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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

COMMUNITY AND ECONOMIC
DEVELOPMENT DIVISION

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The Honorable Louis O. Giuffrida
Director, Federal Emergency
Management Agency

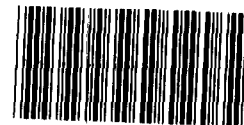
Dear Mr. Giuffrida:

Enclosed is an interim report prepared by our General Government Division on the Federal Emergency Management Agency's organization and management systems. This work was undertaken pursuant to a June 3, 1981, request from Senator John Tower.

Questions or comments on the report can be made to Mr. Roger Sperry or Mr. Toby Jarman at 634-1953.

Sincerely yours,

Henry Eschwege
Director



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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

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DEC. 7 1981

GENERAL GOVERNMENT
DIVISION

B-205659

The Honorable Louis O. Giuffrida
Director, Federal Emergency
Management Agency

Dear Mr. Giuffrida:

Subject: [Interim Report on the Federal Emergency
Management Agency's Organization and
Management Systems] (GGD-82-24)

On June 3, 1981, Senator John Tower, citing accountability problems and the need for a sound management system, requested that the General Accounting Office perform a "base-line audit" of the Federal Emergency Management Agency's (FEMA's) operations. In response to this request, GAO undertook separate reviews of (1) FEMA's management systems and organization structure and (2) its accounting operations and internal controls. This is an interim report of our review of FEMA's management systems and organization structure. A separate report will be issued on the accounting operations and internal controls.

We are issuing this interim report for three reasons. First, we want to underscore the severity of the management and organizational problems that have plagued FEMA since it was created in 1979. Second, we want to inform you of the specific areas that we will focus on during our detailed review. Third, we want to give FEMA management an opportunity to take corrective actions or, at a minimum, establish plans for corrective actions before our final report is issued to Senator Tower.

You and your management team have taken an aggressive approach in identifying and responding to many of FEMA's problems. We found that, in some instances, special projects and task forces addressed or will address known deficiencies. As our review progresses, we will share the results of our detailed review with your staff to assist them in developing workable solutions.

The findings discussed here are based on limited audit work, including discussions with top management, other FEMA officials, examination of agency records, and review of GAO, FEMA, and transition team reports. We visited 2 of the 5 program offices (the U.S. Fire Administration and the National Preparedness Programs Directorate), all of the major administrative support offices (accounting, budgeting, personnel, and evaluation), and 1 of the 10 regional offices (Region IX).

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This report provides our preliminary observations. It does not contain recommendations; therefore, we did not request agency comments. However, we discussed the contents of this interim report with various associate directors and other high ranking FEMA officials to verify the accuracy of our findings. Because we have more work to do, our findings are subject to further development. We will request agency comments prior to issuing our final report.

WHAT GAO IS LOOKING FOR--
THE MODEL MANAGEMENT SYSTEM

There are no hard and fast criteria for judging the efficiency and effectiveness of an agency's organization and management system. What constitutes good public management or the appropriate organization structure for a given situation are matters on which there is a substantial body of theory and practice but often conflicting views among both operating managers and experts in management theory. GAO has conducted many reviews that have touched on broad organization and management issues, but it has not yet developed a set of criteria against which agency management, per se, can be assessed. To our knowledge, these criteria do not exist in the executive branch either.

Nevertheless, there are certain attributes that should be present in almost any management system. For example, organizations exist for a purpose and any organization ought to be working toward fulfilling this purpose. Therefore, systems, processes, and resources should be in place and functioning reasonably well to achieve the desired end result. Even where there are conflicts about what the end result should be, management should have the means for reconciling these conflicts and moving ahead in some desired direction. Ultimately, that means having in place the mechanisms to accomplish more than coping successfully with crises as they arise and the day-to-day demands from external sources.

To achieve any desired end result by a large organization in a complex environment, we believe there are certain essential ingredients:

- A clear statement of an organization's mission that is widely available and generally understood both in and outside the agency.
- A set of goals and objectives that an organization can reasonably expect to achieve in a defined period of time.
- Planning processes, both long- and short-range, that (1) define the resources needed to meet the goals and objectives, (2) establish priorities in case available resources fall short of needs, and (3) integrate the required inputs when more than one operating unit is involved.

- Implementation mechanisms that outline performance standards and establish accountability to achieve the desired end results.
- Communication links to help assure coordinated action between operating units within the organization and between the organization and the external environment.
- Administrative support services (accounting, budgeting, personnel, and evaluation) that provide the necessary underpinning to enable operating units to achieve the desired results.
- Information systems which compare performance standards with actual performance by both individuals and organizational units to provide management sufficient data to know how well the agency is functioning.
- Evaluation activities which help management assess how well or poorly program outputs meet the goals and objectives.

Typically, we would not expect many management systems to contain all of these ingredients in the desired strength to assure an organization's effective functioning. This would be especially so in newly formed agencies and in those which have experienced substantial change in their mission and organization. However, we would expect agency management in all cases to be working toward a management system which eventually would incorporate these ingredients.

In summary, GAO's model is essentially an objective-oriented management system that focuses on establishing accountability and achieving desired end results within established time frames. In our final report we will provide a fuller explanation of why we believe these are valid criteria and how they apply to FEMA.

FEMA'S OPERATIONS HAVE BEEN HAMPERED
BY NUMEROUS ORGANIZATIONAL AND
MANAGEMENT PROBLEMS

Since its creation in 1979, FEMA has experienced substantial organizational and management problems. These problems have been exacerbated by the lack of an agencywide management system and deficiencies in the accounting, budgeting, personnel, and evaluation functions. Employee morale also has suffered due, in part, to a lack of understanding of the roles and responsibilities of FEMA organizational units and staff.

FEMA's current management is taking positive steps to address many of these problems. Such actions are briefly described below; we will evaluate the success of these efforts and any additional corrective actions taken during our detailed review.

Reorganization startup problems

FEMA was created in 1979 under authority of the Reorganization Act of 1977 and Executive Order 12148. FEMA serves as a single point of contact within the Federal Government for emergency management activities. It is responsible for the establishment and maintenance of a comprehensive and coordinated emergency management capability. This includes preparing for and responding to emergencies, disasters, and hazards ranging from home fire prevention to nuclear attack.

Emergency management agencies consolidated into FEMA were the National Fire Prevention and Control Administration, the Federal Insurance Administration, the Federal Disaster Assistance Administration, the Defense Civil Preparedness Agency, and the Federal Preparedness Agency. FEMA was also given oversight responsibility for the Emergency Broadcast System.

On March 20, 1981, GAO issued a report ^{1/} describing substantial startup problems experienced by FEMA and five other agencies reorganized under the Reorganization Act of 1977. FEMA's problems included delays in obtaining key agency officials and support staff, inadequate office space, and delays in establishing support functions. We believe these startup problems contributed to the organizational and management problems facing FEMA today.

Organizational problems

Perhaps the most obvious organizational problem which faced the newly created agency was the lack of a "FEMA identity." The predecessor agencies which made up FEMA were located in several different buildings due to a lack of sufficient office space in Washington, D.C. Further, FEMA was virtually leaderless during the early months of its existence. The Director of FEMA was not selected until 9 months after the reorganization plan was approved by the Congress; a total of 23 months passed before 16 of FEMA's 17 top management positions were filled (the Deputy Director position was purposely left vacant). With this geographic dispersion and lack of leadership, subunits operated independently within the "shell" of the new FEMA structure. We were informed that internal conflicts between the reorganized agencies occurred long after FEMA was created.

An April 1981 FEMA task force report noted that FEMA had excessive span of control problems. We found that at one point in time, 27 operational units (including 10 regional offices) reported directly to the agency director with no deputy director or staff offices to assist in providing management guidance

^{1/}"Implementation: The Missing Link in Planning Reorganizations" (GGD-81-57, Mar. 20, 1981).

and direction. Managers we interviewed felt the numerous reporting channels and the lack of a support staff impaired the director's ability to effectively manage the organization. The current director appointed an executive deputy director and reduced the reporting units to 22. Although the number of reporting units is still high, we were informed that span of control problems were reduced with the selection of the executive deputy director.

Finally, the FEMA transition team, appointed by the current Administration, identified organizational deficiencies in internal and external communications. The transition team report, issued in December 1980, called for improved communications between headquarters units and regional offices as well as externally with the White House, the Departments of Defense, Commerce, and Transportation, State governments, and local jurisdictions.

To address these organizational problems, FEMA's current management initiated an organizational realignment in June 1981. Various functions of the previous FEMA organizational units were shifted to other existing and newly created units. The stated purpose of the realignment was to (1) implement new initiatives in effectively managing and coordinating emergency and disaster response, (2) promote an agency identity, (3) reduce span of control problems, and (4) enhance financial accountability and administrative support. Establishing an agency identity and improving communications among FEMA organizational units was also facilitated by the recent acquisition of a single office building to house the headquarters elements.

Need for a FEMA-wide management system

FEMA has never had a comprehensive agencywide management system that integrated top management, program office, and regional office activities. Each major FEMA subunit is managed independently with little oversight and direction by top management.

FEMA lacks effective management processes. Until recently, there were no generally accepted definitions of FEMA's mission or its goals and objectives. Currently, there are no agencywide requirements for

- long- and short-range planning,
- establishing priorities for goals and objectives,
- developing performance standards,
- holding managers accountable for results,
- establishing information systems on program results, and
- evaluating outputs in relation to goals and objectives.

In short, the basic information upon which to base inquiries into economy, efficiency, and effectiveness does not exist on an agency-wide basis.

There are individual management systems within most major FEMA subunits. However, these systems vary in terms of sophistication and utilization. For example, our preliminary work indicates that the U.S. Fire Administration utilizes a process that includes many of the basic elements of a management system we describe on pages 2 and 3. In contrast, we found the National Preparedness Programs (NPP) Directorate had a fragmented system with minimum involvement of its top management. (Since our evaluation of NPP, the acting associate director initiated action to improve its management system.)

Information on planned and actual performance under these individual systems is not routinely provided to top management. Therefore, top management does not have an opportunity to assign priorities to program activities or to know if the agency is realizing its goals and objectives. Also, regional offices must deal with several different headquarters management systems not knowing which program activities have the highest FEMA-wide priority when staff resources are insufficient to carry out all program requirements.

FEMA has major efforts underway that are addressing the lack of a FEMA-wide management system. These efforts involve developing a management system for top management that will provide multiyear program planning, establish a procurement planning and control system, establish a basis for allocating resources among competing programs, establish or identify program outputs, and monitor the agency's progress toward achieving its objectives. In addition, FEMA held two team building sessions in September and October 1981 to develop an agency mission statement, goals, and objectives.

Another effort seeks to improve management oversight of FEMA's ADP, telecommunications, and information management systems in compliance with the Paperwork Reduction Act of 1980 (Public Law 96-511). Specifically, this project will develop (1) an information resource management office charter and management concept, (2) an information resource management plan, and (3) an information resource management inventory.

Accounting system weaknesses

In March 1981, a consulting firm reported major weaknesses in FEMA's accounting system which adversely affected the agency's operations and raised serious doubts about the adequacy of internal controls over its financial resources. The consulting firm report concluded in part that FEMA's accounting system could not produce accurate and timely financial reports, and that there was potential for unauthorized transactions or material fraud.

FEMA officials informed us that inaccurate and untimely quarterly financial reports have forced FEMA's subunits to maintain their own accounting records to prevent overobligation of budget allocations. Further, the annual financial statements for fiscal year 1980 were not closed until August 1981.

With regard to the potential for unauthorized transactions and fraud, the consulting firm report did not fully evaluate FEMA's system of internal controls. As noted above, a separate GAO report will be issued on FEMA's internal accounting controls.

Many of the problems with FEMA's accounting function stem from the lack of formal accounting policies and procedures and inadequate staffing. Generally accepted accounting principles require formal policies and procedures as a prerequisite to a sound accounting system. In addition to its review of FEMA's internal controls, GAO is providing assistance to FEMA personnel in developing accounting principles and standards and an accounting system design.

Agency officials stated that staffing is also a cause of FEMA's accounting deficiencies. As of May 1981, FEMA had 4 staff members with accounting qualifications (GS-510 series) out of 36 full-time permanent staff in its accounting office. As a result, nonaccountants were responsible for most of the administration, development, and oversight of accounting operations.

FEMA is taking steps to address its accounting problems. An additional seven professional accountant positions were filled as of October 31, 1981. Further, we were told the policies and procedures for the accounting system are being developed and documented to improve the accuracy and timeliness of the financial reports.

Inadequate budget process

The FEMA budget process has not been an effective tool for formulating and managing the agency's resource requirements. This is the result of the absence of formal budget policies and procedures, unreliable data for managing current-year and formulating subsequent-year budgets, and a failure to establish a budget structure that reflects program activities.

Other than the annual guidance from OMB Circular A-11, there are no formal policies and procedures for the FEMA budget process. For example, (1) the budget office does not have adequate procedures to monitor fund availability, (2) there are no established policies or procedures for making program decisions in the budget process, and (3) there are no procedures for timely budget formulation. As a result, the fiscal years 1981 and 1982 Justification of Estimates were not submitted to the Office of Management and Budget by the required September deadline. Also, FEMA and OMB officials said prior budget submissions did not present a clear justification of needs.

Compounding the lack of formal budget policies and procedures was the unreliability of input data. As noted above, accounting data for prior- and current-year operations was inaccurate and untimely. In other instances, the budget office used erroneous data in preparing estimates. For example, fiscal year 1982 salary and benefit costs were underestimated by \$7.5 million because they did not adjust estimates to reflect the prior fiscal year's 9.1 percent pay raise.

Finally, FEMA has not established a budget and accounting structure that reflects its program activities. Budgeted funds are only monitored by FEMA on the basis of budget object classes (e.g., personnel compensation, travel, and supplies) and broad program categories. As a consequence, top management is unable to determine whether program subelement expenditures coincide with budgeted amounts approved by the Congress.

At the end of October 1981, efforts were underway to correct budget problems. FEMA officials informed us that formal policies and procedures should be available by December 1981. Also, they believe the agency's ability to manage its budget in greater program detail should be enhanced with the fiscal year 1982 implementation of a new coding scheme for its financial accounting system. The fiscal year 1983 budget submission was on time and, according to an OMB budget examiner, the quality was a noticeable improvement over the fiscal year 1982 submission.

Personnel function deficiencies

Establishment of FEMA's personnel function was hampered by staffing vacancies when FEMA was created in April 1979. Of the total 36 authorized staff positions, 29 were vacant and the remainder were filled with detailees from other agencies. Since these vacancies were filled in November 1979, FEMA has established many of the basic personnel policies and procedures for functions such as merit promotions, performance appraisals, and incentive awards required by the Office of Personnel Management (OPM) regulations. Also, FEMA did not have a manpower planning program until June 1981. Since then, FEMA has made substantial progress toward establishing a manpower system that allocates and tracks staff utilization and that eventually will be integrated with its budget process.

However, we found other elements of the personnel function missing or not fully developed. Specifically:

- Position descriptions for many FEMA staff do not accurately reflect their duties and responsibilities.
- An agencywide Affirmative Action Program Plan does not exist.

According to FEMA officials, many position descriptions are inaccurate because (1) some position descriptions from predecessor agencies were not rewritten following the creation of FEMA, and (2) many position descriptions were not adjusted to reflect the various internal reorganizations that have occurred since FEMA was established. The inaccurate position descriptions have made it difficult for managers to assess the adequacy of staff performance plans and to prepare performance ratings. Also, position descriptions are the basis for determining grade classifications and, if inaccurate, could result in an improper grade designation. FEMA officials have expressed concern over the possibility that some positions may be overgraded or undergraded as a result of the reorganization.

FEMA has not submitted an Affirmative Action Program Plan and is operating under an exemption granted by the Equal Employment Opportunity Commission temporarily freeing it from planning and reporting requirements. FEMA was without a full-time director for its Equal Opportunity Office between January 1980 and August 1981. In October 1981, the current EEO director prepared, subject to approval, FEMA's first Affirmative Action Program Plan.

Weak evaluation function

Agency officials informed us that investigations, audits, and evaluations by the Offices of Inspector General and Program Analysis and Evaluation have been limited. We believe efforts by these offices have provided inadequate oversight of FEMA's program activities and expenditures, which totaled \$1.2 billion in fiscal year 1980.

The Office of Inspector General is formally charged with the responsibility for (1) assuring that FEMA programs and operations are administered economically and efficiently and (2) preventing and detecting fraud and abuse. As of October 1981, the Office of Inspector General had 12 full-time professional staff in the headquarters office and another 17 in the regional offices. The Inspector General informed us that this limited staffing precluded him from performing many of the audits and investigations he believes should be done. The December 1980 FEMA transition team report stated that the Office of Inspector General was

"* * * understaffed to the degree that grave disorders within the agency may go undetected and unattended. This could lead to serious fraud and abuse, casting a dark shadow over all of FEMA's operations."

FEMA's Office of Program Analysis and Evaluation is responsible for evaluating FEMA programs and resolving existing or potential program and policy problems. We were told that analyses and evaluations of FEMA operations by the office have been limited

because of staffing shortages. Further, many of its nine professional staff members have been detailed to special studies and task forces. Also, the transition team report pointed out this office has never evaluated regional operations.

GAO believes an effective evaluation process is an essential part of a management system. Comprehensive evaluations are needed to (1) assist agency management and policy decisionmaking, (2) improve the measurement of performance against goals and objectives, and (3) ensure that funds are properly safeguarded.

Organizational development needs

We were told that, until recently, FEMA management has not developed a clear sense of the agency's basic mission, goals, and objectives or the interrelationships, roles, and responsibilities of its organizational units and staff. We believe that these organizational issues have contributed to the internal conflicts discussed earlier, as well as lowering morale and staff productivity.

Since 1979, FEMA has conducted several projects to gather employee perceptions of these and other organizational and staff issues. Unfortunately, these efforts were limited to compiling employee responses and did not result in any followup or corrective action.

FEMA's management currently recognizes the need to improve the organizational climate and is developing proposals for identifying and dealing with organizational issues at all levels of the agency. As noted earlier, FEMA recently held two team building sessions to develop agency mission statements, goals, and objectives. FEMA is also planning to capture base-line data on employee perceptions and attitudes to enable FEMA management to measure the effect of current and future organizational change. GAO's Office of Organization and Human Development is providing FEMA technical assistance in developing a systematic approach that will enhance management's ability to determine the nature and extent of the organization and staff issues and to take appropriate corrective action.

SUMMARY

Our initial review showed that FEMA has been plagued by severe management and organizational problems since it was created in 1979. Further, a substantial amount of energy has been exerted by FEMA's current management to mitigate many of these deficiencies.

Our detailed review will include further development of the findings discussed in this interim report and our evaluations of corrective actions taken by your staff. We will also review two additional regional offices and the three remaining program offices --the Training and Education/National Emergency Training Center,

the Federal Insurance Administration, and the State and Local Programs and Support Directorate.

FEMA's principal problem is the lack of a comprehensive agency-wide management system. FEMA's current plans to develop a system for top management is an essential start in developing such a comprehensive system. During the remainder of our review, we will work with your staff in developing recommendations for a management system that will integrate the top management, program offices, regional offices, and administrative support functions (accounting, budgeting, personnel, and evaluation) into a framework designed to fulfill FEMA's defined mission. As such, we envision a cooperative effort that will lay the foundation for further corrective actions to assure that FEMA's vital mission will be managed in an efficient, effective, and economical manner.

Sincerely yours,

W. J. Anderson

William J. Anderson
Director

cc: Senator Tower