



United States Government Accountability Office
Washington, DC 20548

March 7, 2013

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

Dear Chairwoman Stabenow:

Subject: *Food Assistance: Briefing on U.S. Department of Agriculture's Food Assistance Procurement Process*

This letter formally transmits the enclosed briefing that we presented to your staff on February 5, 2013. You asked us to study the U.S. Department of Agriculture's (USDA) food assistance procurement process. This report (1) describes USDA's organization and management structure for food assistance procurement, and (2) assesses whether there is overlap and duplication in USDA's organization and management structure for food assistance procurement.¹

To conduct this work, we reviewed the activities of USDA's Agricultural Marketing Service (AMS); USDA's Farm Service Agency (FSA), including the Kansas City Commodity Office; USDA's Foreign Agriculture Service; USDA's Food and Nutrition Service; and the U.S. Agency for International Development. We interviewed agency officials and commodity vendors; obtained and reviewed documents from USDA and other relevant U.S. agencies; and conducted fieldwork in Kansas City, Missouri. We interviewed agency officials about the data they provided. In addition, for the staffing data, we compared the staffing data to prior period data; for the contracts, we obtained information from agency officials about the systems from which the data were reported. We determined that the data we used were sufficiently reliable for our purposes.

We conducted this review from October 2012 to March 2013, 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.

In summary, while USDA's organization and management structure for its food assistance procurement might suggest overlap, we found no duplication of AMS and FSA efforts. For example, AMS and FSA follow similar contracting rules and regulations; however, AMS and

¹Program overlap occurs when programs have similar goals, similar activities or strategies to achieve them, or similar target recipients. Duplication occurs when two or more agencies or programs are engaged in the same activities or provide the same services to the same beneficiaries. See GAO, *2012 Annual Report: Opportunities to Reduce Duplication, Overlap and Fragmentation, Achieve Savings, and Enhance Revenue*, [GAO-12-342SP](#) (Washington, D.C.: Feb. 28, 2012).

FSA have different procurement processes and funding authorities and purchase different commodities.

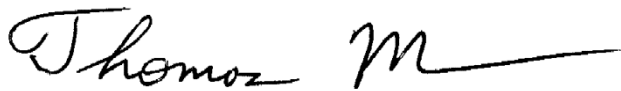
In addition, AMS and FSA have taken steps to streamline their procurement processes through reorganization and the implementation of their Web-Based Supply Chain Management System. Finally, while AMS and FSA have made several changes to reorganize and streamline the food assistance procurement process, the agencies have not evaluated their efforts.

We provided a draft of the briefing slides to USDA. The agency did not provide any comments.

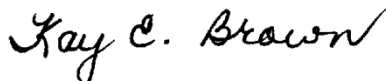
We are sending copies of this report to the Secretary of Agriculture and appropriate congressional committees. This report will also be available at no charge on our website at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-9601 or melitot@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 were Kathryn A. Larin, Assistant Director; Valérie Nowak, Assistant Director; Rhonda M Horried; Daniel Meyer; Mark Needham; and Jose M. Pena, III. Karen Deans provided technical support.

Sincerely yours,



Thomas Melito, Director
International Affairs and Trade



Kay Brown, Director
Education, Workforce, and Income Security

Enclosure 1



Briefing to Staff of the Senate Agriculture, Nutrition, and Forestry Committee

Observations on U.S. Department of Agriculture's Food Assistance Procurement Process

February 5, 2013

Objectives

- (1) Describe the U.S. Department of Agriculture's (USDA) organization and management structure for food assistance procurement.

- (2) Assess whether there is overlap and duplication in USDA's organization and management structure for food assistance procurement.

Scope and Methodology

- We reviewed the activities of
 - USDA's Agricultural Marketing Service (AMS)
 - USDA's Farm Service Agency (FSA)—including the Kansas City Commodity Office (KCCO)
 - USDA's Foreign Agriculture Service (FAS)
 - USDA's Food and Nutrition Service (FNS)
 - U.S. Agency for International Development (USAID)

- We interviewed agency officials and commodity vendors; obtained and reviewed documents from USDA and other relevant U.S. agencies; and conducted fieldwork in Kansas City, Missouri.

Scope and Methodology (cont.)

GAO's definition of overlap:

- Programs that have similar goals, devise similar strategies and activities to achieve those goals, or target similar beneficiaries.

GAO's definition of duplication:

- When two or more agencies or programs are engaged in the same activities or provide the same services to the same beneficiaries.

These definitions are based on prior GAO work, GAO, *2012 Annual Report: Opportunities to Reduce Duplication, Overlap and Fragmentation, Achieve Savings, and Enhance Revenue*, GAO-12-342SP (Washington, D.C.: Feb. 28, 2012).

Background on U.S. Commodity Procurement

- AMS and FSA procure commodities for several FNS domestic programs, such as (1) National School Lunch Program, (2) Food Distribution Program on Indian Reservations, (3) the Emergency Food Assistance Program, (4) Food Assistance for Disaster Relief, and (5) Child and Adult Care Food Program.
- FSA procures commodities for several FAS and USAID international programs such as (1) Food for Peace Act, Title II; (2) Food for Progress; and (3) McGovern-Dole International Food for Education and Child Nutrition.

AMS Procures Commodities for Domestic Programs Only; FSA Procures Commodities for Domestic and International Programs

USDA Commodity Procurement Agency	Staffing*	Contracts	FY 2012 Commodity Procurement	Customers	
				Domestic	International
AMS	18	1,429	\$1.4 billion	FNS	
FSA Domestic	24	1,121	\$.5 billion	FNS	
FSA International	21	536	\$.8 billion		FAS and USAID
Totals	63	3,086	\$2.7 billion		

*Staffing does not include support branches or the Office of the Director, except for contracting officers and specialists.

USDA's Procurement of Commodities Shows Signs of Organizational Overlap

- Both AMS and FSA follow similar contracting process.*
- Both FSA domestic and FSA international purchase four of the same commodities.
- Both AMS and FSA domestic have FNS as a customer.

*The USDA contracting process is based on the Federal Acquisition Regulation, Agricultural Acquisition Regulations, and USDA Procurement Advisories.

Differences in AMS and FSA Domestic Commodities and Key Aspects of Procurements Do Not Indicate Duplication of Effort

	AMS	FSA
Commodities	Perishable: such as red meat, fish, poultry, egg products, fruits, vegetables	Non-perishable: such as grain products, peanut products, dairy products (e.g. evaporated milk), oils
Specifications	Non-commercial	Commercial
Inspections	AMS	Contractor quality assurance
Market support mechanism	Market surplus removal	Non-recourse commodity loans
Funding authority	Act of Aug. 24, 1935, ch. 615 (amending the Agriculture Adjustment Act), Sec. 32 (codified at 7 USC 612c)	Commodity Credit Corporation authority derived from section 416 of the Agricultural Act of 1949 (codified at 7 USC 1431)

FSA’s Domestic and International Branches Procure Commodities Separately Due to Differences in Customers, Packaging, Solicitations, and Contract Awards

Differences	FSA Domestic	FSA International
Customers	FNS	USAID and FAS
Packaging	Commercial	Non-commercial
Grouping of Solicitations and Contract Awards	Quarterly, by commodity group	Twice monthly for packaged, ad hoc for bulk
Evaluation of Solicitations and Contract Awards	Lowest-priced commodity vendor	Lowest landed cost for commodity and ocean transportation vendors
Delivered to	U.S. warehouses	U.S. ports or intermediate locations

Source: USDA.

FSA International and Domestic Bulk Commodities* Are Procured Separately Due to Differences in Packaging and Delivery

International bulk commodities such as loose grains and vegetable oil are procured with international food assistance program funds and loaded directly into the hold of tanker vessel from a grain elevator to be delivered overseas.



Source of photos: USDA.

Domestic bulk commodities include (1) whole corn purchased in 2200-pound totes that are delivered to Minnesota, and (2) non-fortified flour loaded into tanker trucks for delivery in the U.S. or lined 20-foot containers for the Army Air Force Exchange Service in Germany with funds from the National School Lunch Program.



*The bulk commodity comparisons on this slide are intended to provide examples of the differences between domestic and international purchases but are not intended to be representative of, or generalizeable to, all commodities.

USDA Has Made Efforts to Reorganize and Improve Its Procurement Process

Organizational Procurement Consolidation

- In 2011, AMS consolidated three program commodity procurement units into one commodity procurement division.
- In 2010, FSA temporarily reorganized KCCO's international and domestic procurement divisions under one procurement division, although the procurement processes are still separate.

Contract Administration

- In 2011, AMS assumed administration of its contracts from FSA.

USDA's Web-Based Supply Chain Management (WBSCM) System Attempts to Streamline the Procurement Process

- USDA's February 2011 assessment of WBSCM indicates that most procurement processes have been streamlined into one integrated system.
- USDA's assessment of WBSCM reports that it provides a single, authoritative, and easy-to-access source of data, which gives users automated, useful standard and non-standard reports.
- USDA's assessment of WBSCM identified additional areas of improvement for international programs. According to AMS officials, a July 2013 enhancement of the system is planned in part to help improve the applicability of WBSCM for international programs.

Concluding Observations

- USDA's organization and management structure for its food assistance procurement might suggest overlap; however, we found no duplication of AMS and FSA efforts.
- AMS and FSA have taken steps to streamline their procurement processes through reorganization and the implementation of WBSCM.
- While AMS and FSA have made several changes to reorganize and streamline the food assistance procurement process, the agencies have not evaluated their efforts.

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