Federal Emergency Management Agency

Office of Inspector General
Washington, D.C. 20472

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MEMORANDUM FOR: Joe M. Allbaugh
Director

FROM: Richard L. Skinner
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SUBJECT: Management Challenges

The Office of Inspector General has identified the most serious management and performance challenges we believe FEMA is facing and the progress FEMA is making in addressing those challenges. We are required to provide this statement to you under the Reports Consolidation Act of 2000. This statement is to be included in the consolidated report described by the Act.

We believe, based on our work and our general knowledge of FEMA operations and programs, that FEMA must continue to focus attention on the following management and program initiatives to ensure public accountability and improve program effectiveness. Although FEMA managers acknowledge most of these issues and are addressing them to varying degrees, much work is left to be done to ensure that business is conducted economically and efficiently, and that appropriate program results are achieved.

Program Challenges

Homeland Security Transition. The President established the Department of Homeland Security on November 25, 2002. The mission of the Department is to develop, coordinate, and implement a comprehensive national strategy to secure the United States from terrorist threats or attacks. The Department is responsible for coordinating efforts to detect, prepare for, prevent, protect against, respond to, and recover from terrorist attacks within the United States. FEMA will transfer into the Department on March 1, 2003, as part of the Emergency Preparedness and Response Directorate. FEMA will continue to lead and support the nation in responding to and recovering from any destructive event, whether natural or man-made. FEMA will also continue its preparedness and mitigation programs for non-terrorist-related disasters. These programs will be coordinated with similar programs from the components of the Departments of Health and Human Services and Energy that are also transferring into the Emergency Preparedness and Response Directorate. FEMA will cooperate closely with the new Office for Domestic Preparedness in preparing for and mitigating terrorist activities. The challenges facing FEMA are many. There are concerns of FEMA losing its identity as an agency that is quick to respond to all hazards and disasters. Members of Congress and the general public have expressed concern that FEMA's disaster response and recovery and mitigation missions will be diluted as it is absorbed into a much larger organization and that funding issues will limit FEMA's ability to respond to disasters as it had in the past. Further, the integration of FEMA's many management and financial information systems with those of other entities that will be brought into the Department will be a daunting task. This is of particular concern because of problems plaguing FEMA's systems—lack of integration, security issues, and non-compliance with the Federal Financial Management Integrity Act. There are also concerns relating to the work force—FEMA's most important asset. As with all entities being transferred to the Department, employees are concerned about their role and how the transfer will affect their job. FEMA is well aware of these issues and is addressing them as they arise through active communication with staff. FEMA's experience in coordinating the Federal Response Plan will contribute to the success of the Department's transition and integration efforts.

Disaster Response and Recovery. FEMA's largest spending category is disaster relief. According to the President's fiscal year 2003 budget proposal, $3.5 billion was obligated in that category in fiscal year 2001 and, due largely to the World Trade Center attack, $8.7 billion was estimated to be obligated in fiscal year 2002. Managing disaster response and recovery continues to be one of FEMA's largest challenges. FEMA faces difficulties establishing disaster declaration criteria, reducing disaster response and recovery costs, managing its disaster workforce, ensuring the integrity of its many financial assistance programs, and improving program services. FEMA has begun to address all of these problems. FEMA recently centralized deployment of the Disaster Assistance Employee cadre, for example, to improve the efficiency of disaster staffing; but much remains to be done.

Recent amendments to the Stafford Act increased FEMA's challenges in managing disaster recovery. The amendments change estimating and payment procedures under the Public Assistance Grant Program, FEMA's largest grant program. Disaster grant applicants will be paid based on damage estimates rather than actual damage repair costs. FEMA tested a similar approach, called the Grant Acceleration Program, after the Northridge Earthquake in Southern California. The test results reflected inflated estimates, extreme overpayments, and ineligible work performed at taxpayer expense. Finding solutions to these problems and instituting other changes required by the amendments, such as establishing fixed management cost rates for grantees and subgrantees, will confront managers of FEMA's disaster assistance grants in fiscal year 2003.

Managing disaster response is a major challenge, particularly when the Federal Response Plan is activated and FEMA must coordinate the activities of dozens of Federal, State, and local organizations. FEMA also manages its own response assets to increase its ability to respond quickly, and its disaster response capabilities have improved substantially in recent years. Less than three hours after the World Trade Center attack the first Urban Search and Rescue Teams were at the site. FEMA also has warehouses around and outside the country in which commodities and equipment are stocked to support disaster field offices. Commodities such as water, meals, generators, tents and blankets that victims need immediately after a disaster also are stocked at the warehouses. These facilities contain thousands of items valued at more than $40 million. Maintaining the warehouses, accounting for property, and the logistics of deploying, recovering, and refurbishing reusable items are continuing challenges for FEMA.

State and Local Preparedness. The Director announced in November 2002 that FEMA will provide $225 million in grants to help State and local responders and emergency managers to become better prepared to respond to acts of terrorism and other emergencies and disasters. The funds are available through the fiscal year 2002 supplemental appropriation, a part of President Bush's First Responder Initiative. The funds will serve as down payments on resources for States and local communities to modernize plans and strengthen their preparedness for disasters of all kinds. The funds will flow through the States, with at least 75 percent going to local governments.

Roughly $100 million of the $225 million in supplemental funds will be used for updating plans and procedures to respond to all hazards, with a focus on weapons of mass destruction. Updated plans will address a common incident command system, mutual aid agreements, resource typing and standards, interoperability protocols, critical infrastructure protection, and continuity of operations for State and local governments. FEMA intends that the comprehensive plans will be linked through mutual aid agreements and that they will outline the specific roles of all first responders (fire service, law enforcement, emergency medical services, public works, etc.) to terrorist incidents and other disasters.

FEMA also will provide $56 million in 2002 supplemental funds to upgrade State emergency operations centers. States and territories will receive a base allocation but must submit grant proposals for additional funding. A total of $25 million is available for Citizen Corps activities, including Citizen Corps Councils, and expanded training for FEMA's Community Emergency Response Teams (CERTs) across the country. Other fiscal year 2002 supplemental fund allocations will include $7 million for secure communications, $5 million to begin laying the groundwork for a national mutual aid system, and $32.4 million for weapons-of-mass-destruction training for FEMA's urban search and rescue task forces.

Although funds have been set aside to address State and local preparedness issues, FEMA still faces the following challenges:

- Building and sustaining a national preparedness and response capability; and
- Coordinating national terrorism preparedness programs.

FEMA must continue to place a high priority on developing State and local capabilities to respond to acts of terrorism as well as natural disasters. FEMA must develop State and local capacity to respond to and manage small-to-medium-sized disasters, particularly fairly predictable ones such as repeated flooding in flood-prone areas.

FEMA also must continue expanding the development of the National Hazard Loss Estimation Methodology for all hazards. Models for estimating potential losses from hurricane wind and riverine flooding are to be introduced in February 2003, but additional development is required with regard to thunderstorms, tornadoes, tropical cyclones, hail, and coastal flooding. The mounting dollar losses cannot be adequately addressed by a fragmented approach to natural hazards. Instead, estimated losses for other hazards are needed to support FEMA's risk-based approach to mitigation and emergency preparedness, and for comprehensive mitigation programs by local communities.

The increased threat of acts of terrorism spurred by the attacks of September 11, 2001, also indicates a need for FEMA to consider developing a terrorism-response methodology. Those attacks highlighted the need to fully equip and train fire departments so they will be better prepared to respond to terrorist events. FEMA is addressing this matter through the U.S. Fire Administration's (USFA) Assistance to Firefighters Grant Program (AFGP). FEMA and USFA also had awarded more than $170 million to 2,756 fire departments throughout the United States at the end of fiscal year 2002 under the AFGP. An additional $190 million is predicted to be awarded in the first quarter of fiscal year 2003. To date, nearly 5,500 fire stations have received funds for training or equipment upgrades and purchases since the inception of this program. It is likely that this program will continue indefinitely and probable that the amount of grant funds will be increased. It is imperative, therefore, that FEMA administer the program effectively and efficiently to ensure that funds are directed to those most in need and those most likely to be required to respond to a terrorist attack or natural disaster.

Mitigation Programs. The President's fiscal year 2003 budget proposal includes $300 million under the National Pre-Disaster Mitigation Fund to initiate a competitive grant program for pre-disaster mitigation. FEMA is preparing to implement the program, which would replace the current formula-based Hazard Mitigation Grant Program, if enacted by Congress. FEMA is challenged with designing a program that ensures fair evaluation of all applicants and their proposed mitigation projects. Eligible activities include risk assessments; State and local planning; the reinforcement of structures against seismic, wind, and other hazards; elevation, acquisition, or relocation of flood-prone structures; and minor flood-control or drainage-management projects. Program success will depend on the quality and effectiveness of FEMA's evaluation process and criteria. FEMA is taking into account stakeholder input to create the new program. Considerable work remains to be done, specifically the development of eligibility and evaluation criteria.

The OIG issued a report, "Status of Funds Awarded under the Hazard Mitigation Grant Program and Other Project Management Issues," in July 2001. In response, FEMA is strengthening its management of the HMGP by monitoring unliquidated obligations and deobligating unspent funds. The agency also is planning to publish new regulations that will address problems cited in our report, such as co-mingling of funds, the quality of applicant progress reports, and inadequate project timeframes. Challenges remain for FEMA to ensure that States and local governments are making the best use of Federal funds and carrying out their mitigation projects timely and in accordance with grant agreements.

Multi-Hazard Flood-Map Modernization. Flooding stands out as the single most pervasive hazard facing the nation, causing an estimated $6 billion in property damage annually. Much of the recovery spending could be avoided by efficient, up-front planning using accurate, up-to-date flood maps. Before flood maps can be used effectively, however, they must reflect current hydrological conditions. An aggressive program to update, modernize, and maintain the inventory of flood maps is essential.

Multi-hazard flood-map modernization, a presidential initiative, is based on the need for FEMA to update its aging inventory of flood maps in such a way that they can accommodate other hazards. A recent assessment revealed that 67 percent of FEMA's flood maps are more than 10 years old and that the average age of a FEMA flood map is 14.1 years. Many of these maps do not reflect past development and, as a result, do not show changes in flood hazards. Reliance on these outdated flood maps in making decisions about new development harms commercial and residential property owners and the taxpayers who ultimately pay for flood damages. Accurate and useable flood maps are the foundation of good local planning and natural-disaster mitigation. New and updated flood maps will enable lenders, insurance agents, and many others to make critical decisions on where to build, where and when insurance is required, and what is an appropriate insurance premium.

FEMA is seeking $300 million in new discretionary appropriations in the President's budget for fiscal year 2003 for the multi-hazard flood-map modernization program. FEMA is also seeking roughly $300 million per year in its fiscal year 2004 and 2005 budgets. Approximately $1 billion may be spent over the next three fiscal years. With more than 19,000 communities in the National Flood Insurance Program (NFIP), FEMA faces a daunting challenge in setting priorities for areas to be mapped, keeping maps current, and creating new maps for participating, unmapped communities.

Another significant challenge for FEMA is effective collaboration with States and local entities through the Cooperating Technical Partners (CTP) Program. The CTP program gives States and local entities the opportunity to interject a tailored, local focus into the national map-modernization program. The partnership mechanism also provides for pooling resources, extending the productivity of public funds, and sharing successes among partners. FEMA must also continue to seek input from the Map Modernization Coalition, members of which are substantial users of flood maps.

National Flood Insurance Program. The NFIP continues to be the largest single-line property insurer in the nation with coverage in excess of $580 billion. Aside from the fiscal enormity of this program, FEMA faces an array of formidable management challenges that include:

- Increasing numbers of repetitively flooded structures that are subsidized by the NFIP,
- Continued development and uninsured property in special flood-hazard areas,

- Insufficient funds to mitigate repetitive-loss properties, and

- Lack of exposure to mitigation opportunities.

Subsidized and low-cost flood insurance, available to residents of NFIP-participating communities, helps to manage the risk of financial loss due to flooding. Much more of the risk could be alleviated if homeowners would take responsibility for mitigation on their own property. Many property owners, however, fail to do so because (1) of the availability of subsidized insurance, premiums for which are typically a fraction of those for full risk-based policies; and (2) they know that, if flooded, their property will be repaired or rebuilt without penalty. Continuing to subsidize NFIP premiums fails to encourage owners of flood-prone real estate to move out of high-risk areas. This is no small problem, as the NFIP pays claims from floods in the same high-risk areas again and again, yet the policyholders are not required to pay risk-based premiums or to mitigate repetitive risks. This situation undermines the financial stability of the insurance program. On the other hand, if FEMA charged actuarially sound rates, owners could cancel their policies, pay nothing to the government, and rely on Federal disaster assistance after a flood, placing the recovery burden back on the American taxpayer.

Mitigation is rarely a priority of property owners before a disaster occurs but owners typically rush to have their property restored to its pre-disaster condition after an event. One of FEMA's main objectives in the response and recovery period is to get assistance to flood victims quickly so they can rebuild and get their lives back to normal. The opportunity to encourage mitigation at this time is usually lost. FEMA must improve its outreach programs.

About 7 million structures are estimated to be located in special flood-hazard areas. Less than 35 percent are covered by flood insurance. FEMA needs to maintain a sustained campaign to provide insurance coverage for the millions of uninsured properties still at-risk.

FEMA believes that most communities participating in the NFIP have effective floodplain-management programs and that new construction is in accordance with the minimum requirements of the NFIP. FEMA officials told us that communities participating in the Community Rating System are closely monitored and subject to periodic inspections.

The OIG issued reports in 2002 that discussed most of the issues noted thus far, and FEMA is addressing them or planning to do so. Solutions to these matters, however, will not prevent FEMA's need to address the following difficult future challenges:

- Effective enforcement of compliance with floodplain management criteria as a condition for maintaining NFIP eligibility,

- Effective monitoring of enforcement of mandatory flood insurance purchase requirements for property owners,

- Effective and reliable performance measurement criteria and information systems used to assess accomplishment of insurance goals and objectives, and

- Appropriate Community Rating System insurance premium discounts based on conditions in and mitigation actions taken by a community.

Public Building Insurance. The Stafford Act requires State and local governments, as a condition of receiving Federal assistance, to obtain and maintain insurance coverage on insurable facilities for the life of the facilities. FEMA reviews insurance coverage during the project approval process to ensure that applicants' satisfy the requirements.

We noted in a January 2001 OIG report that neither FEMA nor the States consistently maintain sufficient information to support their conclusions about applicants' insurance status. At the time the report was issued, only 39 percent of the project files in our sample contained acceptable evidence of insurance. In fact, insurance was not maintained in 34 percent of projects reviewed. We also determined that insurance reviews are not always timely or complete, and neither FEMA nor the States regularly monitors public entities that have received previous assistance to ensure that they are maintaining the required insurance. Keeping abreast of insurance status presents a significant challenge for FEMA.

Determining what constitutes the required "insurance" is another key issue confronting FEMA. The amount of assistance a public entity may receive depends on FEMA's definition of insurance. Several public entities seeking disaster assistance recently challenged successfully FEMA's interpretations that various reserve or contingency funds did not constitute "insurance." As a result, a higher percentage of the repair, restoration, or replacement costs of their damaged facilities became eligible for reimbursement by FEMA. FEMA faces significant hurdles in addressing the issues of (1) the absence in current regulations of an adequate definition of "insurance," and (2) incentives for entities to purchase insurance.

Underinsured applicants and regular monitoring of the insurance status of public entities also present challenges. Some FEMA applicants purchase less insurance than required or may reduce coverage after an insurance review. The fact of under-insurance may not be known for long periods to FEMA and/or States because they do not regularly monitor public entities to ensure the maintenance of insurance on public buildings.

Management Challenges

Information Technology Management. FEMA is heavily dependent on information technology (IT) to accomplish its mission. The agency relies on technology for performing tasks ranging from emergency communications to remote data entry to automated processing of disaster assistance. Because of IT's importance, the agency must maintain secure systems that help to ensure the integrity, confidentiality, and availability of information FEMA needs to do its job. IT can be expensive and complex, however, so FEMA needs to have in place good capital planning and investment control procedures for managing IT projects. The e-gov initiative under the President's Management Agenda encompasses these challenges. Although the Office of Management and Budget (OMB) scored FEMA's e-gov status as unsatisfactory, it also indicated that improvements are underway.

FEMA made progress during fiscal year 2002 toward improving information security, primarily through establishing the Office of Cyber Security, designing an information security program plan, and developing a security certification and accreditation methodology. Much more work lies ahead. Like many other Federal agencies, FEMA did not receive a passing grade for computer security from the House Subcommittee on Government Efficiency, Financial Management and Intergovernmental Relations. FEMA has struggled to ensure that the agency's information security plan is practiced throughout the agency and applied to individual systems. As of the end of fiscal year 2002, however, no systems had received formal authorization, required by OMB, to process information, although FEMA's planned security certification and accreditation methodology will facilitate the approval process. FEMA is struggling to build security into its system business plans, also required by OMB. FEMA must begin to assess the system security controls in place at critical service-provider points.

FEMA management has acknowledged weaknesses in IT capital planning and investment controls. Improving procedures in these areas were key initiatives of the reorganization of FEMA's IT Services Directorate in fiscal year 2002. Improvement efforts have just begun. In a recent audit report, we recommended that FEMA consistently prepare current benefit-cost and alternative analyses, identify and maintain a current inventory of systems, provide more effective oversight of IT projects, conduct post-implementation system reviews to identify "lessons learned," and complete an Information Resources Management Strategic Plan and IT Capital Plan as required by OMB.

FEMA is working to address the weaknesses in IT management, security, and other areas. OMB's most recent scorecard rates other challenges that FEMA faces, including integrating itself smoothly into the new Department of Homeland Security; implementing its e-government agenda; managing its systems effectively in a rapidly changing IT environment; and meeting its human capital needs.

Financial Management. FEMA continues to face significant financial management challenges but, over the past year, has been working very to overcome them. FEMA developed a detailed remediation plan, for example, that it uses regularly to monitor progress in addressing weaknesses we identified in the financial audit of fiscal year 2001. Although FEMA has not been able to achieve all of its goals, it has been making progress. FEMA still needs more time and resources and a continued commitment by management to achieve an appropriate level of financial management.

Major factors motivating to FEMA's progress were the qualification of the auditors' opinion on FEMA's fiscal year 2001 financial statements, and the auditors' identification of six material internal control weaknesses. Although the qualified opinion was disappointing, it helped to focus management's attention on long-standing problems. We had noted in previous audit reports that FEMA's financial reporting process was unstable and, in fiscal year 2001, after three years of unqualified opinions, the auditors could no longer attest to the accuracy of all balances presented in the statements. Specifically, the auditors could not verify (1) the reported obligations incurred and unobligated balances (because of an unsupported $77 million reduction to unliquidated obligations), or (2) the reported equipment balance.

The six material internal weaknesses described in our audit report, on which FEMA's remediation plan is based, related to information system security, real and personal property, financial system functionality, financial statement reporting, account reconciliation, and accounts receivable.

- *Information System Security*: FEMA has been able to address some of its more critical system security problems but other weaknesses remain. We again found vulnerabilities in FEMA's internal network environment during our audit of fiscal year 2002 financial statements. FEMA's core financial system, the Integrated Financial Management Information System (IFMIS), still needs a back-up administrator, a contingency plan, policies and procedures for audit trail reviews, and a review of user access rights (currently underway). Although these issues have not been entirely addressed, FEMA has reported progress.

- *Real and Personal Property Accounting*: FEMA simply does not have a property management system that supports property accounting requirements. A system acquisition moratorium due to FEMA's move to the new Department of Homeland Security has prevented FEMA from acquiring an acceptable system. As a result, FEMA has had to rely on inefficient, difficult, manually based processes to account for its property in fiscal year 2002.

- *Financial System Functionality*: FEMA recently upgraded IFMIS and expects significant improvements in financial statement preparation and intragovernmental reconciliations, although the upgrade remains to be tested as part of the fiscal year 2002 financial statement audit. FEMA reports that it is working on vendor files and specific system-interface issues, although the interface issues are sometimes dependent on external business partners. FEMA also does not have a cost-accounting system that would allow FEMA managers to more effectively link performance measures and budget execution.

- *Financial Statement Reporting*: FEMA has made progress in financial reporting by developing standard operating procedures for the preparation of financial statements. FEMA historically has not had routine procedures to guide production of the financial statements that link to other policies, procedures, and internal controls. Statements typically were prepared late in the audit process and required several revisions. We will test during the fiscal year 2002 financial statement audit whether the process has improved.

- *Account Reconciliation and Accounts Receivable*: FEMA continued to have problems during the year with timely reconciliation of many accounts and has obtained assistance from a contractor. FEMA has also made improvements in accounts receivable.

Grants Management. FEMA awards billions of dollars in grants each year to State and local governments and may become responsible for additional grants under the Department of Homeland Security. FEMA grants are used for a myriad of State and local preparedness, mitigation, and response and recovery projects. Although grant funds are spent at the State or local level, it is ultimately FEMA's responsibility to ensure that these funds are spent in accordance with Federal laws and regulations. To do this, FEMA must have an effective grants management system that fulfills both its program and fiduciary responsibilities and, particularly important, satisfies Government Performance and Results Act (GPRA) requirements. Not only must FEMA adhere to the procedural and compliance aspects of grants management, it must also focus on what grantees actually accomplish using FEMA grant funds. To demonstrate its own program efficiency and effectiveness, FEMA must require grantees to do the same.

FEMA's grants management system, prior to fiscal year 1998, did not ensure that grantees met programmatic and fiduciary responsibilities. We documented waste and mismanagement at grantee and subgrantee agencies throughout the country that resulted in the misuse of millions of dollars in Federal funds. FEMA acknowledged that major improvements were needed in its grants management system and began several initiatives to correct long-standing problems. FEMA created a Grants Management Office; issued improved policy guidance and standardized procedures; implemented training and credentialing for grant managers; and formed grant closeout teams to facilitate the timely closeout of grants and to provide technical assistance to regional office personnel in their closeout efforts.

Significant problems still need to be addressed. Our audits of States' management of FEMA disaster grants found an alarming number of recurring problems. For example, States often do not (1) monitor and accurately report on subgrantee performance and financial activities, (2) make payments or close out projects in a timely manner, (3) file accurate or timely financial status reports with FEMA, and (4) maintain adequate documentation to support their share of disaster costs and other financial transactions. These problems indicate that FEMA needs to continue to take the initiative to provide technical assistance and guidance to States to ensure that they have reliable disaster grants management systems to safeguard FEMA funds.

Improvements in FEMA's grants management system also will require resolution of issues of staffing and automation. FEMA must persist in efforts to ensure that implementation of its recent initiatives does not lose momentum when the next catastrophic disaster strikes and staff resources are stretched. FEMA recently began to develop an agency-wide Strategic and Tactical Plan for coordinating the automation of its grant programs to comply with OMB's E-Grants initiative. FEMA plans to automate many processes by creating a comprehensive grants management system. Successful implementation, however, will require resources and will ultimately depend on top management's continued support of the system's development.

Property Management. FEMA does not have a property management system that supports property accounting requirements. FEMA's primary property management system is the Logistics Information Management System (LIMS), that is used to track the location of personal property. LIMS cannot perform accounting functions and it cannot provide reliable accounting information, such as property values and acquisition dates. These deficiencies have required FEMA to conduct labor-intensive inventories and use manual procedures to support personal property accounting balances. FEMA also lacks an automated system to support accounting for real property and deferred maintenance. FEMA recognizes these problems but the systems moratorium during the transition to the new Department of Homeland Security has prevented FEMA from acquiring an acceptable system. Instead, FEMA is articulating requirements and options for an Enterprise Resource Planning (ERP) system that would support FEMA's property accounting and management needs.

Human Capital Management. FEMA's most valuable asset is its human capital. Maximizing the value of that asset and increasing organizational performance are significant challenges for FEMA. How FEMA acquires, develops, and deploys its human capital will determine how effectively its mission will be accomplished.

Through its strategic planning process, FEMA is developing a five-year, comprehensive, enterprise-wide human capital strategy that can be integrated with FEMA's mission, goals, operational requirements, and financial resources. The strategy will include workforce planning and initiatives to address imbalances between staff talents and skills and agency needs. It will address the anticipated surge of voluntary retirements over the next three-to-five years (FEMA estimates that 70 percent of its workforce is from 40 to 59 years old) and the attrition factors that normally affect the stability of the workforce. FEMA also analyzed its workforce for OMB. The results will support decisions about future management reform, budget planning, and performance goals. According to the GAO, FEMA's fiscal year 2003 performance plan does not contain performance measures that quantify progress toward achieving human-capital-related goals.

The President has determined that nearly half of all Federal employees perform tasks that are readily available in the commercial marketplace, and that those tasks should be subject to competition. Public-private competition will generate savings and improve performance government-wide. In fiscal year 2003, agencies will conduct public-private or direct conversion competitions involving 10 percent of the FTE listed on their Federal Activities Inventory Reform Act inventories above the number needed to meet fiscal year 2002 competition goals. The sweeping personnel changes accompanying FEMA's entry into the Department of Homeland Security will increase the challenges associated with this increase and with the overall management of FEMA's human capital.