



United States Department of Agriculture

OFFICE OF INSPECTOR GENERAL





Review of Farm Service Agency's Initiative to Modernize and Innovate the Delivery of Agricultural Systems (MIDAS)

Audit Report 03501-0001-12

What Were OIG's Objectives

OIG's objectives were to audit FSA's implementation of MIDAS to determine: (1) if Congressional needs and expectations are being met, (2) the effectiveness and efficiency of project management, and (3) if MIDAS' implementation is secure and in accordance with USDA and Federal guidance. Based on Congressional interest, we re-prioritized the objectives of this review to focus on Objectives 1 and 2.

What OIG Reviewed

Between April 2014 and April 2015, OIG reviewed MIDAS' implementation in Kansas City, Missouri; Washington, D.C.; Lakewood, Colorado; and 15 field sites.

What OIG Recommends

USDA should obtain an independent analysis of the present enterprise solution; define goals with clear timeframes for completion; work with the Department to update State and county office communications infrastructure; and create a plan of action to prioritize and implement needed field office functionality.

MIDAS is Overdue and Over Budget Because of Ineffective Project Management and Oversight

What OIG Found

In response to a longstanding need to modernize the delivery of farm programs, the United States Department of Agriculture's (USDA) Farm Service Agency (FSA) initiated a business enterprise solution called Modernize and Innovate the Delivery of Agricultural Systems (MIDAS). FSA reported to Congress in 2010 that \$305 million would allow it to consolidate its 31 farm programs into MIDAS by the end of fiscal year (FY) 2012.

MIDAS is 2 years overdue and approximately \$140 million over budget and has not delivered the promised enterprise solution. As of April 1, 2015, FSA had obligated over \$444 million to this project and had retired only 1 of the 66 applications which were to be replaced by MIDAS. By 2022, the program is projected to have a total cost of nearly \$824 million. In July 2014, Secretary Vilsack directed that future MIDAS development cease.

OIG attributes MIDAS' shortcomings to ineffective management and oversight, including: separation of MIDAS staff from their FSA colleagues, inadequate contractor oversight, and an incomplete analysis of software alternatives. We did find that MIDAS has increased functionality in the field, and oversight has improved during the past 2 years. However, we believe that USDA's decision to cease MIDAS development, modernization, and enhancement activities was appropriate. Going forward, USDA and FSA must decide if they can leverage the enterprise solution's functionality in a way that warrants its annual cost of over \$50 million. If not, USDA and FSA need to pursue alternative modernization options. FSA agreed with the four recommendations in this report and we have reached management decision on two of them.



United States Department of Agriculture
Office of Inspector General
Washington, D.C. 20250



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AUDIT
NUMBER: 03501-0001-12

TO: Val Dolcini
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Farm Service Agency

ATTN: Philip Sharp
Director
Operations Review and Analysis Staff

FROM: Gil H. Harden
Assistant Inspector General for Audit

SUBJECT: Review of Farm Service Agency's Initiative to Modernize and Innovate the
Delivery of Agricultural Systems (MIDAS)

This report presents the results of the subject audit. Your written response, dated April 27, 2015, is included in its entirety at the end of the report. Excerpts from your response and the Office of Inspector General's (OIG) position are incorporated in the relevant sections of the report. Based on your April 27, 2015, response, and subsequent correspondence received on April 28, 2015, we accept management decision on Recommendations 1 and 2. Management decision has not been reached on Recommendations 3 and 4. To reach management decision on these recommendations, please see the relevant OIG Position sections in the audit report.

In accordance with Departmental Regulation 1720-1, please furnish a reply within 60 days describing the corrective actions taken or planned, and timeframes for implementing the recommendations for which management decisions have not been reached. Please note that the regulation requires management decision to be reached on all recommendations within 6 months from report issuance, and final action to be taken within 1 year of each management decision to prevent being listed in the Department's annual Agency Financial Report. For agencies other than the Office of the Chief Financial Officer (OCFO), please follow your internal agency procedures in forwarding final action correspondence to OCFO.

We appreciate the courtesies and cooperation extended to us by members of your staff during our audit fieldwork and subsequent discussions. This report contains publically available information and will be posted in its entirety to our website (<http://www.usda.gov/oig>) in the near future.

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Background and Objectives

Background

The United States Department of Agriculture's (USDA) Farm Service Agency (FSA) supports the delivery of farm credit, disaster assistance, and commodity operations. FSA also administers portions of USDA's conservation programs. In fiscal year (FY) 2014, FSA was responsible for administering an estimated \$21 billion in program benefits to farmers and ranchers and was budgeted just over \$1.17 billion in its Salaries and Expenses (S&E) appropriation to manage these programs.

FSA primarily administers these programs at over 2,100 service centers, using a variety of FSA-managed computing environments and software applications to process farm program data, including a centrally located system called the Web Farm. The Farm Program information technology (IT) environment consists of interconnected computer servers that exchange data in support of Web-based applications, a central mainframe that hosts non-Web applications and data, a distributed network of Application System 400 (AS/400) computers, as well as a common computing environment¹ of personal and server computers at each service center. USDA relies on this combination of applications and IT systems to accomplish its mission of providing cost-effective and reliable services to FSA, USDA, other Federal agencies, and the public.

In the early 1980s, FSA began using the System 36 (S/36) to store customer information for use in program delivery applications. These systems were dispersed to each State and county office. The AS/400 replaced the S/36 in the late 1980s and emulated its operating system. The vendor discontinued the AS/400 series in 2000, while the maintenance contract on the 2,555 machines FSA operates expired in 2013. FSA officials stated that "FSA began migrating business processes from the AS[/]400 to the common computing environment/web environment in the early 2000s to address the AS[/]400 outdated technology risk and position the agency to support eGovernment requirements."² One of the first systems to migrate was the Service Center Information Management System (SCIMS) in 2001. The effort continued with the 2002 and 2008 Farm Bills.³ With the passage of the Farm Bill in May 2008, FSA faced a choice of (1) implementing on the outdated AS[/]400, (2) implementing in the Web environment, or (3) implementing with manual processes until the Modernize and Innovate the Delivery of Agricultural Systems (MIDAS) program was funded and the platform was fully implemented.

¹ The system is a shared computer environment between several USDA agencies that is built on a common IT investment strategy, common telecommunications capability, common office automation tools, common administrative applications, and a common IT support organization.

² The Office of E-Government and Information Technology, headed by the Federal Government's Chief Information Officer (CIO), develop and provide direction on the use of Internet-based technologies to make it easier for citizens and businesses to interact with the Federal Government, save taxpayer dollars, and streamline citizen participation.

³ The Farm Security and Rural Investment Act of 2002 (P.L. 107-171, May 13, 2002) and the Food, Conservation, and Energy Act of 2008 (P.L. 110-234, May 22, 2008). The most recent Farm Bill was passed in 2014 and was H.R. 2642 - Agricultural Act of 2014, 113th Congress (2013-2014), February 7, 2014. The Farm Bill typically sets agricultural policy. Changes to farm programs in the Farm Bill can require FSA to change the applications that support those programs.

FSA chose to implement in the Web environment to ensure farmers and ranchers received timely benefit.”⁴

In 2007, the Web Farm became inoperable for 1 month because of infrastructure, database, and application problems. In response to this, FSA began the current iteration of the MIDAS project to modernize the delivery of its portfolio of farm programs by migrating all applications into a single enterprise system. Due to this period of inoperability, Congress requested that the Government Accountability Office (GAO) review MIDAS activities in 2008 and perform a followup review in 2011.

The 2011 GAO report found that: “Since 2004, FSA has been planning a program called Modernize and Innovate the Delivery of Agricultural Systems (MIDAS) to modernize the information technology (IT) systems that process these benefits. Goals include replacing aging computer hardware and revamping complex and duplicative farm program benefits processing by 2014. The estimated life cycle costs for the program are expected to approach half a billion dollars.”⁵ FSA’s website states:

The heart of the MIDAS initiative is to improve the delivery of FSA farm program benefits and services through the re-engineering of farm programs business processes and the adoption of enhanced and modernized information technology. MIDAS modernizes the delivery of farm programs and services in the following ways:

- Improve[s] access and convenience for producers, ranchers, fa[r]mers, and field office employees
- Rapidly develop[s] and deploy[s] new farm programs using modernized IT systems and software
- Advance[s] and streamline[s] business processes using the industry best practices and methodologies
- Achieve[s] compliance by improving oversight, management, and accountability for administering FSA farm programs.⁶

According to the FY 2014 USDA Budget Summary, “FSA’s MIDAS project builds on the progress being made to web-enable program delivery applications. The MIDAS system consists of commercial off the shelf (COTS) software customized for USDA and integrated with FSA’s modernized web-based IT systems, architecture, and infrastructure.”⁷ As FSA described on its “About MIDAS” website, MIDAS’ success was to be judged by its “enhanced business process

⁴ Email from FSA’s acting CIO, in response to an OIG audit documentation request, February 4, 2015.

⁵ Audit Report GAO-11-586, *Report to Congressional Committees, USDA Systems Modernization: Management and Oversight Improvements Are Needed* (July 2011) “Highlights.”

⁶ United States Department of Agriculture: Farm Service Agency, “About MIDAS, Project Information” website, accessed August 25, 2014, at <http://www.fsa.usda.gov/FSA/midas?area=about&subject=landing&topic=pin>.

⁷ *USDA FY 2014 Budget Summary and Annual Performance Plan*, p. 27.

efficiencies, improved services to customers, achievements in compliance (reduction in erroneous payment percentages) and decreased redundancies within farm program delivery and services.”

The following definitions provide an overview of MIDAS and the associated activities.

- **MIDAS:** MIDAS is an initiative to modernize the delivery of FSA’s agriculture programs. Its objective is to streamline the FSA business processes and develop a modern, long-term IT solution for the efficient delivery of its farm programs. MIDAS’ goal is to simplify the signup process for farm programs, eliminate FSA’s reliance on high risk antiquated technology, reduce errors, and increase compliance with modern security, financial, and privacy controls.
- **Stabilization:** Stabilization encompassed FSA’s operations and maintenance of its current legacy and Web-based systems. Improvements included replacing old hardware, installing tools to monitor the network, and installing additional testing facilities. Stabilization was a response to the service disruption in January 2007.
- **Web Farm:** The Web Farm is a group of servers that host computer applications in a centralized environment, supporting the delivery of farm program information via Web access. The applications were initially moved from the legacy equipment in the county offices (AS/400) to the Web Farm because the service center equipment was antiquated and beginning to fail.
- **GIS:** Geographic Information System (GIS) is a computer platform containing a series of applications designed to store geospatial information. FSA uses GIS to store aerial photographs of farmland to maintain property boundaries. This is a separate application housed in a different physical location than MIDAS. GIS information has been interfaced and can be accessed using the MIDAS system.

MIDAS has been primarily funded through FSA’s S&E budget. Once Congress passes FSA’s annual appropriation, FSA prepares an Agency Spending Plan based on revisions made during the submission of the President’s Budget. Congress’ appropriation did not specify the amount FSA should obligate to the MIDAS project annually or in total. In April 2010, FSA reported to Congress that the MIDAS project would cost nearly \$305 million, with a total lifecycle cost of \$455 million.⁸ The only Congressional stipulation was in FSA’s FY 2012 appropriation, stating that not less than \$66,685,000 was to be used for MIDAS. Additionally, the American Recovery and Reinvestment Act of 2009 provided \$50 million to support the FSA IT stabilization/modernization projects; FSA spent \$19 million of that on MIDAS.

⁸ Lifecycle cost is the sum of all recurring and one-time (non-recurring) costs over the full life span or a specified period of a good, service, structure, or system. It includes purchase price, installation cost, operating costs, maintenance and upgrade costs, and remaining (residual or salvage) value at the end of ownership or its useful life.

FSA stated in an April 2010 report to Congress⁹ that its plan for MIDAS was to have all 31 farm programs designed and deployed within the enterprise solution by the end of FY 2012,¹⁰ with the total cost for project implementation estimated at nearly \$305 million for FY 2009 through FY 2012. After implementation, all farm programs would be modernized into a single enterprise solution.

Between April 2010 and the deployment of Release 1 of MIDAS in April 2013, the project had multiple changes and was significantly scaled down. The project, as initially implemented in April 2013, was a release containing the core functionality for Farm Records with GIS capabilities. Farm Records contains the foundational common land unit (CLU) records that all FSA programs use.¹¹

The MIDAS planned activities included four additional core functions:

- **Release 2: Business Partner**

This release was to provide a central location to store all producer data and provide better validation and availability of farmer information.

- **Release 3: Acreage/Inventory Reporting**

This release was to provide a central location to store annual cropland use data, as well as to enable service centers to reduce input redundancy and increase integrity of data.

- **Release 4: Historical Changes/Analytics**

This release was intended to allow multiple years of farmer information to be viewed and increase the metrics and efficiency of reports.

- **Release 5: Customer Portal**

This release was intended to allow farmers and ranchers to access their information at any time, from any location.

In its 2008 report, GAO found that USDA officials had planned to assess software products which could be used to integrate FSA's existing systems. GAO explained:

[...] business requirements were not used as a basis for the department's life-cycle cost estimate of \$455 million for the modernization initiative. Instead, the

⁹ United States Department of Agriculture, Farm Service Agency, *A Report to Congress on FSA IT Systems Modernization and Stabilization, Response to Congressional Directive* (April 2010).

¹⁰ Key foundational functions include acreage reporting, GIS integration, farm records, common process, and supporting master data used by multiple applications within FSA farm programs.

¹¹ A CLU is the smallest unit of land that has a permanent, contiguous boundary, a common land cover and land management, a common owner, and a common producer in agricultural land associated with USDA farm programs. CLU boundaries are delineated from relatively permanent features such as fence lines, roads, and/or waterways.

estimate was based primarily on the cost estimate for another unrelated USDA IT investment. Similarly, the department had not adequately assessed its schedule estimate. According to the department officials, they committed to accelerating the implementation of MIDAS from 10 years to 2 years in order to more quickly deliver a long-term solution to the problems the department is experiencing with its existing program's delivery systems. However, business requirements were not considered when developing this schedule estimate. As a result, it was uncertain whether the department would be able to deliver the modernization initiative within the cost and schedule time frames it had proposed.¹²

GAO also found that:

From January 2004 through January 2006, officials reported that they had spent \$14 million defining requirements and conducting the initial planning for MIDAS. However, USDA never completed the MIDAS requirements development process because key program officials lost confidence that the process would be an effective solution to meet USDA's future business needs and consequently withdrew their support. Subsequently, in the summer of 2006, USDA changed direction from building a customized system to acquiring commercial off-the-shelf enterprise resource planning software. USDA officials stated that this approach would be more flexible in adapting to new legislative requirements and would reduce overall IT operating costs for the department.¹³

Following these findings, GAO recommended:

[...] that the Secretary of USDA direct the department's chief information officer to work with FSA's chief information officer to fully assess USDA's investment in MIDAS, including:

- establishing effective and reliable cost estimates using industry best practices, including using key information such as business requirements to develop the estimates; and,
- establishing a realistic and reliable implementation schedule for MIDAS that is based on complete business requirements.¹⁴

¹² Audit Report GAO-08-657, *Report to Congressional Requesters, Information Technology: Agriculture Needs to Strengthen Management Practices for Stabilizing and Modernizing Its Farm Program Delivery Systems* (May 2008) p. 3.

¹³ Audit Report GAO-08-657, *Report to Congressional Requesters, Information Technology: Agriculture Needs to Strengthen Management Practices for Stabilizing and Modernizing Its Farm Program Delivery Systems*, Appendix I (May 2008) pp. 22 and 23.

¹⁴ Audit Report GAO-08-657, *Report to Congressional Requesters, Information Technology: Agriculture Needs to Strengthen Management Practices for Stabilizing and Modernizing Its Farm Program Delivery Systems*, Appendix I (May 2008) p. 41.

Another GAO audit, published in July 2011, found that “FSA’s program management approach included many leading practices, but could be strengthened.” GAO recommended that “USDA update cost and schedule estimates, address management weaknesses in plans and program execution, and clarify the roles and coordination among governance bodies.”¹⁵

Objectives

The objectives of this audit were to determine if: (1) the needs and expectations of Congress are being met, (2) overall management of the project is being performed effectively and efficiently, and (3) if secure practices are being performed during the implementation process in accordance with Departmental and Federal guidance.

Based on Congressional interest, we re-prioritized the objectives of this review, focusing on Objectives 1 and 2 in this report. We addressed Objective 3 as part of the annual *Fiscal Year 2014 Federal Information Security Management Act* audit (Audit Report 50501-0006-12, November 7, 2014) and the *Statement on Standards for Attestation Engagements No. 16, Report on Controls at the National Finance Center for October 1, 2013 to July 31, 2014* (Audit Report 11401-0007-11, September 25, 2014). There were no MIDAS-related security findings in either report.

¹⁵ Audit Report GAO-11-586, *Report to Congressional Committees, USDA Systems Modernization: Management and Oversight Improvements Are Needed* (July 2011) “Highlights.”

Section 1: MIDAS Project Planning, Management, and Oversight

Finding 1: MIDAS is Overdue and Over Budget Because of Ineffective Project Management and Oversight

We found that the MIDAS project was 2 years overdue and approximately \$140 million over budget. Additionally, it had implemented only two of the five planned core foundational functions and none of the Farm Program applications into the enterprise solution. These cost and time overruns were caused by ineffective project management and oversight. A number of underlying causes led to the ineffective management and oversight, including the segregation of MIDAS staff from their FSA colleagues, ineffective contractor oversight, inadequate analysis of software alternatives, and insufficient program testing prior to the first release of MIDAS. FSA has obligated over \$444 million on the project as of April 2015, but has not modernized the farm programs into an enterprise solution, as promised to Congress and the agricultural community. Therefore, we are questioning all costs that have been expended on MIDAS, totaling over \$430 million, as of February 28, 2015. (See Exhibit A.)

In 2010, FSA informed Congress that MIDAS would have key core functions (such as farm records, records of farmer names and relevant information, acreage reporting, historical farm records, etc.) and applications supporting all 31 farm programs designed and deployed into the enterprise solution by the end of FY 2012. The projected cost of this implementation was almost \$305 million for FY 2009 through FY 2012. Once implemented, all farm programs were to be modernized into one enterprise solution. Due to changes in the project, MIDAS became the five releases that were considered core foundational functions (such as farm records, records of farmer names and relevant information, acreage reporting, historical farm records, etc.). FSA has obligated over \$444 million, which is approximately \$140 million more than estimated for the entire project. However, the Office of Inspector General (OIG) found that only two foundational functions had been implemented and no farm programs had been modernized into the enterprise solution. Furthermore, the project is 2 years behind schedule.

With the deployment in April 2013, MIDAS Release 1 began the process of modernization into the enterprise solution by implementing a common process known as Farm Records. However, current production application processes still use the Web Farm Farm Records and not MIDAS. The Web Farm applications cannot interface directly with MIDAS and, therefore, the Web Farm programs must also be maintained. Although over \$444 million has been obligated as of April 1, 2015, only 1 of the 66 (1.5 percent) Web Farm applications that support the farm programs has been retired with the implementation of MIDAS. The Web Farm continues to be the production processing environment for the remaining applications, including Farm Records. Farm Records data from MIDAS is replicated to the Web Farm in near real time for use by the Web Farm applications databases for processing.

A post implementation review, completed on February 14, 2014, by the Independent Verification and Validation (IV&V) contractor, determined that Release 1 was “foundational” and a minor

release relative to MIDAS' overall planned capability.¹⁶ The IV&V report also explained that the number of defects recorded as part of Release 1 should be further investigated. Overall, the contractor concluded that MIDAS could benefit from strengthening of processes in some areas, including cost, schedule, and requirements management, which is particularly important given the size and complexity of the program.

Beginning in June 2014, USDA officials decided to further reduce the scope of MIDAS. The Office of Management and Budget (OMB) had withheld spending authority until FSA could articulate a business strategy for the future. Also, the 2014 Farm Bill included money and a requirement that FSA collaborate with another USDA agency to streamline the acreage reporting process. Finally, the Department was looking into developing a customer portal that included all the service center activities. Based upon a review of MIDAS' status, the Executive Information Technology Investment Review Board (E-Board) recommended that the Secretary of Agriculture reduce the scope of the project, and cease development, modernization, and enhancement activities after establishing Business Partner functionality in Release 2.¹⁷ The Secretary of Agriculture accepted the recommendation and issued a decision memorandum on July 23, 2014. The implementation of Releases 3, 4, and 5 was removed from the project at that time.

On December 17, 2014, MIDAS Release 2 (Business Partner) was completed as scheduled. Release 2 implemented the functionality that was in the Web Farm Service Center Information Management System (SCIMS) application that tracks producer information in MIDAS. Again, FSA continues to conduct business utilizing the current Web Farm version of SCIMS. SCIMS data are now input into MIDAS and replicated over to the Web Farm, which other farm programs read and use for processing. None of the original 31 farm programs have been implemented into MIDAS with the implementation of Release 2.

Overall, MIDAS project management and oversight have improved in the last 2 years. The integration of the MIDAS IT functions back into FSA's normal structure, the appointment of a Program Executive Director that reports directly to the Under Secretary for Farm and Foreign Agricultural Services, and the successful implementation of Release 2 are examples of improved project management and oversight.

Looking forward, FSA estimates it will spend just over \$470 million on MIDAS through FY 2015. Total projected operation and maintenance costs for MIDAS for FY 2016 through FY 2022 are estimated by FSA to be \$50.5 million per year, for a projected total of \$353 million. This will result in an estimated life cycle cost of almost \$824 million for Farm Records and Business Partner, which constitutes only two of the five planned MIDAS releases. These total life cycle costs will exceed the FSA estimate reported to GAO in 2008 by nearly \$369 million.

¹⁶ Independent Verification and Validation assists project leadership in overseeing the program and the technical management activities and products of other contractors. An independent perspective on project activities promotes early detection of project variances and allows for corrective actions to bring the project back in-line with agreed-upon expectations.

¹⁷ The E-Board ensures IT capital investments follow digital service guidelines through the entire lifecycle process, and ensures that the investment goal and strategy are optimal for achieving USDA's mission.

FSA officials have described the MIDAS project as transformational for the agency. They stated that, since 2001, when the agency began moving away from the antiquated AS/400, FSA has been transforming the way it does business. Also, FSA stated that the decision to move to a Commercial Off-The-Shelf (COTS) package was a fundamental change for the agency. The agency began looking at business processes, instead of farm programs, and began putting data into one, instead of multiple systems, as it had done historically. In FSA's opinion, this process constituted a transformation of its IT environment and therefore was difficult.

Congress noted its concerns about the project in the 2015 Appropriation Bill:

The Department's mismanagement of the MIDAS program is of greatest concern. MIDAS was intended to deliver a modernized, secure, and integrated IT solution. The planning for MIDAS began over 10 years ago, and after spending over \$400 million, USDA ended the MIDAS project by redefining the scope of the project and failing to deliver what USDA had promised Congress and the agricultural community. USDA is directed to deliver a modernized functional system that: builds existing farm program applications into an integrated system; delivers increased efficiency and security; retires redundant legacy systems; eliminates the path of siloed legacy applications; capitalizes on the investment that USDA has already made in the enterprise platform; addresses the new requirements required by the 2014 Farm Bill; and improves upon the capabilities originally promised to Congress and the Nation's farmers and ranchers.¹⁸

The 2011 GAO report found similar issues and noted that USDA needed to address this managerial weakness or the project would be over schedule and over budget. For example, GAO reported:

[...] an integrated team has not yet been formed with representatives from IT programs that MIDAS depends on for its success. Moreover, the plans did not explicitly call for, and FSA has not produced, a schedule that reflects dependencies with those programs, and risks are not being regularly tracked as planned.[...] Executive-level governance for MIDAS has not been clearly defined and does not fully follow department IT investment management guidance. Specifically, oversight and governance has been assigned to several department and agency bodies, but roles and escalation criteria are not clearly defined among them. The lack of clarity and definition for the roles of the governance bodies could result in duplication or voids in program oversight, as well as wasted resources. Moreover, because MIDAS is not being governed according to the department's investment guidance, the department may not be rigorously monitoring and managing the program and its risks, and may not have the information it needs to make timely and appropriate decisions to ensure the success of MIDAS.¹⁹

¹⁸ Congressional Record, Proceedings and Debates of the 113th Congress, 2nd Session, Vol. 160, No. 151-Book II: House of Representatives. *Explanatory Statement by the Chairman of the House Committee on Appropriations Regarding the House Amendment to the Senate Amendment on H.R. 83* (December 11, 2014).

¹⁹ Audit Report GAO-11-586, *Report to Congressional Committees, USDA Systems Modernization: Management and Oversight Improvements Are Needed* (July 2011) "Highlights."

Another perspective on project management comes from OMB,²⁰ which has found that:

One of the most consistent problems [of IT projects] lies in project scope and timeline. In TechStat sessions, OMB found that many current IT projects are scheduled to produce the first deliverables years after work begins, in some cases up to six years later. In six years, technology will change, project sponsors will change, and, most importantly, program needs will change. Programs designed to deliver initial functionality after several years of planning are inevitably doomed. Modular development delivers functionality in shorter timeframes and has long been considered best practice in the private sector, and in some areas of government [...]. Successful organizations using modular development base [their program] releases on requirements they define at a high level and then refine through an iterative process, with extensive engagement and feedback from stakeholders. To maintain the discipline of on-time and on-budget, organizations push out additional functionality and new requirements for major changes into future releases and prioritize critical needs and end-user functionality. Evidence shows that modular development leads to increased success and reduced risk. [...] Many existing government processes—from planning to budgeting to procurement—naturally favor larger, more comprehensive projects. As such, far too many Federal IT programs have multi-year timeframes well beyond the now accepted 18- to 24-month best practice.

The underlying causes which led to the ineffective oversight and management of MIDAS are noted in the following paragraphs.

Project Team Structure

We found FSA established the MIDAS project team and its structure as a separate organizational unit within FSA. The team mirrored FSA's existing organizational structure, but was segregated. FSA officials stated this was done to establish an innovative atmosphere and foster a competitive spirit. FSA officials explained that, instead, this segregated structure created an adversarial relationship that hampered MIDAS' progress and increased the time and cost of the project. The communication and cooperation between the MIDAS project team and the existing FSA organization has been described by FSA management as "fractured." FSA officials stated that MIDAS decisions were often made in a "bubble," without consulting FSA IT business experts. This prevailing atmosphere of "us versus them" led to many of the project's cost overruns and timeline delays.

Throughout the project, for example, the MIDAS team worked to convert Farm Programs to MIDAS; concurrently, a Web Farm team was working to convert AS/400 applications to the Web Farm. Thus, these two teams were working toward a similar goal using two separate and unique solutions, leading to an "us versus them" mentality among MIDAS and other staff members. From 2007 to 2015, the Web Farm team converted 23 farm programs from the AS/400 to the Web Farm. During this same time period, the Agency invested over \$444 million

²⁰ Excerpt from "25 Point Implementation Plan to Reform Federal Information Technology Management," written by the U.S. CIO (December 9, 2010).

attempting to implement those same farm programs into MIDAS, but did not accomplish this task.

After FSA completed the development phase of Release 1 in April 2013, the MIDAS project team was restructured so that all of the IT functions were placed back into the normal FSA Chief Information Office's organizational structure. FSA officials stated that this has led to increased cooperation and communication.

Contract and Contractor Oversight

OIG found that 16 primary contractors were used for the implementation of MIDAS. The obligations associated with these 16 contractors totaled over \$359 million of the \$444 million obligated on the MIDAS project, based on the April 1, 2015, reconciliation.

FSA utilized time-and-materials contract vehicles for the MIDAS project. A time-and-materials contract provides for acquiring supplies or services on the basis of direct labor hours at specified hourly rates that include wages, overhead, general and administrative expenses, and profit; and the actual cost of materials. This type of contract may be used only when it is not possible at the time of placing the contract to estimate accurately the extent or duration of the work—or to anticipate costs with any reasonable degree of confidence.²¹ It provides no positive profit incentive to the contractor for cost control or labor efficiency. Therefore, appropriate Government surveillance of contractor performance is required to give reasonable assurance that efficient methods and effective cost controls are being used. A USDA official stated that the principle contract vehicle for MIDAS should not have been a time-and-materials contract: “Because of the size and scope of the project and the lack of clarity around the requirements, this contract type allowed for too much change to occur without forcing a conversation on the impact of the change.”

We found that contractor oversight during the early years of the project could have been improved. For example, one contractor had no negative comments officially documented in the Contractor Performance Assessment Report System (CPARS)²² from December 2009 to March 2012. However, in a CPARS assessment for the period of March 22, 2012, to April 30, 2013, FSA documented that the contractor had not performed according to commonly accepted technical and professional standards. Also, this performance report documented quality errors and instances of poor decision-making, which caused the MIDAS project to face increased challenges throughout the year. Additionally, FSA noted that the Government was continuously required to give technical direction to the contractor, and the contractor did not provide key personnel to manage the team and did not function as required for much of 2012. Furthermore, the contractor did not properly plan staffing and labor hours and had provided poor status reports

²¹ Federal Acquisition Regulation, Volume I—Parts 1 to 51, Subpart 16.6—Time-and-Materials, Labor-Hour, and Letter Contracts (March 2005).

²² A CPAR is a General Services Administration process used to assess a contractor's performance and provides a record, both positive and negative, on a given contractor during a specific period of time. Each assessment is based on facts and supported by program and contract management data, such as cost performance reports, customer comments, quality reviews, production management reviews, contractor operations reviews, functional performance evaluations, and earned contract incentives.

to the Government, which misled the Government team, and hindered visibility into ongoing schedule issues. The report stated a higher quality team would have been able to perform and take corrective action more effectively. Over the course of the project, FSA expressed serious concerns with the contractor's leadership and, as a result, four of its seven project managers were removed for various causes, including insufficient knowledge of the enterprise solution. The assessment documented that, during the reporting timeframe, the contractor had begun to move from "marginal" to "satisfactory" quality.

In response to this assessment report, the contractor acknowledged the issues that prevented the contractor team from flawlessly delivering the MIDAS system. The contractor detailed the challenges and respective corrective actions in its response. Also, the contractor stated that some of these issues were caused by the Government. For example, delays in receiving Government-issued equipment and information led to the contractor not completing tasks timely. The contractor also stated it corrected the key personnel problems.

The project continued to have problems until December 2012, when the software integration contractor brought in personnel with the appropriate expertise from the enterprise solution software company. During this timeframe of questionable performance, FSA paid this contractor over \$108 million. As of April 2015, FSA has obligated almost \$213 million on this contractor.

In another instance, the IV&V contractor's role was significantly reduced during the critical phase just prior to the implementation of Farm Records. Keeping the IV&V contractor involved could have led to a higher quality Release 1 and fewer defects. We found FSA allocated over twice the amount to a contract that provided administrative services than it did to the contract that provided verification and validation services for the MIDAS solution. Over \$36.6 million was spent on a contract under which approximately 20 people performed administrative duties, which included such tasks as setting up meetings, taking minutes, drafting memos, and providing status reports. In addition, eight more personnel working on the contract were involved in quality assurance tasks such as monitoring criteria, reporting test results, and strengthening processes by looking for completeness and correctness. In contrast, \$15.7 million was spent on the IV&V contract. The IV&V contractor, responsible for providing independent oversight for the entire MIDAS project, was given a reduced scope of work and had to decrease its workforce from 18 to fewer than 8 due to budget concerns just prior to Release 1's implementation.

Software Selection Process

FSA did not provide documentation to show that a complete, documented, and approved software analysis was done between the selected COTS software package and any other alternatives. The document provided actually showed another software solution as having fewer weaknesses than the solution ultimately selected. In 2007, USDA decided to use COTS software as the preferred means of modernization for the MIDAS initiative. The decision was made to utilize the same package because USDA had invested heavily in a COTS solution for other modernization initiatives, and because the USDA CIO released a Software Standardization policy stating that any new systems generating financial transaction information must integrate with the Department's accounting system.

The National Institute of Standards and Technology (NIST) recommends that organizations develop an alternatives analysis to identify the best solution among the alternatives.²³ OMB adds that “Once the decision to acquire an asset is made, comparison of the various available asset options is needed to ensure the acquisition of the best product for the job.”²⁴ Although this enterprise solution was being used in other modernization initiatives, without an alternatives analysis, it may not have been the best solution for the FSA modernization project.

Project Scope Changes

MIDAS has had three reductions in scope, beginning in FY 2010. The original FY 2010 project scope provided for the replacement of all 31 farm programs with MIDAS, to include common processes and supporting master data. This project was to be completed in FY 2012 and cost \$305 million. The current project manager stated that, at that time, there were only high-level project requirements defined and those were never put into a detailed system requirement specifications document for the project. They were only used to begin the process of defining the detailed requirements.

In December 2011, the scope of the initial release was changed to two separate deployments, which consisted of 1,800 detailed requirements:

- **Deployment 1.0**, which included: acreage reporting, GIS, farm records, common processes, and supporting master data.
- **Deployment 1.1**, which included: 1 of 31 farm programs, SCIMS, and supporting master data.

The rest of the farm programs were to be implemented in three releases with a completion date of May 2014. However, in February 2014, the scope was again changed to five releases, including Farm Records, GIS, SCIMS, and common processes, along with supporting master data. As part of this five release change, the customer portal was added and the Farm Program was dropped. And, finally, in July 2014, the project was reduced to Farm Programs and Business Partner (Releases 1 and 2). These two releases account for just 21.8 percent of the total 1,800 requirements that were planned for in the reduced 2011 scope change.

Testing Problems and Department Guidance

MIDAS programming was not properly tested prior to the April 22, 2013, “go live” date for Release 1. This led to poor customer satisfaction and delayed the software’s migration into the operation and maintenance phase. For example, user acceptance testing was not completed prior to implementation. USDA and FSA management approved the “go live” decision memorandum, which stated that all critical and major defects identified as of April 11, 2013, had to be resolved after implementation. The MIDAS Testing Plan states that critical and major defects are so significant that they are cause for production implementation to be halted. However, MIDAS

²³ NIST Special Publication (SP) 800-35, *Guide to Information Technology Security Services* (October 2003).

²⁴ OMB Circular No. A-11, *Preparation, Submission, and Execution of the Budget* (July 2014).

Release 1 was approved to “go live,” in spite of existing critical and major defects. FSA testing staff, uninvolved with testing Release 1 due to the MIDAS organizational structure, reiterated that standard procedures prevent software from going into production with critical or major flaws. In the first 5 months after release, there were 631 defects found in the software. The help desk was overwhelmed with over 11,000 customer service incidents in the first 3 months after Release 1 went live. According to service center employees, the Release 2 implementation was much smoother than Release 1. We concluded that Release 2 was better tested because, in the first 6 weeks of Release 1, there were 31 critical and 89 major software defects, and in the first 6 weeks of Release 2, there were no critical and only 5 major defects.

In its 2011 report, GAO had raised similar issues as we found with Release 1, explaining that “The lack of clarity and definition for the roles of the governance bodies could result in duplication or voids in program oversight, as well as wasted resources. Moreover, because MIDAS is not being governed according to the department’s investment guidance, the department may not be rigorously monitoring and managing the program and its risks, and may not have the information it needs to make timely and appropriate decisions to ensure the success of MIDAS.”²⁵

Project Costs

Overall project costs have increased from the initial estimate of almost \$305 million to the FSA-estimated \$470 million by the end of FY 2015. Further, because of the reasons cited above, total life cycle costs will likely increase from an estimated \$455 million to over \$824 million by FY 2022. Meanwhile, the project scope has been reduced from an enterprise solution replacing all farm programs on the Web Farm to running two core foundational systems. We also found that these costs and projections do not include all Federal salaries for employees involved in MIDAS prior to 2015. Although FSA captured Federal salaries for the MIDAS project team, other FSA personnel costs were not recorded; therefore, the total project costs are understated and unknown.

Also, there are additional costs associated with other modernization projects related to MIDAS as shown in the table below:

	Other Modernization Costs (Figures Provided by FSA)²⁶	Total
1	Stabilization	\$107,177,000
2	GIS	\$ 27,505,000
3	AS/400 to Web Farm Conversion Costs (2010-2014 only) ²⁷	\$ 28,233,336
		\$162,915,336

²⁵ Audit Report GAO-11-586, *Report to Congressional Committees, USDA Systems Modernization: Management and Oversight Improvements are Needed* (July 2011) “Highlights.”

²⁶ Dollar amounts were provided by FSA. OIG did not audit these costs.

²⁷ Although the conversion from the AS/400 to the Web Farm began in 2001, FSA was able to provide conversion costs from 2010 to 2014 only.

In addition to the \$444 million obligated on MIDAS, and the almost \$163 million spent on other modernization costs, FSA also spent over \$248 million in FYs 2010-2014 delivering farm programs, including supporting shared functions through the current Web Farm solution. FSA estimates nearly \$70 million in Web Farm costs for FY 2015.

For total MIDAS obligations, by category, see the table below:

Category (Figures Provided by FSA)²⁸	Total Obligations as of April 1, 2015
Contract Cost—includes 16 separate contracts	\$359,651,075
Contract Administration by Non-USDA Entities	\$ 4,839,155
Federal Administration—Government S&E	\$ 24,493,445
Miscellaneous Expenses—travel, training, equipment, etc.	\$ 3,947,961
Hosting Cost—costs associated with USDA’s data centers	\$ 51,323,028
Total Obligations	\$444,254,664

MIDAS Feedback from State and County Office Staff

Despite the numerous problems described in this report, MIDAS’ implementation has provided the field offices with increased functionality. FSA State and county office employees told OIG that MIDAS added the following functions:

- a nationwide farm search feature that allows the county office staff to better serve their producers;
- farm records are linked to GIS which allows for the ability to have correct acres without having the risk of duplicative or erroneous data;
- GIS data is dynamic and now when a field boundary is adjusted, all corresponding data is adjusted;
- new nationwide access to death records helps to eliminate fraud;
- the transferring of farms has improved with MIDAS. The old system had several manual steps that have been replaced with a single automated process;
- MIDAS automatically validates producer information such as mailing address and tax information at the time of entry, reducing duplicative work and minimizing the risk of improper payments; and

²⁸ Dollar amounts were provided by FSA. OIG did not audit these costs.

- MIDAS allows FSA staff to edit and maintain producer information and access program eligibility information in a single consolidated view, rather than by having to access multiple systems.

Nevertheless, MIDAS' implementation also has created concern among county office users. Chief among these is that the USDA Service Centers' IT infrastructure is insufficient to handle the data traffic created by MIDAS.²⁹ Currently, nearly 2,400 of the over 2,700 service centers are still using one communication line with a speed of 1.5 megabits per second.³⁰ These lines were designed based on the anticipated traffic from the initial common computing environment project in FY 2000 and have not increased in speed with the increase in data traffic.³¹ Each of the offices using this line speed has an average of 10 FSA, NRCS, and/or RD employees who all share this single communication line. The slow speed is especially evident during MIDAS' GIS functions. Any future projects must also address this communication issue. FSA officials have stated that the Department is working on this problem.

Another common concern is the lack of data reporting or analytics, which were to be included in Release 4. Additionally, at this time, MIDAS is not capable of printing maps and has inadequate measuring tools to measure out field edits, which limits accuracy. County offices are also unable to add large geospatial data layers due to size constraints with MIDAS. There is also concern among county office employees with USDA's decision not to move forward with collecting and housing both FSA and Risk Management Agency (RMA) reported crop acreage data in MIDAS.³² This kind of information is critical core data shared across agencies, and it should be housed with farm and tract data.

In conclusion, OIG believes the Department made the appropriate decision to halt development, modernization, and enhancement activities under the MIDAS project. Based upon our review, the future of MIDAS still needs to be determined. The Department and FSA need to decide whether the current enterprise solution provides the needed functionality for the current and future anticipated needs of the agency and the agricultural community. To make this determination, we believe an independent third-party entity should evaluate the enterprise solution, along with FSA business practices. At a projected annual operational and maintenance cost of over \$50 million per year, FSA and the Department must determine whether the benefits derived from the solution warrant that level of resource commitment. If not, USDA and FSA need to look for alternative options for modernizing the delivery of farm programs. According to

²⁹ USDA Service Centers are designed to be a single location where customers can access the services provided by FSA, the Natural Resources Conservation Service (NRCS), and the Rural Development (RD) agencies.

³⁰ The 2,700 service center number comes from the International Technology Service (ITS) and includes all service centers, not just ones that have an FSA office. Megabits per second (Mbps) is a measure of data transfer speed (a megabit is equal to one million bits). Eight bits generally equals one character. A communication line with a speed of 1.5 Mbps is comparable to the average peak performance of a mobile 3G line (1.4 Mbps download). In comparison, modern 4G mobile lines can reach 4-15 Mbps depending on coverage.

³¹ The line speed has not been increased since FY 2000 because to double the line speed in previous years would have increased the annual costs from \$22 million to \$44 million per year. However, the Department is working on a solution that has since become available to increase the line speeds from 3 to 6 times at a more economical cost.

³² The Acreage and Crop Reporting Streamlining Initiative is a Farm Bill requirement for USDA to standardize the acreage reporting processes, program dates, and data definitions across the various USDA programs. FSA and RMA are working on this initiative together.

FSA officials, current business processes can continue if USDA and FSA choose another direction. Also, any future FSA IT projects must have clearly defined goals which include measurable milestones, cost effectiveness, accurate and transparent progress reporting, and strict cost adherence.

In the very near future, USDA needs to provide the field office staff with the tools necessary to efficiently accomplish their assigned program responsibilities. With MIDAS, the field staffs now have farm records and business partner information in a centralized location, but additional functionality, i.e., report generating capabilities, is needed to effectively utilize the combined data. For instance, FSA is required to inform producers when it is time to sign up for a program they previously participated in. As presently implemented, MIDAS does not provide a method for field users to obtain a list of current producers so that signup reminders can be sent out. Field users must utilize multiple applications, residing on multiple systems, and integrate data from those systems in order to generate a mailing list. This process takes many staff hours and is not a good use of resources. Therefore, FSA needs to ensure that the necessary functionality is available to field staff in order for MIDAS to be effective.

The Secretary recognizes these continuing needs and stated in the MIDAS decision memo in July 2014 “that additional functionality is still needed by farmers and ranchers and by FSA field staff” and that functionality should “be developed separately in smaller, more modular, investments that reflect the current vision for FSA’s role and opportunities to improve service, including provisions of the 2014 Farm Bill.”

Recommendation 1

Obtain a non-USDA, third-party independent analysis to determine if the current enterprise solution provides the necessary functionality and is the most cost effective modernization solution.

Agency Response

In its April 27, 2015, response, FSA stated that:

FSA agrees with this recommendation. FSA recognizes the value of conducting independent analysis, as demonstrated by the continuous Independent Verification and Validation of the MIDAS program and previous studies, including a software gap analysis and architectural integration assessment. A non-USDA independent third-party will be engaged to conduct an analysis of the enterprise solution to determine if the current enterprise solution provides the necessary functionality and identify a proposed strategic direction for modernizing and ensuring the most cost-effective means for delivery of Information Technology Services in FSA’s dynamic program environment. The independent third party analysis is expected to be completed by April 30, 2016.

OIG Position

We accept FSA's management decision for this recommendation.

Recommendation 2

Establish, for future IT projects, effective procedures for project goals with: (1) clearly-defined milestones for progress, (2) sufficient reporting of activity details, (3) established timeframes for completion, (4) continuous monitoring, and (5) timely reporting of any deviations from cost projections and timeframes.

Agency Response

In its April 27, 2015, response, FSA stated that:

FSA agrees with this recommendation. In 2015, FSA began an initiative in partnership with a third-party Capital Planning Center of Excellence to improve the Agency's use of OMB-mandated capital planning tools. IT Business Cases include defined projects with milestones for progress and activity-level reporting with schedule and cost baselines. Based on an assessment of FSA's current capital planning profile, a corrective action plan will be prepared in July 2015 identifying a schedule of activities to address identified weaknesses. Major investments, such as MIDAS, currently must provide monthly updates, while non-major investments are required to provide quarterly updates to USDA OCIO. Monthly reviews of major business cases and quarterly reviews of non-major business cases provide Department-level monitoring of IT investments to identify and resolve deviations. FSA is supplementing the increased focus on capital planning with core project management skills, processes, and tools across the IT organization. FSA is conducting a series of training classes on capital planning and IT project management across the Agency; developing a risk management program; and strengthening the use of Earned Value Management.

OIG Position

We accept FSA's management decision for this recommendation.

Recommendation 3

Work with the Department to update State and county office communications infrastructure in order to more effectively support the business enterprise solution called Modernize and Innovate the Delivery of Agricultural Systems (MIDAS) and any future web-based technology solution.

Agency Response

In its April 27, 2015, response, FSA stated that:

FSA agrees with this recommendation. FSA acknowledges that the modernization of the current national telecommunications architecture is required to improve performance and enable efficient delivery of program services to farmers, land owners, and agricultural partners. In March 2015, the Service Center Agencies (FSA, RD, and NRCS) approved the USDA plan to upgrade a total of 1,035 sites from 1.5MB T1's to 10 MB Ethernet connections, increasing bandwidth up to 567%. In FY 2015, 300 sites are being upgraded, with an additional 735 SCA sites planned in FY 2016. Site installation costs will be funded through USDA Optimized Computing Environment (OCE) investment and recurring monthly circuit charges will be funded by the SCA base budget. The Optimized Computing Environments' (OCE) investment in VoIP technology allows for the consolidation of communications traffic, thereby resulting in a reduction in voice lines. The reduced voice line costs will significantly offset the increased network costs. After deployment, USDA expects overall telecommunications costs for the SCAs to decrease. USDA's Client Technology Services (CTS) will continue to monitor network utilization to confirm the upgraded connection is sufficient, and to assess remaining SCA offices for future upgrade requirements. FSA expects to complete the telecommunications modernization initiative by December 31, 2016.

OIG Position

We are unable to reach management decision based on FSA's response. In order to reach management decision on this recommendation, FSA, in conjunction with the Department, needs to produce a plan to upgrade all sites with the necessary infrastructure needed to support MIDAS and future web-based technologies.

Recommendation 4

Create a plan to prioritize and implement needed field office functionality to more effectively utilize the current implementation of MIDAS.

Agency Response

In its April 27, 2015, response, FSA stated that:

FSA agrees with this recommendation. FSA shall use the results from the independent third party analysis required in Recommendation 1 above to inform its plan to prioritize and implement needed field office functionality to more effectively utilize the current implementation of MIDAS. Further, FSA will integrate MIDAS into the full FSA Information Technology governance and oversight structure by establishing a Business

Information Technology Steering Committee to ensure broader program and user participation in FSA information technology solutions. FSA expects to establish the Business Information Technology Steering Committee by August 31, 2015.

OIG Position

We are unable to reach management decision based on FSA's response. In order to reach management decision on this recommendation, FSA needs to provide a date when it will have prioritized and implemented an action plan to provide the needed field office functionality.

Scope and Methodology

We evaluated the current MIDAS project's status and timeline, funding, information technology security, and system performance. Specifically, the objectives of this audit were to examine the implementation of MIDAS and determine: (1) if Congressional needs and expectations are being met, (2) the effectiveness and efficiency of project management, and (3) if MIDAS implementation is secure and in accordance with USDA and Federal guidance.

OIG initiated this audit as a result of our annual planning process. During the field work phase of the audit, the Secretary of Agriculture approved a decision memo recommending that the MIDAS project cease development, modernization, and enhancement activities after the release of the Business Partner functionality. Once the Department had briefed Congress on this decision, the House and Senate Appropriations Committees renewed their interest in OIG's audit of MIDAS. Based on Congressional interest, we re-prioritized the objectives of this review, focusing on Objectives 1 and 2 in this report. We addressed Objective 3 as part of our annual *Fiscal Year 2014 Federal Information Security Management Act* audit (Audit Report 50501-0006-12, November 7, 2014) and the *Statement on Standards for Attestation Engagements No. 16, Report on Controls at the National Finance Center for October 1, 2013, to July 31, 2014* (Audit Report 11401-0007-11, September 25, 2014). Fieldwork began in April 2014 and ended in April 2015. The audit work was conducted in Kansas City, Missouri; Washington, D.C.; Lakewood, Colorado; and 15 field sites listed in Exhibit B. Field sites were selected based upon proximity from Kansas City, Missouri, and Lakewood, Colorado.

The financial details and total amounts presented in this report were provided by FSA. FSA reported on June 30, 2014, that it had spent approximately \$397 million on MIDAS. OIG audited the support and found that it was materially accurate. Therefore, we believe the methodology used by FSA to determine the amounts was materially correct. However, as noted in the audit, the amounts did not include non-MIDAS project Federal salaries. These are the only costs audited by OIG; all other costs in this report are from FSA and are unaudited.

To accomplish our audit objective, we performed the following procedures:

- Reviewed Office of Budget and Program Analysis and Congressional documentation on FSA appropriations.
- Reviewed the documented support for the obligation amounts provided through June 30, 2014.
- Interviewed various FSA, Departmental, and General Services Administration personnel on the MIDAS project.
- Reviewed MIDAS project documentation.
- Compared Financial Management Modernization Initiative amounts to June 30, 2014, obligations received from FSA.

- Visited field sites in Exhibit B and interviewed field staff to determine how MIDAS was performing for them.
- Audited FSA IT security as part of the annual Fiscal Year 2014 Federal Information Security Management Act audit (Audit Report 50501-0006-12), and audited physical and environmental controls at the National Finance Center under Statement on Standards for Attestation Engagements No. 16, Report on Controls at the National Finance Center for October 1, 2013 to July 31, 2014 (Audit Report 11401-0007-11).

We conducted this performance audit 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Abbreviations

AS/400	Application System/400
CIO.....	Chief Information Officer
CLU.....	Common Land Unit
COTS	Commercial Off-The-Shelf
CPARS.....	Contractor Performance Assessment Report System
CTS	Client Technology Services
E-Board	Executive Information Technology Investment Review Board
FSA	Farm Service Agency
FY	Fiscal Year
GAO.....	Government Accountability Office
GIS	Geographic Information System
IT.....	Information Technology
ITS.....	International Technology Service
IV&V	Independent Verification and Validation
Mbps	Megabits (MB) per second
MIDAS.....	Modernize and Innovate the Delivery of Agricultural Systems
NIST.....	National Institute of Standards and Technology
NRCS	Natural Resources Conservation Service
OCE.....	Optimized Computing Environment
OIG	Office of Inspector General
OMB	Office of Management and Budget
RD.....	Rural Development
RMA	Risk Management Agency
S&E.....	Salaries and Expenses
S/36	System/36
SCA.....	Service Center Agencies
SCIMS.....	Service Center Information Management System
SP	Special Publication
USDA.....	U.S. Department of Agriculture

Exhibit A: Summary of Monetary Results

The table below summarizes the monetary results for our audit report by finding.

Finding	Recommendation	Description	Amount	Category
1		Expenditures for MIDAS	\$430,749,343 ³³	Questioned Costs, No Recovery

³³ FSA provided this figure for the total expenditures spent on the MIDAS project as of February 28, 2015. The figures used throughout the report are obligation amounts, but obligated funds may or may not be expended. Therefore, the questioned cost amount reflects actual expenditures.

Exhibit B: State and County Office Service Center Site Visit Locations

The table below indicates the State and County Office Service Center site visit locations.

	Office
1	Colorado State Office, Lakewood, CO
2	Adams County, Brighton, CO
3	Boulder County, Longmont, CO
4	El Paso County, Colorado Springs, CO
5	Elbert County, Simla, CO
6	Kansas State Office, Manhattan, KS
7	Doniphan County, Troy, KS
8	Jefferson County, Oskaloosa, KS
9	Riley County, Manhattan, KS
10	Nebraska State Office, Lincoln, NE
11	Adams County, Hastings, NE
12	Gage County, Beatrice, NE
13	Lancaster County, Lincoln, NE
14	Pawnee County, Pawnee City, NE
15	Richardson County, Falls City, NE

**USDA'S
FARM SERVICE AGENCY
RESPONSE TO AUDIT REPORT**



Farm and
Foreign
Agricultural
Services

Farm
Service
Agency

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DATE: April 27, 2015

TO: Gil Harden
Assistant Inspector General for Audit
Office of Inspector General

FROM: Val Dolcini /S/
Administrator

SUBJECT: Response to OIG Official Draft Report – Review of Farm Service Agency’s Initiative to Modernize and Innovate the Delivery of Agricultural Systems (MIDAS), Audit 03501-0001-12

The Farm Service Agency’s (FSA) responses to the four recommendations for the subject audit are provided as follows:

Recommendation 1:

Obtain a non-USDA, third-party independent analysis to determine if the current enterprise solution provides the necessary functionality and is the most cost effective modernization solution.

FSA Response:

FSA agrees with this recommendation. FSA recognizes the value of conducting independent analysis, as demonstrated by the continuous Independent Verification and Validation of the MIDAS program and previous studies, including a software gap analysis and architectural integration assessment. A non-USDA independent third-party will be engaged to conduct an analysis of the enterprise solution to determine if the current enterprise solution provides the necessary functionality and identify a proposed strategic direction for modernizing and ensuring the most cost-effective means for delivery of Information Technology Services in FSA’s dynamic program environment.

The independent third party analysis is expected to be completed by April 30, 2016.

Recommendation 2:

Establish, for future IT Projects, effective procedures for project goals with: (1) clearly-defined milestones for progress, (2) sufficient reporting of activity details, (3) established timeframes for completion, (4) continuous monitoring, and (5) timely reporting of any deviations from cost projections and timeframes.

FSA Response:

FSA agrees with this recommendation. In 2015, FSA began an initiative in partnership with a third-party Capital Planning Center of Excellence to improve the Agency's use of OMB-mandated capital planning tools. IT Business Cases include defined projects with milestones for progress and activity-level reporting with schedule and cost baselines. Based on an assessment of FSA's current capital planning profile, a corrective action plan will be prepared in July 2015 identifying a schedule of activities to address identified weaknesses. Major investments, such as MIDAS, currently must provide monthly updates, while non-major investments are required to provide quarterly updates to USDA OCIO. Monthly reviews of major business cases and quarterly reviews of non-major business cases provide Department-level monitoring of IT investments to identify and resolve deviations. FSA is supplementing the increased focus on capital planning with core project management skills, processes, and tools across the IT organization. FSA is conducting a series of training classes on capital planning and IT project management across the Agency; developing a risk management program; and strengthening the use of Earned Value Management.

As a major IT investment, MIDAS is required to use an Earned Value Management System (EVMS) that complies with the industry standard for project controls systems described in the American National Standards Institute (ANSI) EIA-748. FSA is currently conducting comprehensive release planning activities on the MIDAS program, to include developing cost and schedule baselines that are approved by the Change Control Board (CCB) and used as inputs into the Performance Measurement Baseline (PMB) and subsequent Integrated Baseline Review (IBR) process, enabling Earned Value Management (EVM) reporting. With this infrastructure in place, FSA will have the tools and information through which clearly-defined, time-based milestones can be continuously monitored at a level of detail sufficient to enable timely identification and reporting of deviations from approved cost and schedule baselines. The schedule and cost baseline for Release 2.3 (planned for deployment in June 2015) was approved by the CCB on April 8, 2015. Based on this approval, EVM reporting was initiated for Release 2.3, with the first submission of EVM reports due on May 21, 2015. As FSA moves to plan and deliver smaller, iterative IT projects, the MIDAS program is evaluating additional EVM reporting mechanisms that will enable earlier visibility into project performance, in addition to the regular monthly EVM reporting cycle. Planning for Releases 2.4 and beyond, for work to be completed in the next 12-18 months, has begun and will follow the same baseline process as Release 2.3. To ensure cost-effectiveness and time-efficiency of associated planning efforts, FSA will develop a PMB and conduct an IBR for the work planned in 12 – 18 month time intervals.

Recommendation 3:

Work with the Department to update State and county office communications infrastructure in order to more effectively support the business enterprise solution called Modernize and Innovate the Delivery of Agricultural Systems (MIDAS) and any future web-based technology solution.

FSA Response:

FSA agrees with this recommendation. FSA acknowledges that the modernization of the current national telecommunications architecture is required to improve performance and enable efficient delivery of program services to farmers, land owners, and agricultural partners. In March 2015, the Service Center Agencies (FSA, RD, and NRCS) approved the USDA plan to upgrade a total of 1,035 sites from 1.5MB T1's to 10 MB Ethernet connections, increasing bandwidth up to 567%. In FY 2015, 300 sites are being upgraded, with an additional 735 SCA sites planned in FY 2016. Site installation costs will be funded through USDA Optimized Computing Environment (OCE) investment and recurring monthly circuit charges will be funded by the SCA base budget. The Optimized Computing Environments' (OCE) investment in VoIP technology allows for the consolidation of communications traffic, thereby resulting in a reduction in voice lines. The reduced voice line costs will significantly offset the increased network costs. After deployment, USDA expects overall telecommunications costs for the SCAs to decrease. USDA's Client Technology Services (CTS) will continue to monitor network utilization to confirm the upgraded connection is sufficient, and to assess remaining SCA offices for future upgrade requirements.

FSA expects to complete the telecommunications modernization initiative by December 31, 2016.

Recommendation 4:

Create a plan to prioritize and implement needed field office functionality to more effectively utilize the current implementation of MIDAS.

FSA Response:

FSA agrees with this recommendation. FSA shall use the results from the independent third party analysis required in Recommendation 1 above to inform its plan to prioritize and implement needed field office functionality to more effectively utilize the current implementation of MIDAS. Further, FSA will integrate MIDAS into the full FSA Information Technology governance and oversight structure by establishing a Business

Gil H. Harden

Page 4

Information Technology Steering Committee to ensure broader program and user participation in FSA information technology solutions.

FSA expects to establish the Business Information Technology Steering Committee by August 31, 2015.

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