

March 1993

CROP INSURANCE PROGRAM

Nationwide Computer Acquisition Is Inappropriate at This Time



148795



Information Management and
Technology Division

B-252499

March 8, 1993

The Honorable Mike Espy
The Secretary of Agriculture

Dear Mr. Secretary:

This report presents the results of our review of the Federal Crop Insurance Corporation's (FCIC) planned office computer acquisition. FCIC plans to spend about \$62 million over an 11-year period to modernize its office automation environment. This includes about \$25 million to acquire computer equipment, software, and telecommunications. The remaining money will be used for other costs, such as software development and maintenance, site preparation, and salaries and benefits of FCIC staff who use the system. By replacing virtually all existing information technology in its headquarters and field offices, FCIC plans to standardize its current operating environment and establish a unified information processing architecture to facilitate data sharing throughout the Corporation.

In June 1992 the Senate Committee on Agriculture, Nutrition, and Forestry, noting that the Department of Agriculture (USDA) was studying options for restructuring its organization, raised questions about whether USDA's farm service agencies,¹ which include FCIC, should be making major information technology investments. In this regard, the Chairman and Ranking Minority Member urged USDA to postpone purchases of computer technology beyond what was necessary to maintain existing systems until the new structure of the Department was defined. In response, USDA agreed not to purchase any new computer technology beyond what was needed to meet immediate needs and created a consolidated program through which the farm service agencies could procure future computer systems. However, USDA allowed FCIC to continue its acquisition project on the basis that it was needed to ensure the continued delivery of crop insurance to farmers.

Our objectives for this review were to (1) identify the risks FCIC faces by proceeding with a nationwide computer acquisition project, (2) determine whether FCIC needs to proceed with the project to avoid disrupting the delivery of the crop insurance program, and (3) determine whether other options are available to meet FCIC's immediate computer equipment needs.

¹The farm service agencies referred to in this report include the Agricultural Stabilization and Conservation Service, Farmers Home Administration, Federal Crop Insurance Corporation, and Soil Conservation Service.

Additional information on our objectives, scope, and methodology is contained in appendix I.

Results in Brief

Uncertainties in FCIC's future, including the restructuring of USDA and reforms in the crop insurance program, create formidable risks for FCIC's planned acquisition—risks that render the acquisition inappropriate at this time. By modernizing its information technology during a time of such uncertainty, FCIC could be wasting millions of dollars on a project that will not meet its current or long-term needs.

Even with major uncertainties regarding its future, FCIC maintains that the project is needed to meet the immediate needs of its offices and ensure continued delivery of the crop insurance program. However, the Corporation has not analyzed its immediate needs nor determined which of its offices—if any—need additional equipment immediately to support the program.

Rather than proceeding with its nationwide acquisition project at this time, FCIC should identify and satisfy only its immediate technology needs until its future role and structure are clarified.

Background

FCIC is a wholly government-owned corporation whose mission is to improve the economic stability of agriculture through a system of federally supported crop insurance programs. This insurance offers participating farmers limited protection against unavoidable losses caused by risks such as drought, floods, insect infestation, and other natural disasters. Generally, all farmers are eligible to participate, provided an insurance program exists for their crops in their counties. In fiscal year 1991, FCIC provided about \$12.8 billion worth of crop insurance coverage for about 915,000 policyholders.

FCIC's various crop insurance programs are planned, developed, and monitored by its headquarters office in Washington, D.C., and its national operations office in Kansas City, Missouri. The program is administered in the field through 10 regional service offices, 4 direct processing centers, and 54 area claims offices.

FCIC uses computers and information systems to support critical program activities such as establishing insurance premium rates, updating production records, and processing claims for insurance payments. Most

of this data processing is performed using applications on mainframe computers at USDA's National Computer Center in Kansas City. In addition, FCIC has a variety of incompatible minicomputers, microcomputers, software, and communications in its offices to support office automation functions, such as word processing and electronic mail. FCIC also has some application systems on its office computers for such functions as estimating losses and processing claims.

FCIC intends to standardize the Corporation's office automation environment by acquiring computer hardware and software that is compatible across all its offices. FCIC expects that such an environment will benefit the Corporation by permitting data sharing across the agency, eliminating rekeying of data, providing for integrated software applications, and reducing equipment maintenance costs. While FCIC has not defined all the business needs for the new equipment, initially it will be used to support the office automation functions (e.g., word processing and electronic mail) and application systems that currently reside on its office computers. FCIC planning documents indicate that eventually some of the current mainframe applications may be transferred to the new equipment, and that additional software applications may be developed.

In September 1992 FCIC released a request for proposals (RFP) for a nationwide replacement project for minicomputers, microcomputers, related peripherals, software, and telecommunications in its offices. FCIC expects the life-cycle costs for this modernization to be about \$62 million over an 11-year period. FCIC officials said that about \$25 million will be used to replace outdated and undependable minicomputers and microcomputers, to provide computers for those offices that do not currently have any, and to buy related software and telecommunications. According to FCIC records, the remaining money will be used for other life-cycle costs, such as software development and maintenance, site preparation, and salaries and benefits of FCIC staff who use the system.

Initially the closing date for submission of proposals was January 22, 1993. However, the closing date was extended because the Department received about 800 written questions from contractors seeking clarification about FCIC's RFP. According to the USDA contracting officer, FCIC is preparing responses to the contractors' questions; as of February 24, no new closing date for proposals had been established.

FCIC's Uncertain Future Makes Nationwide Automation Project Inappropriate Now

FCIC is proceeding with its nationwide project to modernize its information technology. However, expected changes to USDA's organizational structure and the crop insurance program could significantly alter FCIC's information technology needs. As a result, FCIC is running a serious risk that the project may not support its current and long-term needs.

Currently, USDA, the Office of Management and Budget, and the Congress are considering ways to streamline the farm service agencies' field structure. One alternative being considered involves closing or consolidating offices. On January 19, 1993, then-Secretary of Agriculture Edward Madigan announced his recommendations for restructuring USDA at both the county level and at headquarters. These recommendations, subject to your review and approval, involve reducing the number of farm service agencies' county-based offices from 7,407 to 6,216. This includes reducing the number of FCIC area claims offices by about 37 percent, from 54 to 34. In this regard, while supportive of streamlining the field structure, you have stated that you would examine USDA's headquarters organizational structure before closing field offices. Another possibility being considered in the Congress involves establishing single service centers that will be responsible for all programs administered by the farm service agencies.

Any of these actions will affect FCIC's information technology needs. For example, consolidating the field offices will change their information technology requirements. On the other hand, moving to a single service center approach will alter the business processes and information flow within and among FCIC's field offices.

During 1993 Congress is also planning to explore ways to fundamentally restructure the existing federal crop insurance program to prevent continued financial losses, low participation rates, and other inefficiencies that have plagued the program. In developing the 1990 farm bill, Congress considered policy options to reform the crop insurance delivery system, but was unable to reach a consensus. One option Congress discussed at that point was eliminating the crop insurance program and replacing it with a permanent disaster assistance program. Other options involved various modifications to the current program. Additionally, conferees of the 1991 Agriculture Appropriations Act indicated that crop insurance sales and loss adjustments should be returned to the control of another USDA agency—the Agriculture Stabilization and Conservation Service.

In addition, on February 17, 1993, the Office of Management and Budget released Administration-proposed spending reductions in the USDA budget, including a proposal to change the crop insurance program to "area-yield" insurance. Under this proposal, premiums and indemnities would be based on an area's performance rather than that of an individual farmer. The Administration expects this change to result in reduced loss adjustment activities for the Corporation. This proposal, along with the other reforms to the crop insurance program being considered by the Congress, could significantly alter FCIC's mission, way of doing business, and information technology needs.

FCIC Has Not Demonstrated That Its Nationwide Project Is Required to Meet Immediate Needs

Even with major uncertainties regarding its future organization and mission, FCIC maintains that the project is needed to meet the immediate needs of its offices and ensure continued delivery of the crop insurance program. However, the Corporation has not analyzed its immediate needs nor determined which of its offices—if any—need additional equipment immediately to support the program.

USDA allowed FCIC to proceed with its project based on an exemption requested in a June 29, 1992, memorandum, which justified proceeding with the procurement based primarily on three factors: (1) lack of computer equipment in some offices or offices having outdated equipment; (2) insufficient capacity (memory, disk space, and speed) to meet processing needs; and (3) the need to avoid increasing FCIC's fiscal year budget request to compensate for the inability to use the \$17 million appropriated for this project for fiscal year 1993.

Regarding the first factor, FCIC received approval from USDA on July 28, 1992, to acquire new equipment through an Air Force contract available to USDA—including FCIC—for its offices with the most critical needs.² In August and September 1992 FCIC purchased 116 new, state-of-the-art microcomputers and other equipment through this contract. On February 3, 1993, FCIC reported to the Department that for the period May 20, 1992, through September 30, 1992, it spent about \$700,000 on computer hardware and software to provide emergency automation support where none previously existed, and that this provided a basic level of support for such applications as word processing and crop insurance program monitoring. According to FCIC records, as of February 1993, about

²Civilian agencies, such as USDA, can purchase multiuser small computer equipment, including peripherals, maintenance, and software, from this Air Force contract through October 31, 1996.

half of FCIC's computer equipment now consists of relatively new and state-of-the-art technology that has been acquired since 1990.

As for the second factor, FCIC claimed that FCIC's work load exceeded its current equipment's processing capability. FCIC's manager noted that existing equipment had insufficient capacity (memory, disk space, and speed) to meet processing requirements. However, at the completion of our review, FCIC had not provided us with documentation showing what its capacity problems were and whether these problems were hardware- or software-related.

Finally, as to the budget issue, the mere availability of funds for the current fiscal year is not an appropriate justification for spending such funds. Spending decisions should be driven by the needs of FCIC, when determined and documented, after its future has been clarified.

At the conclusion of our review, FCIC still had not determined and documented which of its offices, if any, had an immediate need to obtain or replace computer equipment to continue supporting the crop insurance program until its future is clarified. Until it does so, FCIC is not in a position to make informed decisions as to how to proceed.

For example, last month FCIC officials provided information about some problems with its computer equipment. These officials stated that computer equipment in headquarters had 4,200 instances of breakdowns in the last year. However, at that time, FCIC had not analyzed these breakdowns to determine specifically what changes would be needed to correct these problems or whether the problems have already been addressed through replacement of obsolete equipment. FCIC's records show that over 90 percent of the computer equipment in its headquarters office now consists of relatively new technology.

Other Options Exist for FCIC to Meet Its Needs

FCIC has not performed the analysis needed to justify a nationwide procurement at this time, nor has it determined its immediate information technology needs. Once it has done the latter, it can structure an approach for meeting its immediate needs. For example, if FCIC determines that its needs are limited to a few offices, it may be able to meet these needs by purchasing more microcomputers through the contract it recently used. On the other hand, if FCIC determines that its critical needs are more extensive than can be met through existing contracts, the Corporation may need to pursue a limited-scope acquisition project. Each of these options

would allow FCIC to continue to meet its mission in the short term while limiting its exposure to unnecessary risks.

An option for meeting FCIC's long-term computer equipment needs is USDA's consolidated procurement program established for the farm service agencies. In July 1992 Secretary Madigan announced that USDA was establishing this program to (1) reduce duplication and overlap among the farm service agencies working on separate procurement projects, and (2) obtain a unified computer system for which all components will be coordinated and through which compatibility and data sharing could be ensured. He stated that this consolidated procurement program was timely because it provided the flexibility needed to adapt future systems to changes in USDA's field structure.

Conclusions

Like all of the farm service agencies, FCIC faces many uncertainties in the next few years as USDA looks at new ways of doing business and meeting its mission. If restructuring or program changes occur as a result of this new focus, FCIC will need to evaluate how its technology needs have changed and then adjust its modernization plans accordingly.

Unlike the other farm agencies, however, FCIC is proceeding with its modernization plans before such critical decisions have been made. FCIC has not demonstrated that it is essential to move forward with its nationwide computer acquisition project at this time to avoid disrupting delivery of the crop insurance program. If FCIC demonstrates that it needs to acquire additional computer equipment, other options are available that may be more cost-effective.

Recommendations

To ensure that FCIC does not waste millions of dollars to acquire information technology that may not effectively meet its needs, we recommend that you direct the manager, FCIC, to

- cancel the nationwide computer acquisition project;
- determine and document FCIC's critical information technology needs to ensure continued delivery of the crop insurance program until FCIC's future is clarified;
- pursue options to address FCIC's immediate needs, such as using available contracts or awarding a limited-scope computer equipment and software contract; and

- reevaluate, after the operating structure of the Department is determined and changes to the federal crop insurance program are known, FCIC's plans for replacing its computer equipment and software nationwide and determine the most cost-effective technological approach to meeting nationwide needs, including the possibility of using USDA's consolidated farm service agency procurement program.

Agency Comments

We did not obtain written comments on a draft of this report. However, we discussed the report's contents with senior USDA and FCIC officials, including the director of USDA's Office of Information Resources Management and FCIC's acting deputy manager. We have incorporated their comments as appropriate. On March 4, 1993, the director of USDA's Office of Information Resources Management said that the Department and FCIC plan to implement our recommendations.

This report contains recommendations to you. As you know, the head of a federal agency is required by 31 U.S.C. 720 to submit a written statement on actions taken on our recommendations to the Senate Committee on Governmental Affairs and the House Committee on Government Operations not later than 60 days after the date of this letter, and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of this letter.

We are providing copies of this report to the Chairmen of the House Committee on Agriculture; Senate Committee on Agriculture, Nutrition, and Forestry; House and Senate Committees on Appropriations; Senate Committee on Governmental Affairs; House Committee on Government Operations; the manager of the Federal Crop Insurance Corporation; and to other interested parties. Copies will also be provided to others upon request.

We conducted our work between September 1992 and March 1993, in accordance with generally accepted government auditing standards. This report was prepared under the direction of JayEtta Z. Hecker, Director, Resources, Community, and Economic Development Information Systems, who can be reached at (202) 512-6416 if you or your staff have any questions. Other major contributors are listed in appendix II.

Sincerely yours,

A handwritten signature in black ink that reads "Ralph V. Carlone". The signature is written in a cursive, flowing style.

Ralph V. Carlone
Assistant Comptroller General

Objectives, Scope, and Methodology

Our objectives for this review were to (1) identify the risks FCIC faces by proceeding with a nationwide computer acquisition project at this time, (2) determine whether FCIC needs to proceed with the project to avoid disrupting the delivery of the crop insurance program, and (3) determine whether other options are available to meet FCIC's immediate computer equipment needs.

To identify the risks FCIC faces if it proceeds with its acquisition project we reviewed proposals by USDA and the Congress to restructure USDA and reform the crop insurance program to determine their potential impact on FCIC's planned nationwide acquisition.

To determine whether FCIC can demonstrate that it has a need to acquire computer equipment at this time, we interviewed FCIC's assistant manager for administration, acting director of the Information Resources Management Division, and other information resources management officials about their acquisition plans. We also interviewed USDA Office of Information Resources Management and Office of Operations officials responsible for overseeing FCIC's acquisition project. In addition, we reviewed FCIC planning and analysis documentation for the planned procurement.

To determine whether other options are available to meet FCIC's immediate needs, we interviewed USDA information resources management and contracting officials to identify existing contract vehicles and other options available to FCIC.

Major Contributors to This Report

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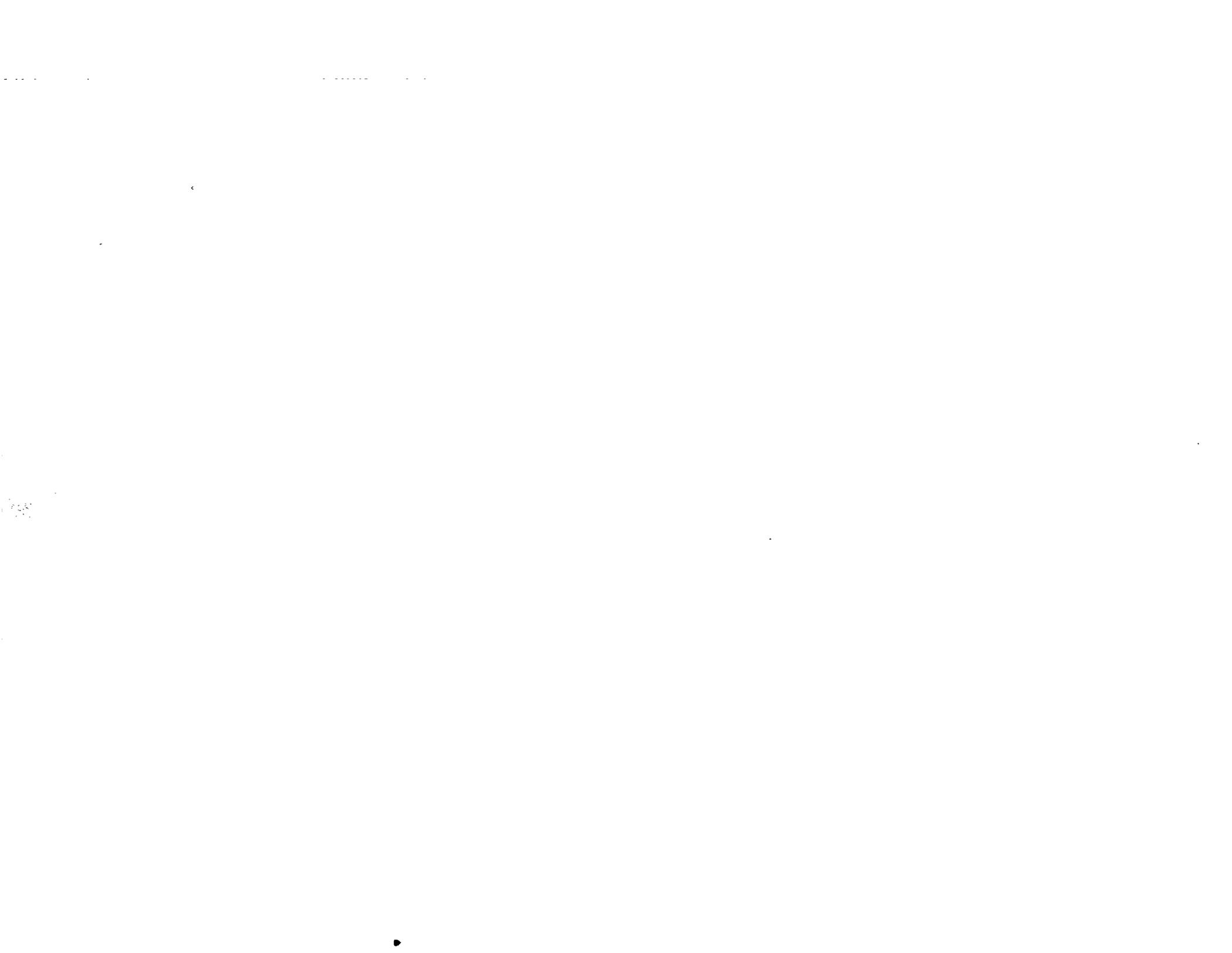
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