

GAO

Report to the Ranking Minority
Member, Committee on Governmental
Affairs, U.S. Senate

July 2001

FEDERAL EMERGENCY MANAGEMENT AGENCY

Status of Achieving Key Outcomes and Addressing Major Management Challenges



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United States General Accounting Office
Washington, DC 20548

July 9, 2001

The Honorable Fred Thompson
Ranking Minority Member
Committee on Governmental Affairs
United States Senate

Dear Senator Thompson:

As you requested, we reviewed the Federal Emergency Management Agency's (FEMA) fiscal year 2000 performance report and fiscal year 2002 performance plan required by the Government Performance and Results Act of 1993 (GPRA) to assess the agency's progress in achieving selected key outcomes that you identified as important mission areas for the agency.¹ These are the same outcomes we addressed in our June 2000 review of the agency's fiscal year 1999 performance report and fiscal year 2001 performance plan to provide a baseline by which to measure the agency's performance from year to year.² These selected key outcomes are to

- minimize human suffering and property losses after natural disasters,
- provide timely responses to disaster aid requests, and
- prevent or reduce harm and losses from future disasters through mitigation efforts.

As agreed, using the selected key outcomes for FEMA as a framework, we (1) assessed the progress FEMA has made in achieving these outcomes and the strategies the agency has in place to achieve them and (2) compared FEMA's fiscal year 2000 performance report and fiscal year 2002 performance plan with the agency's prior year performance report and plan for these outcomes. Additionally, we agreed to analyze how FEMA addressed its major management challenges, including the

¹This report is one of a series of reports on the 24 Chief Financial Officers (CFO) Act agencies' fiscal year 2000 performance reports and fiscal year 2002 performance plans. This report is based, in part, on our review of FEMA's fiscal year 2002 performance plan issued in April 2001. According to FEMA's Acting Chief of Staff, FEMA is considering selective modifications to this plan because of its recent realignment.

²*Observations on the Federal Emergency Management Agency's Fiscal Year 1999 Performance Report and Fiscal Year 2001 Performance Plan* (GAO/RCED-00-210R, June 30, 2000).

governmentwide high-risk areas of strategic human capital management³ and information security that we identified. Appendix I provides detailed information on how FEMA addressed these challenges.

Results in Brief

Although FEMA did not attain all of the goals pertaining to the selected key outcomes in its fiscal year 2000 annual performance report, the performance report showed that FEMA made some progress toward achieving the outcomes. FEMA's progress varied for each outcome, and the information presented in the performance report did not always provide sufficient information to facilitate an independent assessment of FEMA's progress in achieving the outcome. In general, FEMA's strategies for achieving these key outcomes appeared to be clear and reasonable.

- Planned outcome: Minimize human suffering and property losses after natural disasters. FEMA's report indicated that FEMA had made some progress in achieving this outcome. It reported that it did not fully meet 5 of the 10 goals related to this outcome; and for 2 other goals, we were unable to determine whether the goals had been achieved, based on the information provided. The agency's strategies for meeting its fiscal year 2002 goals under this outcome appeared to be clear and reasonable. For example, the agency plans several strategies to improve disaster response operations such as enhancing interagency coordination through several groups, such as the Catastrophic Disaster Response Group, and establishing improved disaster declaration criteria.
- Planned outcome: Provide timely responses to disaster aid requests. FEMA's report indicated that it is making limited progress in providing timely responses to disaster aid requests. While it did not fully meet any of this outcome's three goals, FEMA reported accomplishing most of the performance measures associated with the goals. Although FEMA provided a rationale for why these goals were not fully achieved, it did not provide a detailed strategy on how it plans to achieve these unmet goals in the future.
- Planned outcome: Prevent or reduce harm and losses from future disasters through mitigation efforts. FEMA's report showed that the agency is

³Key elements of modern strategic human capital management include strategic human capital planning and organizational alignment; leadership continuity and succession planning; acquiring and developing staffs whose size, skills, and deployment meet agency needs; and creating results-oriented organizational cultures.

making progress towards preventing or reducing harm and losses from future disasters through mitigation efforts. FEMA met the majority of its goals for this key outcome, which included such results as (1) entering into formal agreements with 11 agencies to support mitigation goals, (2) implementing building standards that increased the use and effectiveness of mitigation tools, and (3) refining and remeasuring savings achieved from flood-loss reduction estimated by FEMA to be about \$1 billion in fiscal year 2000. Also, FEMA's strategies for meeting its fiscal year 2002 goals appear to be clear and reasonable. In addition, FEMA made progress in making performance goals more outcome oriented by consolidating related goals. For example, FEMA integrated several mitigation-related performance goals into a single performance goal that will support the development of disaster resistance in communities and states.

Although FEMA has additional work to do on the outcomes we reviewed, its fiscal year 2000 performance report and fiscal year 2002 performance plan reflect continued improvement compared with the prior year's report and plan. FEMA has refined its performance goals making them more outcome oriented. FEMA began its performance planning effort in 1999 with 60 goals and has reduced them to the 19 goals presented in its fiscal year 2002 performance plan. In addition, FEMA's performance report and plan provided more trend data and more descriptive details on performance goals such as the benefits derived by achieving performance goals. For example, FEMA's fiscal year 2000 performance report used data on deployments of trained safety and security staff from fiscal years 1998 through 2000 to illustrate progress toward achieving its goal of providing a safe and secure environment for FEMA and its emergency management partners at disaster facilities. FEMA's plan also included more explicit explanations of why certain goals and measures were revised from previous years and did a better job of providing detailed descriptions of the procedures the agency plans to use to verify and validate performance data. However, unlike FEMA's fiscal year 1999 performance report, which clearly stated the extent to which goals were met, its fiscal year 2000 performance report did not fully state the extent to which some goals were met. For example, in the fiscal year 1999 performance report, FEMA reported it met 70 percent of its goal to make communities more disaster resistant by increasing the use and effectiveness of mitigation information tools. However, its fiscal year 2000 performance report provided a narrative of progress made in achieving this goal, such as providing technical guidance on new construction, but did not clearly indicate the degree to which progress was made.

The agency's fiscal year 2000 performance report and fiscal year 2002 performance plan generally addressed the management challenges we identified. The report and plan indicate that FEMA has taken some actions to address strategic human capital management and information security management challenges. For example, in the area of strategic human capital management, FEMA's fiscal year 2002 performance plan discusses the skills required for the agency to achieve its key outcomes and establishes a goal to create and maintain human resource systems that would help it accomplish human resource planning and managing human capital missions. However, the plan contains no specifics on leadership continuity and succession planning and has limited discussion of strategic human capital planning and organizational alignment. Similarly, FEMA reported taking actions to address information security such as establishing a Critical Infrastructure Assurance Officer position and an Information Assurance Branch in fiscal year 2000 to address weaknesses in information security, but the agency's fiscal year 2002 performance plan does not have performance goals and measures directly related to information security. As a result, it will be difficult to assess future progress in this area.

We provided copies of a draft of this report to FEMA for its review and comment. FEMA chose to meet with us to provide oral comments on the draft report, and we met with FEMA's GPRA Manager of the Administration and Resource Planning Directorate on June 28, 2001, to discuss these comments. The FEMA official agreed with the report, but provided us with clarifying comments that we have addressed in the final report.

Background

GPRA is intended to shift the focus of government decisionmaking, management, and accountability from activities and processes to the results and outcomes achieved by federal programs. New and valuable information on the plans, goals, and strategies of federal agencies has been provided since federal agencies began implementing GPRA. Under GPRA, annual performance plans are to clearly inform the Congress and the public of (1) the annual performance goals for agencies' major programs and activities, (2) the measures that will be used to gauge performance, (3) the strategies and resources required to achieve the performance goals, and (4) the procedures that will be used to verify and validate performance information. These annual plans, issued soon after

transmittal of the president's budget, provide a direct linkage between an agency's longer term goals and mission and day-to-day activities.⁴ Annual performance reports are to subsequently report on the degree to which performance goals were met. The issuance of the agencies' performance reports, due by March 31, represents a new and potentially more substantive phase in the implementation of GPRA—the opportunity to assess federal agencies' actual performance for the prior fiscal year and to consider what steps are needed to improve performance and reduce costs in the future.⁵

FEMA is an independent agency whose mission is to reduce the loss of life and property and protect our institutions from natural and technological hazards by leading and supporting the nation in a comprehensive, risk-based emergency management program of mitigation, preparedness, response, and recovery. Traditionally, the role of the federal government has been to supplement the emergency management efforts of state and local governments, voluntary organizations, and private citizens. According to FEMA's strategic plan, the nation's emergency management capability is built on a partnership of local, state, and federal governments; voluntary agencies; business and industry; and individual citizens. FEMA's focus is on building partnerships and mitigating the effects of disaster by assisting state, tribal, and local governments to prepare for, respond to, and recover from natural, manmade, and technological disasters.

Assessment of FEMA's Progress and Strategies in Achieving Selected Key Outcomes

This section discusses our analysis of FEMA's performance in achieving its selected key outcomes and the strategies it has in place, particularly strategic human capital management and information technology, for accomplishing these outcomes. In discussing these outcomes, we have also provided information drawn from our prior work on the extent to which the agency provided assurance that the performance information it is reporting is credible.

⁴The fiscal year 2002 performance plan is the fourth of these annual plans under GPRA.

⁵The fiscal year 2000 performance report is the second of these annual reports under GPRA.

Minimize Human Suffering and Property Losses After Natural Disasters

According to its fiscal year 2000 annual performance report, FEMA has made some progress in minimizing human suffering and property losses after natural disasters. FEMA has 10 performance goals related to this key outcome. It reported that it met three of this outcome's goals, including efforts to process disaster declaration requests within an average of 8.3 days and achieved an 85-percent customer satisfaction rating for elements of its Public Assistance Program. We could not determine progress for two other goals because FEMA did not provide data for all measures associated with these goals. For example, FEMA did not provide data on reducing costs for disseminating FEMA documents and public announcements making it difficult to assess FEMA's progress toward its goal of providing reliable data and communications services to disaster locations. FEMA also reported that it did not fully meet five goals related to this outcome but generally provided explanations for why goals were not achieved. For instance, FEMA reported that its growth rate for National Flood Insurance Program (NFIP) policies fell short of its 5 percent goal but discusses a number of factors that affected overall policy growth in fiscal year 2000.

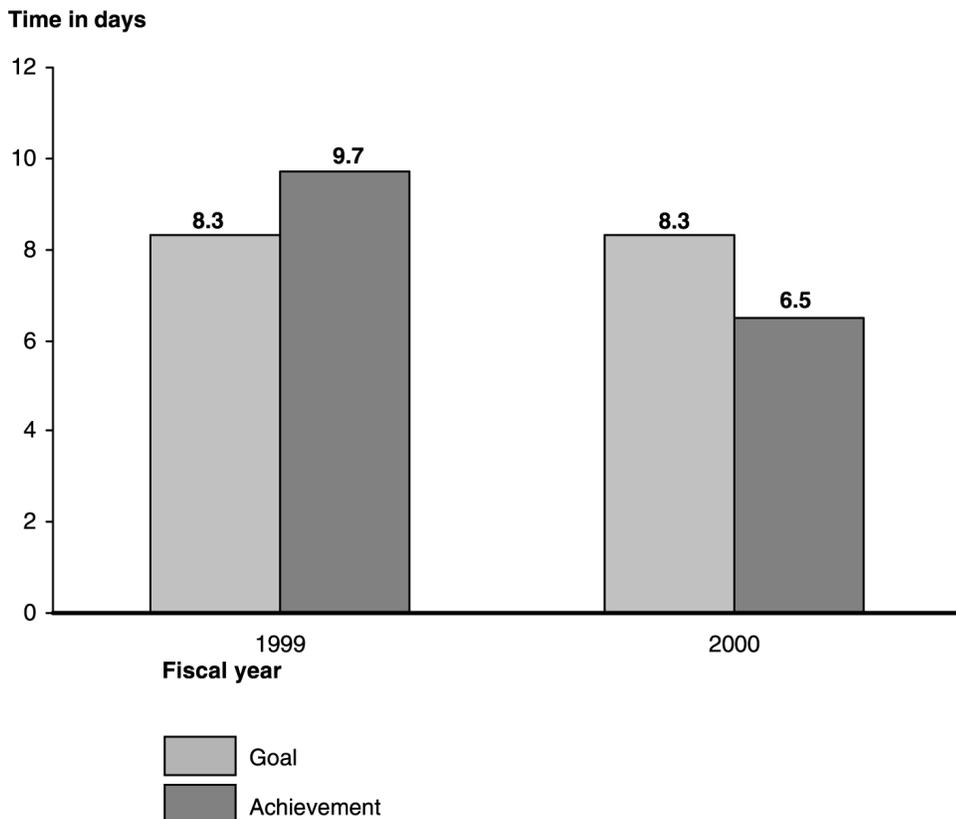
FEMA's fiscal year 2000 performance report was similar to its fiscal year 1999 performance report in that it did little to identify significant limitations that potentially affect the credibility of data used to measure its performance. For example, FEMA has a goal associated with this outcome to enhance recovery by expediting disaster operations through the National Emergency Management Information System. FEMA does not acknowledge reported limitations associated with this system. In a report to be issued in July 2001, we note that FEMA had identified weaknesses in the system, such as untimely data, as reported in FEMA after-action reports.

The fiscal year 2000 performance report presented more descriptive details for each of the annual performance goals than the fiscal year 1999 performance report, including more explanation on the goals' background and why the goals are important. In some cases, FEMA included information on the benefits derived from achieving goals. For example, one of the Response and Recovery goals is to enhance a community's disaster recovery process by improving administrative processes and training. FEMA stated in its fiscal year 2000 performance report that achieving this goal means that customers are satisfied with the overall Public Assistance Program and are being served in a timely manner by responsive, competent, and accountable staff. In some cases, FEMA also identified special conditions that affected the agency's ability to meet the goals. For example, one of the measures used to determine progress

toward the goal discussed in the previous example did not have complete data on fiscal year 2000. As a result, FEMA reported on data for the first half of the fiscal year and provided an explanation of why the data were not available for the entire year. FEMA also indicated that incomplete data would be a continuing problem because of the lag time between collecting and analyzing data on this goal.

FEMA's fiscal year 2000 performance report also used more data to illustrate progress toward achieving goals. For example, FEMA has a goal to increase the effective delivery of response services by ensuring immediate response to a governor's request for a presidential declaration. One measure is that FEMA will process a governor's request within an average of 8.3 days. Figure 1 illustrates FEMA's progress toward achieving its processing goal for fiscal years 1999 and 2000.

Figure 1: Average Days to Process Presidential Disaster Declaration Packages



Source: FEMA's Fiscal Year 2000 Performance Report.

In its fiscal year 2002 performance plan, FEMA outlines several strategies to improve disaster response operations such as enhancing interagency coordination through a number of groups, including the Catastrophic Disaster Response Group, Emergency Support Function Leaders, and the Regional Interagency Committee and establishing improved disaster declaration criteria. FEMA's plan also discusses specific actions for coordinating with other agencies to accomplish this goal. In the area of information technology, FEMA's fiscal year 2002 performance plan states that it plans to reduce the resources needed and increase the speed for processing disaster assistance within the National Emergency Management Information System. However, FEMA mentions no specifics on how it plans to achieve this goal. In the area of strategic human capital management, FEMA presents a strategy to increase senior management effectiveness at disaster field offices for three goals, but provides no specifics on how it plans to pursue this strategy.

Provide Timely Responses to Disaster Aid Requests

Although FEMA reported accomplishing most performance measures under this outcome, it reported that it did not fully meet any goal under this outcome. This outcome contained three goals with numerous performance measures. For example, FEMA's goal to increase the level of internal and external customer satisfaction with FEMA services contains nine performance measures. FEMA reported that four of nine measures were accomplished, two were not accomplished, and three were discontinued and not reported. Although FEMA provided a rationale for why some of these goals were not fully achieved, it did not provide a detailed strategy on how it plans to achieve these unmet goals in the future. For example, FEMA explained it did not fully achieve its goal of referring 100 percent of eligible delinquent debts to the Department of the Treasury. However, the only discussion provided on needed changes was that FEMA must develop a policy on the collection of delinquent debts, publish rules and regulations in the Federal Register before collecting such debts, and transfer remaining delinquent debts to the Treasury.

FEMA's fiscal year 2002 performance plan has two performance goals under this outcome that represent goals for several FEMA offices. FEMA acknowledges that these goals are iterations of goals found in the other two outcomes—minimizing human suffering and mitigation efforts. Although the goals themselves appear to be clear and reasonable, they could result in confusion over who is responsible for achieving these goals. For example, the Response and Recovery Directorate has a performance goal in this outcome to determine cost drivers in the response and recovery processes and implement re-engineered processes to support improvements in FEMA cost efficiency. Under the outcome to

minimize human suffering and property losses after natural disasters, FEMA has performance measures to improve disaster processing by 5 percent and reduce the total dollar value of assets at closed disaster field offices by 10 percent.

In the area of strategic human capital management, FEMA outlines the skills base it needs to achieve goals under this outcome and has one goal for the Human Resources Management Office to provide timely and effective human resource tools, services, information, and assistance to FEMA organizations. In the area of information technology, FEMA's fiscal year 2002 performance plan has measures to expand public access to information through e-government services and deliver accessible and standardized information technology services at 98 percent availability with no undetected virus attacks. Expanding e-government services is a new administration initiative, which FEMA plans to use to provide information to the public in a more timely and efficient manner.

Prevent or Reduce Harm and Losses From Future Disasters Through Mitigation Efforts

FEMA's fiscal year 2000 performance report showed that the agency was making progress in preventing or reducing harm and losses from future disasters through mitigation efforts. The agency reported meeting the majority of its goals for this key outcome, which included results such as

- entering into formal agreements with 11 agencies to support mitigation goals,
- designating 63 communities as Project Impact communities,⁶
- implementing building standards that increased the use and effectiveness of mitigation tools, and
- completing seven hurricane evacuation studies.

Most of the performance goals for this key outcome have at least one measurable or quantifiable performance measure that helps demonstrate progress toward reaching the goals. For example, FEMA reported that the Federal Insurance Administration (FIA)⁷ successfully refined and remeasured the savings achieved from flood loss reduction. FEMA

⁶Project Impact is a partnership initiative between FEMA and local communities aimed at helping to protect communities from the devastating effects of natural disasters by taking actions that dramatically reduce disruption and loss.

⁷FIA administers the National Flood Insurance Program—a major component of the federal government's efforts to provide flood-related assistance.

estimated flood loss reduction amounted to just over \$1 billion in fiscal year 2000. It also reported that tests of the National Warning System showed emergency alerts were disseminated within 2 minutes—exceeding FEMA’s goal of 3-minute dissemination.

In addition, as we pointed out in our May 2001 testimony, opportunities are emerging to better measure the success of the NFIP in protecting lives and preventing loss of property.⁸ FEMA’s FIA has a number of performance goals aimed at improving the results of the NFIP, including increasing the number of insurance policies sold. FEMA did not meet the 5 percent annual increase goal for policies sold in fiscal years 1999 and 2000. However, it decided not to change the goal, according to the acting FIA Administrator, because FIA felt it was an effective workforce driver. Although this goal may serve a workforce purpose and provide insight on program volume, it does not measure the degree of participation by the most vulnerable residents—those living in flood-prone areas. Capturing data on the number of both uninsured and insured structures in flood-prone areas could provide FEMA with another indication of how effectively the program is penetrating into those areas most at risk of flooding, whether the financial consequences of floods in these areas are increasing or decreasing, and where to better target marketing efforts.

Our May 2001 testimony also pointed out that opportunities are developing for FEMA to obtain valuable information about the program’s success through analysis of the rate of participation for those communities involved in the program. The participation rate is obtained by dividing the number of properties located in special flood hazard areas (SFHA) with flood insurance by the total number of properties in these SFHAs. FIA maintains a database on the number of flood insurance policies in force, including the number in SFHAs. However, the data FEMA has on the national and local community levels for the number of structures in SFHAs are of varying quality, according to FIA’s Acting Administrator. Even so, several current mapping technologies can be used to facilitate the collection of data on the number of structures in the SFHAs. Local communities, such as Dekalb County, GA and Charlotte, NC, are using mapping technologies to estimate the number of structures in SFHAs. Combining these technologies with the digital flood maps that FEMA is already producing would increase accuracy in the identification of

⁸*Emerging Opportunity to Better Measure Certain Results of the National Flood Insurance Program* (GAO-01-736T, May 16, 2001).

structures within SFHAs and the calculation of participation rates. FIA officials agree that program participation rates are a useful measure that can provide insights for measuring the program's success, including the effectiveness of marketing.

However, it is still difficult to determine the degree of progress FEMA has made in achieving some of its goals. This is because FEMA did not clearly state whether some goals were fully achieved. For example, FEMA cited that it had achieved "substantial advancement" in achieving its efforts to evaluate the effectiveness of the mitigation planning. It would be more helpful if FEMA clearly stated whether or not the goal had been met or not met as required under GPRA, then discuss the degree of achievement FEMA made under this goal.

In addition, FEMA did not report the results achieved for some of the performance measures. For example, FEMA's goal to increase public awareness of fire hazards has two performance measures: (1) increase the usage of public education materials by 4 percent and (2) increase the number of hotels and motels with automatic sprinkler and smoke detection systems by 20 percent. FEMA provided performance data for the first measure but did not provide any performance data or information on the second measure. Also, FEMA still needs to provide better information on significant limitations to the data used to measure performance. Although the Director of FEMA acknowledges there are limitations with some of FEMA's data in the fiscal year 2000 performance report, the report did not always discuss where data limitations exist and how they affect the accuracy, completeness, and availability of performance measurement data under this outcome.

FEMA's fiscal year 2002 performance plan shows that the agency has made some improvements in its strategies by streamlining a number of its mitigation goals into one outcome-oriented goal that will support the development of disaster resistance in a number of communities. FEMA reports that this consolidation is in recognition that several fiscal year 2000 goals were better identified as means and strategies to the revised goal. FEMA's strategies for achieving progress towards this key outcome include conducting post-disaster economic impact studies and coordinating with other federal departments and agencies via Memorandums of Understanding to identify ways existing programs and new initiatives can support national mitigation goals.

In the area of strategic human capital management, FEMA discusses the skills needed to achieve performance goals under this outcome in its fiscal

year 2002 performance plan. In the area of information technology, FEMA plans to evaluate and apply emerging technologies that enable more cost-effective modeling and mapping.

Comparison of FEMA's Fiscal Year 2000 Performance Report and Fiscal Year 2002 Performance Plan With the Prior Year Report and Plan for Selected Key Outcomes

For the selected key outcomes, this section describes major improvements or remaining weaknesses in FEMA's (1) fiscal year 2000 performance report in comparison with its fiscal year 1999 report and (2) fiscal year 2002 performance plan in comparison with its fiscal year 2001 plan. It also discusses the degree to which the agency's fiscal year 2000 report and fiscal year 2002 plan address concerns and recommendations made by the Congress, GAO, FEMA's Inspector General, us and others.

Comparison of Performance Reports for Fiscal Years 1999 and 2000

FEMA made a number of improvements in its fiscal year 2000 performance report, such as using more trend data and providing explanations about variations in its performance goals but omitted a key piece of information that highlighted the degree of progress it made towards achieving its performance goals. However, unlike FEMA's fiscal year 1999 performance report which clearly stated the extent to which goals were met, FEMA's fiscal year 2000 performance report did not include a quantitative assessment of the progress the agency made in achieving each goal, which makes it difficult, in some cases, to determine whether the agency achieved its goal.

FEMA's fiscal year 2000 performance report used more data to illustrate progress towards achieving goals. The report made frequent use of graphics to illustrate trends—which is helpful to the reader. For example, FEMA has an annual performance goal to provide a safe and secure environment for FEMA and its emergency management partners at disaster facilities. One measure is to provide trained safety and security staff for 80 percent of major declared disasters. FEMA illustrates its achievement with a graph of security staff deployments to major disasters for fiscal years 1998 through 2000.

FEMA's fiscal year 2000 performance report also showed improvement in providing explanations for its inability to meet some of its performance goals and measures. For example, FEMA reported that it did not meet its goal to increase the number of policies in the NFIP but cited several factors, such as lack of flood activity and drought conditions across many parts of the United States, that affected overall policy growth. In addition, when applicable, FEMA identified whether its goal changed in the next fiscal year.

In some cases, it is difficult to determine the degree of progress FEMA made towards achieving goals under its three outcomes because FEMA did not provide a quantitative assessment of progress. For example, the goal on evaluating the effectiveness of mitigation planning processes and related initiatives does not explicitly state whether the goal was met. The narrative under "Achievement" states fiscal year 2000 efforts have resulted in substantial advancement in mitigation planning. The text goes on to discuss a variety of mitigation planning activities but does not clearly state whether the goal has been achieved. Both GPRA and the Office of Management and Budget (OMB) Circular A-11's guidance for developing performance plans and reports require that agencies provide an indication of whether a goal is or is not met.

Comparison of Performance Plans for Fiscal Years 2001 and 2002

FEMA made some improvements to its fiscal year 2002 performance plan as compared to its fiscal year 2001 performance plan. FEMA continued to streamline its performance goals and make them more outcome-oriented. FEMA also provided more descriptive details on the background of the goals and means and strategies for achieving them; more graphics and trend data on annual outcomes; and added goals to reflect FEMA's commitment to the administration's reform goals. FEMA's fiscal year 2002 performance plan also shows improvement in providing details about the procedures for verification and validation for most of the performance goals. However, the agency did not generally provide information on significant limitations that may potentially affect the credibility of the data used to measure performance.

As mentioned previously, FEMA continued its streamlining by consolidating a number of goals. As a result, FEMA has 19 performance goals in its fiscal year 2002 performance plan compared with 30 in its fiscal year 2001 performance plan. The fiscal year 2002 performance plan's goals have some measures that were performance goals in the fiscal year 2001 plan. For example, FEMA consolidated a number of mitigation-related

goals to form a more outcome-oriented goal to support the development of disaster resistance in communities and states.

FEMA's fiscal year 2002 performance plan also has more descriptive details for each of the outcomes. For example, FEMA outlines a number of mitigation tools, education and outreach activities, and partnership agreements it will pursue to support the development of disaster resistance in communities and states. FEMA plans to coordinate with other federal departments and agencies to identify ways in which their existing programs and new initiatives can support national mitigation goals. FEMA also plans to discuss specific actions for coordinating with other agencies to accomplish these goals. FEMA makes use of trend data, for example, to illustrate the costs FEMA avoids when purchasing new equipment by recycling previously used equipment in support of its goals to operate a logistics program that provides timely and cost effective resources in support of emergency management missions.

FEMA added six goals to its fiscal year 2002 performance plan in support of its commitment to the administration's reform goals issued in February 2001 through OMB. Five of the six reform goals are part of the outcome to provide timely responses to disaster aid requests. Of these five goals, one has elements of strategic human capital management—determine management levels for streamlining purposes. The remaining four goals include reducing erroneous payments, expanding on-line procurement, and making greater use of performance-based contracts. The sixth goal—related to minimizing human suffering and property losses after natural disasters—calls for the development of a disaster declaration process that better defines federal and state responsibilities for providing disaster assistance. Three of the six goals have quantitative measures to measure success, but FEMA does not provide any details on its strategies for achieving the goals.

FEMA has addressed weaknesses that we identified in the 1999 plan by providing additional descriptions of the procedures for verification and validation for most performance goals. For example, FEMA plans to use additional verification and validation strategies to measure progress in supporting the reduction of loss of life from fire-related incidents. FEMA's fiscal year 2002 performance plan states it will use reports from several sources, including the National Fire Data Center, the National Center for Health Statistics, and the Consumer Product Safety Commission to compare data on fire-related deaths, injuries, and losses.

However, FEMA still needs to do a better job of identifying limitations that potentially affect the credibility of the data used to measure performance and identifying external factors that may affect performance data. For example, FEMA has a goal to improve response operations for which one measure requires FEMA to act on requests for water, food, and shelter within 12 hours after a presidential disaster declaration. FEMA reports the goal's intent is to coordinate through partnerships with other federal agencies, states, and local governments and private and voluntary organizations for initial provision of these basic needs. The difficulties inherent in working with so many other agencies and organizations are not acknowledged, although they may have an effect on FEMA's ability to meet this performance goal.

FEMA's Efforts to Address Its Major Management Challenges Identified by GAO

We have identified two governmentwide high-risk areas: strategic human capital management and information security. We found that FEMA's performance plan had goals and measures related to human capital, but the agency's performance report did not explain its progress in resolving human capital challenges except that progress had been made in improving Disaster Field Office operations. We also found that FEMA's fiscal year 2000 performance report discusses information security activities such as the interception of major viruses and strengthening its Internet firewall policies, but the fiscal year 2002 performance plan had no goals and measures directly related to information security.

While FEMA's fiscal year 2002 performance plan has no goals and measures directly related to information security, it does have a performance measure indirectly related to information technology that is associated with its customer satisfaction goal. FEMA has a two-part performance measure that calls for (1) delivering accessible and standardized information technology services at 98-percent availability with no undetected virus attacks and (2) resolving 80 percent of help desk trouble issues on the first call. In its fiscal year 2000 performance report, FEMA reported it had established a Critical Infrastructure Assurance Officer position and an Information Assurance Branch and was taking actions to protect and strengthen its Intranet/Internet assets. FEMA also reported that it had intercepted major viruses, conducted network scan and security audits, and implemented Intranet security measures. However, as part of an audit of FEMA's fiscal year 2000 financial statements, an independent auditor reported a material weakness in computer-based controls over FEMA's automated financial information systems.

In addition, we identified three other major management challenges facing FEMA. In our January 2001 Presidential and Congressional Transition effort, we identified three management challenges—determining the cost effectiveness of mitigation efforts, reducing the cost of disaster assistance, and improving the financial condition of the NFIP. For these three major management challenges, FEMA’s performance plan had 19 goals or measures that were directly related to these challenges. Appendix I provides detailed information on how FEMA addressed these challenges, high-risk areas that we identified, and the challenges identified by FEMA’s Office of Inspector General.

Scope and Methodology

As agreed, our evaluation was generally based on the requirements of GPRA; the Reports Consolidation Act of 2000; guidance to agencies from OMB for developing performance plans and reports (OMB Circular A-11, part 2); previous reports and evaluations by us and others; our knowledge of FEMA’s operations and programs; our identification of best practices concerning performance planning and reporting; and our observations of FEMA’s other GPRA-related efforts. We also discussed our review with agency officials and with FEMA’s Office of Inspector General. The agency outcomes that were used as the basis for our review were identified by the Ranking Minority Member of the Senate Governmental Affairs Committee as important mission areas for the agency and generally reflect the outcomes for all of FEMA’s programs or activities. The major management challenges confronting FEMA, including the governmentwide high-risk areas of strategic human capital management and information security, were identified by us in our January 2001 Performance and Accountability Series and High-Risk Update or in our January 2001 Presidential and Congressional Transition effort. The management challenges identified by FEMA’s OIG were included in a December 2000 letter from the OIG to the Director. We did not independently verify the information contained in the performance report and plan, although we did draw from some of our other work in assessing the validity, reliability, and timeliness of FEMA’s performance data. We conducted our review from April 2001 through June 2001 in accordance with generally accepted government auditing standards.

Agency Comments

We provided a draft of this report to FEMA for its review and comment. FEMA chose to meet with us to provide oral comments on the draft report, and we met with FEMA’s GPRA Manager of the Administration and Resource Planning Directorate on June 28, 2001, to discuss these comments. While the FEMA official agreed with the report, she provided suggested changes that we have included in this final report. The

suggested changes that we incorporated in this report include (1) adding clarifying language that FEMA did not “fully meet” five goals related to the outcome to minimize human suffering and property losses to recognize the progress FEMA had made, (2) adding five goals outlined in FEMA’s fiscal year 2002 performance plan related to the major management challenge to support terrorism preparedness coordination, and (3) adding additional information on progress made to resolve the major management challenge to improve the financial condition of the NFIP.

FEMA also asked us to identify its key outcomes with FEMA’s own numbering system in its performance plan in addition to the narrative description we provided to increase clarity in the discussion of agency outcomes. We did not include this change because it does not improve the clarity of the report.

As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days after the date of this letter. At that time, we will send copies to appropriate congressional committees; the Director, Federal Emergency Management Agency; and the Director, Office of Management and Budget. Copies will also be made available to others upon request.

If you or your staff have any questions, please call me at (202) 512-8984. Key contributors to this report were Mark Abraham, Julia Duquette, David Gill, Signora May, Robert Procaccini, and Carrie Watkins.

Sincerely yours,

A handwritten signature in black ink, appearing to read "JayEtta Z. Hecker". The signature is fluid and cursive, with a large, sweeping initial "J" and a long horizontal stroke at the end.

JayEtta Z. Hecker
Director, Physical Infrastructure Issues

Appendix I: Observations on FEMA's Efforts to Address Its Major Management Challenges

The following table identifies the major management challenges confronting the Federal Emergency Management Agency (FEMA), including the governmentwide high-risk areas of strategic human capital management and information security. The first column lists the challenges identified by our office and/or FEMA's Office of Inspector General (OIG). The second column discusses the progress that has been made in resolving the challenges as discussed in FEMA's fiscal year 2000 performance report. The third column discusses the extent to which FEMA's fiscal year 2002 performance plan includes performance goals and measures to address the challenges that we and/or FEMA's OIG identified.

FEMA's fiscal year 2000 performance report generally discussed the agency's progress in resolving its challenges. Of the agency's 9 major management challenges, its performance plan had (1) 38 goals or measures that were directly related to 7 challenges; (2) 3 goals or measures that were indirectly applicable to 2 challenges—one of these challenges also has goals or measures directly related to it; and (3) no goals or measures related to 1 challenge—financial management systems—but discussed strategies to address this challenge.

**Appendix I: Observations on FEMA's Efforts
to Address Its Major Management Challenges**

Table 1: Major Management Challenges

Major management challenge	Progress in resolving major management challenge as discussed in the fiscal year 2000 performance report	Applicable goals and measures in the fiscal year 2002 performance plan
<p>GAO-designated governmentwide high risk</p> <p><u>Strategic human capital management</u>: GAO identified shortcomings at multiple agencies involving key elements of modern human capital management, including strategic human capital planning and organizational alignment; leadership continuity and succession planning; acquiring and developing staffs whose size, skills, and deployment meet agency needs; and creating results-oriented organizational cultures.</p>	<p>In its fiscal year 2000 performance report, FEMA reported progress was made in improving its Disaster Field Office operations, such as convening a council to review operations and implementing corrective actions on a FEMA OIG report. However, it is still struggling with effectively utilizing its disaster cadre in the most efficient, economical, and effective manner possible.</p>	<p>The fiscal year 2002 performance plan contains a goal directly related to this challenge—to create and maintain human resource systems that help FEMA accomplish its mission, including planning and managing human capital. The plan also contains a goal indirectly related to this challenge—to manage processes and procedures that support the agency and a measure to determine appropriate management levels that would result in streamlining FEMA's organizational units. The plan states that this measure reflects an administration initiative to reduce middle management layers.</p>

**Appendix I: Observations on FEMA's Efforts
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Major management challenge

Information security: Our January 2001 high-risk update noted that the agencies' and governmentwide efforts to strengthen information security have gained momentum and expanded. Nevertheless, recent audits continue to show federal computer systems are riddled with weaknesses that make them highly vulnerable to computer-based attacks and place a broad range of critical operations and assets at risk of fraud, misuse, and disruption.

(FEMA's OIG also designated information technology management, including areas related to information security, as a management challenge.)

Progress in resolving major management challenge as discussed in the fiscal year 2000 performance report

In its fiscal year 2000 performance report, FEMA reported that it had intercepted 24 major viruses, conducted network scan and security audits on its Intranet/Internet assets, strengthened its Internet firewall policies, and implemented a Intranet firewall. The report stated that FEMA also deployed firewall controls to a National Emergency Management Information System module and tested and implemented a firewall at the National Emergency Training Center. The report also stated that FEMA is constantly reviewing and improving its systems security and, as a result, security and change controls are stronger and complementary manual controls were implemented as warranted.

Notwithstanding FEMA's fiscal year 2000 performance report, an independent auditor evaluated computer controls over FEMA's financial information systems as part of its audit of FEMA's fiscal year 2000 financial statements. The auditor reported that computer-based controls do not contribute to the reliability of the accounting systems and that control deficiencies in FEMA's automated Integrated Financial Management Information System, particularly in the areas of access controls and program change controls, were a material weakness.

FEMA reported it has established a Critical Infrastructure Assurance Officer position and an Information Assurance Branch and was taking actions to protect and strengthen its Intranet/Internet assets.

Applicable goals and measures in the fiscal year 2002 performance plan

FEMA's fiscal year 2002 performance plan did not identify any goals that directly related to this management challenge. However, a performance measure associated with FEMA's goal to increase levels of internal and external customer satisfaction with FEMA services indirectly relates to this challenge. The measure calls for delivering accessible and standardized information technology services at 98-percent availability with no undetected virus attacks.

The Chief Information Officers Council in coordination with the National Institute of Standards and Technology and the Office of Management and Budget has developed a framework for agencies to use in determining the current status of information system controls and, where necessary, for establishing a target for improvement. FEMA could use this framework as a means of measuring progress in improving its information security program.

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Major management challenge GAO and OIG-designated major management challenges	Progress in resolving major management challenge as discussed in the fiscal year 2000 performance report	Applicable goals and measures in the fiscal year 2002 performance plan
<p><u>Determine the cost-effectiveness of disaster mitigation efforts:</u> In August 1999, GAO recommended that FEMA, among other things, establish an analytical basis to support the cost-effectiveness of acquiring substantially damaged properties in floodplains and conduct periodic reviews of projects after they have been implemented to determine whether they are cost-effective.^a To provide the best available data for analyzing the cost-effectiveness of proposed flood hazard mitigation projects, GAO also recommended that FEMA:</p> <ul style="list-style-type: none"> • conduct postdisaster verifications of flood hazards for use in evaluating and possibly revising flood hazard map information and • Make the agency's information on past insurance more readily available for FEMA staff conducting benefit-cost analyses. <p>(FEMA's OIG also designated aspects of mitigation strategies as a management challenge.)</p>	<p>In its fiscal year 2000 performance report, FEMA reported it is establishing a system to measure whether state and local mitigation plans identify activities that they will undertake. FEMA is also developing an evaluation instrument to measure and document best planning practices so the states and local communities can assess their own strengths and weaknesses and make adjustments according to the results so that FEMA is better positioned to target technical assistance, training, and funding levels for further capability building.</p>	<p>The fiscal year 2002 performance plan contains two goals directly related to this management challenge.</p> <ol style="list-style-type: none"> 1. To support the development of disaster resistance in communities and states. Measures include (1) reducing by 5,000 the number of lives, by 2,200 the number of structures, and by 150 the elements of infrastructure at risk and (2) increasing by 10% the number of communities who take actions to foster disaster resistance. 2. For the second goal on state and local preparedness and mitigation capability, FEMA's plan calls for developing clearly defined and mutually agreed-upon strategic goals and priorities for its Emergency Management Performance Grant program agreements in collaboration with federal and local governments. Measures associated with this goal include having all eligible recipients of program grants developed work plans that include goals and priorities and to improve baselines established in prior year grants.

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Major management challenge	Progress in resolving major management challenge as discussed in the fiscal year 2000 performance report	Applicable goals and measures in the fiscal year 2002 performance plan
<p><u>Reduce the cost of disaster assistance:</u> One way to reduce federal disaster assistance costs is to change the eligibility criteria under the public assistance program. In 1996, GAO made several recommendations regarding changing the eligibility criteria. FEMA has since made changes to eligibility, but eligibility and oversight issues remain.</p> <p>(FEMA's OIG also designated reducing the cost of disaster assistance as a management challenge.)</p>	<p>In its fiscal year 2000 performance report, FEMA states that the integration of the map modernization plan into the Flood Hazard Mapping Program will reduce the cost of the National Flood Insurance Program (NFIP) and reduce disaster costs.</p> <p>FEMA analysis of flood loss reduction savings indicates that the projected \$1 billion in savings by fiscal year 2002 has already been met and recalculation of the projected savings will be done.</p> <p>FEMA also reported that it reduced disaster assistance cost by avoiding the cost of purchasing new equipment and using recycled disaster equipment instead.</p> <p>FEMA's implementation of reengineered response and recovery processes will support a 2-percent improvement in FEMA's cost efficiency.</p>	<p>The fiscal year 2002 performance plan contains two goals directly related to this management challenge.</p> <ol style="list-style-type: none"> 1. FEMA plans to increase overall customer satisfaction with its Public Assistance programs. The measure is to manage public assistance programs to achieve an overall customer satisfaction rate of 87 percent. 2. FEMA also plans to manage processes and procedures that support the agency in its efforts to provide effective and efficient services. Measures for this goal include expanding public access to information through e-government services, to complete research to determine cost drivers in response and recovery processes, and implement re-engineered processes to support improvements in agency cost efficiency.

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Major management challenge	Progress in resolving major management challenge as discussed in the fiscal year 2000 performance report	Applicable goals and measures in the fiscal year 2002 performance plan
<p><u>Improve the financial condition of the NFIP:</u> The program has had to borrow funds from the Treasury to cover operating losses resulting from heavy flooding in recent years that produced flood insurance losses exceeding the premiums collected from policyholders. Two major factors underlie financial difficulties—the program, by design, is not actuarially sound; and it has experienced repetitive losses.</p> <p>(FEMA's OIG also designated improving the financial condition of the NFIP as a management challenge.)</p>	<p>As stated in the fiscal year 2000 performance report, in fiscal year 2000 efforts were focused on identifying a target group of repetitive loss properties and the transfer of their insurance policies to a special servicing facility to better oversee claims and to coordinate and facilitate insurance and mitigation actions. FIA continued to reduce the amount of the NFIP subsidy and developed recommended alternatives for reducing the subsidy enjoyed by certain policyholders and held a series of meetings to refine the recommendations.</p> <p>Further reported for 2000, the NFIP Compliance Strategy helps states measure and ensure the effectiveness of local floodplain management programs. FEMA is undertaking several specific NFIP compliance initiatives to make more efficient use of and better target limited resources in the areas of technical assistance, training, and funding for floodplain management.</p> <p>The NFIP Community Rating System provides incentives that encourage state and community mitigation programs, planning, and initiatives. The system rewards community activities that go beyond the minimum standards of the NFIP, lead to a reduction of flood losses in the United States, include community recognition, and result in reduced flood insurance rates for NFIP policyholders in system communities.</p>	<p>The fiscal year 2002 performance plan contains three goals directly related to this management challenge.</p> <ol style="list-style-type: none"> 1. Reduce flood-loss: Through the NFIP's insurance and floodplain management activities, reduce potential annual flood losses by more than \$1 billion. The measure associated with this goal is that refined measurement systems confirm that reduced or avoided flood damage costs exceed the estimate \$900 million. 2. Reduce repetitive losses and subsidies: Implement a repetitive-loss initiative to reduce the almost \$200 million per year in losses to properties that have sustained flood damage on multiple occasions. Rate and coverage changes will be implemented in keeping with legislative authorities. The measure associated with this goal is that the program's underwriting experience and financial performance will be analyzed and projected in the aggregate and for discrete classes of business. New projections will be made based on loss and expense expectations for historical average loss-year levels. 3. Flood insurance policy growth. To increase the number of flood insurance policies: Increase sales of insurance policies in force by 5 percent annually.

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Major management challenge OIG-designated major management challenges	Progress in resolving major management challenge as discussed in the fiscal year 2000 performance report	Applicable goals and measures in the fiscal year 2002 performance plan
<u>Financial management</u> : Much more must be done to ensure that FEMA's financial management systems and operations can produce, in a timely manner, accurate, and relevant financial information.	The performance report stated that (1) improvements made during fiscal year 2000 to streamline the financial statements preparation process made the financial statements available for audit more than 1 month earlier than the 1999 fiscal year's and required substantially less year-end adjustments, (2) corrective actions have resulted in stronger security and change controls, and (3) complimentary manual controls were implemented as warranted.	None. As this area is a FEMA OIG-designated major management challenge, goals or measures addressing the weaknesses in financial management should be included in the performance plan. While FEMA has realized an important objective in obtaining an unqualified opinion, financial accountability goes well beyond an unqualified opinion. The key is to take steps to continuously improve internal control and the underlying financial and management information systems as a means to ensure accountability and enhance the effectiveness of government. These systems must generate timely, accurate, and useful information on an ongoing basis, not just at the end of the year.
<u>Grant management structure</u> : FEMA needs to improve its grant management structure.	In its fiscal year 2000 performance report, FEMA notes it has made strides in its grant management activities/functions. Prior to fiscal year 1998, FEMA did not have a grant management structure that was sufficient to ensure how funds were dispensed to states. There were weaknesses in grants awarded for both disaster recovery and emergency preparedness. FEMA's OIG was satisfied in fiscal year 1999 that FEMA was making an effort to improve its grants management capability. Grants management will continue to be monitored in fiscal year 2001 to ensure satisfactory improvements.	The fiscal year 2002 performance plan contains one goal directly related to this challenge—in collaboration with federal and local governments, states are to establish clearly defined and mutually agreed-upon strategic goals and priorities for their Emergency Management Performance Grant agreements. Two measures are associated with this goal: <ol style="list-style-type: none"> 1. All eligible recipients of such grants are to develop work plans that include strategic goals and priorities. 2. Improvements are to be made to baselines established in prior year program grants.

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Major management challenge	Progress in resolving major management challenge as discussed in the fiscal year 2000 performance report	Applicable goals and measures in the fiscal year 2002 performance plan
<p><u>Determine how to measure state and local preparedness programs:</u> FEMA still does not have the ability to measure state disaster risks and performance capability.</p>	<p>In its fiscal year 2000 performance report, FEMA notes that in collaboration with state partners, it revised the State Capability Assessment for Readiness; and in fiscal year 2000, 56 states and territories completed the self-assessment. Analysis of the data provides FEMA and the states with information on areas where states will focus their efforts for improvement. A local capability assessment is being developed, and a tribal (Native American) version is being considered.</p>	<p>The fiscal year 2002 performance plan contains two goals directly related to this challenge.</p> <ol style="list-style-type: none"> 1. The first goal is State, tribal, and local, and private sector preparedness capability. Provide federal, state, tribal, local and private partners with the tools to improve their knowledge, skills, abilities in all phases of comprehensive emergency management. The two measures associated with this goal are to (1) involve partners in the development and recommended practices in the fiscal year 2001 and (2) develop, update, revise, and deliver training in fiscal year 2002. 2. The second goal is to support the development of disaster resistance in communities and states. The measures associated with this goal are to increase community resistance to natural hazards and reduce losses from future disasters.

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<p><u>Support terrorism preparedness coordination</u>: FEMA needs to support terrorism-related emergencies.</p>	<p>In its fiscal year 2000 performance report, FEMA has a key role in developing and maintaining a national strategy to support terrorism-related emergencies. FEMA established an Office of Terrorism within the Office of the Director.</p>	<p>The fiscal year 2002 performance plan contains five goals directly related to this challenge. There are no measures associated with these goals.</p> <ol style="list-style-type: none"> 1. To provide clear and concise guidance on FEMA's roles and responsibilities in terrorism related activities. 2. To ensure FEMA supports federal, state, and local consequence management planning, training, and exercise programs. 3. To improve coordination and sharing of program information among federal, state, and local communities. 4. To establish an organizational structure for coordinating terrorism preparedness within FEMA. 5. To develop systems to monitor and track resources needed to support FEMA's terrorism consequence management programs and activities.

^a *Disaster Assistance: Opportunities to Improve Cost-Effectiveness Determination for Mitigation Grants* (GAO/RCED-99-236, Aug. 4, 1999).

^b *Disaster Assistance: Improvements Needed in Determining Eligibility for Public Assistance* (GAO/RCED-96-113, May 23, 1996).

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