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USDA TELECOMMUNICATIONS

Missed Opportunities To Save Millions





United States
General Accounting Office
Washington, D.C. 20548

Accounting and Information
Management Division

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April 24, 1995

The Honorable Richard G. Lugar
Chairman, Committee on Agriculture,
Nutrition, and Forestry
United States Senate

The Honorable Carolyn B. Maloney
Ranking Minority Member
Subcommittee on Government Management,
Information and Technology
Committee on Government Reform and Oversight
House of Representative

At your request, we are reviewing the Department of Agriculture's (USDA) management and planning of telecommunications. During our review, we determined that USDA has opportunities to consolidate and optimize long-distance communications services provided through the Federal Telecommunications System (FTS) 2000 network. Because significant savings associated with these opportunities could be missed unless immediate action is taken, we are reporting on this issue at this time.

Our specific objective for this part of our work was to determine whether USDA is effectively consolidating and optimizing FTS 2000 telecommunications services across the Department to maximize savings. We are continuing our broader review of telecommunications management and planning at the Department and will report later on the results of that work.

Results in Brief

To its credit, USDA has identified opportunities to significantly reduce telecommunications costs by consolidating and optimizing the Department's FTS 2000 telecommunications services. However, the Department has not acted on all the identified opportunities and, as a result, is wasting millions of dollars each year. USDA has hundreds of field office sites where multiple USDA agencies, located within the same building or geographic area, obtain and use separate, and often times redundant, telecommunications services. USDA officials estimate that the Department could save as much as \$400,000 to \$800,000 each month—between 13 percent and 26 percent of USDA's total annual FTS 2000 telecommunications costs—or a total of between \$20 million to \$40 million over the next 4 years. USDA's Office of Information Resources Management (OIRM), which

has responsibility for managing the Department's telecommunications resources, has not effectively carried out its responsibility to reduce these telecommunications costs.

Background

USDA delivers services through its component agencies and through thousands of field offices in states, cities, and counties. These offices acquire and use various types of telecommunications services to accomplish their missions and service customer needs.

USDA reports show that the Department spends about \$100 million annually for telecommunications, of which about \$37 million was for FTS 2000 services in fiscal year 1994. USDA is required to use FTS 2000 network services for basic long-distance communications; that is, the inter-Local Access and Transport Area (LATA) transport of voice and data communications traffic.¹ Under the FTS 2000 contract, USDA agencies and offices use basic switched service for voice, packet switched service for data, video transmission service, and other types of services to support their communications needs.

In addition to FTS 2000, USDA estimates that during fiscal year 1994 it spent another \$50 million on local telecommunications and other services obtained from about 1,500 telephone companies. USDA agencies and offices use these services to meet their local telephone and data communications needs within LATAs. Other telecommunications services obtained from commercial carriers that are not available under the FTS 2000 contract, such as satellite communications, are also included in these costs. USDA also estimates that between \$10 million to \$30 million is spent annually on telecommunications equipment, such as electronic switches and telephone plant wiring, and support services, such as maintenance for acquired telecommunications equipment.

The Federal Information Resources Management Regulation and USDA's Telecommunications Policy (DR-3300-1) require that USDA's agencies maximize use of all government telecommunications resources to achieve optimum service at the lowest possible cost. In addition, Section 215 of the Department of Agriculture Reorganization Act of 1994,² requires USDA to reduce expenses by jointly using resources at field offices where two or

¹FTS 2000 is a network intended to satisfy the federal government's long-distance voice, data, and video telecommunications needs in the continental United States through 1998.

²The Federal Crop Insurance Reform and the Department of Agriculture Reorganization Act of 1994, Public Law 103-354, Title II, 108 Stat. 3209 (1994).

more agencies reside. This includes sharing FTS 2000 telecommunication services.

Strategies to reduce the costs associated with the use of FTS 2000 generally involve (1) consolidating separate FTS 2000 Service Delivery Points (SDPs)³ to increase the volume of communications traffic among fewer points and to obtain associated volume discounts and (2) optimizing services and types of access to SDPs by selecting more cost-effective telecommunications service options based on customers' particular needs. Because there can be additional equipment and transmission costs associated with implementing such consolidation and optimization alternatives, these costs will offset some of the savings. For example, additional expenditures may be required for telecommunications equipment, such as interface cards and communications software to provide connectivity between systems, and for additional services such as equipment maintenance and purchasing of new leased telecommunications lines. Consequently, a cost-benefit analysis is generally performed to determine whether the alternatives are practical and worthwhile.

The senior USDA Information Resources Management (IRM) Official—the Assistant Secretary for Administration—has delegated responsibility for managing all aspects of the Department's telecommunications program to the Director of OIRM. This includes the responsibility for ensuring that the Department maximizes use of its telecommunications resources at the lowest possible cost. Within OIRM, the Associate Director for Operations is responsible for managing telecommunications services on a departmentwide basis, including services under governmentwide contracts such as FTS 2000.

Public Law 103-354 authorized the Secretary of Agriculture to reorganize USDA and begin streamlining the Department to achieve greater efficiency, effectiveness, and economies. In this regard, the Secretary reduced the number of component agencies from 43 to 29, and, on December 6, 1994, announced plans to reduce the number of county field offices from about 3,700 to 2,531. These 2,531 offices, called Field Office Service Centers, will house multiple agencies to provide USDA customers one-stop shopping for farm services, natural resources conservation services, and rural housing and community development services. Other USDA agencies with offices throughout the country, such as the Forest Service, are also planning to combine offices and consolidate functions where it is feasible to do so.

³SDPs are places where the agency connects its equipment to receive FTS 2000 services.

Scope and Methodology

To address our objective, we interviewed USDA officials and reviewed USDA reports and other documentation to identify departmentwide consolidation and optimization activities. In addition, we reviewed telecommunications reports and FTS 2000 cost and billing information to determine expected savings associated with these efforts. We also visited USDA sites where consolidation and optimization activities have been performed to assess whether consolidation and optimization solutions were successfully implemented. Appendix I provides further details on our scope and methodology.

We conducted our review between March 1994 and March 1995 in accordance with generally accepted government auditing standards. We discussed the facts in our report with USDA officials, including the Assistant Secretary and Deputy Assistant Secretary for Administration and the Director of USDA's Office of Information Resources Management, and have incorporated their comments where appropriate. We also provided a draft of this report to USDA for comment. USDA's comments are discussed in the report and are included in full in appendix II.

USDA Loses Millions Annually by Not Consolidating and Optimizing FTS 2000 Telecommunications Services

USDA has not consolidated and optimized FTS 2000 telecommunications services to the maximum extent possible. USDA has hundreds of field office sites where multiple USDA agencies, located within the same building or geographic area, obtain and use separate, and often times redundant, telecommunications services. OIRM officials estimate that by consolidating and optimizing FTS 2000 telecommunications services at many of these sites, the Department could save \$5 million to \$10 million a year.⁴ Although OIRM has identified these and other cost-savings opportunities over the past 2.5 years, OIRM senior management has not carried out its responsibility to reduce departmentwide telecommunications costs where possible. Consequently, USDA pays millions more than is necessary for the use of FTS 2000 services. Moreover, although the Secretary has begun restructuring agency field offices to consolidate operations at 2,531 new Field Office Service Centers, USDA has no operational plan or time frame for consolidating and optimizing telecommunications at these centers to ensure the most cost-effective use of FTS 2000 services.

⁴OIRM's cost-savings estimates were determined based on the remaining life of the FTS 2000 contract, which expires in October 1998.

USDA Has Identified Opportunities for Savings

USDA component agencies obtain telecommunications equipment and services independently. This has resulted in the use of redundant telecommunications services within and among USDA field offices. In 1990, when USDA transitioned from its departmental network to FTS 2000, OIRM was aware of consolidation and optimization opportunities. However, OIRM and the agencies jointly agreed not to address this issue during the transition due to the concern that doing so would complicate the transition and increase risks of disrupting service. Today, as in the past, hundreds of USDA field sites around the country, that have multiple agency offices located within the same building or geographic area continue to access and use FTS 2000 telecommunications services separately. As a result, since 1991, when USDA completed its transition to FTS 2000, these offices have been paying for redundant and unnecessary services.

A few USDA component agencies have taken the initiative to begin eliminating the redundant use of FTS 2000 services by consolidating and optimizing telecommunications. For example, the Farmers Home Administration (FmHA), which began consolidating and optimizing FTS 2000 services at field office sites in 1991, has achieved savings by consolidating and optimizing telecommunications at several field sites. At just one multiagency office in Columbia, Missouri, USDA documents show that FmHA reduced telecommunications service costs at this site by about \$120,000 per year, or about 55 percent. Also, in 1991, at the Siuslaw National Forest in Corvallis, Oregon, the Forest Service consolidated voice and data communications traffic between ranger districts and forest laboratory offices. By taking this action, Forest Service officials at the Siuslaw National Forest told us they achieved an annual savings of about \$150,000.

These independent efforts by Forest Service and FmHA are laudable, and they demonstrate that substantial savings can be realized. These efforts, though, focused primarily on solutions that provide a savings benefit to the individual agency and did not address cross-agency solutions that provide additional savings to the Department as a whole.

USDA, recognizing that opportunities to consolidate and optimize FTS 2000 telecommunications services existed throughout the Department, formed the Telecommunications Services Division (TSD) within OIRM in April 1991. TSD is to assist the Office in carrying out its responsibilities to ensure that the Department's telecommunications resources are being used in the most cost-effective way. Among other things, TSD was tasked with analyzing telecommunications data to identify departmentwide opportunities to consolidate and optimize FTS 2000 services. By

consolidating and optimizing FTS 2000 services at field office sites, service costs could be substantially reduced by eliminating redundant FTS 2000 services between agency offices within the same building or geographic area.

Since its creation in 1991, TSD has identified opportunities to consolidate and optimize FTS 2000 services. For example:

- In February 1992, TSD identified 30 USDA field office sites where the Department could achieve savings by consolidating and optimizing FTS 2000 services. TSD's analysis of the first site showed that agencies' FTS 2000 costs would be reduced by as much as 60 percent.
- In May 1993, TSD began developing a Network Analysis Model to identify cost-effective options for reducing FTS 2000 telecommunications costs at USDA field office sites. February 1994 TSD estimates showed that use of the model departmentwide to consolidate and optimize FTS 2000 services could reduce costs by as much as \$5 million to \$10 million each year or \$400,000 to \$800,000 per month.
- In February 1994, TSD reported that numerous USDA agencies were paying significantly higher than average charges for their use of FTS 2000 service. According to TSD's report, costs could be reduced as much as \$750,000 to \$3.7 million annually by aggregating some FTS 2000 services at these agencies.
- In June 1994, TSD identified opportunities to save as much as \$150,000 to \$600,000 annually by shifting some component agency data transmissions that are not time-critical outside peak business hours when transmission costs are lower. According to FTS 2000 rates, costs to transmit data outside normal business hours can be as much as 50 percent less than during normal business hours. Therefore, USDA component agencies could take advantage of these savings by transmitting data such as time and attendance reports, noncritical E-Mail messages, and other noncritical data files outside normal business hours.

**Telecommunications
Savings Not Realized
Because OIRM Has Not
Discharged Its
Management
Responsibilities Effectively**

OIRM has departmentwide responsibility for managing telecommunications and ensuring that the Department makes maximum use of telecommunications resources at the lowest possible cost. Under authority delegated by USDA's Senior IRM Official, the Director of OIRM is the executive agent responsible for planning, development, acquisition, and use of the Department's telecommunications resources. According to federal regulations, the Director of OIRM is supposed to exercise this authority by, among other things, providing departmentwide leadership

and direction for telecommunications activities to ensure effective and economical use of resources; developing and implementing systems, processes, and techniques to improve operational effectiveness of telecommunications resources; and reviewing the use of these resources to ensure that they conform to all applicable federal and Department policies and procedures.⁵ In addition, OIRM must review and approve component agencies' acquisition of telecommunications resources by granting technical approvals.⁶

OIRM has not effectively discharged its management responsibilities. Specifically, OIRM has not gone far enough under its authority to implement initiatives to consolidate and optimize FTS 2000 telecommunications services. Consequently, USDA has not been successful achieving telecommunications cost-savings identified by TSD. For example, despite being aware in February 1994 that TSD's Network Analysis Model was an effective tool that USDA could use to reduce overall FTS 2000 service costs by as much as \$400,000 to \$800,000 per month, OIRM management never discussed these savings opportunities with the Department's senior decisionmakers—USDA's Under Secretaries and Assistant Secretaries—nor did it develop a plan for implementing the actions necessary to achieve departmentwide savings. Consequently, as of December 1994, USDA still had not realized these savings.

In addition, OIRM did not act immediately to aggregate services with higher than average FTS 2000 costs and to shift agency data transmissions to off-peak hours. Although TSD advised OIRM management about these opportunities in February and June 1994, respectively, component agencies were not informed by OIRM management about the savings opportunities until October and November 1994. At that time, OIRM provided general information on the cost-savings initiatives during meetings with USDA interagency advisory groups, such as the Department's Management Council—an interagency advisory group made up of component agencies' Deputy Administrators for Management. However, OIRM's Director for Operations acknowledged that OIRM did not follow up these general meetings with additional briefings or develop action plans for implementing these cost-savings initiatives. Consequently, as of December 1994, no progress has been made to achieve these savings.

In cases where some consolidation and optimization efforts have been initiated by TSD, OIRM did not effectively discharge its management

⁵7 CFR Sec. 2700 (1994).

⁶U.S. Department of Agriculture, Acquisition of IRM Resources (DR 3130-1), Apr. 2, 1991.

responsibility to ensure full implementation of these initiatives. For example, TSD's 1992 plan to consolidate and optimize FTS 2000 services at 30 USDA field sites was not implemented because OIRM management took no steps to resolve interagency disagreements. In this case, although OIRM gave TSD responsibility for managing the effort, disagreements between agencies over responsibilities for consolidating services at the first site precluded any further work from getting underway. A December 1992 memorandum shows that TSD advised OIRM management of the problems it was having and asked for assistance in gaining agency cooperation. Nevertheless, OIRM management did not respond to TSD's request and the matter was left unresolved. TSD continued to try to solicit agency support for the initiative but these efforts were unsuccessful and no savings were achieved. OIRM's Associate Director for Operations was unable to explain OIRM management's inaction in this case.

In another case, although TSD determined in April 1994 that USDA could save \$65,000 annually by consolidating FTS 2000 services among several agencies located in Colorado, about 40 percent of these savings were not achieved because one agency—the Animal and Plant Health Inspection Service (APHIS)—did not implement TSD's recommendation to consolidate services at an APHIS office in Fort Collins, Colorado. While APHIS officials in Fort Collins agreed to consider TSD's recommendation, APHIS took no subsequent action to consolidate its FTS 2000 services despite several follow-up discussions by TSD officials. Moreover, APHIS did not provide TSD with a reason for its inaction. In July 1994, TSD's Chief of Operations told us he informed OIRM management about APHIS' lack of action. However, OIRM management never attempted to resolve this matter with APHIS senior management.

In October 1994, we asked the APHIS Chief for Information Systems and Communications at APHIS headquarters in Hyattsville, Maryland, to explain the agency's apparent unwillingness to implement TSD's recommendation for cost-savings in Fort Collins. He stated that he was personally unaware of this savings opportunity and could not explain why APHIS officials in Fort Collins did not implement the initiative. Following our meeting, APHIS notified TSD that it would implement TSD's recommendations and begin consolidating FTS 2000 services at the APHIS office in Fort Collins. Consolidation work is scheduled to begin during 1995.

In December 1994, we discussed these cases with the Director of OIRM, who agreed that opportunities for FTS 2000 telecommunications savings have been missed. Although the Director did not fully explain the lack of

action by OIRM in each case, he stated that (1) shifts in departmental priorities to activities such as the Info Share program⁷ had prevented OIRM from making as much progress consolidating and optimizing FTS 2000 services as he expected to make during 1994 and (2) OIRM's lack of fiscal authority and control over the agencies' telecommunications budgets and expenditures had made it difficult to prompt agencies to act on cost-savings initiatives. The Director noted, however, that consolidated voice services have been installed in 35 farm service field sites under USDA's Info Share program.

While the Department's consolidation of telecommunications services at some field sites under Info Share is a step in the right direction, it is only a fraction of the hundreds of USDA field sites where savings opportunities exist. More progress has not been made because OIRM has not effectively exercised the authority it does have to reduce telecommunications costs. Specifically, OIRM has not (1) met with USDA's senior decisionmakers to advise them about savings opportunities, (2) developed departmentwide plans and implemented actions to consolidate and optimize FTS 2000 telecommunications services when opportunities for savings have been identified, and (3) overseen and effectively managed cost-savings initiatives to ensure that savings are achieved.

In addition, OIRM has not effectively exercised its authority to review and approve the acquisition of telecommunications resources. Although OIRM's Director stated that OIRM does not have control over USDA component agencies' telecommunications budgets, the Office does have authority to review and approve agencies' acquisition of telecommunications resources.⁸ However, OIRM has not used this authority to ensure that opportunities to consolidate and optimize FTS 2000 services are addressed. In this regard, OIRM reviews and approves component agencies' requests for procurement of telecommunications resources under the Department's technical approval process. However, OIRM officials responsible for technical approvals told us that they evaluate proposed procurements individually and do not review them to assess whether or not opportunities to consolidate and optimize FTS 2000 services have been addressed before approving agency telecommunications acquisitions.

⁷Info Share is an ongoing program initiative designed to improve operations and delivery of services to customers of the farm service and rural development agencies. Under Info Share, the Department is attempting to reengineer business processes and acquire and develop integrated information and telecommunications systems.

⁸U.S. Department of Agriculture, Acquisition of IRM Resources (DR 3130-1), Apr. 2, 1991.

While OIRM has, for the most part, been passive and not gone far enough to fulfill its management responsibilities, it has sought support for departmentwide telecommunications cost-savings initiatives by discussing them with USDA interagency advisory groups. In this regard, OIRM's Director told us that OIRM had briefed USDA's Management Council and other interagency advisory groups on some of the savings opportunities that had been identified. However, OIRM did not have these discussions until October 1994, over 2.5 years after the savings opportunities were first identified. More importantly, as discussed above, officials participating in these groups are not senior decisionmakers. In addition, no interagency plans or actions to consolidate and optimize departmentwide FTS 2000 services were presented at or resulted from these meetings, and OIRM officials involved in the meetings told us they did not follow up with agency officials to solicit cooperation and support for implementing these initiatives.

Conversely, one recent effort to reduce telecommunications costs at USDA's headquarters in Washington, D.C., demonstrates how savings can be achieved when senior decisionmakers are involved. In this case, in November 1993, USDA began to consolidate and optimize telecommunications services at USDA's headquarters offices after the Secretary of Agriculture announced plans to reduce telecommunications costs by \$1 million. In response to the Secretary's direction, OIRM took action to enhance telecommunications service and reduce costs at USDA's headquarters offices by concentrating telecommunications circuits among component agency users, optimizing the use of FTS 2000 services and new technologies such as the Integrated Services Digital Network, and establishing a central process to control the ordering of equipment and services and the certification of billing. To date, OIRM records show that this effort has achieved several hundreds of thousands of dollars in savings.

The current reorganization effort underway to combine offices and share resources among agencies further underscores the need for OIRM's close involvement with senior decisionmakers in planning and implementing cost-effective telecommunications. As USDA restructures and streamlines headquarters and field office operations, the Department can take advantage of opportunities to consolidate and optimize departmentwide FTS 2000 telecommunications services.

At the time of former Secretary Espy's announcement to streamline USDA's field structure, on December 6, 1994, OIRM had not met with USDA senior

management and developed a plan or time frame for carrying out this formidable task. On December 20, 1994, OIRM established an agreement with one of the Info Share agencies to lead efforts consolidating and optimizing telecommunications at sites involving only the Info Share agencies. However, the agreement, dated January 11, 1995, was signed by the Director of OIRM and the designated lead agency's Senior IRM Official, not USDA's senior decisionmakers. Moreover, the written agreement did not clearly specify how consolidation and optimization activities would be carried out and time frames for their completion.

Agency Officials Cite Factors That Precluded Action on Savings Opportunities

Senior agency officials, including the Assistant Secretary of Administration and the Director of OIRM, acknowledged the need to act more swiftly when savings opportunities are identified. However, they pointed out that changes in some key USDA leadership positions during the transition of administrations in 1993 made it difficult for OIRM to gain the departmentwide attention that was needed. We recognize that a period of leadership transition can impact an organization's progress on departmentwide initiatives. However, as discussed previously, we found no indication that OIRM management had advised senior decisionmakers about departmentwide telecommunications cost-savings opportunities, either before or after the 1993 transition.

These officials also noted that it would have been inappropriate for OIRM to have led widespread efforts to consolidate and optimize FTS 2000 services before the Secretary officially announced in December 1994 that 1,170 of USDA's 3,700 county-based field offices would be closed or consolidated.⁹ This is because OIRM believed the up-front costs to consolidate and optimize telecommunications services, such as service installation charges and equipment charges, would be unrecoverable in offices that later closed or moved to another location.

We agree that it would be unwise to consolidate and optimize FTS 2000 services at offices where start-up costs cannot be recovered. However, we believe OIRM could have achieved substantial savings by consolidating and optimizing FTS 2000 services at USDA offices unaffected by the reorganization closures. Specifically, the closures did not include hundreds of state and district offices for farm service agencies where USDA has a significant opportunity for FTS 2000 cost savings. It also did not

⁹USDA's office closures only involve county-based field offices for three farm service agencies: Agricultural Stabilization and Conservation Service, Farmers Home Administration, and Soil Conservation Service.

include hundreds of other USDA agency offices, such as Forest Service and APHIS.

We also believe that OIRM wasted valuable time by not beginning to plan consolidation and optimization work at the county-based offices until after the Secretary announced the county-based office closures in December 1994. While we recognize that OIRM was not involved in the reorganization decisions, OIRM did not effectively use information provided by the Secretary in 1993 to begin planning reorganization cost-savings activities. Specifically, in September 1993, the Secretary publicly announced that the reorganization would create USDA Field Office Service Centers by moving stand-alone county-based offices to sites where more than one farm service agency would be collocated within the same building. According to Department records from 1992, USDA had 2,463 county-based office sites where farm service agencies were collocated. On the basis of this information, OIRM could have started collecting and analyzing data at these collocated sites to (1) identify opportunities for significant cost savings, (2) target consolidation and optimization planning at specific sites with the largest payback, and (3) develop implementation solutions for these sites. By having cost-savings solutions planned prior to the Secretary's announcement, OIRM would have saved considerable time by being positioned to begin implementing cost-savings solutions at many of the reorganized field sites.

Conclusions

USDA has identified opportunities to achieve substantial departmentwide savings by more cost-effectively acquiring and using FTS 2000 services throughout the Department. However, while OIRM is responsible for exploiting these opportunities, it has not done so.

In USDA, where component agencies act independently, implementing the actions necessary to achieve departmentwide cost savings requires effective management leadership. However, OIRM has not demonstrated this leadership. While OIRM has begun to discuss savings opportunities with component agency officials, it has not taken the management steps necessary to carry out its responsibility to reduce departmentwide FTS 2000 costs. To do so, OIRM would need to (1) involve senior decisionmakers, (2) establish implementation plans, (3) oversee actions to ensure that savings are achieved, and (4) ensure that opportunities to consolidate and optimize FTS 2000 services have been addressed prior to granting technical approval of telecommunication acquisitions. Unless these actions are taken immediately, USDA and its component agencies will

continue to waste millions annually on the use of redundant FTS 2000 telecommunication services.

Recommendation

We recommend that the Secretary of USDA direct the Assistant Secretary for Administration to take immediate and necessary action to ensure that the Office of Information Resources Management effectively fulfills its management responsibility to reduce the Department's FTS 2000 telecommunications costs. At a minimum, the Assistant Secretary should:

- advise appropriate Under Secretaries and Assistant Secretaries immediately about all opportunities identified by the Office of Information Resources Management and the Telecommunications Services Division to reduce telecommunications costs;
- work directly with the Under Secretaries and Assistant Secretaries to develop a plan for (1) consolidating and optimizing FTS 2000 telecommunications at USDA's new Field Office Service Centers and (2) identifying additional USDA headquarters and field office sites where it is cost-effective to consolidate and optimize FTS 2000 telecommunications services;
- establish, in cooperation with the Under Secretaries and Assistant Secretaries, an implementation team consisting of OIRM and agency staff who have the technical capabilities and resources necessary to implement departmentwide FTS 2000 cost-savings solutions based on the established priorities;
- oversee implementation of all telecommunications cost-savings initiatives and report progress to the Secretary periodically as deemed appropriate; and
- preclude USDA component agencies and offices from obtaining and using redundant FTS 2000 telecommunications services by requiring that OIRM technical approvals be made contingent on the component agencies having considered and sufficiently addressed departmentwide consolidation and optimization of FTS 2000 services.

Agency Comments and Our Evaluation

The Department of Agriculture provided written comments on a draft of this report. Their comments are summarized below and reproduced in appendix II.

In discussing USDA's comments with us, the Assistant Secretary for Administration stated that the Department plans to fully implement our recommendation. Specifically, the Assistant Secretary stated that he will

(1) take immediate and necessary action to ensure that OIRM effectively fulfills its management responsibility to reduce FTS 2000 telecommunications costs and (2) require the Director of OIRM to report periodically on the status of the FTS 2000 cost-savings actions that each USDA agency is undertaking.

The Assistant Secretary added that USDA has already undertaken action to begin implementing our recommendation. For example, the Assistant Secretary briefed the Under and Assistant Secretaries on the importance of telecommunications management and cost-reduction opportunities, and instructed them to develop an action plan to identify and implement telecommunications cost-savings initiatives in their mission area. In this regard, the Assistant Secretary stated that there is ample evidence from actual experience from several USDA locations and from cost models that savings of thousands of dollars per office per year are possible and that "...the potential for savings are so great that the burden of proof is on the agencies to justify why consolidation of telecommunications services is not implemented in collocated offices."

The Assistant Secretary also said that USDA is taking action beyond what we recommended. For example, the Department has begun to investigate consolidating telecommunications services with other federal agencies. OIRM recently signed a memorandum of agreement with the Department of Interior to provide a framework for consolidating and sharing telecommunications services among agencies of these two departments.

Although the Assistant Secretary agreed to take action on our recommendation, he stated that the draft report did not give sufficient weight to the changing management and organizational environment in USDA over the last 2 years and did not adequately recognize OIRM management and staff for their initiative and creativity in developing tools to analyze telecommunications costs. The Assistant Secretary also believes that the report ignores the responsibilities of information resources management officials in USDA agencies for cost-effective management of their telecommunication resources.

We agree that the time between 1993 and 1995 was a period of significant change in the Department and that many USDA officials were deeply involved in planning and beginning to implement the reorganization of the Department and its agencies. However, as discussed in our report, we believe that OIRM could have done more during this time to achieve departmentwide cost savings. We also believe that the report does

recognize OIRM and give it credit for progress made developing analytical tools for analyzing telecommunications costs and identifying cost-savings opportunities. Finally, while we agree that USDA agencies have responsibility for managing telecommunications cost-effectively, it is OIRM and not the agencies that have responsibility for identifying and directing departmentwide savings opportunities.

As arranged with your offices, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the date of this letter. At that time, we will provide copies of this report to the Secretary of Agriculture; the Chairmen and Ranking Minority Members of the Senate Committee on Governmental Affairs, the Senate and House Committees on Appropriations, the House Committee on Agriculture, and the House Committee on Government Reform and Oversight; the Director, Office of Management and Budget; and other interested parties. Copies will also be made available to others upon request.

Please contact me at (202) 512-6253 if you or your staff have any questions concerning the report. Other major contributors are listed in appendix III.



Joel C. Willemssen
Director, Information Resources
Management/Resources, Community,
and Economic Development

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Abbreviations

APHIS	Animal and Plant Health Inspection Service
FmHA	Farmers Home Administration
FTS	Federal Telecommunications System
IRM	Information Resources Management
LATA	Local Access and Transport Area
OIRM	Office of Information Resources Management
SDP	Service Delivery Point
TSD	Telecommunications Services Division
USDA	U.S. Department of Agriculture

Scope and Methodology

To address our objective, we reviewed USDA policies addressing the management of FTS 2000 telecommunications services, USDA reports on FTS 2000 usage and costs, documentation related to USDA's transition to the FTS 2000 network, and other materials outlining plans and efforts by OIRM and USDA component agencies to identify opportunities to consolidate and optimize telecommunications and implement cost-savings solutions. To identify the Department's overall FTS 2000 costs, we also reviewed USDA usage and cost information obtained from OIRM and USDA's National Finance Center.

To determine USDA's progress implementing consolidation and optimizing initiatives for the cost-effective use of FTS 2000 telecommunications services, we interviewed both OIRM management and field personnel involved in these activities. We also reviewed (1) USDA technical reports and internal correspondence describing the status of initiatives and (2) billing reports to determine savings associated with consolidation and optimization efforts. In addition, we visited locations identified by OIRM and USDA component agencies where FTS 2000 services have been consolidated and optimized and interviewed officials to determine whether the solutions were successfully implemented.

We interviewed senior-level representatives from USDA's 12 largest users of FTS 2000 telecommunications services to determine what actions USDA has taken to identify departmentwide opportunities to consolidate and optimize FTS 2000 services involving these agencies. We also observed a demonstration of TSD's Network Analysis Model by a USDA contractor. This demonstration included an overview of the methodology being used and the data being generated. We did not test the validity of the Network Analysis Model.

We performed our audit work from March 1994 through March 1995, in accordance with generally accepted government auditing standards. Our work was primarily done at USDA headquarters in Washington, D.C.; USDA's National Finance Center in New Orleans, Louisiana; and USDA's Telecommunications Services Division in Fort Collins, Colorado. We also conducted work at various USDA and component agency field offices including USDA state offices in Lexington, Kentucky; Richmond, Virginia; St. Louis, Missouri; and Columbia, Missouri; Forest Service headquarters in Rosslyn, Virginia; the Service's Northwestern Region in Portland, Oregon; and the Service's National Forest offices in Corvallis and Pendleton, Oregon; Agricultural Research Service office, Greenbelt, Maryland; APHIS headquarters in Hyattsville, Maryland; and regional office

in Fort Collins, Colorado. Lastly, we visited Booz-Allen & Hamilton in McLean, Virginia, to observe a demonstration of the Network Analysis Model.

Comments From the Department of Agriculture



DEPARTMENT OF AGRICULTURE

OFFICE OF ASSISTANT SECRETARY FOR ADMINISTRATION

WASHINGTON, D. C. 20250-0100

MAR 26 1995

Mr. Gene L. Dodaro
Assistant Comptroller General
Accounting and Information
Management Division
General Accounting Office
Washington, D.C. 20548

Dear Mr. Dodaro:

Thank you for the opportunity to comment on the draft report, USDA Telecommunications: Missed Opportunities to Consolidate and Optimize Waste Millions Job Code 511394.

The draft report does not give sufficient weight to the management and organizational environment in the Department of Agriculture in the 1993 - 1995 time period. Not only was that time one of transition, but also, top policy officials and managers at all levels were deeply involved in planning and beginning the implementation of a massive reorganization of the Department and its agencies. The reorganization will effect the greatest change in this Department since the 1930s. With the key decisions on reorganization now having been completed, we are moving aggressively on several management fronts, including telecommunications management.

The draft report fails to give adequate recognition to the initiative and creativity of the management and staff of the Office of Information Resources Management (OIRM) which developed a sophisticated methodology and analytical model for analyzing telecommunications costs. The unique capabilities of the OIRM methodology and analytical model have achieved government-wide recognition. They are being used by the Government Information Technology Services Working Group to support its project on consolidation of federal agency networks which will assist agencies across government make more effective use of their telecommunications services.

That achievement of OIRM is greatly overshadowed by a negative assessment of management changes which should have occurred in the Department's component agencies. However, this report ignores the responsibilities of information resources management officials in those agencies for cost-effective management of their telecommunications services. The Department's agencies have substantial computer and

AN EQUAL OPPORTUNITY EMPLOYER

Appendix II
Comments From the Department of
Agriculture

Gene L. Dodaro

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telecommunications resources, authorities and accompanying responsibilities for making effective use of the funds and resources allocated to them. As this draft report shows, those responsibilities of the agencies have not been fully met.

Action is already underway to provide more Departmental direction and oversight to the agencies in this regard. Our specific response to each of the recommendations is attached.

Sincerely,



WARDELL C. TOWNSEND, JR.

Assistant Secretary
for Administration

Enclosure

Departmental Response to Recommendations

The Assistant Secretary for Administration will take immediate and necessary action to ensure that the Office of Information Resource Management effectively fulfills its management responsibility to reduce the Department's FTS2000 telecommunications costs. The Assistant Secretary for Administration will require the Director of the Office of Information Resource Management to report periodically on the status of the FTS2000 cost savings and the actions that each of the USDA agencies undertook to achieve those savings.

Recommendation 1

Advise appropriate Under Secretaries and Assistant Secretaries immediately about all opportunities identified by the Office of Information Resource Management (OIRM) and the Telecommunication Services Division to reduce telecommunications cost.

Departmental Response

The Assistant Secretary for Administration briefed the Under and Assistant Secretaries on the importance of telecommunications management and cost reduction opportunities on March 2, 1995. In addition, direction has been issued by the Assistant Secretary for Administration instructing the Under and Assistant Secretaries of the Department of Agriculture (USDA) to develop an action plan to implement optimization in telecommunication services in their mission areas. They were also directed to name a senior official to be the coordinator of telecommunication services and to oversee and assure that their planning effort is implemented. This person will be responsible for overseeing the planning, analysis, and implementation of telecommunication services in each mission area and for the coordination with OIRM. The detailed implementation plans from the mission areas are due May 1, 1995 for those offices that will be closed, consolidated, or changed in calendar year 1995. A plan for calendar year 1996 will be due on October 15, 1995.

Recommendation 2

Work directly with the Under Secretaries and Assistant Secretaries to develop a plan for (1) consolidating and optimizing FTS2000 telecommunications at USDA's new Field Office Service Centers and (2) identifying additional USDA headquarters and field office sites where it is cost-effective to consolidate and optimize FTS2000 telecommunication services.

Departmental Response

OIRM will conduct a meeting to brief the newly designated senior officials in each mission area on the consolidation and optimization strategy which will be used to achieve

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significant cost-savings throughout USDA. OIRM will take the leadership for identifying Department-wide opportunities across mission areas and assist those senior officials to develop a plan for their respective mission areas including procedures for initiating optimization and concentration; on the procedures for reporting on specific implemented changes; and on procedures for reviewing to ensure that the optimization and concentration changes were correctly implemented.

Recommendation 3

Establish, in cooperation with the Under Secretaries and Assistant Secretaries, an implementation team consisting of OIRM and agency staff who have the technical capabilities and resources necessary to implement departmentwide FTS2000 cost-savings solutions based on the established priorities.

Departmental Response

OIRM will develop a Department-wide plan across mission areas and work with the senior officials from each mission area as discussed above, and with appropriate technical specialists from the agencies. OIRM will provide consultation and analytical support for agencies in preparing and implementing their plans. Among the tools available from OIRM are a complete data base of all long distance telecommunications services and costs by location plus a cost analysis model that helps analyze current cost and potential savings from consolidation and other changes.

Recommendation 4

Oversee implementation of all telecommunications cost-savings initiatives and report progress to the Secretary periodically as deemed appropriate.

Departmental Response

OIRM and the designated senior officials will establish a procedure for monitoring progress Department-wide and within mission areas as part of the overall action plan. Periodic progress reports will be provided to the Under and Assistant Secretaries and the Secretary as appropriate.

Recommendation 5

Preclude USDA component agencies and offices from obtaining and using redundant FTS2000 telecommunications services by requiring that OIRM technical approvals be made contingent on USDA component agencies having considered and sufficiently addressed Department-wide consolidation and optimization of FTS2000 services.

Appendix II
Comments From the Department of
Agriculture

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Departmental Response

OIRM will modify the current technical approval procedures in Departmental Regulation (DR) 3130-1, Acquisition of IRM Resources. The new procedure will require, as a part of the Acquisition Review Team process, verification that the agency or staff office requesting technical approval has considered and sufficiently addressed consolidation and optimization of its current FTS2000 services with other agencies as appropriate in accordance with the requirements of DR 3300-1, Telecommunications.

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