USDA

United States Department of Agriculture

Farm and Foreign Agricultural Service

Farm Service Agency

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TO: All FSA Employees

JUN 10 2008

FROM: Teresa C. Lasseter
Administrator

Teresa C. Lasseter

SUBJECT: Farm Service Agency (FSA) Organizational Assessment Study Final Report from KnowledgeBank, Inc.

In November 2007, I shared with you that FSA hired KnowledgeBank, Inc. (KB) to conduct an independent organizational assessment of key areas at the National Headquarters and at the State offices. This Study has now been completed, and I am pleased to announce the release of the Final Report of the FSA Organizational Assessment. Our primary goal for engaging this Study was to gain an outside perspective on the unique challenges we face in FSA, and to obtain some well-grounded, yet "outside-the-box" thinking regarding various ways we can address those challenges in such a way that we can achieve greater efficiency and effectiveness in delivering our mission.

There are a total of 52 findings and recommendations in the Final Report, which is posted at http://www.fsa.usda.gov/FSA/webapp?area=about&subject=landing&topic=sao. You will need to click on the box labeled "FSA Independent Organizational Assessment Study" located on the right side of the screen. A listing of the documents and a brief description of the contents of the Report are shown on the attachment. In addition, we will be developing a dedicated portion of the FSA website that will be used to keep you informed of our next steps as we proceed with addressing the Study's findings and recommendations.

The scope of the Study focused primarily on the headquarters organizations, so we could identify and address core structural issues in headquarters, and other issues impacting optimal guidance and direction to our State and County offices. In the course of the Study, KB did ten onsite visits with State offices, providing some options for how FSA could potentially restructure some of our program delivery processes. There is still much to be studied and considered before we can begin to make any significant changes in the field. The Study also included an extensive review of the Strategic Management of Human Capital, detailing our current workforce profile, addressing critical skills, and laying out strategies for meeting our workforce requirements.

As you review the Report, you will find a wide variety of recommendations and ideas. KB presents many options that they noted will require additional study and a great deal of time and effort on our part before we settle on the best course of action. We will be choosing our priorities very carefully, and we will be implementing changes from a strategic viewpoint. We will focus first on those areas in which we are in agreement with both the findings and recommendations, for which we have the necessary resources at hand, and where we will see the most immediate return on our investment of those resources. Other recommendations, especially those that will require additional study, will be prioritized within a more long term context.

Especially as we move into implementation of the new Farm Bill, we recognize that attempting any shifts in the way we do business may seem particularly daunting. Yet there will never be an ideal time that would allow us to bring everything to a halt and collectively change direction. We will therefore make changes as wisely and strategically as possible. We look forward to your input on the various pieces as we begin to address them.

To assess the review findings and recommendations, I have established an Executive Steering Committee (ESC), comprised of key career senior leaders. Their role is to provide advice regarding the short and long term recommendations, which will produce the best value to the organization in terms of greater efficiencies, better customer service, lower program costs, and better internal controls. Together, we are deeply committed to ensuring FSA is on the right path.

I can assure you that the ESC and I are not making decisions hastily, nor are we allowing time to slip away. We know you will have many questions, and we are committed to being inclusive and transparent as we go through this process. As we move forward in these and other areas, we will provide regular updates so that you will be in the loop regarding our priorities and timelines.

This study provides a foundation piece for FSA's journey to modernize services and product delivery and a baseline to frame the FSA of the future. Hopefully, you will recognize and welcome the changes the future holds. I thank you in advance for your support as we proactively begin to translate the findings and recommendations outlined in the FSA Organizational Assessment Study into action.

Attachment

FSA Organizational Assessment Study
Final Report from KnowledgeBank, Inc.

- **Executive Summary**

  Contains a detailed summary of the Study process, as well as the findings and recommendations

- **Human Capital Workforce Profile**

  Includes a variety of demographic and trend data, such as staffing level trends, separation trends, and retirement trends and projections

- **Strategic Human Capital Report**

  Describes the current composition of FSA's workforce, and will assist us in workforce planning initiatives

- **Summary of Cross Cutting Issues**

  Details issues which cross functions and geographic locations

- **Benchmarking Report of Other Federal Agencies**

  Contains information regarding other Federal agencies that have either undergone a recent transformation or are in the process of significant reform; so that FSA may learn from their experiences.

The U.S. Department of Agriculture
Farm Service Agency
Organizational Assessment
Findings and Recommendations

Executive Summary

May 30, 2008

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EXECUTIVE SUMMARY

1. Background

The United States Department of Agriculture (USDA), Farm Service Agency (FSA) administers and manages farm commodity, credit, conservation, disaster, and loan programs as authorized by Congress through a network of federal, state and county offices. FSA is a customer-focused agency, dedicated to achieving an economically and environmentally sound future for American agriculture. The FSA National Headquarters (NHQ) has employees and operations located in Washington, DC; Kansas City, MO; St. Louis, MO; and Salt Lake City, UT. In addition, each of the 50 states and the territory of Puerto Rico has an FSA State Office to support the FSA mission at the local level through approximately 2,400 county offices. The FSA workforce includes 5,079 Federal employees with 8,000-plus additional county employees.

As with most government agencies today, the economic reality for FSA is that funding is either flat or declining, while fixed costs are expected to continue to escalate. At the same time the agency, like others, is competing for limited resources to manage increased reporting requirements and improve programmatic and administrative infrastructures that are antiquated and increasingly costly to upgrade and/or replace (e.g. IT hardware and applications).

In recognition of these challenges, FSA leaders determined that it was essential to move forward with a comprehensive and independent organizational review and Assessment that addresses two specific areas: (1) NHQ organizational structure and (2) State Office organizational structure. A critical component of this Assessment is that FSA must also consider the impact and implications of any recommendation(s) made on its current and future alignment with Departmental and Office of Management and Budget (OMB) mandates, such as the President's Management Agenda (PMA).

FSA leadership ultimately selected KnowledgeBank, Inc. (KB) as the prime contractor to assist with this effort and KB teamed with Federal Management Partners, Inc. (FMP) for this engagement (KB/FMP Team). The FSA Organizational Assessment was conceptualized in two phases, with Phase I beginning in September of 2007 and quickly providing the background and scope for Phase II, which began in November of 2007.

2. Goals of the Organizational Assessment

In approaching this Organizational Assessment, the KB/FMP team sought to identify concrete proposals for organizational change that would enable FSA to increase its overall efficiency and effectiveness. Those specific areas identified for review included FSA's organizational structure, functions, service delivery, NHQ interactions and interoperability with its field offices, and cross-cutting issues applicable across NHQ locations. Recognizing the significant Human Capital issues facing the agency, the FSA leadership asked the KB/FMP team to include among its key objectives, the development of an FSA Strategic Human Capital Report focused on the following areas:

- A thorough analysis of current state workforce demographics data across the agency, with a focus on trends to identify the direction of employee attrition due to several factors.
- A thorough review of the current state of the human capital governance structure at FSA and establishment of a strategy to achieve human capital management goals and priorities.

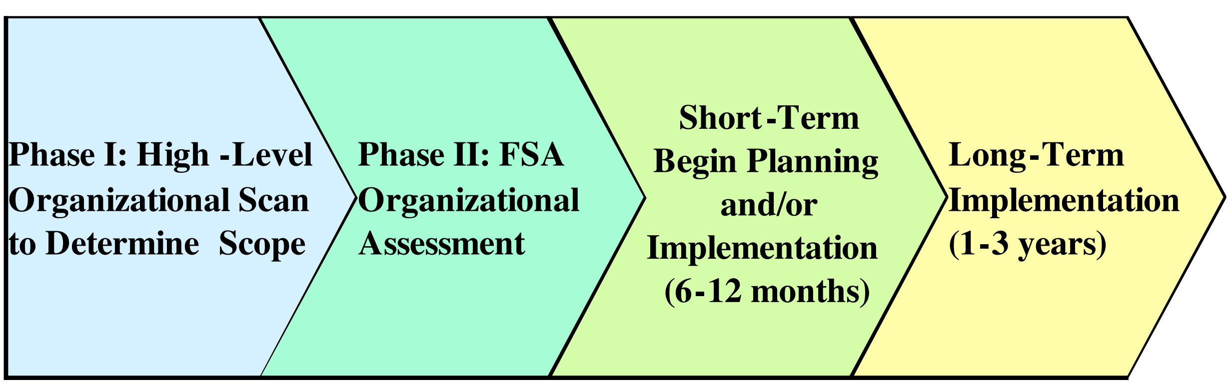
  Finally, the team sought to position FSA to meet the expectations by OMB and USDA for an in-depth organizational review that would produce recommended changes to improve efficiency and effectiveness within the agency.

3. Guiding Principles

The Organizational Assessment focused on FSA's organizational structure, functions performed, human capital trends and governance, and leadership practices alignment with the current mission and strategy. The Assessment team recognized actions already taken by FSA to improve efficiency and effectiveness, and identified best practices to leverage in other functions. To provide a complete understanding of the organization, the KB/FMP team analyzed the individual deputy area functions, the interactions and interfaces between and among these functions, and the agency as an enterprise. The team framed the resulting findings and recommendations so as to best position FSA for the current environment, and where possible, anticipate future workforce and technological needs. We believe that these findings and recommendations also will remain applicable regardless of potential changes in agency leadership.

Given the forthcoming change in Presidential Administration, we are recommending actions that can be implemented, or at least be in the planning stages, in the short-term (6-12 months). Where long-term (1-3 years) recommendations are made, the KB/FMP team acknowledges that these recommendations could require additional analysis, planning, and preparation prior to decision-making and implementation. In particular, the scope of this project did not include a detailed staffing or workload analysis, which we believe is necessary to construct a full business case for all long-term recommendations. Most recommended actions or changes to FSA contained in this report can be achieved using normal attrition and redeployment, thereby minimizing negative impact upon employees. Finally, the recommendations are sensitive to the fact that the recently passed Farm Bill will likely affect FSA priorities.

The overall process for the Organizational Assessment is illustrated as follows:



4. Phase I Overview

During Phase I of the FSA Organizational Assessment, which lasted from September 4, 2007 through October 22, 2007, the team performed a high-level review and identified critical areas of scope for Phase II. The KB/FMP team presented the key areas to FSA leadership who ultimately made the decision on what to include in Phase II. Phase I involved a brief data analysis and document review, as well as interviews with 25 key leaders in FSA and elsewhere in USDA.

The key findings from Phase I of the FSA Organizational Assessment were as follows:

- **FSA leaders and personnel are highly committed to the mission of the agency**
    - Many interviewees had significant experience with FSA and FSA programs, and cited the mission-driven culture of FSA's NHQ, State Office, and County employees

- **FSA is challenged by the complexity and statutory constraints of the programs it is charged to administer**
    - Several interviewees noted that the structure and processes of the agency have remained largely unchanged for over 50 years
    - Interviewees cited complexities in the number and variability of policies, forms and requirements ultimately affecting FSA customers (producers) and the need to better "streamline" these requirements

- **FSA's current NHQ organizational structure does not optimally position FSA to fulfill its mission and deliver its programs and services in the most effective way**
    - Interviewees described FSA's current NHQ structure as suboptimal. The role and specific responsibilities of each NHQ division and work unit are not as clear as they need to be – resulting in duplication of effort, uncertainty around "who does what when," and difficulties in communication and coordination across and within divisions.

- **FSA's overall performance is substantially compromised by its lack of a modern Information Technology (IT) and automation infrastructure and corresponding capabilities**
    - Interviewees indicated that IT deficiencies interfere with virtually every aspect of the agency's administration, operation, and program/service delivery chain. Across the board, interviewees cited IT issues as a "real detriment" to the agency.

- **FSA's current program/service delivery model (throughout the National HQ, State, and county offices) does not operate effectively and efficiently**
    - Interviewees discussed confusion surrounding lines of authority and responsibility, and communication and coordination problems
    - Many interviewees acknowledged difficulties in resulting program operation and service levels (e.g. proper and timely payment disbursement to qualified beneficiaries)

- **FSA's Deputy Administrator for Management (DAM) organization is challenged in its ability to consistently provide quality administrative services desired by FSA as a whole; quality of capabilities and service levels varies by division and location (e.g. DC vs. Kansas City)**
  - Many interviewees cited significant room for further review of consolidation and streamlining of Administrative- and Management-related functions currently performed in other areas within NHQ and the States

- **FSA State Offices lack sufficient standardization in organizational structure, staffing, and operation**
  - Interviewees cited possible underutilization of services and the opportunity for States to share services in core cross-cutting functions

- **FSA's Human Capital (HC) organization is not positioned as a key strategic player in the organization (i.e. agency needs to focus more on HC)**
  - Many interviewees expressed concern that FSA is at risk of significant loss of talent and knowledge leading to considerable skill gaps

5. Phase II Scope

Given the findings from Phase I, the KB/FMP team initiated Phase II in November of 2007. In an organization of the size and complexity of FSA, determining an appropriate scope for the Assessment was critical given the short six (6) month timeframe and focus on actionable recommendations.

The final areas of scope agreed to by the FSA leadership for the Phase II study consisted of the following:

5.1. NHQ

- Deputy Administrator for Farm Programs (DAFP)
- Deputy Administrator for Farm Loan Programs (DAFLP)
- Deputy Administrator for Commodity Operations (DACO)
- Office of Budget and Finance (OBF)
- DAM organization specific to: Human Resources Division (HRD) and the Information Technology Services Division (ITSD)
- Office of Business and Program Integration (OBPI)
- Modernize and Innovate the Delivery of Agricultural Systems (MIDAS) initiative

Specific to the MIDAS review, the team was to identify how FSA could effectively position itself to integrate and implement MIDAS throughout the agency once funding is approved. This Assessment would be done in conjunction with the ITSD structure review and would include the review of program goals and future requirements to identify key positions and competencies required by the MIDAS team. Additionally, we considered the methodologies needed to implement and effectively manage a half billion dollar initiative.

5.2. State Office (STO) structure. Leveraging the existing State Review Study, the team conducted an organizational review of 10 State Offices selected by FSA leadership. The review did not include the Assessment of county office workload or staff. The team conducted one site visit to the following State Offices:

- New Hampshire (NH)
- Missouri (MO)
- Texas (TX)
- Montana (MT)
- Pennsylvania (PA)
- Kentucky (KY)
- Louisiana (LA)
- California (CA)
- Nebraska (NE)
- Iowa (IA)

5.3. Strategic Management of Human Capital. The team developed a high-level strategy to address the critical loss of knowledge, staff, and leadership across FSA. This provides a current state picture of the loss of key personnel in mission critical positions and leadership positions over the next three (3) to five (5) years, as well as forward-facing, actionable strategies for addressing these gaps. Additionally, the team examined the current governance structure and role of human capital within FSA and provided guidance to ensure FSA is positioned well for strategic alignment.

5.4. Additional Scope Elements. In performing the Organizational Assessment, the KB/FMP team worked in partnership with FSA leaders to develop current state organizational charts for each FSA organization included in the Phase II review. The team also reviewed and recommended key metrics (where measurable data was readily available) to track overall efficiency and effectiveness of the FSA organization. Finally, the Assessment included a targeted Benchmarking Report with three organizations that were selected based on the agency's direction to compare itself with other agencies that have also undergone major transformation. These organizations include the United States Department of Agriculture Forest Service (FS), the National Aeronautics and Space Administration (NASA), and the Small Business Administration (SBA).

6. Phase II Overall Observations

In relating these observations, the KB/FMP team identified several agency achievements, summarized below, and discussed in more detail in the comprehensive individual studies:

Organization	Accomplishment
DACO	Focus on continuous improvement has yielded results in four key areas: • Aligning organizational structure to core functions • Preparing for workforce transition due to expected retirement attrition • Improving the end-to-end procurement process • Improving its approach to developing and maintaining IT solutions
DAFLP	• Reduced the number of FSA county offices delivering Farm Loan program services from approximately 2,300 to 800 and consolidated the work across counties where the volume of transactions was too low to maintain personnel proficiency in processing Farm Loan transactions. In addition, this reduced the number of Farm Loan Specialist positions from 1713 in FY 2002 to 1514 in FY 2008 (a decrease of 99 FTE). • Assigned resources to address responsibilities for administrative requests (e.g. OMB, PART) and other "back-office" operation activities (e.g. IT, strategic planning), which helped focus the most experienced and knowledgeable Farm Loan Specialists on servicing field offices, commercial lenders, and farmers • Introduced a new 24-hour, toll-free line that borrowers can call to get information on their accounts ultimately resulting in improved overall service to customers
DAFP	• Personnel have assumed leadership in FSA's efforts to correct the recent "improper payment" deficiencies within farm programs • Divisions continue to seek opportunities to extend the reach and applicability of those farm programs which they are charged with administering, including the expansion of the Crop Disaster Program within PECD to new producer constituencies and the development of various Hazardous Waste Programs within CEPD (e.g. the Murdoch Fire Remediation Project)
State Offices	• Actively participate in reviews of operational efficiencies and improvements, and in efforts to improve procedures and systems • Proactively closed County Offices which were understaffed or underserved • Recognized deficiencies and made resource investments in particular areas such as MIS initiatives and web site development • Recently sponsored the first conference for SEDs and DDs in San Antonio, TX to promote understanding of the key role that DDs play as the pivotal link to County Offices in providing service to producers

<table>
<tr><th>Organization</th><th>Accomplishment</th></tr>
<tr><td>ITSD</td><td>All major FSA/CCC/IT investments, Geospatial Information Systems and Farm Loan Program Information Delivery Systems conform to the Earned Value Management (EVM) guidelines stipulated by OMB
FSA was acknowledged by the USDA OCIO as a primary contributor to USDA’s Enterprise Architecture (EA) because of submitting the MIDAS Segment Architecture, Transition Activity, and Segment Architecture Summary
Engaged with partner USDA agencies to collaborate on Enterprise Architecture processes and tools. Internal development project teams are focused on re-using enterprise assets and identifying potential candidates for leveraging throughout USDA to reduce IT expenditures.</td></tr>
<tr><td>MIDAS</td><td>FSA reorganized the management of MIDAS by creating a separate Project Management Office (PMO) outside ITSD and DAFP, reporting to the Administrator of FSA. To assure that the PMO would take fresh look at the implementation of MIDAS, FSA hired a project manager who has extensive private sector experience in managing large scale, technically complex projects for federal agency clients. Additionally, the decision to use COTS software instead of custom code will produce a better, more reliable system in less time.</td></tr>
<tr><td>HRD</td><td>Implemented the following programs, which have received positive feedback from customers:
Leadership Development Program, which builds leadership competencies and is mandatory for new National Office, Kansas City, St. Louis, and Aerial Photography Field Office (APFO) managers
State District Director (DD) training program, which provides guidance on topics such as performance management, customer service delivery, leadership, and listening skills. The program is targeted towards new DD’s and conducted by current DDs trained as facilitators.
DD mentoring program (developed and awaiting required approvals)
Learning Development Channel for grade level 15 positions and above. There are 750 pre-recorded presentations by leading experts that can be accessed on Ag Learn.
Collaboration between the Administrative Officer Leaders Group established in the State Office structure and HRD appears to be an effective group with engaged members. This group meets regularly to discuss administrative issues and work with various administrative leaders to develop and implement resolution strategies.</td></tr>
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Organization	Accomplishment
OBF	• Implementation of the Budget and Performance Management System (BPMS), a multi-agency project led by FSA to improve budgeting and resource management functions. BPMS provides most elements of OMB's Budget Formulation and Execution (BF&E) Line of Business (LoB) solution to link cost and performance data. These results will be provided to managers at all levels for use as a management and budget tool. • Decreasing material weaknesses and significant deficiencies. In FY 2007, the agency reduced its total number of weaknesses and deficiencies from eight to five.
OBPI	• Completion of the FSA FY 2005-2011 Strategic Plan under resource constraints • Achievement of an average win rate of 75% for all appeals cases litigated in coordination with the department. Both the number of appeals and the win rate is higher than for any other USDA agency.

As the reader will see in the balance of this report, we believe that this Assessment has identified significant steps that FSA can take to better position the agency to meet the challenges ahead (e.g. "doing more with less"). Our team found that FSA's leadership, management, and employees demonstrate a laudable openness to change in service of continued excellence. However, some of the recommendations and proposed changes contained in this report will require sufficient dedication of resources for planning, implementation, and maintenance; FSA leadership does not believe the agency currently has the appropriate resources required and would therefore need additional support to achieve desired results.

Although this report contains many detailed recommendations specific to FSA organizational areas studied, there are several overall observations that can be made regarding the agency as a whole:

- **Significant Complexities in FSA work.** The agency takes its cue from Congressionally-mandated programs and must constantly be in reaction mode to administer programs that vary in complexity and size. A significant portion of the work is conducted out of the County Offices, which have a total staff population of over 8,000 FTEs. Noted as an added challenge, these county personnel are hired through a County Committee structure and are managed out of a county personnel system. Where as, the 5,079 federal FTEs are managed out of a separate personnel system.

- **Doing "More with Less."** As with many agencies, FSA is confronted with the double-edged sword of having to deliver against increased mandates in an era of flat or decreasing budgets.

- **Commitment to Mission.** All employees, whether in working for program or administrative functions, are highly committed to FSA's mission and to "doing the right thing" despite the challenges that sometimes exist.

- **Openness to Change.** Several leaders acknowledged that "we can't continue like we have been," and expressed genuine support for change in their organizations. Employees are also open and hopeful about the potential for change, though several conveyed their skepticism that change will actually occur.

- **Interoperability Issues between States (field) and NHQ.** There is a difference in perception between the two structures on how well each works with the others to deliver services. Specifically, States personnel believe that they are not engaged in program delivery strategies until too late in the implementation process. The team captured what were thought of as best practices within the agency, spearheaded by Farm Loan Programs, that FSA could implement enterprise-wide and as a result, possibly change perception.

- **Stovepipe Culture across FSA.** This observation impacts the agency's ability to collaborate and communicate across organizational units as effectively as it could.

- **Lack of Confidence in Two Key Administrative Areas.** Across the board there is concern about the Human Resources and Information Technology Services Divisions' ability to deliver services that are extremely important to the agency's success. Some of the concerns are directed at outside elements, (e.g. lack of investment in agency IT spending). In any case, stakeholders believe and we affirm that a major transformation is required.

- **Perception that FSA NHQ is Overstaffed was Unfounded.** Though clearly there are opportunities to transition out heavy transaction-based activities and centralize functions in the long-term (e.g. in administrative areas and in the State structure), the team did not find evidence that NHQ organizations studied were overstaffed.

7. Top Priorities Identified

Additionally, though there are numerous findings and recommendations presented in this report, the team has identified seven areas for agency consideration as top priorities:

- **Organizational Effectiveness**
    - Structure realignment, or redesign of proposed organizations
    - Further analysis of key functions, processes or workload and staffing activities
    - Further study of the consolidation, centralization, and streamlining of key management services to gain efficiencies and reduce costs (e.g. structure of administrative functions for State Offices)

- **Strategy and Measurement**
  - Expand strategic planning process to translate organizational goals into business and personnel goals
  - Measurement of programs and administrative services for effectiveness and efficiency. Includes the development of key metrics and utilization of the Budget and Performance Management System (BPMS).

- **Leadership Transformation**
  - Define management and leadership competencies required to position FSA for the future
  - Develop capacity in leaders to direct the organization through change resulting from system implementations, regulatory and process changes, and workforce transition

- **Communication**
  - Build and implement strategies to improve communication
  - Target improved collaboration and communication across NHQ deputy areas and NHQ to the field (e.g. State Offices)

- **Process Improvement**
  - Target key administrative processes that generate the most frustration for stakeholders (e.g. HRD and ITSD)
  - Enhance collaboration within the field on how programs are administered and delivered

- **Human Capital Management**
  - Redesign human capital management governance
  - Develop an annual strategic human capital plan
  - Restructure and transform HRD from a heavy-transaction based organization to a "strategic business partner" with a clear focus on improving customer satisfaction
  - Engage executives at NHQ in setting agency priorities for key human capital strategies and the field in planning and execution. Establish a new branch within FSA to develop, execute and monitor progress against human capital management goals

- **Customer Service**
  - Develop mutually agreed upon measures of success
  - Empower services providers to partner and collaborate, give them the skills to succeed in these techniques, and hold people accountable for their role in the relationship
  - Redesign the customer service delivery processes within HRD and ITSD by focusing on measurable results

8. Cross Cutting Findings

The analysis of the interviews and data collected during the FSA Organizational Assessment indicates that there are several recurring topics that were highlighted across functions and geographic locations. The three primary areas that surfaced as cross-cutting themes include:

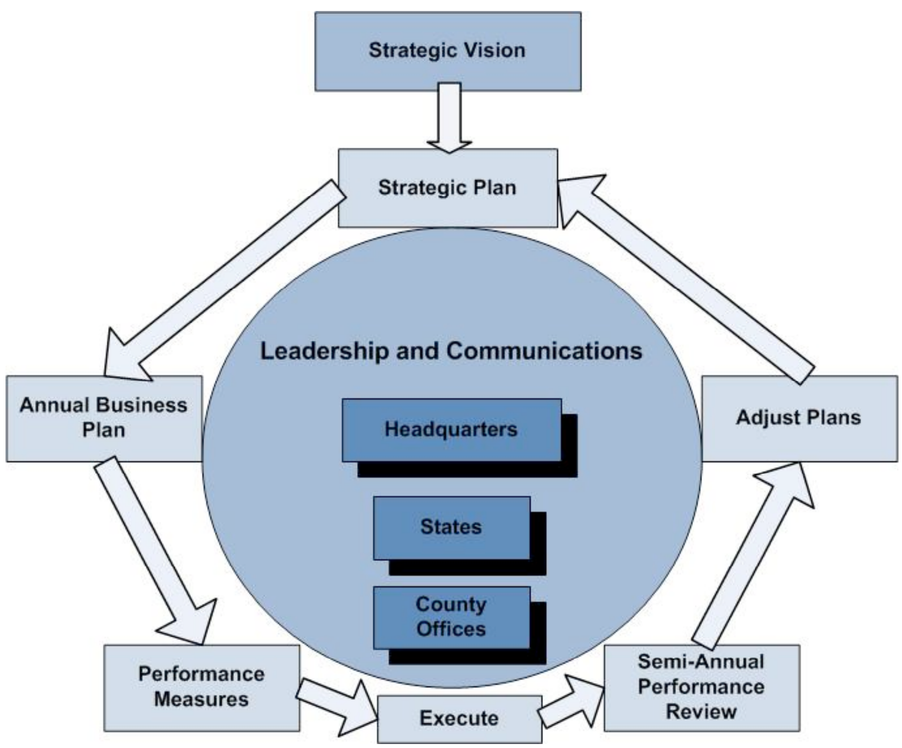
- Strategy and Measurement
- Leadership and Management
- Communications

Below is a summary of the findings and recommendations associated with these areas *(for more detail on each finding and recommendation, refer to the Cross Cutting Report in Appendix 2).*

Findings	Recommendations
Strategy and Measurement	
FSA needs greater focus on cascading the strategic planning process to drive business goal achievement and performance accountability.	Expand the focus of FSA's strategic planning through the implementation of strategic business planning toolkits and training.
FSA should strengthen the focus to periodically and systematically review the results of its organizational performance.	Hold semi-annual organizational performance reviews.
FSA does not have a formally constituted continuous improvement process to achieve gains in productivity and efficiency and adapt to continuing reductions in agency operating budgets.	Implement a continuous process improvement program like Lean Six Sigma (LSS). ***Note:*** LSS could also be applied to various headquarters functions to identify non-mission critical work that can be reduced or eliminated, thereby freeing up resources to focus on the agency's core activities.
Leadership and Management	
FSA employees have a low level of engagement.	Increase focus on improvement of employee engagement to change the negative perceptions that exist among personnel.
There is a perception among FSA employees across the board that people skills and demonstration of basic leadership traits are lacking in management personnel.	Improve future leader selection by giving greater emphasis to leadership competencies than to technical skills.
Communication	
Weak communications within a function or program frustrate employees.	Increase communication frequency and clarify roles in the communication process.
Breakdowns in communication across functions and programs result in poor customer service, performance issues and inefficiency.	Clarify roles and responsibilities, train personnel in key competencies, and develop a customer service culture.

Findings	Recommendations
Communication (continued)	
Weak communications within a function or program frustrate employees.	Increase communication frequency and clarify roles in the communication process.
Breakdowns in communication across functions and programs result in poor customer service, performance issues and inefficiency.	Clarify roles and responsibilities, train personnel in key competencies, and develop a customer service culture.
Communications from leadership to employees does not articulate strategy and vision in terms that employees can apply to their work.	Synchronize leadership competency building with communications competency building. Deliver periodic presentations to all employee groups.
FSA struggles to implement change initiatives and new programs within headquarters functions, and down to state and county offices.	Install subject matter experts on project teams and define a standard FSA program / major initiative implementation methodology.

Combining the recommendations from all three cross cutting themes results in a process that links strategy and measurement, leadership ownership, and communications to create a culture of mutually understood goals, clear roles and responsibilities, and accountability for achievement.



9. Individual Study Areas – High Level Findings and Recommendations

The purpose of this Assessment was to identify opportunities for FSA to increase its overall efficiency and effectiveness, with a primary focus on organizational structure. The following sections summarize the current state, findings and rationale relevant to each recommended action and are discussed in detail in the comprehensive individual studies.

9.1. Deputy Administrator for Commodity Operations (DACO)

Organizational Assessment Methodology

The Organizational Assessment of Commodity Operations (CO) included:

- One-on-one interviews with 33 CO management personnel using a standard interview protocol
- Group interviews with sample of CO employees, 5 sessions, total of 23 employees
- Collection and review of CO documentation
- Documentation and confirmation of CO organizational chart
- Collection of data related to Commodity Operations:
  - Core functions
  - Personnel time spent performing core functions by grade and by division
  - Customer population
  - Contracts with external entities
- Follow-up interviews to clarify data collected, as needed

Summary of Findings and Recommendations

Finding #	Finding	Recommended Action	Business Case Highlights
1	DC Commodity Operations' (DC CO) proposed restructuring plan includes the consolidation of two divisions, Commodity Procurement and Analysis (CPPAD) and Warehouse and Inventory (WID), into one Division. KB/FMP's review supports this proposal, with some minor modifications.	Endorse the DACO Restructuring Task Force recommendation to consolidate the DC CO operations under one Director, with two modifications: • Eliminate 1 Assistant to the Deputy Director position • Define and implement a clear transition plan	Short Term Implementation (6-12 months) Significant Savings
2	Kansas City Commodity Office's (KC CO) current authorized FTE ceiling exceeds the staffing required for current workload.	Continue to "right-size" the Kansas City Commodity Office (KC CO) with the staffing quantity and skills needed to align the workforce to current operations.	Short Term Implementation (6-12 months) Significant savings

FINDING #	FINDING	RECOMMENDED ACTION	BUSINESS CASE HIGHLIGHTS
3	Commodity Operations' current change initiatives will improve and automate existing processes. However, the long-term vision for CO's services is unclear.	Develop a Commodity Operations long-term strategy and "vision of operations" that provides a roadmap for change in terms of processes, systems, organization, and workforce.	Short Term Implementation (6-12 months) Align CO's management priorities and decision-making with long-range strategic needs

In September 2007, the Deputy Administrator for Commodity Operations (DACO) created a DC CO Restructuring Task Force with three employees representing the Commodity Procurement and Analysis (CPPAD) and Warehouse & Inventory (WID) divisions. This task force has been working with DACO's executive leadership to define a new organizational structure to consolidate the two divisions.

Their goals in defining the future structure are to:
- Consolidate WID and CPAAD under a single Director
- Improve DC CO's ability to adapt to changes in workload and priorities
- Provide all employees with added responsibility and freedom
- Focus DACO's staff on program management rather than personnel management responsibilities
- Increase promotion potential for program specialists[1]

As of February 1, 2008, DC CO has a large number of leadership positions to support a relatively small staff. Each division has a Director, Deputy Director, Assistant to the Director and one (1) to two (2) Branch Chiefs, representing a total of nine (9) managers to supervise 20 employees (authorized FTE ceiling).

The DACO and the DC CO Organization Restructuring Task Force have proposed a matrix organizational structure that parallels the current WID organization. The proposed consolidated division eliminates five management positions from DC CO:
- 1 Director
- 1 Deputy Director
- 1 Assistant to the Director
- 2 Branch Chiefs

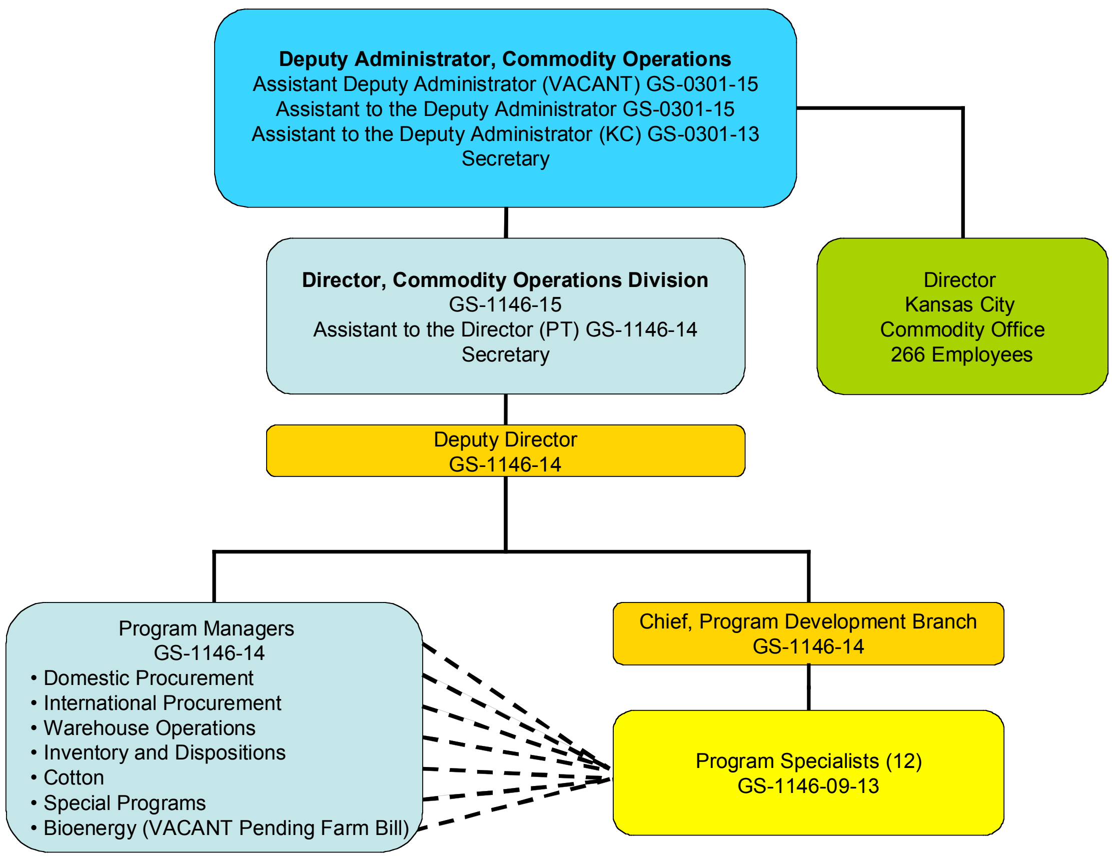
The KB/FMP team supports this proposal with two main modifications:

- Eliminate one of the three Assistant to the Deputy Administrator positions
- Define and implement a transition plan to ensure a successful move to the consolidated organization from the perspective of employees, management, and customers.

[1] Proposed Commodity Management Division Restructuring Justification, February 2008

The new structure includes positions which will accommodate existing DC CO personnel. The DC CO consolidated division will be expected to continue to perform responsibilities for the wide breadth of CO program areas. This new division will also need to continue to regularly coordinate with the six divisions in KCCO and external customers (FNS, AMS, USAID, and FAS).

Future State – DC Commodity Operations Organizational Chart – Modified



In order to effectively transition into and maintain this proposed matrix structure (which is unconventional within FSA and the Federal government), it is critical to develop and execute a sound implementation plan. Implementation of this recommendation is projected to produce $614,374 in salary savings annually.

Also in 2007, DACO implemented a hiring freeze throughout Commodity Operations (CO). The hiring freeze was implemented in response to the recognition that CO's workload, particularly inventory management, had reduced due to the high price of agricultural produce. In addition, the DACO was responding to pressure to reduce CO's overall operating costs. This hiring freeze has resulted in a 9% reduction in KCCO workforce (27 FTE) with the current headcount at 262 FTE as of February 1, 2008.

With the hiring freeze, CO's headcount has been steadily reducing due to attrition from retirements, transfers, and voluntary separations. To adapt to the workforce changes, CO management has been reallocating underutilized personnel to fill staffing gaps in functions with "mission critical occupations." This has been effective where personnel have the prerequisite skills to fill open positions. However, in some cases underutilized employees do not have the prerequisite skills to be transferred and retrained to fill "mission critical occupations". As a result, there are limits to management's ability to successfully fit the current workforce into CO's changing operations.

To date CO's management team has been successful in maintaining operational effectiveness with the reduction in headcount. However, the headcount reduction has begun to strain performance within the warehouse examination and procurement functions. These two functions are concerned that they may not be able to achieve strategic goals and customers service levels in the next year.

The FSA Organizational Assessment concludes that the Kansas City Commodity Office's current authorized FTE ceiling exceeds the staffing required for the current workload. KC CO needs to continue to "right-size" the organization to ensure that the workforce has the skills and headcount necessary to maintain expected productivity rates. The following actions are recommended:

- Eliminate 21 FTE (of the 27 current "frozen" vacancies) from the total KC CO authorized FTE ceiling
- Allow immediate recruiting for 6 positions to fill Mission Critical Occupations – i.e. Warehouse Examiners and Contract Specialists
- Conduct a detailed "Workload Analysis" to determine the skill sets and headcount required by KC CO
- Develop a "Workforce Transition Plan" to adapt the CO workforce to current operations
- Continue the hiring freeze, as needed for certain non mission critical positions, to allow additional workforce reduction through attrition.

Implementation of this recommendation is expected to realize a total of $1,412,359 in short-term savings.

Commodity Operations' goals and services have experienced limited change over the past 20 years. However, with the availability of automation solutions and the movement of work to commercial vendors, Commodity Operations is beginning to experience change at an increasing rate. Commodity Operations currently has a number of change initiatives in process that are focused on incrementally improving existing processes, with no clear integrated vision for CO's future operations. Management's current working assumption is that Commodity Operations will continue to provide these same services in the future.

The FSA Organizational Assessment concludes that with an unclear vision for the future of Commodity Operations, CO management is not able to pursue more radical opportunities for change that may eliminate work, push work to commercial industry, or significantly alter FSA's support of the agriculture industry. In addition, without a clear direction, the management team is limited in its ability to strategically "right size" the workforce with the quantity of resources and competencies that CO will require in the next 3-5 years.

By developing a long-term strategy, the Commodity Operations management team can invest in pursuing more revolutionary change efforts to improve FSA's services to farmers and other key stakeholders. A clear "Vision of Operations" provides the foundation needed to proactively define a plan to most effectively transition the Commodities Operations workforce and services for the future. Currently underutilized resources can be deployed to research change initiative options and develop their own competencies to align with future position requirements. New hire recruiting can also be adjusted to match the changes in the nature of Mission Critical Positions, as well as seek personnel with competencies that will be required in future "generalist" positions.

Commodity Operations' workload is influenced by external forces such as the Farm Bill, government policy legislation, and changes in the economy. Any changes or fluctuations in these variables can shift the workload within CO's functions. Defining a "Business Architecture" for Commodity Operations can help the management team identify potential "triggers", consider the impact of these external variables, and prepare workforce options to manage workload fluctuations. Workforce options may include establishment of generalist positions which are cross-trained and adaptable, as well as the use of a contingency workforce.

The recommended actions for Commodity Operations include:

- Develop a Commodity Operations long-term strategy and "Vision of Operations"
- Develop a Commodity Operations "Business Architecture" that can respond to environmental triggers (e.g. Farm Bill, legislative changes, economic conditions)
- Research and propose the next general of change initiatives

In 2006, KC CO realigned the organization to consolidate similar functions around core processes within divisions and branches. While the current organizational structure is logical and functional, CO personnel identify several post-implementation challenges.

- **Supervisor to employee ratio**. The reorganization reduced the number of branches and Branch Chief positions. As a result, the number of employees reporting to each remaining Branch Chief increased. Nine branches (53% of all branches) have supervisor to employee ratios in the range of 1:14 to 1:17. As KC CO implements increasing amounts of change initiatives and experiences increasing amounts of retirement attrition, employees new to KC CO may require closer supervision and on-the-job training.

- **Team effectiveness**. The KC CO leadership team created self-directed teams within each branch, organized around similar functions and commodity type. The effectiveness of these teams is inconsistent. KC CO personnel cite lack of leadership guidance and no formalized team roles as factors limiting the implementation of teams.

- **Knowledge transfer processes**. KC CO has training to prepare employees for two mission critical occupations: Contract Officers and Warehouse Examiners. For all other positions, there is no formalized training program for new employees into these jobs. Most training is delivered on-the-job with limited supporting documentation. Although most KC CO branches have some form of process documentation, CO does not have process documentation goals, templates, or standards that are applied consistently across the organization.

The following actions are recommended for Commodity Operations to continue to adapt to recent organizational restructuring, and to prepare the CO to adapt to expected workforce transitions and the implementation of change initiative.

- Continue planned workforce reductions, through attrition and hiring freeze, to reduce the supervisor to employee ratio
- Provide guidelines, training and tools for implementing effective self-directed teams
- Increase the effectiveness of knowledge transfer processes

9.2. Deputy Administrator for Farm Loan Programs (DAFLP)

Organizational Assessment Methodology

The Organizational Assessment of Farm Loan Programs (FLP) included:

- One-on-one interviews with 11 FLP management personnel using a standard interview protocol
- Collection and review of FLP documentation
- Documentation and validation of FLP organizational charts
- Collection of data related to Farm Loan Programs:
  - Core functions
  - Personnel time spent performing core functions by grade and by division
  - Customer population
  - Contracts with external entities
- One-on-one interviews with FLP representatives from 10 States as part of Assessment of the FSA State Offices
- Follow-up interviews to clarify data collected, as needed

Working sessions conducted during the Organizational Assessment focused on the consolidation and comparison of data collected across FSA organizations. For Farm Loan Programs, particular attention was given to FLP's interrelationships with Farm Programs (DAFP), State Offices, Office of Budget and Finance (OBF), and the Information Technology Services Division (ITSD).

Summary of Findings and Recommendations

FINDING #	FINDING	RECOMMENDED ACTION	BUSINESS CASE HIGHLIGHTS
1	Farm Loan Programs' current headquarters structure is effective. *Farm Loan Programs demonstrates several FSA "best practices" as summarized in Section 2.7.*	No structure changes recommended for the Farm Loan Programs headquarters organization. *Consider implementing FSA "best practices" demonstrated by FLP in other FSA functions and program areas.*	No changes recommended, therefore no business case provided
2	DAFLP lacks authority over field personnel performing Farm Loan Programs (FLP) functions and activities.	Formalize State Office personnel accountability to DAFLP for the implementation of Farm Loan Programs by allowing DAFLP leadership to provide input into State Farm Loan Chief selection processes (SEDs make final selection decisions).	Short-Term Implementation (6-12 months) Increased effectiveness, consistency, and accountability in program implementation

The FSA Organizational Assessment concluded that Farm Loan Programs' current headquarters structure is effective.

The Farm Loan Programs (FLP) Headquarters (HQ) organization has three main divisions:
- Loan Making and Funds Management Division
- Loan Servicing and Property Management Division
- Program Development & Economic Enhancement Division

The first two divisions above are structured around four core processes representing the Farm Loan lifecycle. These processes are: (1) Funds Management; (2) Loan Making; (3) Loan Servicing; and (4) Property Management. According to FLP management personnel, grouping the two types of loans by process has been effective in delivering programs in a coordinated way to field personnel who implement programs.

The third division, Program Development & Economic Enhancement Division (PDEED), addresses cross-functional programs, such as:
- IT systems development
- Field training and communications
- Farm Loan Programs Risk Assessment (FLPRA)

Both the FLP leadership and programs have been stable enough to allow FLP to focus on strategic efforts to improve operations through change initiatives such as:
- Streamlining documentation
- Converting to web-based systems
- Consolidating county Farm Loan Service Centers
- Redefining role of County Committee in loan approval processes

The current organizational structure has been effective at adapting to workload shifts required to deliver routine FLP operations and to implement program changes and other streamlining initiatives.

No structural changes are recommended for Farm Loan Programs' headquarters organization at this time. However, FSA should consider implementing confirmed "best practices" within other FSA function and program areas. Sample "best practices" performed by DAFLP include:

- Methods for maximizing the effectiveness of the "rural delivery structure" used to delivery FSA programs to farmers and ranchers
- Customer service and responsiveness
- Annual strategic planning process
- Performance metrics and management reporting
- State Office oversight and risk management
- Interface with FSA's IT organization

The team believes that many of these practices can easily be implemented within other FSA organizations with minor modifications.

The Deputy Administrator for Farm Loan Programs (DAFLP) is held accountable for FSA's Farm Loan Program results. However the current structure does not give DAFLP formal authority over the state and county personnel who implement Farm Loan Programs. According to the current structure, DAFLP is expected to communicate with State Office Farm Loan Chiefs and State Executive Directors through the Deputy Administrator for Field Operations (DAFO). FLP management has found this process to be cumbersome and inefficient when field performance issues require resolution.

The success of FLP's current approach to influence field performance is dependent upon the personal relationships and personality of the current DAFLP. Building organization success around personality is not an effective succession strategy. The goal is to create an accountability infrastructure that will remain beyond the tenure of a specific person's leadership style. Therefore, we recommend that FSA formalize State Office personnel accountability to DAFLP for the implementation of Farm Loan Programs.

Strengthening the field's accountability to Farm Loan Program results will:

- Clarify performance expectations
- Streamline communications in order to reduce time to resolve issues
- Improve responsiveness and customer service
- Enhance risk mitigation to reduce financial losses

Several steps are recommended to strengthen the accountability of field offices to Farm Loan Program results and to formalize DAFLP's influence on the implementation of Farm Loan programs.

- DAFLP leader (or designee) provides input into the selection process to interview and recommend State Farm Loan Chief candidates to the SED. SED makes the final selection decision
- DAFLP collaborates with SEDs to define key Farm Loan Program performance metrics to monitor State's program results
    - DAFLP provides SED and State Farm Loan Chief with "Annual FLP Performance Report"
    - DAFLP submits the same "Annual FLP Performance Report" to DAFO as input to SED's annual appraisal
- DAFLP and DAFO collaborate to define (or update) processes for resolving issues with State Offices related to the quality implementation of Farm Loan Programs
    - Identify issues with SEDs' and/or State Farm Loan Chiefs' performance that are impeding performance or increasing FSA's exposure to risk
    - Prioritize and identify sense of urgency for headquarters intervention
    - Define strategies for addressing issues and mitigating risks
    - Define roles and responsibilities of DAFLP and DAFO in implementing strategies to resolve issue or mitigate risks

9.3. Deputy Administrator for Farm Programs (DAFP)

Organizational Assessment Methodology

The Organizational Assessment of the Farm Programs (DAFP) included:

Interviews with Farm Programs Management (Total =30)
- Deputy Administrator (1)
- Assistant to the Deputy Administrator (2)
- Division Directors (4)
- Deputy Division Directors (3)
- Associate Division Directors (2)
- Branch Chiefs (8)
- Section Heads (10)

One-on-one interviews with 30 DAFP management personnel using a standard interview protocol. These included 3 managers from the Front Office, 9 managers from PECD, 3 managers from PSD, 4 managers from CEPD, and 11 managers from APFO.

15 Group interviews with DAFP employees using a standard group interview protocol. These included approximately 93 employees – 18 employees from CEPD, 20 employees from PECD, 20 employees from PSD, and 35 employees from APFO.

Follow-up interviews to clarify data collected, as needed

Working sessions conducted during the Organizational Assessment focused on the consolidation and comparison of data collected across FSA organizations. For DAFP, particular attention was given to interrelationships with Farm Loan Programs, State Offices, Office of Budget and Finance, DAFO, and FSA's IT group.

Summary of Findings and Recommendations

FINDING #	FINDING	RECOMMENDED ACTION	BUSINESS CASE HIGHLIGHTS
1 1.1 1.2 1.3 1.4	DAFP programs and operations are not efficiently organized. DAFP automation functions/practices and key business processes "common" to DAFP/FSA operating units are not sufficiently standardized and integrated. FSA lacks critical and effective oversight mechanism to ensure proper implementation of farm program policy and procedures within the Field. APFO's utility and value to FSA is marginalized by its current placement within DAFP; while dispersion of Geospatial Information System (GIS) development and functions compromises FSA's ability to leverage this key capability on behalf of Farm Program administration and implementation. FSA's Homeland Security, COOP, disaster preparedness, and emergency designation functions are insufficiently coordinated and integrated.	Reorganize DAFP's management and administrative structure to maximize program and service effectiveness and efficiency. *Proposed DAFP consists of 5 principal units:* • Disaster Assistance Programs Division (DAPD) • Conservation and Environmental Programs Division (CEPD) • Price Support Programs Division (PSPD) • Common Business Processes Division (CBPD) • Program Oversight and Review Office (PORO) .	All are Short Term Implementation (6-12 months) *One-Time Implementation Costs:* Associated with establishment of CBPD, PORO, and reconfiguration of existing PECD Recurring Costs: Associated with maintenance of new offices *Long-Term Savings: Projected* productivity/efficiency increases associated with formation of new CBPD and consolidation of existing FSA program oversight and monitoring capabilities into new PORO unit

FINDING #	FINDING	RECOMMENDED ACTION	BUSINESS CASE HIGHLIGHTS
2	DAFP lacks authority over field personnel performing Farm Programs (FP) functions and activities.	Formalize State Office personnel accountability to DAFP for the implementation of Farm Programs by allowing DAFP leadership to provide input into State Farm Program Chief selection processes (SEDs make final selection decisions).	Short-Term Implementation (6-12 months) Increased effectiveness, consistency, and accountability in program implementation

In our review of DAFP's current organization, the KB/FMP team found that the structure contains some disadvantages. Chief among these is the fact that current DAFP divisions are siloed, preventing the cross-divisional communication, coordination, and collaboration necessary for effective deputy area functioning. In addition, individual DAFP divisions are significantly varied in their respective organizational, management, and staffing structures; preventing standardization and integration in DAFP-wide policies and operations.

To counter this, we recommend reorganizing DAFP's management and administrative structure to maximize program and service effectiveness and efficiency.

The proposed DAFP structure is organized around three (3) primary DAFP business lines:

- Disaster programs
- Conservation and environmental programs
- Price support programs

This Assessment found that the lack of automation, process standardization, and integration among DAFP divisions and between DAFP and ITSD compromises FSA's program and service delivery to both internal and external FSA customers. Currently, all three HQ divisions of DAFP (CEPD, PECD, and PSD) have their own automation unit structured to provide user requirements and interface with IT programmers in Kansas City ITSD. Each division, in essence, recreates a workflow process for new programs based only on the work done within the division without the benefit of drawing from previously designed programs that have been developed elsewhere in DAFP. This lack of integration and synergy has led to redundancies and inefficiencies in program development, as well as created imbalances in workload among the automation units within the various divisions and complications for the Kansas City ITSD staff.

Therefore the Assessment team recommends that DAFP consolidate the "common" business processes, including current division-specific automation units, into a single DAFP division (*Common Business Processes Division,* or *CBPD*) incorporating the following common business functions:

- Automation
- Compliance

- Farm Records
- SCIMS, Eligibility, Subsidiary, & Payment Limitation

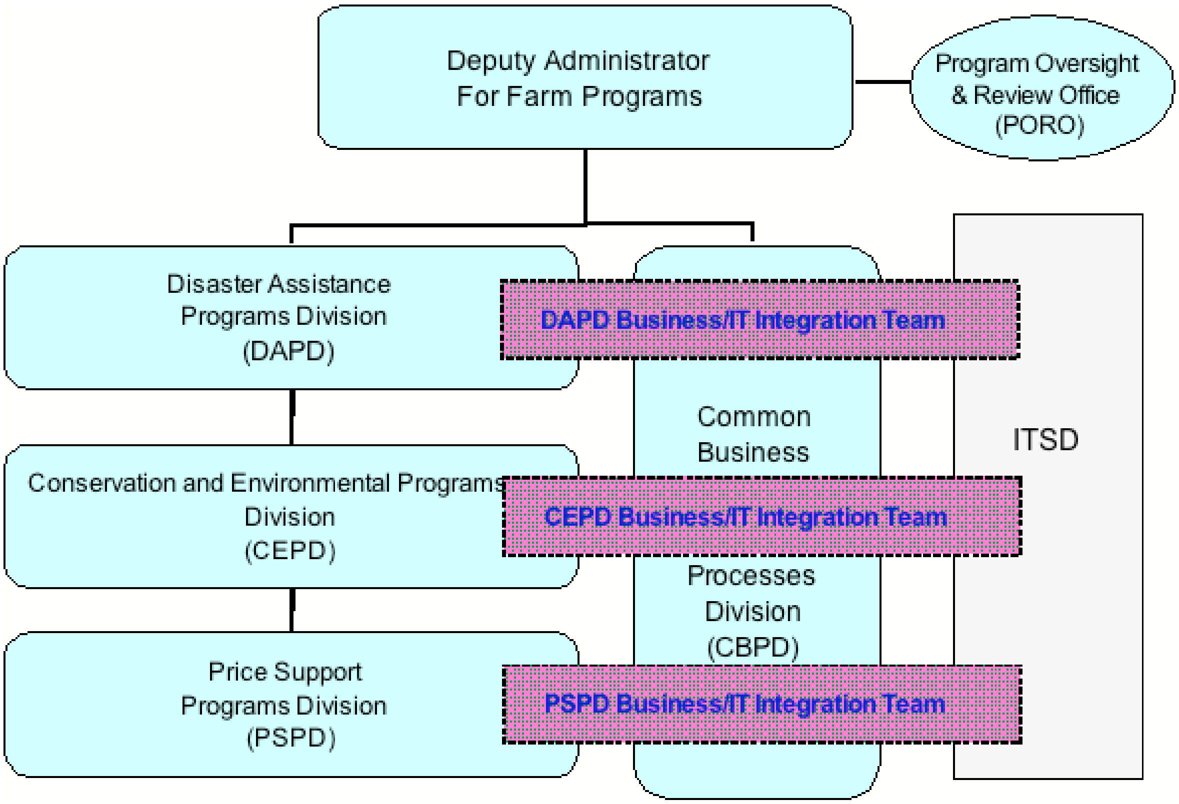
We believe this will unify DAFP business processes for maximal efficiency and enhance the interface between DAFP and ITSD personnel. We also suggest creating *Business-IT Integration Teams* for each DAFP program division spanning respective DAFP division, *Common Business Processes Division,* and ITSD Liaison Managers.

Aerial Photography and GIS have played critical roles in enhancing the programs and services delivered to the customers and stakeholders of FSA, but have only begun to scratch the surface of fully optimizing the technology available. The team believes that integrating and leveraging the disparate resources devoted to GIS, Aerial Photography and Remote Sensing into one unit would improve the effectiveness and efficiency of this critical capability and support function across FSA and USDA. FSA should remove APFO, GIS Coordinator, and GIS FTEs from DAFP and create a new *FSA GIS/Remote Sensing Unit* located within the Office of the Associate Administrator for Operations and Management.

The proposed DAFP organizational structure consists of 5 principal units, which are presented visually in the graph below:

- Disaster and Assistance Programs Division (DAPD)
- Conservation and Environmental Programs Division (CEPD)
- Price Support Programs Division (PSPD)
- Common Business Processes Division (CBPD)
- Program Oversight and Review Office (PORO)

Figure 1 Proposed DAFP Organizational Chart



Additionally, we found that there is inadequate enforcement and "ownership" of DAFP program policy and procedure throughout the entire program service delivery chain (from HQ through the State Offices to the Field). In the current structure of DAFP and DAFO, program implementation, which happens in the county offices, lacks clarity regarding responsibility and oversight.

The team recommends creating a new Program Oversight and Review Office (PORO) within DAFP that exercises formal oversight of Farm Program implementation across and within State and County Offices. The creation of the Program Oversight and Review Office (PORO) will clarify a crucial function of FSA HQ-driven oversight of program policy and procedural implementation and program effectiveness. The team believes that a critical success factor for implementing this recommendation is to carefully establish PORO's review activity focus to ensure it has a precise role and responsibility relative to the charters of other organizations and staff responsible for, as an example, audits and internal control activities. Additionally, because a review of DAFO was not part of the official Phase II Assessment scope, further study is recommended to validate this organization's current role in these activities, and propose how coordination could be optimized in the future.

Finally, FSA's Homeland Security, COOP, disaster preparedness, and emergency designation functions can be consolidated and repositioned within the agency. While these planning and preparedness activities are well underway within the agency, the current haphazard placement of these functions appears to be inconsistent with the criticality and visibility of these duties in an all-hazards environment.

We recommend creating a new Emergency Preparedness unit within the Office of the Associate Administrator for Operations and Management which incorporates the following:

- Homeland Security Managers (currently within PECD)
- FSA COOP function (currently within Emergencies Section of PECD)
- FSA Pandemic Flu Preparedness function (currently within DAFO)
- FSA Emergencies Section (currently within PECD)

Like in Farm Loan Programs, DAFP lacks authority over State Office personnel performing farm program functions and activities. DAFP is implicitly held accountable for key dimensions of Farm Program service delivery within the Field; yet DAFP has no formal supervisory authority over State Office Farm Program personnel at present.

We recommend formalizing the State Office personnel accountability to DAFP for implementation of Farm Programs via the addition of "dotted line" authority from DAFP to the State Offices.

- DAFP leader (or designee) provides input into the selection process to interview and recommend State Farm Program Chief candidates to the SED. SED makes the final selection decision.

- DAFP collaborates with SEDs to identify key Farm Program-related performance metrics to monitor State Office program results

    - DAFP provides SED and State Farm Program Chief(s) with "Annual FP Performance Report"

    - DAFP submits the same "Annual FP Performance Report" to DAFO as input to SED's annual appraisal

- DAFP and DAFO collaborate to define (or update) priorities, strategies, and roles for resolving performance issues within State Offices

9.4. State Offices

Organizational Assessment Methodology

The Organizational Assessment of the FSA State Offices (STOs) included:

- One site visit to each of the following ten states: CA, IA, KY, LA, MO, MT, NE, NH, PA and TX. States were selected by the Deputy Administrator for Field Operations (DAFO) to represent a variety of factors, such as size, geographic location and type of producer
- One-on-one interviews with 10 State Executive Directors and 50 Branch Chiefs; and group interviews with 64 District Directors and 121 employees. Using standard interview protocols, the purpose of these interviews was to:
  - Learn how STOs are structured to perform their work, including functions and staffing
  - Confirm STO functions performed
  - Validate the relations and communications with external and internal customers, including FSA HQ offices
  - Identify best practices
  - Obtain views on FSA as an organization and ideas for increasing overall effectiveness
- Collection and review of STO documentation
- Documentation and confirmation STO organizational charts
- Interviews with 4 DAFO staff members
- Follow-up interviews to clarify data collected, as needed

Working sessions conducted during the Organizational Assessment focused on the consolidation and comparison of data collected across FSA organizations. For the State Offices, particular attention was given to interrelationships with Farm Programs, Farm Loan Programs, Human Resources, Budget and Finance, and FSA's IT Services Division.

Summary of Findings and Recommendations

FINDING #	FINDING	RECOMMENDED ACTION	BUSINESS CASE HIGHLIGHTS
1	New program development and launch is not well coordinated with State Offices (STO) and County Offices (CO), especially Farm Programs.	Charter a Program Development Task Force charged with confirming current issues and defining a process for reengineering Program Development at the HQ and STO interface.	Short Term Implementation (6-12 months) Strategic approach to new program development, launch, and implementation

FINDING #	FINDING	RECOMMENDED ACTION	BUSINESS CASE HIGHLIGHTS
2	Roles of District Directors are not standardized, and therefore, the positions are not optimally used.	Realign organization to have a single supervisory authority for all Service Center staff by: 1) Placing County Executive Directors under the supervision of District Directors; and 2) Standardizing and optimizing the role of DDs with primary focus on managing County Offices. ***Note:*** *The team acknowledges these recommendations would require additional study before implementation could be considered. Of particular note, it is essential that FSA expand the data collection process to include interviews and information gathering with the CEDs and County Committees to ensure all perspectives are properly evaluated*	Short Term Implementation (6-12 months) More efficient and effective management structure, producing better workload management and goal-setting.
3	DAFLP and DAFP lack authority over field personnel performing respective functions and activities.	Formalize State Office personnel accountability to DAFLP and DAFP for the implementation of Programs, by allowing DAFP and DAFLP leadership to provide input into State Farm Loan Program and Farm Program Chiefs selection processes (SEDs make final selection decisions).	Short Term Implementation (6-12 months) Increased effectiveness, consistency, and accountability in program implementation
4	Multiple layers of organization, including State Offices, engaged in administrative services.	Establish 5 Regional Administrative Service Centers, reporting to DAFO with "dotted-line" authority to DAM and CFO. Charter a Regional Administrative Center Task Force to confirm current issues, and develop a future map and phased implementation plan. Membership should include HQ representatives from DAFO, DAM, CFO, STOs (SEDs and AOs).	Long Term Implementation (1-3 years) Estimated savings of 30 percent of positions engaged in administrative support functions in STO

Each State Office is headed by a State Executive Director (SED) who is a Schedule C political appointee responsible for managing the delivery of FSA programs for the State through Branches and regional District Directors (DDs). Service Centers, also known as County Offices, are located in most counties and provide the principal points of contact with the producers for information on and application for FSA farm and loan programs. Service Centers are headed by County Executive Directors (CED) who report to elected County Committees. CEDs and their staffs are not Federal Civil Service employees, but are in a separate personnel system administered by FSA.

The review of 10 FSA-selected State Offices showed that all States feel a lack of involvement in the early development and launch of programs. Resulting challenges include shortcomings in service delivery and receipt of benefits and, in some cases, producers required to provide additional or revised enrollment information. To remedy this concern, the KB/FMP team recommends that a Program Development Task Force be chartered to confirm current issues and deficits, and to define a process for reengineering Program Development at the FSA headquarters and State Office interface.

During the preliminary NHQ executive leadership briefings on early findings and recommendations, the KB/FMP team discovered a disconnect between STO and NHQ Deputy Area perceptions on this issue; NHQ executives stated that STOs were frequently invited to participate in task force committees early in the process. Given that STOs are held accountable for implementation, it will be key for FSA to bridge the perception gap and to ensure STOs feel they are a part of the development and planning process.

The KB/FMP team also found opportunities to standardize and optimize the role of the District Directors, who occupy key management positions in the State Office structure as primary liaisons with field staff and oversight for operations. Interviews within the surveyed States confirmed that current formal lines of authority do not match the operational reality and that District Directors have different foci within the sample states. By formalizing the supervisory relationship between District Directors and County Executive Directors (CED), the field and State will not only be better aligned, but will achieve increased clarity of responsibilities and strengthened accountability as well. The team acknowledges that this recommendation would require additional study before implementation could be considered. Of particular note, because data gathering around and from the County Office structure was out of scope, it is essential that FSA expand the data collection process to include interviews and information compilation with the CEDs and County Committees to ensure all perspectives are properly evaluated.

The Assessment also showed that FSA is not realizing economies of scale and the full effect of modernization by maintaining administrative functions within all 51 State Offices. Recent studies suggest that transitioning to a shared services environment can yield at least 30 percent savings long term.[2] The KB/FMP team recommends the establishment of five (5) Regional Administrative Service Centers reporting to DAFO to perform the administrative functions of all State offices, to include HR, travel, printing/reproduction, finance/accounting, leasing, and some contracting functions. A Regional Administrative Center Task Force should be chartered to

[2] SAP, 2007 Shared Services Conference, *The 20th Anniversary of Shared Services: The Paths Not Taken and the Road Ahead.*

confirm current issues and to develop a future map with a phased implementation plan. This task force should include HQ staff among its membership. Based on current and proposed staffing, the estimated cost savings associated with this consolidated regional administrative structure is projected to be considerable.

Other Considerations for State Offices

The team identified other issues, outside of scope, that we felt were important to raise as factors impacting efficiency and effectiveness. Perhaps the most oft-cited issue of this kind conveyed in the data gathering phase, was concern about the existence of two personnel systems; one covering General Schedule employees, the other covering those CO employees under the previous system from the Agricultural Stabilization and Conservation Service (ASCS). While pay and benefits are similar, accountability systems (i.e. performance management, removal) are different and were cited as supervisory and equity challenges.

Specifically, during the interviews, we asked the question: "If you were Administrator, what is the one (or first) issue you would address?" In every State, one or more respondents indicated that combining the two personnel systems would be a priority. In a majority visited, this was the top priority, cited by approximately 35 staff, and most commonly expressed by DDs. Respondents uniformly cited ineffective management and communication (delineation of responsibilities and control) as the primary reason for the change. Furthermore, the KB/FMP team estimates that nearly half of those who raised this issue were former CEDs, and thus were able to view the matter from both the State and County office perspectives.

The following action is recommended: create a task force to assess the feasibility of placing all employees under the General Schedule. Include representatives with technical expertise, as well as representatives from impacted populations. The KB/FMP team acknowledges that any such change would require legislative action.

9.5. Information Technology Services Division (ITSD)

Organizational Assessment Methodology

The Organizational Assessment of the Information Technology Services Division (ITSD) included:

- One-on-one interviews with 20 ITSD management personnel using a standard interview protocol. There were an additional 28 interviews with ITSD managers in a group setting.
- Five group interview sessions with a sample of 50 ITSD employees
- Customer service interviews of key managers in program and support organizations who use ITSD support and/or who provide business requirements to ITSD
- Collection and review of FSA, program office, and ITSD documentation
- Documentation and confirmation of the ITSD organizational chart
- Collection of data related to FSA technology programs:
    - Core functions
    - FSA technology budgets includes salaries and expenses for ITSD and the FSA technology funds
    - Documentation of functions for ITSD units
    - Documentation of key functional processes including the systems inventory, Service Development Life Cycle, and IT Project Matrix
    - Personnel time spent performing core functions by grade and by division
    - Customer population
    - Number, value and vendor names for contracts
    - Interagency agreements with service providers such as USDA-ITS
- Follow-up interviews to clarify data collected, as needed

Working sessions conducted during the Organizational Assessment focused on the consolidation and comparison of data collected across FSA organizations. Particular attention was given to ITSD's interrelationships with Farm Programs, Farm Loan Programs, Commodity Operations, Office of Budget and Finance (OBF), Human Resources Division (HRD), State Offices, County Offices, and the USDA Office of the Chief Information Officer (OCIO).

Summary of Findings and Recommendations

Finding #	Finding	Recommended Action	Business Case Highlights
1	FSA lacks a strategic vision of Information Technology that drives mission, goals, processes, and actions.	FSA needs to assume a strategic vision of IT which drives the ITSD mission, goals, processes, and actions, which in turn will yield a more effective and efficient IT organization.	All Short Term Implementation (6-12 months) More efficiently-developed systems, fewer redundancies, reduced costs.
1.1	ITSD does not currently have a strategic plan.	Develop an IT Strategic Plan.	
1.2	FSA lacks an enterprise view of its business processes and technology systems supporting them.	Develop an Enterprise Business/IT Architecture that depicts the business and IT relationships of major IT initiatives.	
1.3	ITSD does not use process improvement tools.	Improve the quality and efficiency of ITSD products by implementing an enterprise-wide standard: CMMI at level 2 and Lean Six Sigma (LSS) to improve software development.	
2	ITSD and Business Owners are not acting in a collaborative manner, which assures accountability and traceability.	Adopt a service-oriented organization to establish structures and processes in FSA that forge collaborative relationships across IT and business organizations.	Short Term Implementation (6-12 months) 20% cost reduction in software development.
3	The ITSD organization is not optimally structured to act as a modern, service-oriented IT organization.	Reorganize FSA ITSD to support a more strategic role for the CIO and to create a larger focus on IT strategy within the organization.	Short Term Implementation (6-12 months) Ensures the CIO is focused on strategic issues and transforming ITSD Improved efficiency
3.1	ITSD's organization does not support a strategic focus for the CIO.	Assign the Deputy CIO line responsibility for daily IT operations in KC. Transfer responsibility for strategy from BAO to AMC. Move CITSO to OTC. Transform PMO into a Project Management Center of Excellence.	

Finding #	Finding	Recommended Action	Business Case Highlights
3.2	ITSD's organization does not support a service-oriented environment.	Elevate security function under CIO to increase strategic focus on IT security. Reorganize ITSD to better align units with customer needs. Divide ADC into two offices, aligned by COTS/shared services and in-house development. Dissolve GIEMSC as currently configured. Move Geospatial and EMSO functions to ADC. Training functions of DASO absorbed by AgLearn/ USDA Grad School.	Short Term Implementation (6-12 months)
4	ITSD staff currently lack the competencies needed to support a more strategic role and improve service delivery in a modern, service-oriented IT organization.	ITSD needs a workforce transformation. Develop an ITSD workforce plan with specific strategies to close competency gaps. Focus on service-oriented and strategic competencies, as well as technical ones.	Short Term Implementation (6-12 months) Prepares ITSD critical staff with the technical competencies needed to be successful in the modern IT world.
5	FSA's IT infrastructure is fragmented and inefficient, limiting the flexible deployment and use of IT staff. There is also the potential of catastrophic failure of IT legacy systems.	FSA must dedicate effort and resources to reducing the number of systems, with specific attention given to migration off of the legacy systems.	Short Term Implementation (6-12 months)
5.1	FSA IT is spread across four computing platforms. Specifically, the AS400/36 is technologically obsolete, making continued development on these systems a huge risk.	Unless MIDAS is funded, FSA will need to reprioritize some projects to reprogram resources to expedite migration from the AS400/36, including a contingency plan to replace the AS/400 System 36 systems.	Mitigates risk of potential for a catastrophic failure.
5.2	FSA has too many database management systems (DBMS).	Reduce the number of DBMS systems from five to one or two.	Long Term Implementation (1-3 years)

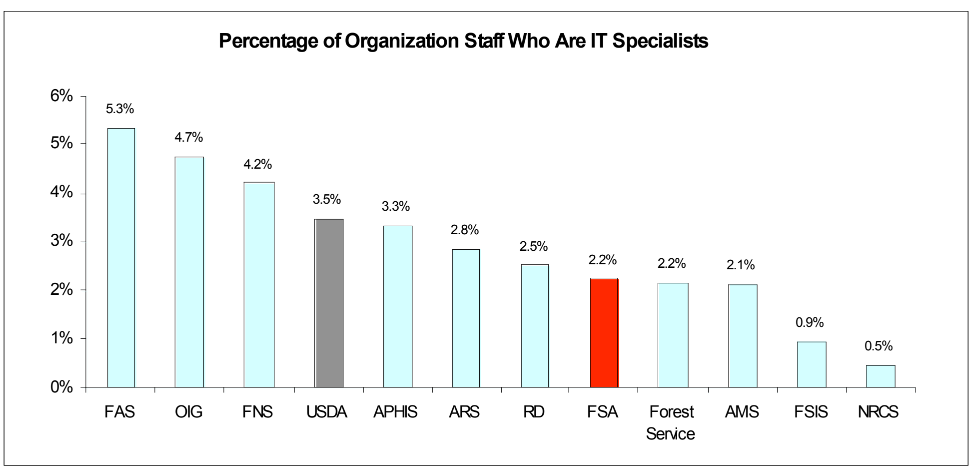
FINDING #	FINDING	RECOMMENDED ACTION	BUSINESS CASE HIGHLIGHTS
6	Help desk support provided to FSA employees by USDA ITS is unsatisfactory.	ITSD must play a greater role in ensuring that customers are provided with adequate service from USDA ITS. – Renegotiate the SLA to improve ITS performance against metrics and targets. – Formalize the current Director of DASO's role as the USDA ITS Liaison.	Short Term Implementation (6-12 months) ITS more accountable for services.

A key question of interest to this Assessment was whether ITSD is appropriately resourced to perform the required work. The KB/FMP team compared the resourcing of information technology at FSA to information technology resourcing at comparable agencies using two different approaches:

1. Number of IT Specialists
2. Funding for IT expenditures

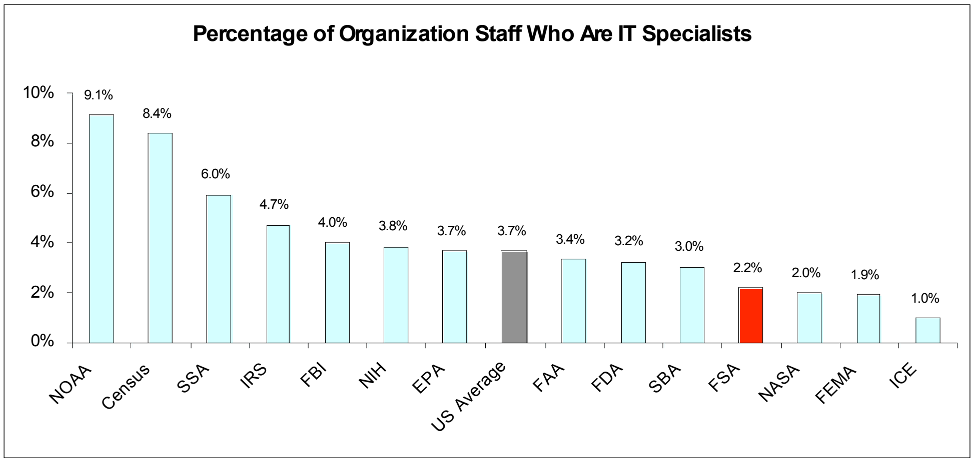
1. **Number of IT Specialists**: Our analysis showed that FSA has one of the lowest ratios of IT Specialists to agency staff of any USDA organization. In fact, ITSD has the same ratio as the Forest Service, which recently completed a Competitive Sourcing process for its IT organization. This holds true when comparing FSA to other sub-cabinet agencies as well. FSA is below the government-wide average of 3.7% for the IT-employee-to-workforce ratio.

IT Staff Ratio Comparison of FSA to Selected USDA Organizations [3]



[3] All data accessed through Fedscope (http://www.fedscope.opm.gov), January 2008.

IT Staff Ratio Comparison of FSA to Selected Government Agencies



2. **Funding for IT Expenditure:** The KB/FMP team also compared the amount organizations in various sectors spend on IT as a percentage of all organizational spending, depicted in the table below.

   FSA spends far less of its agency budget on IT than all categories of organizations studied. FSA's investment in IT as a percentage of budget is less than half of USDA, as well as the average of all federal agencies. FSA's investment in IT as a percentage of revenue is far less than private sector companies in similar lines of business.

IT Spending Comparison of FSA to Government and Financial Organizations *

Sector/Agency	In Billions (FY 2007)		Percentage of Budget/ Revenue on IT
	Total Budget	IT Budget	
*** FSA Budget 2007**	**$30.8**	**$0.3**	**0.93%**
* USDA Budget 2007	$124.0	$2.1	1.69%
* US Government Budget 2007	$2,800.0	$65.0	2.32%
*** Financial Sector*	-	-	*7.80%*
*** Public Sector*	-	-	*4.00%*
*** Government*	-	-	*4.40%*
*** Overall*	-	-	*3.80%*

* Data extracted from FSA, USDA, and US Government documents.
** Forrester Research, Inc. *IT Spending Benchmarks for Very Large Organizations*, 2005.

Due to outsourcing of IT resources, a comparison of IT headcount as a percentage of the organizational headcount is less useful than a comparison of IT spending as a percentage of organizational spending. The table above shows that IT spending varies considerably in different sectors and industries. Comparing the resourcing of IT in terms of headcount and spending provides FSA at best a rough indicator of what FSA should be spending. These indicators show that FSA is at the low end of the scale in terms of IT specialist headcount and spending. If MIDAS is fully funded, FSA IT spending will increase and will become closer to the USDA and federal agency averages.

This data does not definitively support a conclusion that FSA has under-funded IT. However, the data does suggest that FSA should closely examine whether management's expectations for the services IT should deliver are realistic in view of the resourcing it receives. The KB/FMP team makes many recommendations for improvement in ITSD efficiency and effectiveness. Those improvements alone may not produce the improvement in IT services sought by FSA management, unless FSA is able to increase IT funding as well.

With regard to the remainder of its ITSD Organizational Assessment, the KB/FMP team focused not only on the role and responsibility of ITSD, but also the roles and responsibilities of ITSD customers across FSA and their relationship with the USDA OCIO, especially Information Technology Services (ITS) and the National Information Technology Center (NITC). The team found that FSA lacks a strategic vision of Information Technology (IT) that would drive mission, goals, processes, and actions, and therefore, recommends that FSA adopt a strategic vision of a more effective and efficient IT organization.

We also found that ITSD and Business Owners are not acting in a collaborative manner. To counter this, we recommend that FSA adopt a service-oriented organization to establish structures and processes that forge collaborative relationships across IT and the respective business organizations. To become a Service Oriented IT Organization, ITSD and business owners need to establish a new relationship. Rather than acting as an "order-taker", ITSD should become a strategic partner to business process owners. There should be a high level of business owner and end-user engagement with ITSD, from requirements definition through testing and final system operation. Although both ITSD and FSA Business Owners report efforts to form working partnerships, it is clear that considerable room for improvement in their working relationship remains. Business owners and ITSD must have joint responsibility and accountability for systems from start to finish

The team also found that the ITSD organization is not optimally structured to act as a modern, service-oriented IT organization, and proposes that ITSD be reorganized to support a more strategic role for the CIO and to create a larger focus on IT strategy within the organization. Currently, ITSD staff lack the competencies needed to support a more strategic role and improve service delivery in a modern, service-oriented IT organization. The Assessment team recommends that ITSD develop a workforce plan with specific strategies to close competency gaps and focus on service-oriented and strategic competencies, as well as technical ones.

As part of the Organizational Assessment, the KB/FMP team determined whether ITSD was properly placed within the FSA organization. The team recommends that ITSD continue reporting to the Deputy Administrator for Management (DAM). While ITSD performs an important role in FSA, its primary function is to support its internal customers. As an internal service organization, its function is similar to HRD, Acquisitions, and other support organizations that currently report to the DAM. The current state of technology in FSA needs substantial improvement, which will require high level executive oversight and close coordination between ITSD, MIDAS, and the major business units.

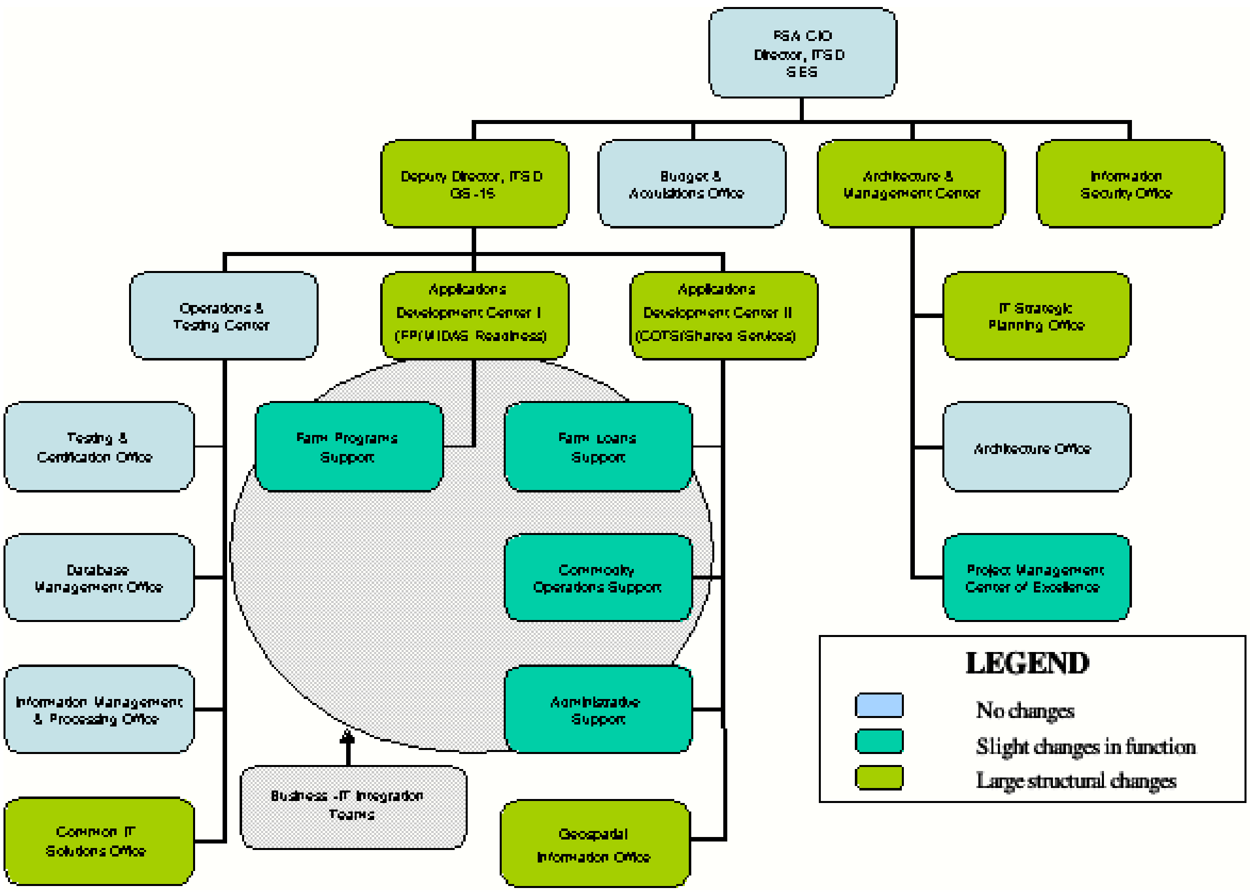
To ensure FSA's success as an agency, we recommend that the FSA CIO have a presence at any FSA senior level meeting, including the Administrator's senior staff meeting, when the subject of the meeting includes a discussion of major policy or strategic initiatives. The purpose of the CIO's "seat at the table" during these meetings is to inform senior executives of the information technology implications of initiatives, including networking, hardware, systems development, resources and impacts on other projects.

Finally, although not directly under the purview of ITSD's control, the team found that Helpdesk support provided to FSA employees by USDA ITS is unsatisfactory. In a customer service survey conducted by the KB/FMP team, managers within the study scope were asked if help desk services are responsive to their needs. Out of 109 managers surveyed, only 44% (less than half) responded "agree or strongly agree". A similar sentiment was expressed by State Office personnel. Although we recognize that this is a performance issue on the part of ITS, ITSD must play a greater role in ensuring that ITS service providers perform satisfactorily by renegotiating its Service Level Agreements and monitoring performance. Stakeholders believe that the metrics currently in place have not supported satisfactory results for customers and that improvements are needed to ensure current agreements drive results.

Associated with this, we determined that oversight responsibility for this function within FSA could be enhanced. Currently, the head of the Desktop Applications Support Office (DASO) has performed this role as an ancillary duty. To assist and structure this effectively, ITSD should consider formalizing the role to ensure ITSD is in-front of any performance issues and can coordinate proactively with the department on resolutions strategies.

Based on these findings and recommendations, the KB/FMP team has proposed the following ITSD organizational structure.

Recommended ITSD Organizational Structure



9.6. Modernize and Innovate the Delivery of Agricultural Systems Initiative (MIDAS)

Organizational Assessment Methodology

The Organizational Assessment of the Modernize and Innovate Delivery of Agricultural Systems (MIDAS) Program included:

- One-on-one interviews with the MIDAS Program Manager (PM) and 20 Information Technology Services Division (ITSD) management personnel using a standard interview protocol.
- Interviews with key managers (via customer interviews) in program and support organizations who use ITSD support and/or who provide business requirements to ITSD, some of whom were involved in the first effort to implement MIDAS
- Collection and review of FSA, program office, MIDAS and ITSD documentation
- Documentation and confirmation of the MIDAS draft organizational charts
- Collection of data related to FSA technology programs including MIDAS-specific documentation around:
  - Core functions
  - FSA technology budgets, including salaries and expenses for ITSD and the FSA technology funds
  - MIDAS funding documents including the OMB-300 business case and supporting documentation
  - MIDAS Concept of Operations
  - Documentation of functions for ITSD units
  - Documentation of key functional processes including the systems inventory, Service Development Life Cycle and IT Project Matrix
  - Customer population
  - Literature search of GAO reviews of major federal agency IT projects
  - MIDAS PM responses to questions about the MIDAS project in relation to GAO-identified 18 best practices for software and COTS products acquisition
- Follow-up interviews to clarify data collected, as needed

Working sessions conducted during the Organizational Assessment focused on the consolidation and comparison of data collected across FSA organizations. Particular attention was given to MIDAS' interrelationships with Farm Programs, Farm Loan Programs, Commodity Operations, Information Technology Services Division (ITSD), Office of Budget and Finance (OBF), Human Resources Division (HRD), State Offices, County Offices, and the USDA Office of the Chief Information Officer (OCIO).

Summary of Findings and Recommendations

FINDING #	FINDING	RECOMMENDED ACTION	BUSINESS CASE HIGHLIGHTS
1	MIDAS PM does not currently have adequate project management support.	Increase number of detailed staff to MIDAS to accelerate planning. – HR staff define staffing strategy and develop Position Descriptions (PD) – Detail Administrative Officer to MIDAS as soon as possible – Recruit a Contract Officer with ERP experience – Once MIDAS is funded, hire a Deputy PM responsible for daily MIDAS operations	Short Term Implementation (6-12 months) This gives FSA the ability to focus on MIDAS organizational design, staffing strategy, and acquisition planning in anticipation of full funding.
2	MIDAS' current reporting does not facilitate close coordination between the MIDAS team and other FSA organizations.	Align MIDAS to report to the Deputy Administrator for Management (DAM).	Short Term Implementation (6-12 months) The DAM will provide oversight to the execution of the MIDAS program and can resolve collaboration issues with other FSA organizations, including ITSD.
3	MIDAS does not have a human capital plan.	Develop a MIDAS human capital plan that identifies the skills needed and the number of key staff required to assure adequate oversight of contractors.	Short Term Implementation (6-12 months) MIDAS is approved for 24 FTE. Having a human capital plan will increase the speed to staff up MIDAS team.
4	Roles and responsibilities between other FSA organizations and MIDAS have not been defined.	Integrate MIDAS with other FSA organizations and processes by following the recommendations for the FSA Service-Oriented IT Structures in the Organizational Assessment of ITSD.	Short Term Implementation (6-12 months) MIDAS will be able to proactively establish a collaborative working relationship with ITSD and Farm Programs
5	FSA currently lacks a robust change management strategy for MIDAS.	Develop a robust change management plan for MIDAS. MIDAS should continue to use Lean Six Sigma to modernize FSA business processes.	Short Term Implementation (6-12 months) This will allow for early identification of organizational impacts of MIDAS and decrease the time to integrate change into operations.

The goal of the Organizational Assessment was to identify how FSA can effectively position itself to integrate and implement MIDAS within the agency once funding is approved. FSA has recognized for some time that it needs to modernize its IT infrastructure to improve service delivery to producers. Although MIDAS is a single FSA IT initiative, it is easily the most complicated and far reaching, due to its:

- Projected life cycle cost (almost $500 million)
- Need for FSA to manage the project without interagency support
- Complexity of business processes, (60 to 70 unique business rule sets)
- Scale of its operations (about 20 million transactions per year)
- Number of potential non-government users (1.5 million to 2 million benefit recipients).

The vision is to create a program delivery system that allows farmers and ranchers to interface with FSA and access their accounts from anywhere, utilizing an internet-based, self-service delivery channel, 24x7, 365 days per year. This vision also seeks to provide a service delivery environment that encompasses the simplicity of web-based retail business, while being able to manage an enormously complicated, high volume back office business. The objectives of MIDAS are consistent with President's Management Agenda initiatives of expanding electronic government and improving financial performance.[4]

The Deputy Administrator for Farm Programs (DAFP) is the business owner for MIDAS and in that role, completed the overarching vision for the initiative in 2004. The DAFP organization has worked continuously over the last four (4) years to implement MIDAS and eliminate inefficient business processes and obsolete technology that are identified. MIDAS targets the replacement of 217 computer applications including six (6) different disbursement applications for over 100 Commodity Credit Corporation (CCC) program benefit payments.

FSA began the implementation of MIDAS using its traditional IT systems development approach of deploying web-enabled applications using JAVA programming language. This initial effort was not completely successful and rather than press ahead in the face of the difficulties it encountered, FSA and USDA retained Booz Allen Hamilton, Inc. to conduct an Independent Verification and Validation (IV&V) study of MIDAS. FSA completed an alternatives analysis of various options for implementation, leading to the conclusion that instead of using a JAVA-based, custom code application for MIDAS, it would be more cost effective for FSA to acquire a commercial-off-the-shelf (COTS) software product. In addition, FSA completely reorganized the management of MIDAS by creating a separate Project Management Office (PMO) outside ITSD and DAFP, reporting to the Administrator of FSA. To assure that the PMO would take fresh look at the implementation, FSA reached outside the agency to hire a project executive who has extensive private sector experience in managing large scale, technically complex projects for federal agency clients.

The KF/FMP team concludes that FSA is now on the right track with MIDAS, but has identified findings and recommendations to help ensure the program stays on the right track. The decision to use COTS software instead of custom code will produce a better, more reliable system in less time. In addition, the COTS software vendor can be expected to improve the product over time at much

[4] Office of Management and Budget. *The President's Management Agenda*, FY2002.

lower cost to the government, as it can spread the cost of enhancements over a multiple customer base. The government will receive the value of embedded commercial best practices in the solution it selects. The KB/FMP team also believes the acquisition strategy, which calls for a lean staff of employees leveraging a contractor staff to configure the COTS product makes great sense. As our study of the Information Technology Services Division shows, FSA's IT organization has resource constraints which would have made it extremely difficult to proceed with MIDAS as a custom code application.

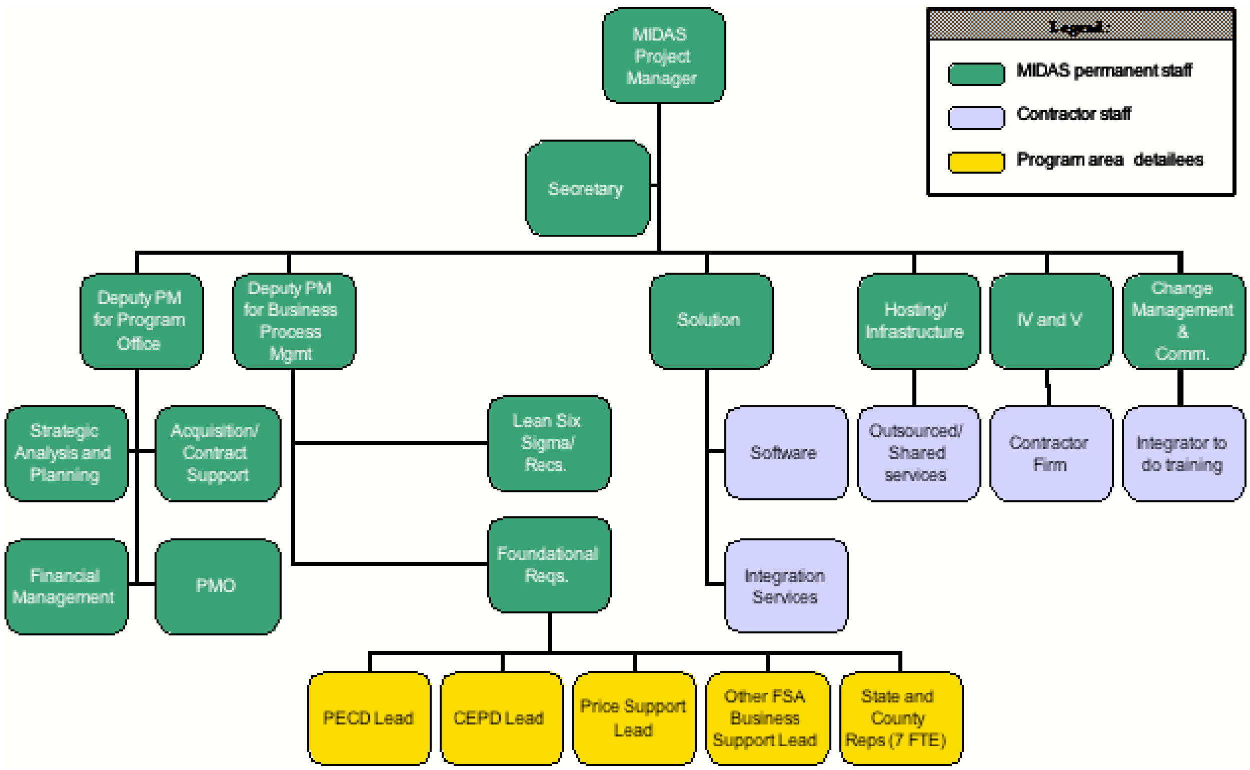
It is our contention that FSA made the right decision to create an independent PMO to pull together the various parts of FSA, but concluded that the MIDAS Project Manager does not currently have adequate project management support, nor does it have a human capital management plan that identifies key staffing and skills needed to ensure adequate staffing. The MIDAS organization currently consists of the Program Manager and five (5) FTEs. MIDAS management projects needing 19 additional positions to be fully staffed. As a critical step, we recommend developing a plan that specifically identifies short and long term staffing needs, skills and competencies (a key competency is contract administration). The human capital plan should also address how FSA executive leadership and MIDAS program leadership will detail staff from the various FSA organizations (e.g. Farm Programs, STOs, ITSD) to augment this effort.

The Assessment team also found that roles, responsibilities and interrelationships between MIDAS and other FSA organizations (e.g. Farm Programs, ITSD), which will be critical to success, have not been defined. To remedy this, the team recommends that MIDAS integrate with other FSA organizations and processes by following the recommendations for the FSA Service-Oriented IT Structure in the Organizational Assessment of ITSD. Additionally, the KB/FMP team recommends that the MIDAS Project Manager attend the Administrator's senior staff meeting to better conduct an exchange between various FSA components when applicable issues and discussion points are raised.

Finally, FSA currently lacks a robust change management strategy for MIDAS. Having attempted multiple initiatives of this nature before, FSA requires a robust change management plan in order for MIDAS to successfully complete this initiative. MIDAS should continue to use Lean Six Sigma to modernize FSA business processes.

Based on these findings and recommendations, the KB/FMP team has proposed the following MIDAS organizational structure.

Figure 1.1 – Recommended MIDAS Organizational Structure



9.7. Human Resources Division (HRD)

Organizational Assessment Methodology

The Organizational Assessment of the Human Resources Division (HRD) included:

- One-on-one interviews with HRD management, using a standard interview protocol:
  - Director HRD
  - 6 HRD branch managers and 2 section chiefs in Washington, DC (WDC)
  - HR Office Chief in Kansas City (KC)
  - 3 section chiefs, the Diversity Manager, the HR specialist overseeing special project initiatives in Kansas City, and the HR Assistant responsible for retirement counseling and briefings
- Group interviews with 29 HRD employees in WDC and KC
- Interviews with 24 customers, including State Administrative Officers
- Interview with Deputy Administrator for Management
- Interviews with two Department Managers - Director of Office of Human Capital Management, and Special Assistant for PMA
- Visit to State Office in West Virginia to interview Administrative Officer (AO) and his staff
- Collection and review of HRD documentation, including HRD's internal Organization Review, dated February 2007
- Collection of data related to HRD:
  - Core functions
  - Personnel time spent performing core functions by grade and by division
  - Customer populations
  - Contracts with external entities
  - Workforce profiles
- Customer satisfaction survey issued to HR customers
- Follow-up discussions to clarify data collected, as needed

Summary of Findings and Recommendations

Finding #	Finding	Recommended Action	Business Case Highlights
1	HRD needs an increased and more robust focus on human capital management and strategic planning.	Establish a human capital governance structure to develop principal elements and priorities of the Human Capital Strategic Plan *(also noted in Strategic Human Capital Report).* Establish new Strategic HC Initiatives & HR Policy Branch to own development, execution, and progress reporting of HC Strategic Plan.	Short Term Implementation (6-12 months) Ensures agency has long-term vision and map with key challenges to be addressed and how the agency will address those challenges through targeted goals. Separates operational activities from HCM and policy functions and ensures coordination between two.
2	HRD needs improved oversight of day-to-day operations and needs to emphasize building a cohesive team between KC and DC locations.	Establish a Deputy Director position located in DC which is <u>fully empowered</u> as a HRD COO. *Note: Lead position in KC (Chief for KC) would no longer serve in KC Chief role. Deputy assumes day-to-day management role of 3 branches.*	Short Term Implementation (6-12 months) Ensures director can focus on vision and strategy to move HRD forward. Ensures continuity of leadership. Allows for quick turnaround on decision-making since it will not rest only on one person.
3	The current HRD structure is confusing to customers (HQ/field) because it lacks clear line of sight and functional alignment.	Restructure HRD to "one stop shop" with clear line of sight for functions. Create 4 major branches *(from 7)* • Employee & Management Services • Operations and Payroll • Information Systems • Strategic Human Capital Initiatives & HR Policy Conduct detailed workload and staffing analysis to further determine efficiencies. Create web-based position description (PD) library and merge KC/DC HRD websites into one national office site.	Short Term Implementation (6-12 months) Improved functional alignment will provide customers with clearer understanding of where to go for help; enhanced clarity for staff responsibilities. Significant improvement in clarity of functions will eliminate potential duplication across functions.

FINDING #	FINDING	RECOMMENDED ACTION	BENEFITS HIGHLIGHTS
4	Customer relationships are not effectively managed and no formalized customer service feedback mechanism is in place.	Create a Customer Relationship Management culture by: • Identifying a point of contact (POC) in each function that can serve as a "Customer Relationship Manager" for business units and external agencies • Establishing base service level agreements (SLA) and key performance measures for all employees with HRD • Seek formal customer feedback on a quarterly basis Establish HRD Dashboard to track and communicate progress against goals.	Short Term Implementation (6-12 months) Improved customer satisfaction and improved understanding of where relationship issues lie. Focus on metrics and performance against them will lead improvement strategies, prioritization for resources and budget allocations. Operational excellence can lead to new customers.
5	HRD focuses more on operational tasks rather than acting as a strategic business partner; yet heavy transactional activities are not effectively streamlined.	Transition HRD in NHQ to focus on HC vision, strategy, policy, development, HR consultant / advisor role and special initiatives. Begin full study and planning to transition operational and transactional services to shared services environment.	Long Term Implementation (1-3 years) Savings of 30 % (minimal) are considered industry standard for cost savings when moving operations to a shared services environment. Increase in accuracy, consistency and efficiency. Elevates HRD's role in FSA's success.

In the last several years, OMB, OPM and cabinet-level agencies have pushed HR organizations to shift towards an increased focus on the strategic management of human capital. In order to achieve this transition, HRD must transform itself into an organization that can add long-term value in planning, measurement, and human capital management.

Our findings validate the need for HRD to focus on strategic issues facing the agency. The current operations of HRD are mostly transactional in nature with staff focused on short-term outputs with traditional HR approaches and processes. A common theme from FSA managers interviewed across the board was that HRD adds little value in strategy and long-term human capital planning. This is a phenomenon that is not unusual in government or unique to FSA. In heavily transactional organizations, it is a significant challenge to change the culture to become a more strategic and forward thinking environment.

In order to achieve this transition, HRD must transform itself into an organization that can add long-term value in planning, measurement, and human capital management. FSA and HRD leaders must clarify and align the strategic direction and inspire action to ensure HRD evolves into an organization that contributes to the agency's business objectives.

Several key action items are recommended to aid in the transformation process:

- Establish a human capital governance structure to develop principal elements and priorities of the Human Capital Strategic Plan (HCSP). KB/FMP is proposing the establishment of a Human Capital Council comprised of top leadership across the organization. The Council, in partnership with HRD, will set priorities that guide attainment of mission critical goals.

- Because no formal and adequately staffed organization for overall HC strategic planning currently exists, KB/FMP proposes establishing a new Strategic Human Capital Initiatives and HR Policy Branch in HQ responsible for the development, execution, progress reporting, on the FSA Human Capital Strategic Plan and measurement associated with the President's Management Agenda and HCSP

The HRD Director leads a large, diverse, and geographically dispersed workforce providing services to two sub-Cabinet level Department agencies, in addition to the FSA federal workforce population. The scope and tempo of the job, as well as the current structure does not allow the incumbent to focus on vision and strategy. Therefore, the KB/FMP team recommends establishing a Deputy Director Position in DC that is fully empowered to function as the Chief Operating Officer (COO). This position would provide oversight of the day-to-day operations and needs to emphasize building a cohesive team between HR KC and DC locations. This approach is consistent with the current structure of other administrative organizations within FSA (e.g. OBF and ITSD) that have deputy positions established to perform the COO-type role for their respective organizations.

The current HRD structure is confusing to customers (e.g. HQ, field) because it lacks "clear line of sight" and functional alignment. In interviews with customers across FSA, a consistent theme emerged that customers didn't know who to go to for help and they had to deal with several different specialists to resolve an issue (e.g. when filling a position). There was also significant confusion created by the merger of HRD's KC and Washington, DC locations into one HR organization. Managers and staff conveyed their confusion of each location's roles and responsibilities.

In the proposed new structure, the KB/FMP team is recommending a "one stop shop" approach to establish a clear line of sight for functional alignment that will help lessen confusion for customers and staff. At the macro level, the new structure establishes customer entry points for HR assistance organized around four major branches (reduced from the current seven branches). This realignment consolidates delivery of functions by HR specialists (generalists) trained in multiple functions and will streamline processes by allowing a single person to perform functions that previously required distinct steps in different locations.

Development of a planning and implementation roadmap on the realignment is critical and should include a detailed, phased approach to implementing changes. To further streamline processes, the KB/FMP team recommends creating a web-based position description library, and merging the KC and HQ websites into a singular HRD website.

The KB/FMP team was unable to clearly determine the workload allocation and functional breakdown across both HRD locations. Since there is a lack of workload or metrics data, and an in-depth workload analysis was not included in the scope, the team was unable to determine the full story on duplication. Therefore, the KB/FMP team recommends that HRD conduct a detailed workload and staffing analysis to identify areas for further efficiency.

Placing a temporary hiring freeze on all current and future vacant funded positions can lessen the impact of potential FTE shifts required as a result of the workload analysis and aid with placement for affected employees. (Hiring of deputy would be exception.) Commitment to the communication of this new structure and the clarification of roles and responsibilities for customers and stakeholders will help to alleviate the short term disruption and anxiety.

The Assessment determined that HRD's customer relationships are not effectively managed and no formalized customer service feedback mechanism is in place. Customers and HRD have a different understanding and expectation of service delivery levels. In interviews, customers complained of a lack of responsiveness from HRD (e.g. basic return of calls and e-mails). In addition, customers said that feedback is not sought in a continuous, formal manner.

To address these basic customer service delivery issues, HRD should establish base service level agreements (SLA) with customers to ensure mutually understood measures of success and increase the focus on accountability. Associated with this, the organization should seek customer feedback on a quarterly basis and establish a dashboard to track and publish progress.

- For the short-term, to ensure this critical area receives the focus and attention necessary for correction, the KB/FMP team recommends that HRD identify a point of contact (POC) in each function to serve as a "customer relationship manager" for major customer business units

As noted, operational excellence is the gateway to a strategic relationship between HR and its business customers. Before HRD can be viewed as a strategic partner, it must first address the significant gaps in its ability to provide excellence to its customers.

Finally, interviews with customers consistently expressed a clear need for a more consultative service from HRD and the desire for HRD staff to learn its customers' business in order to better support the execution human capital management strategies. In the customer survey conducted by the KB/FMP team in February 2008, only 47% of managers surveyed indicated that HR was a valuable strategic asset that helped them achieve business goals. The HRD organization would need to transition more fully to an organization that concentrates as counsel to its customers and executor of the HCSP strategy. To achieve this, HRD needs to transition applicable operational activities to a shared services environment.

Recent studies suggest that transitioning to a shared services environment can yield at least 30 percent savings long term.[5] The KB/FMP team validated this further when in benchmarked against the Forest Service and NASA – two agencies that recently implemented an administrative centralization effort (see Benchmarking Report, *Appendix 3*). It is also important to note that both

[5] SAP, 2007 Shared Services Conference, *The 20th Anniversary of Shared Services: The Paths Not Taken and the Road Ahead.*

agencies invested a significant amount of dollars and resources up front prior to realizing cost savings and conveys several lessons learned for FSA consideration prior to any implementation.

Three centralization or shared services options are provided below for consideration and future study:

POTENTIAL OPTION	BENEFITS
1. Regional Centers • Move all transactional and operational functions performed by NHQ DC and KC to one of the 5 State Regional Centers • Service NHQ staff out of one of the 5 established Regional Centers, for transactional and operational functions only • *Note: recommend HRD and STOs conduct a joint study to further flesh out this option*	• Operations functions will be performed to support the States by regionalized HR functions • HQ retains small staff of HR representatives to serve in advisory/consultant roles on operational functions • Ensures HRD DC can focus on mission and future work with HC Governance Committee enabling HRD to operate more strategically
2. Government Shared "Center of Excellence" • Identify specific transactional and operational functions in DC and KC, and move to a government shared "center of excellence" • Handle in phased approach through attrition	• Support OMB and OPM shared services strategy • Transactional functions performed by a GS-11 in DC or KC can be performed more efficiently and at a salary savings in West Virginia
3. Kansas City HRD Operations Center • Move transactional and operational functions in DC to KC • Focus KC on operations and DC on strategy and policy • Maintain lean staff in NHQ DC location; most HRD staff would be located in KC	• Ensures HRD DC can focus on mission and future work on HC Governance Committee, enabling HRD to operate more strategically

9.8. Office of Budget and Finance (OBF)

Organizational Assessment Methodology

The methodology used during the Assessment of FSA's Office of Budget and Finance (OBF) organization included:

- Visits to the Budget and Financial Management Divisions' Headquarters (in Washington, DC and Alexandria, VA, respectively) and to the Financial Management Division (FMD) locations in Kansas City, MO and St. Louis, MO.
- One-on-one interviews with 43 staff members as follows:
  - Director – 1
  - Division Directors – 2
  - Branch Chiefs (Bud) – 2
  - Section Chiefs (Bud) – 3
  - Center Chiefs (FMD) – 4
  - Office Chiefs (FMD) – 13
  - Group Chiefs (FMD) – 16
  - Other - 2 (Dana Sullivan and Don Stonecypher)
- Group interviews with:
  - 2 FMD focus groups in Kansas City (14 personnel)
  - 2 FMD focus groups in the DC area (19 personnel)
  - 1 Bud focus group in the DC area (8 personnel)
  - 2 FMD focus groups in St. Louis (17 personnel)
- Interview with United States Department of Agriculture (USDA) Chief Financial Officer / Chief Information Officer, Chuck Christopherson
- Collection and review of documentation
- Documentation and confirmation of organizational charts
- Interviews with 18 OBF customers
- Online survey of OBF customers to gain quantitative data
- Follow-up interviews to clarify data collected, as needed.

Summary of Findings and Recommendations

Finding #	Finding	Recommended Action	Business Case Highlights
1	Actions can be taken to enhance coordination of current Internal Controls (IC) governance structure.	Formalize the IC governance structure. Establish new IC Division reporting to FSA CFO. Establish Oversight Board. Establish IC working group to implement IC policies and procedures.	Short-Term Implementation (6-12 months) Enhanced focus and coordination Decrease time to eliminate deficiencies
2	Process linkages to BPMS are "owned" by Strategic Planning and Evaluation Staff (OBPI-SPES).	Move SPES (PPM) Branch to a newly created OBF Division reporting to the CFO called "Strategic Planning and Performance Integration." Unite BPMS PMO under this structure as well.	Short-Term Implementation (6-12 months) More efficient coordination, measurement and reporting expertise, further drive down of strategic goals into business and personnel plans
3	Financial Management policy guidance is not issued in a timely fashion.	Establish a policy issuance project plan to identify policies and Standard Operating Procedures to be issued by priority, and assign responsibility and milestones for completion. Assign owner to track and report on progress. Contract for support until FSPDC is fully operational (but set target date to transition off contractor support).	Short-Term Implementation (6-12 months) Faster issuance times, timely payments to producers, enhanced accountability
4	FMMI strategy has not been clearly communicated to or understood by all stakeholders.	Establish a strong FMMI Governance structure. Establish review team and involve stakeholders in Assessment of progress.	Short-Term Implementation (6-12 months) Cost avoidance, improved processes, mutually understood vision

The KB/FMP team found that generally, the current organizational structure for delivering budget and financial management services is effective. Therefore, findings and recommendations for OBF focus on critical areas that require enhanced coordination and focus. The Organizational Assessment found that while currently the Internal Controls (IC) management structure is generally effective in identifying weaknesses, actions can be taken to enhance coordination and strengthen critical functions. Such actions could include formalizing the Internal Controls Governance Structure; establishing a new IC Division reporting to FSA CFO by consolidating FMD and the portions of OBPI responsible for internal controls activities; establishing an Oversight Board to provide executive leadership, commitment, and oversight for FSA's internal controls program; and finally, establishing an IC working group to implement IC policies and procedures, and monitor corrective action plans. The team also found that the Budget and Performance Management System (BPMS) implementation is set to provide FSA with a robust tool for linking cost and performance data, but significant process linkages are owned by the Planning and Performance Management Branch, an operating unit with the Office of Business and Program Integration. To connect the resources that are fully responsible for linking budget and performance, the KB/FMP team recommends that FSA move SPES PPM Branch into the OBF organization; specifically to a newly created OBF Division reporting to the CFO, to be called Strategic Planning and Performance Integration, which will also unite the BPMS Project Management Office staff under this structure.

The Assessment team also found that Financial Management policy guidance is not issued in a timely fashion mostly due to resource shortages and current resource allocations. OBF has recently taken steps to help resolve this in the accounting policy arena by reassigning two personnel to this function. To ensure proper focus on financial policy issuance, which has a direct correlation to how quickly producers receive payments, the team proposes that OBF contract for support until the office that is primarily responsible for this function – the Financial Systems and Program Delivery Center – is fully staffed and operational. We also recommend developing a project plan for documenting policy and standard operating procedures for all policy functions. The plan would list action items by priority, assign responsibility, schedule milestones for issuance, and track progress in issuances.

Finally the team found that the Financial Management Modernization Initiative (FMMI) strategy has not been clearly communicated to or understood by all stakeholders. To appropriately prepare all stakeholders for this significant initiative, FSA should establish a strong FMMI Governance structure and a review team to involve stakeholders in the Assessment of progress, and establish Independent Verification and Validation (IV&V) to validate readiness and system functionality.

9.9. Office of Business and Program Integration (OBPI)

Organizational Assessment Methodology

The Organizational Assessment of the Office of Business and Program Integration (OBPI) consisted of the following activities:

- One or more interviews with all nine (9) OBPI management personnel and one (1) former manager.
- Four focus group interview sessions with 27 employees representing a cross-section of all four (4) divisions within OBPI, using a standard interview protocol
- Collection and review of organizational charts, laws, regulations, documentation and internal notices and procedures related to the OPBI mission and functions
- Collection, review, and analysis of other documents related to core business functions, time spent performing the essential elements of core functions; customers, and stakeholder populations
- One or more interviews with OBPI management to clarify data or add information as needed

Summary of Findings and Recommendations

FINDING #	FINDING	RECOMMENDED ACTION	BUSINESS CASE HIGHLIGHTS
1	Current OBPI components are not strategically placed or organizationally aligned within FSA to optimally deliver services.	Realign components strategically within the agency.	Short-Term Implementation (6-12 months) Estimated savings, improved functional alignment
1.1	Current location of SPES function inhibits efficient coordination of strategic development and external reporting.	Move SPES branches staff to two newly created OBF Divisions, reporting to the CFO.	Short-Term Implementation (6-12 months) Enhanced coordination, focus, and subject matter expertise; aligns with intention and guidance of Government mandates
1.2	Current system for monitoring and enforcing post review action plans is ineffective.	Reconstitute ORAS as new Office of Program Accountability (OPA), reporting directly to the Associate Administrator for Management. Conduct workload and staffing analysis of County Operations Reviewers (COR) activities to determine appropriate reporting structure and identify opportunities for improvement.	Short-Term Implementation (6-12 months) Creates ownership for enforcement; reduces conflict of interest potential; provides a proactive "early warning" notice to Administrator on financial compromises or failures

Finding #	Finding	Recommended Action	Business Case Highlights
1.3	Appeals and Litigation current organizational placement adds unnecessary levels of management and inhibits ability to maintain tight deadlines.	Realign Appeals and Litigation as a direct report to the Administrator	Short-Term Implementation (6-12 months) Formalizes the appropriate process for conducting these activities Reduce turnaround time and decision making on items of critical importance to avoid unnecessary penalties to the agency
1.4	Current placement of National Outreach function indicates lack of clear mission and engagement with field, which has resulted in ineffective program results.	Realign National Outreach function under Office of External Affairs. (interim basis) Conduct in-depth study to determine final permanent placement, including but not limited to: • Detailed analysis of values, vision, mission, staffing • Relationship with field staff • Linkage with OCR mission	Short-Term Implementation (6-12 months) Increased visibility, coordination, and collaboration with other FSA organizations working with socially disadvantaged farmers Consolidation of organizations with similar missions (Outreach shares similar communications mission as External Affairs) Allows agency leadership to engage the organization in measuring resources and commitments to serving “underserved” populations

The review of OBPI found that current components are not strategically placed or organizationally aligned within FSA to optimally deliver services. This finding is not associated with performance; with few exceptions, agency stakeholders expressed their satisfaction around the services provided by OBPI. Rather, the rationale associated with these changes is meant to increase focus, access and coordination.

The realignment initiated in 2002 by the former Administrator in an effort to decrease the span of control to that office and to create a central hub for collecting and reporting on the agency’s performance has resulted in an ad hoc placement of these functions under a singular (parent) organizational. This structure has contributed to decreased morale. Several OBPI staff expressed concern that the placement lessens the significance of their respective missions. Interviewees, both within and outside of OBPI, noted the perception that data calls were uncoordinated and that different organizations within FSA responsible for managing reporting requirements were asking for "different cuts" of the same data.

The proposal includes moving the Strategic Planning and Evaluation Staff to two newly proposed divisions within the Office of Budget and Finance: the Internal Controls Division and the Strategic Planning and Performance Integration Division. The goals of this consolidation are to enhance coordination to ensure corrective action plans are effectively implemented to eliminate material weaknesses and deficiencies, and to create a deeper linkage between strategy, budget and performance

The team also found that while recent changes had occurred to better coordinate outreach activities at NHQ and in the field, stakeholders felt the current strategy could be improved to connect with underserved farming and ranching populations. As such, KB/FMP team recommends realigning the National Outreach and related NHQ functions to External Affairs/Public Affairs on an interim basis, and simultaneously conducting an in-depth study to define a comprehensive National Outreach strategy, determine roles and responsibilities, and identify the final permanent placement for the function.

As a result of the Assessment, the KB/FMP team recommends redirecting the reporting relationship of the Appeals and Litigation division to the Office of the Administrator. This realignment will formalize the direct access this function needs to the Administrator to ensure that appeals and litigations are filed timely.

Finally, we believe that reconstituting the Operations Review and Analysis Staff as the new Office of Program Accountability (OPA), reporting directly to the Associate Administrator for Operations and Management will improve the current system for monitoring and enforcing state and county office compliance with plans to improve operations and implement internal controls procedures. To augment this, the team recommends FSA grant OPA enforcement authority over these activities and conduct a workload and staffing analysis of County Operations Reviewers (COR) activities to determine appropriate reporting structure and identify opportunities for improvement. As addressed similarly with the DAFP PORO office recommendation, the team believes that a critical success factor for implementing this proposed change is to carefully establish OPA's review activity focus to ensure it has a precise role and responsibility relative to the charters of other organizations and staff responsible for monitoring and oversight of post-review correction action plans.

10. Strategic Human Capital Findings

The Strategic Human Capital Report contains a profile of the FSA workforce that serves as a starting point for identifying skill gaps and recommending solutions for identified workforce planning challenges. This data shows that expected attrition will create significant gaps in FSA's workforce, especially in the loss of leadership and mission critical skills occupations. An analysis of trend data and future projections show that FSA is expected to lose over 2000 employees over the next five years. Almost half of the project loss will be due to projected retirements alone. Over 40% of current employees in mission critical occupations will become eligible to retire. Examples of FSA's mission critical occupations include Agricultural Program Specialist, Program Technician, Farm Loan Specialist, and IT Specialist. Other workforce gaps will be created by the loss of leadership personnel and the emergence of new skill requirements, such as analytical skills and Information Technology skills.

The workforce data, along with the research and interviews conducted in the course of the FSA Organizational Assessment, point to the immediate need for planning and development and implementation of strategies to prepare for this expected workforce transition.

The Human Capital Report (Appendix 1) contains detailed recommendations on strategies to meet these workforce challenges, including an increased focus on the strategic management of FSA's human capital. The following recommendations speak to the structural changes recommended to ensure necessary precision focus on recruiting and retaining the right talent quickly:

1. Increase role for the Deputy Administrator for Management (DAM) to serve in a dual role as the agency Human Capital Officer (DAM/HCO).

2. Establish formal Human Capital Governance:
   - Establishment of an FSA Human Capital Council chaired by the DAM/HCO with the membership of top SES leaders, or designees, in the organization. The goals of this governance council will be to set the agency priorities, and ensure leadership plan, implement and measure the accomplishment of those priorities. The Human Resources Director would act as a key advisor to the Council.

3. Transform HRD to be a more strategic partner with customers vs. a transactional organization. The transformation includes the establishment of a new branch called the "Strategic Human Capital Initiatives and HR Policy". This branch would act as key support to the Council and own the development, execution and progress reporting of the Human Capital Strategic Plan.

   The KB/FMP team recommends that the Council focus on the following strategies as its first set of priorities for the next year.

   - Review and update current FSA HR Strategic Plan, FY2005-2009
   - Agency-wide training focus with an emphasis on leadership development
   - Succession planning
   - Staffing for new requirements

The rationale and detailed recommendations surrounding each of these strategies is contained in the Strategic Human Capital Management Reports in Appendix 1 of this report.

11. Benchmarking Findings

In addition to the Organizational Assessment completed for those components of FSA within scope, the KB/FMP team also conducted a benchmarking study with federal agencies that have undergone recent transformation efforts and/or have similar structures and lines of business.

The agencies selected and a summary of the findings include:

- **United States Department of Agriculture Forest Service (FS).** Confronted with rising operating costs and declining buying power, the FS introduced a major restructuring initiative called the Washington Office/Regional Office/ Northeastern Area Transformation, later called the Business Operations Transformation Program (BOTP). The primary objective of this effort was to centralize, streamline, and reengineer the Information Technology, Budget and Financial, and Human Resources divisions into a centralized shared services center in Albuquerque, New Mexico. This centralization process occurred over a 4-5 year period and has yielded an estimated annual cost reduction of $99 million.

- **National Aeronautics and Space Administration (NASA).** Looking to reduce costs and maximize efficiencies in several administrative functions, the agency embarked on a comprehensive effort to transition these administrative services from many disparate locations to a centralized location. The National Shared Services Center (NSSC), housed centrally at the Stennis Space Center in Mississippi, officially opened for business in 2006 and offers support services to NASA in the areas of financial management, human resources, information technology, and procurement. NSSC is a public-private partnership between NASA, the States of Mississippi and Louisiana, and a private service provider, Computer Sciences Corporation (CSC). Substantial cost savings, originally estimated at $6.6 million per year (after completion of the 3-year transition period), is now expected to average in excess of $13.5 million per year.

- **Small Business Administration (SBA).** Upon confirmation in the summer of 2006, Administrator Steve Preston initiated a systematic agency reform to respond to areas affected by disaster. By the fall of 2006, Preston personally led a restructuring of SBA's disaster loan process designed to focus on fast response, customer service, and employee accountability and efficiency. As a result of these efforts, SBA successfully centralized 7(a) loan originations in Sacramento, CA and 504 servicing in Fresno, CA resulting in a loan approval average of less than three days at a cost savings of $18 million per year.

In reviewing these organizations, common themes, cross-cutting strategies, and best practices emerged that either contributed to the success of the organizations or revealed lessons learned that could be applied to FSA.

Detailed descriptions of benchmarking findings in relation to each agency studied appear in the Benchmarking report, located in Appendix 3 of this report. However, a high-level summary of shared findings include the following:

Common Themes
- Visible, hands-on, consistent leadership from the top all the way through the organization
- Organizational effectiveness / continuous improvement
- Employee engagement / commitment to employee communication

Cross-Cutting Strategies
- Process integration / technology-driven systems improvement
- Leadership / employee / customer development
- Performance measurement/ performance metrics / balanced scorecard approach

Best Practices
- Cross-functional work teams / subject matter experts
- Business Process Reengineering (BPR)
- Change Management planning, strategies and training
- Communication planning and execution
- Lean Six Sigma

12. Proposed Architecture

As indicated at the beginning of this Executive Summary, the KB/FMP team utilized a fundamentally holistic and integrated framework and approach during its FSA Organizational Assessment. Although the Assessment methodology incorporated in-depth study of individual FSA organizational units (as summarized above), all Assessment recommendations were formulated within the context of FSA as an entire organization. Consequently, although structural changes are recommended for various parts of FSA, these component recommendations are indeed designed to "fit" together to enhance FSA's overall organizational effectiveness and efficiency.

The proposed structure is specifically designed to address those structural deficits highlighted by our Assessment and to create new organizational synergies with respect to key functional dimensions, including FSA's strategic focus and execution, leadership and management capabilities, and human capital objectives.

Notable features of our proposed FSA Organizational Structure include:
- Overall streamlining of FSA structure to reduce administrative complexity
- Functional consolidation of FSA components to produce operational synergies
- Reconfiguration of management structures and reporting chains to optimize managerial spans of control
- Consolidation of administrative field resources to gain operating efficiencies
- Structural refinements to increase organizational accountability and integrity

Of particular note are those structural changes specifically designed to enhance leadership continuity at senior FSA levels through the creation of two key positions, both designated for career/SES incumbents. The role of the federal career executive leadership in part is to assure that the core functions of FSA continue without interruption during political leadership changes that occur during and between Administrations. In addition, continuity in the "core functions" of FSA leads to consistency in implementing long-term vision, collaboration of program areas to work together in mission accomplishment, and effective launch of long-term initiatives and projects that inevitably outlast individuals with short tenures. At the same time, the understanding is dually noted that political appointees play an important role in implementing and driving the agenda of an Administration.

Currently, FSA has two career incumbents on the administrative side of the organizational to provide leadership continuity within administrative operations. These two positions are the Chief Financial Officer (CFO) and the Deputy for Management (DAM). We are additionally proposing that the DAM jointly hold the title of DAM/Human Capital Officer for FSA. However, we do not currently see similar career continuity of leadership on the programs side of FSA's management structure where stability of program planning and operations is also critical. To remedy this deficit, we propose the establishment of a new SES Career Assistant to the Associate Administrator for Programs.

This new executive position could assume the following responsibilities:

- Serve as liaison between the Associate Administrator's office and deputy area leadership and management (e.g. communicating Associate Administrator for Programs strategic and policy directives and providing feedback from respective deputy areas)
- Serve as principal in all Programs strategic planning initiatives and policy planning efforts
- Monitor deputy area Program operations and performance on newly-established Programs metrics
- Monitor adherence to Programs policies and procedures and enforce corrective actions to restore compliance where necessary
- Foster collaboration and cooperation among Programs deputy areas
- Charter and lead Programs Continuous Improvement initiatives – spanning all Programs deputy areas

The team understands the realities of a looming political transition and recognizes that the proposed new executive position could likely be targeted for replacement as new political appointees assume their roles, potentially contradicting the objective behind this recommendation. FSA should carefully consider the implications of this prior to the establishment of the new position.

13. Next Steps

The goal of this study was to generate viable, practical, achievable solutions that FSA leadership could consider for implementation. The KB/FMP team sought to ensure a variety of options were provided to give FSA a "menu" of options, as well as expand thinking to consider new ways to structure the organization and enhance its delivery of programs and services. Some recommendations were focused on providing "low hanging" fruit and some were focused on long-term solutions.

As a critical next step, the KB/FMP team recommends that FSA leadership consider the “menu” of option and begin to formulate a plan for how they will proceed. It is important to note that some of the recommendations contained in this report will require further additional in depth analysis and study prior to implementation. The areas that require further study are specific to those issues identified outside of scope or long-term recommendations that require careful analysis and planning.

Another critical step for FSA leadership will be to communicate the outcome of this Assessment to FSA’s workforce. A common sentiment expressed during our interviews was that managers and employees have a high-level of interest and investment in learning the outcomes of this Assessment and the plans for follow-on actions based upon the findings. We are confident that FSA top leadership understands the importance of such workforce communication and is taking the necessary steps to ensure that a communication plan and process is in place to educate employees regarding the Assessment process and outcomes.

Note that many of the recommendations if implemented will entail a financial investment on behalf of FSA. Although we appreciate the realities of current budget constraints, we also cannot escape that fact that without support from the Department in the form of funding allocations to support change efforts, FSA will face challenges in implementing many of the Assessment recommendations. Certainly some changes contained in this report can be made without significant financial investment; however, implementation of many of the recommendations herein will indeed require substantive financial and human capital investment.

United States Department of Agriculture
Farm Service Agency

The U.S. Department of Agriculture
Farm Service Agency
Organizational Assessment

STRATEGIC HUMAN CAPITAL MANAGEMENT REPORTS
Findings and Recommendations

Final Report
May 30, 2008

KnowledgeBank

Federal Management Partners, Inc.

Appendix 1: Strategic Human Capital Management Reports

1. Workforce Profile

The Workforce Profile includes a variety of demographic and trend data regarding the Farm Service Agency (FSA) workforce to serve as a starting point for identifying skills gaps and possible solutions for these workforce planning challenges. This section includes two primary analyses:

A. **Current Workforce Profile**: The current FSA workforce was examined for the following categories: Workforce Dispersion, Work Status, Appointment Type, Supervisory Status, Grade Dispersion, Age, Gender, and Race & National Origin (RNO).

B. **Staffing Trends and Five-Year Projection Models**: This section provides the following trends and forecasting information: Staffing Level Trends, Separation Trends, and Retirement Trends and Projections.

Data used to analyze the FSA workforce were provided by the Human Resources Division. Workforce demographics were analyzed using a dataset recent as of January 2008. Workforce trends were analyzed using a dataset recent as of September 2007. This dataset includes FY 2002-2007 employee information, updated at the end of each fiscal year. Finally, separation trends, accession trends, and retirement projections were determined using a dataset recent as of January 2008.

For each of the categories, specific focus was given to:

- The FSA workforce as a whole, as compared to the USDA workforce and the Federal government workforce
- The Office of the Administrator (OA) and each of the FSA deputy areas: Deputy Administrator for Commodity Operations (DACO), Deputy Administrator for Field Operations (DAFO), Deputy Administrator for Farm Loan Programs (DAFLP), Deputy Administrator for Farm Programs (DAFP), and Deputy Administrator for Management (DAM)
- Individual offices or divisions of interest to the Organizational Assessment: Information Technology Services Division (ITSD), Human Resources Division (HRD), Office of Budget and Finance (OBF), Office of Business and Program Integration (OBPI), and the State Offices (STO)
- Mission Critical Occupations (MCOs), with specific attention to those with the most employees: Program Technicians (1101), Agricultural Program Specialists (1145), Loan Specialists (1165), and Information Technology (IT) Specialists (2210)
- Metropolitan areas with the largest FSA populations: Washington, DC metro area; Kansas City, MO; St. Louis, MO; and Salt Lake City, UT

1.1. Current Workforce Profile

This section provides an overview of the current FSA federal employee workforce profile (not including the contractor workforce):

- **Workforce Dispersion**
- **Work Status**
- **Appointment Type**
- **Grade Dispersion**
- **Age**
- **Gender**
- **Race & National Origin (RNO)**
- **Supervisory Status**

As of February 1, 2008, FSA has 5,079 employees which are geographically dispersed in five major business units throughout the United States. FSA employs an additional 8,000+ people in the County offices, but these are not federal employees and are thus beyond the scope of this study. The largest business unit is DAFO, with 3,474 employees, most of which are located in state offices. Approximately 98% of the FSA federal workforce is full-time permanent. Over the past five years, FSA has been trending towards a smaller overall workforce.

There have been a few reorganizations over the past five years which have affected the current state of the FSA workforce. First, the Kansas City Administrative Office was completely dissolved between FY 2005-2007. Additionally, USDA formed the Information Technology Services (ITS) organization in 2004 to serve as an in-house provider of IT service and support for USDA employees. Approximately 160 FSA IT Specialists from state offices, the KC Administration office, and ITSD were moved into USDA ITS at that time. In addition, the DAM organizations of Budget (BD) and Financial Management (FMD) were combined in FY 2007 and moved into the Office of the Administrator and renamed the Office of Budget and Finance (OBF).

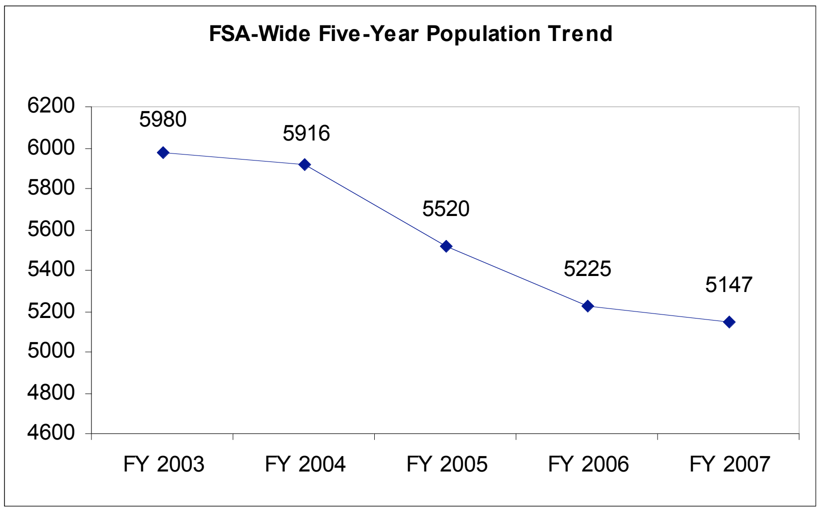
FSA has employees in 73 different occupational series, with ten different occupations designated as MCOs. Approximately 60% of FSA employees are in the GS-11 to GS-13 grade range and another 30 % are in the GS-5 to GS-10 grade range.

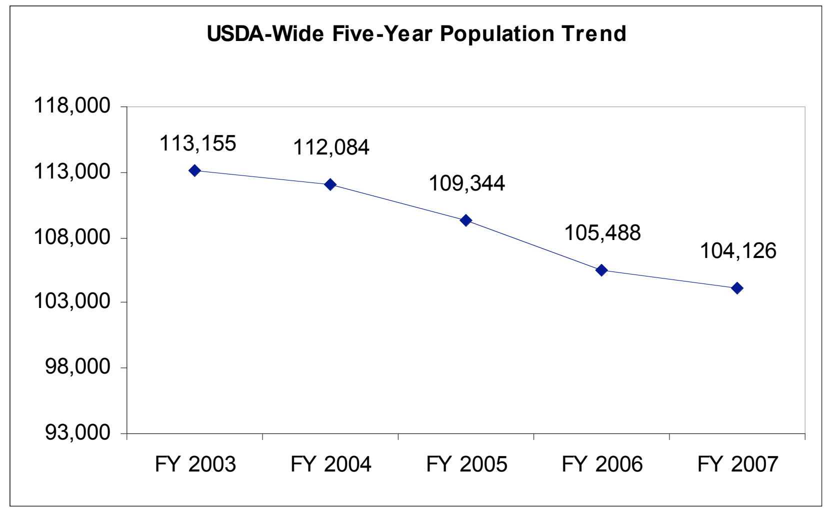
The FSA workforce is diverse in terms of gender, with women comprising 55% of the total population and men comprising 45% of the population. The FSA population is primarily comprised of Whites and African Americans, making up 83% and 11% of the workforce, respectively. The average age of a FSA employee is 48.6.

1.1.1. Workforce Dispersion

A. FSA-Wide

FSA ended FY07 with 5,147 employees on board. As shown in the figure below, the total FSA population peaked in 2003 with a total of 5,980 employees, and then steadily declined, resulting in a 14% decrease in overall staff over the past five years. The shrinking population is due to decreases in available funds. The Department of Agriculture overall has received budget cuts over the past five years, although there has only been a 9% decrease in FTE at the Department level.





B. Business Unit

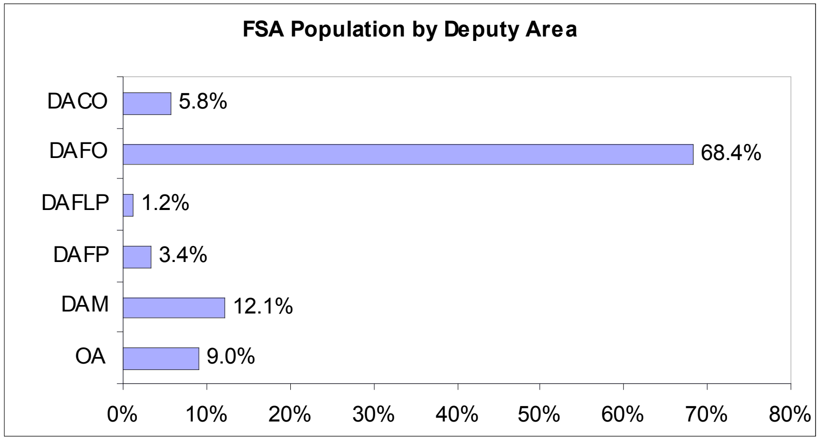
The FSA workforce is dispersed into six major business units, which reside in a multitude of cities across the United States. These business units include the Office of the Administrator and the five Deputy Areas listed below:

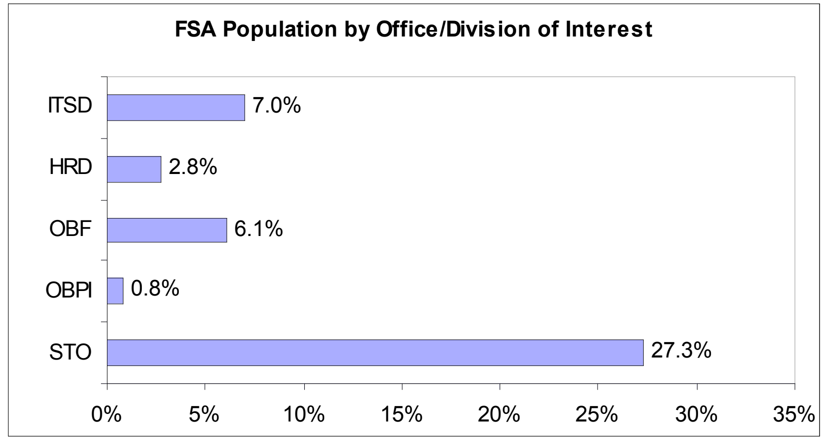
- Office of the Administrator (OA)
- Deputy Administrator for Commodity Operations (DACO)
- Deputy Administrator for Field Operations (DAFO)
- Deputy Administrator for Farm Loan Programs (DAFLP)
- Deputy Administrator for Farm Programs (DAFP)
- Deputy Administrator for Management (DAM)

The largest business unit is DAFO, comprising approximately 70% of the current workforce. DAFO is comprised of approximately 3,500 employees, most of which are located in state and county offices.

In addition to the Deputy Areas, there are five offices/divisions included in the Workforce Profile, as they are included as focus areas in the FSA Organizational Assessment. These include:

- Information Technology Services Division (ITSD): Resides in the Deputy Administrator for Management (DAM)
- Human Resources Division (HRD): Resides in the Deputy Administrator for Management (DAM)
- Office of Budget and Finance (OBF): Resides in Office of the Administrator (OA)
- Office of Business and Program Integration (OBPI): Resides in Office of the Administrator (OA)
- State Offices (STO): Reside in the Deputy Administrator for Field Operations (DAFO), with offices in all 51 states (including Puerto Rico)


FSA Population by Deputy Area
DACO
DAFO
DAFLP
DAFP
DAM
OA
5.8%
68.4%
1.2%
3.4%
12.1%
9.0%
0%
10%
20%
30%
40%
50%
60%
70%
80%


FSA Population by Office/Division of Interest
ITSD
HRD
OBF
OBPI
STO
7.0%
2.8%
6.1%
0.8%
27.3%
0%
5%
10%
15%
20%
25%
30%
35%

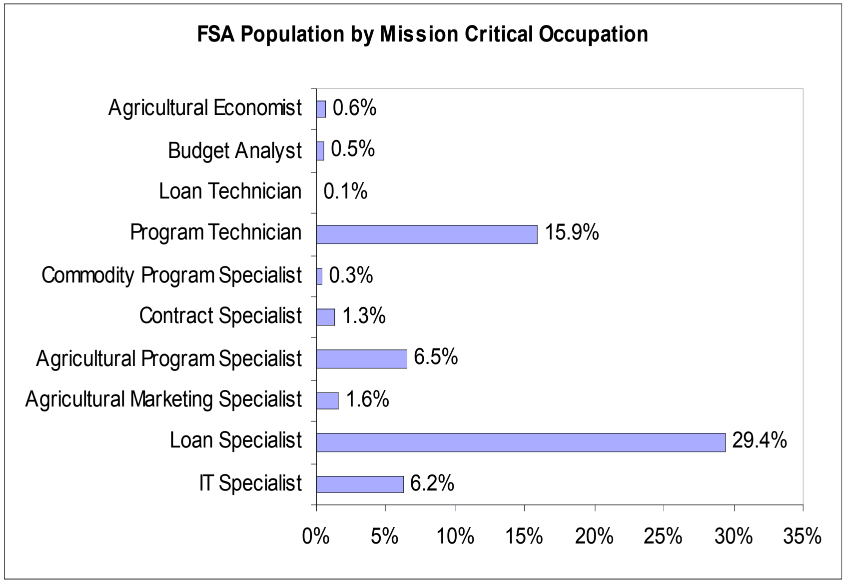
C. Mission Critical Occupation

FSA has employees in 73 different occupational series, with ten different occupations designated as Mission Critical Occupations (MCOs). MCOs are those series or occupations critical to front-line enforcement and direct support to front-line operations needed to meet FSA goals. MCOs also include other high-visibility or key occupations that may significantly impact FSA's ability to accomplish its mission, such as Information Technology Specialists. The FSA MCOs are listed in the chart below. When combined, these ten MCOs make up approximately 63% of the FSA workforce.

In addition to examining all MCOs collectively, this report gives specific attention to four MCOs, as highlighted in orange in the figure below. These four MCOs were chosen as focus areas due to the large number of employees in these jobs within FSA. These four MCOs together make up 58% of the total FSA workforce:

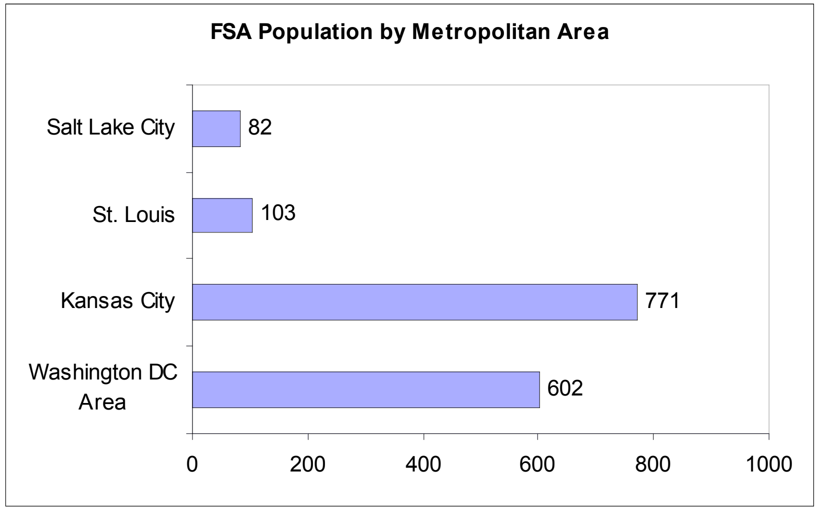
- Program Technicians
- Agricultural Program Specialists
- Loan Specialists
- Information Technology Specialists

Mission Critical Occupation	Series	# of Employees
Agricultural Economist	0110	30
Budget Analyst	0560	25
Loan Technician	1101	6
Program Technician	1101	806
Commodity Program Specialist	1101	21
Contract Specialist	1102	68
Agricultural Program Specialist	1145	330
Agricultural Marketing Specialist	1146	80
Loan Specialist	1165	1494
Information Technology Specialist	2210	317



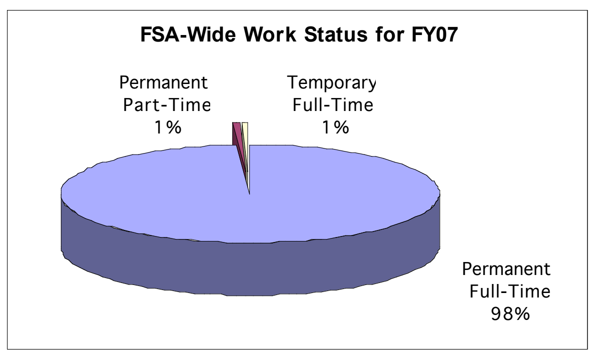
D. Metropolitan Area

Thirty one percent of FSA's total population resides in four major U.S. metropolitan areas. Below are the raw numbers of employees located in those areas.



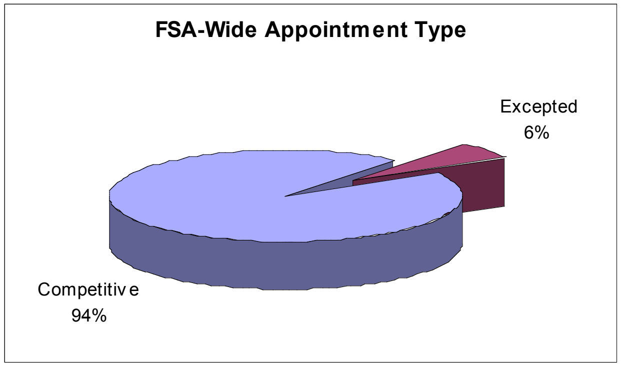
1.1.2. Work Status

As shown in the figure below, approximately 98% of the FSA federal workforce is full-time permanent, with the other 2% split between part-time permanent and full-time temporary. These ratios have not changed over the last five years.



1.1.3. Appointment Type

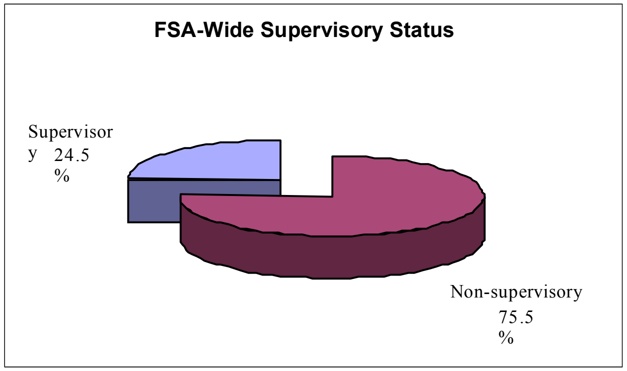
As shown in the figure below, approximately 96% of the FSA federal workforce was appointed to the competitive service, and 4% was appointed to the excepted service. These ratios have not changed over the last five years.

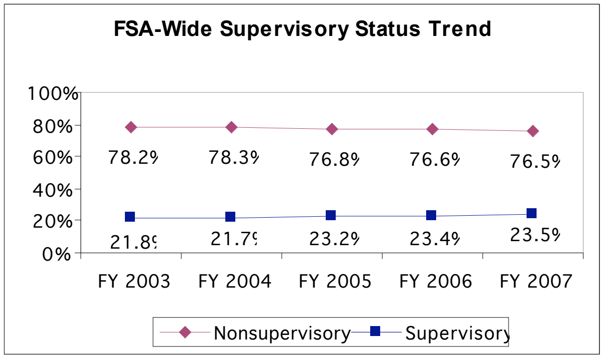


1.1.4. Supervisory Status

A. FSA-Wide

Approximately 25% of FSA employees are classified as Supervisors. The number of supervisors has increased slightly over the last five years, while the number of non-supervisors has decreased slightly in this time period.

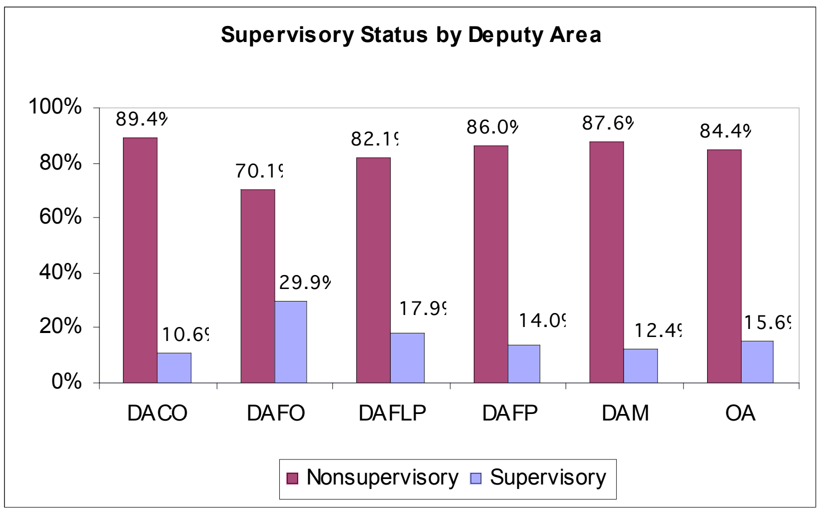


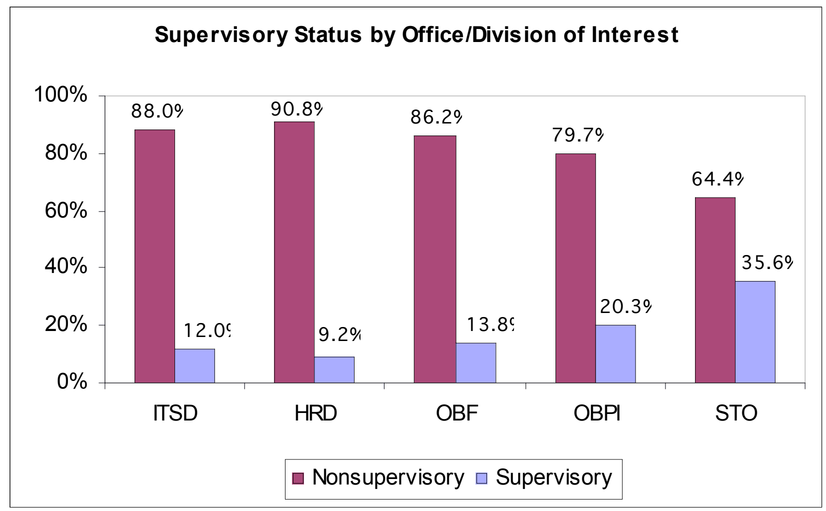


B. Business Unit

The ratio of supervisors to non-supervisors differs slightly between FSA business units. All Deputy Areas except for DAFO are below the FSA average for percentage of supervisors. DAFO is above the FSA average, as 30% of their positions are supervisory. This high supervisory ratio in DAFO can be attributed to the State Offices, where 36% of the positions are supervisory. This is most likely due to the fact that in each state office, there may only be a few employees. As each of these locations will have at least one supervisor to manage the staff there, the supervisor-employee ratio may be very high in some locations. Since DAFO makes up the majority of the organization, this supervisory ratio skews the average of the rest of the organization.

When DAFO is not included in this analysis, the FSA average of supervisory positions is 13%. OBPI and DAFLP have a relatively high amount of supervisors, with 20% and 18%, respectively. HRD, on the other hand, has the lowest supervisor-employee ratio, with only 9% of their positions as supervisory.

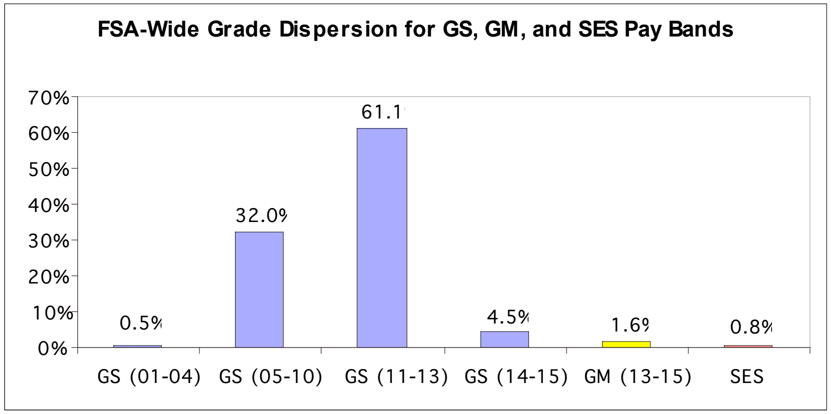


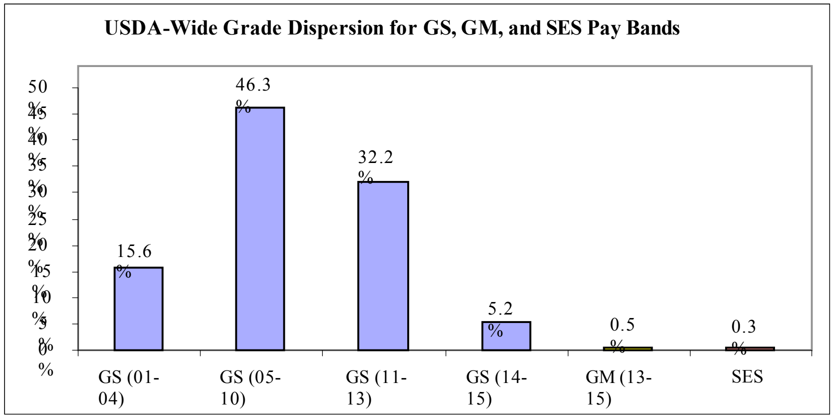


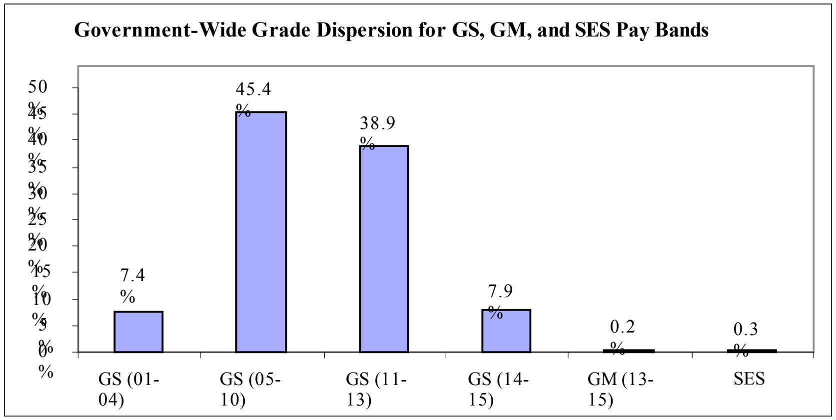
1.1.5. Grade Dispersion

A. FSA-Wide

As shown in the figure below, approximately 60% of FSA federal employees fall into GS-11 to GS-13 pay grades, and another 30% fall into GS-5 to GS-10 pay grades. This is in contrast to the Federal government and USDA overall, where the majority of employees fall into the GS-5 to GS-10 pay grades (approximately 45%). The charts on the following pages depict the grade dispersion by business unit, MCO, and major U.S. cities of interest.

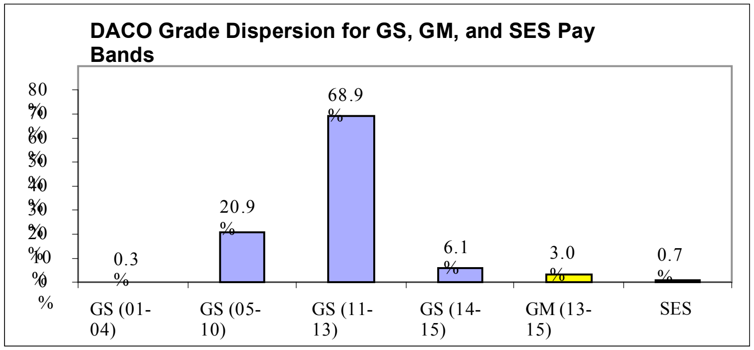


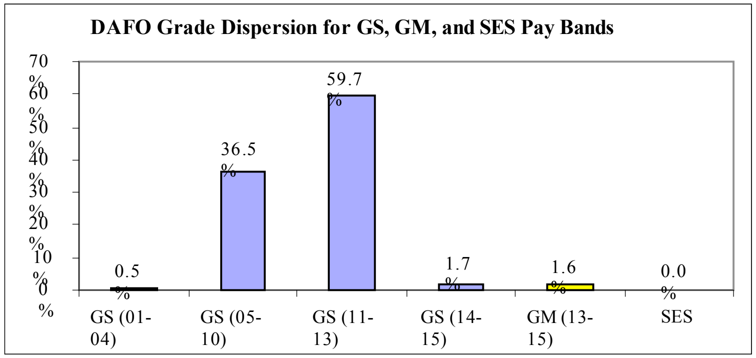


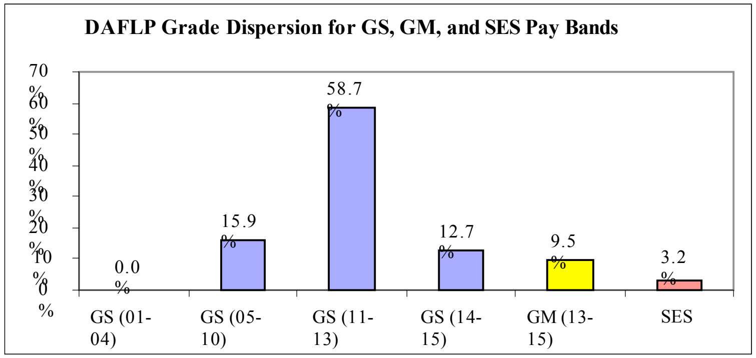


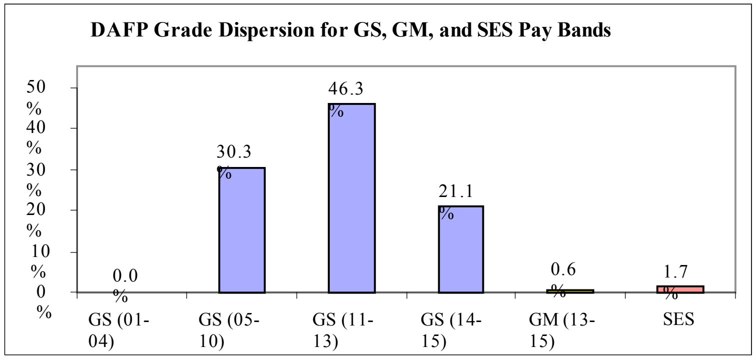
B.1. Business Unit- Deputy Area

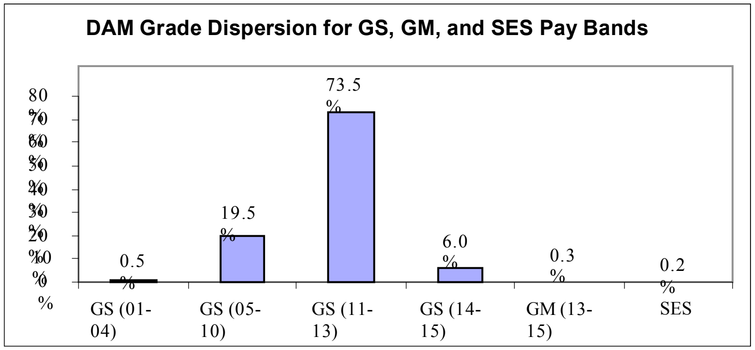
For most Deputy Areas, the majority of employees fall into GS 11-13 pay grades, with the second highest percentage of employees falling in the GS 05-10 pay grades. DAFP has a higher percentage of GS 14-15's than the other business units, with 21%.

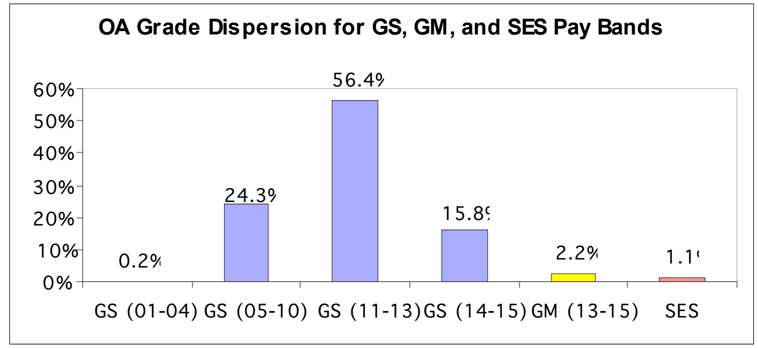






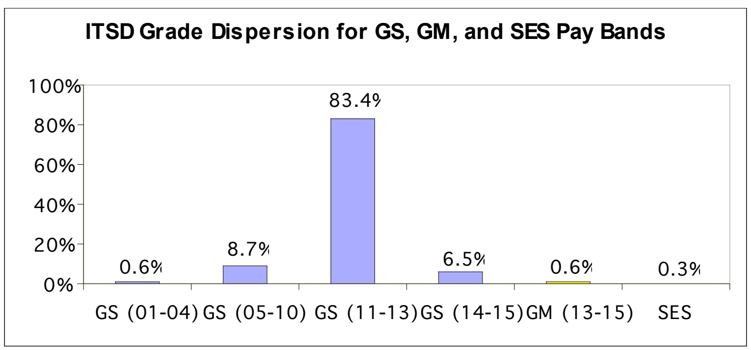


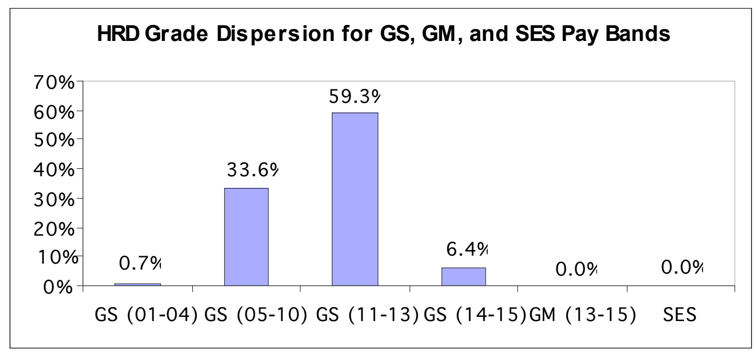


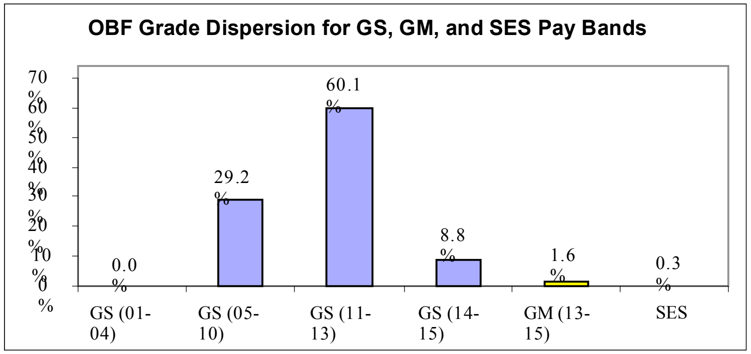


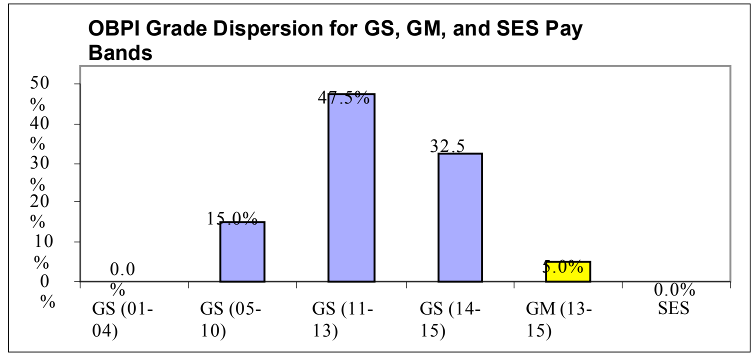
B.2. Business Unit- Division/Office of Interest

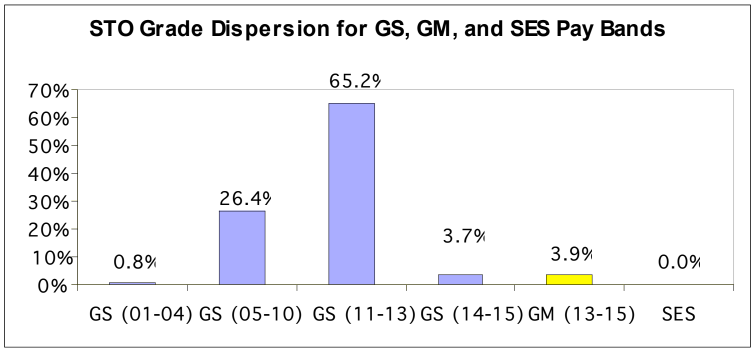
The divisions/offices of interest are similar in terms of grade make-up, with roughly 60% of employees falling into GS 11-13 pay grades and 33% of employees falling in the GS 05-10 pay grades. ITSD has a very large number of GS 11-13 employees, with 83% falling into this category. OBPI has a higher percentage of GS 14-15 positions and GM positions than the other business units, with 33% and 5%, respectively.





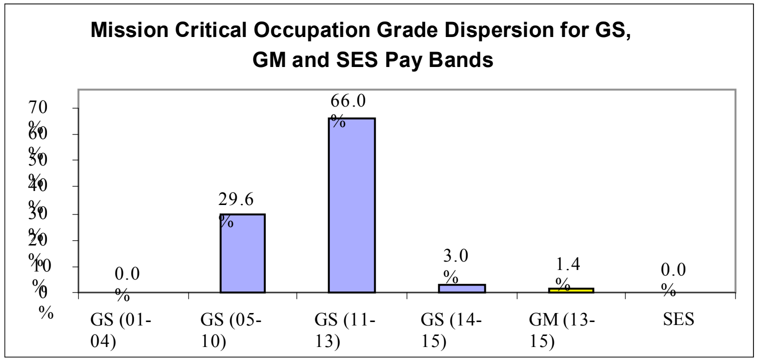

OBF Grade Dispersion for GS, GM, and SES Pay Bands
70%
60%
50%
40%
30%
20%
10%
0%
0.0%
29.2%
60.1%
8.8%
1.6%
0.3%
GS (01-04)
GS (05-10)
GS (11-13)
GS (14-15)
GM (13-15)
SES

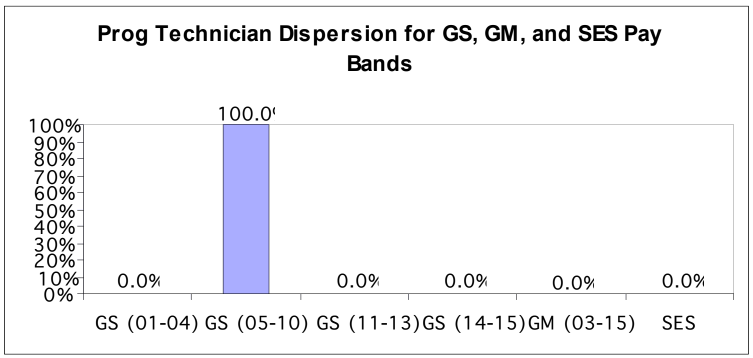

OBPI Grade Dispersion for GS, GM, and SES Pay Bands
50%
40%
30%
20%
10%
0%
0.0%
15.0%
47.5%
32.5
5.0%
0.0%
GS (01-04)
GS (05-10)
GS (11-13)
GS (14-15)
GM (13-15)
SES

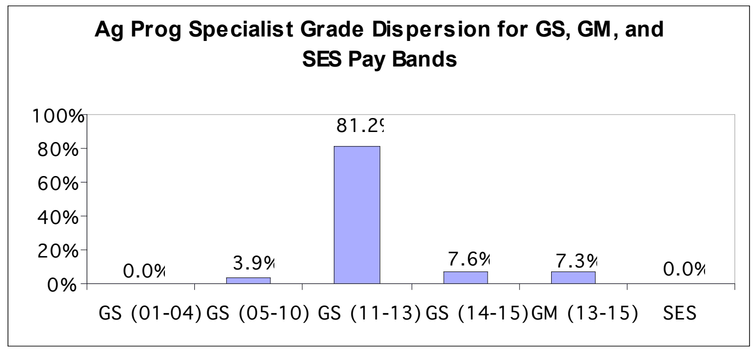

STO Grade Dispersion for GS, GM, and SES Pay Bands
70%
60%
50%
40%
30%
20%
10%
0%
0.8%
26.4%
65.2%
3.7%
3.9%
0.0%
GS (01-04)
GS (05-10)
GS (11-13)
GS (14-15)
GM (13-15)
SES

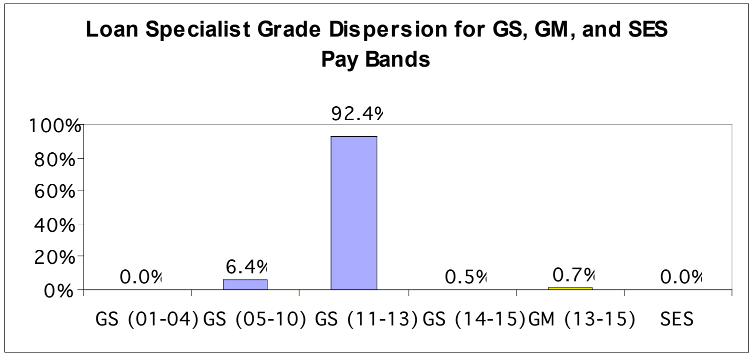
C. Mission Critical Occupation

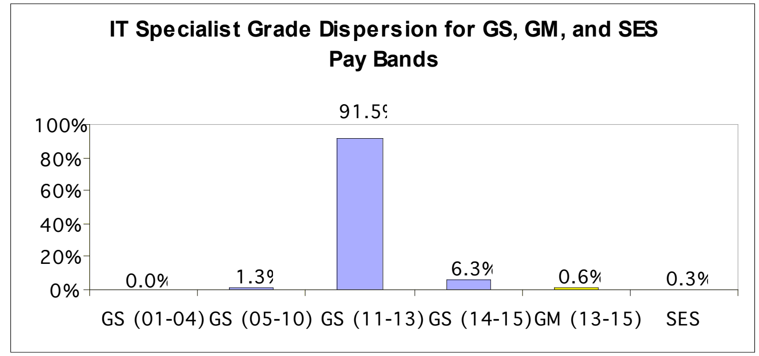
For all MCOs combined, the average percentage of GS-11 to GS-13 employees is 66%, and the average percentage of GS-05 to GS-10 employees is 30%. Agricultural Program Specialists, Loan Specialists, and IT Specialists have the vast majority of their staff in the GS-11 to GS-13 range (at least 80%). All Program Technicians, on the other hand, fall in the GS-5 to GS-10 range.





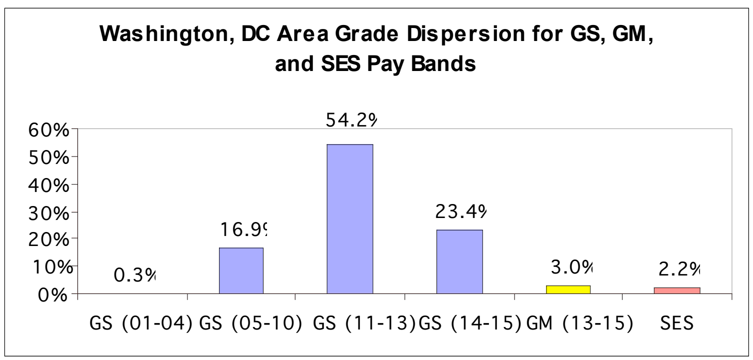


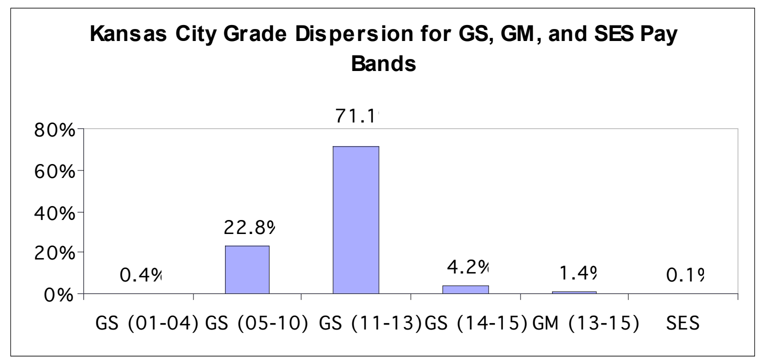


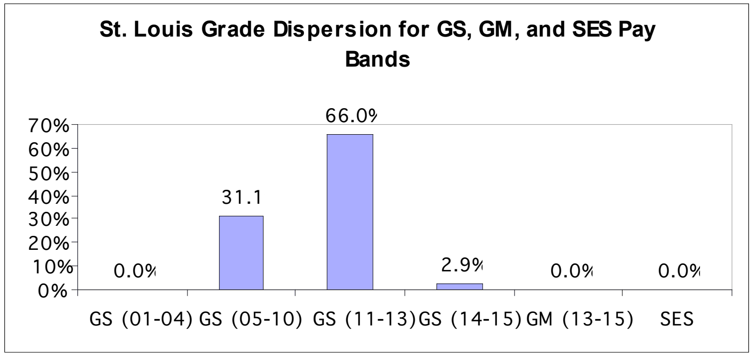


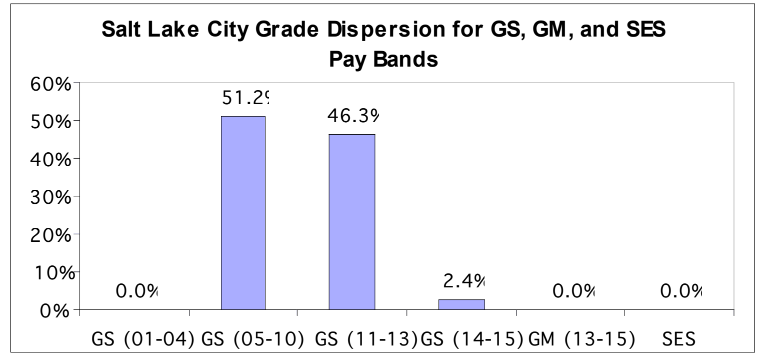
D. Metropolitan Area

When examining grade dispersion by metropolitan area, Kansas City and St. Louis tend to have a similar grade dispersion to that of FSA overall. Most employees in Salt Lake City fall in the GS-5 to GS-10 range at 51%, with the GS-11 to GS-13 range coming in a close second at 46%. The Washington DC area, on the other hand, has a higher majority of employees falling in the GS 14-15 category than the norm, with 23%.





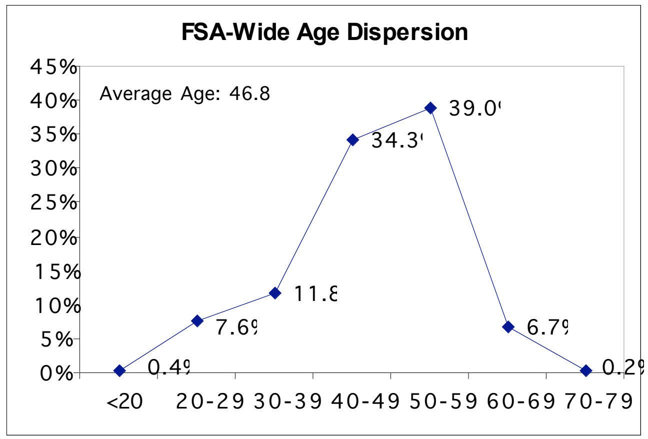

St. Louis Grade Dispersion for GS, GM, and SES Pay Bands
70%
60%
50%
40%
30%
20%
10%
0%
0.0%
31.1
66.0%
2.9%
0.0%
0.0%
GS (01-04)
GS (05-10)
GS (11-13)
GS (14-15)
GM (13-15)
SES

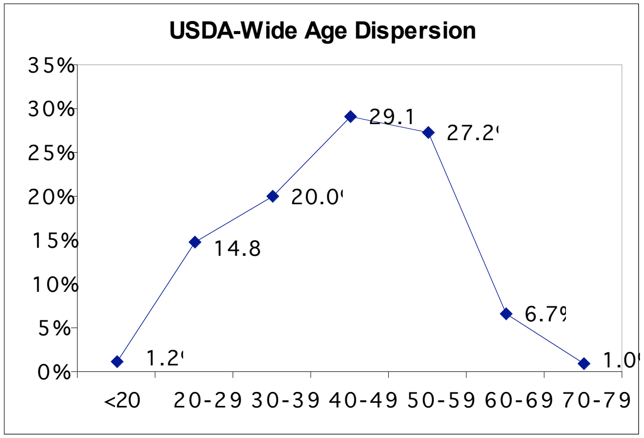

Salt Lake City Grade Dispersion for GS, GM, and SES Pay Bands
60%
50%
40%
30%
20%
10%
0%
0.0%
51.2%
46.3%
2.4%
0.0%
0.0%
GS (01-04)
GS (05-10)
GS (11-13)
GS (14-15)
GM (13-15)
SES

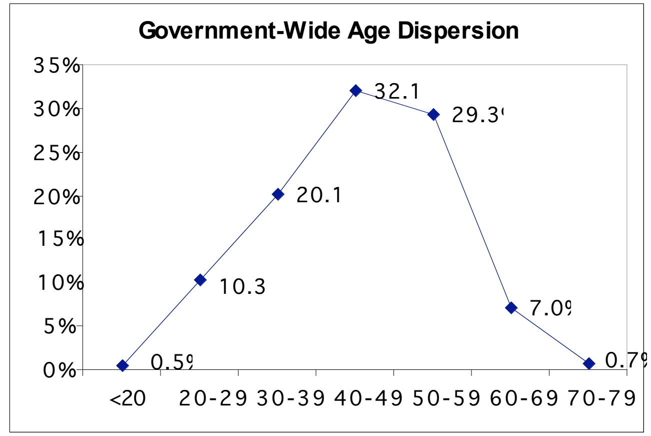
1.1.6. Age Dispersion

A. FSA-Wide

At the end of 2007, the average age of the FSA workforce was 46.8 years. FSA employees tend to be older than employees in the Federal government and USDA overall, with 46% of FSA employees over the age of 50 (as opposed to approximately 36% for all others). In addition, only 20% of FSA employees are under the age of 40, where the rest of the government has over 30% of its workforce in this age category. The charts on the following pages depict the average age by business unit, MCO, and major U.S. cities of interest.

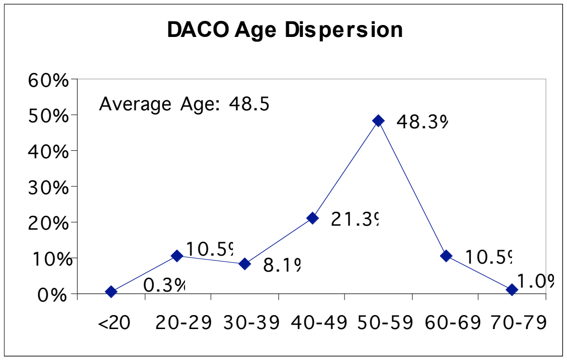


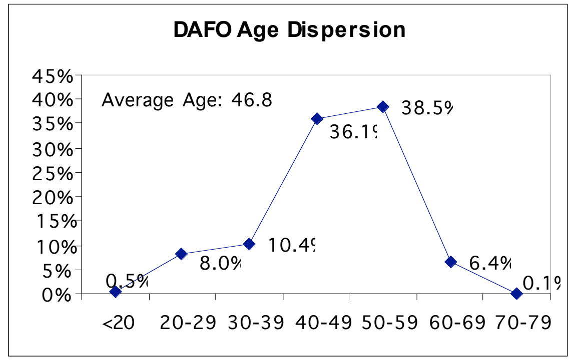

USDA-Wide Age Dispersion
35%
30%
25%
20%
15%
10%
5%
0%
1.2
14.8
20.0
29.1
27.2
6.7
1.0
<20
20-29
30-39
40-49
50-59
60-69
70-79

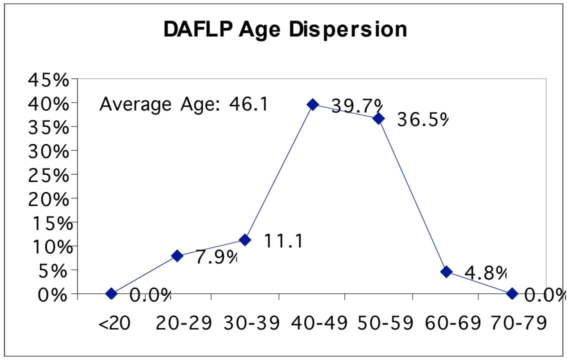

Government-Wide Age Dispersion
35%
30%
25%
20%
15%
10%
5%
0%
0.5
10.3
20.1
32.1
29.3
7.0
0.7
<20
20-29
30-39
40-49
50-59
60-69
70-79

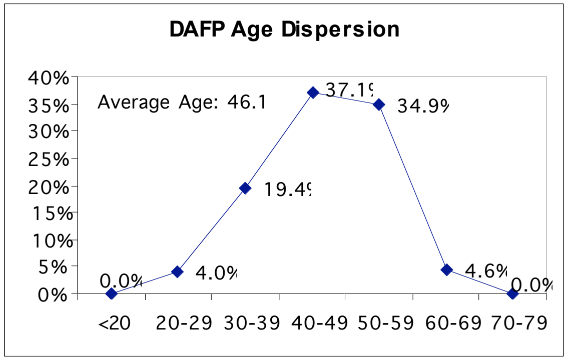
B.1. Business Unit- Deputy Area

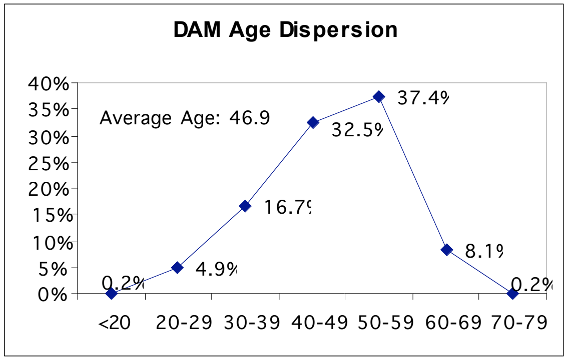
The average age of each Deputy Area does not deviate far from the average age of FSA overall. DACO has a slightly older workforce, with an average of 48.5.

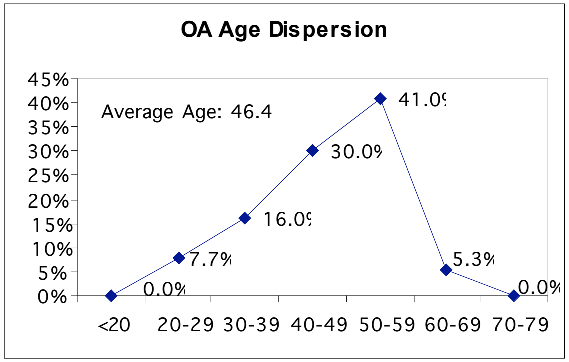





DAFLP Age Dispersion
45%
40%
35%
30%
25%
20%
15%
10%
5%
0%
Average Age: 46.1
39.7%
36.5%
11.1
7.9%
4.8%
0.0%
0.0%
<20
20-29
30-39
40-49
50-59
60-69
70-79

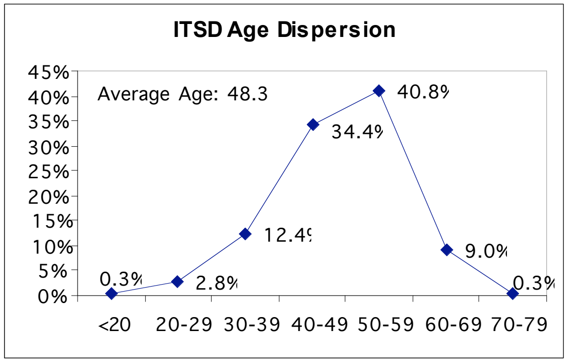

DAFP Age Dispersion
40%
35%
30%
25%
20%
15%
10%
5%
0%
Average Age: 46.1
37.1%
34.9%
19.4%
0.0%
4.0%
4.6%
0.0%
<20
20-29
30-39
40-49
50-59
60-69
70-79

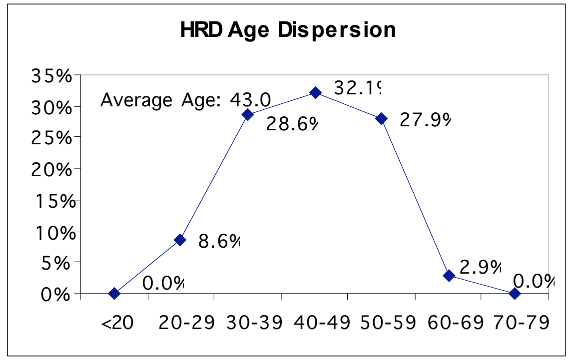

DAM Age Dispersion
40%
35%
30%
25%
20%
15%
10%
5%
0%
Average Age: 46.9
37.4%
32.5%
16.7%
8.1%
0.2%
4.9%
0.2%
<20
20-29
30-39
40-49
50-59
60-69
70-79

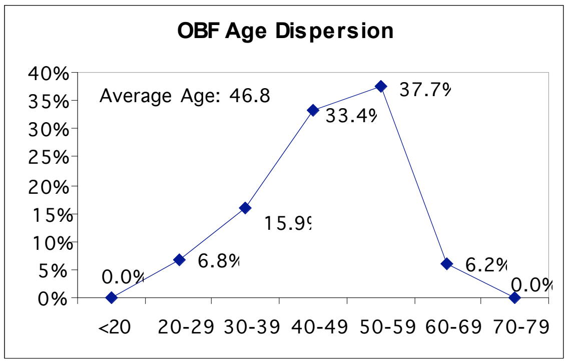

OA Age Dispersion
45%
40%
35%
30%
25%
20%
15%
10%
5%
0%
Average Age: 46.4
41.0%
30.0%
16.0%
7.7%
0.0%
5.3%
0.0%
<20
20-29
30-39
40-49
50-59
60-69
70-79

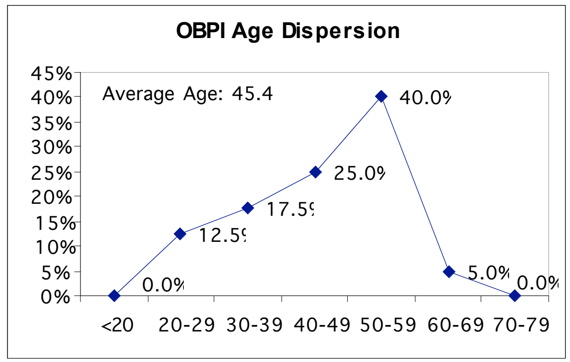
B.2. Business Unit- Division/Office of Interest

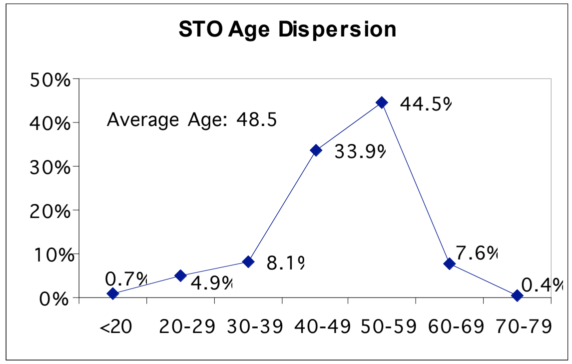
HRD is by far the youngest organization within FSA, with an average age of 43, followed by OBPI, with an average age of 45.4. The average age of OBF mirrors that of FSA as a whole, while STO and ITSD have a slightly older workforce, with an average age of 48.5 and 48.3, respectively.





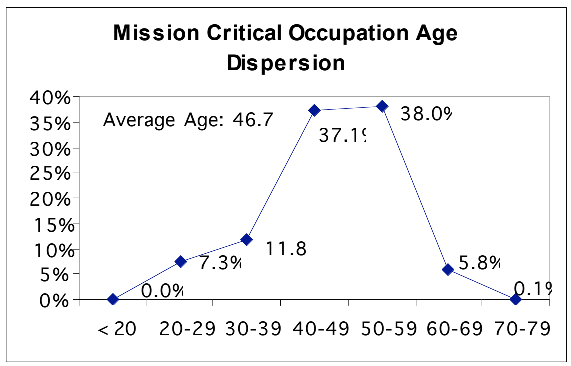


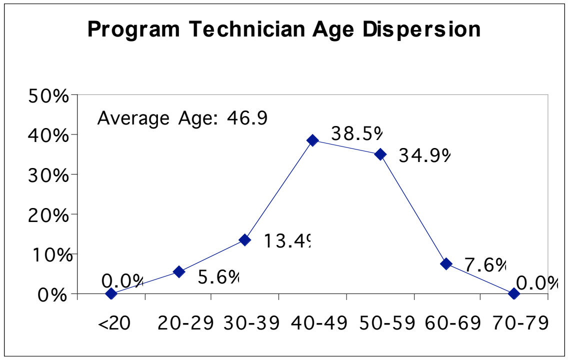


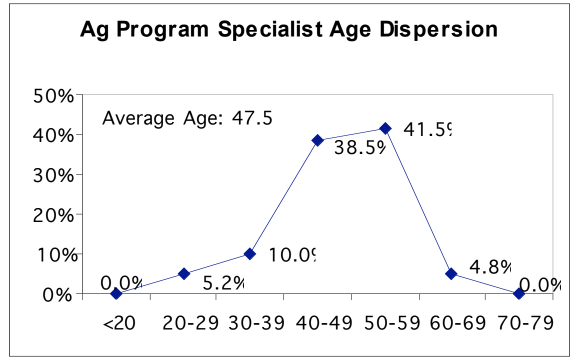


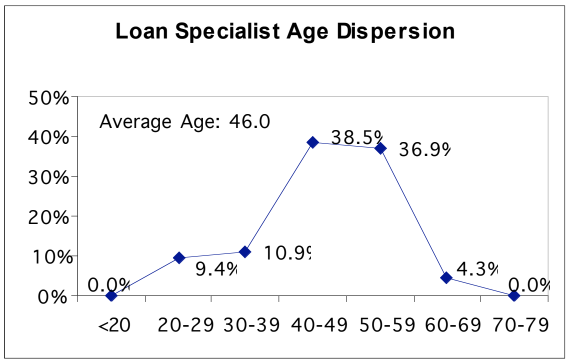
C. Mission Critical Occupation

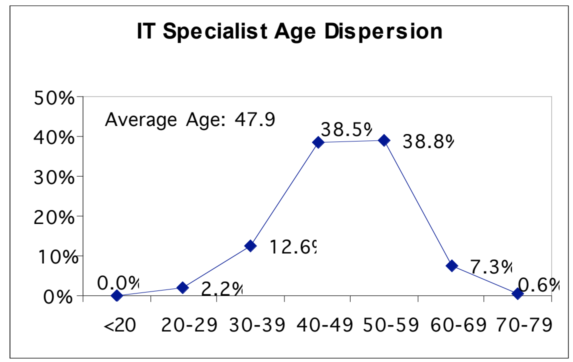
The average age of all MCOs combined does not deviate far from the average age of FSA overall. For the specific MCOs of interest, IT Specialists and Agricultural Program Specialists have the oldest employees, with average ages of 47.9 and 47.5, respectively. Loan Specialists are the youngest, with an average age of 46.0.





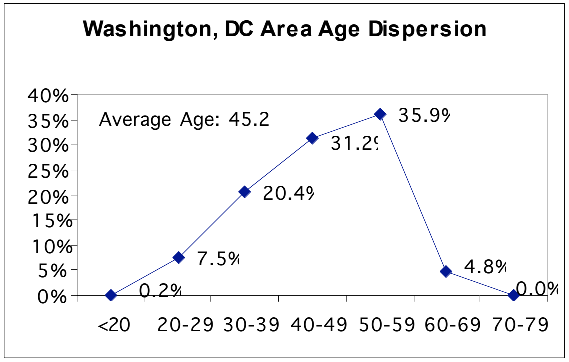


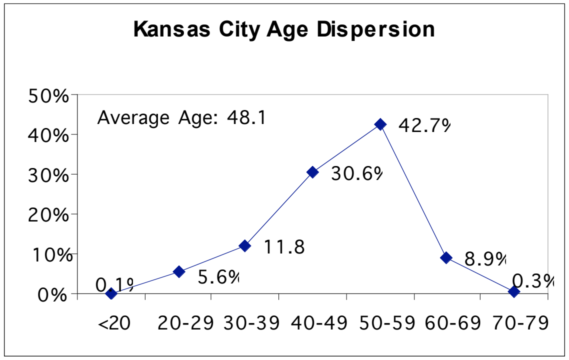


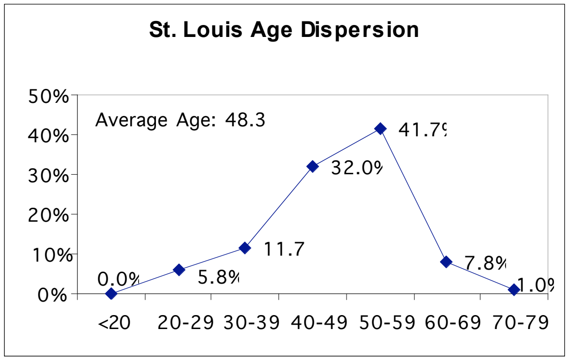


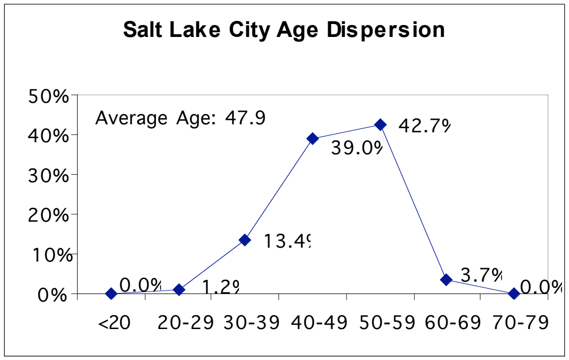
D. Metropolitan Area

When examining average age by metropolitan area, Kansas City, St. Louis, and Salt Lake City are slightly above the norm, with average ages of 48.1, 48.3, and 47.9, respectively. By contrast, the Washington, DC area is below the FSA norm, with an average age of 45.2.


Washington, DC Area Age Dispersion
40%
35%
30%
25%
20%
15%
10%
5%
0%
Average Age: 45.2
0.2%
7.5%
20.4%
31.2%
35.9%
4.8%
0.0%
<20
20-29
30-39
40-49
50-59
60-69
70-79


Kansas City Age Dispersion
50%
40%
30%
20%
10%
0%
Average Age: 48.1
0.1%
5.6%
11.8
30.6%
42.7%
8.9%
0.3%
<20
20-29
30-39
40-49
50-59
60-69
70-79

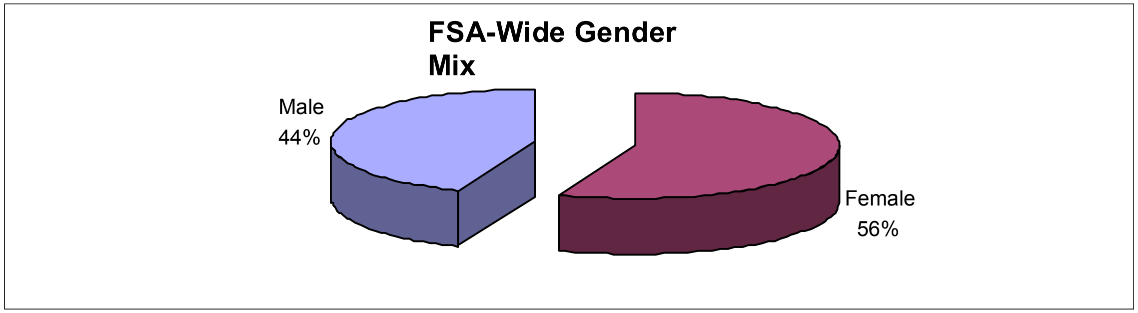

St. Louis Age Dispersion
50%
40%
30%
20%
10%
0%
Average Age: 48.3
0.0%
5.8%
11.7
32.0%
41.7%
7.8%
1.0%
<20
20-29
30-39
40-49
50-59
60-69
70-79

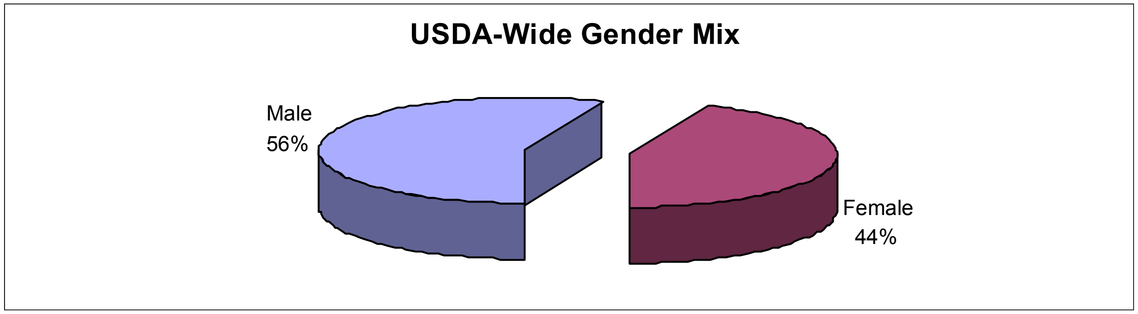

Salt Lake City Age Dispersion
50%
40%
30%
20%
10%
0%
Average Age: 47.9
0.0%
1.2%
13.4%
39.0%
42.7%
3.7%
0.0%
<20
20-29
30-39
40-49
50-59
60-69
70-79

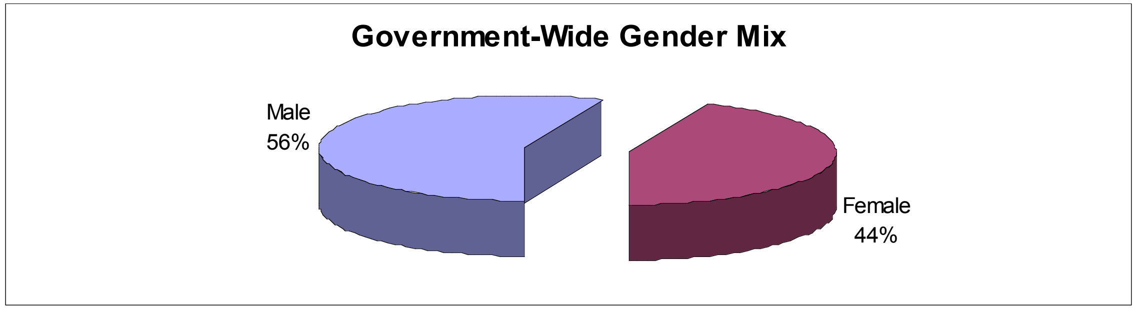
1.1.7. Gender

A. FSA-Wide

At 56%, the FSA workforce participation rate for females far exceeds the Government-wide and USDA average, which is 44%. This ratio has remained very consistent over the past five years.

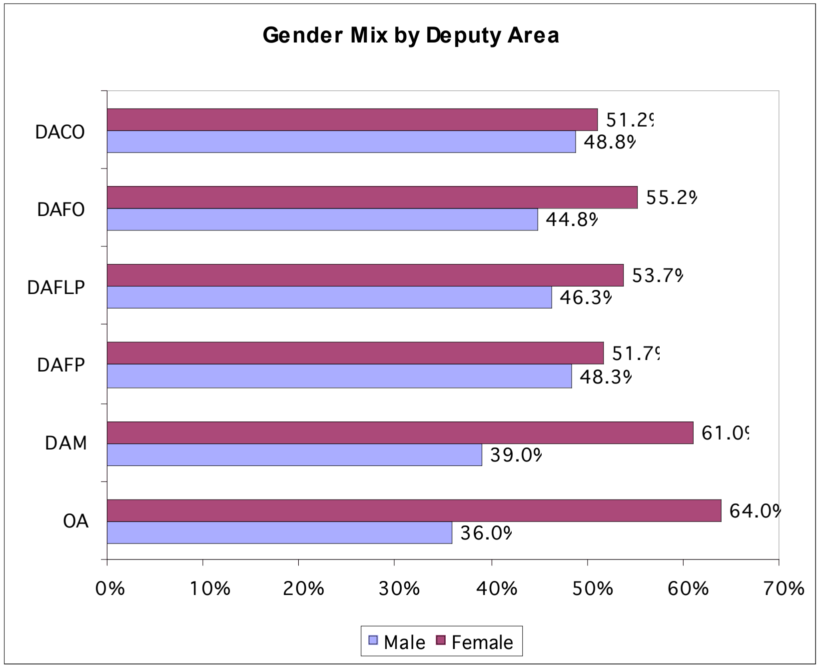


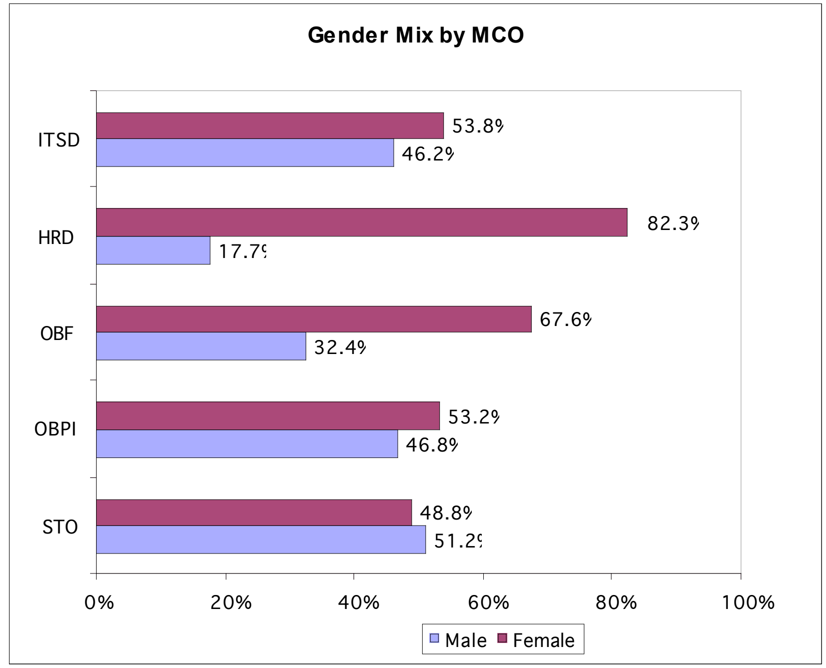



Government-Wide Gender Mix
Male
56%
Female
44%

B. Business Unit

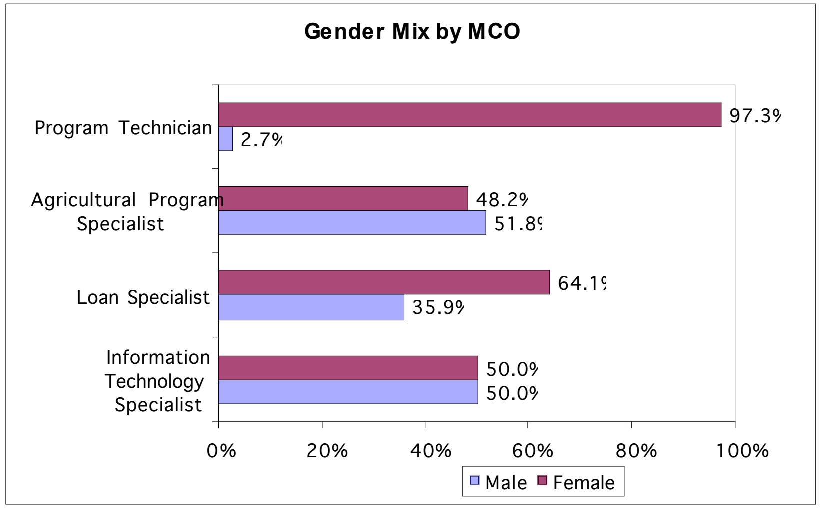
At 56%, the FSA workforce participation rate for females far exceeds the Government-wide and USDA average, which is 44%. This ratio has remained very consistent over the past five years. There are more females than males in all of the business units. Most business units have a fairly close male-female ratio, with the exceptions of HRD and OBF, which are 82% and 66% female, respectively.





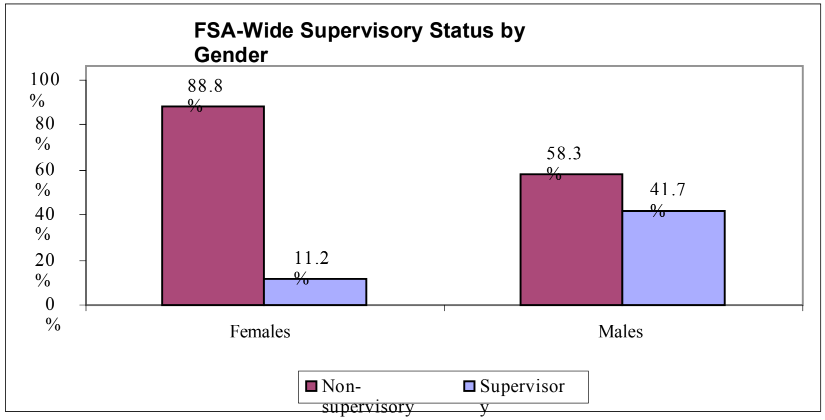
C. Mission Critical Occupation

When examining MCO by gender, Agricultural Program Specialists and IT Specialists have a fairly close male-female ratio. However, Program Technicians are 97% female, and Loan Specialists are 64% female.



D. Supervisory Status

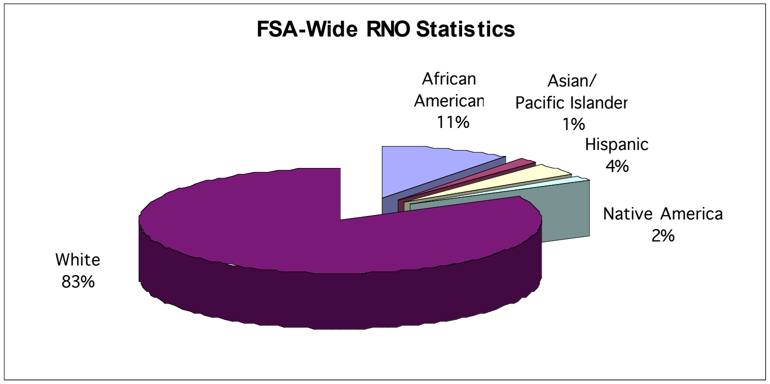
Gender was also examined by supervisory status to determine if differences exist between males and females. Females primarily hold non-supervisory positions, with only 11% of females in supervisory positions. Males, on the other hand, are more evenly distributed between supervisory and non-supervisory positions, with 42% of males classified as supervisors.

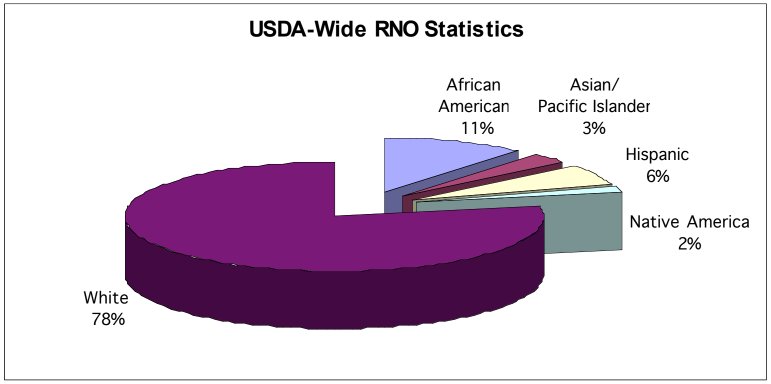

FSA-Wide Supervisory Status by Gender
100%
80%
60%
40%
20%
0%
88.8%
11.2%
58.3%
41.7%
Females
Males
Non-supervisory
Supervisory

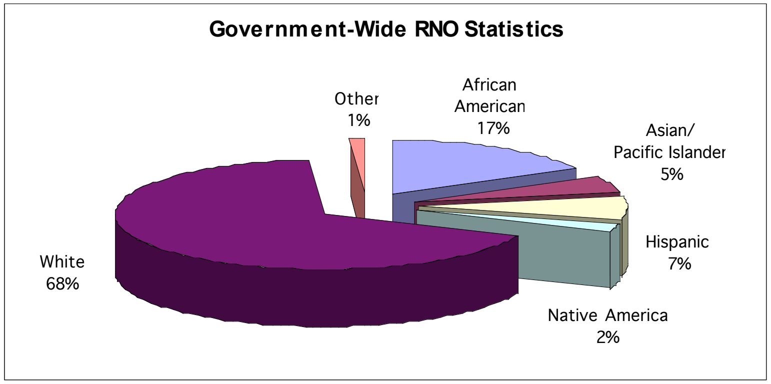
1.1.8. Race & National Origin

A. FSA-Wide

As shown in the figures on the following pages, FSA, in general, is less diverse in terms of Race and National Origin (RNO) than the Federal government and USDA as a whole. Only 17% of the FSA workforce are minority employees, which is lower than the 22% in USDA and much lower than the 32% in the government overall. This distribution has remained constant over the past five years.

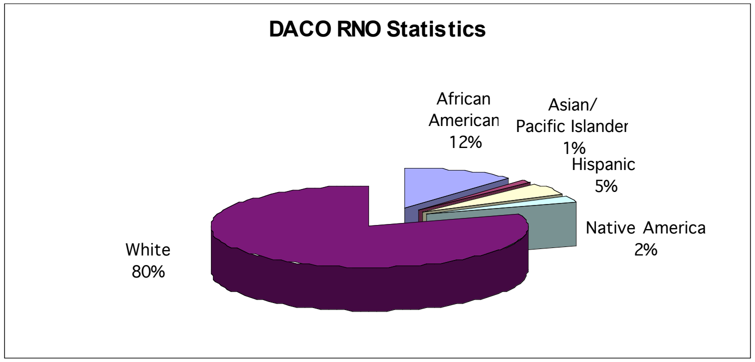


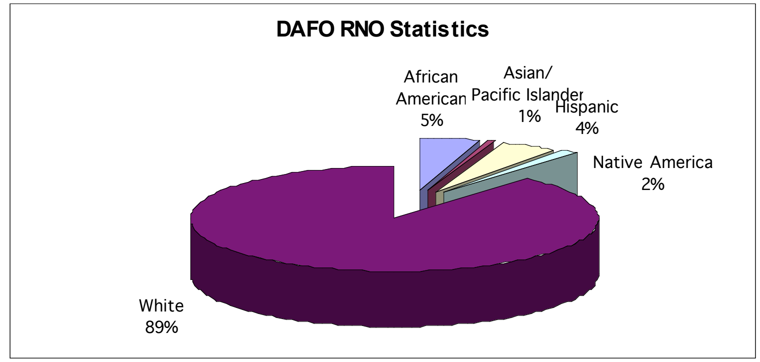


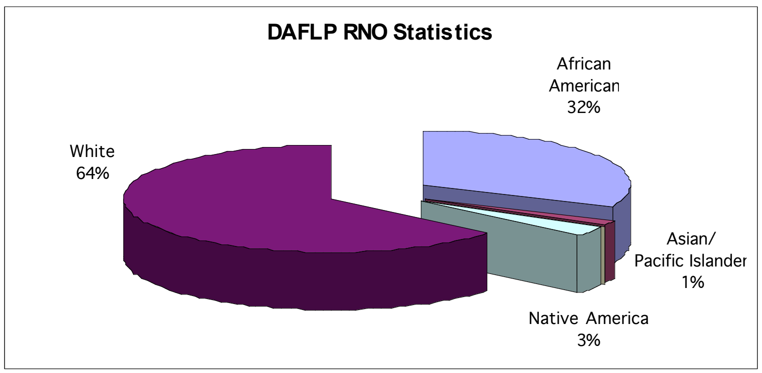


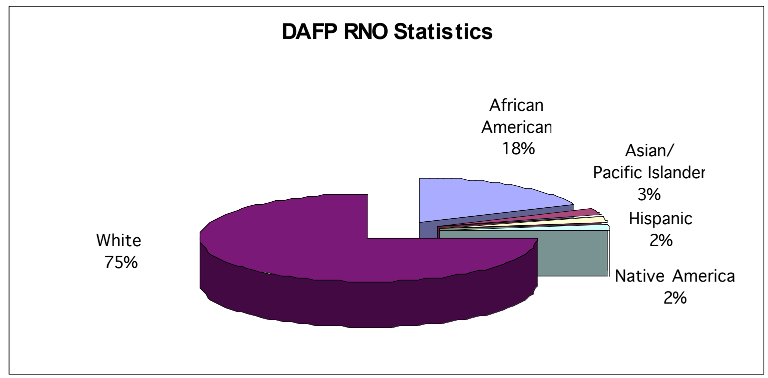
B.1. Business Unit-Deputy Area

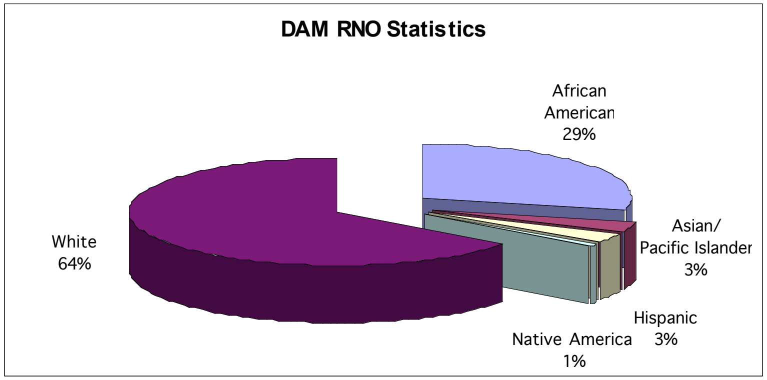
Within the business units, DAFLP, DAM, and OA currently have the largest minority populations, each with roughly 35% minority employees. DAFO is the least diverse business unit, with only 12% minorities. Since DAFO is by far the largest business unit within FSA, most of the lack of diversity within FSA can be attributed to this business unit.

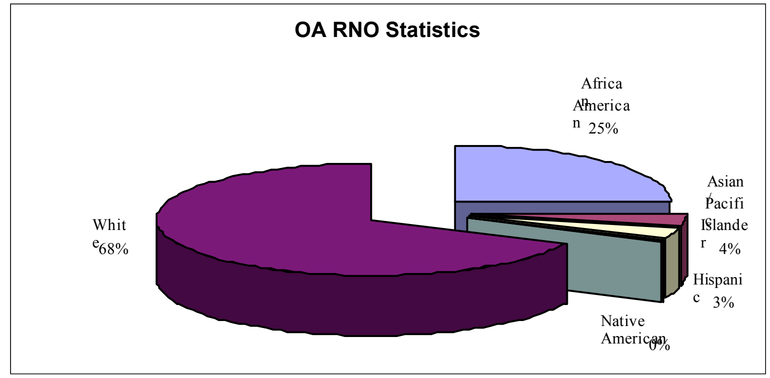






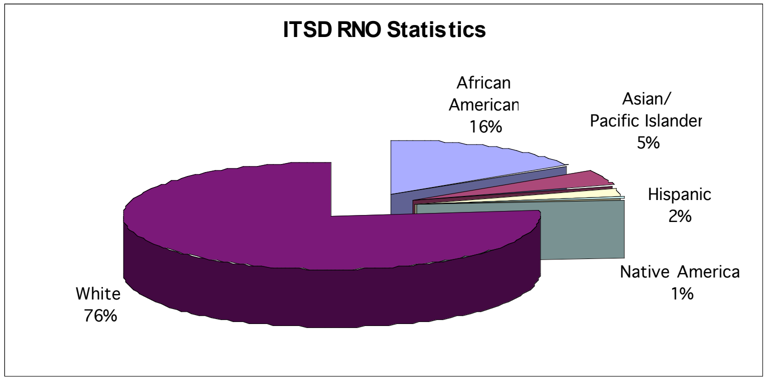


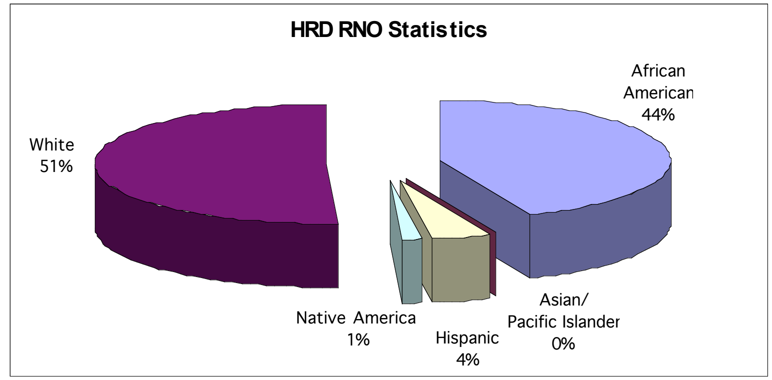

DAM RNO Statistics
African American 29%
Asian/ Pacific Islander 3%
Hispanic 3%
Native America 1%
White 64%

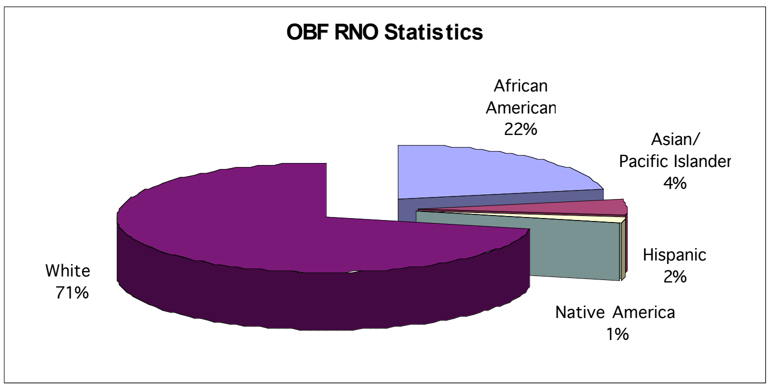

OA RNO Statistics
Africa America 25%
Asian Pacifi Islande 4%
Hispani 3%
Native American 0%
Whit 68%

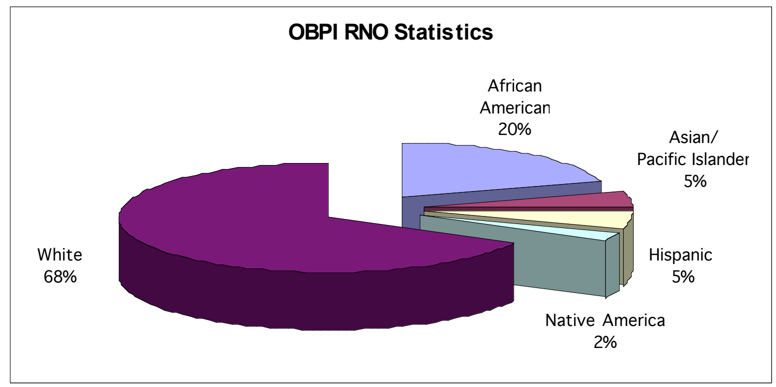
B.2 Business Unit-Office/Division of Interest

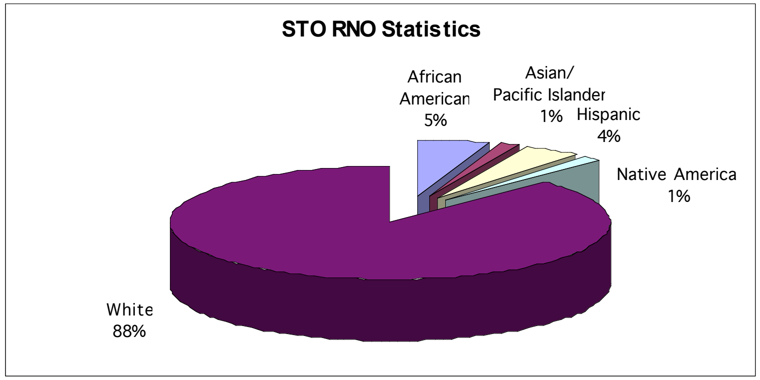
All of the offices and divisions of interest, with exception of the State Offices, have more diverse workforces than FSA as a whole. HRD, OBPI, and OBF currently have the largest minority populations, with 49%, 32%, and 29% minorities, respectively.





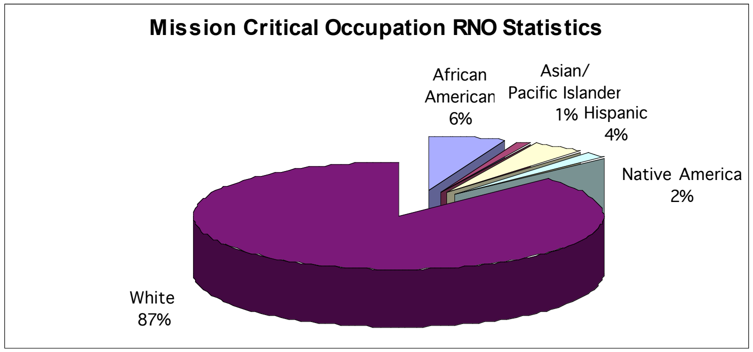


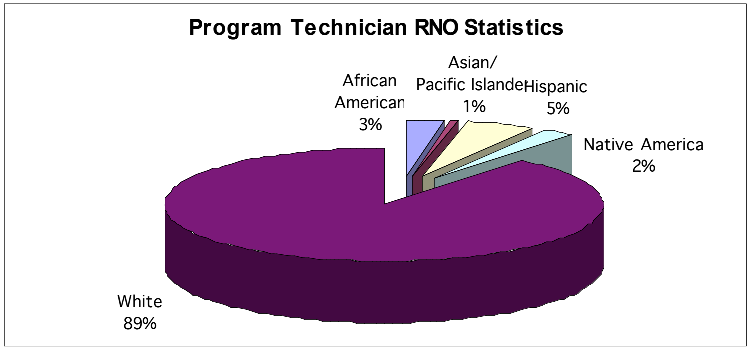


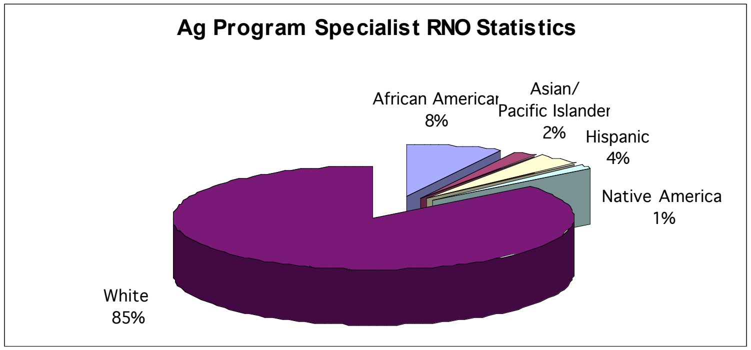

STO RNO Statistics
African American 5%
Asian/ Pacific Islander 1%
Hispanic 4%
Native America 1%
White 88%

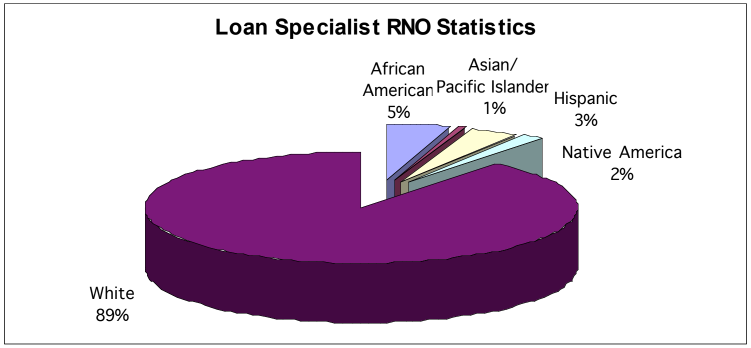
C. Mission Critical Occupation

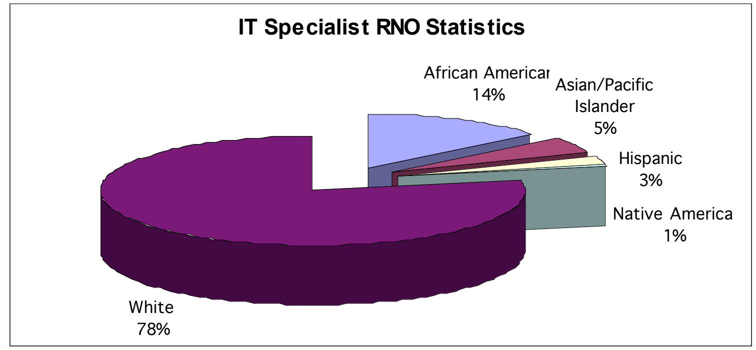
As shown in the following figures, all four of the MCOs of interest are composed of a less diverse workforce than the FSA average, with the exception of the IT Specialist occupation, which has a 22% minority population.





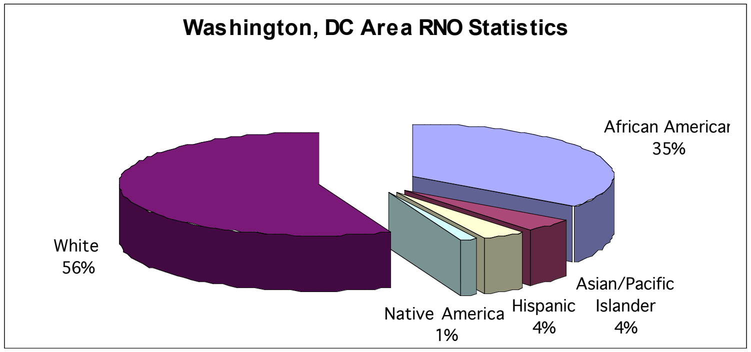


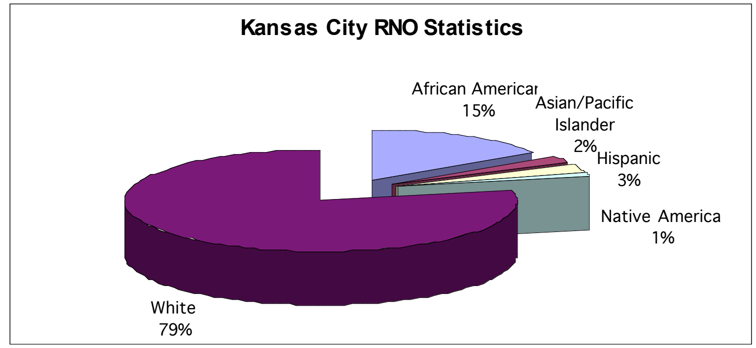

Loan Specialist RNO Statistics
African American 5%
Asian/ Pacific Islander 1%
Hispanic 3%
Native America 2%
White 89%

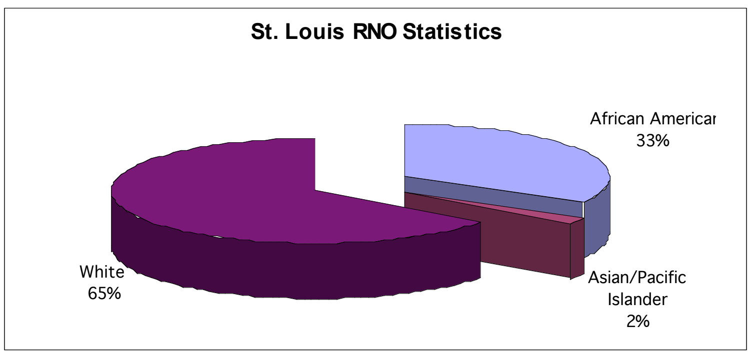

IT Specialist RNO Statistics
African Americar 14%
Asian/Pacific Islander 5%
Hispanic 3%
Native America 1%
White 78%

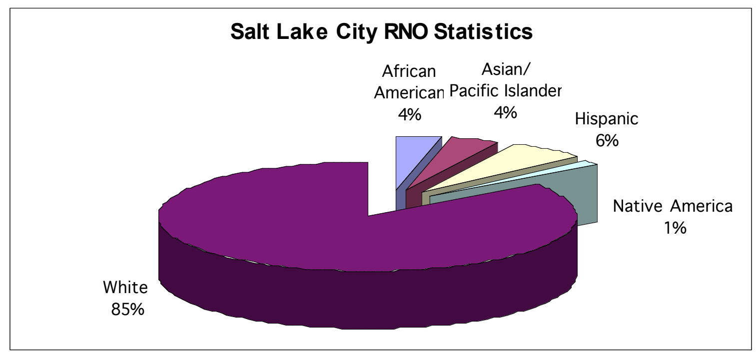
D. Metropolitan Area

When examining RNO by metropolitan area, the Washington, DC area has the most diverse workforce, composed of a 46% minority population. St. Louis is also more diverse than FSA as a whole, as 35% of their workforce is African American. The make-up of Kansas City and Salt Lake City is similar to that of FSA overall.









1.2. Staffing Trends and Five-Year Projection Models

This section provides the following staffing trends and forecasting information:

- **Staffing Level Trends**
- **Separation Trends**
- **Retirement Trends and Projections**

1.2.1. Staffing Level Trends

Staffing level trends were analyzed using data from two separate data sets. The number of employees on board for each fiscal year was determined using a dataset as of September 2007. This dataset includes FY 2002-2007 employee information, updated at the end of each fiscal year. Separation and accession trends were determined using a dataset recent as of January 2008. To provide the most comprehensive analysis of the FSA workforce possible, trend analyses were conducted using the most recent data available. Since FY 2002 was the first year for which enough data was available to do all trend analyses, FY 2002 was the year chosen for the starting point. Thus, all trend analyses go back six years.

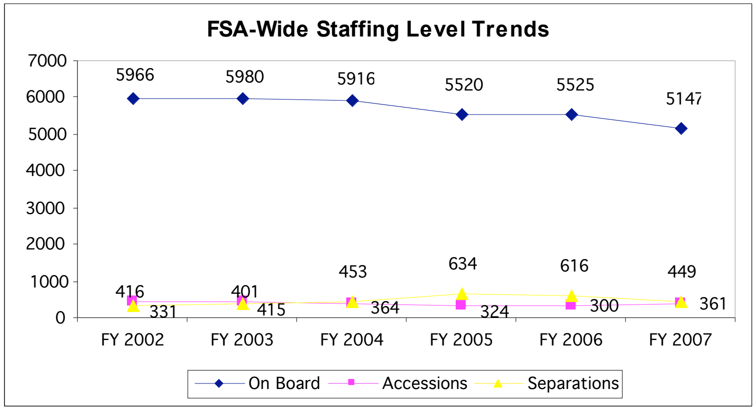
Note: Since two separate datasets were used for staffing levels and accessions/separations, the time period at which the on board levels were recorded may differ from the time period at which the accessions/separations were recorded. Thus, the number of accessions/separations in a given year may not match up perfectly with changes in headcount for that year.

Separations exceed external hires across FSA. As shown on the following page, hires actually exceeded separations in 2002 and 2003. However, the downward hiring trend began in 2005 and continued though 2007, a decrease of 14% since 2003. Although accessions increased in 2007, they were still exceeded by separations. Many factors have influenced the downward trend in the past few years, including an increase in retirements, a decrease in hiring, and the movement of positions to the Department. FSA staffing level trends are comparable to those of USDA as a whole. USDA has also seen a gradual decrease in staff over the last few years, although it is less dramatic than that of FSA, with a 9% decrease since 2003. USDA separations have exceeded accessions for the last five years, although the number of separations has been decreasing each year. Staffing levels across the government as a whole have not significantly changed since 2003.

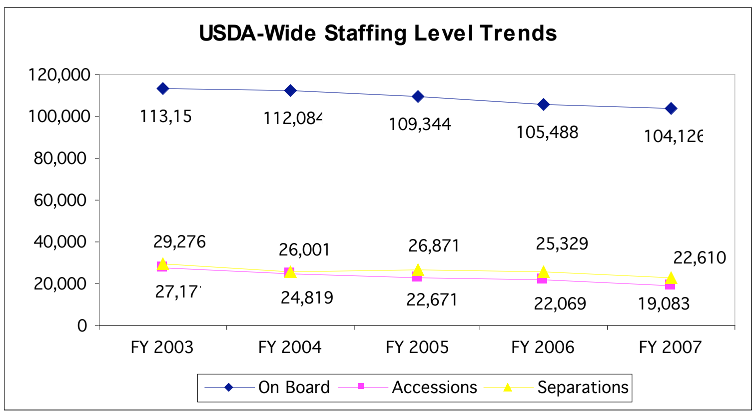
Within the business units, attrition is outpacing hiring across the board. OBPI and HRD are the only business units that have seen growth in the past five years.

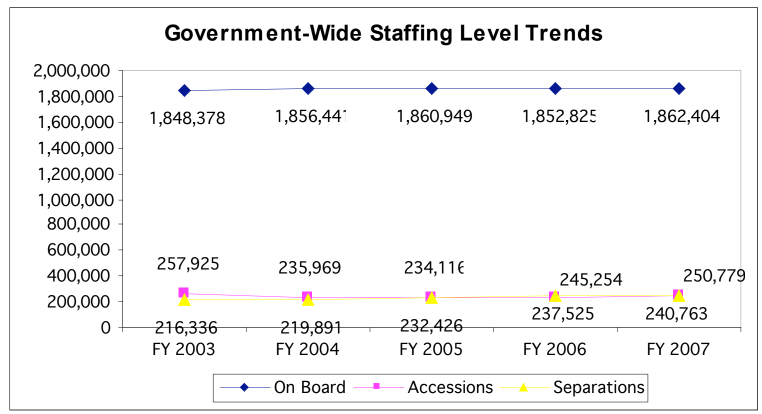
Note: The Office of Budget and Finance (OBF) was formed in 2007 by combining the DAM divisions of Financial Management (FMD) and Budget (BD). Historical trends for OBF were analyzed by combining FMD and BD data for FY 2002-2007. Trends for the DAM organization include the Budget and Financial Management Divisions from 2002-2007.

A. FSA-Wide

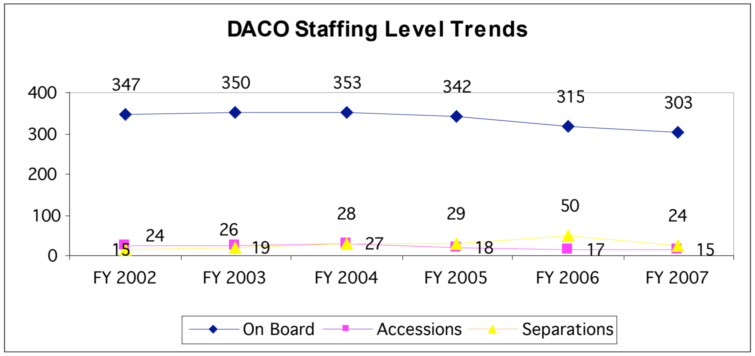


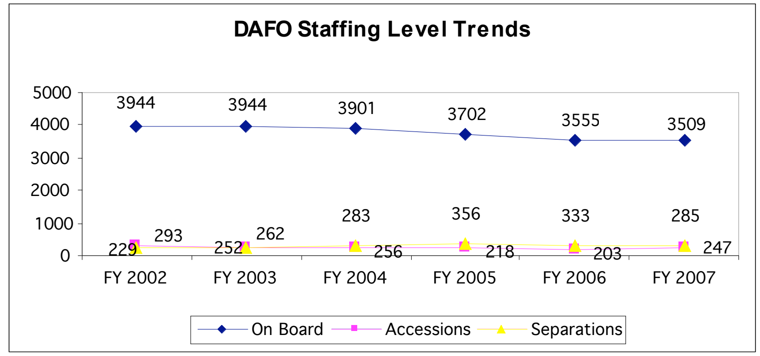
FY	On-Board	Accessions	Separations
2002	5966	415	331
2003	5980	415	411
2004	5916	364	453
2005	5520	324	634
2006	5525	300	616
2007	5147	361	449

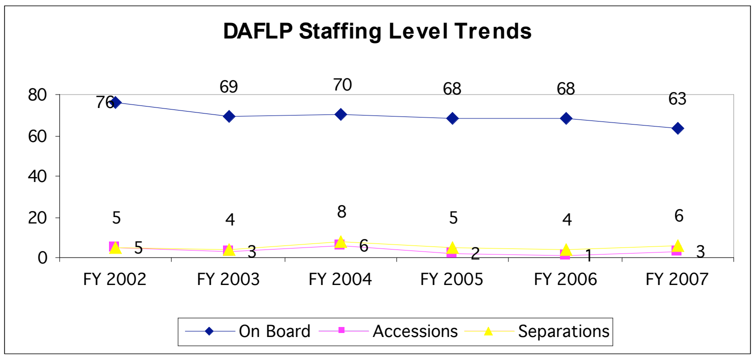


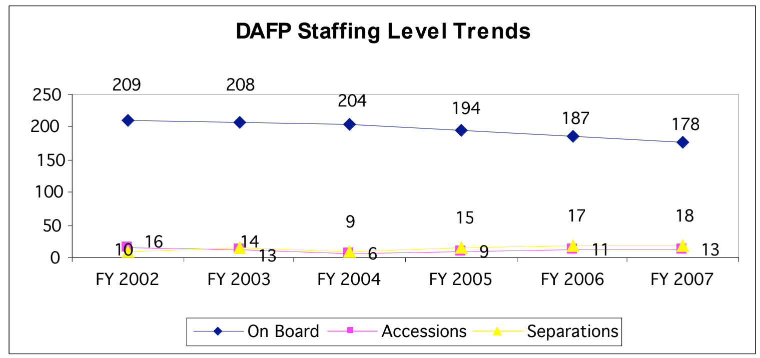


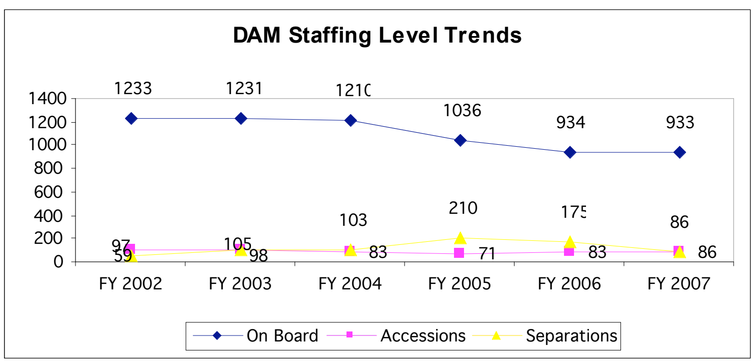
B.1. Business Unit-Deputy Area

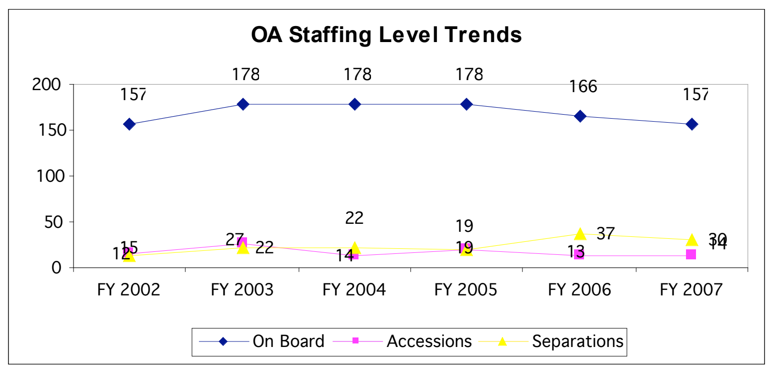




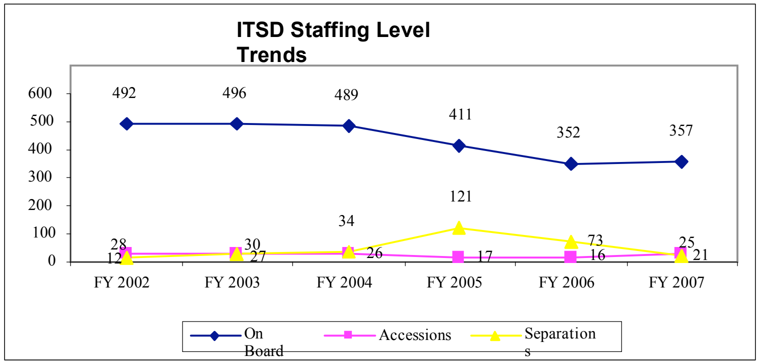


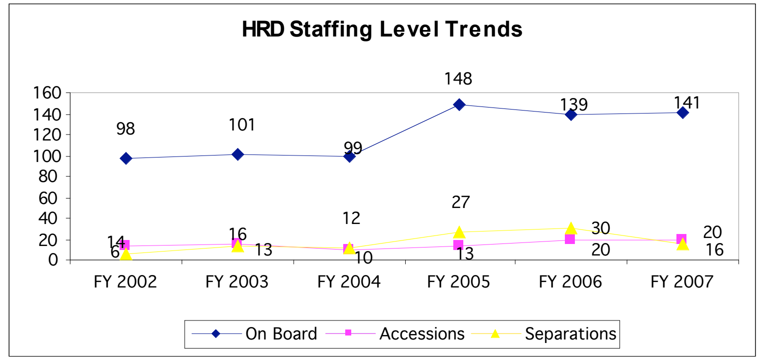


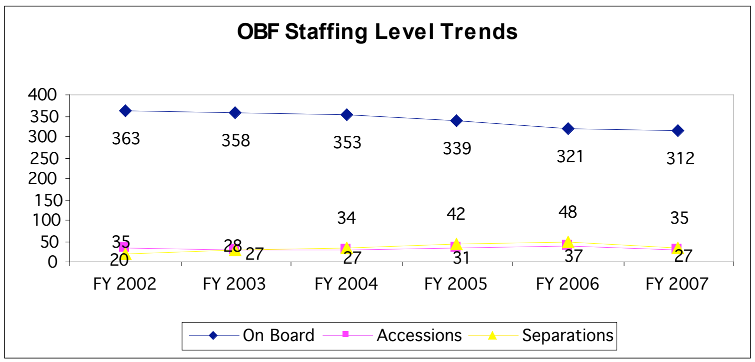


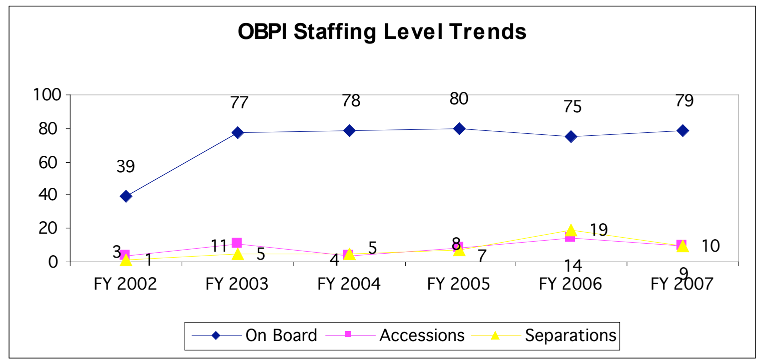


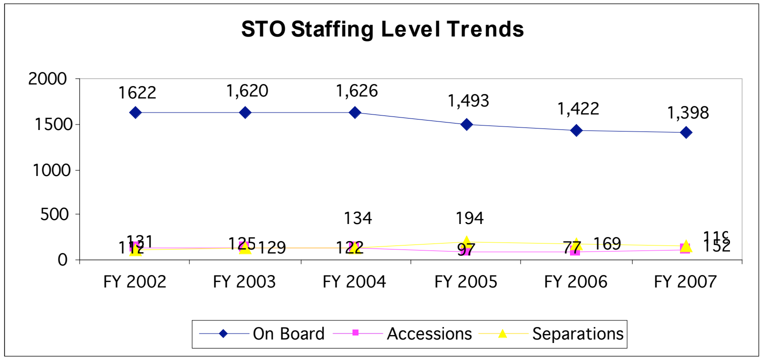
B.2 Business Unit-Office/Division of Interest



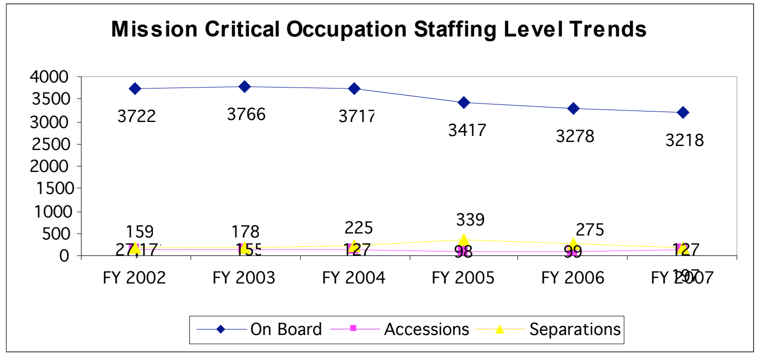


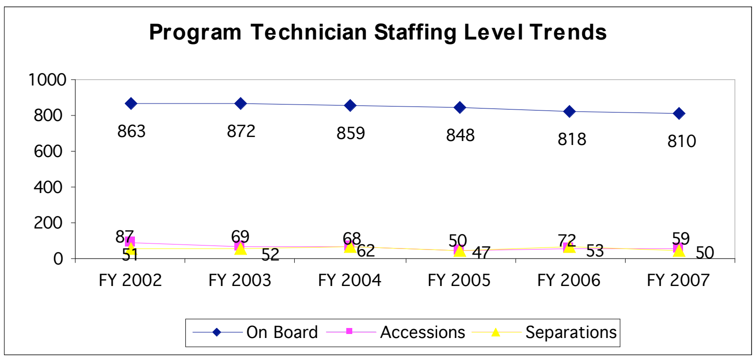


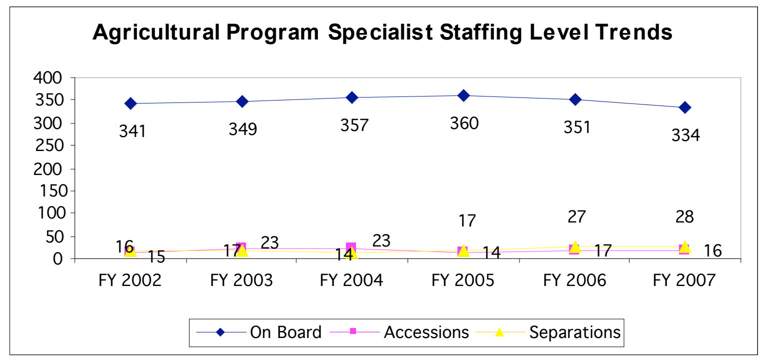


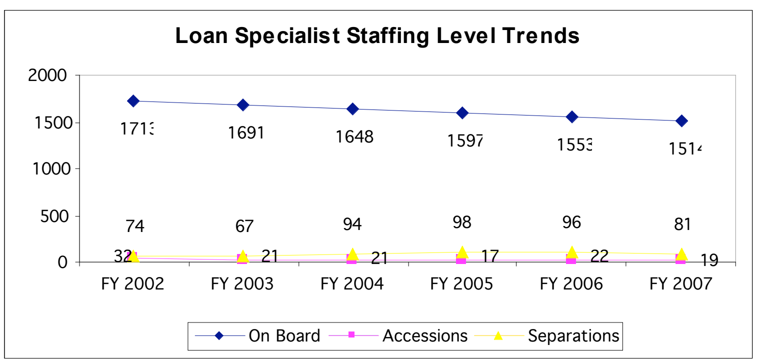

STO Staffing Level Trends
2000
1500
1000
500
0
1622
1,620
1,626
1,493
1,422
1,398
134
194
131
125
129
122
97
77
169
115
152
FY 2002
FY 2003
FY 2004
FY 2005
FY 2006
FY 2007
On Board
Accessions
Separations

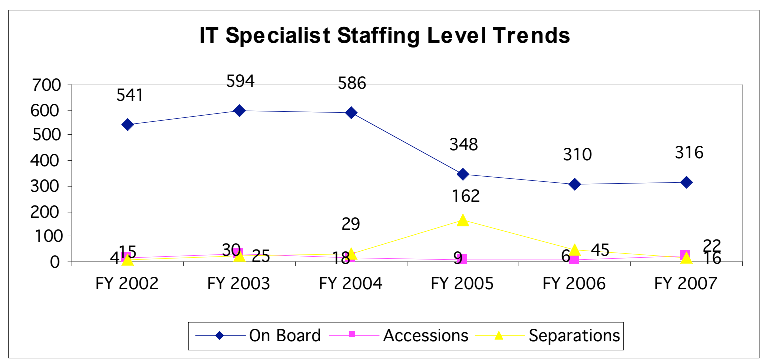
C. Mission Critical Occupation







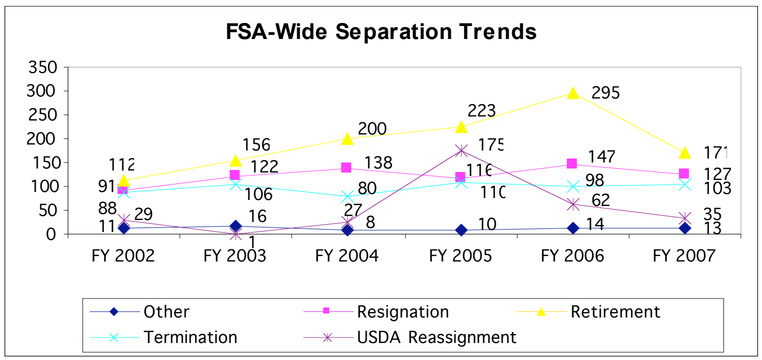


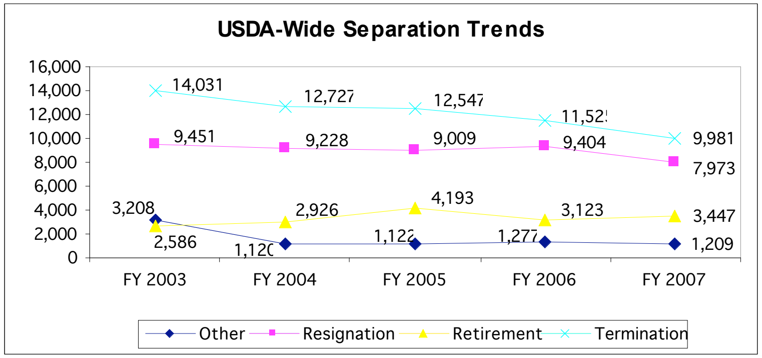


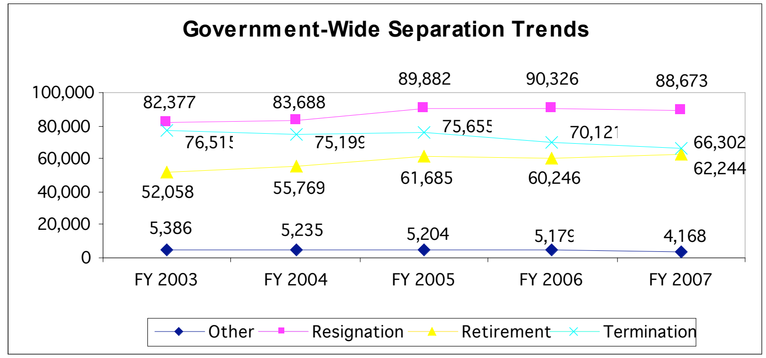
1.2.2. Separations

A. FSA-Wide

As shown in the figures below, retirements are the primary reason for attrition in FSA, followed by terminations and resignations. Based on a six-year average, approximately 3.5% of the FSA employee population retires annually. However, the percentage of the employee population who retires annually has been growing from approximately 1.9% in 2002 to 5.6% in 2006. There was a sudden decrease in the number of retirements in 2007 (3.8%), although the general trend over time has still been an increase in the retirement rate. Although varying from year to year, the numbers of terminations and resignations has also increased in the past six years. The number of USDA reassignments is variable, as it depends on USDA reorganization initiatives. These increased in 2005 and 2006 due to the movement of IT specialists from ITSD and State Offices to USDA ITS. In contrast to FSA, terminations and resignations are the primary causes of attrition in USDA and the government as a whole. Retirements only make up approximately one third of separations in USDA and the government. However, as with FSA, the number of retirements has been increasing over the last few years.

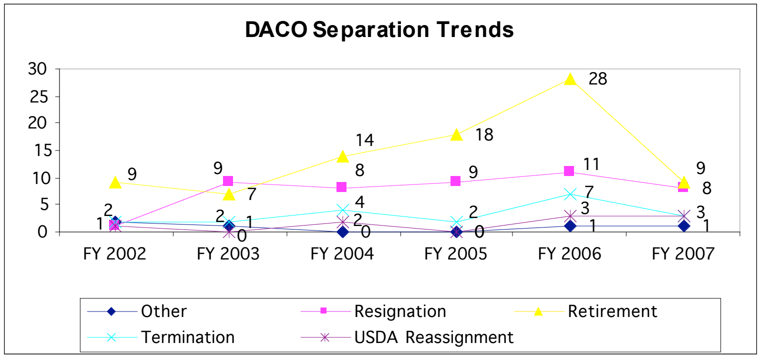


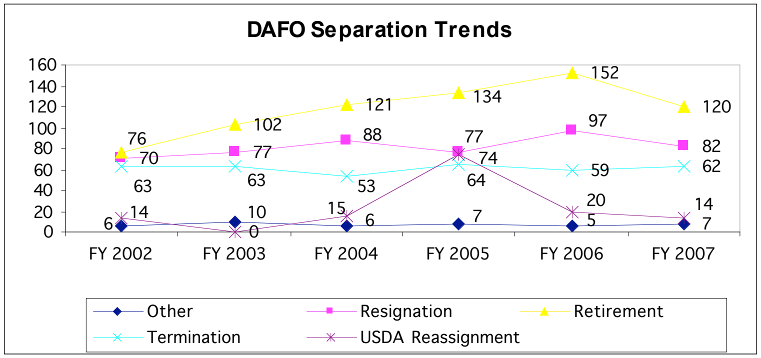

USDA-Wide Separation Trends
16,000
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
14,031
12,727
12,547
9,981
9,451
9,228
9,009
9,404
7,973
3,208
2,926
4,193
3,123
3,447
2,586
1,209
FY 2003
FY 2004
FY 2005
FY 2006
FY 2007
Other
Resignation
Retirement
Termination

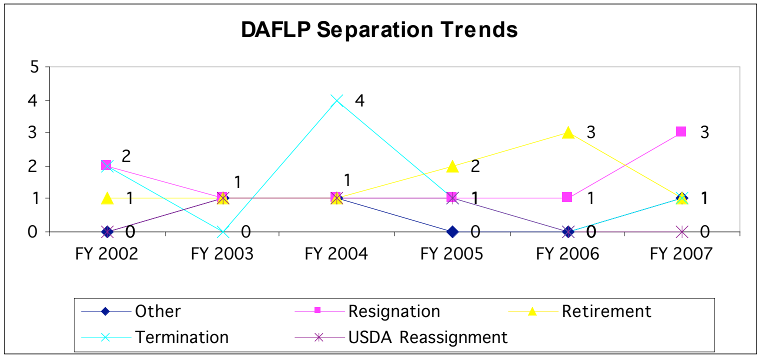

Government-Wide Separation Trends
100,000
80,000
60,000
40,000
20,000
0
82,377
83,688
89,882
90,326
88,673
75,655
66,302
62,244
52,058
55,769
61,685
60,246
5,386
5,235
5,204
4,168
FY 2003
FY 2004
FY 2005
FY 2006
FY 2007
Other
Resignation
Retirement
Termination

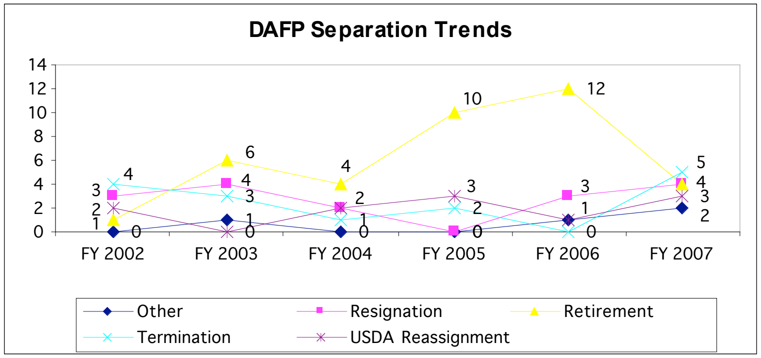
B. Business Unit-Deputy Area

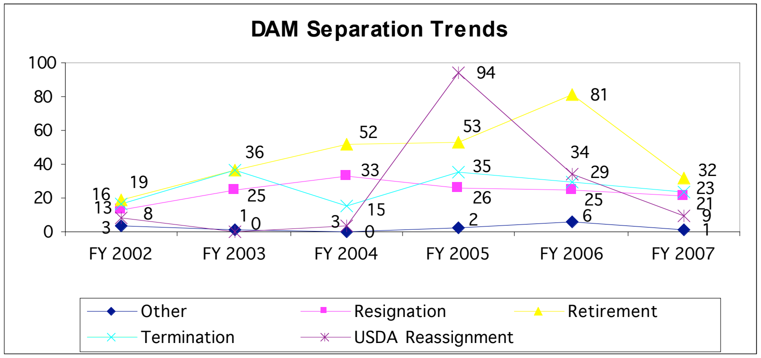
The primary cause of attrition for each FSA business units is retirements. The retirement pattern for each business unit follows that of FSA as a whole, with a steady increase in retirements since 2002, with a sudden decrease in 2007.

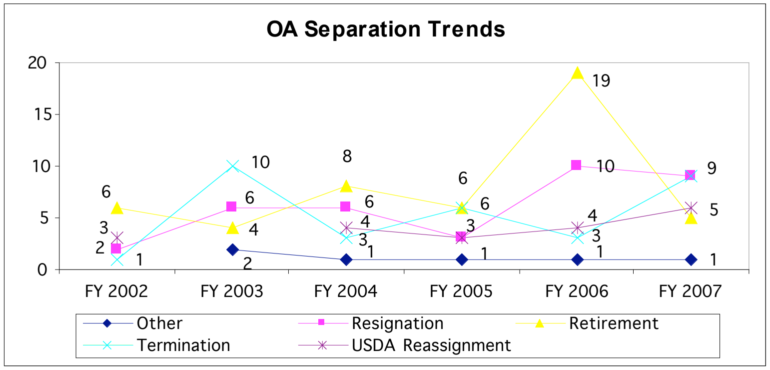






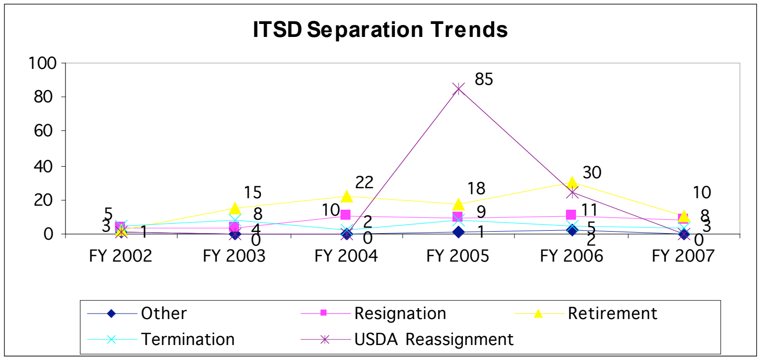


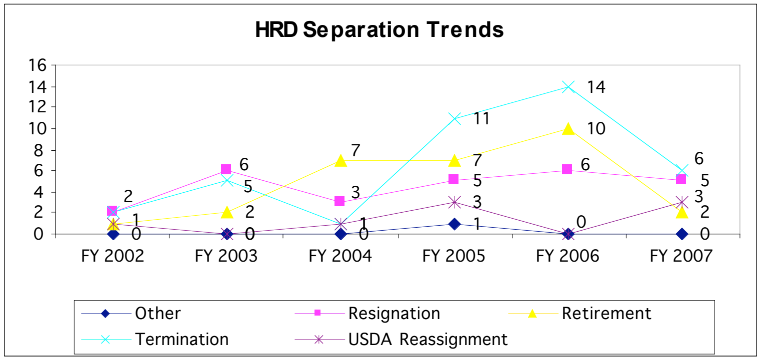

DAM Separation Trends
FY 2002
FY 2003
FY 2004
FY 2005
FY 2006
FY 2007
Other
Resignation
Retirement
Termination
USDA Reassignment

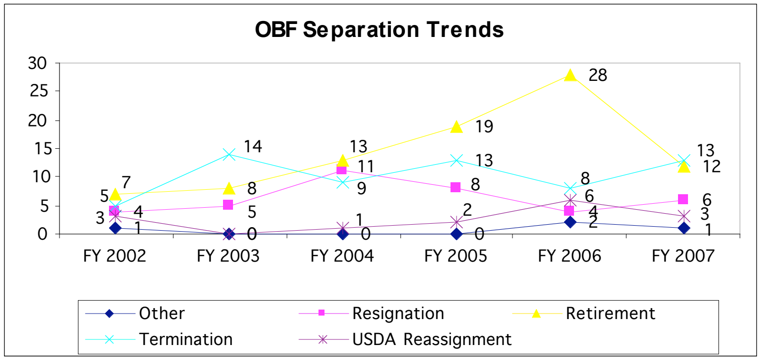

OA Separation Trends
FY 2002
FY 2003
FY 2004
FY 2005
FY 2006
FY 2007
Other
Resignation
Retirement
Termination
USDA Reassignment

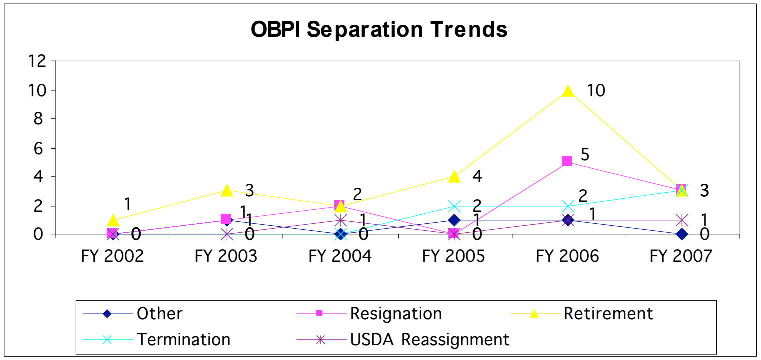
B.2. Business Unit-Office/Division of Interest

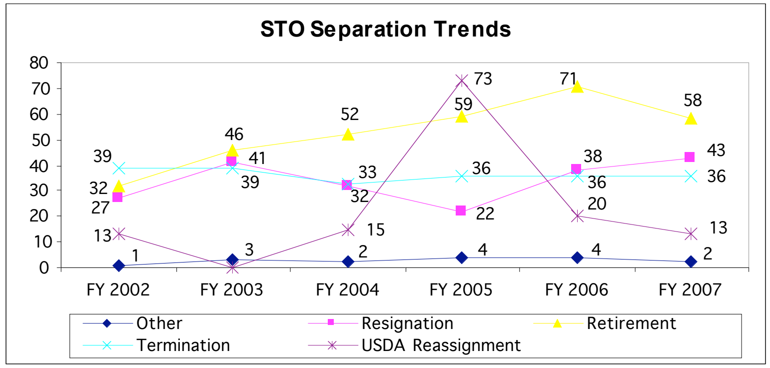
Note: OBF was formed in 2007 by combining the DAM divisions of Financial Management (FMD) and Budget (BD). Historical trends for OBF were analyzed by combining FMD and BD data for FY 2002-2007.





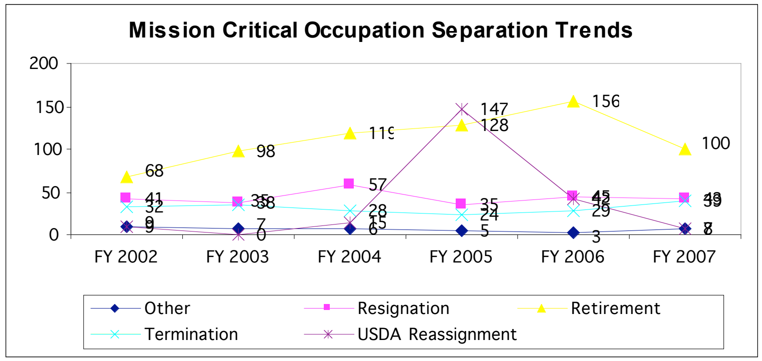


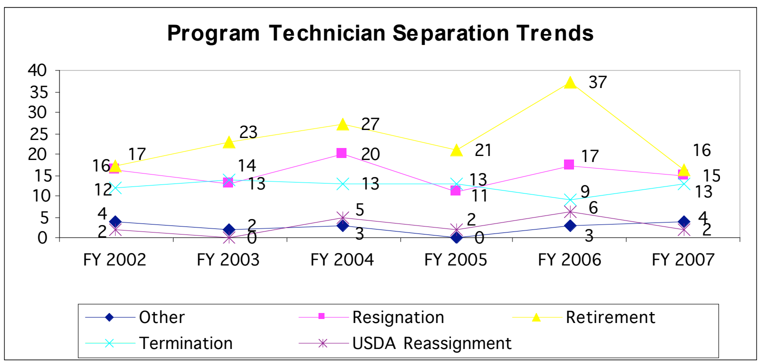


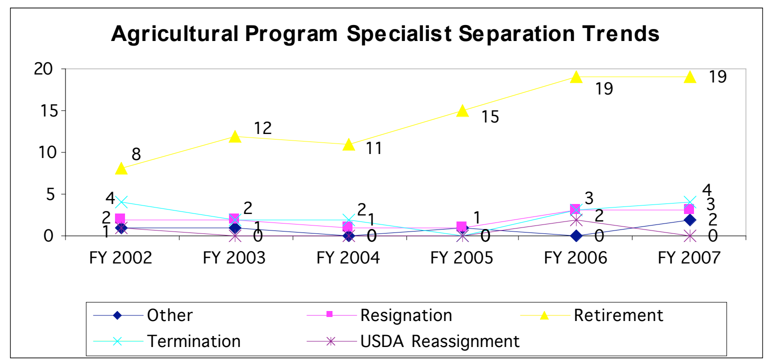

STO Separation Trends
80
70
60
50
40
30
20
10
0
FY 2002
FY 2003
FY 2004
FY 2005
FY 2006
FY 2007
39
32
27
13
1
46
41
39
3
52
33
32
15
2
73
59
36
22
4
71
38
36
20
4
58
43
36
13
2
Other
Resignation
Retirement
Termination
USDA Reassignment

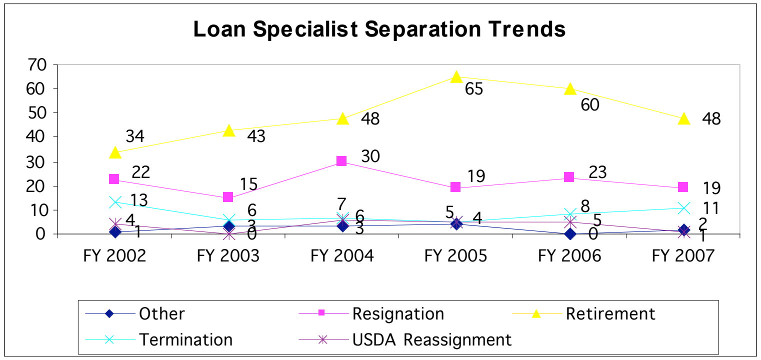
C. Mission Critical Occupation

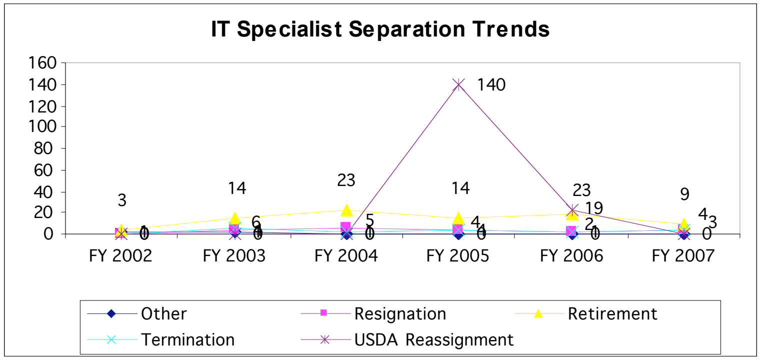
Retirements are also the number one cause of attrition for each of the MCOs of interest. The only exception is IT Specialists in 2005 and 2006, many of which moved to USDA ITS at that time. The number of retirements has also tended to increase over time for each MCO.








Loan Specialist Separation Trends
70
60
50
40
30
20
10
0
FY 2002
FY 2003
FY 2004
FY 2005
FY 2006
FY 2007
Other
Resignation
Retirement
Termination
USDA Reassignment


IT Specialist Separation Trends
160
140
120
100
80
60
40
20
0
FY 2002
FY 2003
FY 2004
FY 2005
FY 2006
FY 2007
Other
Resignation
Retirement
Termination
USDA Reassignment

1.2.3. Retirement Eligibility Estimations and Retirement Projections

Retirement eligibility estimations and retirement projections were calculated for 2008-2012 using average values based on past FSA retirement behavior. To perform these calculations, data for 2002 through 2007 were used as the basis for projections. To provide the most comprehensive basis for retirement projections, trend analyses were conducted using the most data available. Since FY 2002 was the first year for which enough data was available to do all trend analyses, FY 2002 was the year chosen for the starting point. Thus, all trend analyses go back six years.

The percentage of those eligible to retire that actually did retire was calculated for fiscal years 2002 through 2007. These percentages were averaged and served as the basis for the retirement projections. This percentage is presented under each chart for the area in question. In order to project the retirement eligible population for future years, 2007 eligibility levels were used as the baseline, newly eligible employees were added, and projected retirements were subtracted for each projected fiscal year. The projected percentages were multiplied by the projected on-board staffing levels to calculate the number of predicted retirements for years 2008 through 2012.

Retirement trends and projections will first be presented for all types of positions FSA-wide, by business unit, and by MCO. Then trends and projections will be presented for FSA supervisors FSA-wide and by business unit. Supervisory projections will not be made for MCO, since supervisors might be coded under a different series than the employees they manage.

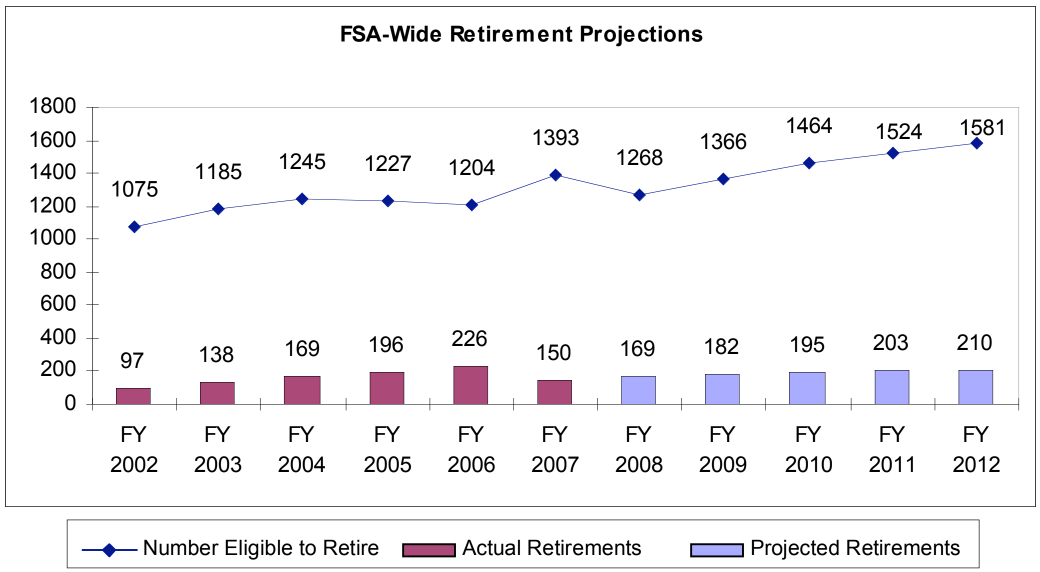
There are a few caveats that need to be made before interpreting the retirement projections:

- Only voluntary retirements were used as the basis for future retirement projections. This is because other categories of retirements (e.g. disability, early-out incentives, etc.) depend less on retirement eligibility, and more on unpredictable external factors.
- These projections are made under the assumption that past behavior is the best predictor of future behavior. However, there are other external factors that may influence the FSA retirement rate. Things such as the job market, the housing market, change of administration, etc. can all impact an employee's choice to retire, but these cannot be taken into account in calculating these retirement projections.
- For some business units, retirement projections are made using very small sample sizes, which tend to be unreliable. Thus, retirement projections for some of these areas should be interpreted with caution. This is especially true for the supervisory projections.
- In the retirement projection bar charts, the bars showing the retirements numbers are the result of rounding. So some bars might show up as different heights for the same value. E.g. two bars representing "3" might be different heights because they actually represent 2.96 and 3.43.

1.2.3.1. Retirement Projections for FSA Employees

A. FSA-Wide

In the next few years, the number of FSA employees who are eligible to retire will be greater than the past few years. In addition, the percentage of retirement eligible employees who actually retire has been steadily increasing since 2002. Taking these two trends into account, FSA can expect to see an increase in retirements over the next few years. These retirement projections estimate that approximately 900 FSA employees will retire in the next five years, which is 19% of the current workforce. A table displaying these retirement trends is presented below, and retirement projections are made for FSA as a whole, each business unit, and each MCO of interest.

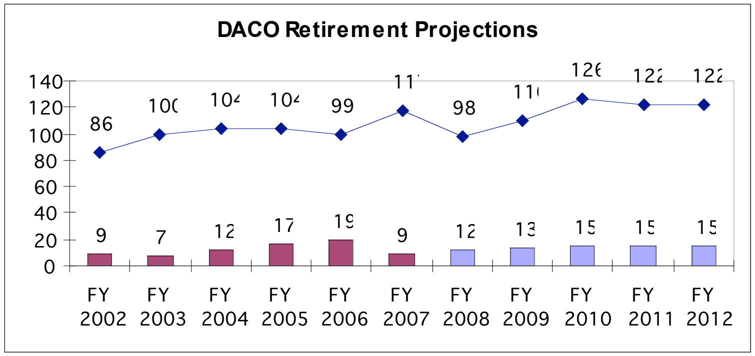


As seen in the tables on the following page, OBPI and HRD, on average, have the highest amount of retirement-eligible employees who actually leave. DACO, DAFO, DAFP, and ITSD have a lower amount of retirement-eligible employees who actually leave than the FSA average. DACO seems to be the business unit that will be most affected by retirements in the next five years, with 24% of their current workforce estimated to retire by 2012. DAFP and HRD are predicted to be the least affected, with approximately 16% of employees estimated to retire by 2012. This is most likely due to a large amount of retirees in 2004 and 2005.

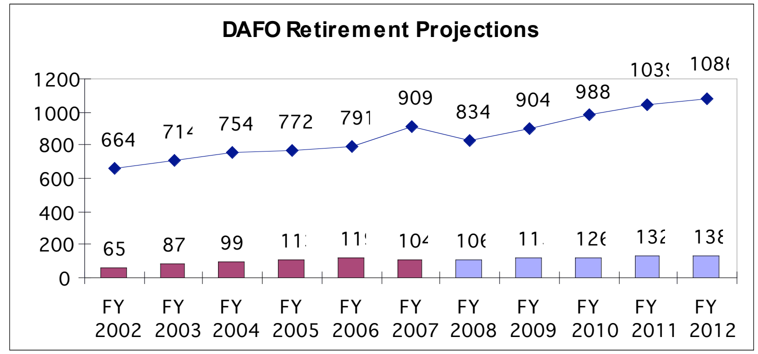
Percentage of Retirement Eligible Employees and Actual Retirements													
Organization	2002		2003		2004		2005		2006		2007		AVERAGE
	% Eligible to Retire	% of Eligible Who Actually Retire	% Eligible to Retire	% of Eligible Who Actually Retire	% Eligible to Retire	% of Eligible Who Actually Retire	% Eligible to Retire	% of Eligible Who Actually Retire	% Eligible to Retire	% of Eligible Who Actually Retire	% Eligible to Retire	% of Eligible Who Actually Retire	% of Eligible Who Actually Retire
FSA-Wide	18.0%	9.0%	19.8%	11.6%	21.0%	13.6%	22.2%	16.0%	23.0%	18.8%	27.1%	10.8%	13.3%
DACO	24.8%	10.5%	28.6%	7.0%	29.5%	11.5%	30.4%	16.3%	31.4%	19.2%	38.6%	7.7%	12.0%
DAFO	16.8%	9.8%	18.1%	12.2%	19.3%	13.1%	20.9%	14.6%	22.3%	15.0%	25.9%	11.4%	12.7%
DAFLP	14.5%	9.1%	18.8%	7.7%	17.1%	8.3%	13.2%	22.2%	10.3%	42.9%	15.9%	10.0%	16.7%
DAFP	20.1%	2.4%	21.2%	13.6%	21.6%	9.1%	22.2%	23.3%	23.0%	23.3%	28.7%	7.8%	13.2%
DAM	19.7%	6.6%	22.5%	11.9%	23.6%	17.2%	24.6%	18.8%	24.1%	25.3%	28.4%	10.2%	15.0%
OA	18.5%	17.2%	20.8%	10.8%	25.8%	8.7%	24.7%	13.6%	23.5%	46.2%	26.1%	12.2%	18.1%
ITSD	19.9%	2.0%	24.6%	12.3%	22.9%	18.8%	26.3%	16.7%	29.0%	20.6%	33.6%	7.5%	13.0%
HRD	16.3%	0%	17.8%	11.1%	14.1%	50.0%	15.5%	26.1%	12.9%	27.8%	15.6%	9.1%	20.7%
OBF	17.1%	9.7%	19.0%	10.3%	22.9%	16.0%	24.8%	19.0%	22.4%	27.8%	25.6%	12.5%	15.9%
OBPI	20.5%	12.5%	24.7%	15.8%	30.8%	4.2%	23.8%	21.1%	21.3%	56.3%	26.6%	14.3%	20.7%
STO	19.5%	9.1%	21.0%	11.8%	22.6%	13.1%	25.1%	13.6%	26.5%	15.6%	31.4%	11.6%	12.5%

Five-Year Retirement Projections							
Organization	2008	2009	2010	2011	2012	Five-Year Total	% of Current Business Unit
FSA-Wide	169	182	195	203	210	957	19%
DACO	12	13	15	15	15	70	24%
DAFO	106	115	126	132	138	616	18%
DAFLP	2	2	2	3	3	12	19%
DAFP	5	6	6	6	6	29	16%
DAM	26	26	26	26	27	131	21%
OA	20	22	21	22	23	108	24%
ITSD	14	14	15	15	16	74	21%
HRD	4	4	5	5	5	23	17%
OBF	12	13	13	13	13	64	21%
OBPI	2	2	2	2	2	10	22%
STO	49	53	58	61	63	284	20%

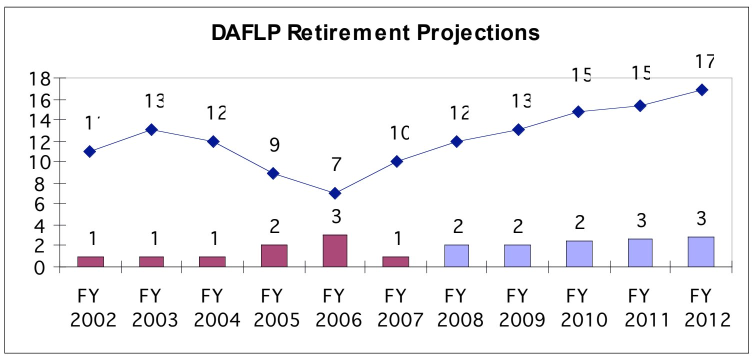
B. Business Unit- Deputy Area



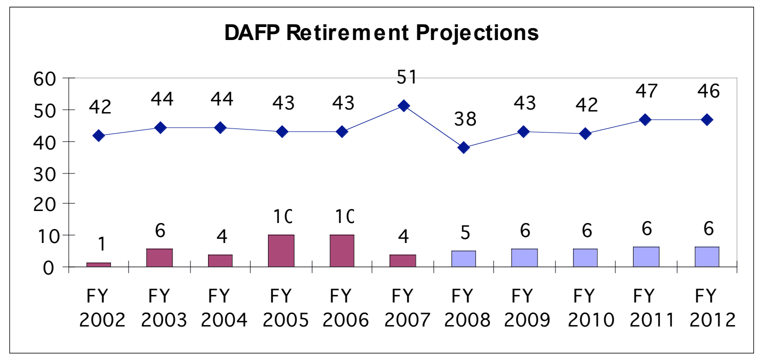
* *Average six-year actual retirement is 12.0% of those eligible.*



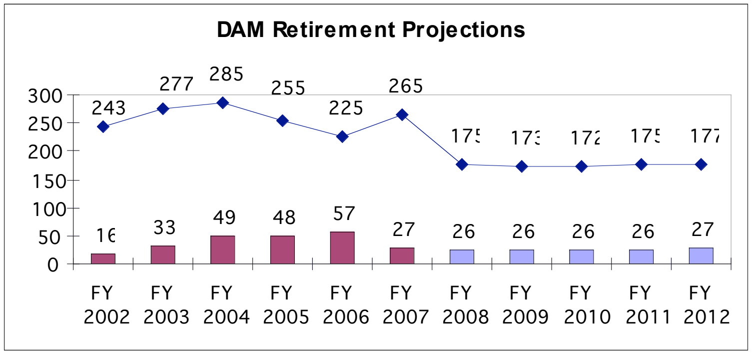
* *Average six-year actual retirement is 12.7% of those eligible.*



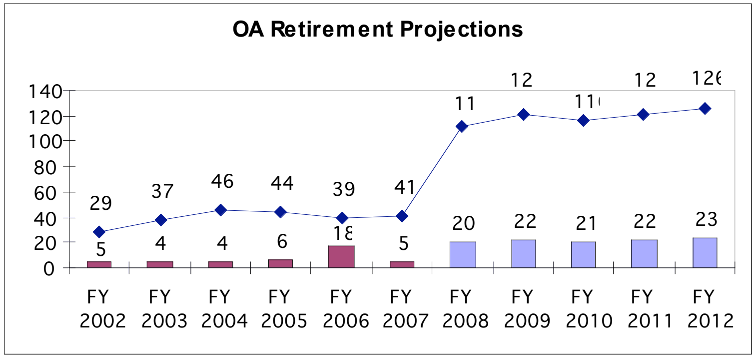
* *Average six-year actual retirement is 16.7% of those eligible.*



* *Average six-year actual retirement is 13.2% of those eligible.*



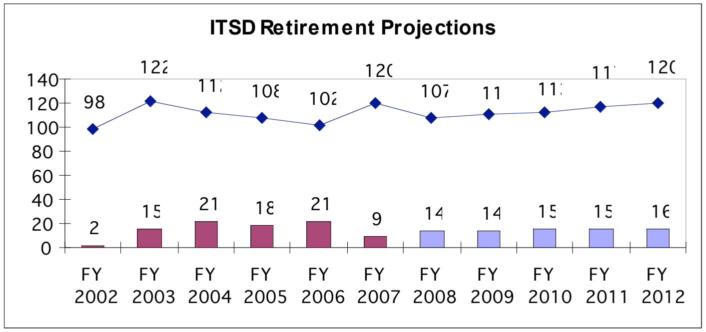
** Average six-year actual retirement is 15.0% of those eligible.*



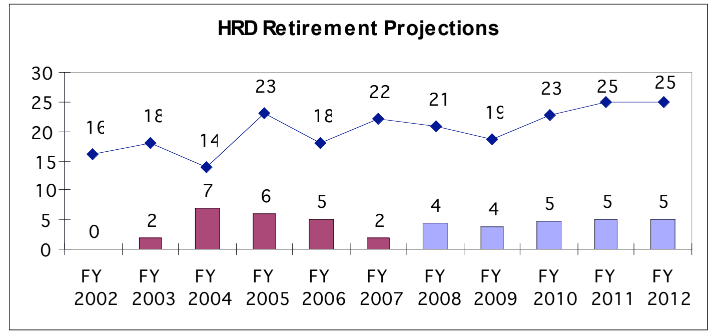
** Average six-year actual retirement is 18.1% of those eligible.*

Number Eligible to Retire | Actual Retirements | Projected Retirements

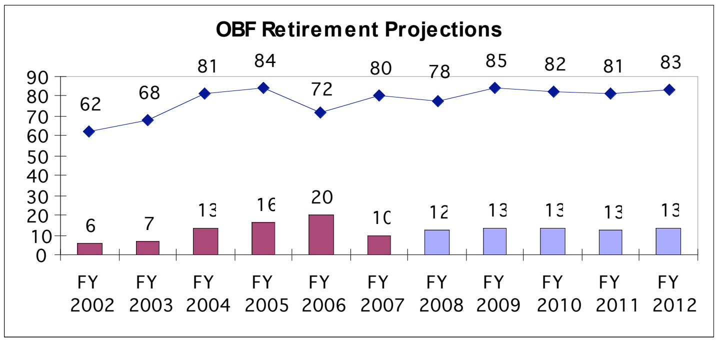
B.2. Business Unit- Division/Office of Interest



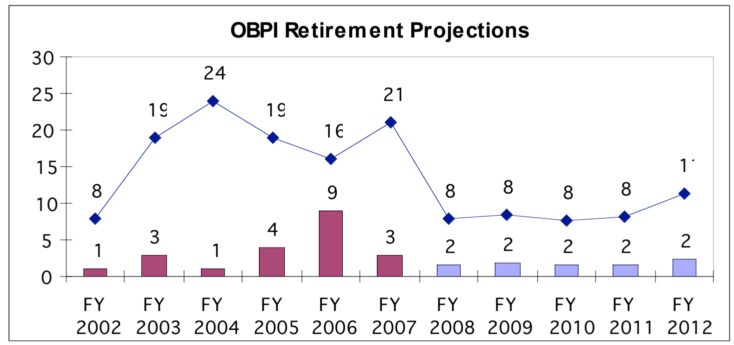
Average six-year actual retirement is 13.0% of those eligible.



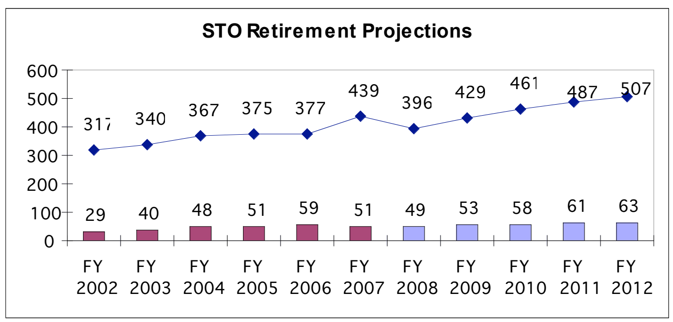
** Average six-year actual retirement is 20.7% of those eligible.*



Average six-year actual retirement is 16.9% of those eligible



** Average six-year actual retirement is 20.7% of those eligible.*



** Average six-year actual retirement is 12.5% of those eligible.*

Number Eligible to Retire | Actual Retirements | Projected Retirements

C. Mission Critical Occupation

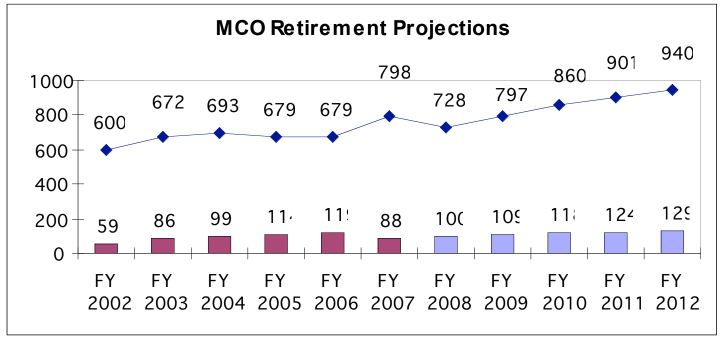
As seen in the tables below, Agricultural Program Specialists and Loan Specialists, on average, are more likely to leave if they are retirement eligible. Program Technicians are less likely to leave if they are retirement eligible than the average FSA employee. The Agricultural Program Specialist series is predicted to be the most affected by retirements in the next five years. The rest of the MCOs will be less affected than the rest of FSA, on average.

Percentage of Retirement Eligible Employees and Actual Retirements

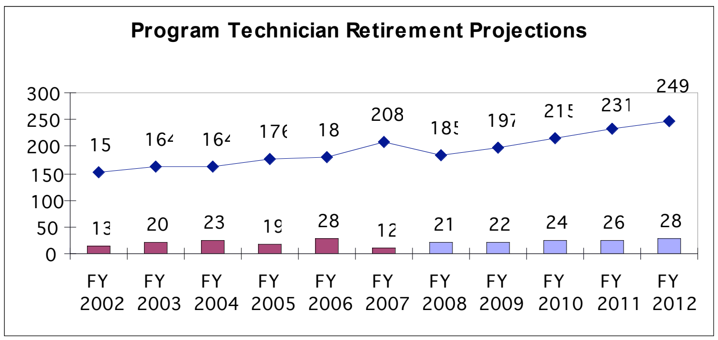
Organization	2002		2003		2004		2005		2006		2007		AVERAGE
	% Eligible to Retire	% of Eligible Who Actually Retire	% Eligible to Retire	% of Eligible Who Actually Retire	% Eligible to Retire	% of Eligible Who Actually Retire	% Eligible to Retire	% of Eligible Who Actually Retire	% Eligible to Retire	% of Eligible Who Actually Retire	% Eligible to Retire	% of Eligible Who Actually Retire	% of Eligible Who Actually Retire
FSA-Wide	18.0%	9.0%	19.8%	11.6%	21.0%	13.6%	22.2%	16.0%	23.0%	18.8%	27.1%	10.8%	13.3%
All MCO	16.1%	9.8%	17.8%	12.8%	18.6%	14.3%	19.9%	16.8%	20.7%	17.5%	24.8%	11.0%	13.7%
Program Technician	17.5%	18.6%	18.8%	12.2.%	19.1%	14.0%	20.8%	10.8%	22.1%	15.5%	25.7%	5.8%	11.1%
Ag Program Specialist	18.8%	10.9%	20.1%	15.7%	22.7%	13.6%	23.1%	16.9%	23.4%	18.3%	27.5%	19.6%	15.8%
Loan Specialist	14.2%	12.3%	15.3%	13.9%	16.3%	12.7%	16.8%	21.0%	17.3%	17.8%	21.2%	13.4%	15.0%
IT Specialist	17.6%	3.2%	20.4%	10.7%	19.6%	19.1%	24.1%	16.7%	26.1%	17.3%	29.7%	8.5%	12.6%

Five-Year Retirement Projections

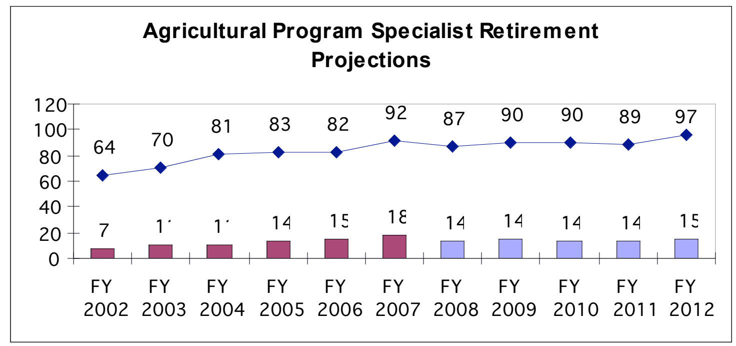
Organization	2008	2009	2010	2011	2012	Five-Year Total	% of Current MCO
FSA-Wide	169	182	195	203	210	957	19%
All MCO	100	109	118	124	129	579	18%
Program Technician	21	22	24	26	28	121	15%
Ag Program Specialist	14	14	14	14	15	71	22%
Loan Specialist	45	51	57	59	61	273	18%
IT Specialist	10	11	11	12	13	58	18%



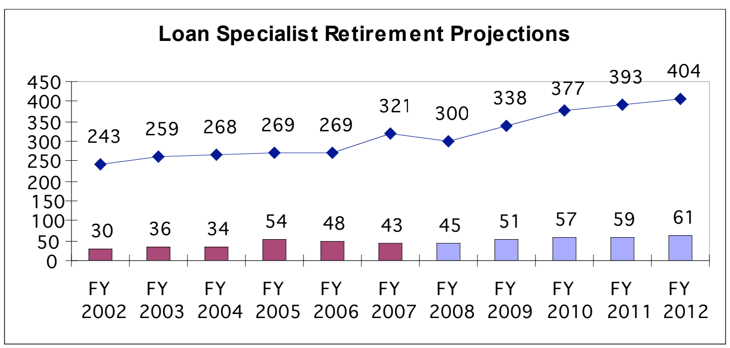
* *Average six-year actual retirement is 13.7% of those eligible.*



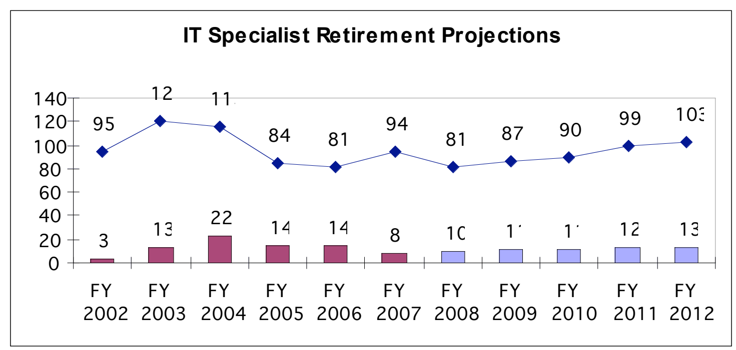
* *Average six-year actual retirement is 11.1% of those eligible.*



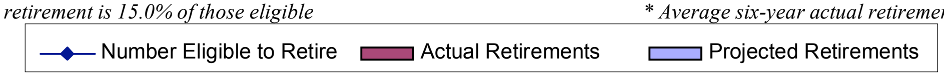
.* *Average six-year actual retirement is 15.8% of those eligible.*



* *Average six-year actual retirement is 15.0% of those eligible*



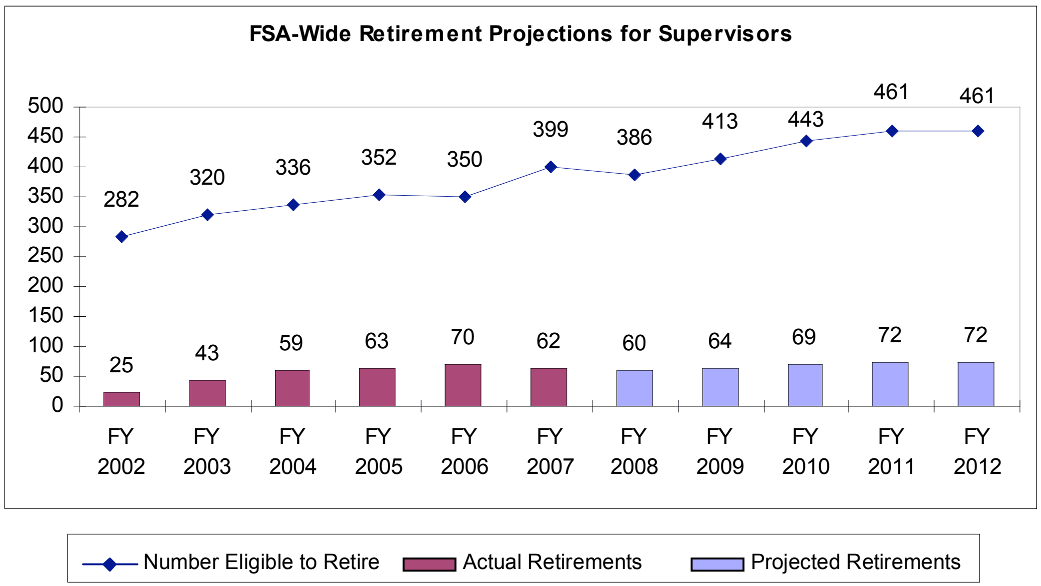
* *Average six-year actual retirement is 12.6% of those eligible.*



1.2.3.2. Retirement Projections for FSA Supervisors

A. FSA-Wide

Retirement projections were also made for FSA supervisors, as some business units are particularly concerned with the number of managers they are likely to see retire in the next few years. The datasets provided by HRD used for these analyses coded each position as Supervisory or Non-supervisory. Supervisory projections were not made for MCOs, since supervisors may be coded under a different series than the employees they manage. These retirement projections estimate that approximately 350 FSA supervisors will retire in the next five years, which is 27% of the current supervisory workforce. Tables displaying these retirement trends are presented below, followed by charts for each area of interest.



As seen in the tables on the following page, supervisors are more likely to leave when retirement eligible than are FSA employees as a whole. This could partly be due to the fact that supervisors are in a higher pay grade than non-supervisors, and thus may be in a better position financially to retire than non-supervisory employees. DAFLP and HRD, on average, have the highest amount of retirement-eligible supervisors who actually leave. DAFO has the lowest amount of retirement-eligible employees who actually leave. DACO, OBPI, and DAFLP seem to be the business units that will be most affected by retirements in the next five years, with 53%, 46%, and 45% of their current workforce estimated to retire by 2012. DAFP and HRD are predicted to be the least affected, with approximately 16% of employees estimated to retire by 2012, respectively. All supervisory positions will be more affected by potential retirements in the next five years than FSA as a whole. *As previously stated, the retirement projections for supervisors were made using very small sample sizes and are thus less reliable than those made when all employees were taken into account.*

Percentage of Retirement Eligible Employees and Actual Retirements for FSA Supervisors

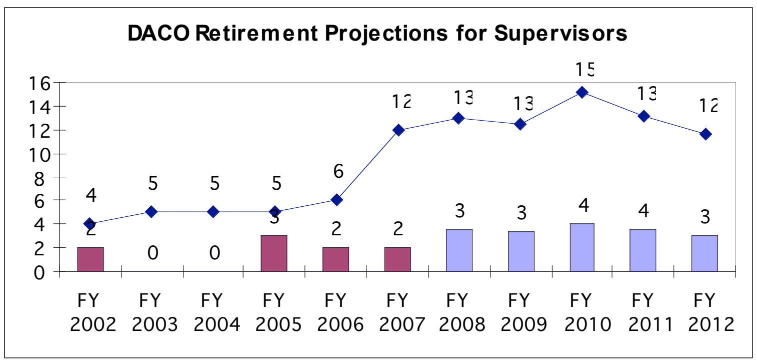
Organization	2002		2003		2004		2005		2006		2007		AVERAGE
	% Eligible to Retire	% of Eligible Who Actually Retire	% Eligible to Retire	% of Eligible Who Actually Retire	% Eligible to Retire	% of Eligible Who Actually Retire	% Eligible to Retire	% of Eligible Who Actually Retire	% Eligible to Retire	% of Eligible Who Actually Retire	% Eligible to Retire	% of Eligible Who Actually Retire	% of Eligible Who Actually Retire
FSA-Wide	18.0%	9.0%	19.8%	11.6%	21.0%	13.6%	22.2%	16.0%	23.0%	18.8%	27.1%	10.8%	13.3%
All Supervrs	21.0%	8.9%	23.7%	13.4%	25.2%	17.6%	26.3%	17.9%	27.4%	20.0%	31.6%	15.5%	15.6%
DACO	10.5%	50.0%	12.5%	0.0%	15.2%	0.0%	13.5%	60.0%	17.1%	33.3%	37.5%	16.7%	26.7%
DAFO	21.0%	7.9%	23.6%	12.7%	24.9%	15.9%	26.5%	15.4%	27.8%	17.3%	31.6%	15.7%	14.1%
DAFLP	23.1%	0.0%	25.0%	0.0%	27.3%	0.0%	10.0%	200.0%	9.1%	100.0%	8.3%	0.0%	50.0%
DAFP	17.2%	0.0%	13.8%	50.0%	14.3%	25.0%	21.2%	14.3%	29.6%	25.0%	32.0%	12.5%	21.1.%
DAM	22.4%	12.1%	26.7%	12.8%	29.5%	30.2%	28.3%	33.3%	27.8%	28.1%	30.2%	17.1%	22.3%
OA	28.6%	12.5%	37.0%	30.0%	38.5%	20.0%	39.3%	0.0%	30.8%	62.5%	39.3%	9.1%	22.4%
ITSD	25.0%	0.0%	36.0%	16.7%	30.9%	41.2%	38.6%	23.5%	39.5%	20.0%	39.5%	17.6%	19.8%
HRD	37.5%	0.0%	37.5%	33.3%	28.6%	100.0%	25.0%	0.0%	14.3%	50.0%	7.7%	100.0%	47.2%
OBF	12.0%	33.3%	11.8%	0.0%	17.3%	11.1%	12.2%	66.7%	18.2%	12.5%	12.6%	12.5%	22.7%
OBPI	40.0%	0.0%	26.7%	50.0%	33.3%	0.0%	25.0%	0.0%	21.4%	100.0%	37.5%	16.7%	27.8%
STO	25.5%	8.0%	28.6%	13.2%	31.3%	15.2%	35.2%	12.0%	36.0%	17.6%	41.2%	15.3%	13.5%

Five-Year Retirement Projections for FSA Supervisors

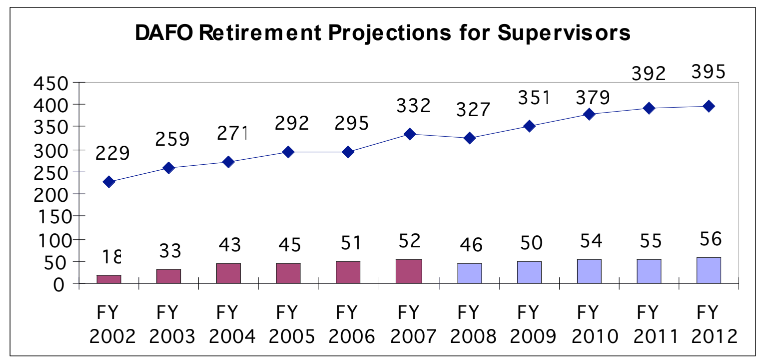
Organization	2008	2009	2010	2011	2012	5-Year Total	% of Current Business Unit
FSA-Wide	169	182	195	203	210	957	19%

All Supervisors	60	64	69	72	72	336	27%
DACO	3	3	4	4	3	17	53%
DAFO	46	50	54	55	56	261	25%
DAFLP	1	2	1	1	1	5	45%
DAFP	1	2	2	1	2	7	27%
DAM	4	4	4	5	4	22	32%
OA	4	4	4	5	6	23	34%
ITSD	3	3	3	3	3	15	32%
HRD	0	1	1	1	1	4	30%
OBF	2	3	2	3	2	13	30%
OBPI	1	1	0	1	1	4	46%
STO	26	28	29	29	30	330	29%

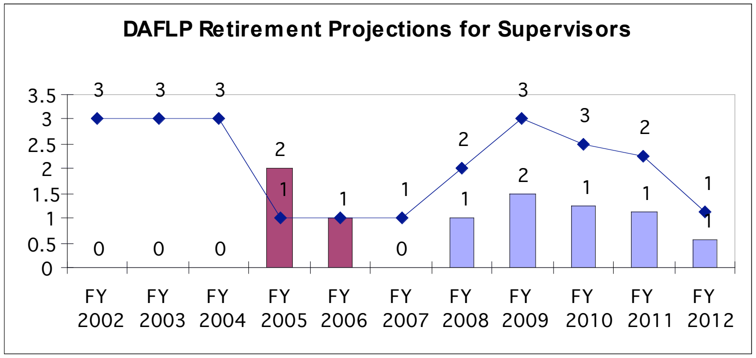
B. Business Unit-Deputy Area



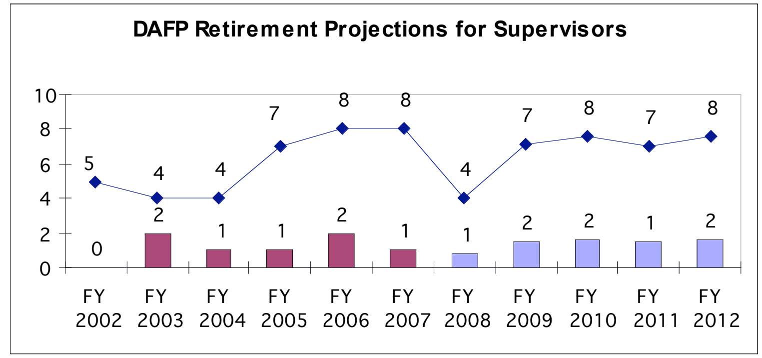
** Average six-year actual retirement is 26.7% of those eligible.*



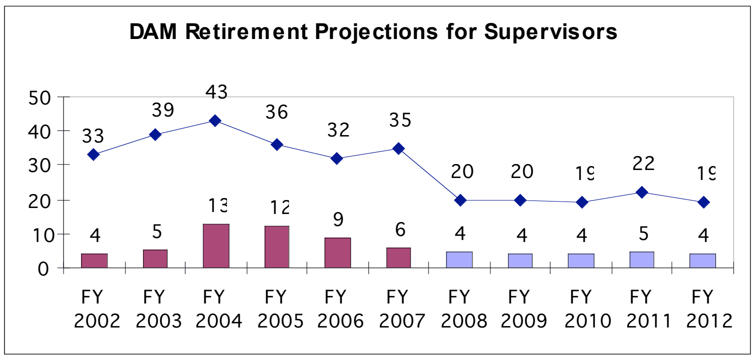
Average six-year actual retirement is 14.1% of those eligible.



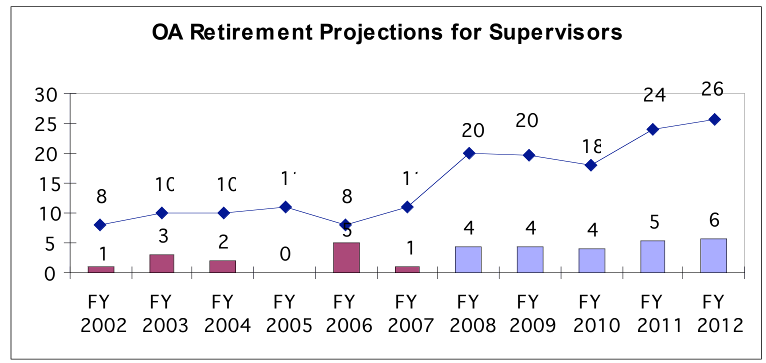
* *Average 6-year actual retirement is 50.0% of those eligible*



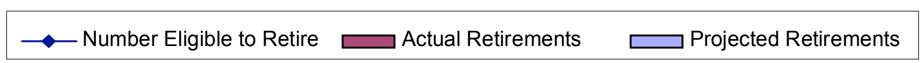
* *Average six-year actual retirement is 21.1% of those eligible*



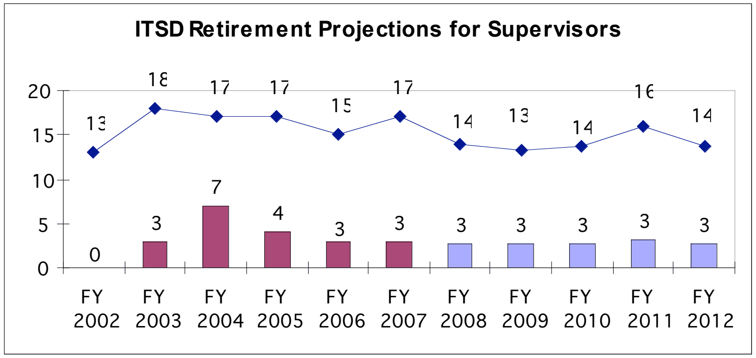
* *Average six-year actual retirement is 22.3% of those eligible*



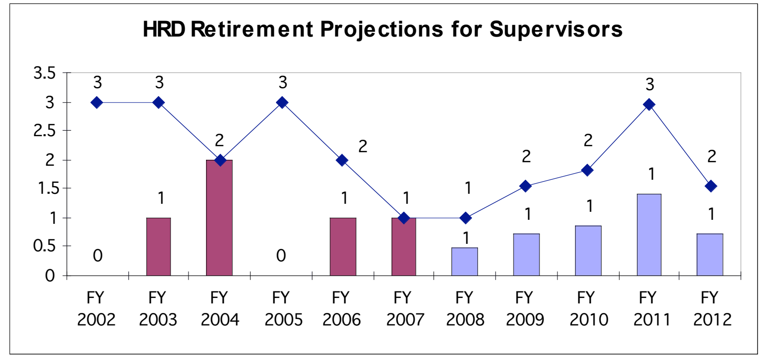
* *Average six-year actual retirement is 22.4% of those eligible*



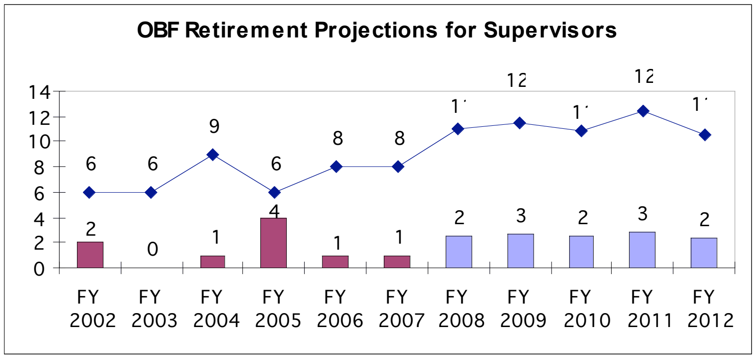
B.2. Business Unit- Division/Office of Interest



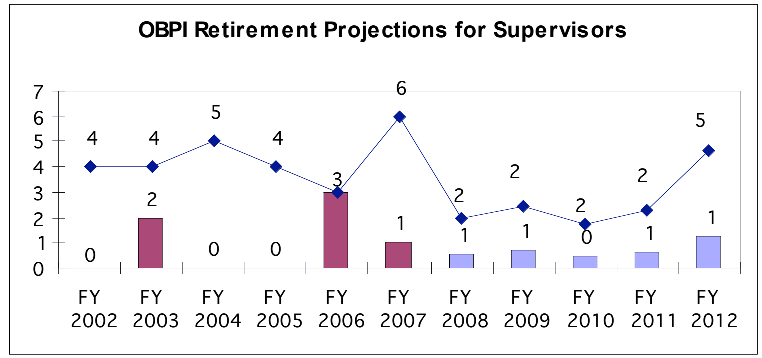
* *Average six-year actual retirement is 19.8% of those eligible.*



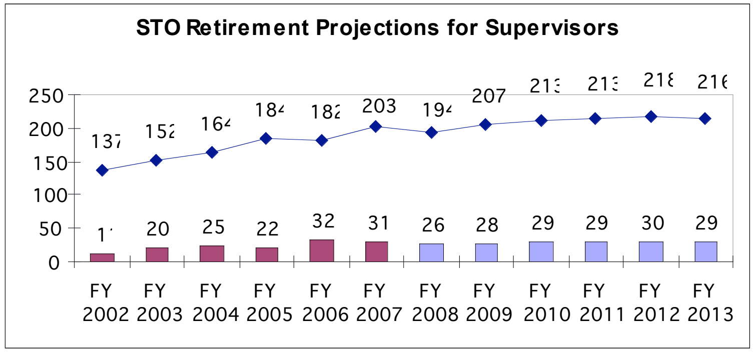
Average six-year actual retirement is 47.2% of those eligible.



* *Average six-year actual retirement is 22.7% of those eligible*



* *Average six-year actual retirement is 27.8% of those eligible*



** Average six-year actual retirement is 13.5% of those eligible*

2. STRATEGIC HUMAN CAPITAL REPORT APPROACH

2.1. Background

The United States Department of Agriculture (USDA), Farm Service Agency (FSA) administers and manages farm commodity, credit, conservation, disaster and loan programs as authorized by Congress through a network of Federal, state and county offices. FSA is a customer-focused agency, dedicated to achieving an economically and environmentally sound future for American agriculture.

FSA's National Headquarters Office (NHQ) has employees and operations located in Washington, DC; Kansas City, MO; St. Louis, MO; and Salt Lake City, UT. In addition, each of the fifty (50) states and the Commonwealth of Puerto Rico has an FSA State Office to support the FSA mission at the local level through nearly 2400 county offices. The FSA workforce includes 5,079 Federal employees as of January 2008, with approximately 8,000 additional County employees.

The following Report supports FSA's strategic objectives by describing the composition of the current workforce and identifying gaps within that workforce. This report also describes solutions and actions necessary to ensure that workforce resources are properly aligned to meet those future workload demands.

The Report includes a variety of demographic and trend data regarding FSA's workforce. This data serves as a starting point for identifying skills gaps and possible solutions for these workforce planning challenges. The data is assembled into various categories:

- Appointment Types
- National Origin
- Average Grade
- Retirement eligibility
- Race
- Gender
- Accession trends

In many cases, the data is further broken down by program area, supervisory status, mission critical occupations (MCO), and/or geographical location.

The workforce profile data also contains projected losses resulting from retirements and other attrition. The trend data reveals that FSA generally loses about 400 Federal employees a year, with nearly half of that number specifically due to Optional Retirements. At that rate, FSA can expect to lose over 2000 of its Federal employees over the next five years due to retirement and other attrition, with nearly 1000, or half, due to retirement alone. This will create significant gaps in the workforce, especially in the loss of critical skills in mission critical occupations. Other gaps will be created due to the emergence of new skill requirements, and due to the loss of employees in key leadership positions.

The Report identifies recommended strategies for closing these projected workforce gaps. The strategies included in this Report are geared towards improving the Staffing and Recruitment processes, Skills Training, Leadership Development, and Succession Planning. The strategies and actions provide a road map for ensuring that FSA's future workforce has the skills and knowledge necessary to meet FSA's future business needs.

Finally, the Report includes a discussion of the governance structure necessary to identify and deal with agency-wide Human Capital issues. The section on Human Capital Governance provides options for improving the structure and process for human capital analysis, leadership, and decision-making, and recommendations for ensuring that FSA's Human Resources Division (HRD) supports the agency in its efforts to handle its current and future workforce challenges in an effective manner.

2.1.1. Workforce Profile

The Workforce Profile includes a variety of demographic and trend data regarding the FSA workforce to serve as a starting point for identifying skills gaps and possible solutions for these workforce planning challenges. This section provides a summary of the workforce analyses conducted. For the complete workforce profile, including individual organizational analyses accompanied by charts and graphs, refer to the Appendices.

2.1.2. Scope and Methodology

The FSA Workforce Profile includes two primary analyses:

- **Current Workforce Profile:** The state of the current FSA workforce was examined for the following categories: Workforce Dispersion, Work Status, Appointment Type, Supervisory Status, Grade Dispersion, Average Age, Gender, and Race & National Origin (RNO).
- **Five-Year Staffing Trends and Five-Year Projection Models**: This section provides the following trends and forecasting information: Staffing Level Trends, Separation Trends, and Retirement Trends and Projections.

FSA's Human Resources Division (HRD) provided all the data contained in this report. The assessment team conducted a thorough independent analysis.

Workforce demographics were analyzed using a dataset as of January 2008. Workforce trends were analyzed using a dataset recent as of September 2007. This dataset includes FY 2002-2007 employee information, updated at the end of each fiscal year. Finally, separation trends, accession trends, and retirement projections were determined using a dataset recent as of January 2008. All trend analyses use FY 2002 as the starting date, since the data provided by HRD was assembled to cover that timeframe.

For each of the categories, specific focus was given to:

- The FSA workforce as a whole, as compared to the USDA workforce and the Federal Government workforce
- Each of the FSA deputy areas and the Office of the Administrator:
    - Deputy Administrator for Commodity Operations (DACO)
    - Deputy Administrator for Field Operations (DAFO)
    - Deputy Administrator for Farm Loan Programs (DAFLP)
    - Deputy Administrator for Farm Programs (DAFP)
    - Deputy Administrator for Management (DAM): Includes Acquisition Management Division (AMD), Human Resources Division (HRD), Information Technology Services Division (ITSD), and Management Services Division (MSD)
    - Office of the Administrator: Includes Economic and Policy Analysis Staff (EPAS)[1], Office of Business and Program Integration (OBPI), Office of Civil Rights (OCR), and Office of External Affairs (OEA)
- Separate analysis was conducted for the following individual offices or divisions of interest within the scope of the Organizational Assessment:
    - Information Technology Services Division (ITSD)
    - Human Resources Division (HRD)
    - Office of Budget and Finance (OBF)
    - Office of Business and Program Integration (OBPI)
    - State Offices (STO): Reside in the DAFO, with offices in all 50 states, Puerto Rico, the US Virgin Islands, and the Pacific Basin (not including County employees under separate personnel system).
- FSA Mission Critical Occupations (MCOs), with specific attention to those with the most employees: Program Technicians (GS-1101), Agricultural Program Specialists (GS-1145), Loan Specialists (GS-1165), and Information Technology (IT) Specialists (GS-2210). Mission critical categories identified in this report were provided by HRD.
- Metropolitan areas with the largest FSA populations: Washington, DC metro area, Kansas City, MO, St. Louis, MO, and Salt Lake City, UT

[1] Because trend data was provided as of September 2007, EPAS is still included as part of the OBPI trend analysis view.

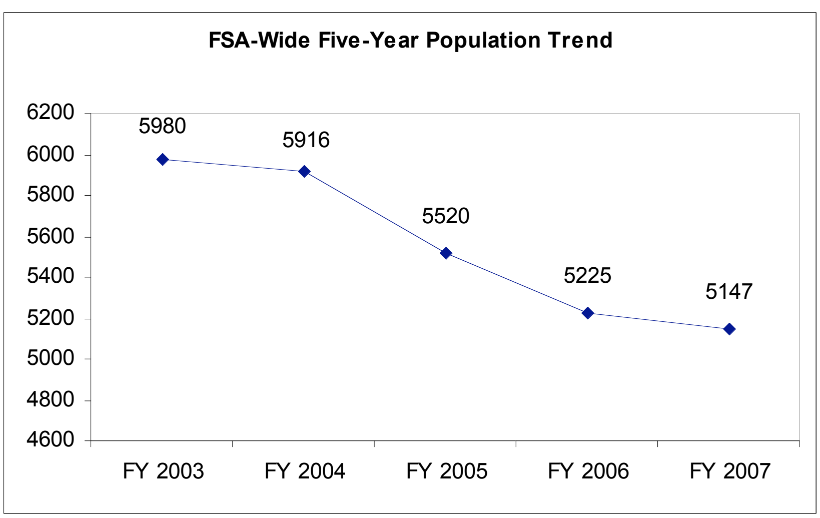
2.2. Summary of Findings

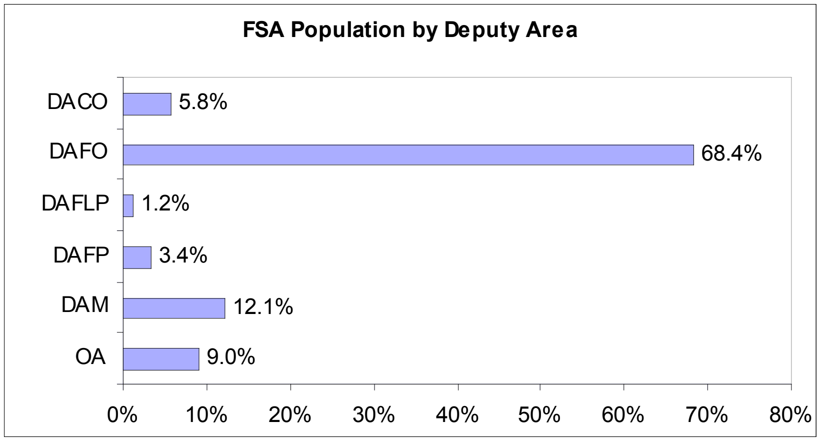
2.2.1. Current Workforce Profile

Workforce Dispersion

- As of January 2008, FSA had 5,079 employees, which were geographically dispersed in five major business units throughout the United States. FSA employs an additional 8,000+ people in the County offices. The non-Federal employees in the County offices were beyond the scope of this study and are not included in the Workforce Profile.
- The total FSA population peaked in 2003 with a total of 5,980 employees, and then steadily declined, resulting in a 14% decrease in overall staff over the past five years
- The largest business unit is DAFO, with approximately 3,500 federal GS employees, most of which are located in state and county offices. The largest FSA locations are the Washington, DC area and Kansas City, but the bulk of the FSA population is scattered throughout the nation in state and county offices.

There have been a few reorganizations over the past five years, which have affected the current state of the FSA workforce. First, USDA formed the Information Technology Services (ITS) organization in 2004 to serve as an in-house provider of IT service and support for USDA employees; associated with this, approximately 160 FSA IT Specialists from state offices, the KC Administrative Office, and ITSD were moved into USDA ITS at that time. Additionally, the Kansas City Administrative Office was completely dissolved between FY2005-2007, and in October 2007, two DAM organizations, Budget and Financial Management, were merged to form the Office of Budget and Finance as a direct report to the Administrator.




FSA Population by Deputy Area
DACO
5.8%
DAFO
68.4%
DAFLP
1.2%
DAFP
3.4%
DAM
12.1%
OA
9.0%
0%
10%
20%
30%
40%
50%
60%
70%
80%

Work Status

- Approximately 98% of the FSA federal workforce is full-time permanent, with the other 2% split between part-time permanent and full-time temporary. These ratios have not changed over the last five years.

Appointment Type

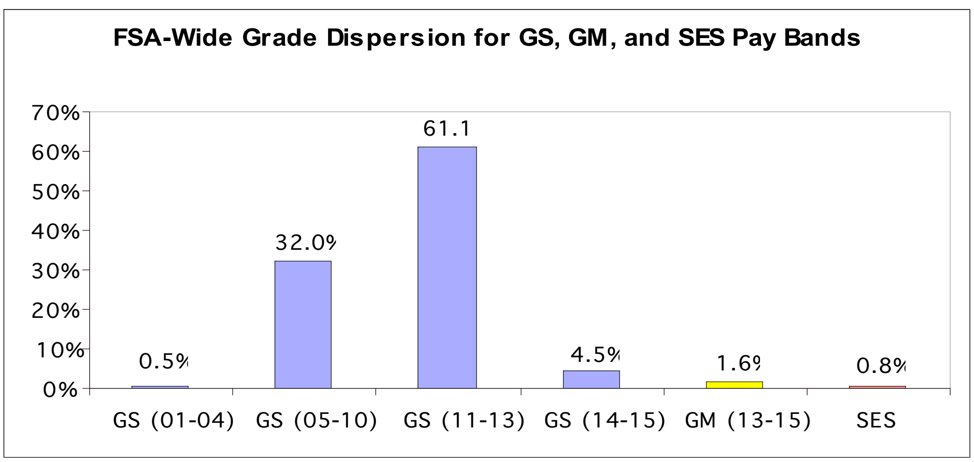
- Approximately 96% of the FSA Federal was appointed to the competitive service, and 4% was appointed to the excepted service. These ratios have not changed over the last five years.

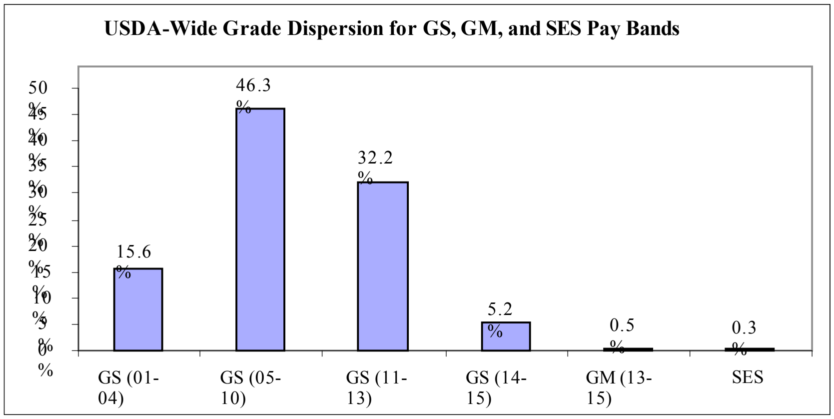
Supervisory Status

- Approximately 25% of FSA employees are classified as Supervisors. This overall percentage has increased slightly over the last five years.
- DAFO is above the FSA average for supervisory status, with 30% of its positions considered supervisory. When DAFO is not included, the overall percentage of FSA employees classified as Supervisors drops to 13%.

Grade Dispersion

- Approximately 60% of FSA Federal employees fall into GS-11 to 13 pay grades, and another 30% fall into GS-5 to 10 pay grades. This is in contrast to the Federal government and USDA overall, where the majority of employees fall into the GS-5 to 10 pay grades (~ 45).

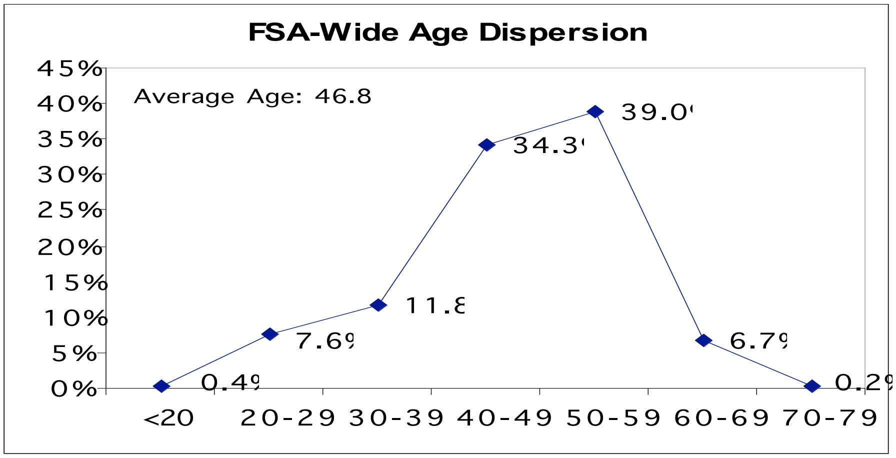




- DAFP and OBPI have higher percentage of GS 14-15s than the other business units, with 21% and 33%, respectively
- In terms of MCO, Agricultural Program Specialists, Loan Specialists, and IT Specialists have the vast majority of their staff in the GS-11 to 13 ranges (at least 80%). All Program Technicians, on the other hand, fall in the GS-5 to 10 range.
- When examining grade dispersion by metropolitan area, Kansas City and St. Louis tend to have a similar grade dispersion to that of FSA overall. Most employees in Salt Lake City fall in the GS-5 to 10 range at 51%, with the GS-11 to 13 range coming in a close second at 46%. The Washington DC area, on the other hand, has a higher majority of employees falling in the GS 14-15 category than the norm, with 23%.

Age Dispersion

- At the end of 2007, the average age of the FSA workforce was 46.8 years. FSA employees tend to be older than employees in the Federal government and USDA overall, with 46% of FSA employees over the age of 50 (as opposed to ~36% for all others). In addition, only 20% of FSA employees are under the age of 40, while the rest of the government has over 30% of its workforce in this age category.
- The average age of each business unit does not deviate far from the average age of FSA overall. The DAM organization has the youngest workforce, with an average age of 43, while DACO has a slightly older workforce, with an average of 48.5.

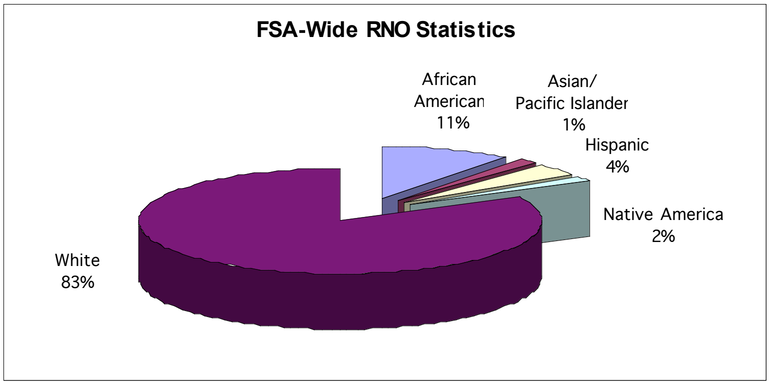


Gender

- At 56%, the FSA workforce participation rate for females far exceeds the Government-wide and USDA average, which is 44 percent. This ratio has remained very consistent over the past five years.
- There are more females than males in all of the business units. Most business units have a fairly close male-female ratio, with the exceptions of HRD and OBF, which are 82% and 66% female, respectively.
- When examining MCO by gender, Agricultural Program Specialists and IT Specialists have a fairly close male-female ratio. However, Program Technicians are 97% female, and Loan Specialists are 64% female.
- Gender was also examined by supervisory status to determine if differences exist between males and females. Females primarily hold non-supervisory positions, with only 11% of females in supervisory positions. Males, on the other hand, are more evenly distributed between supervisory and non-supervisory positions, with 42% of males classified as supervisors.

Race and National Origin

- FSA, in general, is less diverse in terms of RNO than the Federal government and USDA as a whole. Only 18% of the FSA workforce is ethnic minorities compared to 22% in USDA and 32% government wide. This distribution has remained constant over the past five years.



- Within the business units, HRD, OBPI, and OBF currently have the largest minority populations, with HRD at 49%, OBPI at 32%, and OBF at 29% minorities, respectively. DAFO is the least diverse business unit, with only 12% minorities. This of course is representative of FSA field staff.
- All four of the MCOs of interest are composed of a less diverse workforce than the FSA average, with the exception of the IT Specialist occupation, which has a 22% minority population
- When examining FSA RNO by metropolitan area, the Washington, DC area has the most diverse workforce, composed of a 46% minority population. This is certainly not an unusual data point in the Washington DC area, due to the demographics in the District. St. Louis is also more diverse than FSA as a whole, as 33% of their workforce is African American. The make-up of Kansas City and Salt Lake City is similar to that of FSA overall.

2.2.2. Staffing Level Trends

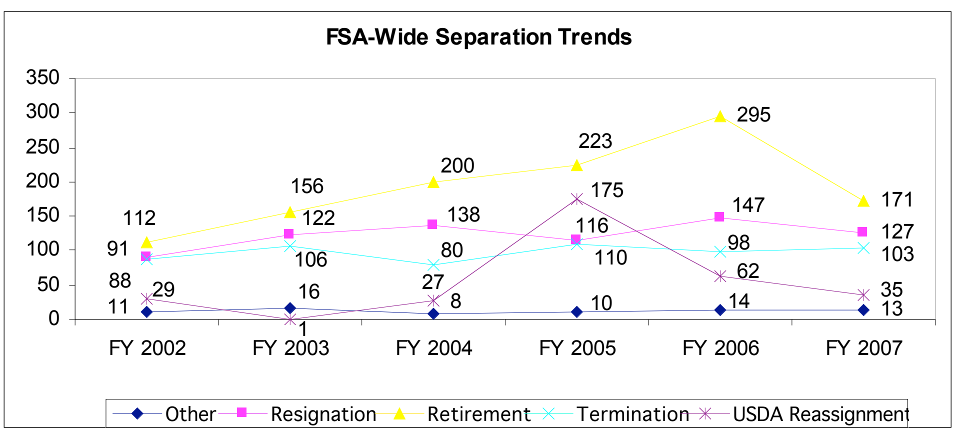
Separations exceed external new hires across FSA. In examining past trend data, we found that in 2002 and 2003 hires actually exceeded separations. However, the downward hiring trend began in 2005 and continued through 2007, a decrease of 14% since 2003. Although accessions increased in 2007, they were still exceeded by separations. Many factors have influenced the downward trend in the past few years, including an increase in retirements, a decrease in hiring, and the movement of positions to the Department. FSA staffing level trends are comparable to those of USDA as a whole. USDA has also seen a gradual decrease in staff over the last few years, although it is less dramatic than that of FSA, with a 9% decrease since 2003.

FY	On-Board	Accessions	Separations
2002	5966	415	331
2003	5980	415	411
2004	5916	364	453
2005	5520	324	634
2006	5525	300	616
2007	5147	361	449

Separation Trends

Retirements are the primary reason for attrition in FSA, followed by terminations and resignations. Based on a six-year average, approximately 3.5% of the FSA employee population retires annually. However, the percentage of the employee population who retires annually has been growing, from approximately 1.9% in 2002 to 5.6% in 2006. There was a sudden decrease in the number of retirements in 2007 (3.8%), although the general trend over time has still been an increase in the retirement rate. Although varying from year to year, the numbers of terminations and resignations has also increased in the past six years. The number of USDA reassignments is variable, as it depends on USDA reorganization initiatives. These increased in 2005 and 2006 due to the movement of IT specialists to ITS.

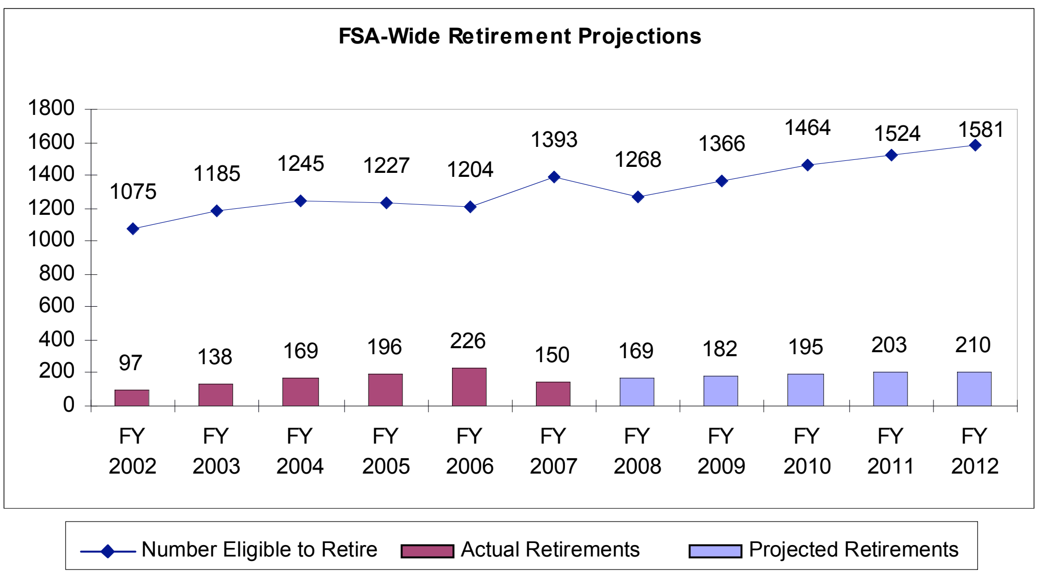
In contrast to FSA, terminations and resignations are the primary causes of attrition in USDA and the government as a whole. Retirements only make up approximately one-third of separations in USDA and the government. However, as with FSA, the number of retirements has been increasing over the last few years.



Retirement Trends and Projections

Retirement eligibility estimations and retirement projections were calculated for 2008-2013 using average values based on past FSA retirement behavior.

In the next few years, the number of FSA employees who are eligible to retire will be greater than the past few years. In addition, the percentage of retirement eligible employees who actually retire has been steadily increasing since 2002. Taking these two trends into account, FSA can expect to see an increase in retirements over the next few years. These retirement projections estimate that approximately 900 FSA employees will retire in the next five years, which is 19% of the current workforce. In addition, approximately 85 supervisors are expected to retire in the next five years, which is 27% of current FSA supervisors. Retirement projections for each business unit and MCO are included in the full Workforce Profile in Appendix E.



2.2.3. FSA Workforce Requirements

Based on the workforce analysis conducted throughout this study, as well as the findings in the individual program areas contained in the Organizational Assessment Report, certain assumptions can be made about FSA's future workforce requirements. These requirements can be grouped into the following general categories:

- Replacement and/or Retention of Critical Skills
- New Requirements due to Changing Mission and/or Work Processes
- Leadership Skills

2.2.4. Replacement and/or Retention of Critical Skills

A large part of FSA's future workforce challenges will be simply to replace employees who leave the agency through retirement or other attrition. Among these employees will be many who possess skills critical to accomplishing the agency's mission, and who are essential to maintaining institutional knowledge and experience. This problem is exacerbated when coupled with the fact that for many of FSA's mission-critical occupations there is a long learning curve for achieving full competence in job responsibilities. For example, Loan Officers and Warehouse Examiners need anywhere from six months to two years of training to reach an acceptable level of competence.

As described in the above analysis, at its recent annual attrition rate of nearly 10%, FSA can expect to lose over 2000 Federal employees over the next five years. The percentage number of FSA employees that will be eligible to retire will rise gradually over the next five years from about 25% in 2009 to nearly 40% by 2012. Trends show us that the number of Federal employees actually choosing Optional Retirement is projected to rise from around 170 a year in 2008 to over 210 a year by 2012.

The extent of the critical skill-loss problem will vary from program area to program area and from one geographical site to another. But some occupations will be harder hit than others, including some of FSA's mission critical occupations. For example, over the next five years the following breakdown of mission critical positions will become eligible for retirement, these percentages of course do not include losing people through the normal attrition process.

- 47% of IT Specialists
- 42% of Program Technicians
- 46% of Agricultural Program Specialists
- 41% of Farm Loan Specialists

Some organizations will also face significant challenges due to projected losses through retirement. For example, over 40% of the Kansas City Commodity Operations (DACO) workforce will be eligible for retirement.

In some cases, however, the problem will be to retain employees with critical skills. In ITSD, for example, FSA faces a problem in ensuring that it keeps employees who are familiar with its legacy systems until it can completely convert to more contemporary platforms. ITSD needs to hold on to employees who can maintain the AS/440/36 mainframe systems that are no longer supported by the vendor, and employees who are experienced in writing code using COBOL language, until this hardware transformation takes place.

Similarly, State Offices rely on a pipeline of employees from County Offices to staff their positions, especially in the Farm Loan and Farm Programs functions. With a large number (over 600 State Office employees, or 18% of the current workforce) expected to retire within the next five years, State Offices will be faced with the prospect of a shortage of skilled employees ready to step into these program positions.

An additional issue might be raised with the implementation of the regional administrative centers recommended in the Organizational Assessment Report. Although the proposed regional centers will house approximately 200 of the existing 300 administrative positions, there might be many current employees who will choose not to relocate to the new sites. This will require coordinated FSA-wide efforts to recruit for any resulting vacancies, in order to retain these valuable administrative skills that currently reside in the State Offices.

FSA must simultaneously develop strategies to handle the one-for-one replacement of this large number of employees who will be leaving the workforce, and consider retention programs for IT employees and State Office administrative employees with critical skills.

2.2.5. New Requirements due to Changing Mission and/or Work Processes

Another workforce challenge for FSA will be to utilize the above recruitment opportunities to hire employees with new sets of skills needed due to new requirements or because of changes to how work gets accomplished. Some of these new skill requirements are unique to an occupation or an organization, while some are new requirements that cut across several occupations. The new requirements will also pose challenges for FSA to retrain current employees so that they can meet evolving business needs.

2.2.5.1. Analytical Skills

Among the requirements that cut across several occupations is the emerging need for employees with analytical skills. This requirement is becoming increasingly necessary in most of FSA's technical occupations. Examples include:

- Farm Loan Specialists
- Program Technicians
- HR Specialists in HRD
- Contract Specialists in Commodity Operations
- Administrative support personnel in State offices
- Budget Analysts and Accountants in OBF

Some of this requirement is driven by the changing nature of work. For example, if HRD does transition from a more transaction-focused organization to an organization that is more consultative in nature, HR Specialists will be expected to demonstrate analytical skills and competencies as business advisors.

Using an example from the Programs perspective, as Farm Loan Programs has upgraded to web-based systems, this has enhanced their management reporting capabilities, and thus requires Farm Loan Specialists to become more skilled in financial analysis and interpretation of data.

The need for analytical skills is heavily driven by technology and the implementation of automated systems, which enable employees to move from transactional processing of work to more interpretation and management support functions. For instance, major IT initiatives in OBF, such as BPMS and FMMI, will increase the need for interpretive analytical skills among OBF's technical employees, and WBSCM will have the same effect for employees in Commodity Operations.

2.2.5.2. Information Technology Skills

In all areas of FSA, the proliferation of automated systems is changing the nature of work. The implementation of MIDAS and transition from a mainframe to a web-based environment is the most significant element of this transformation. The introduction of BPMS, FMMI, e-Travel and other agency-wide administrative systems also contributes to the need for most new hires to be equipped with IT skills and project management skills. The need for current IT and project management skills is true not only for IT Specialists in ITSD, but also for functional specialists in a variety of occupations. The widespread expansion of IT tools is changing the required basic skills set for just about every occupation in FSA.

IT skills are increasingly important for administrative personnel at all levels of the organizations, from headquarters offices to state and county offices, due to greater interaction with the enterprise systems mentioned above, and with office software suites that are now standard throughout the agency. These employees are the IT application end users who input data, run reports, and interpret data. These functions are increasingly becoming core skills in many administrative occupations.

BPMS and FMMI will also make IT abilities a significant requirement for financial personnel. Emerging GIS technologies will impose additional technical requirements for employees in DAFP headquarters, for employees in the Aerial Photography Office, and for Real Estate Appraisers. WBSCM is doing the same for specialists in Commodity Operations. And new IT tools, such as FLPIDS, are also changing the basic work processes for Farm Loan Specialists and Program Technicians, as the work techniques evolve to allow utilization of the flexibilities that the new automated programs provide.

2.2.5.3. Higher-Level "Expert" Skills vs. Transaction Skills

In many of FSA's organizations, the effects of technology, changing work processes, and customer service demands are affecting the role of the traditional journey-level specialist and is creating the need for more high-level non-supervisory positions to serve as experts or Program Managers. This transition is already occurring in isolated cases in OBF among Accountant positions, and with Program Managers in Commodity Operations and Farm Programs.

As FSA customers' requirements and program offerings grow more complex and market conditions change, situations will continue to arise that present the need for additional non-supervisory expert positions, usually at the GS-14 and GS-15 levels. Care must be taken to ensure that such classification is warranted and that the labor market exists to staff these "experts." FSA must also pay attention to the possibility of grade disparities that can arise between program areas and geographic locations.

A variation of this emerging "expert" requirement is the growing need for more "generalist" skills, as opposed to single-focus functional specialization. Very often, this is due to decreases in staff levels, which forces remaining staff to cover a number of functions that were previously considered separate areas of expertise. This can be seen in the need to rotate and cross-train Agricultural Marketing Specialists in Commodity Operations, in order to build broader program knowledge and provide back-fill; in Farm Loan Programs, where Specialists are exposed to a broader scope of loan programs and loan-complexity categories; and in HRD, where the consolidation of functions is occurring in order to streamline work flow and improve customer service.

2.2.5.4. Contracting Officer's Representative/Contracting Officer's Technical Representative (COR) Skills

FSA, like many other Federal agencies, has seen a big spike in the amount of contracting with outside sources for day-to-day operational services. Contracting is a fact of life in all programs and functions of the agency, and all indications are that reliance on outside vendors will continue to grow.

However, not all employees who wind up having a role in the contracting process are as well-equipped to handle their roles as they need to be. Typically, in order to effectively carry out COTR duties, employees need to:

To effectively carry out COTR duties, employees need to:
• Be familiar with the requirements of the Federal Acquisition Regulations • Have good verbal and writing skills in order to clearly define requirements • Have good Project Management skills in order to monitor contractors' performance in terms of timelines and deliverables • Have good negotiation skills in order to deal with disagreements over expected performance • Have good financial management skills, in order to monitor financial controls

Although FSA provides training in these responsibilities, the training has not reached all those who need it. This assessment found that even after having received training, some employees are not easily able to deal with difficult situations that arise regarding the role of contractors, their interface with Federal employees, the use of shared equipment and other related issues. FSA needs to equip employees with these skills through training, or ensuring that they hire these skills to the job through the Recruitment process.

2.2.5.5. Leadership Skills

A consistent theme that we found through this Organizational Assessment is the need for new Leadership skills for FSA managers at all levels of the organization. The lack of appropriate Leadership skills was cited in over 50% of our interviews as a problem for FSA and was noted as a contributing factor for low morale, poor work execution due to the lack of effective communications skills, lack of support for employee development, and low retention rates for new employees. When examining data from the 2007 OPM Federal Human Capital Survey, FSA ranked 149 out of 222 reported agencies on the Employee Satisfaction and Engagement index. FSA had a score of 46.4 (and a ranking of 182 out of 222) in the Effective Leadership category.

Another recurring theme found is that FSA's practice in selecting supervisors has been to hire technical experts, as opposed to hiring individuals who possess the leadership competencies necessary to lead an organization.

Examples of Leadership skills include but are not limited to:

- Communication
- Team Building
- Problem Solving
- Project Management
- Conflict Management
- Negotiation Skills

And the Office of Personnel Management (OPM) defines the following as necessary competencies for its Senior Executive Service (SES) population:

- Leading Change
- Results Driven
- Building Coalitions
- Leading People
- Business Acumen

These are considered "soft" skills that are hard to measure, and thus are not easily integrated into the Recruitment and Selection processes. The exact skills required for FSA managers need to be tailored to meet FSA needs, based on the desired competency model discussed in the following Strategies for Meeting Workforce Requirements section.

In our interviews, both managers and employees in several of the program areas, including OBF, Commodity Operations, and Farm Programs, raised concerns about the lack of succession planning to replace the expected spike in attrition among FSA's managerial ranks due to anticipated retirements. Some attributed the situation to the general lack of Leadership skills and lack of managerial planning expertise on the part of FSA's current managers, which reinforces the culture of promoting employees into supervisory and management positions without adequate preparation and training.

FSA's success in coming years in accomplishing its mission will rely in large measure on the quality of its supervisors and managers. Our findings show that FSA must focus on the selection process for new leaders, especially the skills that they must bring to the position. Leadership skill building must also focus on the continual development of those that are already in supervisory and mid-level manager positions in order to develop a pipeline for the next generation of senior leaders. This key investment is vital for the future success of FSA.

2.2.6. Strategies for Meeting Workforce Requirements

Our interviews revealed that employees and middle managers do not believe that FSA's senior leadership is devoting enough attention to the replacement of critical skills due to anticipated attrition; the recruitment of new employees with required skills; and the development of new managers with desired leadership skills. We found that the various program areas also were lacking in developing approaches to closing these workforce gaps. The following recommendations represent strategies for closing these gaps and for meeting these identified workforce requirements. They focus on the following areas:

- Strategic Management of FSA's Human Capital
- Enhanced Skills Training
- Succession Planning
- Enhanced Staffing Process for Recruitment/Replacement of Critical Skills
- Leadership Development

2.2.6.1.Strategic Management of FSA's Human Capital

The most important first step for FSA is to begin viewing the cross-cutting Human Capital issues from a broad, strategic standpoint. Examples of issues include Workforce Planning, Recruitment, Compensation, Training, Workforce Planning, and Performance Management and Rewards systems. FSA's future organizational effectiveness will depend on the degree to which FSA has built solutions to human capital management issues that are aligned and integrated with FSA current and future business demands. This means that "Human Capital" and development of strategies to address those current and looming challenges is not necessarily viewed as solely an "HR" problem, but one that is owned by the leaders throughout the organization, both at the HQ level and the field level. Leaders across the agency should recognize that proper recognition, development, and utilization of its human capital directly affects its ability to accomplish its business goals.

FSA should develop strategies and policies regarding how employees are recruited, trained and developed, and how they are treated in the workplace. These Human Capital strategies and policies must be viewed in the context of how they affect the agency as a whole, how they affect interpersonal and inter-organizational relations, and how they affect accomplishment of strategic agency goals.

Implementation of a strategic approach to managing Human Capital is discussed at greater length in the following section under HR Governance. The section elaborates on the need for changes in the Human Capital planning process and recommends a revised process and role for FSA's senior leadership and managers in the strategic management of Human Capital through the establishment of an FSA Human Capital Council. The section also discusses increased visibility and accountability for the new DAM as it plays an active role as the official Human Capital Officer (HCO), and discusses structural changes for the Human Resources Division to ensure it has a structure in place to support effectively dealing with human capital management. Refer to the HRD Report in Appendix 7 for more information.

2.2.6.2.Enhanced Staffing Process for Recruitment/Replacement of Critical Skills

With FSA facing the prospect of having to replace over 2000 positions, most of which will be vacant due to retirements, it is imperative that the agency establish a more disciplined and visible approach to filling these prospective vacancies. Much of the future attrition will be in mission critical occupations. In interviews, FSA managers across the organization indicated extreme frustration with the significant delay in the hiring process. FSA cannot afford to continue to have positions remain vacant for extended periods of time. In some cases a position was vacant for as long as six to eight months, often because HRD's processing of a Recruitment action request was delayed due to questions over FTE authorization, funding, or the cumbersome administrative processing of paperwork created through the approval and selection process.

The implementation of annual agency-wide Staffing Plans is recommended in order to help senior leadership assess FSA's short-term (Fiscal Year) staffing requirements, and to help HRD anticipate the necessary Recruitment actions and ensure that an adequate number of appropriate qualified employees will be available. The process would require HRD to take the lead in:

- Communicating with each of the program offices to identify current vacancies, known staffing needs, and projected attrition
- Discussing appropriate timelines for beginning of Recruitment actions
- Determining which positions might require restructuring or re-description before Recruitment action begins
- Identifying appropriate Recruitment sources for each vacancy
- Preparing spreadsheets on an organizational and agency-wide basis for review by the recommended Human Capital Council. *Refer to the HR Governance section of this report.*

Such an approach would allow senior leadership and program managers to review and approve the anticipated Recruitment actions, and to resolve in advance any questions about FTE authorization, funding levels, and projected budget allocations. Senior leadership would need to make decisions about hiring priorities, in the face of anticipated budget constraints, and to understand the hiring status for mission-critical positions.

In addition, OBF could use this process to make adjustments to budget projections, and to issue clear policies regarding FTE ceilings, which some managers indicate are sometimes confusing (authorized ceiling vs. ceiling allocation vs. budgeted ceiling). This process would make it easier to identify those positions that require special Recruitment strategies (e.g. hard-to-fill, special qualifications) and for which HRD might have to utilize non-traditional Recruitment approaches.

2.2.6.3.Enhanced Skills Training

The upcoming workforce transition resulting from retirement attrition and the hiring of new employees will permit FSA to bring in employees that already possess the desired skills. But for the majority of the FSA workforce, acquisition of these new and emerging skill sets will be accomplished only through on-the-job training. Even new employees will still require additional training to acquire the expected level of proficiency in FSA-unique work processes and competencies. In interviews, employees and managers throughout the organization expressed concerns about the lack of budgeted training resources within FSA. In light of government-wide budget constraints, this phenomenon is not unique to FSA. However, given the realities shown by the data, the agency must begin to evaluate whether current training funding levels are adequate to position FSA for success in the next five years.

FSA needs to develop a comprehensive plan for providing ongoing skills training to employees. This skills training plan needs to include in its curriculum the following topics:

Program Training	Continual training on various aspects of individual program areas. For example, the variety of Farm Program and Farm Loan Programs, the Budget Formulation and Execution Process, and COTR training. This needs to include cross-training in the various aspects of functional processes.
Analytical Thinking	Analysis and synthesis of information; ability to research and consolidate information; ability to organize and interpret data to communicate complex concepts.
Information Technology Skills	Ongoing skills development for IT Specialists in order to maintain competence in current technology; general IT training for all employees to learn and work effectively with new administrative IT systems (e.g. FMMI, BPMS, e-Travel, Microsoft Office Suite)
Communication Skills	Skills to improve verbal and writing abilities; skill in writing policies, regulations, and handbooks.
Project Management	Skills in managing resources (time, money, and people) to achieve project goals.
Customer Service	Skills in providing products or services (e.g. answering questions or complaints) in a manner that promotes customer satisfaction.

The development of a comprehensive Skills Training Plan would require HRD's newly recommended Strategic Human Capital Initiatives and HR Policy Branch to take the lead. HRD would need to meet with program offices to identify training needs in each of these categories, arrange for the most cost-effective training solution, verify availability of funds for both centrally-provided and program-funded offerings, and prepare an annual training plan for review by the new Human Capital Council. HRD's responsibility needs to include monitoring participation in these training sessions and developing metrics to evaluate the effectiveness of the training.

2.2.6.4.Leadership Development

FSA is facing the possibility of a large-scale turnover in its supervisory and managerial ranks, due to projected retirements and other attrition. The data in Section II, FSA Workforce Profile reinforces the large numbers of projected retirements in FSA's workforce. The Workforce Profile also shows that FSA's managerial ranks, because it represents an older demographic, will be affected more severely by the anticipated retirement surge:

- Approximately one-third of all managers in the Kansas City Commodity Office (DACO) will be eligible for retirement within the next year, with even higher percentages the ensuing years
- 80% of OBPI managers will be eligible to retire within the next five years
- Approximately 67% of State Office supervisors will be eligible to retire within the next five years, and nearly 30% will actually retire
- Approximately 30% of Farm Loan Program managers will be eligible to retire within the next five years
- Approximately 20% of Farm Program managers will be eligible to retire within the next five years
- Approximately 20% of HRD managers will be eligible to retire within the next five years
- Approximately 50% of OBF managers will be eligible to retire within the next five years
- Overall, FSA is likely to see a large percentage of its 336 managers retire over the next five years

Leadership Development for new and current managers represents a key Human Capital challenge for FSA. Accordingly, FSA needs to develop and implement a strategy to close this key workforce gap.

The first step is to develop a FSA Leadership Competency Model of the desired leadership skills. FSA needs to place greater emphasis on the need for the "soft" skills such as Communication, Team Building, Conflict Management, Problem Solving, Negotiation, Leading Change etc rather in addition to technical expertise. The competencies need to link to the government-wide SES Executive Core Qualification developed by OPM. The new FSA Human Capital Council can provide input, guidance and approval of the defined competencies.

The second step is to conduct an assessment, or inventory, of the skills already possessed by current FSA managers, to determine the leadership strengths and competency gaps. Various off-the-shelf software tools are available to perform this inventory.

In building upon existing leadership curriculums, FSA needs to recognize the varying needs of State Executive Directors, County Executive Directors, and District Directors, as well as those of headquarters Program Chiefs, Program Managers, and first- and second-level supervisors. A starting point can be the existing FSA programs, such as "Invitation to Excellence: Leading in FSA" and the KC New Leaders training programs, which have received high marks. The programs are now mandatory for new supervisors in headquarters, KC, St. Louis, and APFO. These programs need to be evaluated to see if they need to be modified as a result of the above assessment process.

The development and deployment of a Leadership toolkit to all program offices is also recommended. The toolkit would contain low-cost Leadership Development solutions, such as ideas for book clubs, on-line training, stretch developmental assignments, interagency assignments, and assignment opportunities to leadership positions on agency ad hoc task forces and teams.

Since training and development of managers will be a key ongoing initiative for the foreseeable future, the agency needs to consider whether other longer range actions can be taken to maintain an agency-wide learning focus. For example, designating a Chief Learning Officer and establishing an FSA Leadership Institute are some possible actions to create an agency-wide management development focus.

An FSA Leadership Institute can be modeled after the Food and Nutrition Service's Leadership Development Institute, and can supplement available USDA programs. The program can be developed for the existing cadre of FSA managers, and rolled out over a period of several years. The Institute's offerings can eventually supplant the curriculum discussed above, and can reflect the requirements of the new Leadership Competency Model. The training can be implemented throughout the agency by using blended instructional techniques, combining on-line learning and in-person instruction to reduce costs and leverage AgLearn courses. A separate Advanced Leadership Program can be an additional consideration to help interested candidates prepare to move into GS-15 and Senior Executive positions.

Finally, for its most senior leaders, FSA can expand its utilization of Executive Coaching services that are currently offered on a voluntary basis. FSA can consider making their use by senior leaders an expectation to help them master their leadership skills and develop effective teams within their organizations.

2.2.7. Succession Planning

Preparing the next generation of leaders is a critical need for FSA. With the large number of opportunities that will exist in coming years for filling new supervisory vacancies, FSA needs to plan for having a ready pool of available talent within the agency, ready to take on supervisory and management responsibilities. A variety of Succession Planning strategies are recommended in the following sections that can be pursued independently or in parallel.

2.2.7.1.Knowledge Transfer

A key element in Succession Planning includes planning an approach to transfer knowledge from individuals who will be leaving to those that will remain or follow. One aspect of this is to capture and document job information to have available to those who will perform that function in the future. The simplest approach is to ensure that there are Standard Operating Procedures (SOPs) in place for all key functions in all of FSA's program areas. Standard templates and instructions for documenting processes and procedures are recommended. Where feasible, these SOPs need to be in electronic form to facilitate storage, retrieval, and maintenance. The documentation of processes needs to be prioritized based on the risk value of the process.

FSA managers need to be encouraged to identify and prioritize those processes that are most critical and/or most risky from a business standpoint, and ensure that these processes are documented. Documentation needs to be readily available to whoever might be assigned to perform that function. Managers need to test the validity of these procedures by monitoring their effectiveness when utilized by new employees.

A simple first step is to standardize and simplify existing policies, processes, and automated tools. Program offices can then identify those process roles that can be performed by less experienced personnel and map out an approach for expanding responsibilities as new personnel gain experience. Program offices need to also identify those positions and/or decision points that require key skills, knowledge or experience, such as:

- FSA field office experience
- Agriculture credit and lending knowledge
- Commodity merchandising
- Federal Acquisition Regulations (FAR) contracting knowledge
- IT systems development

Additional steps to facilitate knowledge transfer:
• Increase "speed to competency" in various technical program areas through the use of computer-based simulations (e.g. eLearning) and structured on-the-job learning experiences • Train employees in skills that will enhance information sharing, such as Facilitation and Group Decision-Making • Create a repository of key documentation for future reference, such as research findings, white papers, position papers, reports to external entities, and key project outputs • Develop and index "Frequently Asked Questions" for reference by employees, and by customers, if appropriate • Develop electronic "yellow pages" of FSA program staff that provide name, contact information, and areas of expertise • Create an internal "best practices" database to share ideas and Lessons Learned across the various FSA program areas

An additional benefit of effectively carrying out COTR responsibilities will be the improved transfer of knowledge between FSA's vendors and its government employees, especially if contract language is included that requires the vendor to document procedures and train FSA personnel to perform ongoing operational tasks.

2.2.7.2.Mentoring

A related Knowledge Transfer technique that can stand alone is the establishment of mentoring programs, either on a formal or informal basis. As with most mentoring programs, FSA can identify those program areas that lend themselves to having an experienced senior manager paired up with a protégé (learner) to develop the protégé's skills, knowledge, and abilities. There are pockets of FSA, notably Farm Loans Program, where such approaches are already in place and working successfully to prepare Farm Loan Chiefs. HRD can consider this program in Farm Loans as a best practice model, and leverage it as a basis to build an agency-wide program.

A variation to the above approach is to use individuals who have signaled their intention to retire as mentors. During a period of time leading up to their retirement, they can spend their time transferring their knowledge to one or more learners. Additional functions for these "declared retirees" could be:

- Listing key contacts, such as customers, stakeholders, partners, and experts
- Documenting a schedule of recurring events and processes
- Developing detailed transition plans for key responsibilities
- Compiling samples of deliverables

FSA has an informal practice in place that does not allow "double-encumbering" of positions. Although budget constraints are the likely cause of this practice, FSA may want to make exception for critical positions and plan accordingly. Allowing "double-encumbering" of leadership positions, in order to allow overlap between retiree and the selected successor, will help ensure the new manager or leader is better positioned for success.

FSA can employ a combination of these approaches to ensure that the wisdom and experience of its trusted managers is transferred to prospective future candidates for these same positions.

2.2.7.3.Developing a Pipeline

Another important aspect of planning for succession is to ensure that there is a pipeline of potential candidates ready to compete for anticipated vacancies. One way to achieve this is to prepare as many non-supervisory employees as possible for this possible candidacy. Training, of course, is the most obvious method of preparation. In addition, FSA managers can employ various practices to prepare employees for assuming supervisory responsibilities.

A related issue is that many of FSA's senior leadership positions might be in Washington, DC and there is a growing reluctance of FSA field staff to relocate to headquarters because of higher living costs, which adds to the burden of preparing employees to assume headquarters responsibilities.

A primary requirement in creating a pipeline is enhancing job and program knowledge. FSA managers can enhance employees' job and program knowledge by exposing them to all aspects of agency functions and providing them opportunities to see job requirements from different viewpoints. This can be accomplished by:

- Creating rotational assignments that allows employees, especially new hires and interns, exposure to different key functions in their particular program areas
- Creating opportunities for informal rotations within a given site to expand competency and facilitate flexibility
- Creating opportunities for frequent exchange, on a temporary basis, between Washington, DC headquarters assignments and field offices
- Creating opportunities for field staff to serve as Subject-Matter Experts on special assignments
- Creating opportunities for field staff to serve on Task Forces that will allow them to work with headquarters personnel and sample a headquarters work experience
- Conducting Policy Update sessions on a program-by-program basis by electronic means for all employees quarterly, and larger live conferences on an annual basis

2.2.7.4.Retention

The retirement of eligible employees is expected to be a significant challenge for FSA. However, the situation will be exacerbated if attrition for reasons other than retirement continues at a high rate. FSA can mitigate this situation by employing practices that contribute to retaining as many employees with critical skills as possible. *Note: In some* *isolated cases, employee departures might be desirable to reduce outplacement issues or facilitate restructuring for efficiency.*

Employee retention can be improved by ensuring that the FSA work experience is positive one. Implementation of the following practices is recommended:

- On-Boarding Process: Create an improved method for processing new hires and introducing them to FSA
- New Employee Orientation Programs: Revise the existing program to include more program information and to streamline administrative processing to improve an employee's initial image of FSA
- Awards and Incentive Programs: Review current funding levels and types of incentives provided to FSA employees with a view to broadening the means by which FSA rewards and recognizes its high performers

This is not an all-inclusive list of retention strategies, but is representative of actions the agency can take to improve employee engagement and assist in retaining employees.

FSA senior leadership will need to determine the "critical few" Human Capital strategies which are the most feasible and likely to produce desired results. Action on all five fronts – Strategic Management of Human Capital, Enhanced Staffing Process for Recruitment/Replacement of Critical Skills, Enhanced Skill Training, Leadership Development, and Succession Planning – will be necessary to ensure FSA is able meet the future workforce requirements identified in the Organizational Review and through this Report's Workforce Profile.

2.3. HR Governance

The recommended Human Capital strategies require FSA to institute a new approach to addressing workforce challenges. A disciplined and structured approach for FSA's senior leadership to set priorities and make decisions is recommended.

Historically, discussions and decision-making regarding agency-wide human capital issues have been handled on an ad-hoc basis. Usually the Deputy Administrator for Management, along with the Director of the Human Resources Division, prepare briefing papers or make presentations to the senior leadership at a regularly-scheduled management meeting. In some cases, the issues are vetted with employee groups and/or the Administrative Officers' Leadership Group (AOLG). Decisions are then carried out by the DAM and the HRD Director, with periodic reporting back to the leadership group as appropriate.

A significantly different approach is recommended for dealing with workforce issues; one that ensures that FSA's senior leadership is more formally engaged in identifying, discussing, and deciding courses of action to deal with the many workforce challenges across the agency and in monitoring that desired results are achieved.

Changes in three areas are recommended.

Key Areas for Changes in FSA HR Governance
• Create a formal governance structure by establishing a Human Capital Council for the senior leadership. Involve all managers in the Strategic Management of FSA's Human Capital
• Transform the DAM into a more visible and active role in Human Capital Management. Formally designate the DAM to serve in a dual role as the agency DAM and Human Capital Officer
• Transform the way the Human Resources Division is structured and operates *Refer to the HRD Report for specific recommendations.*

2.3.1. Structure

During the organizational assessment, one key theme that surfaced was the need for a clear focus on the agency's most critical resource, its Human Capital. Although FSA has prepared a Human Capital Strategic Plan that is adequate in its identification of mission critical occupations and has worked through the goals set forth in the PMA to effectively manage Human Capital, a formal leadership body that provides a forum for decision making and oversight does not exist. The establishment of a Human Capital Council is recommended to strengthen FSA's focus and attention on Human Capital challenges. This council would include FSA's senior leadership and provide a forum to discuss and prioritize workforce issues, define FSA-wide human capital strategies and measure progress to ensure accountability and accomplishment of goals.

Human Capital Councils and Committees are common within Cabinet-level organizations, as an outgrowth of the establishment of Chief Human Capital Officer (CHCO) positions mandated by the CHCO Act of 2002. HC Councils are also frequently seen at the sub-agency level and in independent agencies, particularly because of the mandates of the PMA and the need for agencies to focus on this critical part of their business.

Two sub-agencies with similar bodies that we benchmarked are the Internal Revenue Service (IRS), a sub-agency of the Department of Treasury, and the U.S. Patent and Trademark Office (PTO), a component of the Department of Commerce. Both of these agencies have Human Capital Councils (the IRS body is called the Human Capital Board) whose members are the agency's senior leaders and whose purpose is to focus on agency-wide Human Capital issues from a corporate perspective. We have listed the key elements of these two examples as Appendix A and B to this Report. The appendices list the roles, membership, and charter for these groups.

Both of these bodies emphasize that their purpose is to provide the senior leadership of each agency with forums to discuss and monitor human capital issues on a corporate basis, and to ensure that there is a coordinated agency-wide approach to human capital plans, policies, and practices. In the case of the IRS, its charter clearly emphasizes the objective of providing "insight and corporate focus" to human capital issues that are not "or should not" be resolved at lower levels. At both the IRS and PTO, a starting point for this focus is the development, implementation, measurement and maintenance of a current Strategic Human Capital Plan.

A third similar group that we reviewed is at the General Services Administration (GSA), an independent agency. The GSA Human Capital Council meets quarterly and consists of human capital leaders, senior executives and officials of the major service and staff offices, and representatives of regional administrators and deputy regional administrators. The GSA HC Council is chaired by GSA's Chief People Officer. Among its many objectives, the council:

- Ensures that GSA's human capital strategic plan is consistent with the agency strategic plan
- Defines GSA leadership competencies
- Establishes the policy and requirements for the GSA-wide Advanced Leadership Development Program

As seen in the following table, these groups share some common elements.

Common Elements in Human Capital Councils	
• Membership includes the agency's senior leaders	• Chaired by the agency's top Human Capital official
• Defined charter that clearly spells out the group's goal and objectives	• Focused on corporate-wide Human Capital strategies
• Supported technically and administratively by the agency's Human Resources organization	• Are advisory in nature, but action-oriented

FSA's Human Capital Council can operate similarly to those benchmarked. The FSA Human Capital Council would be chaired by the Deputy Administrator for Management and Human Capital Officer. As in the benchmarked organizations, the Director of the Human Resources Division would serve as a non-voting Advisor to the Council.

The Council serves as a decision-making body that makes recommendations on workforce issues and serves as a key advisory group to the Administrator on cross cutting human capital issues facing the agency. The Council meets on an as-needed basis, but not less frequently than quarterly. Council members include the Deputy Administrators, as well as the Director of the Office of Budget and Finance. The Director of the Office of Civil Rights is recommended to serve on this Council, since deliberations on Human Capital issues include strategies to improve FSA's workforce diversity.

The FSA Human Capital Council's charter can be similar to those of the benchmarked organizations. An example charter is illustrated below.

> *"The FSA Human Capital Council is responsible for making recommendations to the Administrator on FSA-wide human capital policies, priorities, goals, objectives, and initiatives. The Council will monitor human capital programs agency-wide by:*
>
> - *Assessing FSA workforce characteristics and future needs in order to align agency human capital policies to meet mission goals*
> - *Overseeing updates and implementation of the FSA Human Capital Strategic Plan*
> - *Recommending policies and procedures pertaining to human capital, including, but not limited to, Compensation, Performance Management, Recruitment & Retention, Workforce Development, and Incentives & Rewards*
> - *Resolving cross-organizational human capital issues*
>
> *The Council will meet as frequently as deemed necessary to address time-sensitive, critical issues and initiatives.*
>
> *The Administrator may accept, reject, or modify any recommendation of the Council."*

Because IRS has a significant field structure, it has established a second group, the IRS Human Capital Advisory Council, as part of its HR Governance structure. This second group includes HR representatives from all its major organizations, and serves to provide agency-wide HR policy direction and oversight in support of the Human Capital Board. *Refer to Appendix C of this report to view the IRS Human Capital Advisory Council's charter.*

Given FSA's large field population, we recommend the agency consider establishing a Human Capital <u>Advisory</u> Council as a second similar body to serve as a resource to support the Human Capital Council in identifying Human Capital issues for Council consideration; recommending agenda items; helping implement HR plans and programs; and providing status reports on Human Capital matters. The proposed FSA Human Capital Advisory Group could be chaired by the Director of the FSA Human Resources Division, and supported by the HRD's new Strategic Human Capital Initiatives & HR Policy Branch. The Human Capital Council would have to determine what membership structure would best be able to reflect a cross-section of the field FSA population, but an initial starting point could be the existing Administrative Officers' Leadership Group (AOLG), which in some cases has been serving in the role envisioned for this Human Capital Advisory Group. Refer to Appendix D for a graphical representation of the overall proposed FSA HR Governance structure.

The benchmarking of HR Governance structures found that successful Human Capital Councils, and similar bodies, were marked by certain characteristics.

- Group must meet regularly
- Members must be well-prepared
- Group must have a key agenda and stick to it
- Members must be engaged and interested in guiding the agency's Human Capital issues
- Group must be well-supported by the HR organization

Once the FSA Human Capital Council is established, the initial agenda for the year should be established. Given the findings of the Organizational Assessment and the workforce strategies discussed in this Report, the new Council might consider focusing the first year on the following four critical issues:

- **Review and Update current FAS HR Strategic Plan, FY2005-2009**
    - Ensure the new Plan reflects the Human Capital high arching issues contained in the Organizational Assessment Report
    - Ensure the new Plan frames the vision and FSA's Human Capital priorities for the next three to five years

- **Agency-wide Training Focus with an Emphasis on Leadership Development**
    - Identify desired managerial competencies and build upon current Leadership Development Program
    - Prepare Skills Inventory Process
    - Approve Skills Training and Leadership Development curriculums

- **Succession Planning**
    - Develop FSA-wide approach to Succession Planning with targeted ways to improve program
    - Encourage documentation of standard operating procedures (SOP)
    - Identify functions for Formal Rotation Programs
    - Identify mentors
    - Improve On-Boarding and New Employee Orientation Programs
    - Evaluate funding and scope of Rewards Programs

- **Staffing for New Requirements**
    - Develop agency-wide Staffing Plans
    - Develop new Recruitment strategies

2.4. Role of FSA Leadership in Managing Human Capital

As previously discussed, every supervisor in FSA is responsible for Human Capital Management. Related to the proposed approach and structure suggested above, is an enhanced accountability for proper management of FSA's human resources. This accountability starts with senior leadership, and needs to be communicated as an important aspect of every supervisor's responsibility.

This improved approach for Human Capital Management is depicted in the following graphic, which shows the current and recommended models.

FSA LEADERS' ROLE IN HUMAN CAPITAL MANAGEMENT		
	Traditional	**New**
Human Capital Focus	Occasional involvement by senior leadership; usually problem-centered	Quarterly HC Council meetings to discuss strategic HC goals and progress
Human Capital Planning	HRD takes lead, with occasional strategic direction from senior leadership; focus is on Recruitment needs	Senior leadership takes lead to ensure agency-wide strategic focus. All levels of the organization participate
Policy-Making Framework	Narrow focus, based on HR policy being discussed	Broad Perspective – tied to FSA strategic objectives
Accountability	FSA Program Areas accountable for Business Results; HRD accountable for "People" matters	Shared accountability for business results and managing people. Senior leadership holds managers accountable for Human Capital results
HRD Role	Viewed primarily as transaction-processor and holder of personnel records	HRD viewed as strategic partner and advisor to assist in meeting business goals
Implementation of Government-wide or USDA-wide HR policies and initiatives	HRD informs leadership of what has to be done; then HRD develops, plans and implements	HC Council considers implementation approach and options with a view to FSA strategic objectives; HR Advisory Council implements with support from HRD.
Personnel Action Decision-Making	Managers rely on HRD to "take care" of people problems	Managers are accountable for HR decision-making; HRD consultant/generalists ensure FSA managers have day-to-day advice and support needed to exercise responsibility for their HRM decisions
Flexibilities	Central control with little leeway, in order to prevent inequities	Broadened authority to line managers and program areas to meet business needs. HC Council oversees after-the fact to ensure proper use and employee equity

FSA LEADERS' ROLE IN HUMAN CAPITAL MANAGEMENT		
	Traditional	**New**
Workforce Information	HRD holds close; provides on need-to-know basis	Regular and recurring reporting to managers of workforce data, trends, and projections. HRD uses multiple channels for communication
Organizational Changes	Developed by program areas in isolation; provided to HRD at advanced date to determine people impact	HRD is part of the planning process; workforce impact always a key issue in any proposed restructuring
HC Initiatives	HRD awaits direction from senior leadership or USDA on priorities and program needs	HRD initiates program proposals to meet business needs and presents proposals to HC Council for approval and buy in.

In order to deal with the critical Human Capital issues confronting FSA, the agency must

- Implement this new model
- Establish the Human Capital Council and Advisory Group described above
- Transform HRD's role on strategic issues, as described in the following section

All three aspects of this new approach are essential if FSA is going to successfully manage the serious Succession Planning, Knowledge Transfer, and Leadership Development problems it faces.

2.5. HRD Transformation

In order to carry out the recommendations and strategies outlined previously in this Plan, and to support FSA senior leaders and managers in their enhanced HC responsibilities, HRD must re-orient itself into an organization that is focused on the strategic, long range needs of the agency. HRD must also take steps to change the perception that it currently is not providing the desired level of support to FSA senior leaders and managers. *For additional information on the HRD transformation findings and recommendations, see the HRD write up.*

Establishment of the recommended Human Capital Council and the Human Capital Advisory Group will provide the HCO and HRD with an opportunity to have a more visible role in the strategic management of FSA's Human Capital. This opportunity will lead to improvement in HRD's standing only if it can carry out its expected role to deliver the reports, analyses, and range of options that FSA leadership and managers will need to make strategic Human Capital decisions. A first critical step for HRD, which is discussed in the HRD report, is to transform its service delivery to customers. Operational excellence and a culture of "service" will lead to strategic engagement and focus.

Central to successfully meeting these expectations will be for HRD to make effective use of two key functions, both of which will be the responsibility of the newly recommended Strategic Human Capital Initiatives and HR Policy Branch. The Branch's responsibility for HC strategic planning, measurement, and policy development makes it the most critical contributor to HRD's ability to effectively support the Council in developing agency-wide Human Capital policies and monitoring their effectiveness. The Branch's ability to regularly prepare detailed organizational profiles and trend analyses, such as those in this Plan's Workforce Profile above, will greatly facilitate the Council's policy-making process.

The second key element in this Branch is its workforce planning responsibilities. This responsibility makes it a critical component in dealing with Learning, Leadership Development, Succession Planning, and Skills Training, which will continue to be critical issues for the agency. This Branch must be able to support the Council and all FSA program areas in determining training needs, devising creative training solutions and delivery mechanisms, and developing metrics to measure the effectiveness of training. These workforce development responsibilities will become even more important for FSA as available resources for training continue to be limited.

Effective use of these two key functions of the Strategic Human Capital Initiatives and HR Policy Branch, coupled with improvements in overall customer service, will be essential to allowing HRD to play an active and respected role in FSA's Human Capital Management, and be viewed as a key contributor to FSA's success.

APPENDIX A

IRS Human Capital Board Charter (Updated June 22, 2006)

Mission, Purpose, & Objectives

The mission of the Human Capital Board is to advise and assist the Commissioner in setting the human capital management strategy for the IRS with respect to non-executives and to foster collaboration across organizational boundaries to ensure a coordinated, Service-wide approach to IRS human capital plans, policies, and practices. Board members will represent not only their organizational components, but also the interests of the entire IRS. Collectively and individually, members are ultimately accountable for the performance and actions of the IRS. Members are expected to be informed, before the meeting, of agenda topics and to come to meetings prepared.

The purpose of the Board is to:

- Ensure appropriate selection and delivery of all IRS human capital initiatives relating to non-executives
- Ensure the IRS implements the President's Management Agenda initiatives successfully as measured by the OPM/OMB human capital scorecard
- Ensure human capital plans, policies, and practices are responsive and easily accessible to all IRS customers
- Ensure appropriate results at an appropriate cost
- Ensure transparent decision-making, inclusive participation, and effective communication relating to human capital plans, policies, and practices

The objectives of the Board are action, insight, and corporate focus. Actions include approving the IRS Strategic Human Capital Plan and deciding cross-unit HR issues that are not resolved at lower levels or should not be resolved at lower levels. Insight includes providing status and information on significant items. Corporate focus includes representing the needs of the IRS, <u>not</u> solely individual organizational components.

Members

The Human Capital Board will be chaired by the Chief Human Capital Officer (CHCO) and will include the Commissioner, Tax Exempt and Government Entities; Chief, Appeals; Chief, EEO & Diversity; and Chief of Staff.

Responsibilities

Board members are responsible for:

- Recommending agenda items, regardless of whether the item is within their organizational component

- Coordinating input to and presentation of their agenda items
- Presenting any dissenting opinions discovered during coordination of their agenda items
- Identifying resource requirements or savings associated with the agenda item presented
- Providing follow-up reporting to the Board based on the Board's decision

Operations

The Board will conduct monthly meetings; meeting length will depend on the agenda topics. Only their deputy may substitute for a member. The Board may call on others to present agenda items. Each meeting will include Human Capital Advisory Council or standing sub-council reports that may be presented as a 2-3 page briefing or a short white paper. Members of these bodies and other affected parties may be invited to participate in issue specific discussions.

The Chairperson will have final approval authority on agenda content. Agenda topics will be flagged as either decision or status/information items. Decision items will be allocated 20 minutes on the agenda (15 minutes for presentation, 5 minutes for discussion). Information items will be limited to 10 minutes on the agenda.

Presentations will include cost; schedule; requirements/business need; interfaces; and business, operations, and program delivery impact, as appropriate. Action items for each presentation will be captured and assigned following the presentation.

The Senior Advisor to the Chief Human Capital Officer will serve as the Board secretariat with additional support to be provided by CHCO staff. Read ahead material or presentation charts will be due to the secretariat 8 days before a meeting, and the meeting agenda and read ahead materials will be distributed to members seven days before a meeting.

The agenda and materials will be sent to the Senior Executive Team at the same time to allow them to provide comments and concerns to the Board members before the meeting. Minutes will be distributed to members within seven days after a meeting. Action items will be tracked and status verified prior to the next meeting.

APPENDIX B

IRS Human Capital Advisory Council Charter (Updated July 31, 2006)

Mission, Purpose, & Objectives

The mission of the Human Capital Advisory Council is to support the Human Capital Board, serve as the Service's principal corporate human resource (HR) management policy-making body, and provide strategic Service-wide HR policy direction and oversight to the operating divisions, chief offices, and other major organizations. This Council will ensure a coordinated approach to cross-functional HR issues, policies, and strategies.

The purpose of the Council is to:

- Plan and implement IRS human capital initiatives relating to non-executives based on Human Capital Board decisions and direction
- Plan and monitor implementation of the President's Management Agenda initiatives to ensure success as measured by the OPM/OMB human capital scorecard
- Create and implement human capital plans, policies, and practices that are responsive and easily accessible to all IRS customers
- Plan and monitor initiatives and programs to ensure appropriate results at an appropriate cost
- Operate openly, obtain input from interested parties, and communicate effectively with all IRS customers

The objectives of the Council are action, insight, and corporate focus. Actions include developing the IRS Strategic Human Capital Plan for approval by the Human Capital Board and deciding cross-unit HR issues which can be resolved at their level. Insight includes providing status and information on significant items. Corporate focus includes considering the needs of the IRS as a whole in addition to individual organizational needs.

Members

The Human Capital Advisory Council will be chaired by the Deputy Chief Human Capital Officer (CHCO) and will include representatives from major organizations and an advisor from General Legal Services, Chief Counsel.

Responsibilities

Council members are responsible for:

- Recommending and working agenda items
- Coordinating input to and presentation of their agenda items
- Identifying resource requirements and savings associated with the agenda item presented

- Providing presentations and follow-up reports to the Human Capital Board and others as appropriate
- Establishing sub-councils and other tactical groups as needed

Operations

The Council will conduct monthly meetings with the length depending upon the agenda topics and issues to be worked. Decisions will be by consensus, and only a director or their deputy may vote. The Deputy CHCO is a voting member representing the HCO. HCO directors are advisory members. To promote frank and open discussion, participation will be limited. The Council may call on others to present agenda items or work issues; however, presenters who are not members will leave after their presentations. Each meeting will include sub-council reports. Sub-council members and other, affected parties may be invited to participate in issue-specific discussions.

The Chairperson will have final approval authority on agenda content. Decision items will be addressed first, followed by status reports, discussion items, and information items. Presentations will include cost, schedule, requirements/business need, interfaces, and business, operations, and program impact, as appropriate. Action items for each presentation will be assigned following the presentation and recorded in the meeting minutes.

The Deputy Chief Human Capital Officer's Executive Assistant will serve as the Board secretariat with additional support to be provided by Administrative Support staff. Read ahead material and presentation charts will be due to the secretariat eight days before a meeting, and the meeting agenda and read ahead materials will be distributed to members seven days before a meeting. The agenda and materials will be sent to the HCO directors at the same time to allow them to provide comments and concerns to the Council members before the meeting. Minutes will be distributed to members within seven days after a meeting. Action items will be tracked and status verified prior to the next meeting.

APPENDIX C

U.S. Patent and Trademark Office (USPTO) Human Capital Council

At USPTO, the group is called the Human Capital Council. The Council is chaired by the agency's Chief Administrative Officer, and includes all of the USPTO's senior leaders (Business Unit heads). The Director and Deputy Director of the Office of Human Resources serve as advisors to the Council.

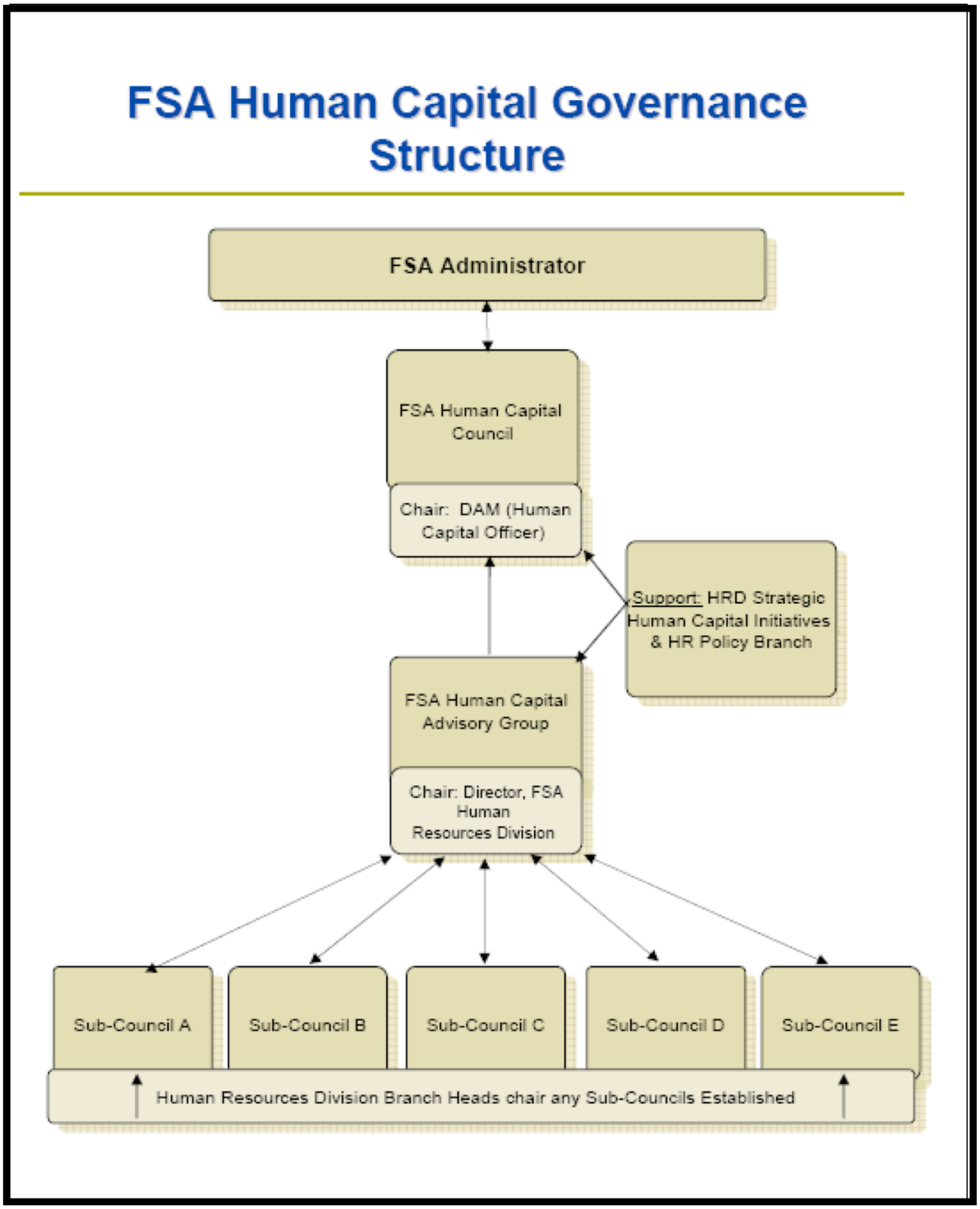
The Council is responsible for making recommendations to the agency head and the agency Management Council on USPTO-wide human capital policies, priorities, goals, objectives, and initiatives. The Council monitors human capital programs agency-wide, by tracking the progress of human capital projects to completion dates. It assists the Management Council by:

- Assessing workforce characteristics and future needs in order to align USPTO's human capital policies to meet mission goals
- Overseeing the development and implementation of a USPTO Human Capital Strategic Plan
- Proposing changes in direction to the USPTO Human Capital Strategic Plan via periodic progress reviews
- Recommending policies and procedures pertaining to human capital
- Resolving cross-organizational human capital issues

The Council meets as frequently as it deems necessary to address time-sensitive, critical issues and initiatives.

APPENDIX D: Proposed Governance Structure

The proposed structure incorporates elements that have been identified through benchmarking as successful practices for other agencies (see Appendices A-C) and customizes based on the FSA organizational structure.



The U.S. Department of Agriculture
Farm Service Agency
Organizational Assessment

CROSS CUTTING ISSUES
Findings and Recommendations

Final Report
May 30, 2008

Appendix 2: Cross Cutting Issues Summary

1. Introduction

The analysis of the interviews and data collected during the FSA Organizational Assessment indicates that there are several recurring topics that were highlighted across functions and geographic locations. The three primary areas that surfaced as cross cutting themes include:

- Strategy and Measurement
- Leadership and Management
- Communications

This section of the FSA Organizational Assessment focus on these three cross cutting themes common across all areas of study including some high level recommendations for addressing them. The Leadership portion of the findings is also addressed in the Strategic Human Capital Report found in Appendix 1 of the Final Report.

2. Strategy and Measurement

As part of the Organizational Assessment, the KnowledgeBank and Federal Management Partners (KB/FMP) team reviewed FSA's Strategic Plan and the performance measures associated with the plan's goals. During management interviews and employee group discussions, both managers and employees were asked about their awareness of FSA's Strategic Plan, performance measures, and the linkage and daily application to their own work.

Uniformly, managers and employees are aware that FSA has a strategic plan. Some managers have posted the colorful Strategic Planning Framework on their office walls to ensure the focus remains on the agency's priorities. However, almost all employees responded that they saw little connection between their work and the agency Strategic Plan.

Many managers expressed frustration that they could not see the direction in which FSA is headed either as an agency or in their own program beyond the mission of "making sure that farmers and ranchers received payments on time." They expressed their need and interest to see the connection so they could understand what was expected of them and their employees, and improve their work processes to better support FSA's mission. Some managers acknowledged fairly that the content and structure of FSA's charge was mandated by Congress, but perceived that this left FSA unable to set direction. We believe that, even within the little control over the mandate and the known constraints, FSA can strengthen and build upon its strategic planning process and put mechanisms in place to ensure engagement and connection to the strategic plan.

We believe that there are four lynchpins for successful execution of strategy:

1) Deep engagement of business units and the field in developing their elements of strategy execution that cascade in a collaborative manner to lower levels of the agency
2) A robust measurement process that is also cascaded throughout the organization along with the Organizational level business plans
3) Rigorous, periodic reviews of organizational performance against fixed targets
4) Recognition and communication plan that spans across FSA regarding targets, expectations ongoing progress and challenges (i.e. creating ownership)

Our review of the current process around releasing the Strategic Plan found that although FSA has a solid document, accompanied by measures, there is little evidence to suggest that the stated goals had penetrated very far into FSA (i.e. below senior leadership level). Associated with this, there appeared to be no consistent policies on how measures were set and adjusted year to year.

We also found that, with few exceptions, FSA does not use a set of measures to evaluate organizational performance below the agency level (i.e. at the Deputy or Division level). Where managers said they have metrics, the measurement tied to efficiency was usually measured in timeliness (e.g. timely payments and report submissions); the measure tied to effectiveness usually occurred by exception, with personnel reporting that they used the number of complaints as a metric and assumed that if there were no complaints, performance was satisfactory to the customer or stakeholder.

2.1. FSA needs greater focus on the cascading the strategic planning process to drive business goal achievement and performance accountability

The need for a greater focus is exemplified in the major FSA technology investments that will cost over a half billion dollars just during the lifecycle of implementing the Financial Management Modernization Initiative (FMMI), MIDAS and Web-based Supply Chain Management (WBSCM) systems. Yet, the current Strategic Plan does not fully articulate that these investments are part of an objective to transform completely the service delivery of FSA's programs.

Furthermore, our analysis did not discover communication of continuous process improvement strategies that would link improvements in technology to business process improvements that lowered costs, improved productivity, and used alternative service delivery models. While Congress no doubt will have a role in shaping any change in service delivery models, FSA can take the lead in further establishing and communicating a strategic vision of a modern, efficient and effective systems that reduce costs, increase FSA staff productivity and improve customer satisfaction.

Having an overarching vision and strategy is a great start; however, other critical components must exist in order to ensure successful strategy execution. In addition to its own multi-year overarching strategy, every major program and support area should develop an annual business or implementation document supporting the Strategic Plan that sets out the unit's objectives over time. These plans should have firm measures, metrics, and targets that are fixed at the beginning of the performance cycle.

Performance results should be reported in an open manner across the agency, so all employees can see how well their organizations are performing and how they contribute to the results achieved. The instinctively competitive nature of managers and employees will lead them to try to improve their performance when they see how well their unit compares with others. Open reporting of results shows the importance of performance and the value it creates for FSA and its customers (see also the Communication Section below).

The Deputy Administrator for Farm Loan Programs (DAFLP) is an organization within FSA that has established a successful approach to strategic planning. DAFLP has defined key performance metrics that are tied to the FSA 2005-2011 Strategic Plan and performance targets are defined not only for DAFLP overall, but also for each state. On a monthly basis, the organization publishes management reports with data on the state's performance in these areas of measurement. These reports provide both HQ and states with the information they need to monitor their operations in comparison to the objectives as defined by the DAFLP, and to manage key areas of risk.

Across the board, senior leadership expressed measurement of progress as a top priority. Constraints in implementation specifically have to do with the lack of modern technology tools to support strong performance measurement and reporting. One of the reasons that DAFLP can provide management reports containing key metrics is because Farm Loan Programs Information Delivery System (FLIPIDS) has almost completely modernized its IT infrastructure into a web-based platform that allows DAFLP HQ managers to see all their data consolidated to provide a county, state, or federal view. The modernization of technology in FMMI, WBSCM, MIDAS and the Budget and Performance Management System (BPMS) will provide modern technology platforms that will give FSA management real time access to large amounts of data they currently to do not have.

The KB/FMP team examined FSA's BPMS initiative as part the Organizational Assessment. FSA leadership is to be commended for ensuring top priority on the launch and focus on this critical initiative. Over the years, as the BPMS project modules are developed and implemented, it will be essential for FSA to continue to receive departmental support and funding for BPMS so that FSA can fully realize the potential of this critical process and tool.

BPMS Impetus and Strategy

Prior to initiating BPMS implementation in FY2007, FSA relied upon management estimates to understand business performance. Actual cost and performance information was not available or was available only with significant manual intervention and thousands of spreadsheets. The agency rightly recognized that this was not an effective or highly accurate reporting environment and, in fiscal year (FY) 2003, agency leadership tasked the Budget Office to work with various stakeholders in order to begin building the strategy for standardizing and modernizing FSA's planning, budgeting and resource management systems.

BPMS is a multi-agency investment in improved infrastructure to perform budgeting and resource management functions through several COTS solutions, the main one being the purchase of ALG's Enterprise Performance Organization (EPO) Suite. (NOTE: ALG subsequently was purchased by Business Objects which, in turn, was purchased by SAP. Grant Thornton is the integrator.) The Food Safety and Inspection Service, Foreign Agriculture Service, Rural Development and Animal and Plant Health Inspection Service all participate in the BPMS investment. BPMS provides most elements of the Office of Management and Budget's (OMB's) Budget Formulation and Execution (BF&E) Line of Business (LoB) solution. Its main purpose is to link cost and performance data and to make those data available to managers at all levels, through the following components:

Model	Capability
Budget Data Collection and Formulation Model	BPMS reverses traditional top-down budgeting through the Budget Data Collection and Budget Formulation Models. Responsibility Centers self-determine what they need to operate, rather than forcing operations into what is available. Available funds then are adjusted according to Strategic Goals and Initiatives and subsequently are allotted using the President's Budget Presentation. These functions are managed and tracked through the EPM tool.
Cost Management Model	The key components of the Cost Management Model are activity reporting and unit counts, both of which are accomplished through the Activity Reporting System (ARS). The ARS currently is being piloted in 5 states and in the Kansas City and some Headquarters offices, as well as more than 600 employee activities in conjunction with the System for Time and Attendance Reporting (STAR). ARS captures employee time by program activity. Results from the STAR and ARS systems are processed by the National Finance Center (NFC) for payroll and determination of cost by activity. This specific information, along with unit counts, is fed into the BPMS Data Mart where summary level data (no personally identifiable information, or PII) is configured by multiple variables and then is uploaded into the Enterprise Performance Management (EPM) suite for analysis and report generation.
IT Cost Model	Because ARS data, unit counts and other data will feed into EPM's cost model, the tool will be able to provide efficiency information such as cost per unit and time per unit. The agency thus will be able to see the time and cost associated with programs, activities, and direct and indirect program support and thus can compare data between offices to highlight areas that require deeper analysis. Typically, there are reasons for variances between offices. The agency hopes to find efficiencies and best practices to share across the enterprise. It also may be able to capture unique situational factors that drive decision-making.
Performance Data Collection (PDC) Model	Throughout the year, the EPM tool will track and manage performance measurement data for program performance and outputs. These performance assessments, baselines and targets are aligned to FSA and USDA Strategic Goals and Objectives. Costs and outputs then can be configured by several attributes: goals and objectives; time periods (quarterly, annually and specific fiscal years) to list only a few.

While full implementation of all system components initially was targeted for the end of FY 2011, much of the work has been front-loaded and FSA leadership expects 75 % implementation by the end of FY 2009. This progress goes a long way in demonstrating the FSA's commitment to this very important area.

Balanced Measures

FSA's use of balanced measures is important to ensure that the agency consistently meets its strategic objectives.[1] Focusing just on process measures such as cycle time, may produce services that meet time goals, but this can lead to inefficient, poor quality services. As part of developing its Federal Enterprise Architecture, OMB has published a Performance Reference Model (PRM) to see the interrelationships of different components of agency performance. The OMB PRM has five components:

1) Mission and Business Results
2) Customer Results
3) Process and Activities
4) Human Capital
5) Technology

The PRM was designed to help agencies assess their technology investments and contributions to agency performance. Given the importance of technology improvements to FSA's future service delivery, we think that the PRM provides FSA with the key elements of balanced measures to assess performance in the future.

We note that FSA employees are seeking a greater connection between their organization's and their personal contributions fulfill the agency's mission. They are eager to understand the plans for, and status of, major initiatives, such as the BPMS, MIDAS and FMMI. Employees want to understand how these agency-wide initiatives support the FSA strategic objectives and what impact these initiatives may have on their work processes and job responsibilities in both the short- and long-term. Employees and managers want to understand better the "big picture" processes that cross organizational boundaries in order to influence upstream activities that improve the quality and efficiency of their responsibilities in that process.

[1] The Balanced Scorecard developed by Kaplan and Norton classically defines four dimensions of performance: financial, customer, process plus learning and growth. Since the federal government does not produce a profit for investors, other measures of organizational success are needed such as outcomes that accomplish the agency's mission. Financial measures for the federal government are indicators of good stewardship of the public's money, not an end in themselves.

Recommendation: Expand the focus of FSA's strategic planning.

Currently, the Strategic Planning and Evaluation Staff (SPES) within the Office of Business and Program Integration (OBPI) has the lead in developing and distributing the agency Strategic Plan. In the recommendations made under Appendices 8 and 9, we recommend that the SPES staff, currently devoted to strategic planning, be realigned and integrated into a new division under the Office of Budget and Finance (OBF): the Strategic Planning and Performance Integration Division. We propose also that the BPMS Program Management Office be realigned under this structure. We believe this reorganization will ensure that planning, reporting, measurement processes are clearly aligned and coordinated under one Executive. This should infuse a positive strategic planning process throughout FSA, and promote greater collaboration between and among all the agency players involved in this critical process.

While we believe that these ***structural changes*** will improve collaboration and communication, and help to centralize resources, we recommend ***expanding*** the effort to translate agency-wide strategy into business and personal performance goals through the following tactics:

1) Develop an FSA overall strategic management business planning toolkit that will serve as a roadmap and template for managers to use in their new role in developing annual planning documents. The template might consist of three elements:
   a) The FSA Strategic Plan
   b) Major business unit and support organization strategies, e.g. Farm Programs Strategy, Farm Loans Strategy, Human Capital Strategy, Information Technology Strategy, etc.
   c) Annual Business Plans developed in a cascade fashion from the major business and support organizations to their respective branch level units. Business plans will flow from and are responsive to the FSA-wide strategic plan, business and support organization strategies and high level business plans. Annual business plans prepared to the Branch level must show how each office intends to accomplish its objectives and support those at the next higher level.
2) Require each organization to develop a balanced set of measures for the part of the strategic plan that its support, using the PRM framework, and defining measures, metrics and targets for the period in the plan. Require the development of annual performance targets for all balanced measures with incremental improvements set by quarter within the year.
3) Train agency managers on the strategic management process and measurements, including how to develop plans and link business plans to measures, and select metrics and targets, outputs and performance outcomes. Training may include how to observe certain behaviors used in measuring employee performance, which can be tied to program results. The Assessment determined that some managers and supervisors are not clear on how to develop key metrics or measures that impact their work.
4) Link communications to an annual strategic planning process, and periodic reviews. Promote communications through ongoing news-grams and all hands, routine

divisional and unit meetings to cascade an understanding of the mission, vision, and goals throughout the organization and demonstrate how all efforts are connected. Explain how initiatives in-process or planned will move FSA toward fulfillment of mission, vision, and achieving its goals, e.g. FMMI, WBSCM, MIDAS, FLPIDS, BPMS. Make it clear how individual and team contributions make it all happen (i.e. "how am I connected, how do I contribute.")

5) Incorporate into the strategic plan a long-term strategic objective of reinventing service delivery through technology and business process improvements.
6) Develop the leadership team's capabilities to define long-range plans to reinvent service delivery.

2.2. FSA should strengthen the focus to review the results of its organizational performance on a periodic, systematic basis.

To embed a measurement discipline deeply into the agency requires executive sponsorship from the top and empowerment and capacity of first line managers to review periodically the performance reflected in their organizational measures reporting. These reviews need not be burdensome. Reviews can be done on an exception basis. If measures show good progress toward performance against a target, then reviews can be cursory. Conversely, organizational performance that is below the expected level would merit more review to determine why it is below expectations and monitor corrective actions to get performance back on track.

Successful measurement is an iterative process. The KB/FMP team believes that FSA should recognize that its measurement process will not be perfect in the first year. By reviewing organizational performance (i.e. by deputy and office areas), FSA leadership can assess whether measures are producing the desired improvement and, if not, then adjust the measures annually to better meet agency needs.

Recommendation: Hold semi-annual organizational performance reviews.

1) Hold semi-annual organizational performance reviews and report progress to the Administrator (through Deputy Administrators)
2) Engage different levels of leadership and key contributors to share and discuss their performance indicators with one another and acknowledge progress and challenges

2.3. FSA does not have a formally constituted continuous improvement process to achieve gains in productivity and efficiency and adapt to continuing reductions in agency operating budgets.

FSA could benefit from a strategic commitment that focuses on linking business goals and results with improved, more efficient processes and increased customer satisfaction. The Organizational Assessment (OA), as well as analysis of employee and customer feedback from surveys spanning the last several years, indicates that the organization is ripe to improve itself. There is a silo structure in place that needs to be harmonized, especially if the organization wants sustained benefit from process improvements, measurement, and accountability. FSA needs to achieve greater efficiencies while it provides necessary levels of client service.

Lean Six Sigma (LSS) is a systemic, process improvement, methods-based and proven change strategy. Successful adherents can offer successful results and their approach as testimony for new practitioners. LSS is a set of process improvement tools that help organizations speed up processes, cut costs and improve quality. The Department of Defense (DoD) has adopted LSS as its preferred business improvement process, and established an office to spread it through that department. The Armed Services have been using LSS for a number of years; and the Army alone reported savings of $1.2 billion in FY 2007.[2] We also understand that USDA and its sub-agencies are considering or are in the process of implementing this discipline in relation to a variety of management functions. We also learned that the MIDAS Project Manager is using LSS to analyze and improve FSA business operations.

Recently, the IBM Center for the Business of Government published a study on the use of LSS to improve the delivery of government services.[3] The study found that successful LSS programs have the following common elements:

- A centralized focal person be appointed who is dedicated to establishing the program firmly within the organization
- Departmental involvement be sought to create a working relationship and enhance credibility
- Training be focused on a simple toolbox containing basic LSS skills
- Skilled facilitators, who are critical to project success, be obtained externally and/or developed from within the organization

Recommendation: Implement a continuous process improvement program like LSS
- Provide executive sponsorship for continuous improvement and oversight to the selection of projects for use of LSS techniques and the expected results

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[2] http://www.fcw.com/print/22_5/features/151766-1.html
[3] "Improving Service Delivery in Government with Lean Six Sigma"

- Create or designate an organization to oversee implementation, provide coaching and assist with the identification of processes selected for improvement, validate cost savings and performance improvement
- Assure funding for initial training in the use of tools to support business process improvements
- Guarantee employees time away from their work assignments to be members of process improvement teams
- Consider retaining a contractor to assist with achieving cost savings

Note: As with other government agencies, FSA is continually facing increased mandates in an environment where budgets are flat or decreasing. LSS could also be applied to various headquarters functions to identify non-mission critical work that can be reduced or eliminated, thereby freeing up resources to focus on the agency's core activities.

3. Leadership and Management

3.1. FSA employees have a low level of engagement

The KB/FMP team found through its interviews with managers and employees that FSA can improve the quality of leadership and management skills in many areas.[4] In addition to interviews of managers and employees, we examined the results of the *2006 Federal Human Capital Survey*. That Survey was analyzed by the *Best Places to Work in the Federal Government Repor*t sponsored by the Partnership for Public Service and American University's Institute for Public Policy Implementation. The team also examined the results of Gallup's Q-12 survey for the last several years in the DAM organization. The scope of the Organizational Assessment did not include County Offices and survey data available to the KF/FMP team did not include non-federal employees in County Offices.

We found through focus group discussions that some organizations had good morale and high regard for their immediate supervisors. Even so, both interview results and examination of the mentioned surveys reveal that FSA employee engagement is low in many parts of the agency.

During our interviews, employees and managers both reported a very strong level of commitment, even excitement, to FSA's mission and its role in the American and global economy. As one employee said, "*We feed the world. I can't imagine anything more important*." Despite their strong commitment, however, many FSA employees are not "inspired, excited and energized." They often perceive a lack of recognition and rewards for their commitment and contributions. FSA should view this data as an opportunity to improve how its leaders manage their employees and how FSA employees view their morale.

[4] The KB/FMP team did not conduct reviews of county office employees. Data available to the KB/FMP team only reflects the attitudes of the 5,079 federal employees (Human Resources Division data, January 2008). County employees are the majority of the FSA workforce, and we make no judgment on the quality of their leadership, or the state of their morale and engagement.

For several years, FSA's DAM organization has participated in Gallup's Q-12 survey of employee engagement. Gallup defines employee engagement as the psychological commitment of the employee to the success of the organization. Gallup contrasts engagement from job satisfaction around the notion that an engaged employee is both productive and satisfied.

According to Gallup, an employee can be satisfied doing nothing and, in such a situation, will not be engaged and is not a productive contributor. Many high performing organizations are now measuring employee engagement based on the high correlation of engagement with high organizational performance. In the private sector, companies with highly engaged employees are likely to have 70% greater success measured by financial results, turnover, and customer loyalty. They will have higher quality products and services, and higher total share holder return.

The Partnership for Public Service (Partnership) and American University's Institute for the Study of Public Policy Implementation (ISPPI) bi-annually publish a report on the Best Places to Work (BPW) in the Federal Government. This report is based on the bi-annual survey of federal employees conducted by the Office of Personnel Management (OPM) through the Federal Human Capital Survey (FHCS). The last such survey was conducted in 2006. The Partnership and ISPPI examine the level of employee engagement and other dimensions of employee attitudes among federal agencies as part of the BPW.[5]

According to the BPW analysis of the results in the 2006 FHCS, FSA ranked 149 out of 222 federal agency components reviewed with regard to employee engagement. This score is in the bottom third of all federal agencies, but at the middle range of USDA agencies. The median score for all 19 USDA agencies with reported scores was 61. FSA's engagement score was 59.4.

Some supervisors who were interviewed within the two study areas in DAM (e.g. HRD and ITSD) were dismissive of the Q-12 survey and its value. In adopting a survey such as Q-12, FSA is not just using a survey instrument to "check the pulse" of its workforce. It is adopting implicitly a model of leadership embodied in the practices surveyed and a promise to change management behavior to improve results. If there is no commitment to make changes at all levels of the organization, then employee satisfaction surveys are counter-productive and actually may drive morale even lower, as has happened in the DAM organizations studied. Employees will become cynical if they believe they are being asked about their attitudes, but they see no effort by management to follow through in developing a plan of action and implementing needed change.

Recognition is different than rewards. Recognition can be as simple as a manager taking the time to thank an employee for a job well done. Based on over 47 employee group

[5] See http://bestplacestowork.org/BPTW/about/methodology.php for a description of the BPW methodology. The Partnership and ISPPI define employee engagement in a manner that is similar to Gallup.

interviews that the KB/FMP team conducted with 374 employees represented, we found that there is great frustration with the lack of employee recognition and tangible rewards for FSA headquarters staff. The perception is that those rewards that are available go only "to the top" (i.e. exclusively to leaders and managers: "*We do the work, and they take the credit*"). This BPW study found that FSA ranked at the 5th percentile on its "Performance Based Rewards and Advancement" Index. Employees understand financial limitations, but express frustration that, in some cases, available non-monetary rewards are not employed. Some employee groups have signaled that they formally recognize each others' quality work and have received kudos from other FSA organizations instead of the expected recognition from their own managers.

Early in the study, we talked to FSA leadership about agency recognition programs and learned that FSA leadership recognized the problem and was taking the necessary steps to address that issue. As a start, top leadership has taken measures to increase the budget for employee recognition through an awards program that is planned for implementation in the fall of 2008. In order for a reward program to be effective, it is critical for FSA to develop and communicate clear expectation of how rewards will be distributed. A rewards program is only effective if clear policies and guidelines are in place to ensure proper implementation of the program and an employee perception of fairness.

Recommendation: Increased focus on improvement of employee engagement is key to changing the negative perceptions that exist among personnel.

1) Hold managers personally accountable for actions to improve employee engagement. Recommend that top leadership communicate that the FHCS results are unacceptable and announce a program to address the concerns raised by employees. The need for change should be communicated to management, with a program implemented to help management better understand what the scores mean and how they can better meet employee needs. In the early stages of this effort, managers should be accountable for:

    a) Meeting with employees to identify the major issues their unit can correct.
    b) Creating small cross-functional teams to develop solutions to problems that are within the control of the units.
    c) Developing and executing a corrective action plan to remedy the problems identified by the teams and where possible implement their recommended solutions.
    d) Holding managers accountable for implementing the corrective action plan.

2) Sharing good practices across the organization is an inexpensive way to implement learning by example. Another is to provide in-house experts whose role is to help managers solve problems. Using survey scores and performance metrics, FSA can identify its best leaders, find out what they are doing to produce great results, and hold them up as examples of good practices. This has the value of providing positive recognition, while promoting knowledge sharing across the agency.

3) Significantly increase focus on employee recognition. By maintaining priority on employee recognition, together with development and implementation of meaningful recognition programs, FSA can go a long way towards improving the negative employee perceptions. While FSA should continue its focus on increasing the awards budget and linking awards to performance, it should also consider implementing a structured program that encourages managers to constantly recognize employees through low or no cost processes. Examples of these include certificates of appreciation, personal commendations, peer recognition cards (a pre-printed note from FSA for employees to send each other to express appreciation for good work from a colleague), or letters from the Administrator and other senior executives recognizing FSA employees for going "above and beyond."

3.2. There is a perception among FSA employees across the board that people skills and demonstration of basic leadership traits are lacking in the management corps.

The KF/FMP team found in its interviews of both managers and employees that demonstrated technical skills often is the reason why employees are promoted into supervisor or management jobs. This produces a technically-competent manager who can produce effective results, but oftentimes results in that manager lacking the necessary leadership competencies to be an effective as a leader. Such situations often lead to low employee morale. Support for this conclusion is also contained in the BPW report for FSA.

The BPW analysis contains an "Effective Leadership" index score, which measures employee perspectives on how well agency supervisors and managers use good practices in dealing with their employees (The BPW surveyors included input from 253 managers and 432 employees). The median score for all USDA agencies was 49, which ranked at the 31% percentile for all government agencies analyzed in the BPW report. FSA's Effective Leadership score was slightly lower at 46.3, which placed it at the 18th percentile.

We noted that FSA is taking initial steps to ensure that leadership preparation programs address this critical challenge. For example, HRD has developed a competency-based, FSA-specific leadership model that has been used along with the best practices embedded in Gallup's Q-12 survey to create a new Leadership Development Program for National Office, Kansas City, St. Louis and APFO Supervisors. Other leadership programs have been implemented for District Directors, Farm Loan Supervisors in the field and County Directors.

The development of the FSA leadership model is an important first step to improve FSA leadership practices. The challenge for FSA is to enhance and extend the use of this model by embedding it in leadership selection and development, as well as performance management of FSA's leaders. Our conclusion, based on anecdotal information and a review of Q-12 and BPW data collected through the assessment, is that the current perceived shortfalls in leadership and management have several causes. The KB/FMP team found a number of areas where FSA's current approach to leadership practices, and leadership and management development, have contributed to the issues outlined above. The following recommendations address those findings.

Recommendation: Improve future leader selection by giving greater emphasis to leadership competencies than technical skills.

1) FSA should enhance and extend the competency-based leadership model developed by HRD to drive its leader selection, development and performance management. This model has been used to deploy the new Headquarters Leadership Program, which should be the basis for a single FSA leadership program for all supervisors including County Directors, District Directors, and Farm Loans Supervisors.
2) Traditional HR tools, such as application scoring and interviews, are rarely adequate to identify leadership talent. Using alternative assessment tools, such as simulations and role playing exercises, allow selecting officials to see leadership behavior demonstrated in the selection process. At the very least, FSA should use structured interview techniques developed around behaviorally-anchored scoring where applicants are required to describe specific examples of situations where they demonstrated leadership competencies in their work.
3) Other recommendations on leadership development are found in the Strategic Human Capital Report.

4. Communications

FSA managers and employees identified weaknesses around communication processes and messages as a common theme throughout the organization. A number of concerns were expressed about ineffective communication that was adversely-affecting employee performance and morale. This section focuses on communications from several perspectives:

- Within a function or program
- Across functions or programs
- From leadership to employees
- Between headquarters and state offices
- Related to the implementation of a new policy, process, or system

4.1. Weak communications within a function or program frustrate employees

In many FSA functional and program areas, the evidence of communications is limited. During management and employee interviews, we heard that communications within branches and sections is common, with meetings 2-4 times per month and that some divisions met on a monthly basis. On the other hand, most meetings across divisions were attended by management only, and the relay of information from these meetings down to employees was inconsistent. While there are instances of leaders utilizing an "all hands" approach, the tactic is inconsistently applied both in use and frequency. The lack of formal and consistent communication from leadership encourages an informal "in the hall" culture of rumor and a "perception is reality" mindset. Employees are uncomfortable with this uncertainty and perceive that there is information that leadership is choosing not to communicate. As a result, employees' trust in management has weakened.

Recommendation: Increase communication frequency and clarify roles in the communication process

1. Increase frequency and improve quality of communications within functional and program areas:
    a. Conduct twice a month or monthly division, branch or unit meetings to facilitate status reporting, priority setting, knowledge sharing, and issues resolution. For top leaders in each major NHQ area (e.g. Deputies and Senior Directors), consider alternating attendance at some of these branch or division unit meetings to "check in" periodically with the employees. Alternate attendance to ensure visits to each branch meeting or divisional unit at least once per quarter.
    b. Conduct annual "all hands" meetings by major organization (e.g. Deputies, major NHQ function area, HRD, ITSD, OBF, etc.) during which the management team presents strategic goals, progress toward goals, and updates on key initiatives. These meetings provide an opportunity for discussion in response to expressed questions and concerns, as well as a forum to recognize employee and team achievements. This is especially critical for employees outside of the DC location.
    c. Train personnel on managing "effective meetings," including agenda definition, presentation and facilitation skills, group decision-making, tracking action items, and follow-up.
2. Clarify process roles and responsibilities particularly at touch points across branches, division and locations. Define communication standards and expectations, including points of contact, response times, and back-up procedures.

4.2. Breakdowns in communication across functions and programs result in poor customer service, performance issues and inefficiency

Communications across functional or program areas tend to be concentrated in two types of relationships:

- Partnership requiring coordination
- Customer service

In these situations, personnel do not seem to understand the processes, priorities and constraints of the other functions. Personnel in each area may have very different areas of expertise, "speak different (technical) languages," have very different perspectives, and differently approach problem-solving and decision-making processes. In many cases, unspoken expectations cause frustration and strain the working relationship and team morale. A history of failure in cross-functional interactions has caused personnel to avoid them and perpetuates a culture of "silos." The result is an FSA organization that is overly compartmentalized.

In some organizations, such as ITSD, OBF, HRD, and DACO, processes may cross geographic locations. Weaknesses exist at the points where the two groups must coordinate, collaborate, or hand-off activities. Relationships are tense due to failures in the ability for these groups to facilitate decision-making, troubleshoot issues, and coordinate work efforts. In some cases, roles and responsibilities are not well defined, or may change based on resource availability. Teaming across geographic areas has also proven to be challenging for some groups.

Recommendation: Clarify roles and responsibilities, train personnel in key competencies and develop a customer service culture

To improve communications across functions and programs, the following actions are recommended:

1. Clarify process roles and responsibilities, particularly at touch points between functions or programs. Define communication standards and expectations, including points of contacts, response times, and back-up procedures.
2. Train personnel on key project management skills and tools valuable to coordinating work across functions, e.g. estimating work effort, scheduling dependencies, issue management. Define a project schedule and obtain "sign-off" approval from key stakeholders at critical milestones. Develop skills to facilitate meetings, coordinate communications, and manage issue resolution.
3. Develop a "customer service" culture that serves to respond and collaborate across functions.
    a. Seek to understand the customer experience within a specific function or program. Define a function-specific customer service vision, including core values, guiding principles, and standards (e.g. target response time). Pursue opportunities to improve service delivery processes.
    b. Conduct in-depth discussions with internal customer groups to understand their expectations in terms of products, services and expertise, roles, requirements (e.g. quality, budget, schedule, responsiveness, communication, etc.) Document agreed upon outcomes in Service Level Agreements (SLA). Monitor actual performance against agreed-upon targets.
    c. Involve members of the customer group (e.g. field personnel) in the design and development of new policies, processes, and systems. Include

representatives of customer groups on project teams as subject matter experts.

4.3. Communications from leadership to employees does not articulate strategy and vision in terms that employees can apply to their work

Many managers noted the significant improvement in top down communication since the current Administrator assumed the role. Across the field, people noted this improvement as well. Perceptions have been "*she has been a part of us for a long time; therefore, she understands the importance of communicating.*" This is a huge step in the right direction.

Even though improvements have made in the very "top down" communication, a common theme that surfaced during the interview process was the need to continue that focus as well as improve communication from the Deputy level to the Division level, and on down. Management and employees throughout the organization consistently expressed concerns that they heard about important changes first or only "through the grapevine."

Recommendation: Synchronize leadership competency building with communications competency building and deliver period presentations to all employee groups

To improve communications from leadership to employees, the team recommends the following actions:

1. Raise expectations of FSA leaders to collaborate and coordinate across FSA, as well as within functional areas. Engage the leadership team in defining FSA's common vision, strategy, and priorities. Strengthen coordination of strategic plans and initiatives across functions. Highlight and reward "successes."
2. Conduct periodic (e.g. annual) leadership presentations to all FSA employees. Consider use of video or webcast media to communicate to all FSA personnel at multiple locations at one time. Present agency direction, goals, and major initiatives. Record presentations for use in new hire orientation. Use the internal FSA employee website to reinforce key messages around FSA's vision, strategy, and priorities.
3. Develop leadership skills through training and executive coaching in negotiation, group decision-making, and collaboration. *(Refer to Strategic Human Capital Report in Appendix 1 for more information on leadership competencies.)*

4.4. FSA struggles to implement change initiatives and new programs within headquarters functions or down to state and county offices

During the site visits at ten State Offices, across all of the states visited, concerns were expressed about the manner in which programs often are deployed. Examples were provided where programs were launched from headquarters with minimal notice and inadequate instructions.

As a result, field office personnel expressed frustration that they were viewed by producers as incapable of providing baseline services. To improve their ability to provide quality service to the producers, State Offices stress their desire to be involved earlier in the program development process in order to understand the timing for the deployment of new programs, and to influence the definition of the processes and systems created to support new programs. In addition, State Offices expressed frustration with the difficulty they encounter trying to identify who at headquarters to call when issues arise around new policies and programs defined by headquarters (i.e. particularly around HR and IT servicing).

Headquarters personnel expressed similar concerns about the limitations of both USDA and FSA in effectively implementing change programs, particularly related to new system applications. Again, initiatives were often learned "through the grapevine" without any formal presentation by leadership. Communications and training were not customized by audience and, in most cases, employees felt strategies launched were too simplistic. Implementation efforts focused mostly on systems training, and did not address process or responsibility changes. Support processes after implementation tended to be haphazard.

The perception of NHQ leadership is that state employees are significantly involved in the early development and launch of new programs and initiatives. Given this seemingly evident "disconnect," it is important that NHQ work with the field to pin-point the reasoning for this varying viewpoint, and implement a solution that meets both parties' expectations.

Recommendation: Assign subject matter experts to project teams and define a standard FSA program / major initiative implementation methodology

To improve communications related to the implementation of new programs and initiatives, the team recommends the following actions:

1. Include representatives of customer and key stakeholder groups on project teams to serve as process "subject matter experts" (e.g. field representatives). Ensure that team members representing the field are rotating frequently so that every state has an opportunity to participate in a working group.
2. Define a standard "FSA Implementation Methodology" (e.g. change management approach) for implementing new programs and initiatives within headquarters and the field. Leverage industry best practices.
    a. Whenever possible, communicate initiative goals, benefits, potential impacts, and schedule early in the development process of a new program or change initiative. Communicate status and additional details as project progresses. Create a central repository (e.g. internal website) that

employees can reference to obtain updates on initiatives in process. Document and share "Frequently Asked Questions and Answers."

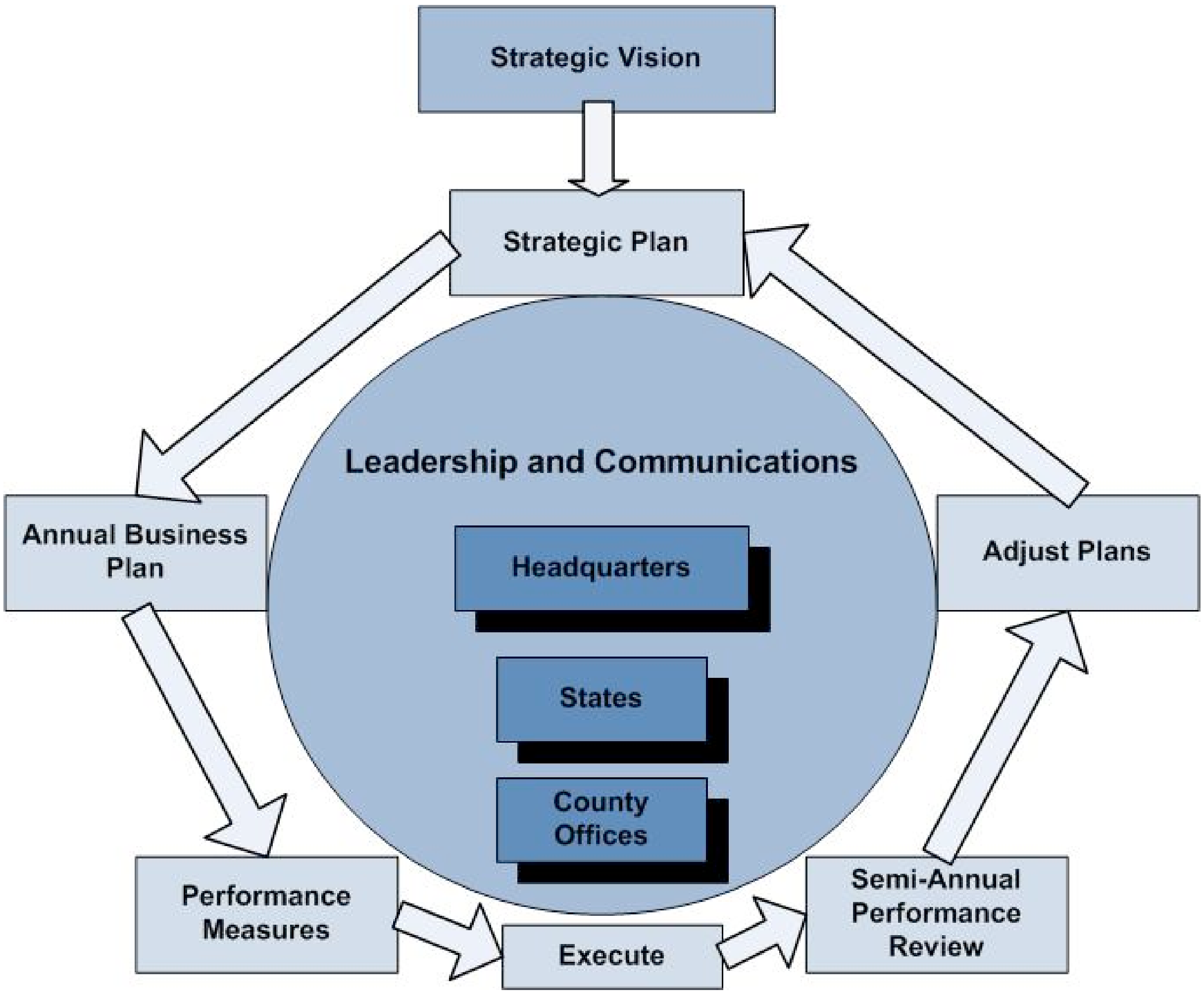
b. Provide impacted organizations with action steps and timelines to prepare for the implementation of new programs or systems. Develop support resources for implementations, such as process documentation, role definitions, training, instruction manuals, forms, automated tools, and management reports.

c. Consider "piloting" new programs to identify and resolve implementation issues before deploying to broader populations.

d. Provide contact information for support resources during and after implementation. Announce presence of headquarters staff at State Offices during site visits.

GLOBAL VISION FOR FSA

Combining all three cross cutting themes will result in a process that links strategy and measurement, leadership ownership and communications to create a culture of mutually understood goals and clear roles, responsibilities, and accountability for achievement.



5. Summary of Findings and Recommendations

Section	Findings	Recommended Actions
2.1	FSA needs greater focus on the cascading the strategic planning process to drive business goal achievement and performance accountability.	Expand the focus of FSA's strategic planning through the implementation of strategic business planning toolkits and training.
2.2	FSA should strengthen the focus to periodically and systematically review the results of its organizational performance.	Hold semi-annual organizational performance reviews.
2.3	FSA does not have a formally-constituted continuous improvement process to achieve gains in productivity and efficiency and adapt to continuing reductions in agency operating budgets.	Implement a continuous process improvement program like LSS.
3.1	FSA employees have a low level of engagement.	Increased focus on improvement of employee engagement is key to changing the negative perceptions that exist among personnel.
3.2	There is a perception among FSA employees across the board that people skills and demonstration of basic leadership traits are lacking in the management corps.	Improve future leader selection by giving greater emphasis to leadership competencies than technical skills. Effectively train newly-selected leaders.
4.1	Weak communications within a function or program frustrate employees.	Increase communication frequency and clarify roles in the communication process.
4.2	Breakdowns in communication across functions and programs result in poor customer service, performance issues and inefficiency.	Clarify roles and responsibilities, train personnel in key competencies and develop a customer service culture.
4.3	Communications from leadership to employees do not articulate strategy and vision in terms that employees can apply to their work.	Synchronize leadership competency building with communications competency building and deliver period presentations to all employee groups.
4.4	FSA struggles to implement change initiatives and new programs within headquarters functions or down to state and county offices.	Install subject matter experts on project teams and define a standard FSA program / major initiative implementation methodology.

APPENDIX A: ADDITIONAL STUDY RESOURCES

- Anecdotal data collected from interviews with employee groups, managers and leadership
- The overall results of the Best Places to Work Survey can be found at http://bestplacestowork.org/BPTW/about/
- Results for FSA for the Best Places to Work survey are published at http://bestplacestowork.org/BPTW/rankings/agency.php?code=AGFA&q=scores_subcomponent
- FSA can find information on OPM's leadership competency model and assessment tools at https://www.opm.gov/hr/employ/products/survey/leadership360.asp

The U.S. Department of Agriculture
Farm Service Agency
Organizational Assessment

BENCHMARKING
Findings and Recommendations

Final Report
May 30, 2008

APPENDIX 3: BENCHMARKING REPORT

1. BENCHMARKING APPROACH

1.1. Introduction

As part of the scope of the Farm Service Agency (FSA) organizational assessment, the KnowledgeBank/Federal Management Partners (KB/FMP) team conducted a high-level benchmarking study with the following federal agencies:

- United States Department of Agriculture Forest Service (FS)
- National Aeronautics and Space Administration (NASA)
- Small Business Administration (SBA)

These agencies were chosen and agreed upon by FSA project leadership based on outcomes from recent transformation efforts, or because of similar structures and lines of business (i.e. state structure and delivery of services to customers).

The following sections will provide more detail on the benchmarking scope and methodology for each organization benchmarked, and present the:

- Agency Profile
- Transformation Effort Description
- Results Achieved and Return on Investment
- Lessons Learned

1.2. Benchmarking Objectives

1.2.1. Benchmarking Scope

The scope of the benchmarking study is limited to federal agencies that have either undergone a recent transformation or are in the process of a significant reform agenda, for the purpose of improving organizational effectiveness, streamlining operations, and/or reducing costs.

The objective of this external environmental scan was to:

- Determine how other federal agencies are coping with the pressure of decreasing economic resources in the face of escalating fixed costs

- Identify best practices among other federal agencies that have delivered measurable improvements in efficiency, effectiveness, or economies of scale to their stakeholders

- Benefit from the past experiences and lessons learned of those agencies that have undertaken a significant reform agenda (i.e. learn what potential mistakes to avoid)

Interestingly, a high-level benchmarking analysis had previously been conducted with two of the agencies – the Forest Service and NASA – both of which are at the tail end of conducting a major, planned restructuring effort. Key staff in these agencies were interviewed to glean areas of commonality with FSA and in order to obtain information on possible approaches to process improvement and lessons learned. Current research confirms that both agencies have remained viable benchmarking resources. In fact, both FS and NASA have made significant investments in and commitments to shared service centers. The goal of shared services is to consolidate similar business activities within an organization to lower costs, achieve higher service levels, and enhance overall organizational value.

The third entity, the SBA, was selected on the basis of its agency-wide reform agenda and similarity in organizational structure and customer service delivery field model to FSA.

1.2.2. Benchmarking Methodology

The benchmarking process utilized a combination of data collection and analysis methods, including face-to-face and telephone interviews with agency leadership, documentation provided by individuals interviewed, where possible, and a systematic review of pertinent documents posted on agency websites. Documents obtained through research on the Internet (e.g. Congressional testimony) were also utilized, if deemed valuable to this effort.

A listing of the individuals interviewed by name and title is included in Section 6: “Study Resources”, as well as a listing of the *primary* reference sources utilized during the benchmarking process.

2. USDA FOREST SERVICE REPORT

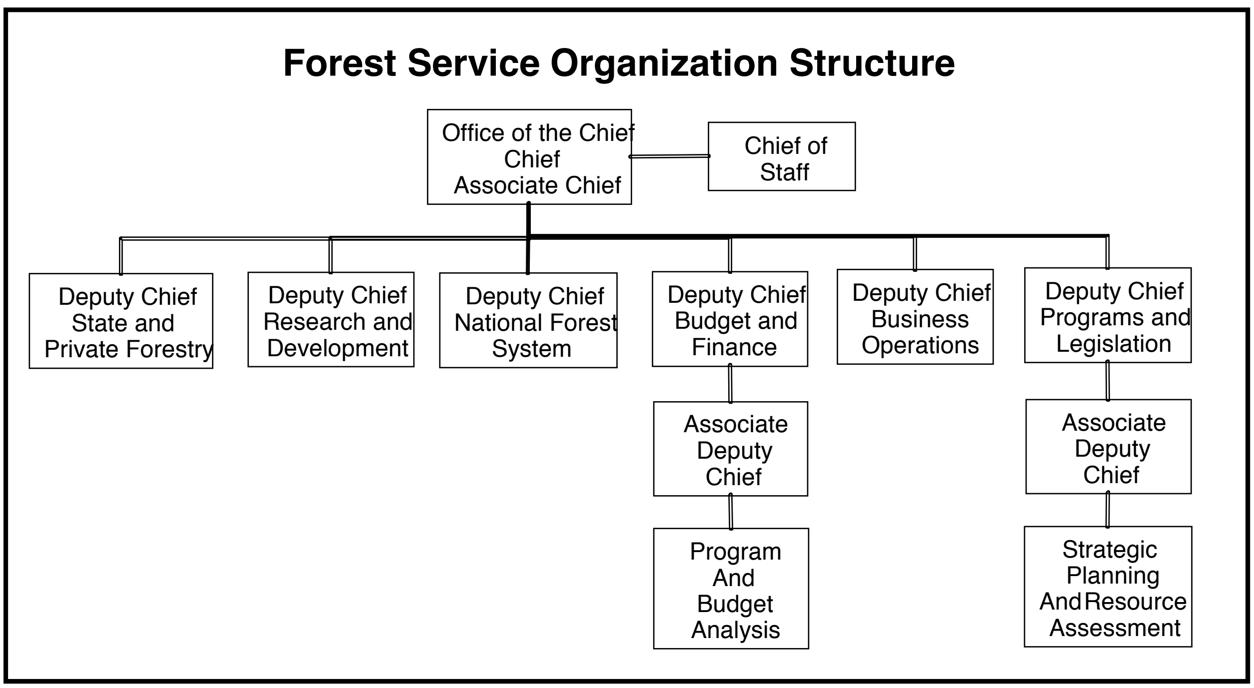
2.1. Agency Profile

The mission of the USDA Forest Service (FS) is to sustain the health, diversity, and productivity of the Nation's forests and grasslands to meet the needs of present and future generations. Established in 1905, the FS manages public lands, known collectively as the National Forest System, located in 44 States, Puerto Rico, and the Virgin Islands.

The FS employs approximately 39,000 people as of the date of this report.

2.2. FS Organization

The Forest Service is organized into six areas, each headed by a Deputy Chief, who reports directly to the Chief of the Forest Service. These Deputy Chiefs are responsible for the National Forest System, State and Private Forestry; Research and Development; Budget and Finance; Programs, Legislation and Communications; and Business Operations (see organizational chart below).



2.3. Transformation Description

Confronted with rising operating costs and declining buying power, the FS introduced a major restructuring initiative called the Washington Office/Regional Office/ Northeastern Area Transformation, later renamed the Business Operations Transformation Program (BOTP). The primary objective of this effort was to centralize, streamline, and reengineer the following three FS divisions into a shared services center in one location, Albuquerque, New Mexico:

- Information Technology (IT)
- Budget and Financial (B&F)
- Human Resources (HR)

The vision for this effort was to:

- Create a centralized, efficient and effective administrative operation by January 2008
- Meet the President's Management Agenda goals in FY 2008
- Improve the ability of FS employees to meet the FS mission within the next five years

In 2006, FS Deputy Chief for Business Operations commissioned the Business Operations Transformation Team (BOTT) to lead the transition to new centralized systems in Budget and Finance, Human Capital Management, and Information Resources Management. Understanding this shift to centralized systems and services and providing an avenue for dialog about these changes are primary reasons for the teams' existence.

The BOTT was and continues to be directed from the Business Operations Deputy Chief's office and led by the Program Coordinator. Rather than creating a new staff, the team is comprised of members of various Enterprise Teams within the Forest Service, along with members from the Washington Office. The team worked closely with communications staff and others from Budget and Finance, Information Resources Management, and Human Capital Management to achieve the following outcomes from this transformation process:

- An agency that is able to address the global environmental concerns of today, and is able to respond efficiently to the issues of tomorrow

- An agency that is current and relevant; that optimizes new technologies and integrated systems; that responds to its stakeholders; and that meets the land management needs of the 21st Century

- An agency that has reduced operating costs in the Washington and Regional Offices and Northeastern Area by 25 percent (reduced from the FY 2006 baseline) by the end of FY 2009 (Note: total estimated five-year savings for the agency projected at $241 million)

The Albuquerque Service Center (ASC) first opened its doors in New Mexico in March 2005. The Information Resource Management (IRM) function was the first to transition due to the need to establish the technology infrastructure. The Budget and Finance center followed second and was fully operational by February 2006. The Human Capital Management (HCM) function followed third and planned to transition its activities in staggered phases due to the number of systems, as well as the number of locations being consolidated:

- Deployment from field units occurred in FY 2007. Services for all Forest Service field and headquarters locations, with the exception of the Pacific Southwest Region (Region 5), are now being provided from the ASC. HCM work from Region 5 began migrating to the ASC in November 2007.

- National Finance Center (NFC) continued design and system testing to add Forest Service to EmpowHR, its Human Resource Information System

- Final project implementation was on track in Q1 FY 2008, and the agency was optimistic this goal would be met. Cost reductions realization may be pushed back to later in FY 2009 due to shift in final migration dates and development and deployment of the full use of NFC technology.

2.4. Overall Results Achieved by FS Functional Area / Return on Investment

Significant savings were forecasted as a result of the Forest Service (FS) Business Operations Transformation Program (BOTP) effort. The most recent (end of fiscal year 2007) numbers provided by the Forest Service are displayed below.

BOTP Cost Reduction Summary - Actuals/Budgeted FY06-08

(Dollars in Millions)

	FY 2005 Planned	FY 2005 Actuals	FY2006 Planned	FY2006 Actuals	FY2007 Actual	FY2008 Planned
FMIP						
Original Organization	$ 141.0	$ 141.0	$ 144.4	$ 144.4	$ 147.5	$ 150.6
Redesigned Organization	$ 136.8	$ 136.8	$ 109.1	$ 99.8	$ 107.8	$ 110.3
Implementation Cost	$ 45.2	$ 39.9	$ -	$ 11.5	2.7	
Cost Reduction	$ (41.0)	$ (35.7)	$ 35.3	$ 33.1	$ 37.0	$ 40.3
Staff Reductions (to date)				**654**		
Implementation Costs (FY2005/2006) - $51.4 million - Payback by end of FY2006						
IT						
Original Organization	$ 78.2	$ 78.2	$ 80.2	$ 80.2	$ 82.1	$ 84.3
Redesigned Organization	$ 63.8	$ 55.0	$ 60.1	$ 60.1	$ 61.6	$ 63.1
Implementation Cost	$ 36.0	$ 12.0	$ 4.0	$ -	$ -	$ -
Cost Reduction	$ (21.6)	$ 11.2	$ 16.1	$ 20.1	$ 20.5	$ 21.2
Staff Reductions (to date)				**554**		
Implementation Costs (FY2005/2006) - $12.0 million - Payback middle FY2006						
HCM						
Original Organization	$ 84.9	$ 84.9	$ 86.9	$ 86.9	$ 89.0	$ 91.1
Redesigned Organization	$ 56.5	$ 84.8	$ 56.2	$ 81.3	$ 64.7	$ 66.3
Implementation Cost	$ 60.5	$ 7.9	$ 13.3	$ 57.1	$ 15.7	$ 5.5
Cost Reduction	$ (32.1)	$ (7.8)	$ 17.4	$ (51.5)	$ 8.6	$ 19.3
Staff Reductions (to date)				**296**		
Implementation Costs (FY2005/2006/2007) - $84.2 million - Payback middle FY2009						
Note: Fully Implementing the redesigned HCM organization is dependent on development and deployment of NFC technology						

BOTP Total	FY 2005 Planned	FY 2005 Actuals	FY2006 Planned	FY2006 Actuals	FY2007 Planned	FY2008 Planned
Original Organization	$ 304.1	$ 304.1	$ 311.5	$ 311.5	$ 318.6	$ 326.0
Redesigned Organization	$ 257.1	$ 276.6	$ 225.4	$ 241.2	$ 234.1	$ 239.7
Implementation Costs	$ 141.7	$ 59.8	$ 17.3	$ 68.6	$ 18.4	$ 5.5
Net Cost Reduction	$ (94.7)	$ (32.3)	$ 68.8	$ 1.7	$ 66.1	$ 80.8

Updated as of September 30, 2007

Implementation costs and status as of the end of fiscal year 2007 are also provided (Note: all dollars in thousands).

	Planned Costs	FY05 Actual	FY06 Actual	FY 07 Actual	FY08 Planned
IT	$36,000	$11,970	$0	$0	$0
FMIP	$45,200	$39,930	$11,504	$ 2,626	$0
HCM	$60,500	$ 7,945	$57,106	$15,677	$5,450

2.5. Information Resources Management Organization (former Information Technology Organization)

Following are specific highlights of the efficiencies and savings achieved by the IT transformation:

- **Agency MEO was awarded a Letter of Obligation to perform the work over a five year period for $294 million**
    - Has 499 employees currently onboard
    - 300 of the original selections were promotions
    - All initial selections were Forest Service employees
    - On-going labor cost reductions are estimated at close to $20 million per year

- **Initial reductions come from reduced labor costs for IT positions.**
    - Total permanent IT-related employment is down by 554 positions since July 2003, when the first data was collected for IT Study planning
    - 146 IT employee buyouts were approved

- **Additional reductions will be achieved through integrated business environment implementation and acquisition efficiencies**
    - Bulk purchases of replacement computers
    - Consolidation of Data Centers (10 to 3)
    - Department and Government-wide IT licensing agreements
    - Consolidation FS-wide of IT service contracts for computer systems, network, telephones, and radio
    - Consolidation from 150+ server locations to 10

IT Business Case Savings Analysis (as of September 30, 2007)	
Description	**Headcount**
Personnel Out of IT Organization	
Separations (Box 6 + Box 18)	302
Reclassifications (Box 5 + Box 14 + Box 17)	362
Out of IT sub-total	664
Personnel Additions to IT	
New Employees in ISO/IT Organization (Box 7 + Box 19)	75
New IT Series (332, 334, 335, 391, 856, 2210) not in ISO/IT (Box 20)	35
Into IT sub-total	110
Net IT Personnel Reductions Captured to Date	**554**

2.6. Budget and Finance Organization

Following are the specific highlights of the efficiencies and savings achieved by the Budget and Finance transformation:

- **Albuquerque Service Center opened February 2005**
  - 397 permanent FS employees at ASC as of September 30, 2007 (targeting 444 positions, fully staffed)
  - Most initial selections were Forest Service employees, some contract assistance still in place and there are a few vacancies still remaining

- **All processes migrated to ASC**
  - Incident Business initiated work at ASC in February 2006

- **Initial cost reductions comes from reduced labor costs for B&F activities**
  - Total permanent B&F-related employment is down by 654 positions from the business case, when the first data was evaluated for the FMIP study
  - 153 B&F employee buyouts were approved

- **Additional reductions will be achieved through reduction of part-time efforts on B&F activities**

FMIP Business Case Savings Analysis (as of September 30, 2007)	
Description	**Headcount**
Personnel Out of B&F Organization	
Separations (Box 6 + Box 9 + Box 15 + Box 18)	734
Reclassifications (Box 5 + Box 8 + Box 14)	260
Out of BF sub-total	994
Personnel Additions to B&F	
New Employees in B&F Organization (Box 5.1+8.1+ 14.1 + 20)	72
New GS-500 employees (Box 19)	268
Into BF sub-total	340
Net FMIP Personnel Reductions Captured to Date	**654**

2.7. Human Resources Organization

According to the benchmarking analysis conducted with FS, it was noted that the HR transformation was by far the most difficult in transition. This was partly due to customers across the various units having to shift from a "personal touch" type customer service to a "hotline" approach. This required a major shift in the culture within FS. In addition, FS had significant problems ensuring that the proper HR systems were in place to support the centralization efforts. The lessons learned from the difficulty they faced are noted in the "Lessons Learned" section below.

We understand that although they ran into difficulty which caused them to spend more resources upfront than initially planned, they are now on target to finalize the implementation. They believe that once fully implemented, they will realize savings.

Following are the highlights of the efficiencies and savings achieved by the HR transformation:

- **Consolidation of services**
  - Services for all Forest Service field and headquarters locations, with the exception of the Pacific Southwest Region (Region 5), are now being provided from the ASC
  - HR work from Region 5 began migration to the ASC in November 2007

- **Completed design of future-state business processes**
  - National Finance Center (NFC) continues design and system testing to add Forest Service to EmpowHR, its Human Resource Information System
  - Standardization of key HRM processes and procedures, and centralization of policy administration
  - Improvement of program efficiency through process automation
  - Centralization of all HRM transactional activities at ASC, NM
  - Empowerment of managers and employees through the use of self-service; supported by a contact center and centralized customer service delivery

- **Implemented workforce transition plan**
  - Focusing on VERA/VSIP to draw-down existing organization. The agency had approved 197 buyouts through September 2007.

- **Of the 470 total FTEs targeted for the organization, 360 will be based out of Albuquerque (14 located at the WO and 91 will be detached from the ASC-HCM).**
  - BPR expected to save approximately $32M per year once fully operational. Most cost reductions are in personnel costs due to reduced headcount. A reduction of 296 captured to date.

- **25% of the current ASC-HCM workforce is from local hires**

- **Final project implementation on track and the agency is optimistic this goal will be met**
  - Cost reductions realization may be pushed back to later in FY 2009 due to shift in final migration dates and development and deployment of the full use of NFC technology

HCM Business Case Savings Analysis (as of September 30, 2007)	
Description	**Headcount**
Personnel Out of HCM Organization	
Separations (Box 6 + Box 9)	346
Reclassifications (Box 5.1)	135
Out of HCM sub-total	481
Personnel Additions to HCM	
New Employees in HCM Organization (Box 10)	176
New HCM Series (200s except 260s) not in HCM Organization (Box 11)	9
Into HCM sub-total	185
Net HCM Personnel Reductions Captured to Date	**296**

2.8. Lessons Learned

The following lessons learned were shared with the KB/FMP Team during telephone interviews with FS top executives and senior managers who were key in driving and managing the transformation initiatives:

- You must have substantive, measurable data to build a business case before you begin the full planning efforts
- It is critical to engage subject matter experts in the early stages of the process. At the same time, this is a management driven process, so care must be taken to ensure that the right mix of talent is selected to participate on the project, i.e. "the people selected need to be able to see the bigger picture."
- Make sure you have done your homework in terms of benchmarking. You must be able to articulate what you want to do and get buy in "up-front" from both management and employees.
- The transition to EmpowHR has not been successful and has been placed on hold indefinitely as of February 2008. FS reports that it is currently using an internal Web-52 system as a short-term alternative for the processing of all personnel related actions. This represents a serious setback for FS HRM from a shared services perspective, as FS has 39,000 employees and the HR service delivery model is contingent on an integrated HRIS application that runs efficiently and effectively. The Department must be committed to deliver a well-functioning automated system for HR **prior** to implementation. "Don't implement until you have it".
- Communication and Change Management strategies and planning are critical and key; **be prepared to invest in communication and change management**. Effective communication across the organization is absolutely essential if the change management initiative is to remain on schedule and be successful.
- The agency needs to be clear, purposeful, and precise about what it wants to achieve. Forest Service spent a lot of time talking about saving money, and they technically are saving money. However, this does not mean that anyone "has a lot of extra change in their pockets." You must be explicit in your messaging.
- Once you make your decision to move forward, you need to have the stamina and discipline to stick to it no matter what. In other words, be prepared to put a phased plan in place, and do not deviate from it. For example, Forest Service chose to make the HCM transition over a three year period. They literally changed the HR service delivery model for almost 40,000 people in 36 months.
- Ensure that your HRIS service provider has the experience and the track record to support an implementation and transformation effort of the magnitude planned
- Have a recovery plan. NASA developed a plan, which proved beneficial as they navigated the transformation. When something happens, it is critical to have a recovery

plan. A recovery plan should include a Plan B, as you may not be able to fully realized implementation.

- It is critical to have some form of "cradle to grave" oversight – start to finish case management oversight process is key. We initially organized in such a compartmentalized way, and we did not have "case managers" to oversee it. We did not have a point person that was looking at the problems and managing them start to finish. This is key, particularly when you move to a "hotline" service approach or virtual approach.
- Accountability is key when you move to a service center so that our service hotline employees are equally visible and accountable. Initially we did not have names associated with our hotlines, so the ability of people in Albuquerque to hide behind the "1-800 number" was clear. Now we have a directory list with names of accountable employees, so everyone in the field knows who is accountable for what. Now there is a personal approach when talking to someone for service.
- The HR transition has by far been the toughest we have taken on, particularly because you lose the "one-on-one" approach with people. Categorically our service has not improved. We have seen significant improvements in Budget and IT, however HR has been slower to gain efficiencies. We had developed service level standards, but we have had so many challenges getting on the ground that I have only focused on the call center metrics. We were getting a 30% call abandonment rate in our call center with an average wait time of 10 min, sometimes up to 45 min for customers calling in to get assistance from HR. This was a top priority to correct and we took immediate action to correct it.. Since then, we have significantly improved the call abandonment rate and we are on track. The abandonment rate has dropped down to 2-3%, with our average wait time of 2-3 min.
- Right now, we are in the middle of the toughest time of all with our HR transition. We incrementally started moving people to the Albuquerque, New Mexico Center about one year ago. We have migrated all but our final region (CA). We basically just stopped until we could get things fixed. There have been huge upfront costs just to get stuff done. It is costing us significantly more than what we realized. What is not working right now is the staffing activity, classification, certificates issued. We need to fix this; our customers are not being serviced like they should be. This is a top priority for us to fix; we will get there.
- In Budget and Finance, we had huge problems one year into the transformation (similar to what we are having with HRD- just part of the initial "pain"). The one benefit with this piece is that the system is much smoother; we don't have the issues we have had with EmpowHR. The consolidation of our Budget and Finance operation has been a clear success. It took us three years to get there, but after about two years we knew it was going to be a success. Any agency looking to centralize has to have a clear, firm commitment to stick it out and see it through. It does take working through frustrations to get there. We did not see a return on our investment in the Budget and Finance piece for almost two years. Now in our third year, it is much clearer, and we have realized significant return.

3. National Aeronautics and Space Administration (NASA) Report

3.1. Agency Profile

The agency employs approximately 18,500 employees.

NASA's mission is to pioneer the future in space exploration, scientific discovery, and aeronautics research. NASA has 18,000 FTEs nationwide, with a much larger contractor workforce.

NASA HQ in Washington, DC provides overall guidance and direction to the agency, under the leadership of the Administrator. Ten field Centers (Regional Centers) and a variety of installations conduct the day-to-day work in laboratories, on air fields, in wind tunnels, and in control rooms.

The ten NASA Centers are:

- Ames Research Center- CA
- Dryden Flight Research Center - CA
- Glenn Research Center – OH
- Goddard Space Flight Center – MD
- HQ Ops- DC
- Johnson Space Center – TX
- Kennedy Space Center – FL
- Langley Research Center – VA
- Marshall Space Flight Center – AL
- Stennis Space Center – MS

3.2. Transformation Description

As with all government agencies, NASA is confronted with limited resources but an ambitious agenda. If it wished to forge ahead with its immediate goals and objectives for space exploration, scientific discovery, and aeronautics research, it needed to identify ways to reengineer and gain efficiencies from the existing resources at its disposal. Implementation of an integrated enterprise management solution in Fiscal Year 2002 created the platform and impetus for NASA to investigate a consolidated shared services model.

In 2002, NASA formed a cross-functional team to assess the shared services concept in earnest and soon realized that mission support could be improved by co-locating certain administrative and business activities into a new shared services organization. To be successful, NASA recognized that disparate activities from across the agency would have to be transitioned and transformed into standardized processes that were highly focused on the services provided to its customers.

NASA's decision to move toward a shared services approach was based on the conviction that certain transactional activities, as well as certain highly specialized functional activities, in financial management, human resources, procurement, and IT would be more effectively and efficiently performed in a consolidated organization. At the time of this decision, these functions were provided primarily by relatively small, single-function business organizations located and integrated into the ten NASA Centers. The basic concept included consolidating key business services and then integrating agency information systems and technologies into a single service center to provide them with the infrastructure and support required to succeed.

NASA completed the site nomination guidelines and requirements criteria in December 2003. NASA then issued a public announcement that it would hold an A-76 public-private competition, a process guided by the OMB circular A-76. An A-76 competition pits private sector proposals against a government team proposal for the right to perform work outlined in a Request for Proposal (RFP).

Shortly after NASA officially established the National Shared Services Center (NSSC) in January of 2004, NSSC issued a call for site proposals to all interested NASA Centers; six of the nine centers responded. The list was ultimately culled to three serious contenders: Marshall Flight Space Center (MFSC) in Huntsville, Alabama; Glenn Research Center located in Cleveland, Ohio; and Stennis Space Center (SSC) in Mississippi. All three States offered very competitive and similar proposals based on the opportunity to bring new jobs and a diverse array of businesses and suppliers to their struggling State economies. However, SSC was ultimately chosen as the new home of NSSC. The total package offered by the State of Mississippi for the building and grounds was $35 million. This incentive is not included in the return on investment (ROI) numbers provided in the following sections and is an added bonus for NASA NSSC in evaluating its true return on investment for this project.

The establishment of a shared services center at Stennis Space Center in Mississippi did not happen overnight. This effort took a full five years to accomplish, and three NASA Administrators came and went during the intervening period. This fact complicated an already difficult process because all aspects of this venture had to be revisited and re-justified with each change in leadership.

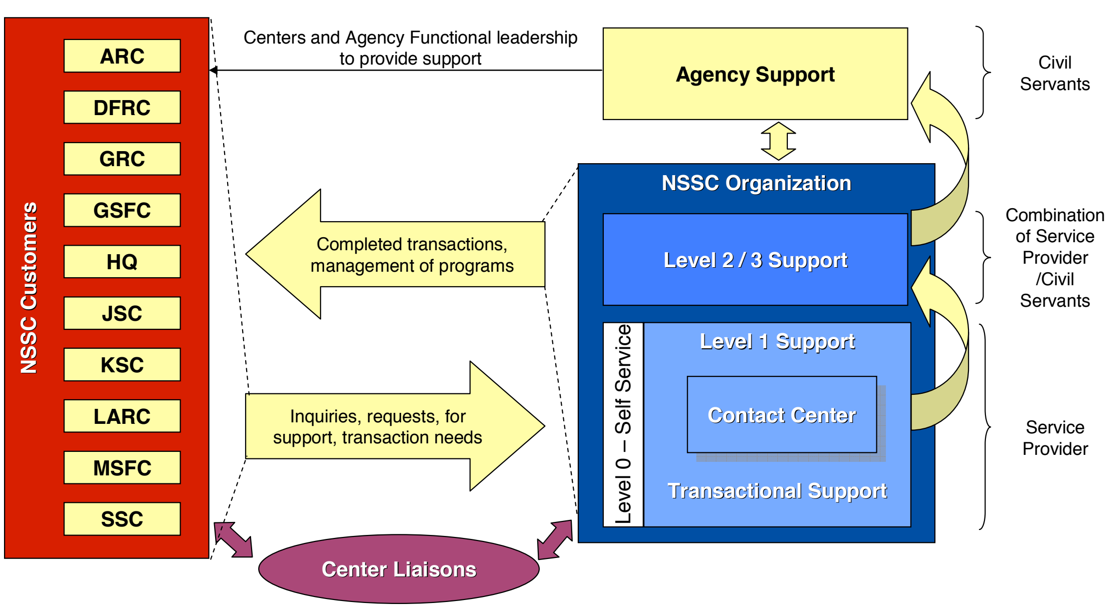
The NSSC officially opened for business in 2006. NSSC is an innovative public-private partnership between NASA, the States of Mississippi and Louisiana, and a service provider, Computer Sciences Corporation (CSC). The NSSC offers high-quality support services to NASA in the areas of financial management, human resources, information technology, and procurement.

The NSSC is an integrated service organization. This means that its workforce is comprised of a mix of both civil service employees (33%) and service provider contractors (67%). The center is expected to be fully staffed by the end of October 2008, when all activities will have transitioned in from the field.

The NSSC interacts with its six identified customer groups (NASA Centers, NASA headquarters (HQ), employees, vendors, grantees, and the general public) via the Customer Contact Center (CCC) and/or via a self-service website. An NSSC customer is able to contact the NSSC with a question or issue, and the NSSC reciprocates by either answering the question/resolving the issue or by escalating it to the next level. Complicated issues/questions that are not able to be resolved by a customer support representative are forwarded to subject matter experts and, finally, to an inherently governmental (IG) subject matter expert.

Center liaisons are the focal point between the Center customers and the NSSC, and they manage the relationship between the two. They are an important conduit to the NSSC from the customer regarding NSSC performance, completion of activities, and customer satisfaction. Center liaisons ensure efficient and effective administration of NSSC services and work to improve performance and customer service.

Customer Service at the NSSC



3.3. Sample Allocation Variables

The NSSC allocation variable is the basis for billing used by the NSSC to track work accomplished, to track cost, and to monitor Service Level Agreements (SLAs). Sample allocation variables for select business and technical services are provided below:

Financial Management

Service	Unit of Measure
Domestic Travel	# of Domestic Voucher Payment
Foreign Travel	# of Foreign Voucher Payments
Payroll & Time Attendance Processing	# of W-2s
Accounts Payable	# of Invoices & IPAC Payments
Accounts Receivable	# of Billings & Collections

Human Resources

Service	Unit of Measure
Support of Personnel Programs	# of W-2 Forms
SES Case Documentation	# of SES Appointment/Nomination Packages Released
Employee Benefits	# of W-2 Forms
Recruiting Event Logistics	# of Recruiting Events
Personnel Action Processing and Record Keeping	# of Personnel Actions and Record Keeping Transactions

Procurement

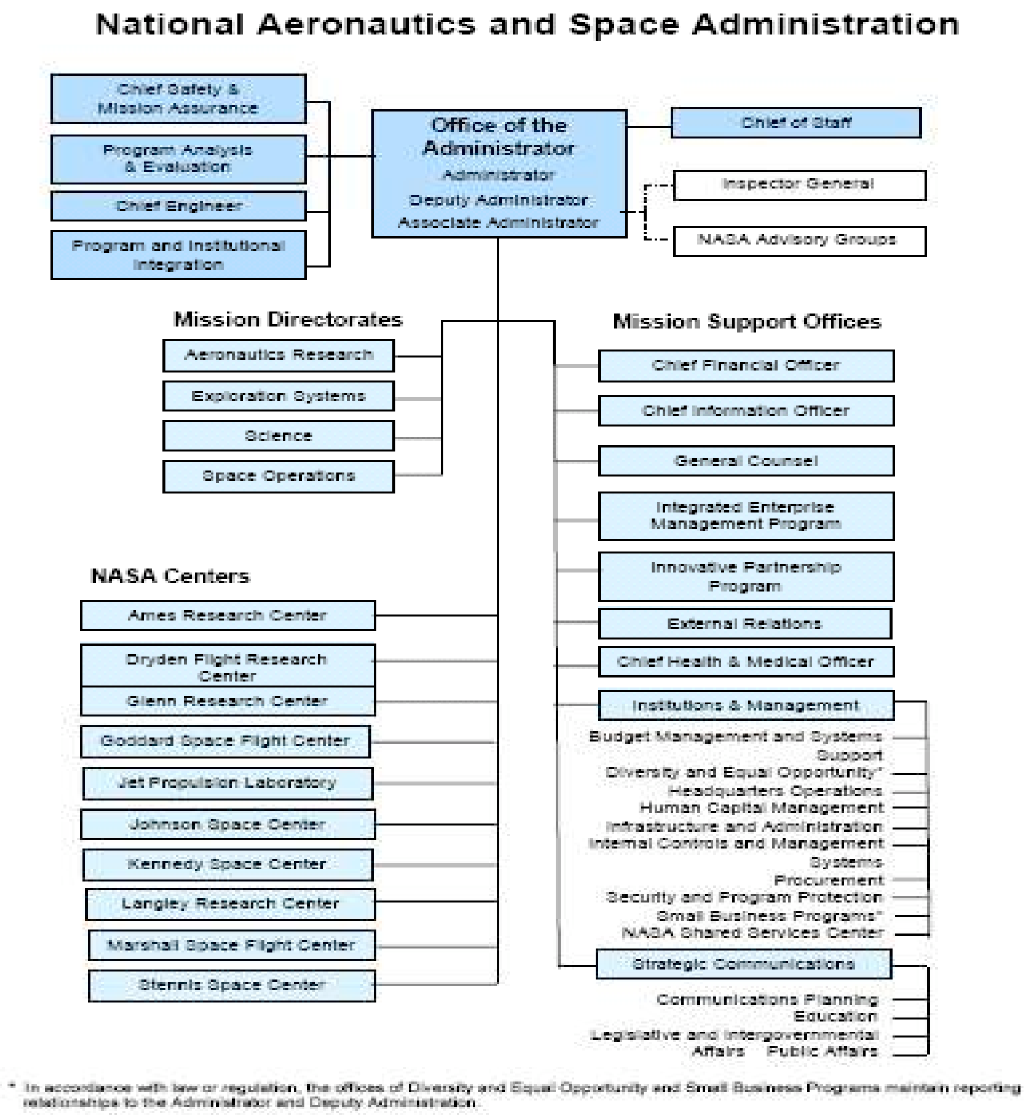
Service	Unit of Measure
Agency Procurement Services	# of W-2 Forms
Grants	# of Grants Awarded

Training Purchases

Service	Unit of Measure
Payment of Training Purchases (On-site/Off-site)	$1 of Training Cost
Training Purchases (Off-site)	# of Individual Registrations Resulting is a Purchase: 1. Purchases < or = $2500, 2. Purchases > $2500 and < $25,000, 3. Purchases = or > $25,000
Training Purchases (On-site)	of Training Classes Resulting in a Purchase: 1. Purchases < $25,000 (COTS Only), 2. Purchases = or > $25,000 and all Non-COTS

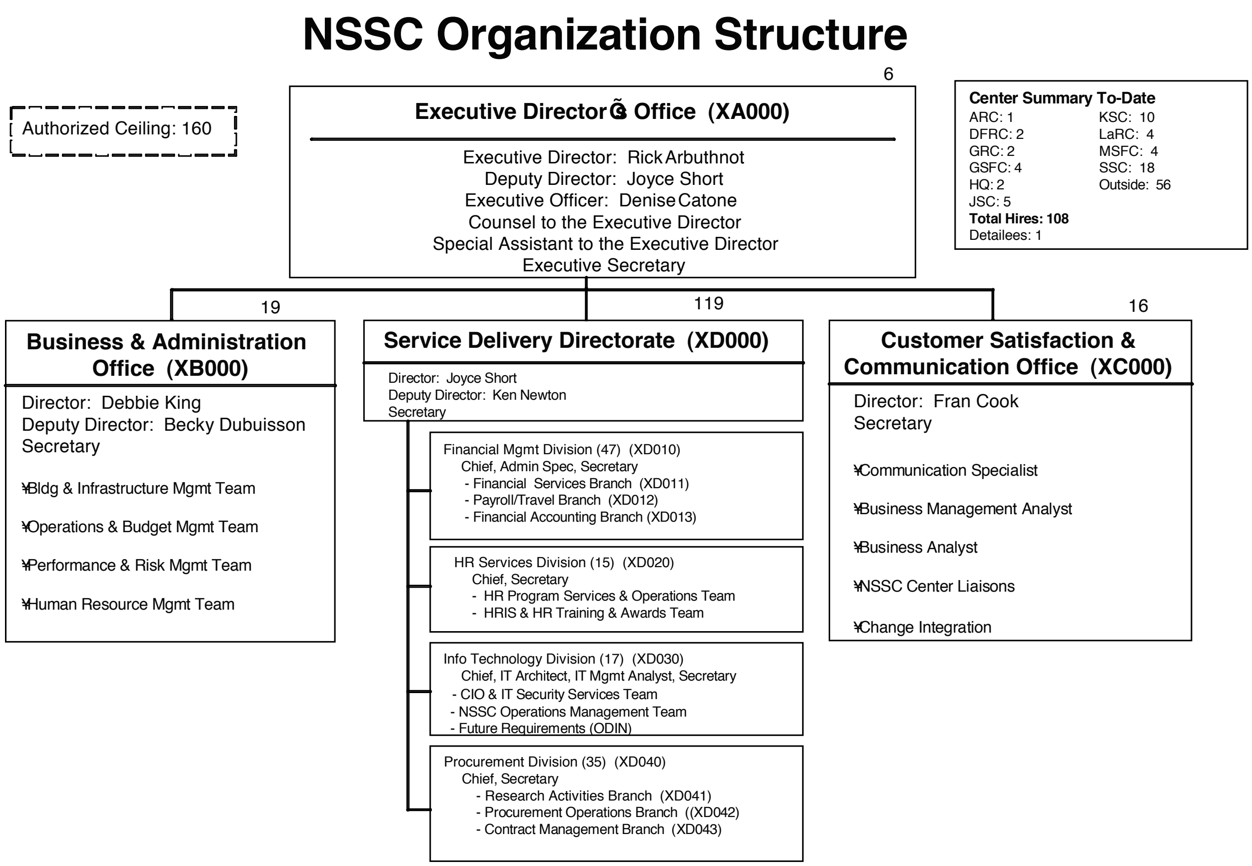
3.4. NASA Organizational Chart

The NASA Shared Services Center (NSSC) can be located under Mission Support Offices, under the Institutions and Management Branch.



3.5. NASA/NSSC Organizational Chart

The NSSC is an integrated organization. This means that the staff is comprised of NASA Civil Service personnel (33%), as well as Service Provider Contractors (66%). There are a nominal number of Support Contractors (1%) available to NSSC. The total staff is estimated to peak at just under 500 employees by October 31, 2008, when all planned services have fully migrated into the NSSC. The staff represented in the organizational chart below reflects civil service personnel only. The authorized ceiling for civil service personnel is 160 staff members.



3.6. NASA/NSSC Operational Governance Structure - Board of Directors

The NSSC is governed by a Board of Directors that is responsible for providing leadership and vision. The Board reviews and approves strategic direction, establishes policy, provides customer advocacy and communication, reviews and approves metrics and key performance indicators, and provides evaluation input for the NSSC Executive Director and Deputy Director.

The Board is comprised of the Chair, who holds the position of Associate Administrator for Institutions and Management; four (4) permanent members: the Chief Financial Officer, the Chief Information Officer, the Assistant Administrator for Office of Human Capital Management, the Assistant Administrator for Procurement; and four (4) Rotating Center Representatives and one (1) Rotating Mission Area Representative (Current members include JSC, GRC, GSFC, ARC and Exploration Systems). Board meetings are held on a quarterly basis.

3.7. Results Achieved / Return on Investment

In addition to achieving standardized and specialty services that are more consistent, timely, and of higher quality, NASA also projected and experienced substantive cost savings:

- Operational efficiencies would allow the redeployment of staff and budget back to core mission needs;
- Standardized business and specialty services that were more consistent, more timely, and of higher quality
- Substantial cost savings, originally estimated at $6.6 million per year (after completion of the 3-year transition period), is now expected to average in excess of 13.5 million per year

The collection of charts and graph below reflect NSSC and Center projected costs as of January 2008. The payback period on the initial investment of $28 million dollars was originally forecasted at 3.23 years. This timeframe was adjusted due to Hurricane Katrina, which devastated the Gulf Coast just one week after the implementation plan for NSSC was initiated at Stennis Space Center (SSC) in Mississippi. The forecast was adjusted, and the break even date is now forecasted at 3.54 years, or April 15, 2009. The NSSC expects to be on time or ahead of schedule in meeting this revised target date.

NSSC and Center Projected Costs
Jan-08

	2006	2007	2008	2009
Center Costs FY02 Center Provided	$ 28.1	$ 52.7	$ 68.9	$ 72.2
Center Costs FY02 w/New Business	$ 28.1	$ 53.8	$ 72.7	$ 73.7
NSSC *(Full Costs)*	$ 30.3	$ 42.3	$ 57.7	$ 60.5
NSSC *(Full Costs)* *w/New Business*	$ 30.3	$ 42.8	$ 58.3	$ 61.4
Agency Avoidance	$ (2.2)	$ 11.0	$ 14.3	$ 12.2

$Millions

Drivers		Impact				
Date	Description	NPV ($M)	Payback (# years)	IRR (10 yrs)	Savings ($M)	Break Even Date*
Apr-05	Pre-Katrina Initial Calculation	81.1	2.69	61%	NA	08-Jun-08
Feb-06	Post-Katrina Adjustment	79.6	2.83	66%	95.3	29-Jul-08
Apr-07	Approved New Business+$26M Start Up Funding	71.1	3.54	42%	86.6	15-Apr-09
Oct-07	FY07 Actuals Update+New Business Adjustment	77.9	2.95	52%	93.7	11-Sep-08
Jan-08	Agency Delay in AP/AR/FBWT	77.6	3.23	48%	93.9	22-Dec-08

**From 1 Oct 05. Official NSSC baseline Break Even Day is 15 Apr 09. Original savings projected at $6M to $8M per year.*

3.8. Lessons Learned

The following are lessons learned, shared with the KB/FMP Team during a telephone interview with the Executive Director, NASA NSSC.

- "The process took too long and we were too slow." NASA went through three different Administrators during the transition. Each time an Administrator changed, the process had to be revisited and re-justified. It took NASA five years to accomplish this project – it should have taken two. Our best advice is to "just do it!" Another primary reason for this advice is that data, technology, key people, etc., simply change over time. You need to collapse the window, or too much work needs to be re-justified, re-confirmed, and re-sourced.

- Second, you "need to make sure your portfolio is on target the first time." This means that getting the planning component right is essential. Spending time on things that should not be in your portfolio is wasteful. Conversely, "learning about something after the project is well-underway that should have been in your plan is even worse."

- Third, "shared services" requires a different staffing model. You can describe this model to people, but in the final analysis, they won't really know what they are getting into until they arrive – especially HR staff members." This is a "high volume environment – you are going after economies of scale." You need to prepare your people for this change in culture upfront as part of the overall change. Change Management planning and training is key up front. "The simple truth is that shared services has a slightly higher turnover rate, and this should be factored into the equation."

- Fourth, moving to a shared services environment is a significant cultural change. NASA had "considerable resistance to overcome." Employees and managers had become accustomed to receiving personal services at the Centers and did not want to have to learn new business processes and/or how to interact with unfamiliar individuals at a remote site. In addition, Center managers felt uneasy about having services provided by an entity that no longer reported directly to them. Finally, employees directly affected by the change did not want to see their jobs and work environment altered dramatically. The key to a successful shared services implementation is effectively managing the change process from the start, and ensuring a high level of communication at all levels throughout the organization.

4. SMALL BUSINESS ADMINISTRATION REPORT

4.1. Agency Profile

The U.S. Small Business Administration's (SBA) mission is to promote small business development and entrepreneurship through business financing, government contracting, and management assistance. The SBA also works with other federal agencies to reduce regulatory paperwork and paperwork burdens on small businesses. In addition, it serves as the government's long-term lender to homeowners, renters, and businesses affected by disasters.

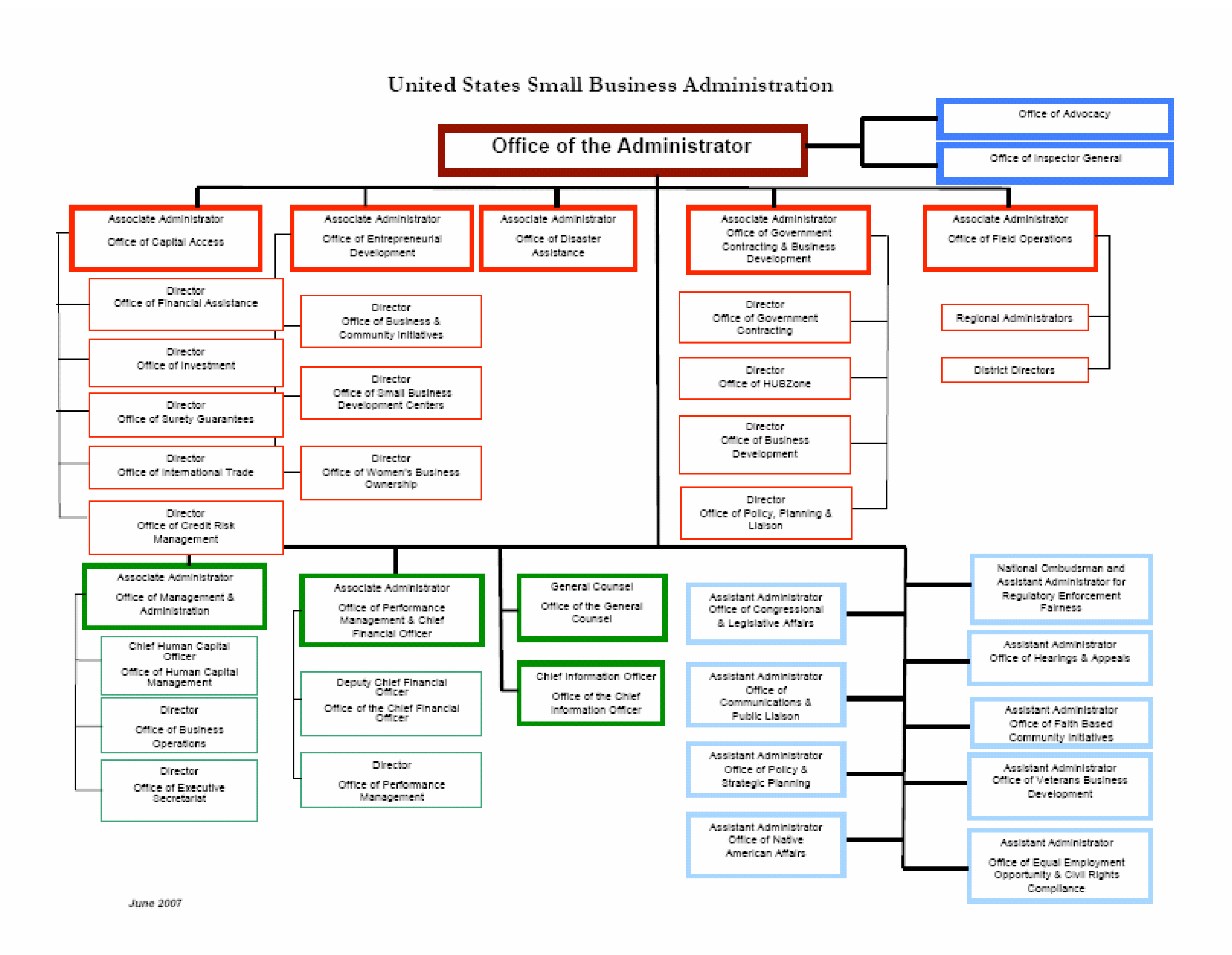
The SBA's current business loan portfolio of roughly 219,000 loans is worth more than $45 billion.

Through an extensive network of field offices and partnerships with public and private organizations, the SBA delivers its services to people throughout the United States, Puerto Rico, and Guam.

The SBA currently employs about 2,000 regular employees. However, this number can swell to 4,000+ employees in times of disaster.

4.2. SBA Organization

Steven C. Preston was sworn in as the Administrator of SBA in June of 2006. Prior to his confirmation, Preston was Executive Vice President of the ServiceMaster Company, a major franchising organization with thousands of small businesses in its network. Preston had also served as Chief Financial Officer of ServiceMaster. He previously had been Senior Vice President and Treasurer for First Data Corporation, and an investment banker at Lehman Brothers. Once onboard at SBA, Preston had the opportunity to fill a number of significant leadership positions on his executive management team, to include the Deputy Administrator, SBA; Associate Administrator for Field Operations; and the Chief Human Capital Officer.



4.3. SBA Reform Agenda

In the fall of 2005, Hurricanes Katrina, Rita, and Wilma devastated areas along much of the Gulf Coast. The U.S. Small Business Administration (SBA) was overwhelmed and strained to provide disaster recovery loans to survivors.

SBA's core program areas, government contracting, and business loans, which had previously received harsh criticism for being "bureaucratic, complicated, and non-transparent," were ill-prepared to handle this triple disaster.

The situation at SBA was compounded by a forced reduction across-the-board of almost one third their total budget in the previous five years (31%). This had created stress and frustration among SBA employees, many of whom felt "under trained, over-taxed and unclear regarding agency direction."

Upon confirmation in the summer of 2006, Administrator Steve Preston initiated a systematic agency reform. By the fall of 2006, Preston personally led a restructuring of SBA's disaster loan process designed to focus on fast response, customer service, and employee accountability and efficiency. The backlog quickly began to drop. What follows is how Preston led this reform.

4.4. Disaster Loan Assistance Program

Following Hurricanes Katrina, Rita and Wilma in the fall of 2005, the SBA received and processed 422,729 loan applications, of which 364,000 were for homeowners, and over 58,000 were for businesses. From the 422,729 total, SBA approved over 160,000 loans for almost $11 billion. By July 2007, the dust had settled, and many of those who had filed for loans had either cancelled or withdrawn their applications. The net number of disaster assistance loans ultimately awarded totaled just under 120,000, adding up to $6.9 billion. However, in the process, SBA came to the realization that its system for processing disaster assistance loans was grossly inadequate and needed to be reengineered.

SBA had never before in its 52-year history confronted a disaster of this magnitude. The closest was the 1994 Northridge Earthquake in California, which paled in comparison. Following the Northridge disaster, it took one year to reach 250,000 applications and $4 billion in loan requests. SBA had no prior precedent to fall back on. They realized they needed to come up with a new game plan.

While they had managed to get the loans processed by the summer of 2006, they still needed to get the loans closed and disbursed. Due to a multitude of factors, it took months from the time of approval to close a loan and then disburse the funds. Upon his arrival in the summer of 2006, Preston made this problem his top priority.

First on his agenda was to get the approved disaster loans out the door. He began by meeting with staff members from around the country and getting their input on how the process could be improved. An accelerated disaster response initiative was quickly formed, which dramatically shortened response times, improved quality, increased borrower support, and eliminated process backlogs. SBA utilized an integrated (cross-functional) team approach to solve this problem and reduce the backlog. Staff members from across the organization were brought together to form high-performance work teams led by a case manager (i.e. teams of 15 – 18 members each comprised of staff members from legal, financial, administration, and other support areas). The job of the cross-functional team was to "proactively" seek out and contact SBA applicants to determine impediments, if any, to closing a loan. The case manager and the team would work out the impediment and expedite the disbursement. The idea was to expedite the process, improve loan quality, reduce system errors and enhance the borrower/customer experience. The loan modification backlog quickly dropped from 2.5 months in July 2006 to 10 days by January 2007. It continues to remain stable at this level.

Based on this experience, Preston recognized the need for systematic reform throughout the agency. With the help of his executive management team, the 2007 Reform Agenda, which was formally presented by Administrator Preston as part of SBA's FY 2008 budget request to the Small Business Entrepreneurship Committee on February 28, 2007, was formed.

4.5. Results Achieved / Return on Investment

Highlights of this agenda, which were rolled out throughout the 2007 calendar year are provided below:

- Investing in the agency's human capital through job skills training, mentoring programs, succession planning, and proactive recruitment of highly qualified staff and implementation of an automated personnel records system

- Setting agency records for both the combined number and dollar volume of loans in Fiscal 2008. 110,275 loans totaling more than $20.6 million under its two primary small business loan programs were approved during the 12 month period ending September 30, 2007.

Organizational Effectiveness / Streamlining Operations

- Upgrade of the Disaster Management Credit System to accommodate 8,000 concurrent users versus 2,000

- Loan Reform Initiative announced, including a simplified operating procedure for lenders, a streamlined purchase guaranty process and a plan to eliminate backlogs at the Herndon, VA facility (10/07)

- SBA successfully centralized 7(a) loan originations in Sacramento, CA and 504 servicing in Fresno, CA resulting in a loan approval average of less than three days at a cost savings of $18 million per year (11/07)

- Process integration of loan disbursements achieved through employee engagement, basic workload analysis, and capitalizing on opportunities realized from systematic process improvements

- Field Staff Allocation Model was created for the recruitment and staffing of replacement positions for Field Operations to ensure transparency, equity, and consistency in the allocation of human resources. Based on the fact that the number of budgeted positions is fixed (900+) and that SBA facilities must be staffed (i.e. Branch Offices, Alternative Work Sites) with a minimum number of personnel, the Performance Management Office (PMO) developed a Field Staff Allocation Model. This model is used to make hiring decisions and staffing adjustments based on “relative staffing levels” between locations, as job vacancies and shifts in workload occur. This model has received broad acceptance throughout Field Operations by management and employees alike because it is open, fair, and easy to understand.

Continuous Process Improvement

- Enhanced monthly performance management reports instituted in July 2007 to closely track agency operations, goals and priorities at request of Administrator Preston

- Measurement systems are monitored through the Performance Management Office (PMO). Results are generated for the Administrator and senior leadership on a monthly and ad hoc basis for use in running the business of the agency and in meetings with direct reports.

- Lean Six Sigma concepts are introduced into the loan processing center, including tracking performance management indicators (November, 2007)

Focus on Employee / Leadership / Customer Development

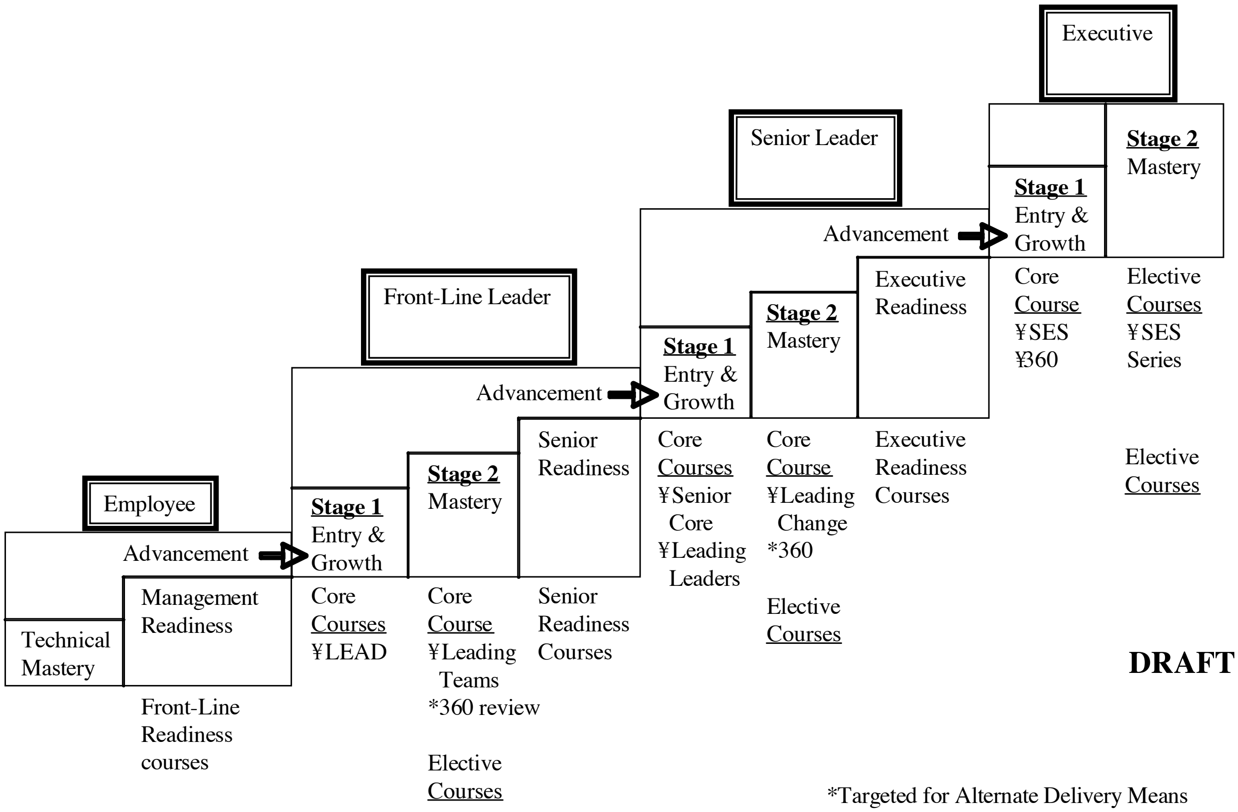
- SBA established an Executive Development Council (EDC) to provide executive direction, oversight, and support for the development of a strong leadership team within the SBA to meet the challenges of today, as well as build and lead the SBA organization of the future. This includes the identification and continuous development of leaders at all levels of the organization (see SBA Development Framework below).

- The first-ever SBA University was held in August, 2007, making this the largest training effort in SBA’s history. More than half (1300) of the agency’s 2000 regular employees received a week of comprehensive training on topics including contracting, loan processing, customer service, administration, marketing, and public affairs.

- Administrator Preston and the executive management team participate in a week-long training session on change management, improving efficiency, and leading with results. Lean Six Sigma practices were the training’s primary focus (September 2007)

- Also in 2007, the agency introduced an online interactive Small Business Readiness Assessment tool to help individual customers prepare for entrepreneurship (Note: over 125,000 users to date).

SBA Development Framework



Improvements to the disaster assistance process included:

- Creation of an accelerated loan application decision process
- Improved processes and tools for loan closing and fund disbursement
- Transparent, meaningful data to better manage operations
- Consistent adherence to policy through training and internal QA
- Better coordination with non-disaster field staff
- Improved harmonization across disaster center operations, to include creation of high-performance, cross-functional teams led by case managers
- Development of contingency plans/playbooks, so that staff are able to handle a crisis of the magnitude of the Gulf Coast Disaster again with far less difficulty. They will be prepared the next time.

Agency transformation does not have to be a long and arduous process if your employees are onboard and engaged in the process. The 2007 Annual Employee Survey results below reflect that SBA's Reform Agenda is having a positive impact:

- Satisfaction with communication related to goals & priorities ↑ 11%
- Information from management ↑ 15%
- Relevant knowledge and skills to accomplish goals ↑ 13%
- Satisfaction with the training provided ↑ 13%
- SBA's leaders generate motivation and commitment ↑ 17%
- High level of respect for organization's senior leaders ↑ 21%

4.6. Lessons Learned

The lessons learned were gathered from SBA's 2007 Year in Review, the SBA 2007 Annual Employee Survey Results (which were published on the SBA website), and from SBA leadership interviews.

- Top Leadership buy-in key: Administrator Preston personally visited more than half of SBA's 68 district offices in 2007. His personal commitment to employee communication throughout the process was and is highly visible throughout the organization.
- Consensus among SBA management interviewed is that Administrator Preston's hands-on leadership style, commitment to employee engagement, and reliance on performance measurement systems to gauge organizational effectiveness and improvement are the most influential factors impacting the success of SBA's Reform Agenda
- SBA's accomplishments in 2007 will enable the agency to more effectively foster small business ownership in general and help people to quickly get back on their feet after disasters in the future
- Leadership at all levels of management was key in bringing about a successful Reform Agenda so closely on the heels of the Gulf Coast Disaster of 2005. SBA was ready, but the right leader(s) needed to be in place. (e.g. establishing change agents to champion)
- SBA's standard operating procedures and training plans have all been updated to reflect current practice. A process is now in place to provide for their ongoing maintenance and coordination.

5. Summary of Overarching Shared Findings between Agencies

As the benchmarking process got underway, and the report started to take shape, common themes, cross-cutting strategies, and best practices between the three Agencies (FS, NASA, and the SBA) became obvious. In order for FSA to benefit from these shared findings, they are grouped together here for further discussion and analysis.

5.1. Common Themes

- Visible, hands-on, consistent leadership from the top all the way through the organization
- Organizational effectiveness/continuous improvement
- Employee engagement/commitment to employee communication
- Critical planning/measurement/execution
- Change management training

5.2. Cross-Cutting Strategies

- Process integration/technology driven systems improvement
- Leadership/employee /customer development
- Performance measurement/performance metrics/balance scorecard approach

5.3. Best Practices

- Cross-functional work teams/subject matter experts
- Business Process Reengineering (BPR)
- Change Management planning, strategies and training
- Communication planning and execution
- Lean Six Sigma/"What gets measured gets done"

6. STUDY RESOURCES

Primary Reference / Information Sources: USDA Forest Service (FS)

- Telephone interview: Jacqueline Myers, Associate Deputy Chief for Business Operations, Executive Sponsor for HCM
- Telephone interview: Kathy Burgers, Director, Human Capital Management
- Telephone Interview: Stephen Deep, Branch Chief, Workforce Planning & Program Analysis
- Telephone interview: Hank Kashdan, Deputy Chief for Business Operations, Executive Sponsor for IT
- USDA Forest Service Business Operations Transformation Assessment Phase 2 Report – June 20, 2006
- USDA Forest Service Briefing, Business Operations Transformation Program, Executive Briefing, November 8, 2006
- USDA Forest Service Briefing, Business Operations Transformation Program, Executive Briefing, October 12, 2007
- USDA Forest Service Transforming Public Organizations: Observations, Challenges and Lessons Learned, Successes and Benefits – March 2007
- USDA Forest Service "What's Ahead for A-76" National Council for Public-Private Partnership's A-76 Workshop, May 2007
- Forest Service WO/RO/Area Transformation Case for Change – June 20, 2007
- USDA Forest Service Budget Justifications: FY 2008; FY 2009

Primary Reference / Information Sources: National Aeronautics and Space Administration (NASA) / NSSC

- Telephone interview: Richard Arbuthnot, Executive Director, NASA NSSC
- Telephone interview: Ken Newton, Deputy Administrator, Service Delivery, NASA NSSC
- NASA Shared Services Implementation Plan - 2003
- NASA Shared Services Center – Brief History – 2007
- NSSC Executive Update – February 7, 2007
- NSSC Executive Update – May 7, 2007

- NSSC Service Level Agreement Contract – FY 2008
- NASA NSSC Balanced Scorecard Measures – FY 2008
- NASA NSSC – Performance & Utilization Report – 12/07
- NASA NSSC and Center Project Costs / ROI Status – 1/08
- NASA / NSSC – Service Level Agreement – Fiscal Year 2008 (Revision 3) https://searchpub.nssc.nasa.gov/servlet/sm.web.Fetch/NSSC_Service_Level_Agreement__FY_2007__Final_with_Signature.pdf?rhid=1000&did=1830&type=released

Primary Reference /Information Sources: Small Business Administration (SBA)

- Personal interview: Napoleon Avery, Chief Human Capital Officer, SBA
- Personal Interview: Bill Manger, Director, Field Operations, SBA
- Telephone Interview: Jennifer Main, Associate Administrator for Office Performance Management, and Chief Financial Officer, SBA
- Personal Interviews: Christine Koronides, Financial Analyst, SBA; Gordon Goeke, Financial Specialist, SBA
- Management & Administration Scorecard Report: January 2008
- Charter – Executive Development Council & SBA Development Framework (Draft Documents)
- SBA Standard Operating Procedure – Alternate Work Sites (12/20/05)
- SBA FY 2007 - Performance and Financial Highlights Report
- SBA 2007 – The Year in Review
- SBA Congressional Testimony: 2006, 2007
- SBA Press Releases: 2006, 2007, 2008
- SBA Field Staff Allocation Model: 6/20/07