uses allocated funds for preservation purposes. As such, making estimates of the number of new units constructed, rehabilitated or preserved is necessarily a flexible estimate. The cost of a unit funded varies significantly between new construction, rehabilitation and preservation. In addition to tracking performance by the number of units funded, it will be necessary to include the percentage of funds obligated under each of the program. A successful year under the programs should reflect funding approximately the number of units shown as a goal, but more importantly, all funds appropriated fully utilized. Similarly under the section 521 RA program, program success will be measured both in approximating the goal of units funded, but also fully utilizing all program appropriations.

Current Fiscal Year Performance: Some indicators will be rewritten for FY 2003 to better reflect program performances. In review, certain indicators were determined to be not measurable, while other, readily measurable performance indicators were available. RHS will monitor performance progress quarterly and take necessary and appropriate actions in the event performance is less than expected.

Program Evaluations: N/A

Objective 2.2: Improve the quality of life in rural America by providing essential community facilities.

Key Performance Goal and Indicators	FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 TARGET	FY 2002 ACTUAL
Provide new or improved essential community facilities				
Number of rural residents with improved standards of living through new or improved essential community facilities (in millions).	8.1	12	13	10
Number of jobs created or retained.	4,493	5,814	7,200	4,473
Community Health				
Number of new or improved health care facilities.	116	156	180	139
Number of new or improved elder care facilities	32	47	50	37
Number of beds available at new or improved elder care facilities.	2,558	935	4,000	NA
Emergency Services				
Number of new or improved fire and rescue facilities.	104	161	170	155
Number of new or improved fire and rescue vehicles.	128	212	200	252
Education and Child Care				
Number of new or improved child care centers.	55	63	50	54
Number of children served by new or improved child care centers.	4,049	2,167	3,500	NA
Number of new or improved schools.	44	67	70	70

2002 Data: Community Facility Program data were derived from the Community Facility staff's internal tracking system in unison with the Guaranteed Loan System (GLS). The RHS field staff inputs the data into GLS. It does not contain edits for all reported data elements; it is not audited, and reports from it are not used by the auditors. Data from the Rural Community Facilities Tracking System (RCFTS) was moved into GLS through a data conversion process in August 2002. Although the agency considers this soft data, it is used in managing the program and is considered reliable for the purposes for which it is used. The data are final.

Analysis of Results: Target performance assumed full usage of the program funds, which did not occur. As a result, the targets were generally not achieved and the goal was not met. CF direct loans and CF grants were fully obligated, however, only 54 percent of guaranteed loan funds were utilized. We are providing training and tools for field staff members to market CF guaranteed loans at the local level. States are actively conducting outreach meetings with local lenders to promote the program.

The performance indicators for the Community Facilities programs are difficult to predict because the outcomes depend on the mix of projects funded. Program funds have been used for more than 75 different purposes, including child care centers, assisted living facilities, hospitals, health clinics, fire stations, libraries, telecommunications, school facilities, community buildings. The mix of projects funded depends on community needs across the country and the timing of loan and grant applications. The FY 2002 variance of actual performance compared with the targets reflects the unpredictability of the project mix and is no cause for alarm. A review of the previous two fiscal years activity shows that these indicators do not move in unison with the program levels.

In FY 2002, CF invested approximately \$573 million to help rural communities develop 1,311 essential community facilities for public use. Through leveraging with both public and private partners, program funds were stretched to address the needs of more rural communities. Community health care services, fire, rescue and public safety, and community support services continue to be a high priority for funding in addressing the needs of rural communities.

In FY 2002, program emphasis was placed on promoting rural education. As a result, 91 projects were funded for schools and libraries amounting to almost \$42 million from combined CF programs. This included funding for libraries, schools for people with mental or physical disabilities, dormitories, school maintenance and equipment service centers, and all-purpose college campus buildings.

Program resources in FY 2002 continued to invest heavily in rural health care facilities as \$179 million in combined program resources was used to fund 139 new or improved health facilities, from which seniors and residents in medically under-served areas greatly benefited. Projects funded include nursing homes, boarding homes for elderly with ambulatory care, assisted living facilities, and adult day care centers. Program emphasis will continue to serve the ever-increasing rural elderly population.

Description of Actions and Schedules: RHS will continue efforts to increase utilization of Community Facility Guaranteed Loan Program funds through extensive outreach to lenders. Outreach efforts made in FY 2001 and 2002 are starting to produce results. Outreach efforts have continued through meetings with local lenders, training States on conducting outreach meetings, and providing States with CDs on the outreach efforts at the training meeting.

Current Fiscal Year Performance: RHS will monitor performance periodically, and take any corrective action needed. CF has examined and re-evaluated their performance indicators and will be combining some indicators and eliminating others in order to better reflect program performance.

Program Evaluations: None performed.

Objective 2.3: Maximize the leveraging of loan funds to increase the number of rural residents assisted by Rural Development programs.

Key Performance Goal and Indicators	FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 TARGET	FY 2002 ACTUAL
Maximize the leveraging of loan funds to increase the number of rural residents assisted by Rural Development programs.				
Number of borrowers assisted through leveraging (Direct 502).	6,448*	7,753	10,000	4,916
Number of Guaranteed lenders participating in low-income housing finance.	2,400	2,400	2,400	2,400
Number of Rural Home Loan Partnerships.	177	239	180	NA
Number of CF funding partnerships.	866	452	1,400	NA
Number of CF borrowers assisted through leveraging.	492	414	790	NA

* A new automated leveraged loan report was developed in FY 2001, so that information could be accessed directly from the data-warehouse. Using this new system, we find that previous years totals were over-reported. In addition, there was confusion as to what qualifies as leveraging. The number for FY 2000 should be 5,069.

2002 Data: The actual performance data for the Direct Section 502 program comes from the Single Family Housing staff's internal tracking system, which is not an audited system. Data on the Guaranteed Section 502 comes from a FOCUS ad hoc report. The number of Rural Home Loan Partnerships is not available at this time. It comes in as reports from each state, and not all states have reported to date. Community Facilities data are unavailable for determining leveraging as a result of conversion of data from the Rural Community Facilities Tracking System (RCFTS) to the Guaranteed Loan System (GLS). The data are final.

Analysis of Results: Community Facilities is unable to report figures on leveraging because the reporting system does not have access to the data elements needed to summarize leveraging. Targets for leveraging were increased

based on increased funding without considering that funding from other sources is diminished when a natural disaster occurs or an area is economically distressed. In the SFH 502 program, a more accurate reporting system for leveraged loans has lowered the anticipated figure for FY 2002 as well as the figures for prior years (see footnote above). In addition, the target of 10,000 leveraged loans for FY 2002, was overly optimistic, given previous performance.

Description of Actions and Schedules: The number of Rural Home Loan Partnerships has been based on data maintained in the State Offices because there has been no reliable method of tracking this on an automated basis. In order to fix this, the Single Family Housing Division has implemented a system of collecting identifying numbers for these partners in order to more accurately track the active partnerships. This is a change to be implemented during FY 2003.

Current Fiscal Year Performance: We are reviewing these performance indicators for inclusion in the FY 2003 Performance Plan. We will be monitoring the results of our efforts to better capture these data and evaluate the future inclusion of these elements in future reports.

Program Evaluations: None conducted during FY 2002.

Objective 2.4: Manage the loan portfolio in a manner that is efficient and effective.

Key Performance Goal and Indicators	FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 TARGET	FY 2002 ACTUAL
Provide effective supervision to minimize delinquencies and future loss.				
First-year delinquency rate (SFH Direct).	3.2%	3.2%	3.8%	2.7%
Number of RRH projects with accounts more than 180 days past due.	153*	146	130	145

* Includes 18 properties in inventory.

2002 Data: Data were derived from Rural Development Finance Office loan servicing reports, which are reliable and used by OIG in their audits of the mission area. The SFH first-year delinquency rate, as of September 30, 2000, was obtained from a FOCUS ad hoc report. The data are final.

Analysis of Results: The target was exceeded for the first-year delinquency rate for Single Family Housing Direct loans. The performance goal was not met for RRH. The dollar amount of delinquency over 180 days past due decreased from FY 2001 by \$1,842,000 (12 percent), however, the number of delinquent projects was 145, down slightly from the FY 2001 actual, but missing the 2002 target by 15 units (10 percent). This reflects delinquent accounts that previously would have been written off. These accounts are now being pursued for collection through initiatives provided by the Debt Collection Improvement Act of 1996, and therefore are still counted as delinquent. (Note: Rural Development's FY 2000 and FY 2001 Performance Plan erroneously stated the performance indicator for RRH as less than 180 days past due, rather than more than 180 days past due.)

Description of Actions and Schedules: No special corrective action is necessary.

Current Fiscal Year Performance: All current performance indicators for this goal will continue for FY 2003. RHS will continue to monitor performance progress at least quarterly and take necessary and appropriate actions in the event performance is less than expected.

Program Evaluations: None conducted in FY 2002.

Goal 3: Modern Affordable Utilities. Rural Development will improve the quality of life of rural residents by promoting and providing access to capital and credit for the development and delivery of modern affordable utility services.

MAJOR PROGRAM FUNDING: Rural Utilities Service	FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 PROJECTED	FY 2002 ACTUAL
Water and Environmental Programs	\$1.337b	\$1.410b	\$1.540b	\$2.1b
Telecommunications Programs	\$670m	\$669m	\$669m	\$669m
Broadband Loans	N/A	\$100m	\$80m	\$80m
Distance Learning and Telemedicine Programs	\$25m	\$26.8m	\$328m	\$42m
Electric Programs	\$2.117b	\$2.616b	\$4.071b	\$4.074b

* Amount of funding on which the targets were established. May not include all supplementals or recissions that occurred during the fiscal year.

Objective 3.1: Provide financing for modern, affordable, water and waste disposal services in rural communities.

Key Performance Goal and indicators	FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 TARGET	FY 2002 ACTUAL
Provide rural residents with modern, affordable water and waste services.				
Loans to develop or expand rural water systems to provide quality drinking water in compliance with the Safe Drinking Water Act.	590	613	600	775
Loans to develop or expand rural waste disposal systems to provide quality waste disposal service in compliance with State and Federal environmental standards.	325	309	300	415
Total jobs generated as a result of facilities constructed with W&W funds.	39,771	40,600	40,150	63,838

2002 Data: These data are considered final and are considered reliable. Data on the number of loans for water systems and for waste disposal systems are obtained from the Program Loan Accounting System (PLAS). Data on jobs generated, however, also requires data from the Rural Community Facilities Tracking System (RCFTS).

Analysis of Results: The goal was exceeded.

Current Fiscal Year Performance: Performance for FY 2003 is expected to be sufficient to meet targets.

Program Evaluations: None.

Objective 3.2: Provide financing for modern, affordable telecommunications, including Broadband and Distance Learning/Telemedicine services, in rural communities.

Key Performance Goal and Indicators	FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 TARGET	FY 2002 ACTUAL
Provide modern, affordable telecommunications services to rural communities.				
Number of new subscribers receiving service. *	154,899	188,908	180,000	85,003
Jobs generated as a result of facilities constructed with Telecommunication funds.	15,410	15,387	16,000	15,387
Number of subscribers with improved service.	275,196	315,308	670,000	330,074
Number of new subscribers receiving service. **	N/A	78,524	106,500	148,459

* Refers to Telecommunications subscribers.

** Refers to Broadband subscribers.

2002 Data: Data related to the number of new residents and businesses receiving service comes from project files on the loan applications received. While these data do not come from an automated system, it is centrally maintained and is considered reliable by management. The jobs generated data are determined using a methodology devised by the Economic Research Service. The basic formula is 23 jobs per \$1 million of funds invested.

Analysis of Results: The targets for the number of subscribers receiving new and improved service were not met. The targets were derived using past year's experience and by developing a per subscriber relationship to the amount of loan funds available in the target year. While the actual amount of funds loaned in FY 2002 was the anticipated amount used in developing the target, average amount of investment per subscriber increased substantially. This is a probable result of increased investment in system upgrades, replacements and improvements versus actual loan funds for new subscribers. Since the calculation is based on the average for the previous year, a variance from year to year can be expected. The number of jobs created target was just slightly lower than the target. It is anticipated that future targets will be met.

Description of Actions and Schedules: RUS is taking actions, including outreach, to ensure that the funds available for FY 2003 will be used and the targets will be met.

Current Fiscal Year Performance: Performance for FY 2003 is expected to be sufficient to meet targets.

Program Evaluations: None.

Key Performance Goal and Indicators	FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 TARGET	FY 2002 ACTUAL
Provide distance learning and telemedicine services, utilizing modern telecommunications technologies, to rural communities.				
Number of schools receiving distance learning facilities.	277	590	840	794
Number of health care providers receiving telemedicine facilities.	138	236	570	422

2002 Data: These data are obtained from RUS program records of projects funded, applications received, and although not part of an automated system, are considered reliable for management purposes. The data are final.

Analysis of Results: The variance from the target in the number of schools and health care providers is relatively small and the target was essentially met. The target for these indicators was based on historical information obtained from previous years applications; a per dollar relationship is then derived to set the target for the coming year. Since the calculation is based on the average for the previous year, a variance from year to year can be expected.

Description of Actions and Schedules: Outreach activities by the national office and rural development state offices will be increased.

Current Fiscal Year Performance: RUS targets are based on full utilization of funds and are expected to be met.

Program Evaluations: None.

Objective 3.3: Provide financing for modern, affordable electric service to rural communities.

Key Performance Goal and Indicators	FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 TARGET	FY 2002 ACTUAL
Provide modern, affordable electric service to rural residents and communities.				
Number of rural electric systems upgraded.	137	220	187	176
Number of consumers benefiting from system improvements (millions).	2.3	3.5	2.8	2.9
Jobs created as a result of facilities constructed with Electric funds.	48,700	45,000	57,700	54,350

2002 Data: The data are obtained from RUS program records of projects funded and applications received and are considered reliable for management purposes. The data are final.

Analysis of Results: The number of rural electric systems upgraded is less than the projected target because the average size of the loans and loan guarantees made was larger than projected. With the advent of three and four year construction work plans, borrowers loans are covering longer periods of time and, as a result, are for increased loan and guarantee amounts. Also, the loan activity for the generation and transmission (G&T) borrower community has increased as capital is provided for much needed generation and transmission projects to serve rural America. An increase in the number and size of G&T loan guarantees reduces the availability of loan guarantees for distribution borrowers. All loan funds for the electric program were expended.

The number of residential consumers benefiting from system improvements is less than projected. The increase in the dollar amount of the loans and loan guarantees results in a smaller number of rural utility systems receiving loans, thus a smaller amount of residential consumers will benefit. Again as stated above, it must be noted that all loan funds for the electric program were expended.

The number of jobs created as a result of facilities constructed with Electric funds was only slightly less than projected, less than 6%. This slight reduction can be attributed to the reduction in the number of loans because of their size as stated above.

Current Fiscal Year Performance: Performance for FY 2003 is expected to be sufficient to meet targets.

Program Evaluations: PART Assessment by OMB.

Objective 3.4: Direct Rural Development resources to those rural communities and customers with the greatest need.

Key Performance Goals and Indicators	FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 TARGET	FY 2002 ACTUAL
Direct program resources to those rural communities with the greatest need.				
Number of water and waste assistance projects in the identified persistent poverty counties	219	236	230	255
Total W&W project cost	\$341m	\$308m	\$305m	\$413m
RUS amount	\$249m	\$240m	\$236m	\$336m
<i>Special initiative – number of projects and amount of W&W funding (in millions)</i>				
EZ/EC	33 (\$46)	59(\$49)	49(\$43)	34(\$32)
Colonias	36 (\$19)	32 (\$20)	33(\$20)	34(\$20)
Pacific Northwest	0	0	0	
Alaskan Villages	24\$20	18\$20)	28(24)	23(\$24)
Guaranteed Loans	9(\$11)	6(\$5)	6(5)	6(\$2)
Electric loans (number and amount) to clients serving persistent poverty counties (dollars in millions).	72 \$615	98 \$829	89 \$760	69 \$893
Electric loans (number and amount) to clients serving persistent out-migration counties (dollars in millions)	73 \$321	97 \$530	90 \$390	70 \$560

2002 Data: The data for RUS assistance provided in persistent poverty counties are considered final and are considered reliable. Data on numbers and amounts of RUS loans and grants are obtained from the Program Loan Accounting System (PLAS); data on total project costs are obtained from the Rural Community Facilities Tracking System (RCFTS). Data on special initiatives are from PLAS. Data are final.

Analysis of Results: The actual number of electric loans to clients serving persistent poverty counties is less than the projected amount. The lower number of total loans approved in FY 2002 lead to a lower than projected number of loans to utilities providing service to persistent poverty counties. This lower number of loans resulted in a lower dollar amount for clients serving persistent poverty counties.

The actual number of electric loans to clients serving out-migration counties is less than the projected amount. The lower number of total loans approved in FY 2002 lead to a lower than projected number of loans to utilities providing service to out-migration counties. This lower number of loans resulted in a lower dollar amount for clients serving out-migration counties.

Description of Actions and Schedules: No specific additional actions are necessary to meet the FY 2003 targets.

Current Fiscal Year Performance: Performance for FY 2003 is expected to be sufficient to meet targets.

Program Evaluations: None.

Objective 3.5: Maximize the leveraging of loan funds to increase the number of rural residents assisted by Rural Development programs.

Key Performance Goal and Indicators	FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 TARGET	FY 2002 ACTUAL
Maximize the leveraging of loan funds to increase the number of rural residents assisted.				
Leveraging of telecommunications financial assistance (private investment to RUS and RTB funding).	\$6.51:1	\$5.7:1	\$5:1	\$4.6:1
Leveraging of telemedicine and distance learning financial assistance (private investment to RUS funding).	\$1.21:1	\$.94:1	\$2:1	\$.78:1
Leveraging of rural electric financial assistance (private investment to RUS funding).	\$2.88:1	\$.70:1 *	\$1:1	\$.97:1

2002 Data: These data are derived from RUS records, is verifiable, and is final. The telecommunications leverage ratio is available from RUS Form 479, Part F. This information is provided by RUS and is considered reliable.

Analysis of Results: The Electric Program target goal of \$1 of private investment for every \$1 of federal government funds advanced was reached as was the telecommunications target. The leveraging target for the Distance Learning and Telemedicine program was not met. For FY 2002, the percent of required matching funds from an applicant was lowered from 30% of the total project amount to 15% of the total eligible application amount. This resulted in the reduction of leveraged funds per dollar of grant funds. In the Telecommunications program, the target was essentially met. The variance in this leveraging value is extremely small. The ratio of \$4.6:1 is within the historical average of \$5:1.

Description of Actions and Schedules: No specific actions are necessary to meet the FY 2003 targets.

Current Fiscal Year Performance: RUS expects to fully utilize the total funds available for FY 2003 and expects to meet the leveraging targets.

Program Evaluations: None

Goal 4: Community Capacity Building: Rural Development will provide information, technical assistance, and, when appropriate, leadership to rural areas, rural communities and cooperatives to give their leaders the capacity to design and carry out their own rural development initiatives.

MAJOR PROGRAM FUNDING: Community Development	FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 PROJECTED	FY 2002 ACTUAL
Rural Empowerment Zone and Enterprise Community	\$15m	\$14.967m	\$14.967	\$14.967m

Key Performance Goals and Indicators	FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 TARGET	FY 2002 ACTUAL
Jobs created or saved in EZ/EC and REAP communities.	3,354	11,997	1,000	7,093
Maximize Resources Available in EZ/EC's.				
Ratio of non-EZ/EC grants to EZ/EC grants	10.7:1	17.77:1	7:1 or greater	16.65:1

2002 Data: Information regarding job creations and the success of EZ/EC communities in obtaining funding from non-EZ/EC sources is derived from OCD's benchmark management system. The EZ/EC program requires that a set of performance benchmarks be established and maintained for each EZ/EC community. Each community reports on their progress in meeting the benchmarks through the web-based benchmark system. While the system is dependent upon the data input by the recipients of the assistance, the data in the system is considered sufficient for management decisions. All information is final.

Analysis of Results: The targets were greatly exceeded for FY 2002.

Current Fiscal Year Performance: Targets are expected to be met for FY 2003.

Program Evaluations: None.

Goal 5: Effective, Efficient Service to the Public "Rural Development will develop the staff, systems, and infrastructure needed to ensure high quality delivery of its programs to all rural residents."

Objective 5.1: Create and sustain a work environment that develops and fosters partnerships, cooperation, full and open communications, teamwork, mutual respect, and maximum individual development.

Key Performance Goals and Indicators	FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 TARGET	FY 2002 ACTUAL
Developed policies and practices which are employee and family friendly.				
Develop common Policies with FSA and NRCS in support of the Service Center Initiative.	Partnership Council approval obtained regarding common policies on hours of duty, telecommuting and leave. Common regulation on hours of duties published. Training conducted via teleconference.	Telecommuting policy document is in the clearance process. Leave and other common policies are on hold pending NFAC decision and guidance on future direction.	Publish common policies regarding leave, telecommuting and grievances.	Common policies remain on hold pending NFAC guidance on future direction. All three policies had to be rewritten in RD format. All three are now in the clearance process: telecommuting in USEC office, leave and grievance in HR.
Provide fair and equitable treatment to all customers				
Provide civil rights training to employees	68% of employees trained.	93% of employees not trained in FY2000 received training.	Train 100% of new employees.	100%
Reduce backlog of complaints	Reductions in complaints of 38% Program and 34% EEO.	36% of complaints filed were closed.	40% of complaints filed will be closed.	45%
Provide efficient, timely personnel support.				
Implement CAMS.	Basic modules implemented in 37 States.	Basic modules implemented nationwide.	Move from client-server to web-based architecture.	Completed (Jul-Aug '02)
Implement an automated staffing system.	Research performed.	Participate in USDA evaluation team to assess alternate systems.	Complete evaluation (with USDA). Help draft	Completed (Apr-Aug '02)

		Participation on-going.	USDA-wide guidance.	
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2002 Data: Information regarding the development of personnel regulations came from the files of the Human Resources staff. The information related to civil rights training and EEO complaints is provided by the Civil Rights staff. Information on program complaints is provided by the State Civil Rights Managers. All information is final.

Analysis of Results: The joint development of common HR policies with FSA and NRCS remain on hold pending NFAC guidance on future direction. As a result, in order to provide needed guidance to RD managers and employees, all three policies (telecommuting, leave, and grievance) had to be rewritten in RD Instruction format. All new employees are fully trained each year. All new employees were trained during this fiscal year. Civil Rights backlog was reduced by more than 40%.

Description of Actions and Schedules: Telecommuting policy is in the clearance process (USEC office). Leave and grievance policies are also in clearance (HR). It is anticipated that all three will be published no later than the 2nd quarter of FY 2003.

Current Fiscal Year Performance: All targets are expected to be met.

Program Evaluations: None.

Objective 5.2: Develop information systems which support cost-effective delivery of programs and maximize the availability of information to all employees.

Key Performance Goal and Indicators	FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 TARGET	FY 2002 ACTUAL
Enhance and build information systems which support the mission area's programs.				
Implement the Rural Utilities Loan Servicing System (RULSS).	45% of requirements operational.	N/A	100% of requirements operational.	The proof of concept and the business data management requirements were completed.
Implement the new Guaranteed Loan System (GLS).	Phases II, III and IV completed. Phase V, Funds Reservation System, completed.	GLAS System retired. Electronic Data Interchange implemented.	93% of GLS web processes operational, the remainder to be completed in 2003.	93% of GLS web processes are now operational.
Develop Program Funding Control System (PFCS)	Evaluation of commercial Off-the-shelf systems completed.	Deferred FY 2001 targets to FY 2002.	Select and install commercial software and	The commercial software has been purchased. The integration

	Request for proposal completed.		begin developing unique capabilities.	and enhancements will begin in FY 2003.
Implement the provisions of the E-File legislation.	Completed required GPEA and freedom to E-File plans to achieve compliance.	Implemented web farm. Converted existing forms to web enabled format.	Complete automation support activities for GPEA and freedom to E-File requirements.	All legislative mandated dates were met during FY 2002 on schedule.

2002 Data: Actual performance is based on measurable project accomplishments as established and monitored by the Information Technology staff. There is no variance to consider and the assessment of results is accurate. The assessment of results, although not audited, is considered by management to be reliable. Information is final.

Analysis of Results: The original RULSS FT 2002 target was established prior to the termination of support contract under the predecessor CUBS initiative. The scope of the RULSS effort was redefined; with this redefinition of scope, twenty-three milestones have been defined and 8 have been fully completed to date. Although this results in a lower percentage of completion than that originally targeted under the CUBS project the new RULSS project is considered to be on schedule and within budget.

Current Fiscal Year Performance: Targets for FY 2003 are expected to be met.

Program Evaluations: None.

Objective 5.3: Improve financial management to ensure fiscal accountability.

Key Performance Goals and Indicators	FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 TARGET	FY 2002 ACTUAL
Manage the Mission Area's Financial Resources Efficiently and Effectively				
Percent of disbursements made electronically.	53%	58%	75%	58%
Credit Reform - % of programs with clean opinion from OIG	16%	Subject to OIG approval.	100%	Subject to OIG audit.
Reach management decision on OIG financial management audit recommendations within 6 months of audit report issuance	90%	77%	90%	87%
Percent of material FMFIA deficiencies corrected timely	75%	50%	50%	63%
Receive an unqualified opinion on RD's financial statement.	Qualified opinion rec.	Unqualified opinion received	Clean opinion received.	Unqualified opinion received

2002 Data: The data comes from the systems and files of the Chief Financial Officer and is final. The percentage of EFT disbursements is based on the percentage of the number of EFT disbursement to the total number of all disbursements made during FY 2002. Data for management decisions on audit recommendations comes from the Audit Report Tracking System. FMFIA material deficiency data come from the annual FMFIA report. Audited financial statements provide data for credit reform and unqualified opinion goals.

Analysis of Results: Software has been implemented to disburse all loan and grant funds electronically (EFT). Treasury's EFT disbursement target for agencies to attain is 75 percent. Accordingly, for FY 2002, Rural Development established a 75 percent EFT disbursement target. Rural Development did not meet the 75 percent target; disbursing only 58 percent of total disbursements via EFT. This is predominately due to the Single Family Housing (SFH) program staff's policy of issuing hard copy checks for subsequent advances on direct SFH loans. The established target date for obtaining a management decision with 6 months on 86 percent of the audits was not met. This was due to some recommendations requiring further analysis/clarification by OIG or Rural Development in order to reach management decisions.

Rural Development succeeded in exceeding the 50 percent target for the performance indicator "percent of material FMFIA deficiencies corrected timely". For FY 2002 Rural Development also anticipates meeting the indicators related to Credit Reform and receiving an unqualified opinion on the audited financial statements.

Description of Actions and Schedules: It is anticipated the percent of EFT disbursements will increase as programs continue to expand the practice of using EFT. Rural Development will review specific loan and grant program disbursement policies and determine appropriate supplemental EFT disbursement guidance to be issued to Rural Development servicing offices.

Rural Development will continue to coordinate with applicable audit agencies to reach management decisions on audit recommendations within six months.

Current Fiscal Year Performance: All indicators will be included in the FY 2003 Annual Performance Plan.

Programs Evaluation: OIG Audit 85401-6-Ch, Rural Development's Consolidated Comparative Financial Statements for Fiscal Years 2001 and 2000, dated February 2002. During FY 2002, Rural Development completed a Federal Managers' Financial Integrity Act (FMFIA) compliance review of the Program Loan Accounting System (PLAS) financial system.

Objective 5.4: Improve procurement process and effectiveness.

Key Performance Goals and Indicators	FY 2000 ACTUAL	FY 2001 ACTUAL	FY 2002 TARGET	FY2002 ACTUAL
Improve procurement process and effectiveness.				
Increase use of performance based contracts.	N/A	14% of new contracts were performance based.	12% of contract dollars awarded on basis of performance standards.	The FY 2002 target was exceeded.
Expand on-line procurement.	N/A	78% were posted to FedBizOpps	All full and open competition solicitations available on the	The FY 2002 target was exceeded.

			internet.	
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2002 Data: Data for the Procurement Based Service Contract (PBSC) indicator are reviewed from procurement actions in the reporting systems for Rural Development field offices and contractual reports of Procurement Management Division (PMD procurement system for new contract actions valued at \$100,000 or more). Data for the FedBizOpps indicator is from reporting requirements of synopses in the Federal Business Opportunity (FedBizOpps) system and the Commerce Business Daily (CBDnet) system for the field offices and PMD. The Procurement Management Division deems the information reliable.

Analysis of Results: Targets were exceeded for FY 2002.

Current Fiscal Year Performance: All targets for FY 20033 are expected to be met.

Program Evaluations: None.