How the Plan Addresses Major Management Challenges

Congress requested that statutory Inspectors General report on management problems at their respective agencies. The FEMA Inspector General reported on 10 management challenges at FEMA. These challenges are acknowledged by FEMA managers and actions to address the issues are underway. Elements of the Annual Performance Plan that will contribute to solving management problems are reported below.

• **GPRA Implementation.** The Office of Inspector General (OIG) is closely monitoring GPRA implementation and is satisfied that FEMA is making a concerted effort to create a performance-oriented culture in the agency. To maintain this impetus, FEMA must continue to stress the significance of this initiative and receive sustained support from leadership. FEMA created baselines in FY 1998 for the quantitative goals and performance indicators, has produced annual performance plans for fiscal years 1999, 2000, and 2001, and is preparing a performance report for March 2000. GPRA representatives have been designated in each of FEMA’s regions, offices, and directorates. FEMA has implemented a quarterly performance reporting system and uses it as one measure of senior managers’ performance. *Annual Performance (AP) Goal E.2.1(3) focuses on agency performance.*

• **Financial Management.** Although FEMA has made major financial management strides over the past five years, more must be done to ensure that FEMA’s financial management systems and operations will be capable of routinely producing accurate, relevant, and timely data to support ongoing program management and accountability decisions. The OIG’s ability to conclude, after several audit adjustments, that FEMA’s fiscal year 1998 financial statements were reliable was a mark of
progress. The OIG notes that there are internal control deficiencies that could have an impact on the reliability of accounting information needed to report financial data throughout the year. *AP Goal E.1.1 focuses on financial management systems and operations.*

- **Information Technology Management.** FEMA relies heavily on information technology (IT) resources to accomplish its mission. Although FEMA’s use of IT improves the speed and accessibility of operations, it also creates additional risks. The OIG is currently auditing FEMA’s security management program. Based on a Y2K preparedness audit, OIG expected FEMA to pass the Y2K mark without significant problems. Other IT challenges include quickly incorporating changes as they are needed to the new National Emergency Management Information System (NEMIS) and making adjustments that are inherent to any new system. FEMA also must continue to address the need for a flood insurance processing system that will reduce dependence on contractors; move safely and securely toward electronic commerce; and objectively evaluate the effectiveness of recently added systems. Maintenance and operations of all systems in a rapidly changing IT environment will continue to challenge the agency given FEMA’s limited resources. *AP Goals P.4.1, M.6.1, RR.3.1, E.2.1(1), and CS.1.1(3) seek to address these concerns.*

- **Grants Management.** FEMA has made notable strides over the past two years in grants management. Prior to FY1998, FEMA did not have a grants management structure sufficient to ensure the stewardship of federal funds awarded to States. Although improvements are still needed, the OIG is satisfied that FEMA is making a concerted effort to respond to the audit reports and improve its grants management capability. The CFO initiated a grants management improvement study in 1997 and is re-engineering the process for managing disaster grants. Improved policy guidance is being written and distributed to the regions to clarify and standardize procedures. Training and credentialing are being implemented for grant managers. The grant closeout process is getting additional emphasis and staffing. Once all the initiatives are in place, the OIG will close its outstanding audits and discontinue identifying grants management as one of FEMA’s major management challenges. *AP Goal MP.1.1 specifically seeks to address this challenge. Activities in the Mitigation and Preparedness Directorates support MP.1.1.*
Program Challenges

• **Disaster Response and Recovery Program.** The Disaster Response and Recovery Program faces several program challenges, including managing the large disaster response workforce, controlling the spiraling costs of disasters, and maintaining the integrity of the many disaster financial assistance programs. FEMA is addressing these issues by establishing comprehensive training and accreditation programs for key employees such as federal coordinating officers, infrastructure specialists, human services specialists, property managers, and financial managers.

The problem of reducing disaster costs is being addressed. FEMA has developed new automated systems and disaster assistance management processes in an attempt to reduce costs. Eligibility is being defined more strictly through regulatory change, and Congress is drafting legislation that will address many of the issues identified in OIG reports. These actions should result in cost reductions but more needs to be done. FEMA has proposed a rule that would require insurance on public facilities but has run into strong resistance from States. The outcome remains uncertain. The issue of insurance is critical to disaster cost containment. The OIG is planning to review Public Assistance insurance requirements in early 2000. It also should be noted that the Agency is deeply committed to the development of partnerships among the public and private sector to build disaster resistant communities and institutions that will help to offset the spiraling costs of disaster response.

Finally, FEMA is emphasizing the oversight responsibilities of disaster managers at all levels for ensuring compliance with the terms and conditions of mission assignments or disaster grants involving debris removal. The OIG also is reviewing FEMA’s Debris Removal Program in an effort to identify needed improvements. *Means and Strategies for AP Goals M.1.1 and RR.1.1, 1.2, and 1.3 are directed toward improving response and recovery operations and holding down costs.*

• **State and Local Preparedness Program.** The OIG’s March 1999 review of FEMA’s Cooperative Agreement Process revealed considerable progress since FEMA’s first report in March 1994. For example, FEMA has consolidated numerous individual programs into one grant that will simplify delivery of
assistance and provide more flexibility to the States in using the funds. Measurement of State capability, however, continues to present a challenge for FEMA managers. FEMA has developed a draft Capability Assessment for Readiness (CAR) module for use at the local level. This is a step in the right direction but more needs to be done. The assessment process also needs to identify State disaster assistance programs, determine how large a disaster a State can handle with its own resources, and measure a State’s financial capability to respond and recover from disasters without federal assistance. AP Goals P.1.1 and 2.1 seek to address assessment challenges.

- **Flood Insurance Program.** The National Flood Insurance Program (NFIP) presents challenges for FEMA. The first challenge is the program’s financial soundness. Since FY 1993, the program has incurred operating losses of approximately $1.56 billion. Two major factors contribute to the financial difficulties faced by the program. First, the program by design is not actuarially sound; it does not collect sufficient premium income to build reserves to meet future flood losses. Second, the cost to the program of multiple-loss properties is large—about $200 million annually. Current FEMA studies and analyses are assessing the effects of eliminating subsidies and the repetitive-loss problem.

  FEMA’s second NFIP challenge is to continue its efforts to better coordinate and integrate the NFIP with FEMA’s relatively new national mitigation strategy. An emphasis on coordination should lead to synergy for a national flood mitigation strategy. The OIG issued a report in September 1999 on the degree of compliance with the “substantial damage” rule. FEMA is developing a plan outlining the steps that will be taken in response to the OIG’s recommendations. AP Goals M.1.1 (mapping), M.3.1 (Flood Loss Reduction), M.4.1 (Flood Insurance Policy Growth), M.5.1 (Repetitive-Loss and Subsidy-Reduction Initiatives), and M.6.1. (Business Process Improvements) seek to address these challenges.

- **Mitigation Program.** FEMA faces several challenges as it works toward an effective national mitigation strategy. The first is the inherent difficulty of institutionalizing mitigation activities. Mitigation is a long-term, sustained effort and its benefits are unlikely to be recognized for years. This challenge requires that
FEMA, as well as its partners at the State and local level, develop innovative ways to fund mitigation and ensure that mitigation becomes an everyday priority in disaster-prone communities. This includes ensuring that State and local priorities are consistent with and complement FEMA’s National Mitigation Strategy. FEMA should be recognized for its implementation of a concept to proactively reduce the effects of disasters that brings together public and private sector partners working toward community mitigation.

Second, the modernization of FEMA’s Flood Insurance Rate Maps presents a special challenge to FEMA. Approximately 50 percent of the 100,000 maps are 10 years old. Studies indicate that re-mapping would place thousands of additional properties in Special Flood Hazard Areas and could trigger mitigation initiatives as well as stimulate the purchase of flood insurance. FEMA initiated a map modernization program estimated to cost approximately $750 million over the next 7 years. The OIG initiated an audit of FEMA’s map modernization program in October 1999 and expects to issue a final report in March 2000. **AP Goals M.1.1 (flood maps), M.2.1, 2.2, 2.3, and 2.4 (disaster resistance) seek to address these challenges.**

- **National Security Support Program.** FEMA has recently been assigned a key role in developing and maintaining a national strategy to support terrorism-related emergencies. Numerous federal agencies have roles in federal action plans to respond to terrorism but the Federal Bureau of Investigation and FEMA are the lead federal agencies for domestic operations. Presidential Decision Directive 39 establishes a management control structure for the federal response to terrorist acts. It designates FEMA the lead federal agency for consequence management in domestic terrorist events. The Stafford Act empowers FEMA to direct other agencies to perform consequence management missions in support of State and local governments. GAO, in May 1999, reported (GAO/NSIAD-99-135) that domestic consequence management exercises need continued development. The OIG plans to begin audit work in FY 2000 of FEMA’s relatively new role in terrorism-related emergencies. **AP Goal P.5.1 seeks to address this challenge.**
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- **Fire Administration Program.** In response to the findings of the 1998 Blue Ribbon Panel that reviewed the United States Fire Administration and the National Fire Academy, the Director appointed a Chief Operating Officer to oversee implementation of the recommendations for improving management. *AP Goals P.3.1, 3.2, 3.3, and E.2.1(5) seek to address these challenges.*

Status of Management and Program Challenges Identified in Previous Years

- Although some enhancements are still needed, FEMA has made notable improvements in its property management system over the past two years.
- By working closely with Congress and by exercising its extant authority through the federal rule-making process, FEMA has made critical strides in streamlining its disaster assistance grant programs, consolidating its emergency preparedness grant programs, and simplifying its budget structure.
- FEMA published criteria for disaster declarations in the Federal Register in 1999. The criteria were coordinated with Congress, the Office of Management and Budget, and the State and local emergency management community.