



G A O

Accountability * Integrity * Reliability

United States General Accounting Office
Washington, D.C. 20548

Resources, Community, and
Economic Development Division

B-282453

July 20, 1999

The Honorable Dick Armey
Majority Leader
House of Representatives

The Honorable Dan Burton
Chairman, Committee on Government Reform
House of Representatives

The Honorable Fred Thompson
Chairman, Committee on Governmental Affairs
United States Senate

Subject: Observations on the Federal Emergency Management Agency's Fiscal Year 2000 Performance Plan

As you requested, we have reviewed and evaluated the fiscal year 2000 performance plans for the 24 Chief Financial Officers (CFO) Act agencies that were submitted to Congress as required by the Government Performance and Results Act of 1993 (Results Act). Enclosure I to this letter provides our observations on the fiscal year 2000 performance plan for the Federal Emergency Management Agency (FEMA). Enclosure II lists the identified GAO management challenges and the FEMA Inspector General's areas of concern that the agency faces and the applicable goals and measures in the fiscal year 2000 annual performance plan.

Our objectives were to (1) assess the usefulness of the agency's plan for decisionmaking and (2) identify the degree of improvement the agency's fiscal year 2000 performance plan represents over the fiscal year 1999 plan. Our observations were generally based on the requirements of the Results Act, guidance to agencies from the Office of Management and Budget (OMB) for developing the plan (OMB Circular A-11, Part 2), our previous reports and knowledge of FEMA's operations and programs, and our observations on FEMA's fiscal year 1999 performance plan. Our summary report on the CFO Act agencies' fiscal year 2000 plans contains a complete discussion of our objectives, scope, and methodology.¹

¹ Managing for Results: Opportunities for Continued Improvements in Agencies' Performance Plans (GAO/GGD/AIMD-99-215, July 20, 1999).

B-282453

As agreed, unless you announce the contents of this letter earlier, we plan no further distribution until 30 days from the date of the letter. The major contributors to this report are listed in enclosure III. Please call me at (202) 512-7631 if you or your staff have any questions.

A handwritten signature in black ink that reads "Judy A. England-Joseph". The signature is written in a cursive style with a large initial "J" and "E".

Judy A. England-Joseph
Director, Housing and Community
Development

Enclosures - 3

Observations on the Federal Emergency Management Agency's Performance Plan for Fiscal Year 2000

FEMA's fiscal year 2000 annual performance plan provides a general picture of intended performance across the agency and a general discussion of strategies and resources the agency will use to achieve its performance goals. However, the plan provides limited confidence that the agency's performance information will be credible and it does not identify the external factors that could affect FEMA's ability to achieve its performance goals and the actions FEMA can take to mitigate these factors. For example, the plan reduces the number of operational objectives and performance goals used in the plan, thus helping to focus attention on FEMA's more critical priorities. Figure 1 highlights the plan's major strengths and key weaknesses, recognizing that the Federal Emergency Management Agency is seeking to make additional improvements to its plan.

Figure 1: Major Strengths and Key Weaknesses of FEMA's Fiscal Year 2000 Annual Performance Plan

Major Strengths

- Provides clear structure linking strategic goals, 5 year operational objectives, and annual performance goals,
- Contains results-oriented annual performance goals and generally quantifiable performance indicators,
- Discusses strategies for accomplishing annual performance goals.

Key Weaknesses

- Presents only a limited discussion of FEMA's efforts and plans to coordinate with other agencies whose programs and activities complement FEMA's,
- Does not identify the external factors that could affect FEMA's ability to achieve its performance goals and the actions FEMA can take to mitigate these factors,
- Does not identify significant limitations potentially affecting the credibility of data used to measure performance,
- Provides only a limited description of FEMA's procedures for verifying and validating performance data.

FEMA's fiscal year 2000 performance plan recognizes some of the weaknesses that we identified in our assessment of the fiscal year 1999 performance plan and makes specific commitments to address some of those weaknesses. However, real progress is not yet evident in addressing all of the prior weaknesses we noted. Therefore, the fiscal year 2000 plan represents little improvement over the fiscal year 1999 plan. For example, in reviewing the fiscal year 1999 plan, we observed that the plan did not

- identify the external factors that could affect FEMA's ability to achieve its performance goals and the actions FEMA can take to mitigate these factors;

-
- identify significant limitations potentially affecting the credibility of the data used to measure performance; or
 - provide a full description of the procedures for verifying and validating performance data.

Only limited progress has been made in addressing these concerns in the fiscal year 2000 performance plan. However, among the improvements in the fiscal year 2000 plan are the use of established baselines to measure the agency's progress in meeting its performance goals. For example, the plan includes the goal of operating a logistics program that provides timely and cost-effective resources to support the agency's all-hazards emergency management mission. The performance indicators for this goal include references to 5-percent changes from fiscal year 1999 baselines, including a 5-percent reduction in the percentage of assets lost or damaged and a 5-percent reduction in the time between receiving and shipping orders for supplies. Other improvements include a general listing of federal agencies with missions and activities that complement FEMA's, linkage between budget accounts and annual performance goals, and a reduction in the number of operational objectives and annual performance goals. Additionally, the plan now includes several new appendixes that (1) chart FEMA's fiscal year 1998's actual performance, fiscal year 1999's estimated performance, and fiscal year 2000's projected performance; (2) list 5-year operational objectives and performance goals for FEMA's staff offices; and (3) present a 5-year projection of FEMA's spending on capital assets. However, the plan still contains a number of weaknesses. For example, it still contains over 150 performance indicators—presenting levels of performance for so many indicators could make it difficult to assess FEMA's performance. Additionally, the plan does not recognize the limitations with the internal sources of data it intends to use to assess performance, nor does it clearly describe credible and specific procedures that will be used to verify and validate performance data.

The Agency's Performance Plan Provides a General Picture of Intended Performance Across the Agency

FEMA's plan reflects the mission statement and strategic goals set forth in the agency's strategic plan, generally providing a clear link between FEMA's 3 strategic goals, 19 operational objectives, and 31 annual performance goals. The annual performance goals are generally objective and measurable; while some of the goals are not expressed in quantitative terms, they include quantitative performance indicators. For example, one annual performance goal addresses using information technology upgrades to reduce the costs of disaster response and recovery. Though the goal is not expressed in quantitative terms, the goal's indicators include measures such as (1) disseminating emergency alerts within 3 minutes of their receipt and (2) the delivery of data and analyses to FEMA decisionmakers and emergency partners within 72 hours of notification. Additionally, in its fiscal year 2000 performance plan, FEMA has reduced the number of 5-year operational objectives (from 38 objectives in its fiscal year 1999 plan to 19 objectives) and annual performance goals (from 60

goals to 31 goals). This reduction in operational objectives and performance goals helps to focus attention on FEMA's more critical priorities.

Some aspects of the plan limit its ability to provide a complete picture of the agency's intended performance. For example, the plan still contains over 150 performance indicators for measuring FEMA's performance. Presenting levels of performance for such a large number of indicators could make it difficult to assess FEMA's performance. Additionally, while FEMA's plan recognizes that other agencies and stakeholders have missions and activities that complement FEMA's and acknowledges that FEMA must work closely with these entities to achieve its goals, the plan does not specifically include complementary performance goals that demonstrate how FEMA's efforts contribute to crosscutting programs.

The fiscal year 2000 performance plan indicates some degree of progress in addressing the weaknesses that we identified in our assessment of the fiscal year 1999 performance plan in terms of providing a clear picture of intended performance across the agency. In reviewing the fiscal year 1999 plan, we observed a number of issues that could affect FEMA's ability to assess its performance. For example, the plan lacked quantified baseline levels of performance. Among improvements in the fiscal year 2000 plan is the addition of a number of quantified baseline levels of performance. For example, a 5-year operational objective in the plan states that FEMA will provide disaster assistance services with an increase in timeliness over fiscal year 1998 baselines. The objective includes a number of performance standards such as processing applications for disaster housing assistance from eligible disaster victims within 8 days of receiving them.

The Agency's Performance Plan Provides a General Discussion of the Strategies and Resources the Agency Will Use to Achieve Its Goals

The plan includes a discussion of strategies for all of FEMA's performance goals, and generally, the strategies are clear and appear reasonable and logically related to the annual performance goals. For example, the plan contains a performance goal directed at significantly reducing repetitive losses to the National Flood Insurance Program. The strategies that support this goal include (1) providing grants to state and local governments through several of FEMA's mitigation grant programs—programs designed to help prevent structural losses—and (2) providing incentives to communities to reduce repetitive flood losses. The plan allocates FEMA's fiscal year 2000 funding request among the agency's annual performance goals, though it is not clear how FEMA has allocated the program activities within its budget accounts to the goals. Instead, FEMA's plan aggregates the program activities within its accounts and allocates each account's funding to performance goals, making it difficult to determine how individual program activities are related to performance

goals. The plan also includes elements that are designed to solve the 10 major management challenges identified by the FEMA Inspector General. These challenges, including financial and grants management, and information management systems, could affect the agency's performance.

The plan does not explain how FEMA's performance will be positively or negatively affected by factors external to the agency. These factors, such as the economy, the possibility of additional catastrophic disasters, or support from other agencies, can greatly affect the accomplishment of performance goals. For example, FEMA's plan has a performance goal that the agency will enter into formal agreements with at least 10 other federal departments and agencies to better support disaster mitigation efforts. The difficulties inherent in working with so many other federal partners are not acknowledged, although they could have a significant effect on FEMA's ability to meet this performance goal. Additionally, the plan does not fully discuss how information technology will help FEMA achieve specific performance goals, and it does not clearly identify specific human skills or technology resources—or refer to separate documents that contain such a discussion—that FEMA will need in fiscal year 2000 to achieve the plan's goals.

FEMA's fiscal year 2000 performance plan addresses the weaknesses that we identified in our assessment of the fiscal year 1999 performance plan by providing a complete discussion of strategies and resources the agency will use to achieve performance goals and by making specific commitments or actual attempts to address those weaknesses. However, some weaknesses have not been fully addressed. Similar to what we noted in our review of the fiscal year 1999 plan, the 2000 performance plan cites the application of information technology as part of its strategies to achieve the annual performance goals. The plan also contains a broader discussion of the application of information technology in a separate appendix. However, with one exception, these discussions generally do not show how information technology will be used to help achieve the performance goals or the strategic objectives. The one exception—FEMA's discussion of information technology upgrades to provide emergency alerts and emergency response communications—does directly link an information technology strategy to the achievement of an annual performance goal with specific performance indicators. The performance goal specifically mentions the use of information technology upgrades to improve disaster response and recovery services. The plan also outlines the information technology skills required to meet its three strategic goals, but does not identify any potential skills gap or strategy to close the gap.

FEMA's fiscal year 1999 and 2000 performance plans discuss actions to resolve the agency's Year 2000 computer-date problems. These discussions provide users of the plan with an understanding of FEMA's goals and strategies for ensuring that critical business processes and computer systems will function properly in the new millennium. As of March 31, 1999, FEMA reported that all of its mission-critical systems are compliant with Year 2000 requirements.

Among the improvements in the fiscal year 2000 plan are an allocation of FEMA's fiscal year funding request and workyears¹ down to the level of the plan's annual performance goals (the fiscal year 1999 plan only allocated the funding to the level of FEMA's 5-year operational objectives). For example, both plans contained a 5-year operational objective to reduce the rate of loss of life and property from fire and fire-related hazards by 5 percent, and both plans included three annual performance goals, which supported this objective. However, only the fiscal year 2000 plan breaks out the workyears and funds allocated to each performance goal, giving some idea of the priority attached to each goal. The plan also includes a new appendix that charts the agency's requested budget authority for its capital assets, though the plan does not discuss how the capital acquisitions will affect the achievement of its performance goals.

The Agency's Performance Plan Provides Limited Confidence That Agency Performance Information Will Be Credible

While FEMA's performance plan identifies the sources of information that the agency plans to use in assessing progress toward its annual performance goals, it does not recognize the limitations of the internal sources of the data it intends to use to assess performance, nor does it clearly describe credible and specific procedures that will be used to verify and validate performance data. The plan does identify changes to existing financial and management information systems and briefly discusses some of the resulting implications for assessing the achievement of performance goals.

The fiscal year 2000 performance plan recognizes the weaknesses that we identified in our assessment of the fiscal year 1999 performance plan in terms of providing full confidence that the agency's performance information will be credible and making specific commitments to address those weaknesses. However, real progress is not yet evident. In reviewing the fiscal year 1999 plan, we observed that the plan did not always discuss methods for verifying and validating performance data; instead, the "verification and validation" sections in the plan appeared to be discussing the sources of the data. With limited exceptions, there was little clear discussion of validation methods such as outside audits or independent verification of the agency's sampling or survey information. The annual audit of FEMA's financial statements provides a means for verifying performance indicator data, such as whether FEMA achieved its fiscal year 1999 annual performance goal of "increasing the number of flood insurance policies-in-force by 5 percent." We also noted a few other indicators in FEMA's plan that are, or could easily be, verified through the annual financial statement audit. However, FEMA does not refer to the financial statement audit as a source for data

¹FEMA's plan appears to use "workyears" as a quantitative measure of human resource needs.

verification and validation.² Similarly, FEMA's fiscal year 2000 performance plan does not provide specific information on the data validation processes and management controls that will be used to ensure that performance data will be valid and reliable.

Additionally, the fiscal year 1999 plan acknowledged that FEMA did not have information systems in place to capture performance data for many of its 5-year operational objectives and annual performance goals. FEMA's fiscal year 2000 plan notes that the Inspector General cited the need for the agency to develop or modify information systems to capture performance data. FEMA states that it is establishing such systems. FEMA's fiscal year 2000 performance plan does not discuss whether there are any limitations on the use of its performance measurement data, although the agency plans to develop data sources and develop and modify information systems to collect data from internal and external resources. Users of the plan would benefit from a clear discussion of whether significant data limitations exist and how they will affect the accuracy, completeness, and availability of performance measurement data.

Other Observations on FEMA's Implementation of Performance-Based Management

One challenge FEMA faces in implementing performance-based management is how to balance the performance goals that guide the agency's activities—performance goals that sometimes have competing interests. For example, in October 1997, we reported on the conflict between FEMA's need to provide expeditious assistance to disaster victims—assisting the largest number of disaster victims in the shortest amount of time—and its responsibility to effectively control the disbursement of federal funds.³ Providing temporary housing assistance quickly to disaster victims (without first verifying each applicant's eligibility for the assistance through individual property inspections⁴) could mean that FEMA would need to subsequently go back and recover payments to ineligible recipients. To assess its performance in the temporary housing program, FEMA could use a performance goal targeted at reducing the time it takes to get assistance to disaster victims and use a

²FEMA received an unqualified opinion on its fiscal year 1998 financial statements. However, the independent auditor's report cited a material weakness relating to FEMA's financial statement preparation process. Specifically, the processes and infrastructure that support the preparation of the agency's consolidated financial statements are neither stable nor subject to the necessary levels of supervision and review.

³Disaster Assistance: Guidance Needed for FEMA's "Fast Track" Housing Assistance Process (GAO/RCED-98-1, Oct. 17, 1997).

⁴In the case of the Northridge earthquake in California, FEMA established applicants' eligibility through factors such as the general location of their residences, generally observed damages, and the residents' statements that their homes were damaged or destroyed.

performance goal calling for the amount of funding disbursed to ineligible recipients to be minimized.

Agency Comments

We provided FEMA with a copy of our draft observations for review and comment. In its written comments, FEMA generally agreed with our observations, noting that the agency would revise several aspects of its performance plan with more explicit information and additional detail. However, FEMA questioned our observation about the need to develop complementary goals, pointing out that its review of other agencies' performance goals in relation to its own goals found that the goals were "mutually exclusive [falling] along [the agency's] distinct and separate mission lines" and that developing complementary goals would be a "separate and distinct requirement/task." We continue to believe that setting complementary performance goals can help to (1) show how differing program strategies are mutually reinforcing, (2) establish common or complementary performance measures, and (3) clarify the specific contribution an agency makes to a common result. In addition, FEMA clarified and updated certain information, which we incorporated in our observations where appropriate.

Also, FEMA commented that it included information on external factors that could affect its ability to achieve its performance goals in both its September 30, 1997, strategic plan and within certain performance goals in the performance plan. While FEMA does include a general discussion of external factors in its strategic plan and a few references to the external factors in the performance plan, we believe FEMA should also include additional references to how specific external factors could have an impact on individual performance goals and the actions FEMA can take to mitigate these factors. Also, FEMA noted that its performance plan does include a general discussion of information technology and references to the technology. However, the plan does not explain how the information technologies will be used to help FEMA achieve individual performance goals. Such an explanation would strengthen and provide users with a better understanding of the agency's plan.

Management Challenges

To provide the best level of service to the public, FEMA needs to respond to a number of management challenges identified by GAO and the agency's Inspector General (IG). Table II.1 presents the management challenges and the applicable goals and measures in FEMA's fiscal year 2000 annual performance plan that the agency will use to address the management challenges.

Table II.1: Management Challenges

GAO identified management challenge	Applicable references in FEMA's fiscal year 2000 annual performance plan
<p>Year 2000 problem</p> <p>(A January 1999 FEMA Inspector General report also identified this area as a concern. However, as of March 31, 1999, FEMA reported that all of its mission-critical systems are compliant with Year 2000 requirements.)</p>	<p>The plan includes a performance indicator that makes reference to correcting Year 2000 software and hardware problems within the agency's computer networks.</p>
<p>FEMA needs to establish that information security issues have been addressed within the agency.</p>	<p>None. Under an annual performance goal that addresses upgrading infrastructure, FEMA does identify an effort to operate a certified firewall to protect the agency's computer assets and privileged information from unauthorized intrusion.</p>
Inspector General's areas of concern	Applicable references in FEMA's fiscal year 2000 annual performance plan
<p>Federal disaster assistance costs have grown over the past decade. FEMA needs to find ways to reduce these costs.</p>	<p>All three of FEMA's strategic goals have performance goals that address disaster assistance costs. For example, FEMA's third strategic goal includes a performance goal directed at improving the efficiency of operations and service, while strategic goal 1 includes a number of performance goals that are directed at mitigating future damages, thus reducing costs.</p>
<p>Clear, documented criteria for presidentially declared disasters are lacking. (In January 1999, FEMA issued a proposed rule concerning factors considered when evaluating requests for major disaster declarations.)</p>	<p>None.</p>
<p>The emergency management culture needs to change from one that reactively responds to disasters to one that proactively assists communities in avoiding future damages and loss of life by emphasizing mitigation efforts.</p>	<p>Strategic goal 1 includes a number of performance goals that are directed at building up FEMA's, other agencies', states', and communities' mitigation efforts. For example, one goal calls for entering into formal agreements with at least 10 other federal agencies on how their programs, resources, and capabilities can be leveraged to support mitigation goals. Other goals include supporting states and communities in their mitigation activities and increasing by at least 50 the number of disaster-resistant communities.</p>
<p>FEMA needs to ensure the financial soundness of the National Flood Insurance Program (NFIP), which</p>	<p>FEMA has established a 5-year operational objective to complete revisions to the NFIP to</p>

Enclosure II
Management Challenges

Inspector General's areas of concern	Applicable references in FEMA's fiscal year 2000 annual performance plan
continues to carry debt.	enhance its financial soundness and equity. Other objectives include an initiative targeted at reducing repetitive flood losses in floodplains.
FEMA's ability to measure state grant performance and capability is limited. This ability is important because it could influence grant funding decisions.	FEMA's plan includes several performance goals that will attempt to build the states' capability. One goal identifies using national baseline data from the capability assessment for readiness report to determine the level of emergency capability of states and localities and their progress in addressing weaknesses. Another goal calls for evaluating the effectiveness of mitigation planning to better target technical assistance and develop incentives to reward successful state and local risk management practices and encourage higher levels of performance.
FEMA reports that the majority of the agency's flood hazard maps depicting 100- and 500-year floodplains are no longer accurate. These maps are important because they influence flood insurance needs and whether flood mitigation measures are used in communities.	The plan contains annual performance goals to implement standards and procedures to modernize the floodplain-mapping program and to develop tools to help states achieve hazard-mitigation standards and performance measures such as adopting flood mitigation measures.
FEMA needs to improve financial management, accounting, controls, and reporting systems to fully support management decision-making.	FEMA's plan attempts to achieve the objectives of the agency's 5-year financial management plan through one of its annual performance goals.
FEMA needs to implement and maintain information management systems that improve FEMA's ability to manage its programs and operations.	The plan contains several annual performance goals, including goals to direct the remaining National Emergency Management Information System (NEMIS) development activities and analyze and disseminate data and information to promote professional decision-making by fire and emergency managers and first responders. Another goal is to operate a logistics program that provides timely and cost-effective resources to support the all-hazards mission of FEMA.
FEMA needs to ensure that grantees use grant funds effectively, efficiently, and economically.	FEMA's plan contains an annual performance goal to achieve the objectives set out in a 5-year plan that resulted from a grants management improvement study conducted by FEMA's chief financial officer in fiscal year 1997. Performance measurement indicators include implementing recommendations of the grants management improvement initiative within agreed-upon timeframes. The plan also contains performance goals to enhance community recovery over fiscal year 1998 baselines and to improve by 2 percent the efficiency with which FEMA delivers selected services.
FEMA needs to develop or modify evaluation systems to capture necessary performance data.	None. However, under the plan's strategic goal 3, the program delivery objective provides some support for measuring progress toward goals and objectives. For example, performance measurement indicators include NFIP analyses,

Enclosure II
Management Challenges

Inspector General's areas of concern	Applicable references in FEMA's fiscal year 2000 annual performance plan
	findings, and research studies and implementation of an agency evaluation system and activity-based costing methodology for one mission activity.

GAO Contacts and Staff Acknowledgments

GAO Contact

Judy England-Joseph, (202) 512-7631

Acknowledgements

In addition to the contact named above, Pat Moore, R. Tim Baden, Thom Barger, Dave Gill, and Shirley Abel made key contributions to this product.

(385790)
