United States Government Accountability Office

Report to the Chairwoman, Committee on Agriculture, Nutrition and Forestry, U.S. Senate

March 2014

U.S. DEPARTMENT OF AGRICULTURE

Workforce Decisions Could Benefit from Better Linkage to Missions and Use of Leading Practices

GAO-14-288

GAO Highlights

Highlights of GAO-14-288, a report to the Chairwoman, Committee on Agriculture, Nutrition and Forestry, U.S. Senate

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Workforce Decisions Could Benefit from Better Linkage to Missions and Use of Leading Practices

Why GAO Did This Study

FSA, NRCS, and RD, USDA's service center agencies, interact directly with agricultural producers and rural communities through extensive field office structures. Achieving their missions depends in part on sustaining workforces with the necessary knowledge and skills. In fiscal year 2012, FSA, NRCS, and RD closed field offices and offered buyout and early retirement incentives to employees. GAO was asked to review aspects of USDA's human capital management.

This report examines: (1) how the workforces of USDA's service center agencies changed from fiscal year 2003 to fiscal year 2012, (2) the extent to which USDA's policy on supervisory ratios aligned with OPM guidance in fiscal year 2012, and (3) the extent to which USDA's service center agencies followed leading practices when closing offices and reducing staff in fiscal year 2012. GAO analyzed workforce data from OPM and USDA, reviewed documents, interviewed relevant officials, and compared leading practices with the actions agencies took to close offices and reduce staff in fiscal year 2012.

What GAO Recommends

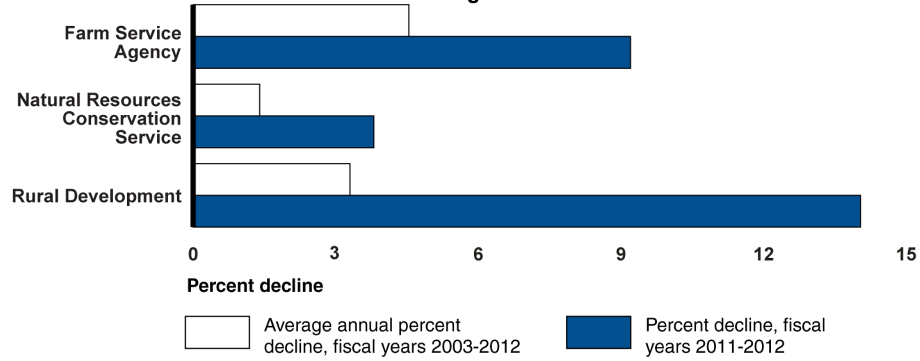
GAO recommends, among other things, that USDA take actions to revise its supervisory ratios policy; amend its policy on organizational changes to follow leading practices; and require RD and FSA to document links between various incentives and reshaping or strategic goals. USDA generally agreed with GAO's findings but disagreed with one finding and recommendation on supervisory ratios. GAO continues to believe in the need for a revised supervisory ratios policy.

View GAO-14-288. For more information, contact Anne-Marie Fennell at (202) 512-3841 or fennella@gao.gov.

What GAO Found

From fiscal years 2003 to 2012, the size of the workforces declined at the U.S. Department of Agriculture's (USDA) service center agencies—the Farm Service Agency (FSA), Natural Resources Conservation Service (NRCS), and Rural Development (RD). The size of USDA's service center agencies declined by a higher percentage from fiscal years 2011 to 2012 than the average annual percent decline from fiscal years 2003 to 2012 (see fig.).

Declines in the Size of USDA's Service Center Agencies' Workforces



Sources: GAO analysis of the Office of Personnel Management and USDA data.

In fiscal year 2012, USDA policy on supervisory ratios did not align with Office of Personnel Management (OPM) guidance that states that an analytical approach can help agencies achieve the right balance of supervisory and nonsupervisory positions to support their missions. Instead, USDA's policy stated that all its agencies, regardless of their missions, should aim for a target ratio of one supervisor for at least nine employees (1:9). USDA officials were not able to provide a documented basis for this target ratio. In addition, USDA did not ensure that the service center agencies calculated their supervisory ratios the same way. As a result, USDA did not receive comparable information on supervisory ratios.

In fiscal year 2012, USDA's service center agencies generally followed or partially followed leading practices that GAO has identified when closing offices and using buyout and early retirement incentives as follows:

- In closing offices, NRCS fully followed, and FSA and RD partially followed, the practice to present a business-case or cost-benefit analysis. USDA's policy on organizational changes did not direct agencies to follow leading practices to demonstrate to stakeholders they considered information such as underlying assumptions and other alternatives.

- In using buyout and early retirement incentives, all three agencies fully followed practices to identify reshaping goals and to develop strategies that consider alternatives. However, NRCS followed, FSA partially followed, and RD did not follow the practice to link incentives to workforce reshaping or overall strategic goals. FSA and RD did not have human capital or workforce plans to clearly document how these strategies linked with broader efforts and could not show whether their remaining workforces had the right balance of skills in the right locations to support their missions.

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Abbreviations

FSA	Farm Service Agency
MCO	mission-critical occupation
NRCS	Natural Resources Conservation Service
OPM	Office of Personnel Management
RD	Rural Development
SED	state executive director
SL	Senior Level
USDA	U.S. Department of Agriculture

U.S. GOVERNMENT ACCOUNTABILITY OFFICE
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March 31, 2014

The Honorable Debbie Stabenow
Chairwoman
Committee on Agriculture, Nutrition and Forestry
United States Senate

Dear Madam Chairwoman:

The ability of the U. S. Department of Agriculture (USDA) to achieve its mission depends in part on sustaining a workforce with the necessary knowledge and skills. According to the Secretary of Agriculture, the department has faced reductions in discretionary spending of about $3 billion (or 12 percent) from fiscal years 2010 to 2012. To implement these reductions, USDA and its agencies have taken various actions to restructure operations and reduce their staffs, including through closing offices and offering buyout and early retirement incentives.

In fiscal year 2012, USDA announced that eight agencies would close offices and programs. Of these, the three agencies with the largest overall staffing level percentage reductions were USDA's service center agencies—the Farm Service Agency (FSA), Natural Resources Conservation Service (NRCS), and Rural Development (RD).[1] These agencies interact directly with agricultural producers and rural communities through an extensive field office structure.

In its 2012 annual report, USDA's Office of Inspector General said the need to plan for reduced staff in certain USDA agencies is one of the department's most serious management challenges.[2] Specifically, the report noted that USDA needs to ensure that, even as it reduces staff in certain agencies, it maintains its ability to accomplish mission-critical functions such as the servicing and oversight of billions of dollars in loans, which are handled by USDA's service center agencies. The Office of

[1]Staffing levels refer to the full-time equivalent data presented in agency budget documents. Full-time equivalent refers to the total number of regular straight-time (i.e., not including overtime or holiday hours) worked by employees divided by the number of compensable hours applicable to each fiscal year.

[2]USDA, Office of Inspector General, *USDA Management Challenges* (Washington, D.C.: Aug. 10, 2012).

Inspector General in its 2013 update on the department's management challenges stated that USDA should appropriately train and utilize its staff in the face of significant staff reductions.[3]

Having information on human capital trends over time such as changes in staffing levels and shifts in occupation types can be helpful in understanding the impact of such changes on the workforce and on an agency's ability to achieve its mission. For example, in a 2012 survey, federal chief human capital officers noted the importance of using workforce analytics to examine agency data and the need for data analytics to be used as a predictive tool, particularly in the areas of retirement and succession planning.[4] In addition, we previously reported that federal agencies experienced significant challenges to deploying the right skills, in the right places, at the right time, in the wake of extensive downsizing during the early 1990s, which was done largely without sufficient consideration of the strategic consequences.[5]

You asked us to review aspects of USDA's human capital management related to office closures and staff reduction efforts in fiscal year 2012. This report examines: (1) how the workforces of USDA's service center agencies changed from fiscal year 2003 to fiscal year 2012, (2) the extent to which USDA's policy on supervisory ratios aligned with Office of Personnel Management (OPM) guidance in fiscal year 2012, and (3) the extent to which USDA's service center agencies followed leading practices when closing offices and reducing staff in fiscal year 2012.

To determine how the workforces of USDA's service center agencies changed from fiscal year 2003 to fiscal year 2012, we analyzed workforce data from the OPM's Enterprise Human Resources Integration database and USDA's National Finance Center; reviewed available reports, plans, and departmental guidance from OPM and USDA related to human

[3]USDA, Office of Inspector General, *USDA Management Challenges* (Washington, D.C.: Aug. 13, 2013).

[4]Partnership for Public Service, *Bracing for Change: Chief Human Capital Officers Rethink Business as Usual* (Washington, D.C.: August 2012).

[5]GAO, *Human Capital: Key Principles for Effective Strategic Workforce Planning,* GAO-04-39 (Washington, D.C.: Dec. 11, 2003).

capital management; and interviewed OPM and USDA officials.[6] We took several steps to ensure the reliability of the data and analytical process. We chose to report workforce data for 10 years, starting in fiscal year 2003, because this period provided a historical context for the changes that occurred in fiscal year 2012, among other things. Most of our workforce data are reported for career permanent employees on full- or part-time schedules because they represent a more stable part of the workforce.

To determine the extent to which USDA's policy on supervisory ratios aligned with OPM guidance in fiscal year 2012, we reviewed OPM guidance on its Human Capital Assessment and Accountability Framework and compared it with USDA's policy on supervisory ratios; analyzed workforce data from OPM and USDA databases on supervisory ratios; reviewed reports from USDA's service center agencies on their supervisory ratios and compared them with USDA guidance on calculating supervisory ratios, as well as standards for internal control in the federal government; and interviewed officials from OPM, USDA, and USDA's service center agencies.

To determine the extent to which USDA's service center agencies followed leading practices when closing offices and reducing staff, we reviewed leading practices identified previously by GAO for successful consolidations such as office closures and examined provisions in the Food, Conservation, and Energy Act of 2008 (2008 Farm Bill) applicable to FSA's office closures.[7] We did not assess whether FSA complied with the 2008 Farm Bill's office closure provisions. In addition, we reviewed provisions in the Chief Human Capital Officers Act of 2002 revising the use of voluntary early retirement authority and voluntary separation incentive payments, which are referred to in this report as buyout and early retirement incentives. We also reviewed regulations and guidance from OPM on the use of buyout and early retirement incentives and leading practices from previous GAO work on consolidating physical

[6]Data from the Enterprise Human Resources Integration database generally represent a snapshot of employees onboard as of September 30 in each fiscal year.

[7]Pub. L. No. 110-246, tit. XIV, § 14212 (2008).

infrastructure and using buyout and early retirement incentives.[8] For both office closures and staffing reductions, we reviewed standards for internal control in the federal government. We compared these criteria with information provided by USDA's service center agencies about the actions they took to close offices and reduce staff in fiscal year 2012. We also interviewed officials from the three agencies and representatives of employee associations and unions to gather additional information about the effects of office closures and staff reductions on agency operations. Appendix I presents a more detailed description of our objectives, scope, and methodology.

We conducted this performance audit from October 2012 to March 2014, in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

USDA is one of the largest civilian federal government departments, with more than 100,000 employees as of the end of fiscal year 2012. It is composed of 17 agencies and a number of departmental offices. FSA, NRCS, and RD are collectively referred to as USDA's service center agencies. They provide financial and technical assistance to agricultural producers and rural communities. Specifically, FSA provides payments and loans to agricultural producers through various programs, including farm commodity and crop disaster assistance programs authorized in the 2008 Farm Bill. NRCS provides, among other things, technical and financial assistance to private landowners to implement conservation practices on their land. NRCS's Soil Science Division, along with other federal agencies, states, and other entities, makes and maintains an inventory of the soil resources of the United States and disseminates the results for both nonfarm and farm uses. RD provides loans, grants, and technical assistance to rural residents, businesses, and other entities.

[8] GAO, *Streamlining Government: Questions to Consider When Evaluating Proposals to Consolidate Physical Infrastructure and Management Functions*, GAO-12-542 (Washington, D.C.: May 23, 2012) and GAO, *Human Capital: Agencies Are Using Buyouts and Early Outs With Increasing Frequency to Help Reshape Their Workforces*, GAO-06-324 (Washington, D.C.: Mar. 31, 2006).

The workforces of USDA's service center agencies are located in national headquarters operations, which include specialized offices in various locations,[9] as well as in extensive field office structures, which include USDA service center locations.[10] As of the end of fiscal year 2012, FSA's workforce was located in more than 2,100 offices, with a total of about 13,600 employees—about 1,300 in FSA's headquarters operations and about 12,300 in field locations.[11] NRCS's workforce was located in approximately 2,900 offices, with a total of about 11,800 employees—about 1,200 in NRCS's headquarters operations and about 10,600 in field locations.[12] RD's workforce was located in more than 400 offices, with a total of about 5,100 employees—about 1,400 in its headquarters operations and about 3,700 in field locations.[13]

USDA's *Blueprint for Stronger Service* is a departmental initiative announced by the Secretary of Agriculture in January 2012 that is intended to streamline operations and cut costs across the department. This initiative encompasses a number of efforts at the departmental and agency levels. Office closures announced under the initiative in fiscal year 2012 resulted in the closure of more than 200 offices, facilities, and labs in eight USDA agencies, including at USDA's service center agencies. As part of this initiative:

[9]For the purpose of this report, we refer to employees in the service center agencies located in the Washington, D.C. locality pay area to be part of the agencies' headquarters operations. In addition, based on information provided by the service center agencies, we considered employees in the following offices to be part of the headquarters operations. For FSA, these locations include Kansas City, Missouri; St. Louis, Missouri; and Salt Lake City, Utah. For NRCS, these include Fort Collins, Colorado; Fort Worth, Texas; Greensboro, North Carolina; Lincoln, Nebraska; Little Rock, Arkansas; and Portland, Oregon. For RD, this includes St. Louis, Missouri. Employees in all other duty stations are considered to be in field locations.

[10]USDA service centers are designed to be a single location where customers can access the services provided by FSA, NRCS, and RD.

[11]FSA's workforce is made up of two types of employees: (1) federal, primarily General Schedule employees subject to the Civil Service Reform Act, and (2) county office employees, who are hired by county committees elected by area farmers and only have select employment rights under the Civil Service Reform Act. Their salaries come from federal funds.

[12]The majority of NRCS's permanent positions are classified under the General Schedule.

[13]The majority of RD's permanent positions are classified under the General Schedule.

- *FSA* closed 125 offices (out of about 2,100 total offices) in 32 states. Based on information from FSA, these closures resulted in estimated net savings, starting in fiscal year 2013, of about $2.1 million.[14] In choosing which offices to close, FSA officials told us they were guided by provisions in the 2008 Farm Bill, which requires that, to the maximum extent practicable, the agency must close offices with two or fewer permanent full-time employees and that were less than 20 miles from another office before closing any office located more than 20 miles from another office. FSA officials also reported that they closed unstaffed offices regardless of their distance from another office.[15] In addition to closing offices, FSA offered four rounds of buyout or early retirement incentives to its employees in fiscal year 2012. With limited exceptions, three of the four rounds were offered to staff in both headquarters operations and field locations, in some cases subject to a priority order. The fourth offer was limited to employees in offices selected for closures in fiscal year 2012. In response to these incentives, OPM and USDA data indicate that 682 FSA employees accepted buyout or early retirement incentives, which, according to FSA officials, resulted in about $20 million in cost savings in fiscal year 2012.

- *NRCS* closed 24 soil survey offices (out of about 160 soil survey offices and about 2,800 offices overall) in 21 states.[16] According to NRCS officials, these closures resulted in estimated savings of about $1.3 million in fiscal year 2013. NRCS officials told us that to determine which local soil survey offices to close, they reviewed offices' funding, workload, and proximity to specific universities. For regional office closure determinations, officials told us they considered workload, proximity to transportation corridors, and equitable distribution of local offices in each region. In addition to closing offices, NRCS offered buyout and early retirement incentives to

[14]Most of those office closures occurred in fiscal year 2012, but some occurred in fiscal year 2013.

[15]According to FSA officials, offices without any employees could be the result of vacancies not being backfilled due to staffing constraints. FSA employees from other locations had to travel to these offices weekly to provide service.

[16]According to NRCS officials, soil survey offices are specialized offices that do not directly serve agricultural producers. Their closure was part of a long-standing plan to reorganize the agency's soil survey project offices. However, they can be located within service centers, which do serve the public. These closures did not necessarily affect the operation of the service centers.

employees affected by the soil survey office closures. According to NRCS officials, 18 NRCS employees accepted buyout incentives, and a subset of those individuals also accepted early retirement incentives associated with its soil survey office closures in fiscal year 2012. The savings NRCS attributed to employees accepting those incentives was approximately $470,000 in fiscal year 2012.

- *RD* closed 43 offices (out of more than 400 total offices) in 17 states. According to RD officials, these closures resulted in estimated net savings, starting in fiscal year 2013, of about $710,000. In choosing which offices to close, RD officials told us that they used focus groups and weighed multiple criteria, including whether (1) an office location was in an isolated community, (2) a particular location served tribal lands, and (3) other USDA agencies were contemplating a closure in the same location. In addition, prior to the office closures, RD offered buyout and early retirement incentives to all optional and early retirement eligible employees, except for employees in two occupations.[17] OPM data indicate that 599 RD employees accepted buyout or early retirement incentives in fiscal year 2012, which RD officials told us resulted in about $25 million in cost savings in fiscal year 2012.

Prior to this initiative, USDA's service center agencies have closed offices. For example, FSA officials told us that the agency has closed hundreds of offices in the last 10 years as a result of staff reductions and workload changes.

OPM provides guidance to federal agencies on human capital management topics. For example, OPM issued the Human Capital Assessment and Accountability Framework, which includes five systems that provide a framework for human capital management for the federal government. This guidance states, among other things, that an effectively implemented workforce planning system results in the right balance of supervisory and nonsupervisory positions to best support the agency mission based on an analysis of customer needs and workload distribution. OPM also provides guidance to agencies on classification of grades and positions. For example, under the General Schedule,

[17]RD exempted the following two occupation series from the incentives: (1) Engineer (0800) at all pay grade levels and locations, and (2) Information Technology Management (2210) at pay grade 12 in all locations and at pay grade 14 in St. Louis, Missouri.

agencies use a uniform set of OPM-issued standards to classify positions into occupation series within five occupational groups, including (1) professional and scientific positions, (2) administrative and management positions, (3) technical and medical support positions, (4) clerical and administrative support positions, and (5) other.[18]

At USDA, the Office of Human Resources Management directs implementation of the Human Capital Assessment and Accountability Framework and evaluates human capital management policies, among others, to determine how effectively they support human capital efforts to achieve program results. Among other things, and as follows, the office:

- Assists in the implementation of USDA's Cultural Transformation, a set of initiatives launched in 2010 to promote, among others, diversity, inclusion, and high-performance.[19] For example, the office issues a monthly report that tracks progress on various measures, including the diversity of the USDA workforce, performance management, and communication with employees.

- Provides guidance and oversight to USDA agencies on human capital planning and management. For example, the office has developed a draft human capital planning guide to aid its agencies in developing human capital plans. As part of its oversight of human capital management, the office oversees the implementation of a 2010 USDA policy on the ratio of supervisors to employees that, among other things, outlines a process for agencies to annually calculate their supervisory ratios and provide the results to USDA.[20]

USDA has a policy on organizational changes. Among other things, it states that USDA's Secretary or Assistant Secretary for Administration must approve organizational changes that include, among other things,

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[18]Additional information on classification and qualifications for the General Schedule occupations is available on the OPM website, at http://www.opm.gov/policy-data-oversight/classification-qualifications/general-schedule-qualification-standards/.

[19]USDA, *The Cultural Transformation of USDA, Creating an Inclusive, High Performance Organization* (Washington, D.C.: August 2010).

[20]USDA, *Departmental Regulation: Position Management and Vacancy Control*, DR 4020-250-002 (Washington, D.C.: Oct. 18, 2010).

the closure of an office.[21] The policy also states that proposals for organizational changes such as office closures include a variety of detailed information, including (1) the circumstances giving rise to the proposal; (2) human resource management, financial, and facilities impacts; (3) a copy of an internal analysis on civil rights impact; and (4) verification from agency management that internal control requirements have been met.

In our past work, we have established leading practices for consolidation initiatives such as office closures.[22] Specifically, such practices include the following:

- *Identify and agree upon goals*. The key to any consolidation initiative is the identification of and agreement on specific goals. Defining goals can also help agency leaders clarify the benefits associated with a consolidation and describe a future that will be both different from and better than the past.

- *Present a business-case or cost-benefit analysis*. Such an analysis can help agencies show stakeholders why a particular initiative is being considered and the range of alternatives considered to ensure they are using public funds most effectively.

- *Identify stakeholders and develop a two-way communications strategy*. Since stakeholders often view consolidation as working against their own interests, it is critical that agencies identify the relevant stakeholders and develop a two-way communications strategy that both addresses stakeholder concerns and conveys the rationale for and overarching benefits associated with the consolidation.

- *Implement consolidations using change management practices*. Implementing a consolidation requires the concentrated efforts of both leadership and employees. Agencies should have an implementation plan for the consolidation that includes, among other things, essential change management practices such as active, engaged leadership at the highest possible levels; a dedicated implementation team that can

[21]USDA, *Departmental Regulation: Organization*, DR 1010-001 (Washington, D.C.: July 20, 2006).

[22]GAO-12-542.

be held accountable for change; and a strategy for documenting best practices and measuring progress toward the established goals of the consolidation.

In our past work, we have also established leading practices for implementing staff reductions through the use of buyout and early retirement incentives.[23] Such practices include the following:

- *Identify the reshaping goals of the agency*. This will assist agencies in linking buyout and early retirement incentives to specific organizational objectives.

- *Develop workforce reshaping strategies that fully consider alternative methods*. This will help agencies identify whether alternatives to buyout and early retirement incentives may more effectively meet agency reshaping goals and could work in conjunction with these tools.

- *Design buyout and early retirement incentives that demonstrate a clear relationship to the agency's workforce reshaping goals and overarching strategic goals*. This will help ensure that employees critical to the mission of an agency are retained.

- *Design buyout and early retirement incentives that consider employees' needs*. Programs that do not do so may cause damage to the agency's reputation or negatively affect employee morale and productivity.

- *Develop a communications strategy early in the process*. Regular communication with employees increases transparency in the process used to determine which positions may be eliminated. This in turn increases employee trust and maintains employee morale.

- *Establish an evaluation system to identify and report relevant data on recipients of buyout and early retirement incentives*. Agencies can use these data to assess how well the buyout and early retirement incentives are meeting or have met reshaping goals and whether they need to adjust their strategies.

[23] GAO-06-324.

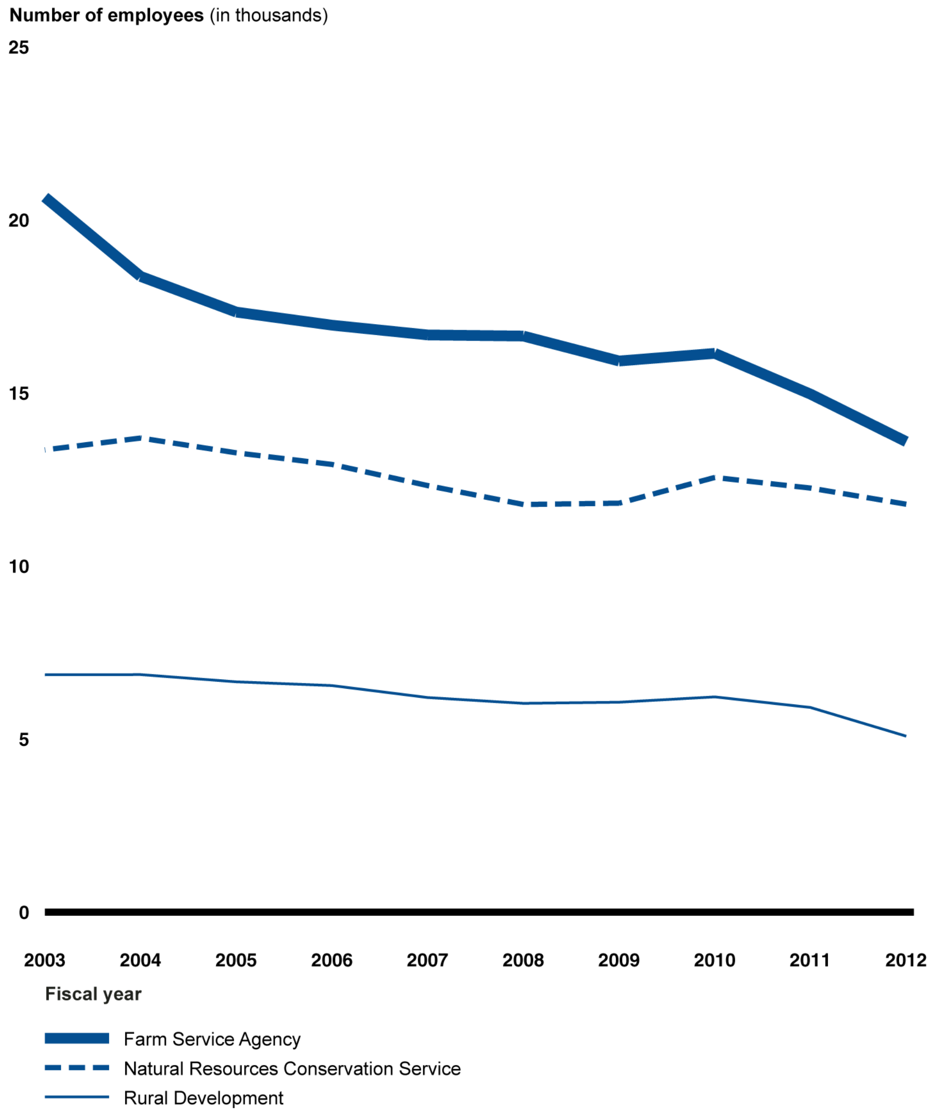
Of the six practices above, five are generally reinforced in the provisions of the Chief Human Capital Officers Act and OPM regulations implementing it. The one practice above that is not reflected in statutory and OPM requirements relates to establishing an evaluation system to identify and report relevant data on recipients of buyout and early retirement incentives.[24]

Size of the Workforces of USDA Service Center Agencies Decreased, but Other Workforce Characteristics Largely Remained Constant

From fiscal years 2003 to 2012, the size of the workforces decreased at all three USDA service center agencies and the average number of employees per supervisor decreased at two of them. The decrease in the size of the workforces of USDA's service center agencies accelerated in fiscal year 2012 (see figs. 1 and 2). Specifically, in each of the last 10 years, the average decrease was approximately 4.5 percent in FSA, 1.4 percent in NRCS, and 3.3 percent in RD. From fiscal years 2011 to 2012, the decrease was 9.2 percent in FSA, 3.8 percent in NRCS, and 14 percent in RD. Other characteristics of their workforces, such as grade levels and occupation types, largely remained the same during this period.

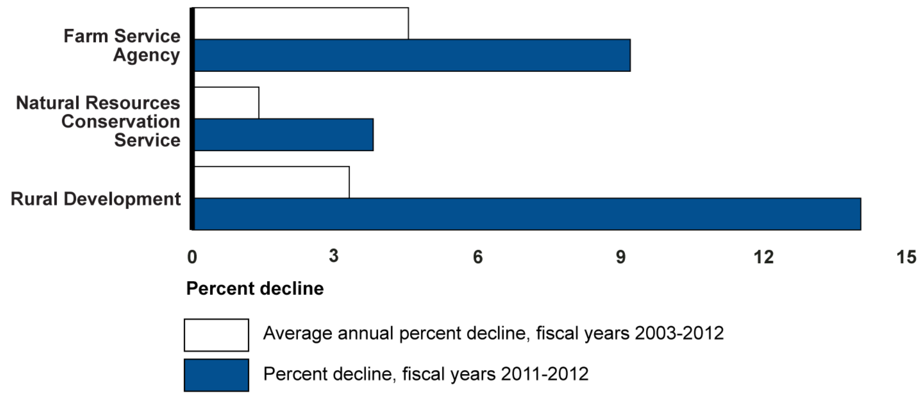
[24]OPM officials told us that although there is no statutory or regulatory requirement for agencies to establish an evaluation system specifically for the use of buyout and early retirement incentives, there is a regulatory reporting requirement for agencies to report to OPM on their usage of buyout and early retirement incentives. See 5 C.F.R. § 576.104(b) (buyout incentives), 5 C.F.R. § 831.114(p) (early retirement incentives), and 5 C.F.R. § 842.213(p) (early retirement incentives).

Figure 1: Size of the Workforces of USDA's Service Center Agencies from Fiscal Years 2003 to 2012



Sources: GAO analysis of the Office of Personnel Management and USDA data.

Figure 2: Declines in the Size of USDA's Service Center Agencies' Workforces



Sources: GAO analysis of the Office of Personnel Management and USDA data.

At USDA's service center agencies, workforce decreases were smaller in headquarters operations than in field locations and smaller for career permanent employees than for employees with other appointments, such as temporary employees (see table 1). Specifically, from fiscal years 2003 to 2012, the size of the workforce of each of the agencies' headquarters operations decreased at a slightly slower average annual rate than the workforce of the agencies' field locations. According to agency officials, workforce decreases over this 10-year period were attributed to various factors. At FSA, these decreases were due to budget constraints; at NRCS, officials said they were due to changes associated with the Farm Security and Rural Investment Act of 2002 (2002 Farm Bill)[25] and the 2008 Farm Bill; and at RD, officials said they were due to the need to stay within appropriated funding levels while other expenses increased, such as those associated with information technology, office space rental costs, and staff pay. We also reviewed the percentage change in the size of the service center agencies' workforces from fiscal years 2011 to 2012 and found that the workforce decreases were smaller in headquarters operations than in the field for FSA and RD, but they were larger in headquarters operations than in the field for NRCS. Based on our analysis, some of these changes may be due to staff reduction efforts undertaken by the agencies, while others may be attributed to natural attrition. As it relates to the average annual decline in the number of employees by appointment type, the number of career permanent

[25]Pub. L. No. 107-171 (2002).

employees, which make up the majority of the agencies' workforces, was less than the average annual decline in the number of other employees, such as temporary employees.[26] This was also the case for the percentage change in the size of the workforces from fiscal years 2011 to 2012. Most of the agencies' temporary employees were in field locations in fiscal year 2012.[27] FSA officials told us that their temporary workers perform many of the same functions as their career permanent employees. For example, program technicians who implement procedures, regulations, and operations of a county office's administrative program area, can be temporary or career permanent employees.

Table 1: Changes in the Size of the Workforces of USDA's Service Center Agencies by Location and Type of Appointment

	Farm Service Agency	Natural Resources Conservation Service	Rural Development
Average annual percentage change in the size of the workforces from fiscal years 2003 to 2012			
Headquarters operations	-4.5%	0.2%	-2.5%
Field locations	-4.6%	-1.6%	-3.6%
Career permanent appointments[a]	-2.5%	-1.0%	-3.2%
Other appointments[a]	-29.4%	-1.6%	-5.8%
Percentage change in the size of the workforces from fiscal years 2011 to 2012			
Headquarters operations	-6.6%	-6.4%	-9.7%
Field locations	-9.4%	-3.5%	-15.6%
Career permanent appointments[a]	-7.9%	-2.3%	-12.7%
Other appointments[a]	-10.4%	-17.8%	-38.6%

Sources: GAO analysis of the Office of Personnel Management and USDA data.

[a]This analysis was done for employees on full- and part-time year-round schedules.

From fiscal years 2003 to 2012, the average number of employees per supervisor, characterized in a supervisor-to-employee ratio, decreased at FSA and RD but remained relatively constant at NRCS (see fig. 3).[28]

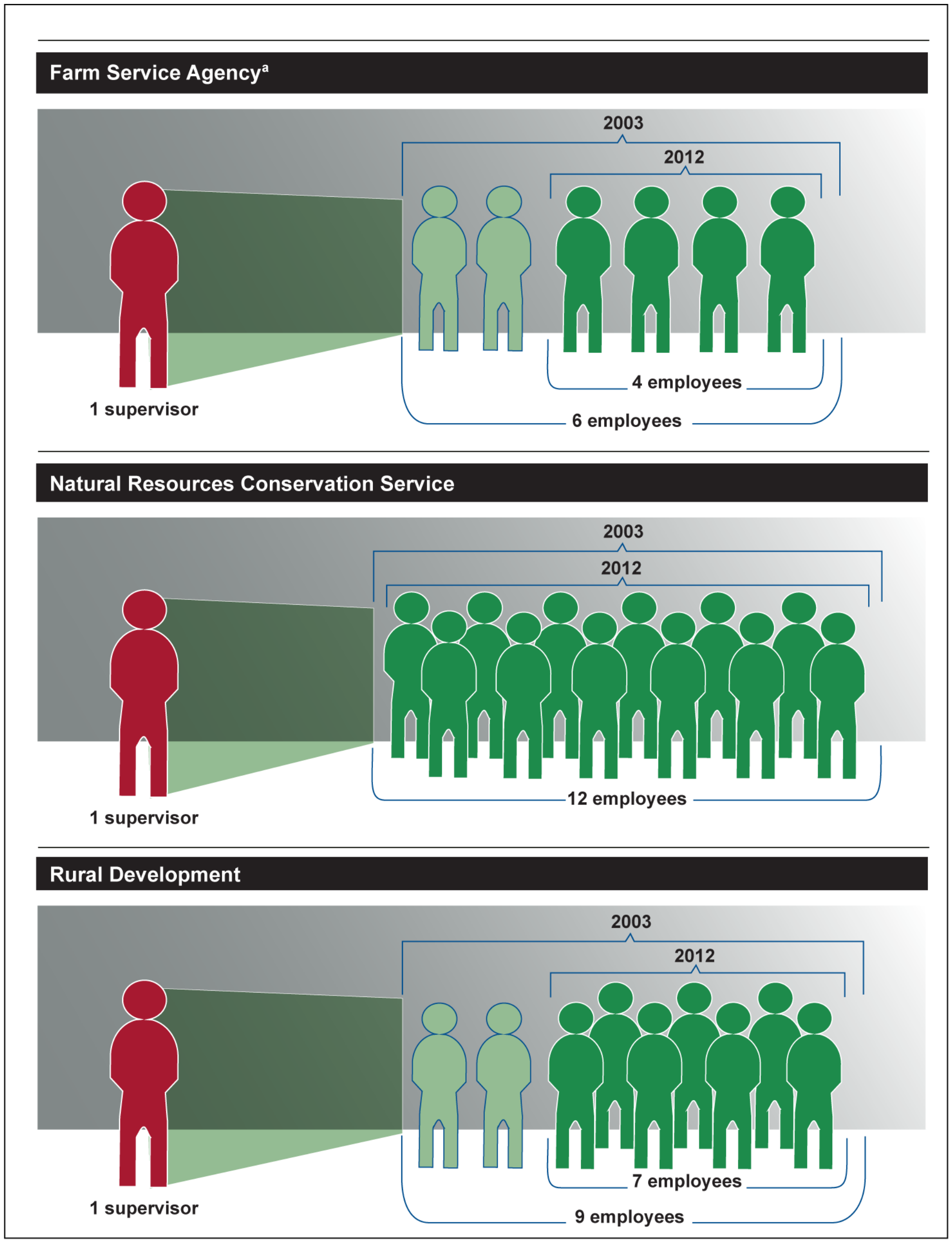
[26]This analysis was done for full- and part-time year-round employees.

[27]Specifically, about 99 percent of temporary employees at FSA were in the field. At NRCS, 91 percent were in the field, and at RD, 71 percent were in the field.

[28]In this report, we use the term "supervisors" to refer to supervisor or manager (code 2) as defined by OPM, *The Guide to Data Standards, Part A: Human Resources,* Update 12 (Washington, D.C.: May 1, 2013). We used this definition and calculated supervisory ratios in accordance with USDA's guidance to its agencies.

NRCS officials told us that their supervisory ratio has not declined in the past 10 years because of restructuring and additional responsibilities assumed by its workforce as a result of the 2002 Farm Bill. During this 10-year period, there were more employees per supervisor in FSA's headquarters operations compared with its field locations. At NRCS and RD, there were generally fewer employees per supervisor at their headquarters operations than at their field locations. For example, in fiscal year 2012, the supervisor-to-employee ratio in FSA's headquarters operations was approximately 1:5 compared with 1:4 in its field locations. At NRCS, the supervisor-to-employee ratio in its headquarters operations was approximately 1:6 compared with 1:14 in its field locations. At RD, the supervisor-to-employee ratio in its headquarters operations was approximately 1:6 compared with 1:8 in its field locations.

Figure 3: Supervisor-to-Employee Ratios of the Workforces of USDA's Service Center Agencies in Fiscal Years 2003 and 2012



Sources: GAO analysis of the Office of Personnel Management and USDA data.

[a]For the purpose of this report, we calculated a single, agency-wide supervisory ratio for FSA. Determining a separate supervisory ratio for the General Schedule workforce and county office workforce at FSA would not have significantly changed our results. For example, in 2003, the supervisory ratio for FSA's county office workforce was 1:5.9, and for the remaining workforce it was

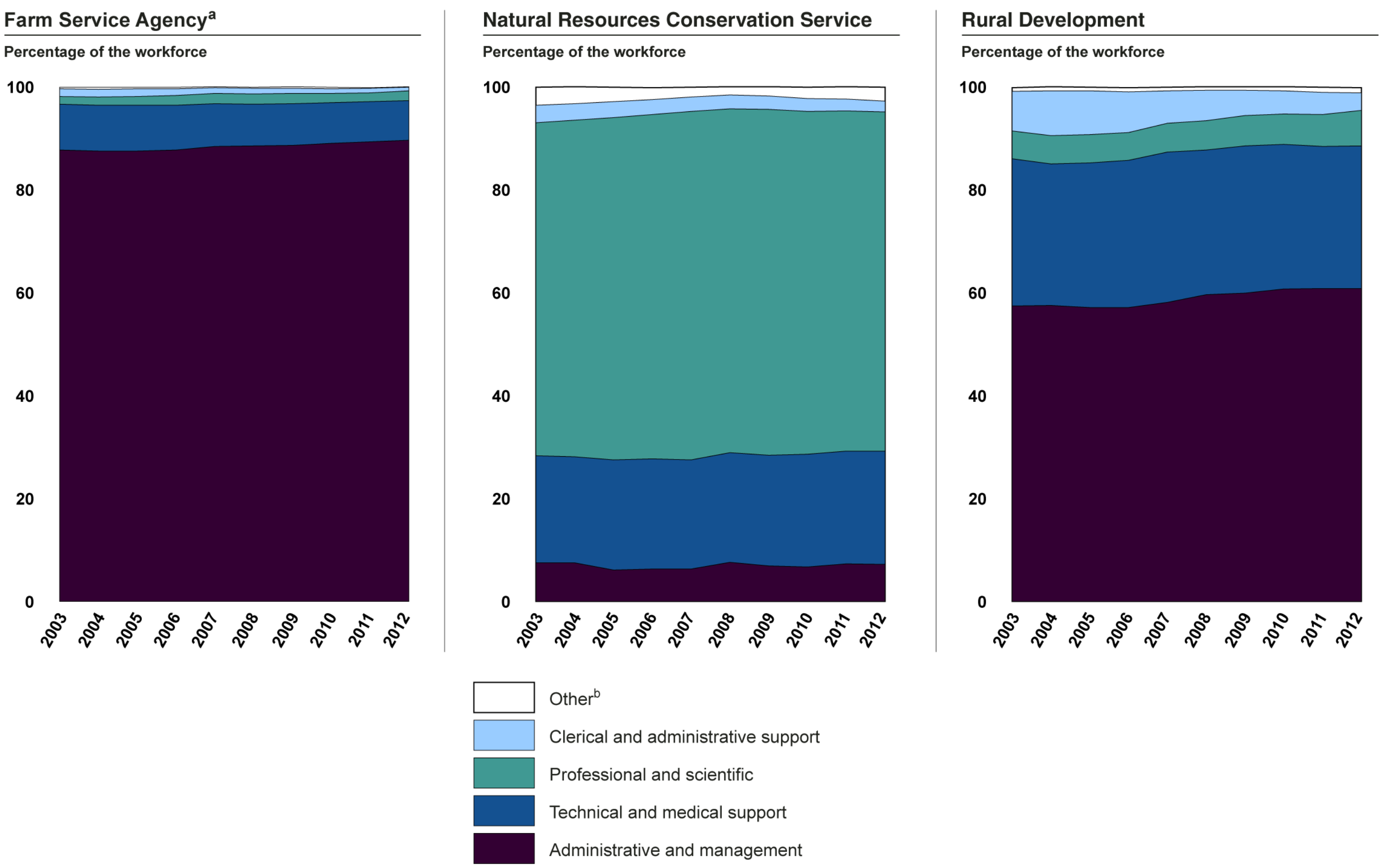
1:5.8, or approximately 1:6 for each. In 2012, the supervisory ratio for FSA's county office workforce was 1:4.0, and for the remaining workforce it was 1:3.6, or approximately 1:4 for each.

The median pay grades of the workforces of USDA's service center agencies remained relatively constant.[29] Specifically, from fiscal years 2003 to 2012, the median pay grade for FSA stayed at pay grade 7, and for NRCS and RD it stayed at pay grade 11. The median pay grades for the service center agencies' headquarters operations from fiscal years 2003 to 2012 were higher than in the field locations at FSA and NRCS but the same, at 11, at RD. For example, at NRCS, the median pay grade from fiscal years 2003 to 2012 was 12 or 13 in the agency's headquarters operations and 11 in its field locations. With respect to the grade distribution of supervisors, these remained relatively constant at FSA and RD, but the pay grades of the majority of supervisors increased at NRCS. From fiscal years 2003 to 2012, the majority of supervisors at FSA were in pay grades 10 to 12, and at RD, the majority of supervisors were in pay grades 13 to 15. At NRCS, the majority of supervisors were in pay grades 10 to 12 in fiscal year 2003, but by fiscal year 2012, the majority were in pay grades 13 to 15. NRCS officials told us that the pay grades of the majority of supervisors have increased in the last 10 years due to the increasing complexity of the agency's work, primarily driven by changes enacted in the 2002 Farm Bill.

The occupational makeup of USDA's service center agencies also remained relatively stable over the 10-year period (see fig. 4). Specifically, the majority of the FSA and RD workforces were employed in administrative and management occupations, such as loan specialists who provide loan servicing and counseling assistance to borrowers. The majority of the NRCS workforce was employed in professional and scientific occupations, such as civil engineers, some of whom were responsible for providing technical guidance and leadership in the overall planning, design, installation, and maintenance of the engineering phases of soil and water conservation projects. Additional information on the workforces of USDA's service center agencies in fiscal year 2012, such as ethnicity and race, mission-critical occupations, length of service, and retirement eligibility, is available in appendix II.

[29]For the purpose of this report, we combined the pay plans of the General Schedule and county office employees when determining median pay grades of the FSA workforce. The NRCS and RD reported pay grades are for employees in the General Schedule.

Figure 4: Changes in the Occupational Composition of USDA's Service Center Agencies from Fiscal Years 2003 to 2012



Sources: GAO analysis of the Office of Personnel Management and USDA data.

[a]For FSA, the "other" occupations make up less than 0.5% of the workforce from fiscal years 2003 to 2012.

[b]Other occupations include those that cannot be included in other occupational groups either because the duties are unique or because they are complex and do not fit clearly into a single occupational group. These occupations include, for example, safety and occupational health management, community planning, and security administration.

USDA's Policy on Supervisory Ratios Did Not Align with OPM Guidance in Fiscal Year 2012

In fiscal year 2012, USDA policy on supervisory ratios, which targeted a uniform supervisory ratio of one supervisor for at least nine employees at all USDA agencies, did not align with OPM guidance. OPM's guidance states that analyzing customer needs and workload distribution can help agencies achieve the right balance of supervisory and nonsupervisory positions to support their missions. USDA policy, issued in October 2010, did not reflect such an approach, but rather it stated that all agencies should aim for a target ratio of one supervisor for at least nine employees (1:9). USDA officials were not able to provide us with a documented basis for this target ratio. In fiscal year 2012, our analysis showed that NRCS's supervisory ratio, at 1:12, met the USDA target of one supervisor for at least nine employees, but FSA and RD—at 1:4 and 1:7, respectively—did not.[30] FSA and RD officials told us that they made improving their supervisory ratios a management goal, but that meeting USDA's target may be difficult. Specifically, FSA officials told us that it may not be feasible for FSA to meet the department's target ratio because, due to staff reductions, more county executive directors were involved in direct program delivery in addition to supervising others performing that work. RD officials told us that managing the supervisory ratios in accordance with the USDA target was difficult as RD downsized its workforce in recent years. However, the service center agencies were striving to meet a target that may not have supported their missions because USDA's policy did not ask agencies to determine a supervisory ratio target based on a documented analysis of their customer needs and workload distribution.

In addition, USDA did not ensure that the service center agencies followed its guidance when calculating their specific supervisory ratios. Regardless of what ratio agencies are aiming to achieve, federal internal control standards state that managers should exercise control to achieve reasonable assurance that the objectives of the agency are being achieved.[31] USDA's guidance to its agencies on implementing its policy on supervisory ratios specified the formula agencies should use when calculating supervisory ratios, such as the type of employees to consider

[30]We use the term "supervisors" to refer to supervisor or manager (code 2) as defined by OPM, *The Guide to Data Standards, Part A: Human Resources,* Update 12 (Washington, D.C.: May 1, 2013). We used this definition and calculated supervisory ratios in accordance with USDA's guidance to its agencies.

[31]GAO, *Internal Control: Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1 (Washington, D.C.: Nov. 1, 1999).

as supervisors.[32] However, none of USDA's service center agencies followed the departmental guidance. Specifically, the service center agencies considered more types of employees as supervisors than those identified in the USDA guidance. USDA officials could not provide documentation that the guidance was communicated to the service center agencies but told us the guidance would have been circulated at the time of the policy's issuance, in 2010, to the mission areas' human resources directors. Further, USDA officials told us that supervisory ratios are one of several measures that could be used to inform reorganization efforts. However, because the service center agencies did not follow the USDA guidance, their calculated supervisory ratios—a workforce analytic that department management could use to help make human capital decisions—were not comparable to one another. Without comparable information on supervisory ratios, USDA cannot have a reasonable assurance that the data it uses to support its human capital objectives, such as those regarding reorganizations, are sound.

USDA's Service Center Agencies Generally or Partially Followed Leading Practices When Closing Offices and Reducing Staff in Fiscal Year 2012

In fiscal year 2012, USDA's service center agencies followed or partially followed four leading practices when closing offices.[33] In addition, FSA was subject to specific office closure provisions in the 2008 Farm Bill, and officials provided information related to those provisions for its fiscal year 2012 office closure decisions. FSA and NRCS followed or partially followed six leading practices when using buyout and early retirement incentives, and RD followed or partially followed five of those six.[34]

[32]This guidance stated that only employees coded with supervisory code 2, which is one of five potential supervisory codes, should be considered to be supervisors for the purpose of calculating supervisory ratios.

[33]GAO-12-542.

[34]GAO-06-324.

USDA's Service Center Agencies Followed or Partially Followed Leading Practices for Office Closures

USDA's service center agencies partially or fully followed all four leading practices we reviewed for successful office closures.[35] Specifically, NRCS fully followed three of the four leading practices and partially followed one. FSA and RD fully followed two of the four leading practices and partially followed two others. Figure 5 lists these leading practices and the extent to which each service center agency followed them when implementing fiscal year 2012 office closures.

Figure 5: Extent to Which USDA's Service Center Agencies Followed Leading Practices for Successful Office Closures

Leading practices for successful office closures	FSA	NRCS	RD
Identify and agree upon goals	●	●	●
Present a business-case or cost-benefit analysis	◐	●	◐
Identify stakeholders and develop a two-way communications strategy	●	●	●
Use change management practices	◐	◐	◐

● Followed

◐ Partially followed

Sources: GAO analysis of evidence from the Farm Service Agency (FSA), Natural Resources Conservation Service (NRCS), and Rural Development (RD), compared with leading practices previously identified by GAO.

Identify and Agree Upon Goals

All three service center agencies identified and agreed upon goals for their office closures

(FSA ●, NRCS ●, RD ●, as shown in fig. 5). As we previously reported, defining goals can help decision makers understand what problems need to be fixed, how to balance differing objectives, and how to achieve long-term goals. The broad goals of each agency's fiscal year 2012 office closures were defined by USDA's *Blueprint for Stronger Service* initiative, which officials said is intended to streamline operations, cut costs, and make more effective use of USDA's employees to improve service to USDA customers and increase efficiency. In addition, each of the service center agencies defined other goals for their fiscal year 2012 office closures. Specifically, FSA officials told us that the agency aimed to improve service by having fewer but better-staffed offices. NRCS

[35] GAO-12-542.

documented specific goals associated with its closures, such as improving its technical services and recruiting a more diverse workforce while retaining current employees by ensuring offices were in more desirable locations. At RD, officials told us that their goals included streamlining operations in small offices and better leveraging resources.

Present a Business-Case or Cost-Benefit Analysis

NRCS followed and FSA and RD partially followed the leading practice of presenting a business-case or cost-benefit analysis (FSA ◐, NRCS ●, RD ◐, as shown in fig. 5). According to the National Research Council, a business-case analysis can make clear underlying assumptions, alternatives considered, the full range of costs and benefits, and the potential consequences for an organization and its missions.[36] OMB guidelines for agencies to consider when conducting a cost-benefit analysis of federal programs say that such analysis should include a policy rationale, explicit assumptions, an evaluation of the alternatives, and a plan to verify program results.[37] Further, federal internal control standards call for federal agencies to document key decisions and to manage and maintain the documentation and make it available for examination.[38] USDA has a policy on making organizational changes that requests agencies to submit information on proposed closures that include some elements of a business-case analysis, such as a detailed explanation of the circumstances giving rise to the proposed closure and verification from agency management that internal control policies have been met.[39] However, according to a USDA official, the Secretary of Agriculture waived the department's requests for such proposals for the fiscal year 2012 office closures associated with the department's *Blueprint for Stronger Service*, saying that agencies had already done work to assist in making decisions on the closures. In addition, the policy does not ask agencies to document other elements of a business-case analysis, such as underlying assumptions and alternatives considered.

[36]National Research Council, *Investments in Federal Facilities: Asset Management Strategies for the 21st Century* (Washington, D.C.: National Academies Press, 2004).

[37] OMB, *Guidelines and Discount Rates for Benefit-Cost Analysis of Federal Programs,* OMB Circular A-94 (Washington, D.C.: Oct. 29, 1992).

[38]GAO/AIMD-00-21.3.1.

[39]USDA, *Departmental Regulation: Organization*, DR 1010-001 (Washington, D.C.: July 20, 2006).

NRCS prepared a written business-case analysis that explained its decision making. This analysis included information that outlined the current state of the agency's Soil Science Division; reasons for proposed organizational changes; and options considered, including pros and cons for each. According to NRCS officials, the agency had prepared documentation describing the case for office closures before USDA waived its request for such documentation. NRCS officials used its business-case documentation to aid in communication by sending the document to external stakeholders to explain the rationale behind their decisions.

Unlike NRCS, FSA and RD officials told us that they considered a variety of office closure options to achieve their stated goals, but FSA officials told us that no business-case or cost-benefit analyses were prepared, and RD officials stated that due to leadership turnover they could not locate any analyses that may have been prepared. For example, FSA officials told us the agency considered alternatives, such as closing more offices than were eventually closed. RD officials told us they considered several factors in their decision regarding selecting offices for closures, such as the type of communities where offices were located and whether other USDA agencies were planning to close offices at that location, and consulted with focus groups. However, neither FSA nor RD documented these considerations in a business-case or cost-benefit analysis. A USDA official said the agencies did not prepare written analyses because USDA waived the policy for the office closures associated with the department's *Blueprint for Stronger Service*. The policy that was waived was USDA's policy on making organizational changes. However, this policy does not include all elements of a business-case or cost-benefit analysis, such as considering alternatives and documenting underlying assumptions. Without presenting business-case or cost-benefit analyses, FSA and RD cannot demonstrate to their workforces, agricultural producers, and other stakeholders the alternatives they considered in their decision making and the steps they took to make effective use of public funds in support of their missions. For example, representatives of employee unions at RD told us that it was unclear how RD management chose offices to close. At FSA, employee group representatives raised questions about why the agency was choosing to close field offices rather than consolidate offices above the field office level. In addition, employee group representatives and those commenting on the proposed closures during public meetings raised questions about whether the decisions made sense from a budgetary perspective or whether criteria used to close FSA's unstaffed offices took into account factors such as workload or the number of beginning, older, and disadvantaged producers served by these offices.[40] FSA officials acknowledged that producing a formal business-case or cost-benefit analysis would have provided a stronger basis for the agency's decision making.

Identify Relevant Stakeholders and Develop a Two-Way Communications Strategy

The three service center agencies fully followed the leading practice of identifying relevant stakeholders and developing a two-way communications strategy (FSA ●, NRCS ●, RD ●, as shown in fig. 5). We have reported that stakeholders often view actions such as office closures as working against their own interests, and that it is critical for agencies to identify the relevant stakeholders and develop an ongoing two-way communications strategy that addresses stakeholder concerns but also conveys a rationale for and benefits of the closures. Specific stakeholder groups varied for each agency, but all agencies identified local officials and affected employees as stakeholders. To communicate with stakeholders, each agency used specific procedures as follows:

- FSA officials told us that the primary takeaway from the agency's office closures in 2006 was the importance of clear, consistent, and thorough communication throughout the closure process. For its 2012 closures, FSA advertised and held public meetings in each county where an office was proposed for closure. At its public meetings, FSA provided information on the reasons for the proposed office closures, noted the concerns of stakeholders about the closures, and allowed for questions and answers. To communicate with internal stakeholders, according to information provided by FSA officials, state executive directors sent memos to affected employees and invited them to contact their state executive director with any questions or concerns.
- NRCS officials told us that prior to the office closure announcement, they discussed the possibility of office closures with selected internal and external stakeholders to gather their input. Following the announcement, officials told us that they communicated with internal stakeholders largely through regular teleconferences such as weekly

[40]A beginning farmer or rancher is one who (1) has not operated a farm or ranch, or who has operated a farm or ranch for not more than 10 consecutive years, and (2) will materially and substantially participate in the operation of the farm or ranch.

telephone meetings to keep them updated on the status of the closures. NRCS officials said a few stakeholders expressed concern with the closures or provided alternatives, but the agency was not able to fully respond to their input due to lack of time. Officials acknowledged that giving stakeholders an opportunity to participate in the process can be helpful in enhancing their partnerships.

- RD officials said that state leaders used various means to communicate with both internal and external stakeholders. For example, prior to making closure decisions, RD officials told us they used focus groups to gather input from stakeholders and, following the announcements, state leaders shared information about the closures through town hall meetings, local media, and written communications. RD officials also told us that their state leaders were in close contact with union representatives and that they did not need to formally bargain with the unions or address grievances.

Use Change Management Practices

USDA's service center agencies partially followed the leading practice of using change management practices (FSA ◐, NRCS ◐, RD ◐, as shown in fig. 5). The leading practices state that to minimize the duration and the significance of any reduced productivity and effectiveness, agencies should use change management practices such as having (1) active, engaged leadership at the highest possible levels; (2) a dedicated implementation team; and (3) a strategy for measuring progress toward goals and using lessons learned. The service center agencies followed most of these practices, but they did not measure progress toward all goals.

Departmental and agency leaders were actively involved in the service center agencies' fiscal year 2012 office closures. At the departmental level, the Secretary announced all proposed closures in January 2012. In addition, leaders such as FSA's administrator and deputies, and RD officials told us that their state directors and other senior leaders were directly involved. As our leading practices for office closures state, having such leadership involvement can help set the direction, pace, and tone of the closures, and provide a clear, consistent rationale for agency staff.

Each service center agency also used an implementation team to manage the work of the closures. FSA officials told us they had an implementation team consisting of representatives from most of FSA's divisions and several departmental offices, including officials from FSA's field operations, Information Technology Services Division, and USDA's Office of Civil Rights. At NRCS, officials told us that they assembled teams of senior leaders to develop proposals for and implement the closures. At RD, officials told us that their property management directors, among others, were part of their implementation team, and that those directors met monthly with their counterparts at FSA and NRCS to plan for the closings and the possible impact on the service center agencies.

Each agency documented that they tracked cost savings—a major goal of the office closures. However, the service center agencies did not have specific strategies in place to measure progress toward other stated office closure goals such as NRCS's goal to improve technical services or FSA's goal to improve service. For example, NRCS provided us with information showing that the number of activities it has undertaken associated with its technical soil services steadily increased from fiscal years 2011 to 2013. However, these activities were only partially related to work performed by soil survey offices, and NRCS did not provide us with information on how those metrics were affected by its soil survey office closures. At RD, officials told us that closing offices had helped them with their goals to leverage resources and streamline operations, but they could not demonstrate these benefits using specific metrics. Similarly, FSA officials said that overall, agricultural producers' participation in FSA programs has not decreased following the office closures, but they did not provide specific participation information in areas where offices had closed. USDA's policy on making organizational changes asks agencies to detail the circumstances giving rise to the proposed changes, but it does not ask agencies to measure progress toward office closure goals. However, our leading practices for office closures state that agencies closing offices should have metrics of success that should show progress toward achieving an intended level of performance or results. In addition, standards for internal control in the federal government call for agencies to ensure that performance measures and indicators have been established and that actual performance data are compared and analyzed against goals.[41] Without metrics, officials may lack information to help them make any needed midcourse corrections, improve policy and operational effectiveness following the closures, or inform stakeholders on progress or outcomes.

Officials from all three agencies told us they used lessons learned from prior rounds of office closures to execute their fiscal year 2012 office

[41] GAO/AIMD-00-21.3.1.

closures. As we previously reported, using lessons learned is a leading practice that can aid in successful office consolidations such as office closures. FSA officials used a checklist that the agency created as part of its 2006 office closures to help implement the closures and ensure specific steps were taken. FSA officials told us that using this checklist helped smooth the closure process. NRCS officials stated that the agency used experiences from 2011 office closures in its Resource Conservation and Development Division to inform elements of its fiscal year 2012 closures such as devising a placement strategy for affected employees. RD officials told us that they close offices on a regular basis and have extensive knowledge of how to do so. They also told us that they worked to capture lessons learned by, for example, helping to update USDA's Real Property Leasing Handbook to better address leasing issues related to office closures based in part on lessons learned from the fiscal year 2012 closures.

The 2008 Farm Bill and the Farm Service Agency's Office Closures

In fiscal year 2012, FSA's office closure decisions were subject to section 14212(b) of the 2008 Farm Bill, which specifies an order for FSA office closures and requires public meetings and congressional notifications of proposed office closures.[42] Under section 14212(b), offices that have two or fewer permanent full-time employees and that are located less than 20 miles from another FSA office are required, to the maximum extent practicable, to be closed before closing any office located more than 20 miles from another FSA office. We found that FSA decided to close 125 offices in fiscal year 2012.[43] Of the 125 offices closed, 27 had no permanent full-time employees and were located more than 20 miles from another FSA office.[44] The 98 other closed offices had two or fewer permanent full-time employees and were located less than 20 miles from another office but were not necessarily closed first. FSA officials told us that the agency determined the timing of office closures based on information collected from state directors on when the offices could notify

[42]Food, Conservation, and Energy Act of 2008, Pub. L. No. 110-246, tit. XIV, § 14212(b) (2008).

[43]The decision to close these offices was made in fiscal year 2012, but the office closures occurred between June 1, 2012, and March 1, 2013.

[44]According to FSA officials, offices without any employees could be the result of vacancies not being backfilled due to staffing constraints. FSA employees from other locations had to travel to these offices weekly to provide service.

employees, schedule physical moves, and take other necessary actions to close. FSA held a public meeting within 30 days of announcing the proposed closure in each county where the office proposed for closure was located. FSA also provided us with documentation of notifications sent to congressional committees and members of the proposed office closures showing that they were sent more than 90 days before FSA made its final decision regarding the office closures. Additional information on the FSA office closures and applicable provisions in the 2008 Farm Bill can be found in appendix III.

USDA's Service Center Agencies Followed or Partially Followed Most Leading Practices for Using Buyout and Early Retirement Incentives

USDA's service center agencies partially followed or fully followed most of the six leading practices we have identified for using buyout and early retirement incentives.[45] FSA fully followed two of the leading practices and partially followed four others. NRCS fully followed five leading practices and partially followed one. RD fully followed four leading practices, partially followed one, and did not follow one. Figure 6 lists these leading practices and the extent to which each service center agency followed them when implementing fiscal year 2012 buyout and early retirement incentives.

[45] GAO-06-324.

Figure 6: Extent to Which USDA's Service Center Agencies Followed Leading Practices for Using Buyout and Early Retirement Incentives

Leading practices generally reflected in legislation or Office of Personnel Management (OPM) regulations	FSA	NRCS	RD
Identify reshaping goals	●	●	●
Develop strategies that fully consider alternative methods	●	●	●
Demonstrate a clear linkage to workforce reshaping or overarching strategic goals	◐	●	○
Consider employees' needs	◐	●	●
Develop a communications strategy early in the process	◐	●	●
Leading practice not reflected in legislation or OPM regulations			
Establish an evaluation system	◐	◐	◐

● Followed

◐ Partially followed

○ Not followed

Sources: GAO analysis of evidence from the Farm Service Agency (FSA), Natural Resources Conservation Service (NRCS), and Rural Development (RD), compared with leading practices previously identified by GAO.

Identify Reshaping Goals

USDA's service center agencies followed the leading practice of identifying reshaping goals when using buyout and early retirement incentives (FSA ●, NRCS ●, RD ●, as shown in fig. 6). As we previously reported, identifying reshaping goals can help agencies link buyout and early retirement incentives to specific organizational objectives. As was the case with office closures, all three agencies cited a need to address budget reductions as a primary goal in their decisions to offer buyout and early retirement incentives in fiscal year 2012. The agencies also stated additional goals. For example, in a request to USDA on the need to use the incentives in fiscal year 2012, FSA listed a number of organizational objectives, including reducing administrative complexity, optimizing service delivery, and increasing supervisory ratios. In its request to USDA, NRCS stated that using buyout and early retirement incentives could help the agency implement goals such as improving its science and technology support delivery systems by, among other things, reorganizing its Soil Survey Program. In its request to USDA, RD stated that using the incentives would assist them in eliminating unnecessary duplication of functions.

Develop Strategies That Fully Consider Alternative Methods

USDA's service center agencies followed the leading practice of developing strategies that fully consider alternative methods when using buyout and early retirement incentives (FSA ●, NRCS ●, RD ●, as shown in fig. 6). As we previously reported, considering alternatives to using buyout and early retirement incentives can help agencies identify whether the alternatives may more effectively meet their reshaping goals and how the incentives could work in conjunction with other options. In their proposals to use the incentives, all three agencies reported considering other options to address budget shortfalls and used incentives in conjunction with other options to achieve their workforce reshaping goals. Specifically, they reported considering such tools as furloughs and Reductions in Force and provided various reasons for choosing not to implement them. For example, RD officials told us that using buyout and early retirement incentives instead of furloughs and Reductions in Force helped them avoid negative impacts such as disruption to the workforce, decreased employee morale, and decreases in diversity that can happen when implementing a Reduction in Force. In addition to buyout and early retirement incentives, all three agencies reported using additional workforce reshaping options such as hiring freezes, reassigning employees, or reducing temporary positions.

Demonstrate a Clear Linkage to Workforce Reshaping or Overarching Strategic Goals

NRCS followed, FSA partially followed, and RD did not follow the leading practice of demonstrating a clear linkage to workforce reshaping or overall strategic goals when using buyout and early retirement incentives (FSA ◐, NRCS ●, RD ○, as shown in fig. 6). We have reported that designing programs that demonstrate a clear relationship between an agency's workforce reshaping goals helped agencies achieve those goals. NRCS presented clear linkages to its workforce reshaping goals by offering the buyout incentive only to employees directly associated with its soil survey reshaping plan. Specifically, NRCS's proposal to use buyout and early retirement incentives discusses how using the incentives will create savings to help improve its science and technology delivery support systems by reorganizing its Soil Survey Program and reducing the number of Soil Survey Offices in operation. The request also discusses how workforce planning will help the agency address both a projected loss of positions and any impact on agency operations. Further, the agency's fiscal year 2013-2017 workforce plan, which includes information on the fiscal year 2012 reorganization, projected that buyout and early retirement incentives might increase expected retirements, thereby creating a need to enhance mentoring and on-the-job training programs to assist in knowledge transfer.

FSA partially linked its buyout and early retirement incentives to its workforce reshaping and overarching strategic goals using a selection priority that targeted certain locations and positions to help ensure its continued capacity to deliver core mission programs. However, while FSA completed a broad workforce analysis in 2011, it had not updated its human capital plan or workforce plan at the time it was making decisions to offer buyout and early retirement incentives, and agency officials told us that this analysis was not likely used to determine FSA's selection priority. As a result, FSA could not demonstrate whether they had workforce goals that linked to their offerings, and they could not show whether the remaining workforce had the right balance of skills in the right locations to support its mission. FSA's buyout and early retirement incentives may have created unintended shortages of employees with certain skills or created imbalances that could hamper mission accomplishment. For example, FSA officials told us that they are assigning new responsibilities to employees to redistribute work performed by employees who took the buyout and early retirement incentives. FSA officials also noted that because the incentives were voluntary, the agency did not have control over which employees accepted them.

RD's buyout and early retirement incentives were not linked to workforce reshaping or overarching strategic goals. Unlike the actions taken at FSA and NRCS, RD's incentives were not targeted and were available to any staff member eligible for retirement or early retirement, except for employees in two occupations.[46] According to our analysis of OPM data, there were about 2,400 RD employees eligible for retirement or early retirement, and RD exempted approximately 100 employees from the incentives, or about 4.2 percent of those eligible. In addition, RD officials did not have a human capital or workforce plan to clearly document links between its incentives and its workforce reshaping goals. RD officials told us that the agency needed to reduce its workforce by as many people as possible to address significant budget decreases. However, by offering incentives to much of its workforce, RD lost a significant portion of its ability to control the makeup of its workforce, which could impact its ability to accomplish its mission. Specifically, without linking buyout and early retirement incentives to workforce reshaping or broader strategic goals, RD could not show whether its remaining workforce has the right balance of skills in the right locations to support its mission. For example, our analysis of OPM data indicates that, of the approximately 600 employees

[46]RD exempted the following occupation series from the incentives: Engineer (0800) at all pay grade levels and locations, and Information Technology Management (2210) at pay grade 12 in all locations and at pay grade 14 in St. Louis, Missouri.

who accepted buyout or early retirement incentives in fiscal year 2012, approximately 455 employees served in occupations defined by RD as mission critical.

Consider Employees' Needs

NRCS and RD followed and FSA partially followed the leading practice of considering employees needs when using buyout and early retirement incentives (FSA ◐, NRCS ●, RD ●, as shown in fig. 6). As we have reported, designing programs that consider employees' needs can help employees cope with changes. Officials told us that employees from the three service center agencies were able to take department-wide retirement training. In addition, RD officials told us they hosted their own counseling sessions to help their employees decide whether to accept the incentives. FSA and NRCS also requested to use buyout and early retirement incentives in conjunction with office closures. Officials from NRCS told us that the agency attempted to relocate employees to locations that would not pose undue hardship. In addition, NRCS conducted a Civil Rights Impact Analysis to review office closures and noted that using buyout and early retirement incentives was intended to mitigate negative impacts on affected employees. FSA officials said that unions expressed some concerns about the agency's notification procedures, their ability to bargain on some issues, and the short period of time that employees were given to decide whether to accept the incentives. FSA officials told us that they were not able to offer much time for employees to make decisions because the agency needed to separate employees as early as possible in the fiscal year. However, FSA officials said they built more time into the process when using the incentives in fiscal year 2013. Officials from all three agencies reported that no grievances were filed as a result of their buyout and early retirement incentives.

Develop a Communications Strategy Early in the Process

NRCS and RD fully followed and FSA partially followed the leading practice of developing a communications strategy early in the process when using buyout and early retirement incentives (FSA ◐, NRCS ●, RD ●, as shown in fig. 6). Prior to receiving authority to use buyout and early retirement incentives, USDA management notified union representatives, including those represented by the service center agencies, that it had applied to OPM for the authority to offer buyout and early retirement incentives. Once the department received the authority to use the incentives, and the service center agencies finalized their incentive offers, each agency issued a notice to its employees that included key information such as answers to frequently asked questions and information on how employees could contact human resources staff for more details. NRCS officials told us that they held regular telephone and videoconference meetings with staff eligible for the incentives and provided updates via e-mail. RD officials said they met with employees who expressed interest in the incentives and conducted multiple sessions with eligible retirees to ensure that they were aware of their options. FSA provided uniform notices to employees ahead of each buyout and early retirement offering that described who was eligible and included responses to frequently asked questions, but it did not have specified strategies for communicating on a regular basis with its employees. Employee group representatives said they were confused or had concerns about the incentives. For example, FSA's notice to employees regarding its incentives did not provide the reasons behind its selection priority for determining employees' eligibility, and union representatives told us that some employees expressed concern that they were excluded from eligibility for nonmission related reasons or that their location was being targeted for downsizing. We have reported that developing a communications strategy early in the process can build an understanding of the purpose of planned changes, which can improve transparency, increase employee trust and help maintain employee morale. Subsequent to fiscal year 2012, FSA has improved its communications to employees in this area. For example, in its fiscal year 2013-2017 human capital plan, FSA discusses how it determines buyout eligibility, and that the agency would likely need to use early retirement incentives to mitigate future funding reductions. Officials from all three agencies noted that no grievances were filed in relation to their buyout and early retirement incentives.

Establish an Evaluation System

USDA's service center agencies partially followed the leading practice of establishing an evaluation system when using buyout and early retirement incentives (FSA ◐, NRCS ◐, RD ◐, as shown in fig. 6). We have reported that establishing an evaluation system to review the use of such incentives after they have been offered and implemented can help agencies assess the longer-term effectiveness of using the incentives. For example, agencies could compare the length of service for employees with employee decisions about accepting buyout and early retirement incentives. Agencies could then use that information to determine the composition and timing of future offers. In addition, agencies could analyze whether the savings generated by buyout and early retirement incentives would likely provide the best use of resources in the future compared with other separation strategies, such as involuntary staff reductions. USDA's service center agencies kept track of how many employees took advantage of the incentives and how much money was saved. They also reported some additional information to the department on their results. For example, NRCS reported that its incentives, offered in conjunction with its fiscal year 2012 office closures, helped the agency manage any negative impact of the closures and lower the total number of employees needing placement in other positions, and RD reported to USDA that the use of buyout and early retirement incentives helped achieve budget savings and that enhanced training may be needed to offset the loss of institutional knowledge created by departing employees. However, the agencies did not conduct a broader evaluation of their use of the incentives or report on the extent to which the buyout and early retirement incentives met other stated goals to support their missions. For example, FSA officials told us that they did not evaluate how the incentives impacted nonbudgetary goals cited in their agency's request to use buyout and early retirement incentives, such as improving supervisory ratios. NRCS officials told us that they did not establish an evaluation system due to lack of time, but they acknowledged that such information would be helpful in understanding, among other things, the impact such incentives have on employees. In addition, because the agencies did not examine, for example, the length of service of employees who accepted incentives, how the savings generated by the incentives compared with other options, such as Reductions in Force, or what effects the use of incentives had on stated workforce reshaping goals, agency managers cannot use resulting information to inform future decisions.

Conclusions

When issuing its policy on supervisory ratios, USDA has taken important steps to consider how these ratios relate to the effective management of human capital. However, because this policy established a uniform supervisory ratio target for all agencies across the department, it did not align with OPM guidance on supervisory ratios. Adopting OPM's guidance would allow the service center agencies to identify supervisory ratio targets that would support their unique missions, based on a documented analysis of their customer needs and workload distribution. Further, federal internal control standards state that managers should exercise control to achieve reasonable assurance that the objectives of their agency are being achieved, but USDA did not exercise control to ensure that the service center agencies followed its guidance on calculating supervisory ratios. USDA has not communicated the guidance on how to calculate supervisory ratios to the service center agencies since 2010. Ensuring that the service center agencies provide comparable information on supervisory ratios would allow the department to use this information to help determine whether its human capital objectives are being met.

Facing fiscal year 2012 budget realities, USDA's service center agencies needed to make difficult decisions to close field offices. In doing so, the agencies followed or partially followed many leading practices associated with effective implementation of office closures. Nevertheless, given ongoing budget pressures, agencies may again face similar situations. USDA's policy governing organizational changes does not direct agencies to fully follow leading practices such as presenting all elements of a business-case or cost-benefit analysis or measuring progress toward stated goals. Following these practices could improve transparency and decision making while also helping the agencies meet internal control standards in support of their missions. Specifically, asking agencies to follow the leading practice of presenting a business-case or cost-benefit analysis could help agencies clearly communicate the rationale for their decisions to all stakeholders and show that they are aiming to make effective use of public funds as they work to implement their missions. It could also help them meet internal control standards to document key decisions. Similarly, asking agencies to follow the leading practice of measuring progress toward goals could help agencies meet internal control standards to establish and use performance measures, while also helping them to make any needed midcourse corrections, improve effectiveness following office closures, or inform stakeholders on their progress or outcomes.

USDA's service center agencies also made important decisions to reduce staff in fiscal year 2012 by using buyout and early retirement incentives and, in doing so, they followed most leading practices associated with the effective use of such tools. However, ongoing budget constraints may again require considering the use of these incentives. In such instances, FSA and RD might find it easier to avoid unintended shortages or imbalances of employees with certain skills that could hamper accomplishment of their missions if they clearly linked their buyout and early retirement incentives to their workforce reshaping goals or overall strategic goals. In addition, establishing and using a system to identify and evaluate relevant data on use of the incentives would allow USDA's service center agencies to better understand whether the incentives they offer are the best use of their limited resources, which could help to inform future actions in support of their missions.

Recommendations for Executive Action

We are making the following five recommendations to the Secretary of Agriculture:

To ensure appropriate levels of employees' supervision and guidance for the workforces of USDA's service center agencies, we recommend that the Secretary of Agriculture, through the Chief Human Capital Officer, take the following two actions:

- Consistent with OPM guidance, revise departmental policy targeting a uniform supervisory ratio so that the service center agencies can identify appropriate supervisory ratios based on a documented analysis of their specific customer needs and workload distribution.

- Consistent with federal internal control standards, communicate to the service center agencies the departmental guidance for calculating supervisory ratios and ensure its use.

To help USDA's service center agencies effectively implement office closures and meet internal control standards, we recommend that the Secretary take action to amend USDA's policy on organizational changes to include such leading practices as presenting a business-case or cost-benefit analysis and using the change management practice of measuring progress toward stated goals.

To improve the use of buyout or early retirement incentives, we recommend that the Secretary of Agriculture direct its service center agencies to take the following two actions:

- FSA and RD to document clear links between their buyout and early retirement incentives and their reshaping or overall strategic goals.
- FSA, NRCS, and RD to establish a system for identifying and evaluating relevant data on buyout and early retirement incentive recipients.

Agency Comments and Our Evaluation

We provided USDA with a draft of this report for comment. USDA provided written comments, which are summarized below and reproduced in appendix IV. In its comment letter, USDA generally agreed with some of the findings and disagreed with one finding and recommendation. USDA did not explicitly comment on other recommendations.

USDA generally agreed with our findings on the use of leading practices when closing offices and reducing staff in fiscal year 2012, and did not comment specifically on our associated recommendations. USDA stated that actions taken by its service center agencies to close offices and reduce staff were in response to significant budget cuts and needed to be implemented in a relatively short time frame. USDA further stated that the agencies followed requirements in taking these actions, and did an excellent job linking their workforce decisions to mission. We adjusted our report's title to reflect that we believe USDA's workforce decisions could benefit from implementation of our findings and recommendations.

USDA did not agree with our finding that USDA's policy on supervisory ratios did not align with OPM guidance and our associated recommendation that USDA revise this policy. USDA stated that OPM's guidance on supervisory ratios is written purposefully broad and that the policy allows the department to hold supervisors and managers accountable for the responsible stewardship of resources. We agree that OPM's guidance is broad and that it allows agencies discretion. As we reported, it also states that an effective balance of supervisory and non-supervisory positions is achieved when agencies analyze their customer needs and workload distribution to support their missions. USDA was not able to provide us with evidence that its policy targeting a ratio of 1 supervisor to at least 9 employees was based on such an analysis or on other information suggesting that a uniform target was appropriate for all of the service center agencies given their diverse missions, customer needs, and workload distribution. Further, USDA stated that its policy allows agencies to document the reasons for instances in which the supervisory ratio does not meet the departmental target of 1 supervisor to at least 9 employees by considering factors such as job complexity and diversity of assigned functions. However, documenting such deviations requires that USDA's agencies show why it is appropriate for them to deviate from a department-wide policy as opposed to factoring such analysis into their supervisory ratios initially. Finally, USDA notes that the policy was effectively communicated to all agencies and staff offices, along with supplemental guidance on how to calculate supervisor-to-employee ratios. During our review, USDA officials provided us a guidance document on how to calculate supervisory ratios and said that they had provided it to the mission areas' human resources directors in 2010. However, as discussed in our report, USDA officials could not provide documentation that the guidance was communicated to the service center agencies, and none of the service center agencies followed this guidance. Therefore, we continue to believe that USDA needs to revise departmental policy targeting a uniform supervisory ratio, communicate to the service center agencies guidance for calculating supervisory ratios, and ensure its use.

As agreed with your office, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the report date. At that time, we will send copies to the Secretary of Agriculture, the Director of the Office of Personnel Management, and the appropriate congressional committees. In addition, this report will be available at no charge on the GAO website at http://www.gao.gov.

If you or your staff members have any questions about this report, please contact me at (202) 512-3841 or fennella@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Key contributors to this report are listed in appendix V.

Sincerely yours,

Anne-Marie Fennell

Anne-Marie Fennell
Director, Natural Resources and Environment

Appendix I: Objectives, Scope, and Methodology

This report examines: (1) how the workforces of USDA's service center agencies changed from fiscal year 2003 to fiscal year 2012, (2) the extent to which USDA's policy on supervisory ratios aligned with Office of Personnel Management (OPM) guidance in fiscal year 2012, and (3) the extent to which USDA's service center agencies followed leading practices when closing offices and reducing staff in fiscal year 2012.

We chose the three USDA service center agencies—the Farm Service Agency (FSA), Natural Resources Conservation Service (NRCS), and Rural Development (RD)—because, of the eight USDA agencies that had announced they would close offices and programs in fiscal year 2012,[1] these agencies had the largest staffing level percent reductions.[2] We chose to report workforce data for 10 years, starting with fiscal year 2003, because this period (1) provided a historical context for the changes that occurred in fiscal year 2012 and (2) encompassed the agencies' operations under two farm bills: the Farm Security and Rural Investment Act of 2002[3] and the Food, Conservation, and Energy Act of 2008 (2008 Farm Bill).[4]

To determine how the workforces of USDA's service center agencies changed from fiscal year 2003 to fiscal year 2012, we analyzed workforce data from OPM's Enterprise Human Resources Integration database and USDA's National Finance Center; reviewed available reports, plans, and guidance from OPM and USDA related to human capital management; and interviewed OPM and USDA officials.[5] Using the OPM and USDA data, we determined the changes in the workforces of USDA's service center agencies, including the General Schedule, Senior Executive

[1]In addition to the three service center agencies, the other five agencies that closed offices or programs in fiscal year 2012 include the Agricultural Research Service, the Animal and Plant Health Inspection Service, the Food, Nutrition and Consumer Services, the Food Safety and Inspection Service, and the Foreign Agricultural Service.

[2]Staffing levels refer to the full-time equivalent data presented in agency budget documents. Full-time equivalent refers to the total number of regular straight-time (i.e., not including overtime or holiday hours) worked by employees divided by the number of compensable hours applicable to each fiscal year.

[3]Pub. L. No. 107-171 (2002).

[4]Pub. L. No. 110-246, tit. XIV, § 14212 (2008).

[5]Data from the Enterprise Human Resources Integration database represent a snapshot of employees onboard as of September 30 in each fiscal year.

Service, as well as county office employees, who are not federal employees and are, therefore, not captured in OPM's database. For county office employees, we obtained their workforce data from USDA directly. Our analysis focused on career permanent employees on a full- or part-time year-round schedule. We generally excluded temporary and term-limited employees and schedules other than full- and part-time (such as intermittent or seasonal) because these employees are generally not eligible for civil service benefits and represent a more transient workforce. When reporting data on employees by location, we defined headquarters operations to include the Washington, D.C., locality pay area and other duty stations that are considered to be part of the headquarters operations. For FSA, these locations include Kansas City, Missouri; St. Louis, Missouri; and Salt Lake City, Utah. For NRCS, these include Fort Collins, Colorado; Fort Worth, Texas; Greensboro, North Carolina; Lincoln, Nebraska; Little Rock, Arkansas; and Portland, Oregon. For RD, this includes St. Louis, Missouri. For the purpose of this report, employees in all other duty stations are considered to be in field locations.[6] We calculated supervisory ratios by comparing the number of supervisors or managers with the number of nonsupervisors or managers, as defined by OPM, in accordance with the USDA's Office of Human Resources Management's guidance.[7] We did not independently check the agencies' coding of supervisors.

We completed additional analyses on the workforces of USDA's service center agencies at the end of fiscal year 2012 because, during that year, USDA announced the Blueprint for Stronger Service, an initiative that included office closures and resulted, in some cases, in the offerings of buyout and early retirement incentives. Such actions could affect the size and composition of the workforces of USDA's service center agencies.

[6]This method of using the locality pay and duty stations of employees for this purpose may have resulted in some field locations' employees being considered to be part of the headquarters operations. We believe that the number of employees who may have been misclassified is sufficiently small as to not materially affect our result.

[7]OPM, *The Guide to Data Standards, Part A: Human Resources,* Update 12 (Washington, D.C.: May 1, 2013). Supervisory code 2 was used to identify supervisors or managers. Positions with this code are defined as those that require the exercise of supervisory or managerial responsibilities that meet, at least, the minimum requirements for application of the General Schedule Supervisory Guide or similar standards of minimum supervisory responsibility specified by position classification standards or other directives of the applicable pay schedule or system. This is also the code most commonly used for Senior Executive Service positions.

We analyzed USDA's service center agencies' ethnicity and race, gender, pay grade levels, mission-critical occupations, length of federal service, and retirement eligibility. We used OPM's standard categories for our analysis of ethnicity and race and gender.[8] Our analysis of pay grade levels included employees on the General Schedule, as well as county office employees, whose grade levels are comparable to the General Schedule pay plan. We grouped grade levels into three categories; the middle range covers the median grades of NRCS's and RD's workforces, as well as the FSA headquarters workforce. To analyze mission-critical occupations, we obtained a list of these occupational series from the agencies' workforce plans or agency officials.[9] To provide more detailed information about mission-critical occupations, we obtained position descriptions from USDA's service center agencies. We grouped length of federal service into five categories based on typical attrition patterns. To determine the current and projected retirement eligibility, we used employees' age at hire, federal government service start date, birth date, and retirement plan coverage to calculate the date they would become eligible for voluntary retirement with an unreduced annuity.

We took several steps to ensure the reliability of the data and analytical process. We discussed the reliability of the USDA data with knowledgeable officials and collected additional data reliability information on both OPM and USDA data through interviews with FSA, NRCS, and RD. In our analysis of OPM and USDA data, we checked for outliers or obvious errors and followed up with USDA when such issues were identified. In addition, where we identified anomalies or significant change in trends in our detailed analysis of the size of the workforces and supervisory ratios, we corroborated these findings with agency human capital staff and published reports. Lastly, the programming code for this analysis was reviewed by an independent specialist to verify its technical and logical accuracy.

To determine the extent to which USDA policy on supervisory ratios aligned with OPM guidance in fiscal year 2012, we reviewed OPM guidance on its Human Capital Assessment and Accountability

[8]We used OPM's ethnicity and race categories, applicable to employees acceding on or after January 2006, for all employees for consistency.

[9]For the purpose of this report, we used OPM's standard titles for mission-critical occupations, rather than agency-specific titles.

Framework and compared it with USDA's policy on supervisory ratios; analyzed workforce data from OPM and USDA databases on supervisory ratios; reviewed reports from USDA's service center agencies on their supervisory ratios and compared them with USDA guidance on calculating supervisory ratios, as well as standards for internal control in the federal government; and interviewed officials from OPM, USDA, and USDA's service center agencies.[10]

To determine the extent to which USDA's service center agencies followed leading practices to close offices and reduce staff in fiscal year 2012, we identified leading practices for both office closures and staff reductions through the use of buyout and early retirement incentives. For office closures, we reviewed previous GAO work on consolidating physical infrastructure to identify four leading practices for successful office closures.[11] These include: (1) identify and agree upon goals, (2) present a business-case or cost-benefit analysis, (3) identify stakeholders and develop a two-way communications strategy, and (4) implement consolidations using change management practices. For staff reductions, we reviewed provisions of the Chief Human Capital Officers Act of 2002 that revise the use of voluntary early retirement authority and voluntary separation incentive payments, regulations and guidance from OPM on the use of buyout and early retirement incentives, and leading practices from previous GAO work to identify six leading practices for implementing buyout and early retirement incentives.[12] These include: (1) identify reshaping goals, (2) develop strategies that fully consider alternative methods, (3) demonstrate a clear linkage to workforce reshaping and overarching strategic goals, (4) consider employees' needs, (5) develop a communications strategy early in the process, and (6) establish an evaluation system. We also reviewed standards for internal control in the federal government.[13] We gathered information on agency actions by collecting documentation and interviewing officials from FSA, NRCS, and RD. We also interviewed representatives of unions and employee associations at FSA and RD. We assessed each agency's reported actions against the identified leading practices to determine the extent to

[10]GAO/AIMD-00-21.3.1.

[11]GAO-12-542.

[12]GAO-06-324.

[13]GAO/AIMD-00-21.3.1.

which each agency's actions aligned with these practices. Because the leading practices are not requirements, we did not perform a compliance review. To communicate the results of our review, we used the terms, "followed," "partially followed," and "did not follow" to reflect in plain language the extent to which each agency's actions aligned with identified leading practices. A determination of "followed" means that the agency provided evidence that it had taken major actions in alignment with that leading practice. A determination of "partially followed" means that the agency provided evidence that it had taken some actions in alignment with that leading practice. A determination of "did not follow" means that the agency did not provide evidence that it had taken any actions in alignment with that leading practice. To determine the number and type of service center agency staff members who accepted buyout and early retirement incentives, we used information provided by each agency and analyzed workforce data from OPM's Enterprise Human Resources Integration database. Eligibility for retirement or early retirement is based on age at hire, birth date, service computation date, and retirement plan. Because the OPM data we have did not include the specific day of the month for each employee's service computation date and birthday, these results may be off by up to 1 month.

To review FSA's fiscal year 2012 decisions related to office closures and requirements in the 2008 Farm Bill, we compared provisions in the 2008 Farm Bill with information from FSA on each office that closed as a result of the USDA announcement made in fiscal year 2012 related to: (1) location and distance from the nearest FSA office;[14] (2) the number and type of employees;[15] (3) the location and date of public meetings; (4) the dates of congressional notifications; and (5) the actual date closed. To determine the locations and distances of each closed office, we used USDA-provided addresses to independently calculate the latitude and longitude for each street address of each closed office and its next closest office as identified by USDA. Using these addresses, we independently calculated the distances between the closed and nearest offices using our calculated latitude and longitude. In instances where

[14]We did not independently verify whether other FSA offices that were less than 20 miles from another FSA office and that had two or fewer full-time permanent employees remained open.

[15]We did not independently verify whether other FSA offices with no employees remained open.

automated tools could not determine a specific location for a given address, our analysis relied on manual determination of geocoordinates. We did not assess whether FSA complied with the 2008 Farm Bill's office closure provisions.

We conducted this performance audit from October 2012 to March 2014 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix II: Additional Information on the Workforces of USDA's Service Center Agencies in Fiscal Year 2012

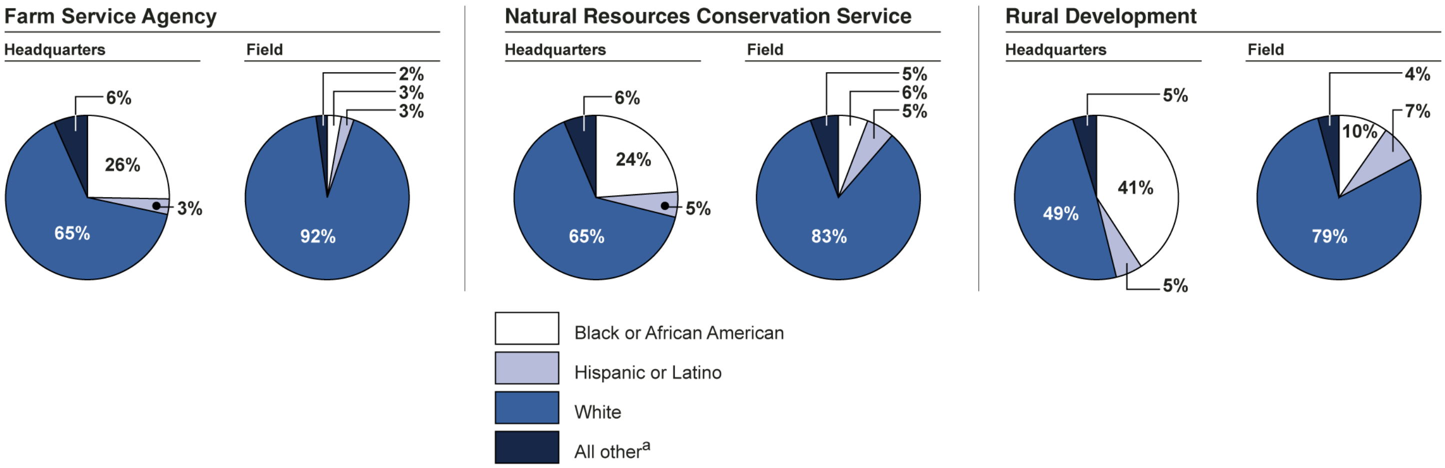
In fiscal year 2012, the headquarters and field workforces of the USDA service center agencies were different from each other with respect to ethnicity, race, gender, and pay grade.[1] As it relates to race and ethnicity, workforces were more diverse in headquarters operations than field locations of the service center agencies. In terms of pay grades, a greater proportion of the workforces in headquarters operations were at pay grades 13-15 than was the case in field locations of the service center agencies. USDA and its service center agencies identified a number of mission-critical occupations, which applied across their headquarters operations and field locations. Across all locations, over 40 percent of the workforces of USDA's service center agencies had 20 or more years of service. In general, a higher proportion of supervisors was eligible, or projected to become eligible, for retirement compared with all employees of USDA's service center agencies.

Composition of the Workforces of USDA's Service Center Agencies by Ethnicity, Race, and Gender in Fiscal Year 2012

In fiscal year 2012, the career permanent workforces of USDA's service center agencies' headquarters operations were more diverse than their field locations. As shown in figure 7, white employees constituted about one-half or two-thirds of the headquarters operations of the workforces of the three agencies but about 80 percent or more of their field locations' workforces. In general, African American or black employees made up the second largest percentage of the workforce in the service center agencies' headquarters operations and field locations. For all of the service center agencies, they made up a larger proportion of the workforces in headquarters operations than those in field locations.

[1] All analyses of the workforces in this section were done for career permanent employees on full- and part-time year-round schedules.

Figure 7: Ethnicity and Race of the Career Permanent Workforces of USDA's Service Center Agencies by Location in Fiscal Year 2012



Sources: GAO analysis of the Office of Personnel Management and USDA data.

Note: This figure shows the results for employees on full- and part-time year-round schedules.

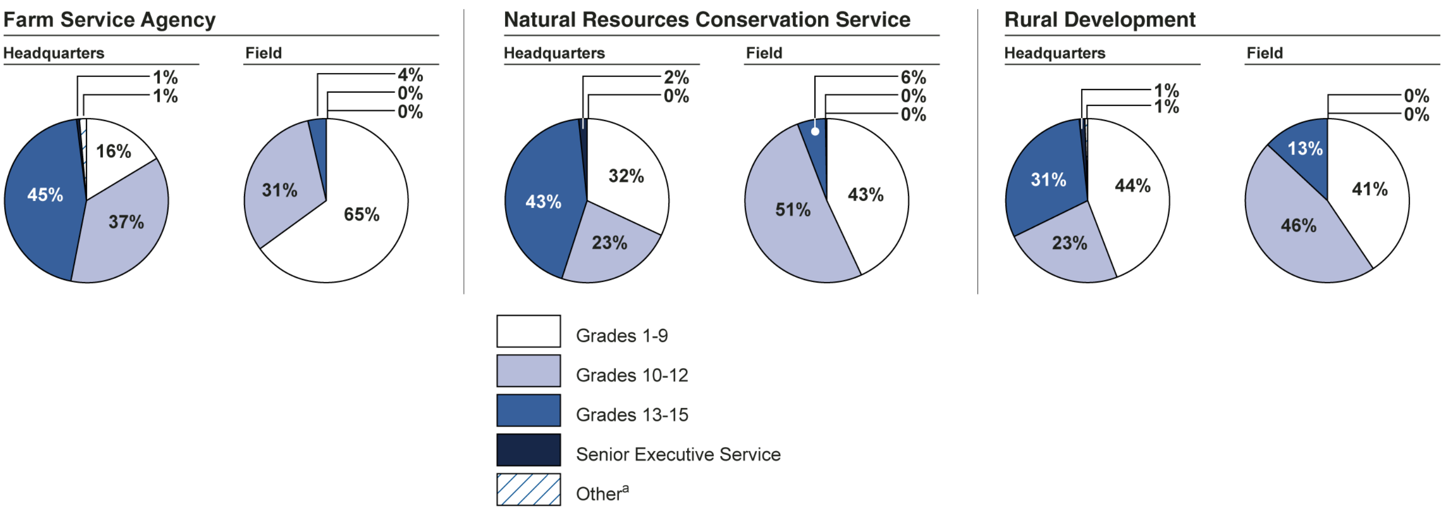
[a]"All other" includes American Indian or Alaska Native, Asian, Native Hawaiian or Other Pacific Islander, or employees who identified themselves as being of more than one ethnicity or race.

With respect to gender, women comprised the majority of the career permanent workforces of Farm Service Agency (FSA) and Rural Development (RD) (72 percent and 65 percent, respectively), and about 35 percent of the career permanent workforce of Natural Resources Conservation Service (NRCS). However, women made up a smaller proportion of supervisors than their share of the workforces of all three service center agencies—making up about 36 percent of supervisors at FSA, 28 percent at NRCS, and 39 percent at RD. With respect to women's share of the workforce in headquarters operations as compared with field locations, the service center agencies differed from each other. At FSA, women made up a smaller portion of the headquarters operations workforce as compared with the field locations workforce (58 percent and 74 percent, respectively). At NRCS, women made up a higher share of the workforce at headquarters operations compared with the field locations (44 percent and 34 percent, respectively). At RD, women's share of the workforce was approximately the same at both headquarters operations and field locations (67 percent and 64 percent, respectively).

Composition of the Workforces of USDA's Service Center Agencies by Grade in Fiscal Year 2012

In fiscal year 2012, a greater proportion of the career permanent workforces of USDA's service center agencies in headquarters operations were at pay grades 13-15 than those in field locations (as shown in fig. 8). In field locations, the majority of FSA employees were in pay grades 1-9;[2] in NRCS and RD, more employees were at pay grades 10-12 than other grades.

Figure 8: Grades of the Career Permanent Workforces of USDA's Service Center Agencies by Location in Fiscal Year 2012



Sources: GAO analysis of the Office of Personnel Management and USDA data.

Note: This figure shows the results for employees on full- and part-time year-round schedules. The Farm Service Agency figure for field locations combines the levels of the General Schedule and county office pay plans. All other figures provide the grade levels for the General Schedule pay plan.

[a]"Other" include other types of pay plans such as Senior Level (SL).

Mission-Critical Occupations of USDA and Its Service Center Agencies in Fiscal Year 2012

In fiscal year 2012, USDA designated three mission-critical occupations (MCO) as its overall departmental MCOs based on considerations related to recruitment and retention challenges. They are (1) Human Resources Management (0201), (2) Contracting (1102), and (3) Informational Technology Management (2210). In addition, in fiscal year 2012, in response to USDA's request, each service center agency reported between three and five MCOs to USDA as listed below.

[2]For the purpose of this report, we combined the General Schedule and county office employees when determining the pay grades of the FSA workforce.

Farm Service Agency

In fiscal year 2012, FSA reported five MCOs to USDA.[3] Approximately 37 percent of employees in headquarters operations and 92 percent of employees in field locations were classified in one of these occupations. All of these occupations are classified as administrative and management. Table 2 lists the MCOs for FSA as reported to USDA in fiscal year 2012, including occupation codes, titles, and examples of position descriptions.

Table 2: The Farm Service Agency's (FSA) Mission-Critical Occupations' Series, Titles, and Examples from Position Descriptions

Occupation series	Occupation title[a]	Examples from FSA position descriptions
0341	Administrative Officer	Assistant to the state executive director (SED) and staff adviser to the SED, state FSA committee, district directors, county executive directors, and farm loan managers on administrative management issues. Plans and manages the administrative management program for a state office and its subordinate county offices, including management analysis, personnel management, automation, support services, budget, and financial management.
1101	General Business and Industry[b]	County executive director who directs and manages FSA program and administrative operations for one or more counties.
1102	Contracting	Contract specialist who provides procurement services in support of agricultural commodity and commodity-related services acquisitions.
1165	Loan Specialist	Supervisory loan specialist who manages and directs the farm loan programs administered in one or more USDA service centers. Supervises and directs the work of subordinate staff responsible for making, servicing, and liquidating loans under FSA farm loan authorities.
2210	Information Technology Management	Business applications developer who is responsible for the design, development, and maintenance of complex information systems. Provides technical assistance to various levels of administrative officials, operating personnel, and other information technology specialists.

Sources: GAO analysis of Office of Personnel Management (OPM), USDA, and FSA data.

[a]For the General Schedule, OPM defines the titles, duties, and qualifications of classes of positions. Agencies may classify multiple positions under a single OPM-defined series. For example, FSA uses the General Business and Industry series (1101) for agency-specific positions such as a district director and program technician. For the purpose of this report, we used the standard OPM-defined titles.

[b]This occupation may also be categorized as clerical and administrative support.

[3]In addition to these five, FSA officials told us that, in fiscal year 2010, the agency identified six additional occupations that it considered to be mission critical in fiscal year 2012, which were also reported in its fiscal year 2014 workforce plan. These included Human Resources Management (0201), Accounting (0510), Budget Analysis (0560), Agricultural Program Specialist (1145), Agricultural Marketing (1146), and Agricultural Warehouse Inspection (1850).

Natural Resources Conservation Service

In fiscal year 2012, NRCS reported three MCOs to USDA.[4] Approximately 21 percent of employees in headquarters operations and 49 percent of employees in field locations were classified in one of these MCOs. All of these MCOs are classified as professional and scientific occupations. Table 3 lists the MCOs for NRCS as reported to USDA in fiscal year 2012, including occupation codes, titles, and examples of position descriptions.

Table 3: The Natural Resources Conservation Service's (NRCS) Mission-Critical Occupations' Series, Titles, and Examples from Position Descriptions

Occupation series	Occupation title[a]	Examples from NRCS position descriptions
0401	General Natural Resources Management and Biological Sciences	Assistant state conservationist for field operations, providing supervision, guidance, and assistance to all field offices and managerial units in the designated state.[b]
0457	Soil Conservation	District conservationist who assists the soil and water conservation district within one or more counties in the development of a comprehensive natural resources conservation program.[c]
0810	Civil Engineering	Area, zone, or state engineer who is responsible for providing technical guidance and leadership in the overall planning, design, installation, and maintenance of the engineering phases of soil and water conservation practices, as well as watershed flood protection programs.

Sources: GAO analysis of Office of Personnel Management (OPM), USDA, and NRCS data.

[a]For the General Schedule, OPM defines the titles, duties, and qualifications of classes of positions. Agencies may classify multiple positions under a single OPM-defined series. For example, NRCS uses the Soil Conservation series (0457) for agency-specific positions such as district conservationist and assistant state conservationist for field operations. For the purpose of this report, we used the standard OPM-defined titles.

[b]This is an interdisciplinary position. This position may be classified under the 0457 occupation series, depending on the qualification of the employee.

[c]Soil and water conservation districts are legal subdivisions of a state government with an elected governing body, which develops and implements soil and water conservation programs within a certain area, usually coinciding with county lines.

[4]NRCS also reported an additional 16 MCOs in its workforce plan, which applied in fiscal year 2012. These occupations include: Economist (0110), Human Resources Management (0201), Rangeland Management (0454), Soil Conservation Technician (0458), Forestry (0460), Soil Science (0470), Agronomy (0471), Accounting (0510), Budget Analysis (0560), Engineering Technician (0802), Agricultural Engineering (0890), General Business and Industry (1101), Contracting (1102), Public Affairs (1035), Cartography (1370), and Information Technology Management (2210).

Rural Development

In fiscal year 2012, RD reported five MCOs to USDA.[5] Approximately 61 percent of employees in headquarters operations and 79 percent of employees in field locations were classified in one of these MCOs. All of RD's reported MCOs, except for Accounting (0510), which is classified as a professional and scientific occupation, are classified as administrative and management. Table 4 lists the MCOs for RD as reported to USDA in fiscal year 2012, including occupation codes, titles, and examples of position descriptions.

Table 4: Rural Development's (RD) Mission-Critical Occupations' Series, Titles, and Examples from Position Descriptions

Occupation series	Occupation title[a]	Examples from RD position descriptions
0510	Accounting	Senior accountant who works in RD's cash management branch to help develop and modify disbursement accounting systems.
1101	General Business and Industry[b]	Processor who reviews, verifies, and prepares documentation related to post-accelerations, loss avoidance, foreclosures, and curing defaults.
1102	Contracting	Senior contract specialist who independently develops contract negotiation plans, administers contracts, and develops milestone plans for assigned work. Advises program officials in procurement planning and methods.
1165	Loan Specialist	Senior loan specialist who administers, delivers, and evaluates a state's multifamily and single-family housing loan and grant programs.
2210	Information Technology	Information technology specialist in operating systems who supports the collection of metrics used in the monitoring and evaluation of information technology resources such as the National Information Technology Center mainframe. Analyzes data on capacity and performance and makes recommendations for hardware refreshments and enhancements.

Sources: GAO analysis of Office of Personnel Management (OPM), USDA, and RD data.

[a]For the General Schedule, OPM defines the titles, duties, and qualifications of classes of positions. Agencies may classify multiple positions under a single OPM-defined series. For example, RD uses the General Business and Industry series (1101) for agency-specific positions such as processor and area technician. For the purpose of this report, we used the standard OPM-defined titles.

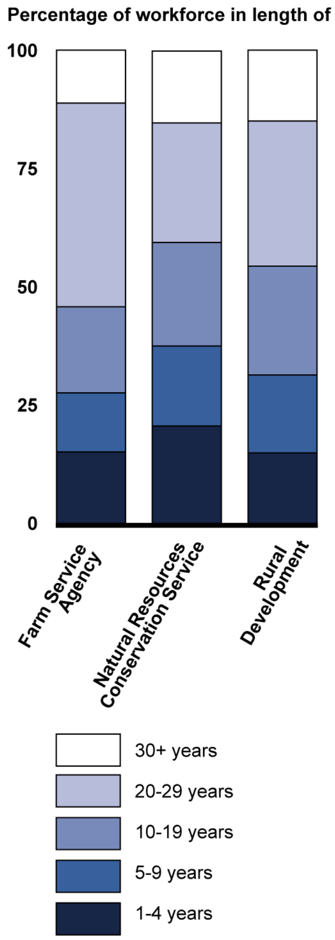
[b]This occupation may also be categorized as clerical and administrative support.

[5]RD officials also told us that they considered all of USDA's mission-critical occupations to apply to their mission area, which would include, in addition to the five reported to USDA in fiscal year 2012, Human Resources Management (0201).

Composition of the Workforces of USDA's Service Center Agencies by Length of Service in Fiscal Year 2012

The proportion of the career permanent workforces of USDA's service center agencies with 20 or more years of federal service in fiscal year 2012 was over 50 percent at FSA, over 40 percent at NRCS, and over 45 percent at RD (as shown in fig. 9). Employees may be eligible for early retirement incentives once they have 20 or more years of service and are over the age of 50 or have 25 or more years of service regardless of age. The mean length of service of FSA employees was 19 years, for NRCS it was 16 years, and for RD it was 18 years. At FSA and NRCS, employees in headquarters operations have, on average, more federal service years than those in field locations. At FSA, the mean length of federal service for the headquarters operations workforce was 21 years and, for the field locations, it was 18 years. Similarly, at NRCS, the mean length of service for the headquarters operations workforce was 19 years, and for the field locations, it was 16 years. At RD, the headquarters operations and field locations workforces had the same mean length of service of 18 years.

Figure 9: Percentage of the Career Permanent Workforces of USDA's Service Center Agencies in Length of Federal Service Categories in Fiscal Year 2012



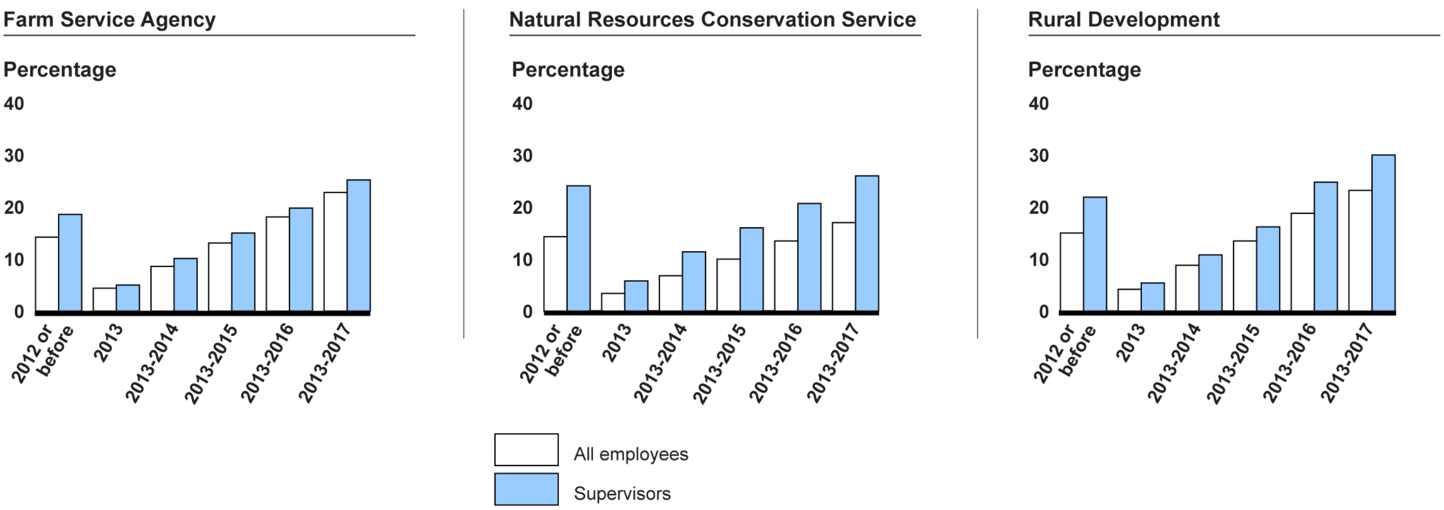
Sources: GAO analysis of the Office of Personnel Management and USDA data.

Note: This figure shows the results for employees on full- and part-time year-round schedules.

Current and Projected Retirement Eligibility of the Workforces of USDA's Service Center Agencies in Fiscal Year 2012

About 15 percent of the career permanent workforces of USDA's service center agencies were eligible to retire in fiscal year 2012, as shown in figure 10.[6] For supervisors, the proportion was higher: at FSA it was 19 percent, at NRCS it was 24 percent, and at RD it was 22 percent. Over the next 5 years, an additional 17 percent or more of the workforces of each of the service center agencies and 25 percent or more of their supervisors will become retirement-eligible for the first time.

Figure 10: Percentage of the Career Permanent Workforces of USDA's Service Center Agencies Eligible to Retire in Fiscal Year 2012 and Those Projected to Become Eligible for Retirement in the Next 5 Years



Sources: GAO analysis of the Office of Personnel Management and USDA data.

Note: This figure shows the results for employees on full- and part-time year-round schedules as of September 30, 2012.

[6]This analysis was done using data as of September 30, 2012. To determine the proportion of employees eligible to retire, we only considered those eligible for voluntary retirement with unreduced annuity.

Appendix III: Section 14212(b) of the Food, Conservation, and Energy Act of 2008 and the Farm Service Agency's Office Closures Initiated in Fiscal Year 2012

Section 14212(b) of the Food, Conservation, and Energy Act of 2008 (2008 Farm Bill) prescribes an order for closure of Farm Service Agency (FSA) offices after June 18, 2010, and requires public and congressional notification of proposed closures.[1] Specifically, under section 14212(b), if the Secretary of Agriculture closes FSA offices after June 18, 2010, offices that have two or fewer permanent full-time employees and are located less than 20 miles from another FSA office are required, to the maximum extent practicable, to be closed before closing offices located more than 20 miles from another FSA office. In addition, the Secretary must (1) hold a public meeting in the county where the office is located within 30 days of proposing its closure and (2) notify the relevant congressional committees and delegations of a proposed office closure after the public meetings and not less than 90 days before approving the office's closure.

FSA Proposed Offices for Closure Based on Staffing and Distance from Other FSA Offices

On January 9, 2012, the Secretary of Agriculture initially proposed closing 131 FSA offices.[2] The list included both offices with two or fewer permanent full-time employees that were located less than 20 miles from another FSA office and offices located more than 20 miles from another FSA office. The offices located more than 20 miles from another office had no employees. To determine the number of employees in each office, FSA officials told us that they counted permanent, full-time General Schedule or county office employees. State-level and temporary employees did not count toward the total number of employees in an office. To determine the distances between offices, FSA officials said they used a mapping software program to determine whether or not an office was located within 20 miles of another FSA office. FSA officials stated that they calculated the shortest distance between offices rather than driving distance. However, according to FSA officials, their software defaulted to the center of the zip code if a street could not be found, so FSA used a proxy in those instances rather than an actual address.[3]

[1] Pub. L. No. 110-246, tit. XIV, § 14212(b) (2008).

[2] In addition, FSA closed an office in August, 2010. FSA did not provide us with information on the process used to close this office.

[3] We did not verify the number of addresses FSA was unable to locate; however, our analysis required manually matching addresses to locations for 17 offices.

FSA Held Public Meetings and Accepted Comments

FSA held public meetings and accepted comments on the proposed closures. Between January 19, 2012, and February 8, 2012—within 30 days of proposing the office closures—FSA held a public meeting in each county where the offices proposed for closure were located. FSA officials told us that they publicized meetings through newspaper advertisements and mailers to agricultural producers, among others. During these public meetings, FSA recorded public comments, and officials said that concerns were incorporated into their office closure decisions. For example, public meeting participants said that FSA program participation would decline as a result of the office closures, particularly among beginning, elderly, and disadvantaged producers who may endure extra hardships from traveling greater distances to the next-closest FSA office.[4] Participants also said that the distances calculated by FSA did not accurately reflect the amount of time it takes producers to reach FSA offices. As a result of public meeting participant concerns, FSA officials told us that in the event that producers could not reach an FSA office—for example, if producers were elderly or disabled—FSA would send an FSA employee to meet them at more convenient locations. In addition, FSA accepted written comments for up to 10 days after the date of the meeting from those who could not attend in person.

FSA Approved Its Office Closures More Than 90 Days after Sending Notices to Congressional Committees and Members

FSA provided us with documentation of notifications sent to congressional committees and members of the proposed office closures on February 27, 2012. The scope of our review did not include an assessment of whether the notifications met the requirements of section 14212(b) of the 2008 Farm Bill. On May 29, 2012, 92 days after the date on the congressional notifications FSA provided us, the Secretary announced the closure of 125 FSA offices. Six offices that had been proposed for closure were not closed because, based on concerns raised during the public meetings, FSA recalculated the distance between these offices and the next closest FSA offices and found the distance was more than 20 miles.

[4]A beginning farmer or rancher is one who (1) has not operated a farm or ranch, or who has operated a farm or ranch for not more than 10 consecutive years and (2) will materially and substantially participate in the operation of the farm or ranch.

FSA Closed Offices between June 2012 and March 2013

FSA closed 125 offices between June 1, 2012, and March 1, 2013. FSA officials told us that the timing of office closures was based on information that state executive directors provided in surveys on when the offices could notify employees, schedule physical moves, and take other necessary actions to close. Of the 125 offices closed, 98 offices had two or fewer permanent full-time employees and were located less than 20 miles from another FSA office.[5] However, we found that, in two instances, FSA used an office that was slated to be closed as the nearest office in calculating the distance rather than an office that would remain open. Specifically, FSA identified the Shelby County, Texas, and San Augustine County, Texas, offices as being less than 20 miles from each other, and then closed both. As a result, the nearest open FSA office, according to our analysis, is in Nacogdoches County, Texas, over 30 miles from each of these offices. FSA officials told us that these offices were closed because both offices had one or two employees and were located less than 20 miles from another office.[6] The other 27 closed offices had no permanent full-time employees and were located more than 20 miles from another FSA office.[7] However, the offices located less than 20 miles from another office were not closed before the offices located more than 20 miles from another office were closed. We did not assess whether FSA complied with section 14212(b).

[5]FSA officials told us that the agency closed all offices that had two or fewer employees and that were less than 20 miles from another FSA field office. We were not able to independently verify this.

[6]Our analysis also found that one to three other offices may have been slightly over 20 miles from the next closest office depending on the calculation used; however, these differences are likely explained by variations in the methods used by FSA and the methods used in our analysis.

[7]According to FSA officials, offices without any employees could be the result of vacancies not being backfilled due to staffing constraints. FSA employees from other locations had to travel to these offices weekly to provide service.

Appendix IV: Comments from the Department of Agriculture

USDA

United States Department of Agriculture

Office of the Assistant Secretary for Administration

Office of Human Resources Management

1400 Independence Avenue, SW
Washington, DC
20250-9600

MAR 10 2014

Anne-Marie Fennell
Director, Natural Resources and Environment
U.S. Government Accountability Office
441 G Street NW
Washington, DC 20548

Dear Ms. Fennell:

The U.S. Department of Agriculture (USDA) appreciates the opportunity to review and comment on the Government Accountability Office (GAO) draft report, "U.S. Department of Agriculture: Workforce Decisions Need Better Linkage to Missions and Use of Leading Practices. As the Chief Human Capital Officer for USDA, the strategic linkage between human capital management and mission priorities is paramount, as is leveraging best practices wherever practicable.

GAO was requested to review aspects of USDA's human capital management in fiscal year 2012 during which Rural Development, Farm Services Agency, and the Natural Resources Conservation Service (Service Agencies) were required to offer buyouts, early retirement incentives, and close some offices.

The draft report finds that the Service Agencies generally followed or partially followed leading practices that GAO has identified. We generally agree with that finding. It must be noted, however, that the planning and execution of the buyouts, early retirement incentives, and office closures were accomplished consistent with Federal law, rules, and regulations. In addition, both the Office of Personnel Management (OPM) and the Office of Management and Budget (OMB) were required to approve all plans and USDA was required to report the results. Approval from OPM and OMB were predicated on the workforce decisions being linked to mission.

Also, given that these actions were required as a result of significant budget cuts and had to be implemented in a relatively short time, evidence suggests the Service Agencies did an excellent job linking their workforce decisions to mission.

The draft report also finds that USDA's policy on supervisory ratios did not align with OPM guidance that states that an analytical approach can help agencies achieve the right balance of supervisory and non-supervisory positions in support of their mission. This finding is parlayed to one recommendation that USDA revise its policy on supervisory ratios. We do not agree with this finding nor the recommendation. Stated simply, USDA asserts that there is no evidence to support this finding.

OPM's guidance on supervisory ratios is written purposefully broad. It is within the discretion of Departments whether to provide additional guidance to its agencies and staff offices. In this instance, USDA exercised its discretion to implement policy that would hold supervisors and managers accountable for the responsible stewardship of

2

resources for the strategic management of human resources. The outcome of this policy is to develop and maintain a high performing workforce that achieves its mission within budget and with the most efficient organization possible, and aligns with OPM's guidance.

Though USDA's "targeted" supervisor-to-employee ratio is 1:9, the policy allows agencies to document those instances in which a span of control lower that 1:9 is necessary. Managers and supervisors are to consider job complexity, the similarity of subordinate jobs, diversity of assigned functions, and the physical proximity of subordinates and technology in determining an optimum supervisory ratio for an organizational unit.

This policy, Department Regulation 4020-250-002, Position Management and Vacancy Control, dated October 18, 2010, was effectively communicated to all agencies and staff offices, along with supplemental guidance on exactly how to calculate supervisor-to-employee ratios.

Finally, I appreciate this opportunity to provide comments on this report. If you have any further questions, you may contact Allen Hatcher, Director for Strategic Human Resources Planning and Accountability at Allen.Hatcher@dm.usda.gov or by phone at 202-720-0941.

Best regards,

William P. Milton, Jr.,
Chief Human Capital Officer
Office of Human Resources Management

Appendix V: GAO Contact and Staff Acknowledgments

GAO Contact

Anne-Marie Fennell (202) 512-3841, or fennella@gao.gov

Staff Acknowledgments

In addition to the individual named above, Thomas M. Cook (Assistant Director), Karen Jones (Assistant Director), Cheryl Arvidson, Candace Carpenter, David Garcia, Armetha Liles, Rebecca Shea, Jeanette Soares, and Ruth Solomon made key contributions to this report.

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