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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

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STATEMENT OF
HENRY ESCHWEGE, DIRECTOR
COMMUNITY AND ECONOMIC DEVELOPMENT DIVISION
BEFORE THE
SUBCOMMITTEE ON LEGISLATION AND NATIONAL SECURITY
OF THE
COMMITTEE ON GOVERNMENT OPERATIONS
HOUSE OF REPRESENTATIVES
ON
FARMERS HOME ADMINISTRATION'S COMPUTER-BASED
UNIFIED MANAGEMENT INFORMATION SYSTEM

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

WE ARE HERE AT YOUR REQUEST TO PROVIDE THE RESULTS OF OUR REVIEW OF THE FARMERS HOME ADMINISTRATION'S (FMHA'S) DEVELOPMENT OF A UNIFIED MANAGEMENT INFORMATION SYSTEM (UMIS). I WILL DISCUSS THE PROBLEMS WITH THE PRESENT COMPUTER-BASED INFORMATION SYSTEM AND THE PROBLEMS WHICH PLAGUED FARMERS HOME IN DEVELOPING A NEW SYSTEM (UMIS). IT IS ESSENTIAL THAT FARMERS HOME THOROUGHLY



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EVALUATE CAUSES UNDERLYING THESE PROBLEMS AND CHART A COURSE OF ACTION TO MEET ITS NEEDS. I WILL ALSO DISCUSS INITIATIVES UNDERTAKEN BY FARMERS HOME DURING AND SUBSEQUENT TO OUR REVIEW.

BACKGROUND

THE FARMERS HOME ADMINISTRATION HAS DRAMATICALLY EXPANDED FROM A SMALL CREDIT AGENCY FOR LOW INCOME FARMERS TO A MAJOR FEDERAL AGENCY PROVIDING FINANCIAL ASSISTANCE FOR AGRICULTURAL AND OTHER RURAL DEVELOPMENT. THE MOST DRAMATIC INCREASES HAVE OCCURRED IN THE PAST FEW YEARS. IN FISCAL YEAR 1979, FARMERS HOME SERVICED THE ACCOUNTS OF APPROXIMATELY 1.25 MILLION INDIVIDUAL AND ASSOCIATION BORROWERS WITH A PRINCIPAL INDEBTEDNESS OF \$36 BILLION. THIS REPRESENTS MORE THAN A \$13 BILLION INCREASE OVER THE PRIOR 2 YEARS. IN 1979, THE AGENCY MADE OVER 294,000 LOANS AND INVESTED NEARLY \$14.7 BILLION IN LOANS AND GRANTS IN ITS FOUR MAJOR PROGRAM AREAS: HOUSING, FARMS, BUSINESS AND INDUSTRY, AND COMMUNITY SERVICE. OVER HALF OF THE AGENCY'S BUDGET WAS SPENT THAT YEAR ON FARM PROGRAMS. NEARLY 30 PERCENT WAS SPENT FOR HOUSING LOANS AND GRANTS. THE REMAINDER, APPROXIMATELY 20 PERCENT, WAS SPENT ON COMMUNITY SERVICE AND BUSINESS AND INDUSTRIAL LOANS.

FARMERS HOME PROVIDES ITS SERVICES THROUGH APPROXIMATELY 2,000 COUNTY AND STATE OFFICES, DISPERSED NATIONWIDE, AND THROUGH ITS NATIONAL FINANCE OFFICE IN ST. LOUIS, MISSOURI. OF ITS APPROXIMATELY 11,030 EMPLOYEES, 10,455 ARE LOCATED IN FIELD OFFICES AND 575 ARE AT ITS WASHINGTON, D.C. HEADQUARTERS.

DEFICIENCIES IN THE PRESENT
COMPUTER-BASED INFORMATION SYSTEM

FARMERS HOME REQUIRES A RESPONSIVE COMPUTER-BASED ACCOUNTING AND INFORMATION SYSTEM TO EFFECTIVELY MEET ITS MISSION AND PROGRAM NEEDS. INFORMATION MUST BE ACCURATE, COMPLETE AND TIMELY IF IT IS TO BE USEFUL TO MANAGERS SERVICING RURAL AMERICANS IN NEED OF FINANCIAL ASSISTANCE. INFORMATION MUST ALSO BE AVAILABLE TO THE AGENCY'S TOP MANAGEMENT AND THE COMMITTEES OF THE CONGRESS SO THEY CAN EFFECTIVELY DISCHARGE THEIR RESPONSIBILITIES.

IN 1974, THE AGENCY REPORTED THAT THE DEFICIENCIES OF THE PRESENT SYSTEM WERE SERIOUS AND THAT THE SYSTEM'S ABILITY TO ADEQUATELY SUPPORT FARMERS HOME PROGRAMS WAS DOUBTFUL. FARMERS HOME DECIDED TO DEVELOP A NEW INFORMATION SYSTEM RATHER THAN MODIFY THE EXISTING SYSTEM. THE FOLLOWING SYSTEM DEFICIENCIES WERE IDENTIFIED:

- INFORMATION WAS NOT AVAILABLE OR EASILY ACCESSIBLE EVEN THOUGH DETAILED DATA ELEMENTS WERE COLLECTED BY THE SYSTEM.
- INFORMATION WAS NOT REPORTED ON A TIMELY BASIS AND WAS FREQUENTLY INACCURATE.
- INFORMATION WAS FRAGMENTED IN INDEPENDENTLY MAINTAINED COMPUTER FILES RESULTING IN CONFLICTING AND INCONSISTENT REPORTING.

THE MAJOR CAUSES FOR THESE DEFICIENCIES STEMMED FROM AN ANTIQUATED INFORMATION SYSTEM WITH LIMITED FLEXIBILITY AND CAPABILITY TO ACCOMMODATE NEW LOAN PROGRAMS AND CORRESPONDING WORKLOAD INCREASES.

THE LIMITATIONS OF THE PRESENT DESIGN PRECLUDE AUTOMATING MANY TASKS NOW PERFORMED BY OPERATING PERSONNEL. THE NECESSITY FOR CONSIDERABLE OPERATOR INTERVENTION CONTRIBUTES TO THE SYSTEM'S INEFFICIENCY.

OVER THE PAST 5 YEARS, WE HAVE ISSUED SEVERAL REPORTS TO THE CONGRESS IDENTIFYING PROGRAM PROBLEMS WHICH, IN PART, WERE CAUSED BY AN INADEQUATE COMPUTER BASED INFORMATION AND ACCOUNTING SYSTEM. A BRIEF SUMMARY OF THE TYPES OF PROBLEMS WE FOUND FOLLOWS.

- FARMERS HOME DOES NOT HAVE SUFFICIENT INFORMATION ON THE COST TO THE GOVERNMENT OF ITS VARIOUS LOAN MAKING AND SERVICING ACTIVITIES. FOR EXAMPLE, INFORMATION IS NEEDED ON LOAN DEFAULT RATES AND COSTS, AND LOAN ORIGINATION AND SERVICING COSTS.
- IN SOME OF FARMERS HOME LOAN PROGRAMS, MANAGERS LACK ADEQUATE INFORMATION TO PROPERLY AND EFFECTIVELY MANAGE THE PROGRAM. THE CURRENT SYSTEM WAS NOT ABLE TO PROVIDE ADEQUATE INFORMATION ON THE SUCCESS OF PROGRAMS IN MEETING THE PRIORITIES ESTABLISHED BY THE CONGRESS AND THE AGENCY. ALSO, THE LACK OF INFORMATION REDUCED THE AGENCY'S ABILITY TO MAKE TIMELY DECISIONS AND PROVIDE INFORMATION TO OTHERS.
- WE ALSO REPORTED THAT LOAN INFORMATION PROVIDED TO THE CONGRESS WAS INACCURATE. FARMERS HOME NEEDED TO IMPROVE ITS ABILITY TO ASSESS PROPOSED LOANS AND INCREASE ITS LOAN SERVICING AND MANAGEMENT ASSISTANCE TO BORROWERS.

--ESTIMATES OF FUTURE LOSSES ON LOANS WERE NOT ADEQUATELY SUPPORTED, AND THE ACCOUNTING SYSTEM DID NOT PROVIDE SUFFICIENT INFORMATION AS TO THE COLLECTABILITY OF OUTSTANDING LOANS. IN ADDITION, CASH AND PROPERTY ACCOUNTS WERE UNDERSTATED BECAUSE TRANSACTIONS WERE NOT APPROPRIATELY CLASSIFIED OR RECORDED PROMPTLY.

AS AN ENCLOSURE TO THIS STATEMENT IS A LIST OF THE VARIOUS REPORTS IN WHICH THE ABOVE PROBLEMS, CONCLUSIONS AND RECOMMENDATIONS ARE MORE FULLY DISCUSSED.

IN OUR CURRENT REVIEW WE NOTED THAT THE PRESENT INFORMATION SYSTEM REJECTED DATA WHICH RESULTED IN A BACKLOG OF APROXIMATELY 100,000 UNRECONCILED DISCREPANCIES. THE MAGNITUDE OF THESE DISCREPANCIES AND THE ADDITIONAL PROCESSING TIME REQUIRED TO RESOLVE AND PROCESS THEM RESULTED IN UNTIMELY AND INACCURATE INFORMATION. USING PERSONNEL FROM OTHER PROGRAMS, FARMERS HOME LAUNCHED A MAJOR EFFORT TO REDUCE THE BACKLOG; YET TODAY THERE STILL IS A BACKLOG OF 42,000 UNRESOLVED FINANCIAL DISCREPANCIES. FARMERS HOME BELIEVES THAT THE PRESENT CONDITION CANNOT BE ADEQUATELY IMPROVED WITHOUT A MAJOR REDESIGN OF THE CURRENT ACCOUNTING AND MANAGEMENT INFORMATION SYSTEMS.

IN HEARINGS LAST FALL BEFORE THE HOUSE AGRICULTURE SUBCOMMITTEE ON CONSERVATION AND CREDIT, WE TESTIFIED ON FARMERS HOME'S NATURAL DISASTER EMERGENCY LOAN PROGRAMS. THE SUBCOMMITTEE WAS PARTICULARLY CONCERNED ABOUT POSSIBLE ABUSES OF THESE LOAN PROGRAMS AND LARGE INCREASES IN LOAN VOLUME. QUESTIONS WERE RAISED

ABOUT THE APPROPRIATENESS OF THE CURRENT DISASTER LOAN PROGRAMS. THE HEARINGS WERE PRECIPITATED IN PART, BY THE TELEVISED "60 MINUTES" PROGRAM WHICH QUESTIONED THE NEED FOR WEALTHY FARMERS TO RECEIVE DISASTER LOANS FOR PRODUCTION LOSSES.

IT SEEMED TO US THAT THE INCREASING LOAN VOLUME AND THE HIGH LEVEL OF THE FEDERAL SUBSIDY SUGGESTED THE NEED FOR CLOSER MONITORING.

THE NEW INFORMATION SYSTEM TO BE DEVELOPED BY FARMERS HOME HAS AS ONE OF ITS OBJECTIVES THE ABILITY TO PROVIDE MORE COMPLETE AND TIMELY INFORMATION AND THUS TO HELP MONITOR PROGRAM EFFECTIVENESS AND IDENTIFY POSSIBLE ABUSES.

NEW INFORMATION SYSTEM - UMIS

IN 1974, FARMERS HOME DECIDED THAT SERIOUS DEFICIENCIES WITH ITS PRESENT COMPUTER-BASED INFORMATION SYSTEM WARRANTED ITS REPLACEMENT; DEVELOPMENT WORK WAS BEGUN IN 1975. OTHER REASONS FOR A NEW SYSTEM INCLUDE (1) THE NEED TO HANDLE INCREASES IN TRANSACTIONS RESULTING FROM NEWLY ENACTED LOAN PROGRAMS (2) DEMANDS FOR BETTER MANAGEMENT INFORMATION TO HELP DIRECT NEW AND EXISTING LOAN PROGRAMS AND (3) THE DESIRE TO INCREASE PRODUCTIVITY, PARTICULARLY WHEN THE WORKLOAD INCREASES WERE IMPOSED WITHOUT A CORRESPONDING INCREASE IN THE NUMBER OF EMPLOYEES AVAILABLE TO HANDLE THE ADDITIONAL VOLUME.

UMIS WAS INTENDED TO PROVIDE AGENCY MANAGERS AT EVERY LEVEL WITH TIMELY INFORMATION FOR USE IN MANAGING PROGRAMS AND MAKING DECISIONS. TO ACCOMPLISH THIS, UMIS WAS DESIGNED TO COLLECT MORE

INFORMATION AND TO MAKE INFORMATION MORE ACCESSIBLE AND USEABLE THROUGH A DATA BASE MANAGEMENT SYSTEM.

UMIS WAS TO REDUCE OFFICE WORKLOADS BY PROVIDING EASIER ENTRY OF INFORMATION INTO THE ADP SYSTEM AND TO AUTOMATE TASKS WHERE IT WOULD BE COST-EFFECTIVE. FARMERS HOME BELIEVED THAT SIGNIFICANT PERSONNEL SAVINGS COULD BE REALIZED BY FREEING STAFF TO SPEND MORE TIME WITH BORROWERS.

ANOTHER GOAL OF UMIS WAS TO PROVIDE A SYSTEM THAT WOULD MEET THE COMPTROLLER GENERAL'S ACCOUNTING PRINCIPLES AND STANDARDS. IN PREVIOUS REPORTS WE EXPRESSED SERIOUS RESERVATIONS ABOUT THE ADEQUACY OF INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS. ADEQUATE INTERNAL CONTROLS THROUGHOUT THE PROCESSING AND REPORTING CYCLE ARE REQUIRED TO ASSURE THAT INFORMATION IS PROPERLY PROCESSED AND DATA INTEGRITY IS MAINTAINED.

FARMERS HOME IDENTIFIED THE FOLLOWING PROGRAM ADVANTAGES AND FINANCIAL SAVINGS FOR THE PROPOSED UMIS SYSTEM:

- BORROWERS WOULD RECEIVE MORE EXTENSIVE COUNSELING AND AS A RESULT MORE BORROWERS MIGHT BECOME FINANCIALLY SELF-SUFFICIENT IN A SHORTER PERIOD OF TIME.
 - APPLICANTS WOULD BE MORE CAREFULLY SCREENED TO ENSURE THAT THE MOST DESERVING RECEIVE FINANCIAL ASSISTANCE.
 - IMPROVED LOAN SUPERVISION AND SERVICING WOULD BRING ABOUT SIGNIFICANT SAVINGS IN INTEREST CHARGES, FORECLOSURE COSTS, AND ACQUIRED PROPERTY MAINTENANCE.
- THESE EFFICIENCIES WERE EXPECTED TO SAVE \$25 TO

\$50 MILLION ANNUALLY. NOT ONLY WERE TAXPAYERS' COSTS FOR OPERATING THE PROGRAM TO BE REDUCED, BUT THE FINANCIAL STATUS OF THE BORROWERS WAS TO BE IMPROVED.

--IN ADDITION, FARMERS HOME EXPECTED THAT THE UMIS SYSTEM WOULD HELP SIGNIFICANTLY IN REDUCING A SERIOUS DELINQUENCY RATE. IN 1975, FARMERS HOME ESTIMATED THAT MORE TIMELY AND COMPLETE INFORMATION PROVIDED BY UMIS WOULD HELP REDUCE ITS DELINQUENCY RATE BY 15 TO 25 PERCENT ANNUALLY.

--BY GRADUATING ADDITIONAL BORROWERS TO THE COMMERCIAL CREDIT MARKET EACH YEAR, ADDITIONAL ASSETS WOULD BE RETURNED TO THE REVOLVING FUND FOR USE IN ASSISTING MORE NEEDY AND DESERVING BORROWERS.

--ADDITIONAL SAVINGS WOULD BE PROVIDED, BY REDUCING THE RATE OF FORECLOSURES AND THE COSTS OF FORECLOSING, CONTROLLING AND REDUCING THE COSTS OF MAINTAINING ACQUIRED PROPERTY, AND EXPEDITING THE SALE OF ACQUIRED PROPERTY.

RESULTS OF OUR REVIEWS

IN OUR REPORT (CED-78-68) DATED FEBRUARY 27, 1978, WE CONCLUDED THAT TOP MANAGEMENT WAS NOT ADEQUATELY INVOLVED IN THIS PROJECT. A FORMAL PROJECT CONTROL MECHANISM WAS LACKING, THE UMIS SCHEDULE SLIPPED BECAUSE OF INADEQUATE PLANNING AND CONTROL OVER THE PROJECT, AND THE COST BENEFIT ANALYSIS TO JUSTIFY THE SYSTEM WAS INCOMPLETE BECAUSE ADEQUATE TOTAL DEVELOPMENT AND OPERATING COSTS HAD NOT BEEN DETERMINED.

AT OUR REQUEST FARMERS HOME PREPARED AN ESTIMATE OF LIFE CYCLE COSTS WHICH SHOWED THESE COSTS TO BE \$169 MILLION. ALSO, FARMERS HOME HAD NOT CONDUCTED AN ADEQUATE REQUIREMENTS STUDY OF AGENCY INFORMATION NEEDS.

IN OUR LATER REPORT (CED-80-67) DATED FEBRUARY 19, 1980, WE IDENTIFIED ADDITIONAL, SERIOUS PROBLEMS WITH THE DEVELOPMENT OF UMIS ATTRIBUTABLE TO POOR PLANNING AND MANAGEMENT. THE PROJECT WAS NOW AT LEAST 5 YEARS BEHIND SCHEDULE, AND WE ESTIMATED THAT THE DEVELOPMENT COST FOR UMIS OR ITS ALTERNATIVE MIGHT REACH \$42 MILLION. IT ALSO BECAME EVIDENT THAT THE COST TO OPERATE THE SYSTEM, AS DESIGNED, MIGHT PROVE TO BE EXCESSIVE, AND THAT THE SYSTEM MIGHT NOT MEET ITS BASIC OBJECTIVE OF FULLY PROVIDING INFORMATION NEEDS. FARMERS HOME ALSO WAS NOT CONTINUALLY UPDATING LIFE CYCLE COSTS TO ACCOUNT FOR INFLATION AND CHANGES IN DEVELOPMENT AND OPERATING SPECIFICATIONS.

THE AGENCY HAS BEEN STUDYING ALTERNATIVES TO THE SYSTEM. WE CONCLUDED, HOWEVER, THAT BEFORE MAKING A FINAL DECISION ON ALTERNATIVES, THE AGENCY SHOULD FIRST DETERMINE ITS INFORMATION NEEDS. ALSO, IN DEVELOPING A NEW SYSTEM, THE AGENCY WOULD NEED TO IMPROVE ITS PROJECT MANAGEMENT. FOR EXAMPLE A FULL-TIME PROJECT MANAGER HAVING ADEQUATE AUTHORITY WOULD BE NEEDED AND TOP LEVEL MANAGEMENT WOULD HAVE TO INCREASE ITS LEVEL OF INVOLVEMENT.

IN THE LATTER PART OF 1979, THE DEPARTMENT'S ASSISTANT SECRETARY FOR ADMINISTRATION AND THE ASSISTANT SECRETARY FOR RURAL DEVELOPMENT ALSO EXPRESSED CONCERNS WITH THE UMIS PROJECT

AND ITS SEVERE COST AND TIME OVERRUNS. THE COST TO DATE INCLUDING AGENCY PERSONNEL WAS ESTIMATED AT \$20 MILLION. THE COMPLETION SCHEDULE WAS UNKNOWN BECAUSE DEVELOPMENT NEEDS WERE UNKNOWN. IN ADDITION, THEY RAISED SERIOUS QUESTIONS AS TO THE ADEQUACY OF THE UMIS DESIGN TO MEET CURRENT PROGRAM NEEDS OF THE AGENCY.

REALIZING THAT THE UMIS PROJECT WAS HAVING SERIOUS PROBLEMS, FARMERS HOME CONTRACTED WITH ARTHUR ANDERSEN AND CO. TO CONDUCT A REVIEW AND EVALUATION OF THE UMIS PROJECT.

ARTHUR ANDERSEN REPORTED THAT (1) UMIS WAS A HIGH RISK TECHNICAL PROJECT AND THAT ITS COMPLETION MIGHT NOT BE ECONOMICALLY JUSTIFIED, (2) UMIS MIGHT NOT ADEQUATELY MEET USER NEEDS WHEN COMPLETED AND (3) DESIGN PROBLEMS RAISED SERIOUS QUESTIONS ABOUT THE SYSTEM'S EFFICIENCY AND EFFECTIVENESS. TO HELP CORRECT IDENTIFIED DEFICIENCIES, THE CONSULTING FIRM RECOMMENDED THAT A TEAM BE ESTABLISHED TO REVIEW UMIS.

RECOMMENDATIONS

TO OVERCOME THE PROBLEMS NOTED IN OUR REPORT DATED FEBRUARY 19, 1980, WE RECOMMENDED THAT THE SECRETARY OF AGRICULTURE DIRECT FARMERS HOME TO:

--REDEFINE INFORMATION REQUIREMENTS TO MEET AGENCY (USER) NEEDS AND ESTABLISH PERFORMANCE CRITERIA FOR EVALUATING UMIS ALTERNATIVES.

--OBTAIN APPROVAL OF THE INFORMATION REQUIREMENTS STUDY PRIOR TO CONTINUING OR BEGINNING ANY NEW DEVELOPMENT

EFFORT. ALSO, THE STUDY SHOULD BE SUBMITTED TO THE APPROPRIATE CONGRESSIONAL OVERSIGHT COMMITTEES.

- IDENTIFY ALL ALTERNATIVES TO UMIS BASED ON A COMPLETE INFORMATION REQUIREMENTS STUDY, DOCUMENT AN ANALYSIS OF ALTERNATIVES, AND CONDUCT A COST BENEFIT STUDY.
- DEVELOP THE MOST COST EFFECTIVE ALTERNATIVE TO MEETING FARMERS HOME'S NEEDS.
- DEVELOP AND IMPLEMENT STANDARD PROJECT CONTROL TECHNIQUES. FOR EXAMPLE, ESTABLISH DOCUMENTATION STANDARDS, HOLD DOCUMENTATION REVIEWS, ESTABLISH FIRM SOFTWARE TEST PROCEDURES, AND IMPROVE SYSTEM CHANGE REQUEST (SCR) CONTROLS.

OUR OTHER RECOMMENDATIONS PERTAINED TO CONTROLS OVER THE DEVELOPMENT OF SOFTWARE, INSTALLATION OF A COST ACCOUNTING SYSTEM, ASSIGNING A FULL TIME PROJECT MANAGER, FULL INVOLVEMENT OF TOP MANAGEMENT, AND ESTABLISHING ADEQUATE BUDGET CONTROLS.

RECENT USDA/FMHA INITIATIVES

THE SECRETARY OF AGRICULTURE CONCURRED WITH ALL OF THE RECOMMENDATIONS CONTAINED IN OUR 1978 AND 1980 REPORTS, WITH ONE MINOR EXCEPTION. WE HAVE BEEN CONCERNED, HOWEVER, THAT FARMERS HOME AND THE DEPARTMENT DID NOT INITIATE THE KINDS OF CORRECTIVE ACTIONS CALLED FOR IN OUR 1978 REPORT AND MAY NOT ADEQUATELY ACT ON OUR 1980 RECOMMENDATIONS. FURTHER, THE DEPARTMENT DID NOT ADEQUATELY IMPLEMENT THE RECOMMENDATIONS MADE BY ITS INSPECTOR GENERAL BETWEEN 1975 AND 1980.

RECENT INITIATIVES BY THE DEPARTMENT AND FARMERS HOME INDICATE, HOWEVER, GREATER UNDERSTANDING OF THE SERIOUSNESS OF THE MANAGEMENT AND TECHNICAL PROBLEMS WITH THE UMIS SYSTEM. THE DEPARTMENT WITHDREW APPROVAL OF THE UMIS PROJECT AND BEGAN A LONG OVERDUE REVIEW WHEN IT RECOGNIZED THAT THE PROJECT MIGHT REQUIRE 10 YEARS TO COMPLETE COMPARED TO THE 3 YEARS ORIGINALLY ESTIMATED AND THAT COSTS HAD RISEN DRAMATICALLY. WE ESTIMATED THAT THESE COSTS MIGHT BE \$42 MILLION OR 147 PERCENT OVER THE BUDGETED AMOUNT OF \$17 MILLION.

FARMERS HOME HAS APPOINTED A FULL-TIME MANAGER TO DIRECT THE DAY-TO-DAY ACTIVITIES OF THE UMIS PROJECT TEAM. HOWEVER, WE ARE STILL CONCERNED OVER INADEQUATE TOP MANAGEMENT INVOLVEMENT IN OVERSEEING THE WORK OF THE UMIS PROJECT TEAM.

THE DEPARTMENT'S INITIATIVE TO ESTABLISH A TASK FORCE WAS AN APPROPRIATE STEP. THIS TASK FORCE RECENTLY COMPLETED ITS REVIEW AND DRAFTED ITS REPORT. ALTHOUGH SUBJECT TO REVISION, THE REPORT AS DRAFTED STILL DOES NOT ADEQUATELY ADDRESS THE ISSUES AND RECOMMENDATIONS CONTAINED IN OUR RECENT REPORT. ONLY INTERIM SOLUTIONS TO PROBLEMS ARE SUGGESTED. A MORE COMPLETE ACTION PLAN TO CARRY THE PROJECT TO ITS SUCCESSFUL COMPLETION IS STILL LACKING.

WHEN WE ISSUE OUR REPORT TO YOU NEXT FEBRUARY ON OUR REVIEW OF THE DEPARTMENT'S ADP MANAGEMENT, WE EXPECT TO BE ABLE TO COMMENT FULLY ON THE TASK FORCE'S FINAL REPORT. HOWEVER, TO RESPOND TO YOUR REQUEST FOR CURRENT INFORMATION LET ME STATE OUR TENTATIVE OBSERVATIONS BASED ON OUR READING OF THE DRAFT:

--THE DRAFT DOES NOT ADEQUATELY ADDRESS THE USE OF GOOD MANAGEMENT PRINCIPLES TO ENSURE SUCCESSFUL DEVELOPMENT OF UMIS. THESE PRINCIPLES INCLUDE

- CONTINUAL PLANNING, WHICH INVOLVES ANALYZING REQUIREMENTS AND RELATED BENEFITS AND GAINING APPROPRIATE APPROVAL FOR NEW SYSTEMS AND CHANGES TO EXISTING SYSTEMS;
- A STRUCTURED APPROACH TO MANAGING DEVELOPMENT WORK AND CONDUCTING MANAGEMENT REVIEWS OF PROGRESS AND PERFORMANCE; AND
- EFFECTIVE TOP MANAGEMENT INVOLVEMENT THROUGHOUT THE DEVELOPMENT PROCESS.

--THE DRAFT REPORT DOES NOT ADEQUATELY ADDRESS THE ORGANIZATIONAL ISSUES OF UMIS'S DEVELOPMENT. ALSO, THE TOP LEVEL MANAGER FOR ADP RESOURCES IN FARMERS HOME SHOULD HAVE EXPERIENCE IN MANAGING ADP RESOURCES.

--A REQUIREMENTS STUDY SHOULD BE CONDUCTED PRIOR TO REDESIGNING UMIS. FARMERS HOME PLANS, HOWEVER, TO CONCURRENTLY IDENTIFY REQUIREMENTS AND DESIGN THE NEW SYSTEM. THIS APPROACH MAY WELL RESULT IN A DESIGN WHICH MAY NOT MEET USER NEEDS.

--THE DRAFT DOES NOT ADEQUATELY ADDRESS ALL THE MAJOR TECHNICAL DESIGN PROBLEMS ASSOCIATED WITH UMIS. THE SOFTWARE RECENTLY OBTAINED TO SOLVE THE TECHNICAL DESIGN PROBLEMS IS AT BEST A SHORT RANGE SOLUTION.

WHAT IS NEEDED IS AN OVERALL LONG TERM ASSESSMENT
OF ALL SOFTWARE AND HARDWARE NEEDS AND THEIR IMPACT
ON AGENCY PROGRAMS. FURTHER, FARMERS HOME SHOULD
CONTINUE ACQUIRING AVAILABLE, OFF THE SHELF, SOFTWARE.

WE HOPE THE DEPARTMENT AND FARMERS HOME WILL DEAL WITH
THESE REMAINING PROBLEMS IN ADDITION TO PROBLEMS ADDRESSED IN
THE DEPARTMENT'S DRAFT OF THE TASK FORCE REPORT. AS A RESULT
OF THESE HEARINGS, WE WOULD EXPECT FARMERS HOME TO PURSUE LONG-
TERM SOLUTIONS TO ITS INFORMATION MANAGEMENT PROBLEMS AND TO
PROCEED EXPEDITIOUSLY TO DEVELOP A SYSTEM THAT WILL EFFECTIVELY
MEET PROGRAM NEEDS. FARMERS HOME SHOULD TAKE THIS OPPORTUNITY
TO REDIRECT ITS EFFORTS BY DEVELOPING AN INFORMATION SYSTEM THAT
IS RESPONSIVE TO THE NEEDS OF THE CONGRESS AND AGENCY OFFICIALS
AND WHICH WILL MEET MISSION AND PROGRAM OBJECTIVES.

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THIS CONCLUDES MY PREPARED STATEMENT, MR. CHAIRMAN. WE
WILL BE PLEASED TO RESPOND TO QUESTIONS.

GAO REPORTS ON FMHA

"Farmers Home Administrations's ADP Development Project--
Current Status And Unresolved Problems," February 19, 1980,
CED-80-67.

"Farmers Home Administration Needs To Better Plan, Direct,
Develop, And Control Its Computer-Based Unified Management
Information System," February 27, 1978, CED-78-68.

"Long-Term Cost Implications of Farmers Home Administration
Subsidized And Guaranteed Loan Program," April 24, 1979,
PAD-79-15.

"Management of Farmers Home Administration's Water and Waste
Disposal Program Needs To Be Strengthened," March 13, 1978,
CED-78-61.

"Farmers Home Administration's Business and Industrial Loan
Program Can Be Improved," September 30, 1977, CED-77-126.

"Limited Progress Made In Developing Loan Accounting System,"
June 18, 1975, FGMSD-75-37.