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ACCOUNTABILITY AT FEMA: IS QUALITY JOB #1

HEARING

BEFORE THE

AD HOC SUBCOMMITTEE ON DISASTER RECOVERY AND INTERGOVERNMENTAL AFFAIRS

OF THE

COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS UNITED STATES SENATE

ONE HUNDRED TWELFTH CONGRESS

FIRST SESSION

OCTOBER 20, 2011

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ACCOUNTABILITY AT FEMA: IS QUALITY JOB #1

THURSDAY, OCTOBER 20, 2011

U.S. SENATE,
AD HOC SUBCOMMITTEE ON DISASTER RECOVERY
AND INTERGOVERNMENTAL AFFAIRS,
OF THE COMMITTEE ON HOMELAND SECURITY
AND GOVERNMENTAL AFFAIRS,
Washington, DC.

The Subcommittee met, pursuant to notice, at 10:33 a.m., in Room SD–342, Dirksen Senate Office Building, Hon. Mark L. Pryor, Chairman of the Subcommittee, presiding.

Present: Senators Pryor and Johnson.

OPENING STATEMENT OF SENATOR PRYOR

Senator PRYOR. All right. I will call our Subcommittee to order.

I want to thank everyone for being here, thank all the witnesses and thank Senator Johnson.

We may have some other Senators that come in and out during the course of the hearing. We have a vote in about an hour and a half. So Senator Johnson and I are kind of targeting that for a nice end point at about noon, to try to finish before our votes.

I want to thank all of you all for being at the Subcommittee on Disaster Recovery and Intergovernmental Affairs (DRIA). We have entitled this hearing "Accountability at FEMA: Is Quality Job #1," and I think it is a question that we should probably ask of all of our agencies to try to make sure that they have the quality controls and the efficiencies that we want to see and they are managed right and run well. We are certainly glad to put Federal Emergency Management Agency (FEMA) under a microscope today because all government agencies need to do this from time to time.

We are here today to assess FEMA's progress in its effort to balance quick disaster response with good stewardship of taxpayer money.

FEMA has responded to 87 major disasters this year, at least 10 of which caused damages in excess of a billion dollars. In August, FEMA had to redirect spending on past disasters in order to cover the immediate needs arising from Hurricane Irene and Tropical Storm Lee.

In March, we convened this Subcommittee to examine the recoupment of $643 million in post-Hurricane Katrina disaster assistance and also to discuss ways to prevent improper payments in the future. We determined that stronger front-end controls are needed to identify and prevent waste, fraud and abuse at the out-

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set. Without them, we get stuck with the costly pay-and-chase approach of recovering money after it is out the door. At that point, it is often too late.

Today, I want to make sure quality control is a priority at FEMA. My goal is to review the organization and leadership of FEMA components, their emphasis on front-end accountability processes and how we can make additional improvements so that the American people can rest assured that their tax dollars are being put to good use.

The Department of Homeland Security (DHS) Inspector General (IG) has examined FEMA's management and quality controls. It acknowledges that some improvements are being made, but the IG's findings are also troubling.

For example, FEMA's Fraud Prevention and Investigation Branch had only six employees last year. Of the hundreds of thousands of cases processed by FEMA each year, only 3,108 were referred for review between 2007 and 2010. Although the Post-Hurricane Katrina Emergency Management Reform Act required agency-wide employee training to better identify waste, fraud and abuse, this has not yet happened.

In addition, FEMA's acquisitions processes lack the controls necessary to prevent wasteful spending, resulting in multimillion dollar contracts that do not clear requirements and performance measures. After Hurricane Ike, FEMA paid a million dollars for 60 days of access to 2 mobile medical units which they never used.

The waste does not always end with the initial purchase. In the aftermath of the 2005 hurricane season, Hope, Arkansas became home to 19,000 unusable travel trailers and mobile homes that had cost $25,000 a month just to keep them stored there. Wasting taxpayer dollars in this way is simply unacceptable.

Preventing inefficiency and abuse through enhanced government performance and accountability is a key focus of this Subcommittee. Last month, I included language in the DHS authorization bill to improve financial management and to prevent waste at DHS's acquisition processes. Earlier this year, I introduced the Disaster Assistance Recoupment Fairness Act (DARFA) of 2011 to address the recoupment of improper payments caused by FEMA error.

Today, we will hear from FEMA and the DHS Inspector General. We will also get the perspective of two nongovernment witnesses from the Project Management Institute (PMI) and George Mason University's (GMU) Mercatus Center.

I look forward to positive dialog on the lessons learned, improvements made and examples of best practices in accountability that are ready to be incorporated from the private sector into the Federal agencies, that can be applied to FEMA.

With that, I would like to turn it over to Senator Johnson and ask for his opening statement if he has one.

OPENING STATEMENT OF SENATOR JOHNSON

Senator JOHNSON. Well, Mr. Chairman, thank you for that. I love these field promotions.

Senator PRYOR. That is right.

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Senator JOHNSON. So now I am Ranking Member. Normally, I am down there.

I do not have a prepared opening statement other than to say I appreciate the hearing. I certainly thank the witnesses for coming here.

As a small government proponent, I am always looking at where the government is more effective. At the local level, State level versus Federal level.

And I am actually making a copy of a chart I have that we will circulate to the witnesses a little bit later on to base some questions on, but it really shows that we have really had an explosion in things that are being declared Federal emergencies and then requiring a Federal response. So that is going to be sort of the thrust of my questions: What is the best level for addressing some of these issues, and have we tipped too far in the favor of Federal help in too many circumstances?

But anyway, I look forward to your testimony. Thank you.

Senator PRYOR. Thank you, Mr. Ranking Member.

Also, I would like to give the Subcommittee an update. Yesterday, we had a speech on the floor and some other developments that relate to some payments made by FEMA in a flood in Arkansas, and this has happened all over the country, where FEMA has wrongly paid out money to some people that have suffered damages and floods, hurricanes, tornadoes, et cetera.

The reason I went to the floor yesterday is because FEMA actually has now turned this over to the Internal Revenue Service (IRS) for collection. And it was a $27,000 effort for recoupment. Because of IRS's taxes, penalties, interest, et cetera, it is now $37,000.

And so, I met with Treasury yesterday. I talked to Secretary Timothy Geithner this morning, and we are working through that issue. He put out a statement last night saying that he is working with us, which is very true. So we are working to try to get that resolved in a way that makes sense for both parties.

I do not have any real update on that yet, but as it currently stands, I still have those nominees held on the floor.

What I would like to do now is introduce our witnesses, and each of these witnesses could have, and maybe deserves, a long introduction, with lots of interesting background, professional experience, et cetera. But in the interest of time, will just submit your full backgrounds and resumes for the record.

But our first witness today will be the Hon. Richard Serino. He is the Deputy Administrator at the Federal Emergency Management Agency—again, lots of background there.

But let me just move on to the second witness which is Matt Jadacki, the Assistant Inspector General for Emergency Management Oversight in the Office of Inspector General at the Department of Homeland Security.

Third will be Maurice McTigue, Vice President and Distinguished Visiting Scholar at George Mason University's Mercatus Center. And he has a distinction that he is a former member of parliament in his home country. So we appreciate you here, and it is great to have you here.

And then, our final witness, Mr. Craig Killough, is the Vice President of the Project Management Institute.

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So again, I want to thank all of you.

We have a timer system today. We are hoping that everyone will keep their opening statement to 5 minutes or less. We like less, right? Do we not like less?

Senator JOHNSON. Five minutes is fine. I do not want to put any pressure.

Senator PRYOR. OK, so 5 minutes or less.

And we will submit your written testimony for the record. Then we will have questions.

So Mr. Serino, would you lead off? Thank you.

TESTIMONY OF HON. RICHARD SERINO,[1] DEPUTY ADMINISTRATOR, FEDERAL EMERGENCY MANAGEMENT AGENCY, U.S. DEPARTMENT OF HOMELAND SECURITY

Mr. SERINO. Thank you, Chairman Pryor, Senator Johnson and other Members of the Subcommittee that are not here right now.

But as stated, my name is Rich Serino. I am the Deputy Administrator for FEMA. And it is an honor to appear before you today on behalf of the Department of Homeland Security and FEMA to discuss our quality assurance process and our internal financial controls.

The American people and the disaster survivors all over this country rely on FEMA to meet our mission. Because of the serious responsibility, Administrator William Fugate and I took important steps early on in this Administration to, first, establish a culture of responsibility within FEMA; second, to engage the whole of community in disaster response and recovery. Our approach included a new doctrine, a new mission, a new strategic plan, as well as new policies.

I am pleased to say, Mr. Chairman, that we are now seeing the benefits of the new approach in how we are responding to disasters and assisting the survivors of these disasters.

But our responsibility goes beyond the need to provide quality service to disaster survivors. The American taxpayer expects and, in fact, needs us to meet that mission and to deliver those services in an efficient, cost effective manner. This is especially important under the current economic conditions that we now face.

Because of this, FEMA took steps to reduce errors and increase effectiveness of how we provide services to disaster survivors as we implemented numerous fraud prevention controls designed to verify disaster survivors' information before the applicant receives any Federal disaster assistance. For example we now block automatic payments to high risk addresses such as check-cashing stores, mail drops, cemeteries and jails.

The result of these efforts has been a reduction in the improper payment rate from 14 percent in the aftermath of Hurricane Katrina to currently less than one percent, in fact, 0.3 percent in fiscal year 2010.

In addition to improving these efficiencies in how we deliver assistance to disaster survivors, we also took steps to improve the acquisition management process at FEMA. In the past, the Inspector General let FEMA know the need to make significant improve-

[1] The prepared statement of Mr. Serino appears in the appendix on page 27.

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ments in this area, and we have changed a lot of our processes to comply with those recommendations. For example, we increased the number of prepositioned contracts that are frequently used and frequently needed in times, to put in place long before a disaster strikes. By doing so, we can increase the speed of delivery and also the cost of providing these supplies during disaster response. FEMA now maintains between 40 and 60 of these prepositioned contracts that are in place.

Another improvement we made is the creation of the Disaster Acquisition Response Teams (DARTs). These teams are made up of skilled experts who can quickly deploy to our joint field offices or regional offices to provide contract administration and oversight for large disaster contracts in the field.

These teams have already had an impact on how we do business. For example, after the flooding in North Dakota, in Minot, the DART staff were able to streamline some of the procurement processes of housing of disaster responders from which was an average 30-day process down to only 3 days, which allowed us to focus the need instead on addressing the needs of survivors.

Following Hurricane Irene, DART members were also prepositioned in the field so they could provide contracting support for housing inspection missions as soon as they were required, including utility contracts, temporary housing unit pad leases and multifamily repair program contracts.

During the past 2 years, we have worked especially hard to improve how we manage the Disaster Relief Fund (DRF), the main budget account we use to assist States as they respond to recover from disasters. We took steps to change how we expend the DRF resources and improved the closeout process for older disasters so we could bring updated funds back to the DRF. In fiscal years 2010 and 2011, by continually reviewing and identifying and recovering from these unobligated funds from previous disasters, FEMA was able to recover more than $4.7 billion in unobligated funds to the fund.

FEMA has found other efficiencies to stretch out the DRF relief fund dollars. We worked quickly to right-size the number of personnel we need in a disaster field office, but also, working with our State partners, we have created some virtual Joint Field Offices (JFOs) that are run out of our regional offices. For example, during the 4-month period earlier this year—last year, In Region 3, we realized the savings of $9.5 million by using virtual JFOs and physical offices.

When Administrator Fugate arrived to FEMA, one of the things we also created was FEMAStat, which is a new ongoing management process. This tool facilitates performance-based assessments by redefining metrics and conducting milestone-based reviews. Included in the new process is our programs have helped identify trends and gaps that are important to improving the ability to meet our mission. FEMAStat is improving transparency, information sharing and customer support as well as program monitoring.

In conclusion, FEMA recognizes the need to balance quality customer service and providing disaster assistance quickly but maintains the responsibility to be a good steward of the taxpayers' money. All the while, we still have work to do, and I am proud of

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the progress we have made in the last 2 years to ensure FEMA is run in a cost efficient, effective manner.

I look forward to working with this Subcommittee and our many partners at the Federal, State and local levels as we continue to progress, to improve efficiencies, to increase efforts, to promote disaster response, recovery, and preparedness within the whole community.

Thank you again for the opportunity to appear before you and look forward to answering your questions.

Senator PRYOR. Thank you. Mr. Jadacki.

TESTIMONY OF MATT JADACKI,[1] ASSISTANT INSPECTOR GENERAL, EMERGENCY MANAGEMENT OVERSIGHT, OFFICE OF INSPECTOR GENERAL, U.S. DEPARTMENT OF HOMELAND SECURITY

Mr. JADACKI. Good morning, Chairman Pryor, Senator Johnson.

My name is Matt Jadacki. I am the Assistant Inspector General for Emergency Management Oversight in the Department of Homeland Security's Office of Inspector General. Thank you for the opportunity to discuss FEMA's quality controls and business practices.

Since the Post-Hurricane Katrina Emergency Reform Act of 2006, FEMA has made great strides in improving and strengthening disaster preparedness, interacting with other Federal agencies and assisting communities to recover after a disaster.

Today, I want to focus my remarks on three key areas: fraud prevention and internal controls, acquisitions, and the Remedial Action Management Program. These areas and others are discussed in my written statement, are covered in upcoming department-wide management challenges reports and in numerous FEMA-specific reports we have issued over the last 2 years.

In March 2011, I testified before the Subcommittee regarding FEMA's efforts to recoup $643 million in potentially improper disaster assistance payments beginning in the aftermath of Hurricanes Katrina and Rita. As of September 29, 2011, almost 33,000 notices of debt have been mailed, over 500 people had their claim debts terminated after utilizing the appeals process, and FEMA has recouped more than $3 million.

The speed at which FEMA disburses assistance to individuals through its Individuals and Household Program results in the program's susceptibility to fraud. This susceptibility was increased during the response to Hurricane Katrina because FEMA disabled some internal control functions to speed up its response to the catastrophic disaster. More recent reports indicate that FEMA has made significant internal control improvements, including identity and address verifications, and inspections prior to approving assistance.

Our review of FEMA's fraud prevention efforts noted that despite the assistance programs' continued susceptibility to fraud and abuse, FEMA has not implemented formal fraud awareness training mandated by the *Post-Katrina Reform Act.* Further, FEMA has not staffed the Fraud Prevention and Investigative Branch nor has

[1] The prepared statement of Mr. Jadacki appears in the appendix on page 34.

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it provided the authority necessary to review programs and agency-wide recommended improvements in internal controls.

FEMA has made improvements in its internal controls since Hurricane Katrina but more needs to be done. The culture at FEMA is to get the money to disaster survivors as quickly as possible, but this commendable attitude needs to be tempered throughout the organization by an increased emphasis on providing assistance to only eligible disaster survivors.

Although FEMA has developed and strengthened acquisition management policies and processes, it continues to face challenges. For example, weak internal controls have resulted in multimillion dollar contracts with vague and questionable requirements and no performance measures. Agency employees responsible for managing and monitoring the contractors do not always receive written guidance or training on how to evaluate contractor performance or certify billing invoices.

FEMA has made progress in recruiting and retaining a workforce capable of managing complex acquisition programs. Nevertheless, FEMA's contracting program continues to face workforce challenges.

FEMA has made great strides in improving its Contracting Officer Technical Representatives (COTRs), cadre. However, many trained COTRs have never been assigned to a contract and are unsure of their ability to be effective.

We have also recommended that FEMA establish an overarching sourcing strategy. Headquarters, regional and local FEMA representatives were ordering goods without communicating to their counterparts at other locations. As a result, goods were ordered, were not needed or purchased from the wrong source or at the wrong time.

We recommended that FEMA implement a single ordering concept to coordinate all sources and decisions made through the logistics section. FEMA is now making progress in adopting a single point ordering concept.

FEMA's Remedial Action Management Program (RAMP), is intended to identify lessons learned and best practices, manage the subsequent remediation of issues, and share lessons learned and best practices. FEMA regions are responsible for their after-action reports and for collecting and transmitting to FEMA headquarters lessons learned and best practices identified in those reviews.

FEMA officials had not always conducted after-action reviews to identify lessons learned and best practices, and when the reviews were held, lessons learned and best practices were often not converted into policy. However, in some cases, informal discussions were held in lieu of the RAMP review, in other cases due to the magnitude of the disaster and other circumstances.

In May 2010, the server which housed FEMA's program database of lessons learned failed, and FEMA lost access to the lessons learned and best practices data. Recently, this was restored, and FEMA needs to conduct after-action reviews for all disasters and disseminate the data collected more widely.

FEMA has made progress in many areas we reviewed. However, although corrective plans have been developed, implementation has

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been slow. FEMA needs to increase oversight of key management issues to ensure implementation of initiatives is sustained.

Many recommendations in our audit of FEMA operations remain open. We will continue to work with FEMA to ensure that corrective action plans are developed and that progress is made to fully implement the recommendations.

In conclusion, FEMA is an agency that is in a constant state of flux. Priorities, plans, initiatives, draft guidance and working groups often, understandably, take a back seat to disaster response and recovery, and the momentum toward finalization and implementation of key initiatives is slowed or lost.

Involved in more than 87 Presidentially declared disasters this year alone, FEMA must continue to make progress in addressing its major management challenges, and must continue to improve in areas such as fraud prevention and acquisition, and implement lessons learned and corrective actions if it is to be an effective partner in emergency management.

Mr. Chairman, this concludes my prepared remarks. I would be happy to answer any questions you or Senator Johnson may have.

Senator PRYOR. Thank you. Mr. McTigue.

TESTIMONY OF HON. MAURICE MCTIGUE,[1] VICE PRESIDENT AND DISTINGUISHED VISITING SCHOLAR, THE MERCATUS CENTER, GEORGE MASON UNIVERSITY

Mr. MCTIGUE. Thank you, Chairman Pryor and Senator Johnson.

I have been in the United States for 15 years now, at the Mercatus Center at George Mason University. I came to the United States from Canada where I spent 4 years as New Zealand's Ambassador and also Ambassador to the Caribbean, and prior to that, spent some time as a member of parliament and as a member of the New Zealand Cabinet. Some of my comments are therefore based upon that background of experience, and some of those experiences may be valuable to the work that you do here in Congress.

When I look back at the role of the U.S. Government in disaster, that role goes back to about 1803 and the fires that occurred in the harbor of Portsmouth in New Hampshire. And the interesting thing about that disaster is that it has always been controversial and it always will be controversial. So I do not think we are ever going to get to a State where the activities of FEMA are going to be without criticism.

Second, because you are always, in an operation like FEMA, dealing with distressed people, mistakes are going to be made, and the good should not be prevented by trying to be absolutely certain that no mistake is ever made.

One of the successes, in our view, having looked at FEMA for over 10 years and every other major organization in the Federal Government, was when we did something called the Scorecard, which analyzed and looked at how accurately departments reported on their success and whether or not that information was appropriate to the accountability of that organization. We picked out FEMA as one of the turnaround organizations of the 1990s.

[1] The prepared statement of Mr. McTigue appears in the appendix on page 43.

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What made it a turnaround organization? I think it was the vision that James Lee Witt came to that organization with. And as he said to me on one occasion when I was talking to him, "our job is to put back together the lives of individuals, communities and States, and to do that as quickly and as appropriately as possible."

So, some of the things that he did seemed to be counterintuitive, one of which was to spend more time on training and preparing the assessors in the field, and then to be prepared to rely more on the judgment of those people. And he actually found that too many layers of oversight actually contributed to errors rather than reducing them.

So, I think that is something that should be borne in mind—that additional layers of oversight may not necessarily improve the accuracy rate, but they may also, at the same time, destroy the success that you are seeking in terms of putting back together people's lives as quickly as possible.

Senator Johnson, you made some comments that I agree with, and that is that maybe FEMA is being asked to deal with too many situations that do not really constitute an emergency or a disaster. Some of that may be the definitions that are used by FEMA, but some of that may also reside right here with Congress, and that Congress has asked FEMA to address more and more issues that may not properly fit into that category of being a disaster or an emergency.

There is the danger of unintended consequences by going down that course, and that local communities will not do the things that they should do to try and make the risk of harm in the face of a disaster or adverse event less likely to happen.

In my view, a wet and windy day is not an emergency event, and sometimes we tend to see wet and windy days as something that is being supported by FEMA. I think that is inappropriate and, in the long run, will probably produce adverse results.

Can I just finally say that listening to the radio this morning, Mr. Chairman—and you talked about the case that has just come up—one of the things that might help to deal with that case, and something that was used by the New Zealand government back in the late 70s when we were trying to deal with adverse payments and mistakes, was to make the decision that the government would make no payment to anybody who did not have a bank account. In the future, we would not write checks to anybody.

As a result of doing that, and the protections you can put into a system like that, the level of adverse payments dropped by 33 percent.

It is just something that is worth thinking about. It is not, in my view, a real hardship to ask anybody who is going to be the recipient to have a bank account before they can receive moneys from the Federal Government.

Finally, some of the work that we did showed that local networks were very good at helping in disasters, whether they be voluntary organizations like churches or ethnic groups. The Vietnamese Society in New Orleans was particularly successful in putting back together their social group. Using those groups is probably something that FEMA should work on and that they should think about how

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you are able to support and activate those groups, rather than trying to take a command and control approach.

My final comment is that when I look at FEMA and the things that govern it, it has an enormous number of laws that it is responsible for. Some bright people, between now and sometime in the future, should consolidate all of those laws into an emergency management act that deals with all of those laws, makes them comprehensive and understandable, and then repeal all the others laws.

If you are not going to repeal all the other laws, please do not start. It is by adding to but not taking away at the same time, that we get the complexity and we often get the contradictions.

Thank you very much, Mr. Chairman.

Senator PRYOR. Mr. Killough.

TESTIMONY OF CRAIG KILLOUGH,[1] VICE PRESIDENT, PROJECT MANAGEMENT INSTITUTE

Mr. KILLOUGH. Chairman Pryor and Senator Johnson, my name is Craig Killough. I am a Vice President with the Project Management Institute (PMI). I appreciate the opportunity to participate in this important hearing and speak to the benefits of effective program management and our extensive research in program management and disaster recovery.

The Project Management Institute is the world's largest project management membership association, with more than 600,000 active members and credential holders worldwide, including large chapters in Arkansas and Kentucky.

Program management delivers a competitive advantage by producing positive outcomes for organizations both in private industry and in government. Adoption of program management standards and strong support of the practitioners who are managing programs provide benefits that include increased efficiency and improved decisionmaking, both of which are critical in disaster response and recovery.

If I were to leave you with three thoughts in the time available for me today, they would be:

First, organizations and governmental bodies that use consistently applied program management standards and qualified program managers are more successful than organizations that do not.

Second, the rapid response inherent to disaster recovery requires prepositioned program management processes and qualified people.

And third, the entire government would benefit from broad adoption of program management standards and the creation of a job classification and defined career path for program and project managers.

With reference to my first point, utilizing global standards is critical to the program management profession and to government because they ensure that a basic program management framework, lexicon and process is applied consistently across public and private organizations and agencies charged with disaster recovery. The most successful organizations have learned that employing pro-

[1] The prepared statement of Mr. Killough appears in the appendix on page 113.

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gram management techniques and creating a culture focused around program management is vital.

PMI's research found that organizations using standard practices, along with formal training for program management, perform better by considerable margins. High performing organizations that use standards, and support certification and training, demonstrate 90 percent success rates on achieving business results while low performers achieve just over 34 percent.

In 2010, PMI conducted an analysis of successful government programs. Program managers from a wide variety of government agencies shared success factors and best practices. The most successful government programs start with a firm grounding in the fundamentals; that being experienced and well trained program managers and standardized program management practices. Combining this foundation with clear objectives and domain expertise creates a ripple effect of increased team morale and better intradepartmental collaboration, which perpetuates a cycle of success.

The Army Corps of Engineers (ACE) noted a cost reduction of between 20 and 30 percent from implementing a policy of using trained program managers and a more systematic approach to managing their programs.

To my second point, relating specifically to disaster relief, program management expertise has many practical applications for government, particularly for FEMA's primary mission. Disaster relief presents unique challenges because of the inherent urgency and high risk. Program management practices allow a disaster recovery team to stay organized and focused and to implement solutions a community needs after being struck by a disaster. Having these capabilities on hand and ready to deploy is critical to adequate response.

Recognizing this need, PMI published "Project Management Methodology for Post-Disaster Reconstruction," in response to the Asian tsunami and Hurricane Katrina. This is a methodology for use in a disaster recovery field where providing the kind of leadership and clarity of thought needed to help in the reconstruction effort. Reconstruction project management is about solving problems and delivering intended results through an organized, structured methodology.

We also recently published another study on aid relief projects, which was submitted to the Subcommittee for the record.

Finally, we believe that best practices should be adopted in every agency. In my written testimony, I have outlined six recommendations for the Subcommittee to consider. We believe creating more effective and efficient accountable government can be achieved by adopting these suggestions.

Mr. Chairman, I would like to commend you on being proactive in this area by advocating for language to improve program management in the DHS authorization bill approved by the full committee in September.

Thank you again, Chairman Pryor and the Subcommittee on Disaster Recovery and Intergovernmental Affairs, for the opportunity to speak here on behalf of the Project Management Institute. I will be happy to answer any questions you may have.

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Senator PRYOR. Thank you, and I want to thank all of our witnesses for your testimony today.

Let me start by saying that I want to make sure that FEMA has in the agency a culture of accountability. I am not sure that has always been the case there. Like Mr. McTigue said a few moments ago, I think it probably was the case there when James Lee Witt was there, and then it went through kind of a period in the wilderness, so to speak. And I think you are trying hard to get that accountability back.

And I appreciate all of you—Mr. Jadacki for your work in looking at FEMA and making several recommendations on how we can increase that culture of accountability.

So Mr. Serino, let me start with you if I may. I know that you, the agency—it appears to me at least the agency has worked hard to reestablish that and really make that a core value in the agency.

But the Inspector General has made recommendations, and I am not sure you guys are following up on one of those. I want to make sure there is formal fraud awareness training with your employees, with your workforce, to again build that in with your people before any disasters happen. I know disasters are going on all the time, but we need to make sure that they have fraud awareness training, agency-wide.

Can you give me an update on that? Are you all doing that or trying to do that?

Mr. SERINO. What we have done, Mr. Chairman, is we have for all of our personnel that are in the procurement office, all of our COTRs, we have increased the amount of training for all those personnel.

Senator PRYOR. And how much training is involved there?

When we talk about fraud awareness training, what are we talking about? Is that a 1-hour thing? Is that a weekly thing?

Mr. SERINO. Well, for the people in that specific office, I can get the exact number of hours, but it is pretty in depth and trained for the folks that are assigned to that office—the COTRs, the contracting officers. Those folks go through substantial training and through what we call our FEMA Qualification System (FQS), specifically for those personnel in that office. I will get you the exact number of hours, but it is substantial, that they go through.

In addition to that, for all of our personnel, we are making them aware of that, and we are going through the process of making sure that all of our personnel receive that training.

INFORMATION FOR THE RECORD

Since 2007, in compliance with the Post Katrina Emergency Management Reform Act, FEMA's Fraud Prevention and Investigation Branch has conducted Fraud Awareness and Detection training for a diverse audience. The training has been provided to more than 1000 FEMA employees to include PFT's, CORE's and DAE's as well as to other Federal and State personnel. Most recently in August 2011, the training was provided to approximately 600 employees of FEMA's Texas National Processing Service Center (NPSC). The Agency training is on-ongoing and will be provided to the Virginia and Maryland NPSC's in FY12.

The training consists of a 2-hour classroom session. It encompasses the identifying, detecting and reporting of fraud in FEMA Programs as follows:

1. FEMA's responsibility—Good stewardship of tax payer dollars
2. The definition of Fraud
3. The cost and effect of Fraud

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4. Analysis of Fraud
5. Detecting Internal and External FEMA Fraud
6. Preventing Fraud
7. Reporting Fraud

Senator PRYOR. And so, that is going on now?

Mr. SERINO. We are in the process of doing that. Some of our personnel are getting it, yes.

Senator PRYOR. OK. So you trying to implement it system-wide. Is that fair to say? But you are in process?

Mr. SERINO. Yes.

Senator PRYOR. Is that a fair characterization?

And also, in your Fraud Prevention and Investigation Branch, I think I said a few moments ago that at one point you had a very small staff there. I think it was in the single digits. And has that changed, and if so, why and if not, why not?

Mr. SERINO. What we have done is we have increased the staff there. We have also increased the accountability for that. It is part of our weekly reports that we get. We have weekly meetings with all of our senior staff. In part of that report out, we get what the current status is on the fraud, waste and abuse of that fraud unit, what they are pursuing, what the current dollar amounts are that they are going after, and the number of cases they are after.

So what we have done is increase the amount of oversight with them at the highest level, that they report out on a weekly basis to the entire senior staff, including the Administrator and myself, on where we are with those current numbers.

Senator PRYOR. Mr. Jadacki, let me ask you. In your capacity in the Inspector General's office there, on something like this, you want to make sure that they are doing the fraud awareness training and those types of things. I know you have made a set of recommendations. Do you monitor those continuously, or do you just come back maybe once a year and look and see what kind of progress they have made?

Mr. JADACKI. After we issue a report with formal recommendations, within 90 days, we request and require a corrective action plan. And based on the corrective action plan, we will say this plan meets the intent of this recommendation or it does not.

So we resolve the recommendation or leave it unresolved until they do it, but we continuously take a look at that periodically. We meet biweekly, or every other week, with FEMA—to discuss what is the status of the recommendations, what is going on.

And also, included in our semiannual report to Congress we have to report the status of recommendations that we made to the agency, whether they have been implemented or not.

We have been watching closely because we get a lot of questions about that, not only from this Subcommittee but from a lot of you, there is a lot of interest out there, both with Congress and other folks, with the fraud prevention unit itself.

And obviously, we have a vested interest too because a lot of the recommendations or things that the fraud prevention unit identifies in FEMA are referred to us, and we ultimately have to resolve those things, whether criminal or not. So this is something that is near and dear to our heart and we monitor on a regular basis.

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I do want to expand on one thing. It is great that the contractors are getting the fraud awareness, but really, people in the front line need to get it too—the folks that are actually taking the input from the disaster survivors. There are certain red flags out there. They should be trained to identify those and turn them over.

There is fraud in debris removal. There is also fraud in public assistance programs. It is great that FEMA is starting on the contractors, but I think in all aspects of disaster assistance there are elements of fraud we have found over the years.

I think it is critical that FEMA maintain and expand their fraud awareness programs.

Senator PRYOR. Mr. Serino, do you want to comment on that?

Mr. SERINO. We are going to expand that, as I said earlier.

Senator PRYOR. OK. And so, what is your timetable in getting that fully implemented for all your folks on the ground that are out there handling these disasters?

Mr. SERINO. I do not have the time line for that, but we will certainly get that to you.

Senator PRYOR. OK.

Let me ask another question, Mr. Serino. You gave some great statistics a minute ago about your error rates. I think that you said they went from 14 percent? Was that during Hurricane Katrina itself or during that time period?

Mr. SERINO. After.

Senator PRYOR. And then, they have gone down to 0.3 percent, which those are great numbers.

Do you attribute the big drop-off there in the fact that the agency was so overwhelmed during that Hurricane Katrina period and just there was a lot of, I hate to say mismanagement but a lot of bad practices that crept in during that time?

Do you attribute it to that, or the fact that you really do have better systems in place now and you are just running like you always should have run, or is it a combination of both?

Mr. SERINO. I actually think it is the latter. I think it is a combination of both. I think it is a combination that initially people were trying to get a lot of aid out to the survivors.

But in subsequently increasing a lot of the controls that we have in place, that we have put in place, before we actually issue any money to survivors, I think that is key. But we have been able to do that in a very cost efficient way but also have been able to do it quickly.

We are still able to meet the needs of the survivors, that we are able to get the housing inspection, somebody actually out there looking at their homes, somebody actually through the process and getting checks in survivors' hands who are deserving but doing it in an efficient manner in actually a fairly short period of time. The average time for a housing inspection is about 3½ days from the time they call, and to get a check to a person is about 2½ days.

But at the same time, we are able to increase the efficiency of doing that and decreasing the error rate down to 0.3 percent, which is one of the best in the Federal Government.

Senator PRYOR. Well, that is always the balance that FEMA has to strike. You have people that are in severe need and they need it very quickly, but at the same time you want to make sure there

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is not fraud and people trying to abuse the system. So it is a hard balance.

And I love the fact that the error rate has gone down so low and dropped so dramatically. That is a huge accomplishment.

Let me ask you about the error rate, Mr. Jadacki. Do you all calculate that or does FEMA calculate it? Do you verify it, or what?

Mr. JADACKI. Yes, we do not calculate that. FEMA calculates that.

As part of the Improper Payments Elimination and Reduction Act (IPERA), the IG will actually have to go in and validate the methodology that is used by the agencies in a lot of cases. So this year we will be taking a look at their calculations of how they come up with their error rate.

Senator PRYOR. Have you validated it yet?

Mr. JADACKI. No, we have not validated it yet. The first time we are going to do it is this year. We have jobs underway to do that right now. So we will take a look at that.

I will say that part of the reason the error rate dropped is that a lot of controls were either circumvented or dropped after Hurricane Katrina. Things that you would normally do, checking Social Security numbers, for example, that control was dropped, and that is a key control.

Senator PRYOR. Is that just because they were so overwhelmed?

Mr. JADACKI. They were so overwhelmed, and they felt there was a need to get the money out quickly to individuals.

And there is always that balancing act. If you are too slow, you are criticized for being too slow, but you are checking all the controls. But if you act too quickly, again, the pay-and-chase type thing happens.

Senator PRYOR. So I am not trying to justify for Hurricane Katrina, but it was almost like the mind set may have been that if you get 10 people that are asking for a need and 9 of them need it, let's get it to the 9. And maybe one does not need it, and maybe there is fraud or whatever, but at least you are getting it to the 9. Is that the decision that was made?

Mr. JADACKI. I do not know how that decision was made, but that seems to be the consequence of whatever decision was made to do that.

A lot of people who were not eligible took advantage of the system for a number of reasons—because the controls were dropped or that they were circumvented—and it did result in a number of improper payments.

Senator PRYOR. Thank you. Mr. Johnson.

Senator JOHNSON. Thank you, Mr. Chairman. Let me pick up on that point in terms of fraud rate with Mr. Serino. How is that measured?

I realize you have to verify methodology, but can you just—I mean how do you measure it with any level of accuracy?

Mr. SERINO. I do not have all the details, but I can get that.

A lot of the times what we do is we actually look and as we go back and look and see how many people that we met, we were able to get there. We actually verify, as I mentioned earlier, some of the addresses of where people go, what they—whether it is a jail or the addresses people use, the Social Security numbers, as well as actu-

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ally sending somebody physically out to the home, which in the past was not always done. But somebody actually going to the home, looking at the home, speaking to the people—that in itself is one of the most controls that we have.

So a combination of all those is how we actually reach that conclusion.

INFORMATION FOR THE RECORD

FEMA has performed improper payment testing over identified high risk program since 2006, and our Individual Assistance Individuals and Households Program was the first tested. Improper payment testing uses agreed-upon audit procedures that ensure program compliance with purpose, period of performance, and payment. We sample a statistically—valid sample of all disbursements made during the prior year and extrapolate the error rate across the population. The Individual Assistance Program is a good example of how a program that relaxed internal controls during a disaster recovery resulted in a high improper payments rate. These problems were identified through both the DHS Inspector General's external reviews and FEMA's own Improper payments testing. FEMA implemented the IG's recommendations and, through our corrective action plans, we have been able to improve controls for improper payment testing. Today, the program does their own testing throughout the year and that testing will be further reviewed in accordance with the Improper Payments Information Act of 2002.

Senator JOHNSON. So it is obviously after the fact. It is more of an auditing process and really more statistics-based. Am I correct? I mean there is really no certainty to this number. It is an estimate, correct?

Mr. SERINO. Well, we actually have an audit that is done by the National Processing Center (NPC), where people are able to come in. And we have a large number of people that can handle the influx, large numbers of those, and we actually have agreements in place with the IRS, for example, if we need to increase the number of people to take those calls.

During Hurricane Irene, we were receiving tens of thousands of calls a day and then processing those and finding out ahead of time. That is where we are able to find out ahead of time whether or not there is any potential that people did not meet that. So we were able to verify, get all that information right up front.

Senator JOHNSON. So do you split out then actual fraud versus potential fraud?

I mean do you include that in your—I mean people that are trying to commit fraud.

Mr. SERINO. Well, we actually look, and those are payments that we would not make. If we do not have that right information, those are payments that are not made.

Senator JOHNSON. Then those would not be included in your statistic then.

Mr. SERINO. No, because these are payments that we made.

Senator JOHNSON. OK.

Mr. SERINO. We would not include payments that we did not make.

Senator JOHNSON. OK.

Mr. Jadacki, let's talk about that $643 million worth of, I guess, fraudulent payments. The figure I have is that is 160,000 people, individuals. Is that 160,000 claims?

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Mr. JADACKI. That is correct. Well, they were not potential fraudulent payments. They were improper payments, potential improper payments that were made during Hurricanes Katrina and Rita.

And there was a hold on that because of a court order, because apparently due process was not followed and a judge put a hold on it, but they were held for several years.

So in our report, we identified the potential improper payments and recommended that FEMA go through their continued due process and identify whether in fact they were proper, improper, and if they were fraudulent payments, they would actually turn them over to us. We understand that FEMA is in the process of reviewing most of those, and they have made pretty good headway on that.

And I do not know the exact figure based on their review of how many cases they turn over for fraud. I think it is pretty low.

But it is critical they are not fraudulent payments. They are improper payments that could potentially be fraudulent based on further review by FEMA.

Senator JOHNSON. Can you typify? I mean improper is a term. Can you typify what, put some meat on that bone?

Mr. JADACKI. Yes. An improper payment is anything that is not made for the correct amount to the correct person for the correct thing, in a nutshell.

So it could be an underpayment. It could be an overpayment. It could be an ineligible payment if the recipient is not for it.

A fraudulent payment is where somebody is not eligible and they either fabricate an application or they provide information that would deem them eligible at a later time. Whether making up a Social Security number or whether they provide a bogus document that would provide evidence of residency for a house or something like that, or a Social Security number, those would be fraudulent payments.

So an improper payment is something that is not correct for whatever reason. A fraudulent payment is when the person is just simply not entitled; they are trying to defraud the government.

Senator JOHNSON. Could either you or Mr. Serino tell me what is the No. 1 cause of improper payment?

Mr. JADACKI. Based on a review of the improper payments, it is not validating a lot of the information on an application when you are dealing with individuals.

FEMA had a lot of problems after Hurricane Katrina because, as you mentioned, one of the best controls FEMA has is actually going to visit property with the property owner. They provide evidence that they live there, or it could be a utility bill. It could be a deed, something like that.

In the case of Hurricane Katrina, a lot of the homes were just simply washed away. And a lot of people, they literally went to all 50 States, and it would be impossible to bring them back.

So as a compensating control, FEMA actually took aerial views and said OK: If you establish, if you say you lived in this area and it had two feet of water, you would get X number of dollars. If you had eight feet of water, you get X number of dollars.

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So it was really they did not have the controls, or the controls were not able to be used. They had controls, but they were not able to use those controls.

And then, people found out about that. They found out yes, I lived in this place, or there are 10 people using the same thing. There were cemeteries that people applied for assistance on. So those are the improper payments.

There are cases where there is insurance information. So somebody can get a payment for FEMA. FEMA later finds out well, that property was insured, so they are not eligible. So it is a duplicate payment. So that would also be an improper payment, not necessarily fraud, but it would be an improper payment because the person was ineligible for duplicate payments.

Senator JOHNSON. OK. You said that you have—there are 30,000 notices trying to recover. Is it 30,000 out of 160,000?

Mr. JADACKI. Yes, as far as I know, there are 30,000 cases that have been reviewed. I know they are in the process of reviewing others.

I know there is a significant amount that after FEMA did the review either the payments were adjusted.

I know there is a small amount—and I do not know the exact numbers on that. We can do it as a followup—of actually where FEMA sent out notices to collect the funds. And I think the case in Arkansas is probably one of those that got caught up in that.

Senator JOHNSON. How many cases like Arkansas do we have?

Mr. JADACKI. I would have to defer to FEMA on that one.

Senator JOHNSON. Mr. Serino.

Mr. SERINO. It is really hard to say exactly, cases similar to Arkansas that we have. But currently, 35,000 recoupment notices have gone out to folks, and that is the vast majority of them. And the rest will go out within the next month. In November sometime, we will have all of those out.

So the vast majority of those already have gone out. Out of what was originally the number of 168,000, we have—that number has gone down quite a bit because we have gone through each one of those and looked and seen what the issues are, as well as talking to folks ahead of time.

Senator JOHNSON. So how many do you expect out of the 160,000 will receive notices?

Mr. SERINO. As I say, about 35,000 have gone out, and that is the majority of those. And then after that I cannot pin the exact number because we are still going through them, working through them.

Senator JOHNSON. Are those notices demand for payment then?

I mean is that going to be a pretty aggressive notice, or is this just kind of request for additional information to prove your claim?

Mr. SERINO. Well, it is both. We actually changed the letter. So it is in plain English so folks can understand what we are asking them—that if they have to make a payment, but if they have any questions at all that there is an opportunity for them to come in and to speak with us if there is a need for them to, whether it is to compromise the payment or to work out a payment plan or to put in an appeal process.

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And we encourage people to really, if there are any questions at all, to put in that appeal process within the 30 days, and then we can followup with those. And they can do that very simply, and they can talk to somebody, and we can do that as an oral hearing over the phone if necessary. We have had success that we have been able to compromise and terminate a number of those.

Senator JOHNSON. OK. Thank you.

We will have another round, right?

Senator PRYOR. Sure.

Senator JOHNSON. OK. Thanks.

Senator PRYOR. Let me followup on that, Mr. Serino, if I can since we brought up Arkansas there a few moments ago.

I am wondering if the way this got started in Arkansas was that FEMA was not talking to each other within itself. In other words, apparently, the problem began. We had a flood there. That particular county had not passed the proper ordinance.

FEMA's people working the flood should have known that, and they should have known when they deal with local people who have a loss what benefits they might be eligible for and not.

So to me, that is a breakdown in internal communication. From one side of FEMA to the other. I do not know if that is fair, but that is my guess is how that started.

Have we fixed that problem within FEMA?

I mean now that folks are working on the ground do they understand exactly what benefits people are eligible for and not?

Mr. SERINO. One of the things that we have been able to do is to implement a number of the controls that I talked about earlier, and specifically, when people call up we are able to verify the address, and that is able to communicate that to the survivors and tell them the information that is needed. If that is not necessarily caught on the first time around, we are certainly going to be able to catch that when somebody actually goes out.

So we put in a number of controls over the last couple years to actually catch a lot of those that in the past we had missed.

Senator PRYOR. OK. In that particular situation, FEMA came to this one couple. We will just focus on this one couple. FEMA came to the couple's home. FEMA apparently took pictures, gave them the forms, helped them fill out everything, said you are entitled to this, helped them fill out the form, walked them through the process.

They got $27,000. They put it all back into their house just like they were supposed to. In the meantime, the local couple was foregoing other assistance that was being offered locally because they said we have FEMA's help.

There were local charities and civic groups and churches, et cetera. Let us help you, and they said: No, FEMA is taking care of us. Go take care of other people.

Nonetheless, 3 years later, they get a notice in the mail from FEMA: Oh, by the way, we fouled up. We should never have given you that money in the first place. So now you have X number of days to give us $27,000 back.

And like I said, now it has been turned over to the IRS, $37,000.

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So just taking that one case, to me, that is money that should have never gone out the door in the first place. And so, has FEMA fixed that part, of where that money is just not going out the door?

It sounds like your error rate is much lower. And are you fairly confident that you have fixed that?

Mr. SERINO. I am. I think if you look at where we were, at a 14 percent rate down to a 0.3 percent. Are we going to say never? I would like to be never, but 0.3 percent is the rate that we are currently.

And I think it is important to realize that we are also required by law to go after all improper payments.

Senator PRYOR. Right.

Mr. SERINO. As you are well aware, it is something that we are required to do for any improper payments.

If it is fraud, we actually send those away for fraud investigation. That is not a part of the recoupment. But part of the recoupment for whatever the improper payment is we are required to actually go through the process to do that.

And that is why we work with the survivors. We also work with Members of Congress and their staffs to help us educate folks that it is important for people to actually take the time to put in those appeals because that is absolutely key for us to be able to work with them, to see what we are able to do, whether it is compromise part of that or all of it. I think that is really important.

And we thank you and your staff. They have been working with us on cases like this, and we want to make sure that the survivors know that as much as it is important for them to actually file those as well.

Senator PRYOR. All right. Thank you.

Then also, all my colleagues need to understand this is not going to be limited just to Arkansas. This is going to happen throughout the country.

Mr. McTigue, let me ask you if I may. You mentioned James Lee Witt's FEMA, and you talked about his vision for FEMA. How would you rate FEMA during that time period because you have studied it, in terms of their preparedness, their morale, their ability to respond. And did they have best practices throughout the agency, or were there weak spots even back then?

Mr. MCTIGUE. It is pretty hard to make a general assessment of that, but if we looked at some of the surveys that were done of people working for FEMA in 1990, it was the least desirable place to work in the Federal Government and by 2000 it was the most desirable place to work in the Federal Government. I think that tells us something about morale.

I think we also have to take cognizance of the fact that during the decade of 1990s there were not major disasters that occurred in the first decade of the 2000s. So it was not really tested, but what we could see was that the feedback from everybody was that there was a much greater level of satisfaction of the performance of FEMA.

Then if we move to the 2000s, we saw the shock of September 11, 2001, which turned everything upside down, and FEMA then placed a great deal of emphasis on preparing for terrorist acts and, unfortunately, at the expense of being prepared for natural disas-

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ters. And along came Hurricane Katrina, and they were not as well prepared as they had been in the past.

I think that was part of the problem at that time, and also, I have to say a failure of leadership at that time. It did not have that leadership that is necessary to be able to get on top of major problems like those that were demonstrated during Hurricane Katrina.

Mr. Chairman, can I just volunteer another comment from the discussion that has just gone past? And that is that from my experience with having to deal with some of these as a minister in my own country, one of the things that we did to try and get out of the problem that you have at the moment with the number of recipients of support now being asked to repay it.

In disaster situations, we would go in and assess the damages that were to be paid to the individuals. And at the conclusion of that, we would actually sign a contract between that individual and the government's agent, and that was full and final. And unless there was malfeasance or fraud or outright lies, that could not be opened again.

So if the government made a mistake, it had to live with that. And if the person used that guarantee from the government in good faith, you could not take it away.

I think it is worth thinking about. This kind of event, I think does do a great deal to break down public trust in government generally and to destroy the reputation of the organization.

This is going to be bad if you have 35,000 or 40,000 people who are going to be subjected to this process over the next whatever period of time. Finding a way forward would be a good way of dealing with that. Thank you.

Senator PRYOR. Yes, thank you for that.

I am going to turn it over to Senator Johnson because he has to leave in just a few moments.

Senator JOHNSON. Thank you, Mr. Chairman.

Just a quick question on a point you brought up, how many payments do we make to people who do not have checking accounts?

I mean do we have any stats on that?

Mr. SERINO. I, honestly, do not know right now.

Senator JOHNSON. OK.

Mr. SERINO. I can get that for you.

INFORMATION FOR THE RECORD

FEMA does not track whether or not applicants have a personal bank account, only how they were issued payments. When no personal banking information is provided, FEMA issues U.S. Treasury Checks in lieu of an ACH payment.

- In FY 2010, FEMA made 124,176 payments to individuals with a Treasury Check instead of an ACH payment.
- In FY 2011 to date, FEMA made 148,341 payments to individuals with a Treasury Check instead of an ACH payment.

Senator JOHNSON. That would be a good idea. I mean if that worked well. You said that in New Zealand that occurred?

OK. That is a common-sense approach.

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Sorry I did not have this on a big blowup, but I passed out this graph[1] in terms of number of declarations by FEMA in terms of the history of it, and it is pretty interesting.

Back in the Eisenhower Administration, we had a yearly average of about 13 declarations; Carter Administration, about 44; now under George W. Bush, 129; and then President Obama, 141.

I have been living during that phase, and yes, we have had years with big hurricanes and other types of disasters, but I did not think there has been that dramatic a difference. So obviously, what we consider a Federal emergency, something that requires Federal assistance, has grown.

And I guess, Mr. McTigue, I would like to ask you in terms of your evaluation of that, particularly based on your comments about the ineffectiveness of layer after layer after layer. And obviously, when the Federal Government comes in that is a necessary additional layer to the problem.

Mr. MCTIGUE. In response to your questions, Senator, I am going to start from saying there are certain things that are my responsibility and certain risks that I should be aware of. If I am going to build my house on the flood plain or beside the river because I like the view, I do not really expect, or I should not expect, that you are going to bail me out when it gets flooded every 2 or 3 years. That is something I should deal with.

If there are other things that are risks that might be dealt with by my local community, in terms of putting up flood walls or doing something or other to ameliorate that risk, and then if we go further it might be done at a State level.

If the Federal Government comes into those situations very readily, you take away the accountability and the responsibility for mitigating against those risks.

One of the things that were interesting for FEMA during the period of James Lee Witt was that he became quite aggressive in mitigating risk. And one of the facts that he used to use was that for every dollar that they spent on risk mitigation they saved two dollars in disaster recovery.

What kind of things was he talking about? In different places, changed building codes, seeing that houses were more securely fastened to their foundations than they had been if you were in tornado alley, doing different things about how sea walls were built and how dam protection and river protection was done—all of those things learned from disasters and passed on and saying if we do this, then the bill next time around is going to be significantly less.

Taking that risk and putting it all on the shoulders of the Federal Government just makes everybody else say "Well, thank God, I do not have to do that any longer." And I think that is wrong.

Senator JOHNSON. OK. Anybody else want to just comment in terms of the number of things, number of declarations, the increase of that?

Mr. SERINO. Well, I think a couple of points. I think this year specifically has been a very busy year, percentage-wise. If you actually look at this percentage-wise, at the number of requests versus the number of disasters actually declared, we are in the range of

[1] The graph referenced by Senator Johnson appears in the appendix on page 112.

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pretty much the last 10 years. We have pretty much been consistently in that range for the number of requests for disasters as well.

This year, as mentioned, there have been 10 and now up to 12 billion dollar disasters, not that FEMA has done, but it has been a very busy year, some historic disasters—the flooding of the Mississippi, the Missouri River, tornadoes that have broken records, Hurricane Irene which is the second deadliest hurricane to hit this country. So it has been a very busy year for the natural disasters that have struck this country.

With that, I think it goes along with the number of actual disasters that we have to clear. But percentage-wise, we went back and looked at this actually, and it is actually for the last 10 it is pretty consistent.

But one other point I think is important, to followup on Mr. McTigue's, it was about we have engaged what we call the whole community because we believe that along with the mitigation purposes. But it is also a combination of not just Federal, State and local and tribal governments, but it is also bringing together the entire community. We have to bring together the faith-based community. We have to bring together the private sector. We have to work together with the Red Cross.

And most important part of the team is the public and how we are actually able to engage the public to take responsibility for themselves, to work together so that they can be prepared, so that they can have neighbor helping neighbor.

What I have seen in disaster after disaster that I have been to over the last couple of years and for my 37 years prior to that is we talk a lot about first responders, but the first people on-scene are usually neighbors and family and bystanders that do make a difference—that if you have somebody who can go, if they are prepared, and go help a neighbor, that in itself is going to decrease the pull and the response on the local first responders and emergency management up and down the chain.

So it is really important for us to really look at this whole community and to bring together the team of folks. And the mitigation is a very important part of that. It can be on the scales for tornadoes, but it can also be on individual preparedness. And that is one thing that we are stressing, that we have to do this together as a team.

Senator JOHNSON. OK. Well, I totally agree with that comment, but to a certain extent the reality is different because if you are really going to rely on local districts or local governments we would not be increasing the size of FEMA. And we have received back in 2000 the number of full-time employees was about 3,400, and now that has risen to—well, in 2008, it was over 8,000. We have backed that down a little bit.

So going to Mr. McTigue's point, the number of layers I think can actually make things less effective. And again, we pulled it into a Federal responsibility as opposed to more local control. So I guess I just want to ask that question.

I mean we have doubled the number of employees of FEMA. I mean have we really gotten the bang for the buck there, or has that actually created more problems?

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And I would first like to go to Mr. McTigue and then listen to the agency.

Mr. MCTIGUE. Well, I think it would be disingenuous to suggest that those 8,000 people do not have something to do. They clearly do, and that is because Congress has been putting more and more responsibility on them and States and communities have been asking for them to do more and more. So we have to take that into account.

I think the definition of what this agency is going to do actually has to come from this institution here and decide what is appropriate rather than say to FEMA you are not interpreting the decisions of Congress in the right way. I think they probably are. I think that you are asking them to do things that should still be local responsibilities rather than Federal responsibilities.

Senator JOHNSON. OK. I just want to quick give you an opportunity.

Mr. SERINO. Well, I think one of the things that we have done is to decrease some of the layers, to actually put a lot of the responsibility, authority and resources down closer to the States and to the cities, and pushed a lot of that down to our regional level so our regional administrators actually have some of the authority in order to do that.

As far as the agency, over the past number of the years, some of the times that you are talking, actually, a number of areas came in from other parts of the government into FEMA, specifically, our entire grants agency which brought in large numbers of folks into the agency. That is cause for some of that influx. We actually took some things that were not part of FEMA, that actually came, to increase that number during that period of time as well.

Senator JOHNSON. OK. Great. That answers the question. Thank you, Mr. Chairman.

Senator PRYOR. Thank you, Senator Johnson, and thank you for being here today and pinch-hitting. You did a great job.

I just have a few more questions, and this will be our final round. We are going to have some questions that come in after the hearing, I am sure. So we will talk about that in just a few moments.

But let me start with you if I may, Mr. Jadacki. You have heard Mr. McTigue talk about this idea of a bank account and tying a payment to a bank account. Have you looked at that from the IG's perspective to see if that makes sense, if that would cut down on problems?

Mr. JADACKI. No, we actually have not looked at that.

I know there was a number of ways FEMA provided expedited assistance before—just cutting checks on the fly, the debit card debacle that I have talked about before. But actually requiring people have bank accounts, I think for the most part, it would be a very good idea.

I still think you are going to get some reluctance by individuals when the government is going to get their banking information in order to qualify for assistance. I still think that would be a problem, especially in some of the more rural parts of the country where big government is a bad thing, as is asking for that type of information.

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So I think it is a good idea. I think it is worth looking at, but I suspect you will get some pushback from certain individuals.

Senator PRYOR. Without having studied it at all, one initial concern I might have is the actual percentage of people in this country that have bank accounts because I do know that I talked to Walmart a couple of years ago. And I do not remember the exact statistic, but they have a number, and it is something like 30 percent of the people that shop at Walmart do not have a bank account. It is a big number, whatever the number is. I have forgotten the exact number.

I think it is an idea that we ought to talk about and think about and see if it is feasible and see if it would help. If it helps, we ought to consider it. That is a good point.

Now Mr. Killough, I do not want you to feel like you have been left out of this conversation.

Mr. KILLOUGH. Thank you, Mr. Chairman.

Senator PRYOR. So let me just ask a question about—and I hope I am directing it at the right person—about lessons learned. I assume that part of what your organization does is try to learn from experience and lessons learned.

Does FEMA have—I hate to say reputation. But do they have a reputation of learning from past mistakes and past difficulties?

Mr. KILLOUGH. FEMA, specifically, sir, I cannot talk specifically about specific organizations because we do not participate in that, but I can provide a little bit of insight into some of the things that do work.

I was reading Mr. Serino's testimony on page 6, and there is a section that says in there about improving coordination strategies and developing doctrine.

And there is a vehicle that we can use here that is called the Disaster Recovery Framework that allows for the definition and what I call, or what I would refer to, horizontal and vertical integration of dependent agencies and Federal, State, local and Indian government agencies, in trying to coordinate and understand responsibilities for actions in disaster activities—the programmatic approach to defining those responsibilities combined with adequate training and the integration of training among the different layers of government, all the way down to the individual citizen.

Now a couple of very good examples that are done that way in the government right now are you have the Red Cross Center, Clara Barton Center for Disaster Recovery Training in Pine Bluff, and you have the DHS Training Center for Disaster Preparedness in Anniston, Alabama. And what these two organizations have effectively done is taken a programmatic approach to first responders and training of first responders to respond to chemical, biological and nuclear disasters, domestic or outside domestic terrorism.

What they have done is they go through all levels of the government in State, Federal, local, Indian territories, and also through all of the organizations that would have the occasion to respond, and have developed a program to react to these potential huge disasters and then have integrated that across governments throughout our country.

And I think it is a fine example. I mean it is right in the Department of Homeland Security, that they are doing right now.

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And to be able to take that from the administrative aspect of how we respond in general to disasters, take a programmatic approach, define what we need to do and adequately train people.

The big issue here is people being prepared and trained and having processes that are known throughout all of the agencies that are responding, and appropriate responsibilities assigned. The aspect of training is a very important one, especially in one of these incidents.

I am a graduate of the Naval Academy and went through the Navy Nuclear Propulsion Program. I could not dream of placing an unqualified operator, not using approved procedures, in charge of a nuclear propulsion plant.

Senator PRYOR. Right.

Mr. KILLOUGH. Likewise, there are areas of the government that ask untrained people to use, to create their processes, to manage mission-critical programs of billions of dollars. And I am not calling out FEMA. This is in general.

Senator PRYOR. Right.

Mr. KILLOUGH. So the aspect of generally understanding that managing these disasters takes definite skills, and they take definite defined programs and processes.

So having people understand those processes, are trained to execute them, can bring a little bit of sanity to chaos when you are responding to disasters like this.

Senator PRYOR. Right. That makes sense.

Well, listen, thank you all for coming today.

Like I said, we are going to leave the record open for 14 days, and I am almost certain that we will have a few questions from at least a couple of the Senators that will come in, in writing. So we would love a rapid turnaround on that.

But I want to thank you all for doing what you do, and we all want a very strong, healthy, robust FEMA and great response and great preparation for all kinds of disasters, including all the mitigation that we can do.

So I want to thank all of you for being here and thank the staff here for always doing a great job.

And with that, we will adjourn, and we will keep the record open for 14 days. Thank you.

[Whereupon, at 11:45 a.m., the hearing was adjourned.]

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APPENDIX

Written Statement of

Deputy Administrator Richard Serino

Federal Emergency Management Agency

"Accountability at FEMA: Is Quality Job #1?"

FEMA

Before the

U.S. Senate Committee on Homeland Security & Government Affairs' Ad Hoc Subcommittee on Disaster Recovery and Intergovernmental Affairs

Washington, D.C.
October 20, 2011

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I. Introduction

Chairman Pryor, Ranking Member Paul, and distinguished Members of the Subcommittee. My name is Richard Serino and I am the Deputy Administrator of the Federal Emergency Management Agency (FEMA). It is an honor to appear before you today on behalf of the Department of Homeland Security and FEMA to discuss our quality assurance processes and internal financial controls.

In my testimony today, I will describe FEMA's successes in improving the accountability and performance of our disaster-related programs. In particular, we have made it a priority to combat waste, fraud, and abuse and pursue cost-cutting opportunities wherever possible. We have worked hard to improve management performance and accountability and increased internal controls through program evaluations and process improvement initiatives. Recent improvements to our technology systems, acquisition management, and financial management have reduced errors and increased efficiency.

In addition, we have increased coordination both inside and outside the agency by institutionalizing our lessons-learned from past disasters. And we are now better prepared to provide disaster survivors with the assistance they need, when they need it, in an efficient and cost-effective manner.

II. Efforts to Prevent Waste, Fraud and Abuse in the Provision of Disaster Assistance

FEMA is aware of recent DHS Office of Inspector General (OIG) investigations into waste, fraud and abuse in providing disaster assistance. Their most recent report in this area, "Assessment of FEMA's Fraud Prevention Efforts," presents an opportunity to discuss some of the Agency's recent controls and processes implemented to prevent fraud.

FEMA uses a commercial data service provider to verify the identity of all disaster assistance applicants by matching names and Social Security numbers within and outside of the existing applicant databases in order to determine if a social security number was used by multiple individuals or if it belonged to an individual who is deceased. Other internal controls block the use of automated payments to possible "high risk" addresses; such as check cashing stores, mail drops, cemeteries, and jails.

To assure the validity of the applicant and the damage to the applicant's permanent residence, on-site inspections are performed prior to providing financial assistance. An on-site inspector must validate in person that the home is the primary residence of the applicant, and that the damages claimed are accurate and the responsibility of the person applying for federal disaster assistance. The resulting inspection data is combined with the identity verification and other relevant records such as personal insurance coverage, and processed through an extensively tested set of business rules to determine individual eligibility.

Additional measures have been implemented to prevent duplicative payments for rental assistance, including analysis of overlapping time periods, and preventing disbursements in excess of the maximum allowed by the Stafford Act. Business rules were also improved to flag

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for manual review payments to more than one applicant living at the same address and to prevent individuals provided with federally-supplied disaster housing from also receiving rental assistance.

Internally, FEMA also conducts audits to assess the effectiveness of our controls, identify improper payments or risk areas, and consider new procedures to reduce risk. This continued self-assessment and vigilance has significantly reduced the improper payment error rate 14 percent following Hurricane Katrina in 2005, to less than one percent in FY2010. In instances of improper payments, new procedures implemented in 2011 allow FEMA to request the return of any improperly awarded disaster assistance payments while maintaining each disaster survivor's due process rights and offering opportunities to appeal, which may include the opportunity for an oral hearing.

III. Improvements in Acquisitions Management

FEMA made significant improvements in its acquisition management processes, due, in part, to the recommendations in the DHS OIG's report dated February 3, 2010, "Improvements Needed in FEMA's Disaster Contract Management." One recommendation was to create pre-positioned contracts for common acquisition items that would be in place long before a disaster struck. These pre-existing contracts would increase the speed of delivery and cut the costs of providing supplies during a disaster response. The report also recommended increased controls in the management and monitoring of all contracts.

FEMA now has 59 pre-positioned contracts in place to provide supplies and services as needed in the days immediately following a disaster. These pre-existing contracts have resulted in a significant reduction in the use of urgent contracting procedures, which are often very costly, and help to ensure that products and services are deployed to disaster areas in a timely manner.

FEMA's Office of the Chief Procurement Officer (OCPO) reorganized internally and developed a new branch office to provide administrative supervision and operational support for Contracting Officers working out of the ten FEMA Regions. This new office has helped increase awareness and use of local sources for disaster contract support.

Another significant improvement in acquisition management had been the use of Disaster Acquisition Response Teams (DARTs). The DARTs provide contract administration and oversight for large disaster contracts in the field. The use of DARTs has resulted in increased efficiency during recent disaster response and recovery acquisition activities. For example, in Minot, N.D., DART members helped identify potential housing options for disaster responders and provided recommendations for vendors, contract type, and solicitation procedures to streamline the procurement process. After Hurricane Irene, DART members were prepositioned with Recovery staff to provide administrative contracting support for housing and inspection missions as they occurred.

The FEMA Acquisitions team was also expanded by transferring qualified Disaster Assistance Employees into contract specialist positions (1102 series). These new positions allowed individuals with the appropriate certifications to have greater purchasing power in the field

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during disasters, enabling the contracting decisions and purchases to be made quickly and more efficiently. This conversion also created the option for these acquisitions specialists to be deployed in the field for a longer period of time after a disaster, increasing stability in contract administration.

IV. Financial Management Reform

FEMA's financial management controls also have been strengthened in recent years. From 2007 to 2010, the agency reduced the number of material weaknesses identified by external auditors in the area of financial management from six to two. We have successfully eliminated material weaknesses in the areas of Entity Level Controls, Financial Reporting, Budgetary Resources Management, and Property Management. This was accomplished through the Office of Chief Financial Officer's (CFO) efforts to increase internal controls across all directorates, including agency-wide use of a risk assessment tool that has substantially increased the reliability of FEMA's financial information. DHS recognized these successes in 2010 when it awarded FEMA's CFO, "The DHS CFO Award for Excellence in Financial Management Keystone Award for FEMA Financial Management Reporting Remediation Team for Superior Mission Achievement."

We are also making progress in addressing our two remaining material weaknesses: Financial System Security and Grants Management. In the area of Grants Management specifically, FEMA intends to focus on post-award activity to achieve the following outcomes in FY 2012: 1) close 80 percent of OIG findings within 12 months of final report, 2) recoup 85 percent of known disallowed costs, and 3) reduce improper payment error rate to less than 1.5 percent.

FEMA also worked hard to improve the efficiency and effectiveness of the Disaster Relief Fund (DRF). Beginning in 2009, FEMA implemented additional controls to reduce costs and identify those funds that could be de-obligated and returned to the DRF. By de-obligating mission assignments and disaster contracts in 2010 and de-obligating funds from completed projects in 2011, FEMA returned over 4.7 billion dollars (as of September 30, 2011) to the DRF since the beginning of FY2010.

In addition, there has been an agency-wide effort to reduce administrative costs associated with all aspects of disaster response and recovery activities. Examples of cost reduction in these areas include establishing right-sizing plans to strategically determine the number of personnel needed in a Joint Field Office (JFO); co-locating disaster recovery efforts with geographically close disaster offices; or creating "virtual" JFOs that are run out of the Regional Offices.

V. Disaster Program Improvements in Accountability and Performance

When Administrator Fugate arrived at FEMA, he recognized the need to change the culture of the agency. In his first year, he created a new FEMA Mission Statement, began reorganizing program offices and management structures, and asked staff to establish priorities, define outcomes, and develop strategies towards improving performance. Administrator Fugate had a central goal in mind: Focusing the Agency on the needs of disaster survivors.

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To memorialize this new direction at FEMA, the Administrator led the development of two key documents. First, he asked all employees to participate in the development and drafting of an agency Capstone Doctrine. This document is entitled *FEMA Publication One* and it encompasses eight guiding principles that all FEMA employees must follow: Teamwork, Engagement, Getting Results, Preparation, Empowerment, Flexibility, Accountability, and Stewardship. It also identifies FEMA's four core values: compassion, fairness, integrity, and respect. Second, in February of this year, the Administrator released the 2011- 2014 Strategic Plan, which establishes a renewed agency emphasis on accountability and performance. The Plan builds upon the progress FEMA has already made to create a stronger organization, a more capable workforce, and a better prepared emergency management community. The success of the Strategic Plan is dependent upon the full engagement and support of individuals, as well as of the entire emergency management community.

FEMA's progress in implementing the Strategic Plan will be tracked, managed, and assessed using performance metrics and program milestone schedules. One of the ways the Plan's implementation will be monitored is through a new initiative I am leading that uses the FEMAStat management tool. FEMAStat is a performance accountability program influenced by successful statistics-based policy development programs created by the New York City Police Department in the 1990s, the City of Baltimore, and the U.S. Treasury Department.

FEMAStat is a process of collecting data points and program outcomes across the agency. This information is used by all levels of management to ensure alignment with the Administrator's priorities, to monitor FEMA's readiness posture, and to identify opportunities to improve performance. The FEMAStat process allows managers to meet and discuss identified performance gaps based on real data and to take actions to address those gaps. It provides a platform to assess and implement lessons-learned from previous policy decisions and disaster responses. Since the inception of this new initiative, we have realized many achievements, including:

- The identification of opportunities to build internal expertise and save costs by converting contracts and contractor positions to full-time employees.
- The adoption of regular metric or milestone-based reviews with components, such as the Mission Support Bureau's weekly briefing to senior staff on their performance measures.
- The establishment of the OCPO as the responsible party for FEMA's acquisitions process, from start to finish. By reorganizing and assigning this role to the OCPO, a single office will track the entire process and indentify inefficiencies and bottlenecks along the way.
- The refocusing of resources on Individual and Community Preparedness, following discovery that only a small percentage of the preparedness budget was currently spent in this area.

Today, as FEMA works to respond to the impacts from Hurricane Irene and Tropical Storm Lee, the Response Directorate is collecting, and tracking and reporting data on outcomes that will be evaluated in future FEMAStats. Disaster response and recovery is often a fast-moving process where new situations create the need for policy decisions that must be made quickly, while still

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maintaining the best possible customer service for disaster assistance applicants and accountability for government funds.

The Response Directorate is analyzing core activities and identifying key metrics that could best be used to measure effectiveness in the areas of preparedness and response. Today, as this and other programs incorporate FEMAStat into the most current disaster response, new data is being collected that FEMA management will use to better measure success and improve program accountability. The tracking and reporting of pre-identified and meaningful performance metrics is providing a new opportunity to test the accuracy and relevance of the outcome measures that inform policy decisions.

VI. Improving Coordination Strategies and Developing Doctrine

FEMAStat is only one of the recent policy changes at FEMA designed to improve accountability. FEMA has been working to develop accepted written guidance materials that still allow for the inherent flexibility required to respond to the many new and often changing situations and issues that arise during a disaster response. These doctrines will help us identify successes and increase accountability throughout all layers of emergency management. FEMA is completing a series of new guidance documents that will become the standard by which accountability in disaster response and recovery can be measured. Some of the new documents, which were released earlier this year, include: the FEMA Incident Management and Support Keystone document, the National Incident Support Manual, the Functional Needs Support Services Integration Guide to States, the Incident Action Plan, and the Regional Planning Guide.

The intent of each of these documents is to standardize procedures, institutionalize best practices, and guide planning, training, equipping, and staffing. Each document focuses on a different aspect of accountability, but they all describe the implementation of procedures through clear and decisive initial actions, creative solutions to problems, outcome-based objectives, elimination of redundancies, and examples of best practices and techniques that others have found to be successful.

As part of the overall emergency management team, FEMA works with many different groups and partners, from individuals, to governments to private sector companies and organizations. In 2006, the Post-Katrina Emergency Management Reform Act (Post-Katrina Act) gave FEMA the authority to lean forward early in a disaster in order to leverage the entire emergency management team and ensure the Nation is positioned to handle complex and catastrophic disasters. This guidance, together with the National Response Framework served to define coordination structures, roles and responsibilities for FEMA and other federal agencies.

The Post-Katrina Act also required FEMA to develop a comprehensive document identifying the specific roles of partner agencies during the Recovery process. This document, the National Disaster Recovery Framework (NDRF), was recently released by the Administration. The NDRF introduces six new Recovery Support Functions and identifies key recovery staff positions designed to support community recovery efforts.

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One such new position is the Federal Disaster Recovery Coordinator (FDRC). The FDRC will be deployed when a Federal role is necessary and significant interagency resource coordination is required due to the large-scale, unique or catastrophic nature of the disaster. The FDRC's sole focus would be to coordinate interagency, local, state, and federal resources to assist the community with rebuilding and recovering. FEMA tested the concept of an FDRC during the response to the spring tornados in Alabama. The FDRC worked closely with Alabama state officials to develop a recovery strategy that emphasized coordination with all available partners.

To further integrate the NDRF into our on-going operations, we conducted a National Table Top Exercise in September that focused strictly on recovery efforts. This exercise was the first opportunity to explore the application of the NDRF using a large-scale, multi-state catastrophic disaster. As was demonstrated during the exercise, the NDRF recognizes the importance of engaging and utilizing the entire team, including federal, state and local governments, non-profit organizations, businesses, and the community at large, in order to maximize available resources as an area recovers from disaster.

VII. Conclusion

FEMA recognizes the need to balance quality customer service in providing disaster assistance to individuals and communities quickly, with the responsibility to be a good steward of the taxpayers' money. To that end, we are continually using the tools provided by the Post Katrina Act, the findings of external audits, and lessons learned from previous experiences to improve our performance and accountability and strengthen our internal controls. Thank you again for the opportunity to appear before you today. I am happy to answer any questions the Subcommittee may have.

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Good morning, Mr. Chairman and Members of the Subcommittee. My name is Matt Jadacki and I am the Assistant Inspector General for Emergency Management Oversight for the Department of Homeland Security's (DHS') Office of Inspector General (OIG). Thank you for the opportunity to discuss the Federal Emergency Management Agency's (FEMA) quality controls and business practices.

FEMA's mission is to support citizens and first responders to ensure that we as a nation work together to build, sustain, and improve capabilities to prepare for, protect against, respond to, recover from, and mitigate all hazards. The *Post-Katrina Emergency Management Reform Act of 2006* (*Post-Katrina Reform Act*),[1] enacted to address shortcomings exposed by Hurricane Katrina, expanded the scope of the agency's mission, enhanced FEMA's authority, and gave it primary responsibility for the four phases of comprehensive emergency management: preparedness, response, recovery, and mitigation. FEMA has made great strides in improving and strengthening its disaster preparedness, interacting with other federal agencies, and assisting communities to recover after a disaster.

My testimony today covers the following seven areas:

- Recoupment of Improper Payments and Fraud Prevention
- Acquisitions
- Information Technology Management
- Emergency Management
- Flood Mapping
- Remedial Action Management Program
- Grants Management

Many of these areas are covered in our upcoming department-wide major management challenges report and in FEMA-specific reports we have issued over the last two years.

Recoupment of Improper Payments and Fraud Prevention

This hearing is a follow-up to a March 2011 hearing on FEMA's efforts to recoup $643 million in potentially improper disaster assistance payments beginning with the aftermath of hurricanes Katrina and Rita. Following issuance of a DHS-OIG management advisory in December 2010, Administrator Fugate approved a recoupment process that had been on hold for several years. In our recent report that was issued in May 2011, *Assessment of FEMA's Fraud Prevention Efforts*, we recommended that FEMA continue to pursue recoupment of these funds. We noted in the report we would periodically check on the status of the recoupment process. As of September 29, 2011, almost 30,000 notices of debt had been mailed; over 500 people had their debts terminated after utilizing the appeals process; and FEMA has recouped more than $3 million.

[1] Public Law 109-295, Title VI – National Emergency Management, of the *Department of Homeland Security Appropriations Act of 2007*.

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The speed with which FEMA disburses assistance through its Individuals and Households Program results in the program's susceptibility to fraud. This susceptibility was increased during the response to Hurricane Katrina because FEMA disabled some internal control functions to speed up its response to the catastrophic disaster.[2] More recent reports indicate that FEMA has made significant internal control improvements, including identity and address verifications, and inspections prior to approving assistance.[3]

Our review of FEMA's fraud prevention efforts noted that despite the assistance programs' continued susceptibility to fraud and abuse, FEMA has not implemented formal fraud awareness training mandated by the *Post-Katrina Reform Act*. Further, FEMA has not fully staffed the Fraud Prevention and Investigation Branch, nor provided it with the authority necessary to review programs agency-wide and recommend improvements in internal controls.

To be more effective, the Fraud Branch should be provided with the latest electronic fraud detection tools, similar to those utilized by the Recovery Accountability and Transparency Board's Recovery Operations Center. The Center now has a fraud-mapping tool, which gathers and analyses large quantities of data and helps "connect-the-dots" to identify indicators for fraud and error. This and similar tools would improve FEMA's ability to prevent, detect, and deter fraud.

FEMA has made improvements in its internal controls since Hurricane Katrina, but more needs to be done. The culture at FEMA is to get money to disaster survivors as quickly as possible, but this commendable attitude needs to be tempered throughout the organization by an increased emphasis on providing assistance only to eligible disaster survivors.[4]

Acquisitions

Although FEMA has developed and strengthened acquisition management policies and processes, it continues to face challenges. For example, weak internal controls have resulted in multi-million dollar contracts with vague and questionable requirements[5] and no performance measures.[6] Agency employees responsible for managing and monitoring the contractors do not always receive written guidance or training on how to evaluate contractor performance or certify billing invoices. Continued improvements are needed in FEMA's oversight of contracts.

Our audit of FEMA's Public Assistance-Technical Assistance Contracts (PA-TACs) demonstrates FEMA's problems with oversight. The PA-TACS provide technical assistance to state, local, and tribal governments for debris removal and repair of structures such as schools,

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[2] *Hurricanes Katrina and Rita Disaster Relief*, (GAO-07-252T, December 2006)

[3] *Hurricanes Gustav and Ike Disaster Assistance*, (GAO-09-671, June 2009) and *Improvements to Internal Controls for FEMA's Individuals and Households Program Registration Process*, (OIG-09-110, September 2009)

[4] *Assessment of FEMA's Fraud Prevention Efforts*, (OIG-11-84, May 2011)

[5] *Improving FEMA's Individual Assistance-Technical Assistance Contracts*, (OIG-11-114, September 2011) and *Improvements Needed in FEMA's Management of Public Assistance-Technical Assistance Contracts*, (OIG-11-02, October 2010).

[6] *Improvements Needed in FEMA's Management of Public Assistance-Technical Assistance Contracts*, (OIG-11-02, October 2010).

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medical facilities, and bridges. The *Brooks Act*[7] requires FEMA to select engineering and architectural firms based on competency, qualifications, and performance; but, FEMA awarded task orders in a manner to ensure the three contractors were paid equal sums over the life of the contracts. Additionally, FEMA had no performance measures for its PA-TACs and did not adequately monitor or evaluate their performance. In response to our recommendation that FEMA develop performance and evaluation criteria, FEMA has advised us a technical evaluation worksheet template has been developed. FEMA staff will use this worksheet and field visits to monitor and evaluate contractor performance.

FEMA made progress in recruiting and retaining a workforce capable of managing complex acquisition programs. Nevertheless, FEMA's contracting program continues to face workforce challenges. For instance, staff turnover resulted in multimillion-dollar contracts not being managed effectively or consistently and exacerbated file maintenance problems. Another challenge is hiring experienced contracting officers to work at disasters. The majority of FEMA staff at a disaster site work on an on-call, intermittent basis. FEMA categorizes all its disaster assistance employees in the occupational series 301, regardless of the function the employee will perform for FEMA. This creates several challenges. First, a Disaster Assistance job announcement will not specifically advertise for contracting officers, limiting FEMA's ability to attract experienced contracting officers. Second, classifying Disaster Assistance Contracting Officers as 301s means they can only administer contracts up to $150,000. Third, because FEMA classifies them as 301s, the Office of Personnel Management does not allow waivers for retired annuitants in positions classified as 301, and employees classified as 301s are not encouraged to continue working after the first 120 days after a disaster declaration. The Office of Personnel Management does provide waivers for temporary contracting officers. In response to our recommendation that the classification of these positions be reviewed, FEMA has recently advised us that they have revised their policy to allow disaster assistance employees performing contracting functions to be classified as 1102s. This will improve FEMA's ability to hire experienced contracting officers with higher contracting authority.

FEMA has made great strides in improving its contracting officer's technical representatives (COTRs) cadre. FEMA has designated staff to oversee the COTR program; developed a tiered system which ties training requirements to dollar values of contracts a COTR can monitor; and established an intranet site containing tools for COTR use. However, many trained COTRs (which is a supplemental duty) have never been assigned a contract and are unsure of their ability to be effective. And, although they represent the contracting officer, the COTR's appraisal is completed by his supervisor in the program office for which he works, rather than the applicable contracting officer, thus leading to divided loyalties.[8]

We have issued several reports in the last few years recommending improvements to FEMA's acquisition process. Those recommendations have resulted in policies and procedures on contract closeout, transferring contract files from one contracting officer to another, and labeling and organizing contract files so all contract actions are documented. [9] In Fiscal Year 2010,

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[7] *Brooks Architect-Engineer Act*, 40 U.S.C. §1101, et seq.
[8] *FEMA's Contracting Officer's Technical Representative Program*, (OIG-11-106, September 2011).
[9] *Challenges Facing FEMA's Disaster Contract Management*, (OIG-09-70, May 2009) and *Improvements Needed in FEMA's Disaster Contract Management*, (OIG-10-53, May 2010)

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FEMA deployed Disaster Assistance Employees to accelerate contract closeout efforts for the Disaster Relief Fund, de-obligating $1.2 billion. These contract closeout efforts continue annually and are in direct response to an OIG recommendation.[10] We were pleased to learn that FEMA has created Disaster Acquisition Response Teams, whose focus on contract administration and oversight of large disaster contracts is much needed. We also reported FEMA's need for an overarching sourcing strategy. Headquarters, regional and local FEMA representatives were ordering goods without communicating with their counterparts at other locations. This resulted in goods ordered that were not needed, purchased from the wrong source, or at the wrong time. We recommended that FEMA adopt the single-point ordering concept, to coordinate all sourcing decisions through the Logistics Section. As a result of our recommendation follow-up process, FEMA is now making progress in adopting the single-point ordering concept, which is called single-point ordering tracking (SPOT). FEMA has provided training to staff on its use and piloted SPOT during FEMA's response to Hurricane Irene. More needs to be done, including integration of information systems.[11]

Information Technology Management

FEMA's existing information technology systems do not support disaster response activities effectively. The agency has a number of information technology infrastructure modernization initiatives under way. However, there is not a comprehensive information technology strategic plan with clearly defined goals and objectives or guidance for program office initiatives.[12] In addition, FEMA has not completed its efforts to establish enterprise architecture. Without these critical elements, FEMA is challenged to establish an effective approach to modernize its information technology infrastructure and systems.

There is not an adequate understanding of existing information technology resources and needs throughout the agency. Specifically, FEMA's Office of the Chief Information Officer does not have a complete, documented inventory of systems to support disasters. Further, program and field offices continue to develop information technology systems independently of the office and have been slow to adopt the agency's standard information technology development approach. Finally, the office has completed improvements to its infrastructure foundation, but efforts to modernize some of the agency's critical systems have been put on hold due to departmental consolidation plans. As a result, systems are not integrated, do not meet user requirements, and do not provide the information technology capabilities agency personnel and its external partners need to carry out disaster response and recovery operations in a timely or effective manner.

Emergency Management

Although FEMA has made great strides in improving its disaster preparedness and recovery, challenges remain. We recently conducted audits in several critical areas that impact disaster

[10] *Internal Controls in the FEMA Disaster Acquisition Process*, (OIG-09-32, February 2009).
[11] *FEMA's Sourcing for Disaster Response Goods and Services*, (OIG-09-96, August 2009).
[12] *Federal Emergency Management Agency Faces Challenges in Modernizing Information Technology*, (OIG-11-69, April 2011).

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response: FEMA's leadership in emergency support functions, mass care and emergency assistance, debris removal operations, and housing.

Emergency Support Functions

The National Response Framework guides the Nation's response to all hazards. FEMA is the coordinator or primary agency for eight of fifteen Emergency Support Functions (ESF) and is responsible for ensuring that activities for these functions are accomplished as outlined in the Framework. In November 2010, we evaluated FEMA's readiness to fulfill three major areas of responsibility for each ESF: Coordination with Emergency Support Function stakeholders, operational readiness, and financial management.[13]

FEMA generally fulfilled its roles and responsibilities under the ESFs. Specifically, the agency manages mission assignments, executes contracts, and procures goods and services for its ESF activities. However, the agency can improve its coordination with stakeholders and its operational readiness. For example, FEMA should be coordinating with stakeholders for all ESFs. There was little evidence that support agencies are regularly included in planning meetings for one ESF, even though agency officials said that such coordination would be beneficial. The agency must coordinate these activities with all relevant federal departments and agencies, state and local officials, and private sector entities to effectively execute the ESF mission.

Mass Care and Emergency Assistance

We evaluated FEMA's capabilities in providing mass care and emergency assistance.[14] Mass care includes sheltering, feeding, emergency first aid, distribution of emergency items, and collecting and providing information on victims to family members. Emergency assistance is that necessary to address immediate needs beyond the scope of the traditional mass care services. These services include evacuation support, aid and services to special needs populations, reunification of families, as well as a host of other emergency services and coordination of voluntary agency assistance.

FEMA continues to improve its mass care and emergency assistance program. It has coordinated more effectively with state and local governments and voluntary organizations; developed planning tools to build the mass care and emergency assistance capacities of these governments and organizations; and created an internal infrastructure to plan, coordinate, and provide direct mass care and emergency assistance, as needed.

While FEMA has taken steps to improve, additional actions can ensure the program is implemented effectively in future disasters. Mass care and emergency assistance standard operating procedures are still in draft, years after being developed. The effectiveness of developed planning tools and initiatives has not been evaluated. Mass care and emergency assistance activities have not always been included in national and regional exercises. In

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[13] *Assessment of Federal Emergency Management Agency's Emergency Support Function Roles and Responsibilities*, (OIG-11-08, November 2010).
[14] *Opportunities to Improve FEMA's Mass Care and Emergency Assistance Activities*, (OIG-11-77, April 2011).

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addition, an opportunity exists for improved efficiency by creating automated computer interfaces between FEMA and American Red Cross databases with sheltering information (each of these databases track sheltering information needed during a disaster).

Debris Removal Operations

FEMA's Public Assistance program has expended more than $8 billion over the past 11 years reimbursing applicants, primarily cities and counties, for removing debris resulting from natural disasters. In general this has been a successful effort; vast amounts of debris have been removed and disposed of, allowing communities to proceed with recovery efforts. Better planning, contracting, and oversight of debris removal operations, however, would enable these operations to be conducted in a more cost-effective manner.[15]

Debris planning allows communities to be better prepared for a disaster by identifying debris collection and disposal sites, preparing debris removal contracts, and identifying potential debris contractors in advance of a disaster. Only a minority of states and local governments currently have such plans in place. A pilot program that operated in 2007–2008 was successful in encouraging the development of debris plans, but this momentum has been lost since the pilot program ended.

Decisions made in the first few days after a disaster strikes are critical in determining the success of a debris removal operation. Despite improved federal and state efforts to ensure that local governments are prepared for debris removal operations, they are often unprepared. FEMA debris advisers can help local governments determine what needs to be done, but qualified advisers are not always available when needed. Federal disaster response teams need to address debris expertise. Debris removal guidance is often unclear and ambiguous. An integrated performance measurement system would provide federal and state officials and stakeholders with the data and tools to measure, analyze, and improve debris operations in a fact-based manner.

Since 2005, FEMA has worked to develop automated digital systems that will enhance FEMA's debris estimating and data collection capabilities in the field. FEMA is also developing a debris cost database to assist Public Assistance staff and applicants in determining whether a cost is reasonable. The debris cost database will also allow FEMA to analyze costs for debris operations across FEMA regions, disasters, states, and contractors. FEMA plans to implement these systems in FY 2012.

Housing

In a presidentially declared disaster, FEMA provides temporary housing assistance to individuals and households. In the past, FEMA has sometimes been criticized for its inability to provide immediate, short-term housing assistance to disaster survivors and to transition people to more permanent forms of housing.

[15] *FEMA's Oversight and Management of Debris Removal Operations*, (OIG-11-40, February 2011).

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As a result of legislation, FEMA released the National Disaster Housing Strategy to guide future disaster housing assistance efforts. This strategy is a positive, but interim step forward. It outlines a number of potential programs and federal agencies that can assist disaster survivors, but does not include an action plan designed to achieve specific goals. FEMA should develop the tools and operational procedures necessary to respond to the next catastrophic disaster and define achievable housing goals for such disasters.[16]

Two recent reports indicate continuing housing issues. FEMA did not adequately plan for use of its authority under the *Robert T. Stafford Disaster Relief and Emergency Assistance Act* (Public Law 100-707) to construct permanent housing when temporary housing was not feasible. As a result, homes were built in American Samoa at a cost to the taxpayer far in excess of the average value of homes on the island, the original contractor withdrew from the project, and completion of the homes was delayed.[17] After publication of our report, FEMA awarded a contract for the next phase of home construction to a New Zealand company, at a considerable savings per home.

In another case, FEMA did not evaluate a $550 million agreement with the Department of Housing and Urban Development (HUD) to assist survivors of hurricanes Katrina and Rita before entering into a second agreement with HUD to provide the same services to survivors of hurricanes Gustav and Ike. In neither agreement did FEMA require HUD to maintain program data to determine whether the program was successful.[18]

Flood Mapping

Major objectives of FEMA's Flood Hazard Mapping and Risk Analysis Program (Risk MAP), which started in FY 2009, are to ensure that 80% of the Nation's flood hazards data is current; local officials are aware of risks from natural hazards; and communities take action to reduce risk. This is important because flooding is the most frequent and costly natural hazard in the U.S. On average, each dollar spent on mitigation saves society four dollars.

Risk MAP is supported by both appropriated funds and fees received from policy holders under the National Flood Insurance Program (NFIP). For FY 2012, DHS/FEMA requested $102.71 million and anticipates $117.71 million in NFIP policy holder fees. Digital Flood Insurance Rate Map updates, for the most part, are completed by Risk MAP contractors.

In early February 2011, Senators Cochran, Wicker, Durbin, and Pryor led an effort to draft and forward a letter to Administrator Fugate that was signed by 27 Senators—14 Republicans and 13 Democrats—asking that FEMA reconsider its method of mapping areas with levees.

FEMA's flood remapping efforts sometimes result in areas being declared a floodplain, which may lead to a requirement for home and business owners in the affected areas to buy National Flood Insurance Program insurance policies.

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[16] *Management Advisory Report: FEMA's Housing Strategy for Future Disasters*, (OIG-09-111, September 2009).
[17] *American Samoa 2009 Earthquake and Tsunami: After-Action Report*, (OIG-11-03, October 2010).
[18] *Effectiveness and Costs of FEMA's Disaster Housing Assistance Program*, (OIG-11-102, August 2011).

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By early March 2011, the FEMA Administrator announced that he had directed FEMA staff to address the concerns raised by the Senators and develop a more effective approach to the mapping of areas with levees. Mr. Fugate also indicated that FEMA would temporarily withhold issuing final determinations for affected communities. FEMA plans to publish the alternative approach in the Federal Register by late October, 2011.

Since March 2011, FEMA has placed approximately 250 projects "on hold" pending implementation of a new method to map levees. The estimated additional cost of these projects is about $50 million.

My office is currently reviewing whether FEMA is ensuring the effective and wise use of taxpayer funds while administering the map modernization program. A draft report should be received by FEMA in February or March 2012.

Remedial Action Management Program

FEMA's Remedial Action Management Program (RAMP) is intended to identify lessons learned and best practices, manage the subsequent remediation of issues, and share lessons learned and best practices. FEMA Regions are responsible for after-action reviews, and for collecting and transmitting to FEMA Headquarters lessons learned and best practices identified during those reviews.

FEMA officials did not always conduct after-action reviews to identify lessons learned and best practices. When reviews were held, lessons learned and best practices were often converted into policy. However, in some cases, informal discussions were held in lieu of the RAMP reviews and in other cases, due to the magnitude of the disaster and other circumstances, no reviews occurred.

In May 2010, the server which housed the program's database failed, and FEMA lost access to the lessons learned and best practices data. In November 2010, program officials said the data was recovered, but the software necessary to read the data had not been restored, so historical data on lessons learned and best practices was not accessible to all FEMA personnel. FEMA needs to conduct after-action reviews for all disasters and disseminate the data collected more widely.[19]

Grants Management

FEMA oversees billions of dollars in grant funds per year. FEMA is taking steps to improve its grant policies, procedures, systems, and processes, but needs to ensure that these steps are fully developed and implemented, and needs to strengthen monitoring of grantees.[20]

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[19] *FEMA's Progress in Implementing the Remedial Action Management Program*, (OIG-11-32, January 2011).
[20] *The Post Katrina Emergency Management Reform Act of 2006* centralized most of DHS' grant programs under FEMA's Grant Programs Directorate.

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While FEMA does not directly manage subgrants, it is incumbent on FEMA to make certain that States, as grantees, understand the rules and regulations that govern disaster grants and that the states ensure subgrantees adhere to these. We issued a report in August 2011 that summarized the 44 grant audit reports we issued in FY 2010. Collectively, these reports noted nearly $165 million in questioned costs and funds put to better use. The capping report presented the common findings that lead to questioned costs, including improper contracting practices, inadequate subgrantee contract monitoring, costs not adequately supported, and ineligible work and project charges. We also reported five ways in which grantee management could be improved. Grantees should have: (1) procedures in place to ensure that cash advances to subgrantees are expended timely and excess funds are recovered promptly, (2) documented or standard payment processing policy to strengthen controls to prevent overpayments, (3) follow up procedures on material deficiencies reported in Single Audits, (4) an awareness of significant budget and scope increases, and (5) adequately monitored and reported subgrantee program performance. Further, we will soon issue a report summarizing the 61 grant audit reports we issued in FY 2011 that included more than $200 million in questioned costs and funds put to better use.

Conclusion

FEMA is increasingly called upon to provide more assistance to state, local, and tribal governments, whose diminished resources in tough economic times can be quickly overwhelmed by large disasters.

FEMA has made progress in the areas we reviewed, and in some areas FEMA identified corrective actions, but implementation has not been complete. FEMA would benefit from increased oversight of key preparedness issues to ensure that implementation of initiatives is sustained.

The following concerns are common to our review:

- The need for more effective coordination with state, local, and tribal governments;
- The need for information technology systems that are updated and integrated agency-wide;
- Too few experienced staff to handle the increasing workload; and
- Funding that is not adequate to maintain initiatives, meet the costs of disasters, and recruit, train, and retain staff.

FEMA is an agency that is in a constant state of flux. Priorities, plans, initiatives, draft guidance, and working groups often, understandably, take a back seat to disaster response and recovery, and momentum toward finalization and implementation of key initiatives is slowed or lost. So far this year, there have been 87 presidentially-declared disasters, more than in any previous year on record.[21] FEMA has faced budget uncertainties this year and the ongoing economic downturn has resulted in some state and local governments reducing their own emergency management funding. With its involvement in more and more disasters, FEMA must continue to make progress in addressing its major management challenges if it is to be an effective partner in emergency management.

[21] http://www.fema.gov/news/disaster_totals_annual.fema, accessed 10/6/2011.

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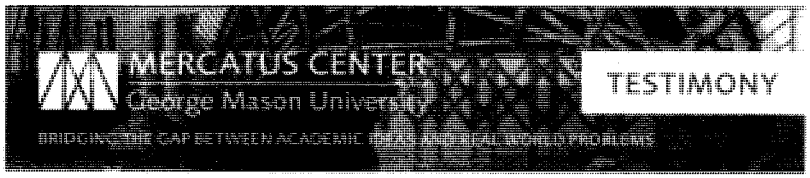

ACCOUNTABILITY AT FEMA: IS QUALITY JOB #1?
OCTOBER 20, 2011

Maurice McTigue
Vice President, Mercatus Center at George Mason University

Senate Committee on Homeland Security and Governmental Affairs
Ad Hoc Subcommittee on Disaster Recovery and Intergovernmental Affairs

Mr. Chairman, I am honored to have been invited to testify before you on the current accountability and performance of the Federal Emergency Management Agency (FEMA).

I am a vice president at the Mercatus Center at George Mason University. My work there over the last fifteen years has focused on advancing the principles of transparent and accountable government at the state and federal level. During my time as an elected member of the New Zealand parliament and a member of the New Zealand cabinet, the government implemented a series of reforms that dramatically increased the government's transparency and resulted in better government, heightened prosperity, and improved public approval ratings for government organizations. This philosophy also informs work at the Mercatus Center which strongly advocates reforms that make government more open, transparent, and accountable to the people.

The research done at the Mercatus Center at George Mason University over the last fourteen years shows a very strong linkage between high levels of transparency, quality performance information, and improved decision making. This research has also shown a direct link between transparency and accountability: in the absence of transparency, there can be no accountability.

However, the effectiveness of transparency mechanisms is very dependent on the quality of the performance information produced. If the wrong measures of performance are used, then the whole system of accountability fails. For performance information to be effective, the information produced must enable decision makers to easily and accurately develop an informed opinion of the state of affairs in the subject area under consideration.

Federal Emergency Management Agency (FEMA) has been the object of our research on two major occasions. The first study, *Learning from the Leaders: Results Based Management at the Federal Emergency Management Agency*, was published by Dr. Jerry Ellig in March of 2000. The second, *The Impact of FEMA on US Corruption: Implications for Policy*, was published by Dr. Peter T. Leeson and Dr. Russell Sobel in January 2007. These studies are respectively attached as appendices to this testimony.

FEMA'S RECOVERY

In 2000, the Mercatus Center looked at 23 CFO Act agencies that had been plagued by poor performance, seeking to ascertain whether, out of those 23 failing agencies, there was one that reformed itself into an effective, high-performance organization. After much study and discussion with various government organizations, the research team narrowed down the field to two: FEMA and the Veterans Health Administration (VHA). Many factors led to identifying VHA and FEMA as extraordinary turn-around agencies, but the one I want to concentrate on is leadership. Both James Lee Witt at FEMA and Dr. Ken Kizer at VHA were leaders who had very clear visions of what they were trying to achieve and the courage and determination to implement those visions. In the end, Dr. Ellig chose to make FEMA the focus of his study.

In 1990, FEMA

- took 12 to 13 weeks to settle some claims;
- was mainly reactionary with no long-term risk strategy; and
- was the worst agency in government. Congress talked of disbanding the agency.

In 2000, FEMA

- took five to eight days to settle claims;
- had made risk mitigation a major feature of its strategy; and
- was one of the best agencies in government, with zero managerial controversy.

James Lee Witt's philosophy that "our job is to put back together the lives of individuals, families, and communities as quickly as possible after disaster has struck" had permeated the agency, driving managerial reforms throughout the organization and FEMA remarkable recovery.

FEMA'S RELAPSE

So what happened to FEMA in the 2000s? Why did this once highly successful and responsive agency conduct such a notoriously poor response to Hurricane Katrina?

Following the Hurricane Katrina disaster, the Mercatus Center undertook a major research project that focused on the Gulf Coast's recovery from Katrina. The project considered the responses of differing parts of a society to a disaster to understand what societal mechanisms were best at achieving recovery.

One of the major findings of that project was that recovery efforts directed through existing local structures like voluntary groups and civic organizations were more effective than recovery efforts initiated at the federal or even state level probably as the result of better local knowledge. It is extremely difficult for outside organizations to comprehend or acquire local knowledge, the awareness of and appreciation for the cultural mores, leadership, trusted organizations, and informal networks essential to the successful operation of a society. Which may be why, in the early stages of the disaster, FEMA tended to use a command and control approach rather than a cooperative approach utilizing local existing structures. However, greater use of existing social structures would probably have significantly reduced the level of abuse that occurred.

The Leeson and Sobel study is part of the Mercatus Center project, and it is important when reading this study to recognize that it does not accuse FEMA of corruption. What the study says is that, in distressed situations, dispensing large quantities of cash provides the opportunity for corrupt activity. In a disaster recovery situation, if the corruption activity becomes significant, it will then have long-term adverse effects on the recovery and future economic growth.

FEMA, therefore, has to walk a fine and difficult line between achieving the Witt goal of rapid recovery and the goal of financial prudence. There is no magic solution for this problem. However, lessons can be learned from the Witt era, one of which is that excessive oversight did not diminish the error rate when making relief payments. In fact, removing multiple levels of oversight and trusting and acting on the recommendations of assessors in the field dropped the error rate by some 20% while significantly improving the speed of settlement.

NOT EVERYTHING IS AN EMERGENCY

FEMA's name identifies it as the Federal Emergency Management Agency; given current fiscal constraints on the government, it might be time to look at the interpretation of the word "emergency." A wet and windy day does not constitute an emergency, yet there seems to be a constant stream of requests of FEMA that require some stretch of the imagination to define them as events that fall outside the purview of state and local government response.

Apart from the fiscal cost to the federal budget, other risks that arise if FEMA becomes the first responder to normal adverse events. For example, deterioration in risk mitigation is a natural response from state and local governments to the cost of having to fund recovery from these events. As Dr. Ellig finds in his FEMA study, James Lee Witt achieved $2 in recovery savings for every $1 spent on risk mitigation. These dollar savings were only part of the success of not having your house destroyed by an adverse climatic event is far superior to being compensated for its destruction. As Leeson and Sobel identify, the cost of unintended

consequences can be considerable, so the federal government's assuming responsibility for what should be state or local responsibilities may be a mixed blessing.

CONCLUSIONS

Fortunately there are some things FEMA can do to again become a successful agency.

- FEMA should realize it has a recent role model for being a successful organization: it just needs to relearn the lessons of the 1990s.
- FEMA must recognize that unintended consequences are a high risk factor in FEMA operations. There needs to be a deliberative managerial approach to identifying these risks and mitigating against them.
- Finally, FEMA needs to appreciate that while "emergency" does mean urgent and unexpected, an emergency event appropriate for FEMA intervention must be one that the state and local level cannot manage.

I thank the committee for the opportunity to testify and offer any further support the committee may request.

LEARNING FROM THE LEADERS:

Results-Based Management at the Federal Emergency Management Agency

Jerry Ellig, PhD
Senior Research Fellow
jellig@gmu.edu

Mercatus Center
George Mason University

March 29, 2000

Mercatus Center at George Mason University
3401 N. Fairfax Drive, Suite 450 ~ Arlington, Virgnia 22201-4433
703-993-4930 ~ Fax: 703-993-4935 ~ mercatus@gmu.edu ~ www.mercatus.org

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FOREWORD

The past two decades have seen significant change in voter expectations from government. Citizens want their governments to deal more effectively with pressing problems, while using the same or fewer resources.

The Mercatus Center launched its Public Sector Leadership Project in 1997 to help federal agencies meet this challenge. One goal of the project is to identify exemplary agencies that have taken the lead in clearly stating their missions and improving their performance. By providing in-depth case studies of successful agencies, the Mercatus Center hopes to spotlight the kinds of managerial changes necessary to promote dramatic performance improvement.

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EXECUTIVE SUMMARY

The Federal Emergency Management Agency (FEMA) has won widespread praise for its reinvention efforts. Lawmakers who once talked of abolishing the agency now compliment it. Specific results measures also highlight the agency's success:

> In fiscal 1998, FEMA took an average of 8 days to get relief checks to disaster victims, down from 10 days in 1997 and a high of 20 days in 1992.
>
> Between 89 and 97 percent of disaster aid recipients rate FEMA favorably on ease of access, clarity of information, promptness of aid, compassion, and overall quality of service.
>
> State, local, and nonprofit officials who have received disaster aid from FEMA give the agency positive ratings in the 70-80 percent range, exceeding baselines of 60-75 percent.
>
> FEMA's mitigation programs prevent more than $2.00 in disaster losses for every dollar spent.
>
> Enforcement of the National Flood Insurance Program's building standards prevents flood losses of $750 million annually.
>
> In fiscal year 1998, between 76 and 87 percent of enrollees in FEMA training courses said they learned things that improved their job performance.

A careful analysis reveals that no single variable explains FEMA's success. Rather, FEMA improved its results through a collection of different but related management reforms. The agency did a number of things right at the same time, and the results for the whole exceeded the sum of the parts. Key factors included:

Mission

> FEMA has a clear mission focusing on preparedness, mitigation, response, and recovery for all types of disasters.
>
> The mission is specific enough to guide the agency's reorganization and allow sub-units to develop their own, complementary missions.
>
> The mission is accompanied by objective performance measures, many of which emphasize results rather than activities.

Organizational Structure

Responsibilities of FEMA's sub-units and individual employees are derived from the organizational mission.

A swift reorganization eliminated multiple management layers and moved most senior employees into new positions.

The roles of federal, state, and local governments in disaster management are now clearly defined and well understood.

The Federal Response Plan specifies resources from other federal agencies that FEMA can draw upon and how FEMA can pay for what it uses.

FEMA and its employees have decision-making authority that matches their roles and responsibilities.

While employees' financial incentives are limited, the organization's mission, measures, and recent track record contribute heavily to intrinsic motivation.

Knowledge Systems

A key system for gathering information – the aid registration process for disaster victims – is now computerized, streamlined, and customer-focused.

Some operating procedures that were previously reinvented every time a new disaster hit have been routinized.

FEMA's small size aids in the informal transfer of experiential knowledge.

Organizational Culture

Since 1993, FEMA's culture has changed dramatically, from a formal, bureaucratic culture focused on processes to a less formal, action-oriented culture focused on results.

FEMA has enunciated a list of core values, and there is evidence that the values actually influence behavior in the organization.

Communication Strategy

FEMA has made significant improvements in its communication with Congress, state and local officials, disaster victims, employees, and the news media.

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The agency's communication strategy for each of these groups reinforces key elements of the agency's mission.

Leadership

The statements and actions of FEMA Director James Lee Witt – especially his repeated insistence on customer focus -- were crucial in driving organizational change.

These kinds of changes are not only applicable to FEMA. They illustrate general principles that can guide any government agency seeking to transform itself from a rule-driven bureaucracy to a results-driven organization.

FEMA BACKGROUND

The Federal Emergency Management Agency was created by presidential Executive Orders in 1979. Prior to that time, no single agency had been responsible for coordinating federal disaster relief. FEMA's job was to mobilize federal resources and coordinate federal with state and local efforts. The agency trains disaster management personnel, distributes disaster aid, helps people rebuild after disasters, and tries to move people and property out of harm's way before the next disaster strikes.

By federal standards, FEMA is a relatively small entity. It has approximately 2300 full-time employees. In emergencies, the agency can call on 4000 temporary and reserve employees, in addition to volunteers and employees of other federal agencies. FEMA's annual spending varies greatly depending on the number and severity of natural disasters. From fiscal 1992 through 1999, annual appropriations averaged $4.1 billion.

This small agency's prominence in the U.S. government has grown considerably in the last decade. The Chief Financial Officers Act of 1990 included FEMA in the 24 departments and major independent agencies covered by its ambitious financial management reforms. In 1996, President Clinton elevated FEMA Director James Lee Witt to Cabinet status to emphasize the importance of emergency management and facilitate communication with other federal agencies. And in 1998, Vice President Al Gore's National Partnership for Reinventing Government designated FEMA as one of its 32 "high-impact" federal agencies.

FEMA'S BIG TURNAROUND

Since its reorganization in 1993, FEMA has significantly improved its ability to deal with disasters:

In fiscal 1998, FEMA took an average of 8 days to get relief checks to disaster victims, down from 10 days in 1997 and a high of 20 days in 1992.

Between 89 and 97 percent of disaster aid recipients responding to surveys rate FEMA favorably on ease of access, clarity of information, promptness of aid, compassion, and overall quality of service.

State, local, and nonprofit officials who have received disaster aid from FEMA give the agency positive ratings in the 70-80 percent range, exceeding baselines of 60-75 percent.

FEMA's mitigation programs prevent more than $2.00 in disaster losses for every dollar spent.

Enforcement of the National Flood Insurance Program's building standards prevents flood losses of $750 million annually.

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> In fiscal year 1998, between 76 and 87 percent of enrollees in FEMA training courses said they learned things that improved their job performance. (For sources, see Table 2 below.)

FEMA did not always have such an enviable record. In fact, in the late 1980s, the agency was usually the butt of criticism:

> Sen. Ernest Hollings (D-SC) characterized FEMA as "the sorriest bunch of bureaucratic jackasses I've ever known" in the wake of FEMA's much-criticized response to Hurricane Hugo in 1989. (Walsh 1998, p. A19)

> Sen. Barbara Mikulski (D-MD) complained in 1992, "I am outraged by the federal government's pathetically sluggish and ill-planned response to the devastating disaster wrought by Hurricane Andrew in Florida and Louisiana, which has left many lives in shambles. Time and again, the federal government has failed to respond quickly and effectively to major disasters, and no lessons have been learned from past mistakes." (NAPA 1993, pp. 1-2)[1]

Independent studies confirmed that FEMA needed changes. As early as 1985, two Arizona State University researchers noted:

> [FEMA] is a creation of an incomplete reorganization designed to centralize the emergency management function. Yet, the centralization is not full or vital (assuming centralization can be effective), and the agency's authority and its relationship to the programs in other departments is unclear. (Mushkatel and Weschler 1985, p. 50)

The National Academy of Public Administration opined in February 1993, "FEMA has been ill-served by congressional and White House neglect, a fragmented statutory charter, irregular funding, and the uneven quality of its political executives appointed by past presidents." A case study by the Council for Excellence in Government stated, "Inheriting 30 political appointees, [FEMA] was regarded in some circles as the 'turkey farm' of the federal government." (Council for Excellence in Government, p. 1) Saundra Schneider, a professor at the University of South Carolina who has published numerous analyses of emergency management, summed up FEMA's problems:

> It has no unifying vision of its own activities, it has no agency wide planning or management processes, and it has suffered from ineffective leadership.

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[1] These are not the only such comments:

Michael Gauldin, who served as President Clinton's press secretary when he was governor of Arkansas, described dealing with FEMA as "a nightmare...The money was always late if it came at all...If anybody came down from Washington, they were these suits who were there to roll over you." (Walsh 1998, p. A19)

"FEMA could screw up a two-car parade," said Rep. Norman Mineta (D-CA) after the 1989 Lomo Prieta earthquake. (Council for Excellence in Government, p. 1)

Moreover, it has not been given the legislative or executive support it needs to perform all of its emergency management responsibilities. (Schneider 1995, p. 156)

Now, FEMA gets compliments even from previously critical officials:

In 1993, Rep. Pete Stark (D-CA) introduced legislation to abolish FEMA. One year later, he withdrew his bill and complimented the agency on its improved performance. (Council for Excellence in Government, pp. 4-5)

Sen. Bob Graham (D-FL) characterized FEMA's response to floods, tornadoes, and fires in his home state as a "180-degree turnaround" from its response to Hurricane Andrew. (Mastering Disaster 1999, p. 2) Florida's director of emergency management agreed, calling FEMA "much more proactive, more sensitive to the consumer, in this case the disaster victim. They have just made a tremendous amount of improvement." California's director of emergency services commented that FEMA "has clearly exorcized the ghost of Hurricane Andrew." (Council for Excellence in Government, p. 4)[2]

President Clinton perhaps best summarized the agency's turnaround:

When I took office, the National Academy of Public Administration said this about FEMA: "FEMA is like a patient in triage. The President and Congress must decide whether to treat it or let it die." There was even a bill pending in Congress to abolish FEMA. And in 1992, as I traveled the country, I never went to a place that somebody didn't say something disparaging about it. Well, the bill is gone, and it may be the most popular agency in the entire federal government. (Clinton 1994)

How and why did FEMA improve its performance so rapidly, at a time when many federal agencies were still struggling to formulate strategic performance plans? Possible explanations cover a variety of factors, including the inspirational leadership of FEMA director James Lee Witt, use of computer technology, and a shift in mission emphasis from Cold War-era civil defense to natural disasters.

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[2] Other praise for FEMA includes:

Sen. Tim Hutchinson (R-AR) once claimed FEMA was rivaled only by the Internal Revenue Service as the most disliked federal agency. But after tornadoes hit Arkansas in 1997, Hutchinson said FEMA's response demonstrated "an outstanding turnaround."

When Hurricane Andrew stuck Florida in 1992, the city of Miami's emergency director asked, "Where the hell's the cavalry on this one?" (Schneider 1995, p. 95) But in 1999 she commented, "FEMA didn't have the funding system or the capabilities before Andrew. Now it's like an assembly line...It's just straight-forward." (FEMA 1999c, p. 2.)

David Jones, chairman of the board of supervisors in Madison County, Virginia, called FEMA officials "more frustrating then helpful" when flash floods turned his county into a disaster area in 1995. The following year, both floods and FEMA returned. Jones noted, "They sent a much more professional group of people, and they didn't make promises they couldn't keep...It wasn't perfect, but it was certainly better." (Mastering Disaster 1999, p. 1)

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A careful analysis, however, reveals that no single variable explains FEMA's success. Rather, FEMA improved its results through a collection of different but related management reforms. There was no "silver bullet." The agency did a number of things right at the same time, and the results for the whole were greater than the sum of the parts. Key accomplishments include changes in FEMA's mission, performance measures, organizational structure, knowledge systems, culture, and communication strategy.

MISSION AND PERFORMANCE MEASURES

FEMA's mission

FEMA's mission, adopted in 1993, is to "Reduce the loss of life and property and protect our institutions from all hazards by leading and supporting the Nation in a comprehensive, risk-based emergency management program of mitigation, preparedness, response, and recovery." (FEMA 1997c, p. 5) This mission represents at least three changes from the 1980s.

First, the mission is explicitly stated. Prior to 1993, FEMA had never enunciated its overriding mission. This exacerbated management problems resulting from the way in which FEMA was created. The agency was created by putting under a single name functions from the Department of Housing and Urban Development, Department of Commerce, Department of Defense, Office of Science and Technology Policy, and General Services Administration. However, for its first 14 years of existence, the agency was never really an integrated organization. When the National Academy of Public Administration conducted a study of FEMA in 1992, "One interviewee described FEMA as 'a check-writing agency, an intelligence agency, a social service agency and insurance agency, with a fire administration thrown in.'" (NAPA 1993, pp. 42-43) The current, explicit mission represents a significant change from that description!

Second, the new mission emphasizes all hazards, which include natural disasters, hazardous spills, war, or terrorism. FEMA's previous mission was somewhat unclear, and some longtime FEMA employees said that the agency was always expected to deal with multiple kinds of hazards. But through the 1980s, the agency seemed largely focused on coordinating the domestic federal response to the emergency conditions created by a nuclear war. (NAPA 1993; Mastering Disaster 1999, p. 2) Between 1982 and 1992, FEMA spent 12 times as much money on preparing for nuclear war than on preparing for natural disasters. (Schneider 1995, p. 153) One 20-year FEMA veteran said, "There are people here I've met in the past five or six years that I'd never met before, because they were always behind locked doors doing contingency planning." With the end of the Cold War, the old mission was obsolete.

Third, the new mission takes a comprehensive approach aimed at finding the lowest cost and most effective ways of preventing loss of life and property. Rather than just responding to disasters and helping people rebuild afterward, FEMA seeks to

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promote mitigation activities to get people and property permanently out of harm's way before a disaster occurs.

Mission is specific enough to guide action

The new mission provides clear direction to guide actions, as it names four specific things FEMA does to protect lives and property. The mission actually guided FEMA executives when they reorganized the agency in 1993:

> The National Preparedness Directorate, which worked on classified national security operations, was eliminated and its employees moved to other parts of the organization. (Mastering Disaster 1999, p. 2.)
>
> The agency now has five directorates that mirror the mission: Response and Recovery; Mitigation; Preparedness, Training, and Exercises; the Federal Insurance Administration, and the United States Fire Administration. The first three directorates directly parallel aspects of the mission. The remaining two administer legislatively-mandated programs in ways that support multiple aspects of FEMA's mission. The Federal Insurance Administration's flood insurance program aims to speed citizen recovery from floods and promote mitigation efforts that will reduce future losses. The United States Fire Administration encourages preparedness by training local fire fighters and promotes mitigation by educating the public about steps people can take to reduce the risk of fire. (FEMA 1997c, p. 11)
>
> All employees are now expected to take a role in disaster preparedness or recovery operations. (Mastering Disaster 1999, p. 2)
>
> Disaster-related grants to states are now tied directly to FEMA's mitigation, preparedness, response, and recovery mission. (FEMA 1997c, p. 54)

Mission reflects competencies

A key aspect of institution-building is articulation of the organization's special competence and reason for existence. (NAPA 1993, p. 42) A well-designed mission provides that articulation, and FEMA's current mission does so.

A clearly stated mission often reveals that an organization must build or acquire new competencies to fully accomplish its goals. In the case of FEMA, executives found that they already had a corps of experienced, professional disaster managers. The principal thing they needed was not new personnel, but a clear mission, performance measures, and new organizational structure. FEMA achieved positive results in the 1990s with largely the same career staff it had in the 1980s. "We knew our jobs," an employee commented. "It's just the way we were permitted to implement things that made us look like asses."

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Mission guides creation of overall performance measures

From its mission, FEMA has developed three strategic goals, supporting objectives, and performance measures. These measures allow employees, customers, Congress, and taxpayers to determine whether FEMA is advancing its mission.

Accurate, results-based measures provide employees with both knowledge and incentives to do their jobs well. Well-crafted measures let employees know where they are doing a good job and where they need to improve. Measures can also motivate better performance, because the intrinsic satisfaction from a job well done is a powerful incentive. This is an especially critical factor in FEMA, because the agency has little ability to use large monetary incentives to reward superior performance.

Measures are also important for FEMA's principal customers, the disaster victims. They help victims plan their own responses to disasters by letting them know how soon they can expect to get various types of assistance and how effective are federal efforts to mitigate disaster damage.

Finally, accurate results measures create an opportunity for rational allocation of taxpayer dollars, because they allow legislators to determine whether the agency is giving taxpayers their money's worth. If all federal agencies produce similarly useful measures, lawmakers will have some objective criteria that they can use to determine which agencies should receive greater funding and which ones should receive less. In the future, agencies that fail to produce informative measures could find themselves at a severe disadvantage in the competition for tax dollars.

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Table 1: FEMA Ten-Year (FY 2007) Strategic Goals and Objectives

Strategic Goal/ *Objective*	**Result measure**
Protect lives and prevent loss of property from all hazards	
Reduce by 10 percent the risk of loss of life and injury from hazards	Risk-measurement model under development by FEMA
Reduce by 15 percent the risk of property loss and economic disruption from hazards	Comparison of actual losses in communities where mitigation projects have been undertaken against baseline loss data gathered in FY 1999 and 2000 20 percent improvement in state and local emergency management capabilities, as measured by a Capability Assessment for Readiness
Reduce human suffering and enhance recovery of communities after disaster	
Reduce by 25 percent human suffering from the impact of disasters	Percentage of times FEMA and partners act within 12 hours on state and local requests for water, food, and shelter Percentage increase in flood insurance policies over 1998 baseline Average length of time to provide assistance checks to eligible individuals
Increase by 20 percent the speed with which individuals, businesses, and public entities recover from disasters by facilitating the restoration of public services	Average length of time it takes for states/localities to restore basic public services, vs. 1998 benchmark Average length of time to deliver assistance to state governments, vs. 1998 benchmark For non-flood disasters, assessment of effects of assistance on lives of victims one year after the disaster occurs
Serve public in a timely/efficient manner	
Improve by 20 percent the efficiency with which FEMA delivers its services	Cost and productivity measures in several major reengineered functions, vs. 1998 baseline
Achieve and maintain 90 percent satisfaction with FEMA services by internal and external customers	Customer surveys

Source: Federal Emergency Management Agency Strategic Plan (Sept. 30, 1997), pp. 13-39.

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Mission guides creation of performance measures for sub-units

FEMA's mission is specific enough to let the agency's directorates create meaningful performance measures. As Table 2 shows, the directorates' performance measures tend to take three forms:

Objective results data. These are direct, observable measures of results. For example, the Federal Insurance Administration seeks to "reduce the burden of flood disasters on the American taxpayer." One way it does this is by using the National Flood Insurance Program to promote stricter building standards for new construction in floodplains. Property owners cannot buy flood insurance unless their local government has enacted building standards developed by the National Flood Insurance Program. FEMA estimates that implementation of these standards reduced flood losses by $750 million in fiscal 1998. (FEMA 1999a, p. 45)

Surveys and assessments of results. Many of FEMA's results measures are based on customer surveys. Individual citizens and public sector organizations both receive disaster aid, and they are surveyed afterward to assess the quality of information FEMA provided, promptness, ease of access, flexibility, and overall quality of service. Depending on the question, between 89 and 97 percent of individuals give FEMA positive ratings; the numbers show some slight improvement over the past few years. Positive ratings from public sector and nonprofit aid recipients range from 70-80 percent – better than FEMA's baseline for comparison but short of the agency's goal of 80-90 percent.

Two FEMA directorates – Prepar dness, Training, and Exercises, and the United States Fire Administration – offer courses for professionals in their fields. Both directorates survey their alumni to assess whether the information in the courses improves their ability to do their jobs. Between 76 and 87 percent of the respondents say they use what they learned in their work. In the case of the United States Fire Administration, surveys of the participants' supervisors reach the same conclusion. This latter type of survey is a clearer and more objective measure of actual results, since it relies on another person's assessment of the change in a participant's abilities.

The Preparedness, Training, and Exercise directorate also reports the results of the Capability Assessment for Readiness, an assessment of 13 state emergency management functions. Between 76 and 93 percent of states possess at least a basic capability in each function. This assessment might not be a clear measure of results, because it largely asks whether states have programs, plans, procedures, and resources in place to deal with disasters. However, about 90 percent of states base their assessment on their actual experience in real disasters, rather than untested plans. (FEMA 1997a, p. 7)

Activity measures. A final category of performance measures collected and reported by FEMA documents activity rather than results. These measures include enrollments in training courses, quantities of educational materials distributed, the number of customer inquiries generated by public relations campaigns to promote flood insurance, and the

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numbers of state governments and businesses that sign up as partners in various FEMA programs. Other activity measures simply report the accomplishment of particular tasks, such as preparation of a strategy, publication of a report, establishment of a task force, or completion of a major training exercise.

By themselves, activity measures provide no guarantee that concrete results will be achieved. But there are two circumstances under which they provide useful, results-related information. The first occurs when activity measures help clarify the significance of more direct result measures. FEMA's training activities, for example, report both the number of students and the responses from post-training surveys. The survey results are much more meaningful because we know how many people took the courses.

The second occurs when the activity measure is arguably a leading indicator of future results. Project Impact provides a good example here. This project seeks to reduce loss of life and property by encouraging communities, businesses, and individuals to retrofit buildings, strengthen building codes, and plan how they will respond to a disaster. In several locations struck by multiple hurricanes in this decade, specific Project Impact initiatives appear to have saved lives and dramatically reduced property damage.[3] Given this experience, the number of communities and businesses signed up as partners in Project Impact could be a useful interim measure until future disasters provide a more direct test of the project's effects.

FEMA management appears well aware of the difference between result measures and activity measures. The deputy director of training, for example, noted that it is easy to count attendance at training sessions, but much harder to assess how the training improves people's performance. The training division currently relies largely on informal feedback to gauge how well it prepares FEMA employees to do their jobs, and its internal customers are not shy about saying what they think about the quality of the training.

[3] In Wilmington, NC, the Public Safety Communications Tower was rebuilt to be flood and wind resistant. The tower had collapsed during Hurricane Fran, but withstood Hurricane Bonnie several years later. Hurricane Marilyn caused $750 million worth of insured property losses in the Virgin Islands, but stricter building codes cut the insured losses from Hurricane Georges to $5 million. (FEMA 1999a, pp. 15-16)

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Table 2: Performance Measures and Measured Performance

Directorate/ *Program*	**Performance Measures**	**Measured Performance**
Response and Recovery *Individual Assistance*	Post-disaster surveys of aid recipients re ease of access, quality and clarity of information, promptness of aid, compassion, overall quality of service. Length of wait to receive disaster housing assistance*	Favorable responses from 89-97 percent of aid recipients, with slight improvement from FY 1995 to FY 1998. Assistance received an average of 8 days after application, down from 10 days in 1997 and a high of 20 days in 1992*
Response and Recovery *Public Assistance (Assistance to state and local governments and nonprofit agencies)*	Post-disaster surveys of state, local, and nonprofit officials. re consistency and flexibility of FEMA policies, quality of information, administrative burdens, timeliness of aid and overall satisfaction. Percentage of public assistance programs closed out within 2 years of the disaster declaration*	Positive ratings from 70-80 percent of those surveyed. These percentages exceed baselines of 60-75 percent, but fail to meet targets of 80-90 percent. New process used in 18 disasters since it became operational on Oct. 1, 1998; none closed out as of March 1999.*
Mitigation *Project Impact*	Count the number of communities and businesses signed up as partners in building "disaster-resistant communities"	57 communities in 49 states by the end of FY 1998 500 business partners, including National Assn. of Broadcasters, Fannie Mae, and Associated Builders and Contractors
Mitigation *Repetitive Loss Initiative* (Flood Insurance)	Actions taken to convene task force on repetitive losses, develop loss-reduction strategy, and report to Congress	Task force convened and produced a study, report sent to Congress, strategy developed

Mitigation* *Hazard Mitigation Grant Program*	Cost-effectiveness of Hazard Mitigation Grants*	$2.54 worth of disaster losses are avoided for every dollar spent on mitigation*
Preparation, Training, Exercises *State/local assistance*	States conduct Capacity Assessment for Readiness, a self-assessment of 13 emergency management functions	Criteria met or exceeded by 76-93 percent of states, depending on the specific function evaluated
Preparation, Training, Exercises *Hazard-specific programs*	Measure activities that assist states in dealing with hazardous materials emergencies, planning for radiological emergencies, and delivering emergency aid to homeless and needy people	FEMA reports various numerical activity and funding measures States participating in Radiological Emergency Preparedness program have higher Capacity Assessment for Readiness scores
Preparation, Training, Exercises *Training*	Measure various training activities, numbers of students, and distribution of information materials to the public Follow-on surveys of emergency managers who took training courses	Various activity measures 3 months after course, 76 percent of emergency managers said they had used the knowledge in their jobs; only 1 percent said it was not applicable.
Preparation, Training, Exercises *Exercises*	Conduct exercises, improve Emergency Management Report System software, and provide technical support	Conducted largest civilian disaster-response exercise in US history Software compiling statistical info on emergency management exercises was improved

Federal Insurance Administration *Flood Insurance*	Statistics on sales of flood insurance Estimates of taxpayer savings due to flood insurance sales and floodplain management Develop strategy to improve solvency of flood insurance program Enhance/expand partnerships to promote sale of flood insurance	Numbers of policies increased by 7 percent from FY 1997 - FY 1998 $750 million in flood losses avoided due to expanded enforcement of National Flood Insurance Program building standards Studies underway FEMA activities generated 300,000 phone inquiries and 62,000 leads referred to insurance agents between 1995 and 1998.
United States Fire Administration	Measure training, information dissemination, and data collection activities.	Various activity measures Surveys: 87 percent of enrollees said the training improved their job performance, and their supervisors agreed.

*Sources: Items marked with an * are from Federal Emergency Management Agency High Impact Agency Year 2000 Goals Status Report (March 1999), available at http://www.fema.gov/about/goalchart2.htm. All other information is from Federal Emergency Management Agency, Accountability Report for Fiscal Year 1998 (March 1999).*

ORGANIZATIONAL STRUCTURE

Management scholars have identified three key aspects of organizational structure that, ideally, should reinforce each other: clearly-defined roles and responsibilities, decision-making authority concomitant with responsibilities, and a performance evaluation and incentive system that rewards people for producing good results. (Brickley, Smith, and Zimmerman 1997; Gable and Ellig 1993) The agency has made more changes in some of these areas than in others.

Clearly defined roles and responsibilities

FEMA's role in emergency management

In the late 1980s and early 1990s, some of FEMA's most significant problems stemmed from confusion about the entire agency's role in the emergency management process. When a disaster occurs, the federal government is not supposed to take over the disaster relief effort; its job is to provide support and resources when state and local governments cannot deal with the disaster on their own. Local officials are supposed to assess needs in their communities and make specific requests for help from their state governments. The governor's office then requests federal help if state resources are overwhelmed. All requests for federal aid are supposed to come through the governor's office.

Many of FEMA's high-profile "failures" occurred because one or more participants did not understand or could not stick to the distinct federal, state, and local roles:

> When Hurricane Hugo hit the U.S. Virgin Islands in 1989, it knocked out most communication and transportation facilities. Initially, the territory's governor could not even contact Washington to request a federal disaster declaration. By the time the request got through, looting was so out of hand that the U.S. military had to restore order.
>
> When Hugo landed in South Carolina, the state and federal governments were well prepared to preserve civil order and restore electric power. But officials in many isolated, smaller towns did not know that they had to ask for specific assistance, so they were frustrated when FEMA failed to show up. (Schneider 1995, pp. 102-112) In addition, Sen. Ernest Hollings and Mayor Joseph Riley of Charleston spent a great deal of effort trying to get help from the federal government directly instead of working through the governor's office. (Schneider 1990, p. 107)
>
> When Hurricane Andrew stuck south Florida in 1993, many local officials expected the federal government to take over the relief effort rather than respond to their requests. "The perception of local officials was that they needed 'everything,' while the perplexed reaction of those at the federal and state levels was 'we can't send everything, can you please specify and prioritize?'" (NAPA

1993, p. 28) Gov. Lawton Chiles did not initially request federal troops, because he thought the National Guard would be sufficient to control looting. (Schnieder 1995, pp. 87-101)

When state and local officials understand their own roles and that of the federal government, emergency management goes much more smoothly. When Hugo struck North Carolina and Andrew struck Louisiana, requests for aid flowed smoothly from local to state to federal officials, and there were relatively fewer complaints. Federal handling of the Lomo Prieta earthquake in 1989 got mixed reviews, but here again problems usually occurred in localities whose officials did not do their own damage assessments and initiate requests for help. (Schneider 1995, pp. 113-60) The federal response to the Midwestern floods of 1993 and the Los Angeles earthquake of 1994 generated nowhere near the controversy attached to federal hurricane relief efforts a few years before.

Different results in different circumstances are more than just coincidence. Since 1993, FEMA has heavily emphasized partnerships with other levels of government and the private sector. One result is that officials at different levels better understand the role and responsibilities of the federal government in emergencies. More importantly, state and local officials are now more likely to know precisely what they need to do in order to get federal help.

Roles and responsibilities within FEMA

Within FEMA, the five directorates have clearly-defined areas of responsibility. Three directorates – response and recovery, mitigation, and preparedness and training – directly mirror the major elements of FEMA's mission. The two other directorates established by federal legislation also link their responsibilities with the agency's mission.

When Witt took charge of FEMA, he immediately signaled that a big shakeup was imminent by asking the most senior career employees to switch jobs. Eighty percent of the people in Senior Executive Service positions moved to different jobs. This change ensured that the head of each major area would bring a fresh perspective and new ideas. In addition, it reduced each manager's incentive to react defensively to subsequent changes, since none had a personal stake in defending the way his or her part of the organization had done things in the past. The job switches all became effective on the same day.

Interviews with longtime FEMA employees suggest that, in addition to the job switch, big changes also occurred in the ways that people approach their jobs. We identified two types of changes:

> Individuals are more willing to actually take responsibility for things that they were supposed to be responsible for all along. They make decisions and accept

the resulting criticism or praise, whereas previously they were more prone to duck decisions or criticism.

Individuals have a much better understanding of how their specific responsibilities relate to FEMA's overall customer service mission. As a result, people focus on helping citizens prevent or solve problems, rather than simply complying with standard procedures.

Decision-making authority

FEMA's authority and independence

A significant unresolved issue is how fragmented congressional oversight responsibilities affect FEMA's ability to do its job. No single congressional committee oversees emergency management, but many have some degree of responsibility. FEMA's political appointees are confirmed by five different Senate committees. Its budget and programs are overseen by 20 committees. A 1993 study noted, "One FEMA document states that, in all about two-thirds of the House and Senate committees can get involved." (NAPA 1993, pp. 49, 69) The number of significant committees involved has declined in recent years as FEMA has redefined its mission to focus on natural disasters rather than civil defense. For example, the Armed Services Committees no longer exercises oversight over FEMA.

FEMA officials insist that the patchwork of oversight responsibilities has not hindered the agency's ability to do its job. The situation may create some additional government relations work, but to some extent, the nature of federal emergency management requires FEMA to build relationships with numerous legislators anyway.

This claim may be true. Nevertheless, it is likely that more streamlined congressional oversight could preserve accountability to legislators while allowing FEMA executives to spend more time dealing with disasters.

Politics may also impose another, more subtle constraint on decision-making authority within FEMA. Individual employees – particularly those with substantial authority – must always be sensitive to political concerns. Harmonious relationships with key federal or state leaders may occasionally take precedence over the agency's customer-focused mission. Of course, this potential problem is not one that the agency alone can fix, since it requires a certain degree of restraint on the part of elected officials.

Some observers (e.g., Schneider 1995) have suggested that FEMA's response abilities may be hampered by the fact that the agency does not have authority to command the use of resources owned by other parts of the federal government. In reality, FEMA has avoided this problem by contracting with other agencies through the Federal Response Plan. The plan specifies what resources FEMA can call upon in an emergency, and it also provides a mechanism for reimbursing other agencies for the cost.

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Gaining other agencies' cooperation has not been a problem, according to FEMA executives, because "Anything we ask them to do, we pay for."

Individual decision-making authority

From the beginning, Witt focused on giving employees an amount of decision-making authority that matched the results for which they would be held responsible. The reorganization of FEMA was driven by a team of its career executives who were responsible for finding out from employees what things needed changing. (Council for Excellence in Government, p. 2)

One significant change involved eliminating several management layers. Prior to reorganization, many FEMA employees had as many as seven layers of management above them. (See Table 3.) At the lowest management level, some unit supervisors had as few as four people reporting to them! The reorganization completely eliminated the two lowest management levels and eliminated one middle level of management in most of the organization. (Two directorates were abolished, but since their people moved to other directorates, this does not constitute removal of a management layer.) The total number of administrative entities in the agency was cut in half over the course of three months.

Table 3: Management Layers and FEMA's Reorganization

Management Level	**Effect of Reorganization**
Agency Director	Retained
Directorate	**Two eliminated**
Office	**Eliminated except for support functions in headquarters**
Division	Retained
Branch	Retained
Team	**Eliminated**
Unit	**Eliminated**

The reorganization did not come without difficulty. One reason for the proliferation of management layers is that advancement under the federal pay system depends heavily on supervising other people. To preserve morale and ease the transition, FEMA's leadership sought to avoid demoting people as a result of the reorganization. Managers who lost their supervisory responsibilities usually moved to technical positions that allowed them to avoid pay cuts.

Other, more subtle changes sent a signal that individual employees had more authority to make the decisions they needed to make to do their jobs. Prior to 1993, virtually all correspondence was reviewed and signed by a member of senior management. Now, employees sign their own letters, and the only correspondence subject to review at the top is that which might have significant political ramifications.

A number of examples suggest that FEMA has moved to put decision-making authority in the hands of people closest to the problem:

> Prior to reinvention, managers of disaster programs were reluctant to commit resources until everyone higher up had signed off. Today, such managers are more likely to use their own judgment and pre-position resources so they are available to help as needed.
>
> Mitigation officials decide which buildings to purchase or relocate without having to involve the director's office in the decision.
>
> A senior project officer noted that he has fairly wide latitude to make spending decisions with the funds allocated to his projects. He keeps higher-ups informed about what he is doing, and they have the opportunity to voice objections or concerns. This reflects the method of "management by exception." It sends the message that employees are free to take any action that is not prohibited, rather than only those actions for which they receive advance approval.

A number of FEMA employees we interviewed noted that various innovations and changes they implemented were not really new ideas. Rather, they felt like Witt's emphasis on customer focus and innovation gave them license to do things they had long felt should be done. One commented, "You don't hear, 'If there was a better way to do it, we'd have tried it.'"

Incentives

Incentives can take two general forms – extrinsic, material rewards given to employees, and intrinsic rewards that motivate people from within. FEMA appears to rely heavily on nonfinancial and intrinsic rewards.

All senior staff are evaluated based on their organizations' achievement of annual performance goals derived from the mission. At this time, FEMA does not formally link the pay of individuals elsewhere in the organization to the agency's performance goals. Employees are hired at salaries that reflect their education and experience. They move up the federal pay scale by achieving "satisfactory" performance ratings, and a "superior" rating can result in a "step pay increase" or promotion to a higher pay grade. (FEMA 1996) Annual bonuses are not linked to annual performance ratings, due to a perception that performance ratings tend to get inflated over time. Bonuses are relatively small, typically equal to between 1 and 2.5 percent of one's salary.

The agency has an award process that offers cash awards, prize certificates, or up to 40 hours of extra vacation time to employees or groups of employees whose exceptional performance has directly contributed to achievement of one of the agency's strategic goals and exemplified the agency's values. Employees who submit suggestions that improve the agency's efficiency and effectiveness are eligible for monetary awards of $100-$2500. The agency's highest award, the Director's Award, is entirely honorary

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and usually given at the agency's awards ceremony. Any FEMA employee or group can nominate any other employee or group for an award. (FEMA 1997b) Most of the employees we asked about the reward system expressed dissatisfaction, largely because the total amount of reward money is small and spread among many people.

For most FEMA employees, success at producing particular results is not directly linked to any substantial bonus or increase in pay. Several noted, though, that individuals who persist in promoting new ideas that work do have a better chance of getting step pay increases or promotions. Promotion brings both higher pay and expanded opportunities to implement one's ideas. However, one employee noted that the use of promotion as a reward has an accompanying weakness: it is difficult to move up the federal pay scale without taking responsibility for supervising more people. Such a practice invites the same classic mismatch of ability and responsibility created in the private sector when, for example, the best salesperson gets promoted to sales manager.

Overall, the financial rewards for superior performance at FEMA appear fairly small – but the intrinsic rewards are substantial. The agency tends to attract "fixers and scrappers who want to get something done," in the words of one employee. They enjoy the challenge, excitement, and fulfillment of helping others in crisis situations. One executive noted, "Once you work at FEMA, you can't [i.e., don't want to] work at any other federal agency, because it's so different." Employees who transferred to other federal agencies have often sought to return to FEMA, both because of the excitement and because the agency's small size fosters a sense of belonging. This situation represents a significant change from 1993, when half of FEMA employees surveyed said they would take a job elsewhere if offered one. (Council for Excellence in Government, p. 1)

The kinds of people attracted to FEMA will no doubt be more motivated in an environment where they have the freedom to make decisions and take action. A clearly-defined mission and clear, objective measures likely play a large role in building intrinsic motivation, because they help reveal when the agency has had an impact.

Even employees who had little good to say about the pay waxed enthusiastic about the motivational value of FEMA's accomplishments. When we asked what motivated people at FEMA, pride was evident in their responses:

> "We don't have to wear bags over our heads when we go to meetings with other departments."
>
> "Everyone likes to wear their FEMA jackets now."
>
> "Seven years ago, if someone at a party asked me who I worked for, I'd just say, 'The federal government' and try to avoid telling them I worked for FEMA. Now I can tell them."

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KNOWLEDGE SYSTEMS

Information gathering

One of the most critical information-gathering functions in FEMA is the process by which the agency takes applications for and disburses disaster relief funds to individuals. FEMA's challenge is to find out who needs help, obtain sufficient documentation of losses, and get money to victims in a timely fashion. In the early 1990s, this function was not very well-developed. In some disasters, such as the Northridge earthquake, long lines formed at local FEMA offices because many victims believed aid was provided on a first-come, first-served basis. People stood in line, received a number, and were told to come back and meet with someone else. In other cases, such as Hurricane Hugo in South Carolina, isolated victims in rural areas went without help for weeks because they did not know they were supposed to go to FEMA offices for help, and FEMA did not go looking for them.

FEMA sought to address this problem in 1990 by creating a national teleregistration center that would take aid applications and give victims a point of contact to monitor the status of their requests. Teleregistration got off to a rocky start, as the National Academy of Public Administration noted in 1993:

> The teleregistration center in Denton, Texas, that the project staff visited provides an example. Although in existence for three years, it is a very rudimentary telephone answering service with a paper-intensive and error-prone process. Banks of minimally trained personnel fill out multi-carbon papered, handwritten forms based on calls from distraught disaster victims. This paper then goes through several more iterations of redundant sorting, collating, mailing, and data entry both at the teleregistration center and at a central processing office across town. With the many bottlenecks and inefficiencies involved, the ultimate customer of FEMA – the disaster victim – is not being well served. (NAPA 1993, p. 57)

At that time, FEMA could have written off teleregistration as a failed experiment and gone back to the slow, irritating, but time-tested bureaucratic process of registering in person. Instead, FEMA figured out how to make teleregistration work. About 85 percent of all aid applicants use it. (Hagerty and Gorski 1999, p. 29) Employees answering the phones now enter information on computer screens rather than paper forms. The computer tracking process lets victims make one phone call to find out their application status. FEMA inspectors use laptop and palm-held computers to download victims' addresses and upload inspection reports. Disaster victims now usually receive checks within seven days instead of 30 days. (Hagerty and Gorski 1999, p. 27)

Just as important as the technology, however, are the human changes in disaster aid registration. FEMA employees answering the phones have been trained to listen to victims' disaster stories and let them know about all forms of aid for which they are eligible, rather than just asking for answers to a list of standardized questions. In addition

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to showing greater compassion, this approach actually saved time by reducing the number of repeat phone calls.

The improvements in the application process show up in post-disaster surveys of aid recipients for fiscal years 1995-98:

92 percent said applying for aid was easy and that they received clear instructions.

93 percent said they received clear and accurate information from FEMA.

90 percent said FEMA gave them an accurate estimate of how long it would take to get their checks.

98 percent said they were treated with respect and caring.

More than 90 percent said the quality of service was good or excellent. (FEMA 1999a, pp. 16-19)

Knowledge sharing

An organization's knowledge systems involve more than just storage and retrieval of data. Much useful knowledge is learned through experience and difficult to articulate.

Some of this knowledge passes from one employee to another through various informal means. FEMA's relatively small size – 2300 full-time employees – works to its advantage here, as most people can get to know each other and find out who else is working on similar projects. A person faced with a new job can find out who else has relevant experience simply by asking around, and experienced people are usually willing to share what they know.

A more formal way of capturing some kinds of know-how is by establishing standard procedures and routines. Before FEMA's reinvention, for example, the headquarters operations center that supported employees in the field was essentially re-created every time a disaster struck. Now, FEMA has an operations center permanently in place, with computers and communications equipment ready to function at a moment's notice. The agency also established standard procedures for dealing for emergencies, such as a "time phase deployment list" that specifies what actions the agency has to take at what time to ensure that food, water, ice, plastic, and other emergency supplies reach a site as quickly as possible after a disaster strikes.

Another, significant challenge is capturing the experiential knowledge of key individuals, often regarded as "heroes," whose accumulated learning made the job of emergency management look easy. One method is to engage in a "hot wash" – a review meeting held immediately after a disaster to review the agency's performance and articulate lessons learned from the experience. Aside from this technique, FEMA has

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few formal initiatives to share experiential knowledge, though senior managers recognize that this is an important issue that should be addressed.

ORGANIZATIONAL CULTURE

A common cultural theme in both FEMA documents and independent studies is the replacement of a bureaucratic focus on rules with a customer-centered emphasis on doing whatever can be legally done to solve people's problems. FEMA executives stated that in the past, the needs and requirements of programs often determined how customers were served. Now, the agency is more likely to redesign programs in response to customer needs. After the Northridge earthquake, for example, people stood in long lines to get assistance because that was simply the way the process worked. FEMA's redesign of the process was sparked in part by a Northridge victim who asked, "Why can't I just leave some information, and then you can contact me later?"

Several other examples illustrate the culture change. When Hurricane Hugo hit South Carolina in 1989, people whose homes and personal records were swept away by wind and floods were puzzled when told they were expected to provide documentation before they could receive assistance. (Schneider 1995, p. 110) But during the 1994 Los Angeles earthquake, "The agency appeared to be much less focused on standard operating procedures and bureaucratic red tape and more appropriately concerned with helping citizens in need." (Schneider 1998, p. 50) One FEMA supervisor commented, "Witt gave employees this sense that they needed to do whatever it took, within the law, of course, to get out there and get help to people as quickly as possible, bureaucracy be damned...There was this sense that we could sort out the administrative details later, if necessary, so long as people were getting the help they needed now." (Mastering Disaster 1999, p. 3)

Another example can be found in the way FEMA tries to help disaster victims who cannot receive federal aid money, such as churches and household pets. Under the agency's old culture, it would simply tell people there was nothing it could do. Now, FEMA employees are more likely to refer people to private charitable organizations that can help in these kinds of cases.

Values: Talking the talk vs. walking the talk

Like many organizations, FEMA has attempted to define its culture by enunciating a list of values. An important issue in assessing organizational values is not just whether the stated values support results-based management, but also whether the stated values are actually practiced. One indication is whether employee performance evaluations reflect the organization's values. FEMA has designated several values-related performance criteria as "critical;" failure to achieve acceptable performance on a critical criterion automatically leads to an "unacceptable" overall performance rating. For all employees, quality of work and customer service are both critical performance criteria. For supervisors, staff development and equal opportunity are also critical performance criteria. (FEMA Manual 1996, p. 3)

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Personnel evaluations are not the only indication that FEMA's values are practiced. In a number of high-profile situations, FEMA presents examples of "walking the talk" in relation to specific values, as the accompanying table shows.

Table 4: FEMA Values in Practice

FEMA's Stated Values (Partial list)	Examples in Practice
Customer Service	Customer service emphasis from top of organization Customer satisfaction surveys Mandatory 2-day customer relations training Critical factor in employee performance evaluations
Quality Work	Results measures based on quality Critical factor in employee performance evaluations
Continuous Improvement	Cost reduction and productivity goals
Creativity and Innovation	Hurricane Floyd rental assistance Tolerant attitude toward mistakes
Public Stewardship (prudent management of tax dollars)	Mitigation projects Promotion of flood insurance to reduce disaster recovery costs
Partnership (essential in "bottom up" U.S. emergency management system)	FEMA coordinates rather than orders Other federal agencies State/local govts. Nonprofit agencies Private sector

Customer service, quality work, and continuous improvement

"What gets measured, gets done" is a common adage in management. FEMA seeks to ensure quality work and customer service through extensive measurement of various aspects of quality. Key examples include surveys of disaster victims and surveys of emergency personnel and firefighters who have taken the agency's training courses. All FEMA employees are also required to take two days of customer service training.

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The commitment to continuous improvement is also evident in FEMA's cost and productivity improvement goals. The agency's first strategic plan under the Government Performance and Results Act announced a 10-year objective of improving efficiency by 20 percent. Objectives for the first five years include:

> Reduce the amount of time it takes to deliver mitigation grants to states by 25 percent.
>
> Achieve a 10 percent increase in cost efficiency in the response and recovery programs.
>
> Decrease the cost per user of the National Emergency Training Center by 15 percent.
>
> Improve efficiency and reduce costs of security, logistics, and occupational health and safety by 3-5 percent annually.
>
> Propose revisions to make the National Flood Insurance Program financially sound.

All such goals carry a proviso that the agency must maintain the quality of service and level of benefits provided; the goal is to deliver the same or better service at a lower cost. (FEMA 1997c, pp. 28-33) The agency's attitude toward continuous improvement is best summed up in the response of one of the managers we interviewed: "It's never fast enough and never cheap enough."

Creativity and innovation

A sign in the FEMA Director Witt's office sets the tone for the rest of the organization: "Don't tell me we've never done it that way before."

It's possible to infer a lot about an organization's true commitment to innovation by observing its attitude toward mistakes. Since not all experiments succeed, organizations that tolerate mistakes have a better chance of promoting innovation. FEMA employees seem to believe that they have a degree of freedom to take risks and make honest mistakes. One noted that he could think of no cases in which anyone had been "slam-dunked" for making a single mistake.

Agency officials repeatedly emphasize that their goal is to aid disaster victims in whatever way the law allows. The evolution of disaster housing assistance provides one example. In the early 1990s, FEMA usually provided housing assistance by moving trailers into disaster areas. By the end of the decade, the agency instead offered funds to help people rent alternative housing or perform small repairs that would let them stay in their own homes; trailers were a last resort. After Hurricane Floyd, FEMA offered a new form of rental assistance for homeowners whose property the hurricane rendered uninhabitable. Traditionally, the agency gave such families an amount of money equal to

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"fair market rent" for up to 18 months, but recipients had to recertify every three months that their homes were still uninhabitable. After Floyd, FEMA offered a one-time lump-sum payment of $10,000. The lump sum payment reduces bureaucratic hassles and gives homeowners an incentive to get their homes repaired as quickly as possible.

Public stewardship

Some evidence of FEMA's commitment to careful use of tax dollars is anecdotal. For example, a bumper sticker on one executive's file cabinet reads, "Civil Servants Do It Better...With Less." Other evidence, such as FEMA's mitigation and flood insurance initiatives, is more substantial. The agency undertook these initiatives because data frequently showed that preventing and insuring against harms is less expensive than rebuilding.

FEMA can fund up to 75 percent of the cost of mitigation projects. Early calculations suggested that every dollar spent on mitigation saves $2.54 in disaster relief and other costs. (FEMA 1999b) Subsequent studies reveal a consistent benefit/cost ratio. After the 1993 floods, the state of Iowa estimated that its efforts to remove structures from floodplains and protect public facilities from floods would save $2.14 for each dollar spent. (Iowa Emergency Management Division, p. 2) FEMA purchases of "substantially damaged" structures under its Hazard Mitigation Grant Program are expected to save $2.21 for every dollar spent. (Dewberry and Davis 1999a, p. 1) However, there is still room for more careful targeting of mitigation dollars; only 57 percent of these purchases produced expected savings exceeding their costs. (Dewberry and Davis 1999b, p. 6.)

Individual projects have produced substantially greater net benefits:

A retrofit to make a water pumping station in Memphis, TN, more resistant to earthquakes cost $448,000, but it would cost $17 million to replace the pumping station if a major earthquake occurred. Since the University of Memphis estimates that there is a 40-60 percent chance of a major earthquake in the area sometime during the next 15 years, the investment looked cost-effective to the city.

FEMA spent $66.3 million to acquire or elevate 4600 "repetitive loss" properties in the Midwest whose owners had filed $191 million worth of flood insurance claims between 1978 and 1995. (http://www.fema.gov/mit/cb_prog.htm)

In Tillamook County, OR, a project to build elevated "cow pads" at a cost of $241,000 is expected to prevent $5 million worth of cattle from drowning in the event of a flood.

Although flood insurance involves a degree of federal subsidy, insurance reduces federal outlays for disaster assistance, since insurance premiums help pay for

reconstruction that might otherwise be funded by federal grants or loans.[4] For this reason, FEMA has aggressively promoted sales of flood insurance. Property owners cannot purchase federal flood insurance unless they live in a community that has enacted building codes designed to reduce flood damages. FEMA (1999a, p. 45) estimates that these building codes reduce flood damages by $750 million annually.

Partnership

For FEMA, genuine partnership with other levels of government and the private sector is essential if the agency is to achieve its mission. The agency pursues partnerships with multiple federal agencies through the Federal Response Plan, which specifies how FEMA can call upon and pay for other agencies' resources. FEMA has made significant strides in improving state and local governments' understanding of the role that various levels of government play in making disaster relief go smoothly. One of the agency's most publicized initiatives, Project Impact, mobilizes both public- and private sector decision-makers to take actions that will reduce the size of disaster losses in the future.

COMMUNICATION STRATEGY

Since 1993, FEMA has made significant strides in improving communication with five key constituencies: Congress, state and local governments, agency employees, disaster victims, and the news media. In 1997, for example, FEMA solicited comments on its draft strategic plan from a wide variety of affected people. The draft went to 50 states, 20 outside constituent organizations, 55 emergency management officials, 32 federal agency contacts, nine congressional committees or subcommittees, and 2,400 FEMA employees. The plan was announced to 2,700 individuals and organizations on FEMA's Internet news distribution list. It was posted on FEMA's web site, and 591 people accessed it. FEMA also consulted with the Consumer Product Safety Commission, Small Business Administration, Army Corps of Engineers, and Environmental Protection Agency. (FEMA 1997c, p. 54)

More specific examples of communication initiatives with key constituencies include:

Congress

Both FEMA employees and external observers give Witt high marks for political savvy -- particularly for taking the initiative in building relationships with members of Congress. Upon taking office, Witt met with chairs of all 20 committees with a stake in

[4] Owners of buildings constructed after the federal government documented flood risks in its Flood Insurance Rate Maps pay premiums that fully reflect the risk of flood loss. To encourage communities to opt into the flood insurance program, owners of buildings constructed prior to the creation of the maps pay subsidized premiums equal to approximately 35-40 percent of the full risk premium. Unlike private insurers, FEMA cannot deny coverage or raise rates for a building owner who files multiple claims in a period of a few years.

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FEMA, along with every member of Congress affected by the 1993 floods. (Council for Excellence in Government, p. 2) When a disaster threatens, Witt is on the phone with members of Congress from the affected states, letting them know what FEMA can do to help out. He welcomes any opportunity to meet with members of Congress or their staffs.

In addition to these "principal-to-principal" contacts, FEMA encourages congressional staff to find out what the agency is doing. Congressional staff are invited to the agency's annual briefing at the beginning of each hurricane season, as well as the twice-daily briefings that are held when a hurricane actually strikes the United States. During any type of disaster, FEMA staff continually update the staff of members in affected states, offering news and information that members can put in their own press releases. The overall goal is to proactively convey useful information to Congress in a way that advances FEMA's mission, rather than simply responding to congressional requests or deflecting attention altogether.

State and local officials

Another key aspect of the agency's communication strategy is its treatment of state and local officials. Independent studies suggest that several of FEMA's high-profile "failures" occurred because state or local officials simply expected the federal government to move in and take over during really big disasters. (See above, pp. 21-25) Prior to reinvention, FEMA tended to assume that if it did not hear from a state's governor, its help was not needed, and the agency interpreted its authorizing legislation in a way that prevented it from pre-positioning supplies and people. An experienced FEMA employee commented, "The attitude was, 'We'll help if the governor asks for a presidential disaster declaration, but if they don't ask for help, screw 'em!'"

Since 1993, FEMA has worked hard to make sure that other levels of government understand their own and FEMA's role in the disaster management process. The agency even offers a course instructing officials at other levels of government how to ask for federal help in a disaster. Rather than simply waiting for a governor to request a presidential disaster declaration, FEMA officials keep in touch with their state counterparts when a disaster threatens, so they will already have a joint plan of action if a governor asks for federal help. FEMA regional directors get to know governors and their staffs, and the agency's field staff meet regularly with state emergency management staff. The agency also actively moves people and supplies into position so that they can act immediately once a federal disaster is declared. Even in the absence of a presidential disaster declaration, FEMA officials contact state officials to find out what they are doing and whether FEMA can facilitate help.

Disaster victims

FEMA practices two-way communication with a key group of customers, the disaster victims. After surveying victims about their satisfaction with the application process, the agency sent each victim a summary of the results, along with a short letter

from Witt explaining how the agency changed its practices in response to customer feedback. For example, FEMA initiated special customer service training for staff who deal with disaster victims over the phone. The agency also rewrote its surveys so they could be conducted over the phone, because many victims said they would much prefer to answer a telephone survey than fill out a written one.

The agency has initiated broader communication efforts aimed at all people who live in areas hit by disasters. FEMA publishes a multi-issue disaster recovery newsletter that is handed out by agency employees and included as a supplement in local newspapers. The first issue typically describes the disaster; presents tips on repairing damage; lists federal, state, local, and nonprofit sources of assistance; and, if the disaster was a hurricane or flood, explains the benefits of flood insurance. Subsequent issues suggest how citizens can prepare for the next disaster and discuss the effects of mitigation initiatives, such as buyouts of properties in floodplains and Project Impact. In so doing, the newsletters reiterate response, recovery, preparedness, and mitigation themes that are central to FEMA's mission.

Employees

Prior to 1993, it's not clear what, if any, meaningful communication occurred between FEMA's top executives and its employees. FEMA directors made little effort to promote communication; some even sought to get private elevators and bathrooms that would further distance them from the employees. The classified nature of FEMA's national security work also hindered agency-wide discussion of mission, measures, and results.

In contrast, Witt stationed himself at FEMA's front door to introduce himself to employees, and he actively solicited ideas and suggestions. In 1995, any employee who wished could participate in an evaluation of Witt. More than 25 percent responded, and more than 100 wrote multi-page comments. The process turned into an opportunity for employees to state more generally what they liked and did not like about FEMA. Most gave Witt a great deal of credit for shaking up the agency, establishing a clear mission, and giving employees the support they needed to do their jobs. The most significant source of dissatisfaction was the agency's reward and recognition system, which was then redesigned in response to this revelation.[5] More generally, FEMA has instituted a process by which all employees have the opportunity to evaluate their immediate supervisors anonymously. (FEMA Manual 1996, p. 9)

More regular and formal types of communication also cover genuinely substantive issues. The employee newsletter has the predictable features: success stories, reports of favorable media coverage, and a personal message from the director. The newsletter also includes quarterly reports on significant accomplishments in each of FEMA's regions, directorates, and offices. But the publication is more than just a morale booster; it also brings important but sensitive issues out into the open. In one edition

[5] FEMA managers note that the new system is not especially popular either – largely because there simply isn't enough money to offer substantial rewards.

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(March 29, 1996), Witt explained the review process and introduced a team he had established to deal with union complaints about the conduct of a FEMA division director. A note in another edition (Oct. 23, 1996) reminded employees that no one in FEMA has authority to issue opinions regarding interpretations of the law without consulting with the Office of the General Counsel.

News media

A disaster large enough to receive federal assistance is a disaster large enough to receive substantial media coverage. For this reason, the news media is a key constituency – not just because media coverage affects the agency's image, but also because media coverage can have a big effect on the agency's ability to do its job. The news media play a crucial role in disseminating disaster warnings and information about available federal assistance in a cost-effective manner.

In the hours or days immediately following a disaster, victims often mill about – literally or figuratively – trying to figure out what has happened, who is in charge, and how they can get help. The first people to reach the media with their interpretations of what is happening can have a big effect on the disaster relief effort by shaping citizens' expectations. FEMA's efforts in South Carolina after Hurricane Hugo, for example, were viewed as a failure in part because several prominent politicians immediately took to the airwaves and painted a picture of federal incompetence. In North Carolina, on the other hand, elected officials immediately explained what the federal government was doing to help, and the state methodically identified its areas of greatest need. (Schneider 1995) But in both cases, FEMA itself lacked a strong media presence. Its image was at the mercy of state and local officials, and more importantly, the agency passed up opportunities to get critical information to disaster victims.

Since reinvention, FEMA's director has aggressively used media coverage to reassure victims and convey critical information about what they can do to obtain help. Unlike previous FEMA directors, Witt serves as the organization's principal spokesman, and he is always available to explain to reporters how FEMA is dealing with a disaster. From the top down, agency officials give specific answers about what they are doing for disaster victims and what counts as success for FEMA. In this way, the agency avoids creating unrealistic expectations and false hopes. Cynics might regard this practice as a mere public relations ploy that improves the agency's image. However, the practice of managing expectations also gives disaster victims more realistic information, so that they more accurately understand where the federal government will help them and where they must take primary responsibility for themselves.

LEADERSHIP

FEMA employees attribute the agency's transformation to the change in leadership that occurred in 1993. Prior to then, most of the top FEMA officials had military backgrounds. They tended to run the agency "by the book" and expected to accomplish things by giving orders. Employee morale picked up in 1993 when the

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administration announced that Witt would head the agency, though some initially wondered whether a man who lacked a college degree was up to the task. Witt brought a more relaxed management style that focused on results rather than rules. He signaled this change by standing at the door of FEMA headquarters to greet FEMA employees, going floor to floor to introduce himself, and showing up in blue jeans on Fridays.

In addition to setting a new tone, Witt possessed several other characteristics that contributed heavily to FEMA's success:

> He is an experienced disaster manager at the state level, with first-hand knowledge of what it takes to respond to a disaster and experience with the frustrations of dealing with the pre-reinvention FEMA.
>
> Because he was disaster manager in Arkansas, Witt enjoys the support and confidence of President Clinton. This eases the task of working with other federal agencies and instills confidence in FEMA employees.
>
> FEMA's director is also a pro-active communicator with Congress, state and local officials, and the media. He has a "no-nonsense" reputation because he focuses on explaining what FEMA is doing and will do, rather than trying to "spin" a situation for maximum public relations or political advantage.
>
> Through repeated statements and examples, Witt also continually pushed FEMA employees to understand who their customers are. Whether the customer is a disaster victim, a state or local official, or the news media, agency employees are encouraged to take the customer's needs as the starting point in determining what to do.

Of course, federal agencies have little control over the identity or quality of their politically appointed leaders. But Witt's example does demonstrate the critical role that committed and competent leadership plays in driving organizational change.

CONCLUSION

The experience of the Federal Emergency Management Agency confirms that it is possible for a federal agency to achieve major improvements in both performance and cost-effectiveness. Such achievements resulted not from a single "silver bullet," but from a collection of management actions that transformed a bureaucratic, process-driven organization into a responsive, results-driven organization. Key factors in FEMA's success include:

A clear mission accompanied by results-oriented performance measures.

Clear roles and responsibilities, coupled with a distribution of decision-making authority that allowed people to achieve the outcomes for which they were responsible.

Internal communication of results that fueled employees' intrinsic motivation.

Customer-friendly systems for gathering key information from disaster victims.

A small organizational size, which facilitates informal transfer of knowledge.

Core values that are actually implemented in practice.

Use of the organization's mission to shape communication strategies with key constituencies.

Leadership that drove a change from a rule-driven to a results-driven culture.

Can other agencies duplicate FEMA's achievements? Some of FEMA's success was no doubt driven by a credible congressional threat that the agency would be abolished in the early 1990s. Few federal agencies have this motivational advantage. However, other agencies will likely face increasing pressure to deliver improved results as entities like FEMA establish and report on credible performance measures that allow Congress and the executive branch to see what taxpayers are getting for their money. Agencies that fail to offer results-based measures will find themselves at a disadvantage in the competition for tax dollars. For this reason, pioneering agencies like FEMA give other agencies both helpful knowledge and powerful incentives that can facilitate change.

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About the Mercatus Center at George Mason University

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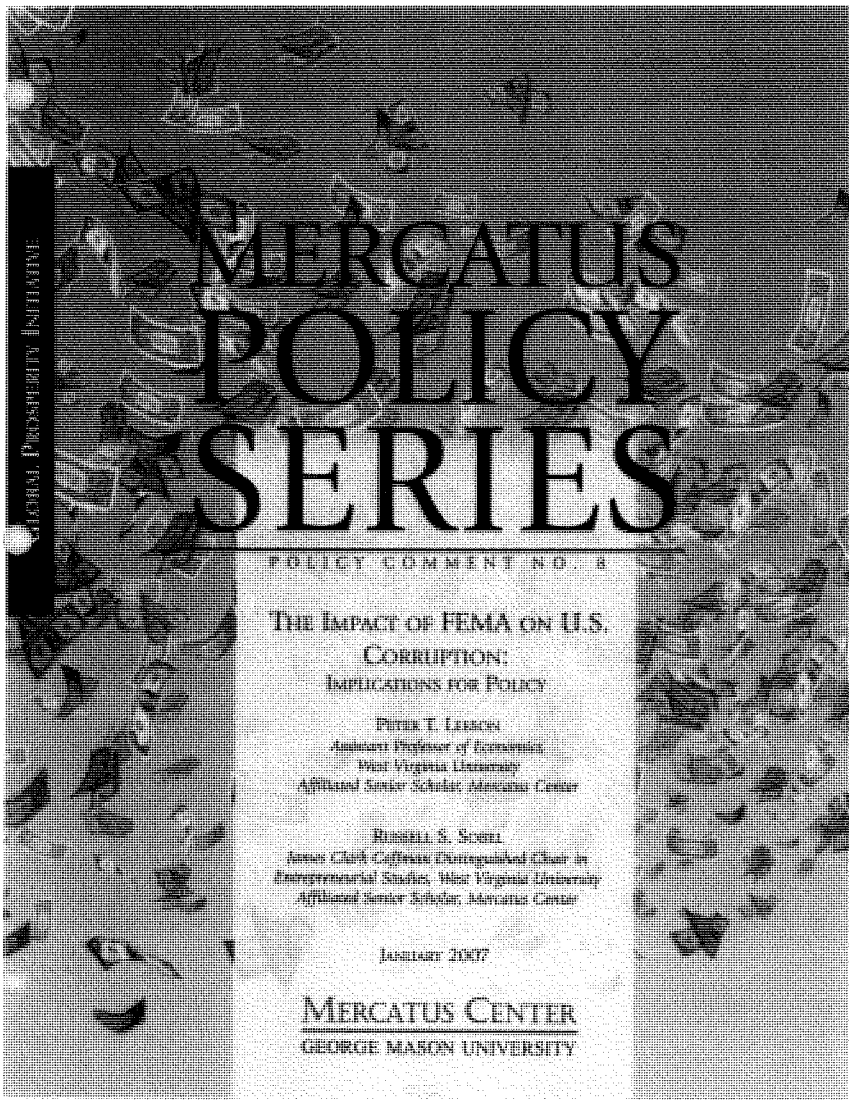

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About Russell S. Sobel, co-author

Before becoming the James Clark Coffman Distinguished Chair in Entrepreneurial Studies at West Virginia University, Russell S. Sobel was the founding director of the West Virginia University Entrepreneurship Center, serving in that role from 2002 until 2006. Dr. Sobel specializes in public economics and is coauthor of one of the leading university-level principles of economics textbooks, *Economics: Private and Public Choice*. His work on the economics and politics of FEMA received national attention in the aftermath of Hurricane Katrina in 2005, including articles in the *New York Times* and appearances on CBS, CNBC, and CSPAN. His research has been published in many top journals, and he has received numerous awards for both his teaching and research.

About Peter Leeson, co-author

Peter T. Leeson is an assistant professor of economics at West Virginia University. Mr. Leeson graduated summa cum laude from Hillsdale College, where he studied economics, and received his Ph.D. in economics from George Mason University, where he was a Mercatus Center Graduate Fellow. His popular articles have appeared in newspapers across the country. Dr. Leeson is the Ludwig von Mises Research Fellow for the *Review of Austrian Economics* and is co-editor of the two-volume work entitled, *The Legacy of Ludwig von Mises: Theory and History*. Dr. Leeson's academic articles have been published in journals such as *Kyklos*, *American Journal of Economics and Sociology*, *Economic Affairs*, and the *Journal of Public Finance and Public Choice*.

About Frederic Sautet, editor

Frederic Sautet is a senior research fellow at the Mercatus Center at George Mason University and a member of the graduate faculty at George Mason University. Prior to joining Mercatus, Frederic was a senior economist at the New Zealand Commerce Commission and a senior analyst at the New Zealand Treasury where he focused on economic transformation, entrepreneurship, utility development, and tax policy. Frederic holds a doctorate in economics from the Université de Paris Dauphine and did the course work for his doctorate at the Institut des Etudes Politiques in Paris. He also studied at New York University as a post-doc. Frederic's current work focuses on entrepreneurship, institutions, and social change.

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THE IMPACT OF FEMA ON U.S. CORRUPTION:
IMPLICATIONS FOR POLICY

PETER T. LEESON AND RUSSELL S. SOBEL

EXECUTIVE SUMMARY

With the Hurricane Katrina debacle raising questions about public corruption's impact on disaster relief, corruption has once again become an important issue in American politics. This comment, however, analyzes not corruption's impact on disaster relief, but rather the impact that disaster relief has on corruption.

Disaster relief floods money and resources into the affected area, which provides public officials the incentive and opportunity to gain wealth through corrupt practices. Our analysis shows that states that receive more disaster relief also have more instances of public corruption.

Corruption not only hinders the effective management of disaster relief, but it also has long-term consequences for economic prosperity. More corruption is associated with lower growth and investment, and states that receive disaster relief often suffer from these effects.

When determining the best course of action, policy makers must remember that increased corruption is an unintended consequence of disaster relief. Increased oversight is unlikely to solve the problem of corruption because of the circumstances surrounding natural disaster. The time sensitive nature of the disaster relief means that protocol will take a backseat when disasters actually strike.

Policies that assume the federal government plays the primary role in disaster response are the most susceptible to corruption. Total elimination of public corruption generated by disaster relief will not be possible so long as FEMA relief exists. Any plan to reform disaster relief that intends to minimize corruption should recognize the role of local actors, presumably charities and business, and create space for them to react in time of crisis. Policy makers should recognize the consequences of disaster relief when dealing with urgent crises in order to make sure that they do not hinder the long-term prosperity of a community.

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THE IMPACT OF FEMA ON U.S. CORRUPTION: IMPLICATIONS FOR POLICY

INTRODUCTION

A key insight of economics is the unintended, often undesirable, consequences of government activity. Although the idea that government policy may create harmful secondary effects is well-known, too often when policy makers craft policies designed to promote the public welfare they seem to ignore these effects. This Policy Comment demonstrates the harmful, secondary effects of government natural disaster relief.

Between 1990 and 2002, more than 10,000 public officials in the United States were convicted of crimes related to corruption. The majority of these convictions occurred in states also hit more severely by natural disasters. For instance, Mississippi, Florida, and South Dakota averaged 7.5 corruption-related convictions per 100,000 residents during these twelve years. In contrast, the national average was only four corruption-related convictions per 100,000 citizens. During the same period, Mississippi, Florida, and South Dakota averaged nearly 19 natural disasters each. The average state, however, suffered less than 12 natural disasters during this time. The most disaster-prone states are also the most corrupt.

Bad weather, per se, could not be responsible for this relationship. Hurricanes or earthquakes by themselves cannot make the states they strike more corrupt, but government-provided relief that follows these disasters can. Natural disasters trigger resource windfalls in affected states in the form of Federal Emergency Management Agency (FEMA) natural disaster relief. These windfalls create incentives for political actors to appropriate the newly-available resources. One of the chief ways they do this is through corruption, the abuse of their public authority for private gain.

Corruption creates problems. Chief among them is that corruption harms economic performance in several ways. Each of its harmful effects interrupts the process of wealth creation and may reduce economic progress.[1] Continuing progress requires economic policy that minimizes public corruption. However, the only disaster relief policy consistent with this objective involves eliminating, or at least seriously reducing, the size of FEMA-provided disaster relief. Policy makers face a tradeoff. They may have less corruption but less FEMA relief or more FEMA relief but more corruption; they cannot have the best of both.

[1] We are concerned only with the effect of disaster relief on public sector corruption. We are not making any claim with regard to the size of that effect. We are simply saying that this effect exists and could be a threat to economic growth in the United States.

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This Policy Comment explains how FEMA-provided disaster relief causes corruption in America. The fundamental, policy-relevant ideas in this comment are three-fold:

- Government-provided disaster relief generates unintended, undesirable consequences, manifested in the form of new incentives and opportunities for public corruption. Disaster-relief policy that does not bear this in mind will not only be ineffective, but will also likely exacerbate public corruption.

- To eliminate the harmful effects of public corruption, government must remove itself from the disaster-relief process; increased oversight of relief will not do. There are two reasons for this. First, increased relief oversight necessarily channels resources and efforts away from relief itself to montoring corruption. In doing so, it compromises the primary goal of disaster relief: assisting disaster victims. Second, the nature of public sector corruption makes corruption-oversight measures "time inconsistent." When the opportunity for profitable corruption arises in the wake of natural disaster, political agents are likely to break the stricter oversight policies devised today. Policy aimed at retarding the harmful effects of public corruption following natural disasters should focus on eradicating the root of its cause: FEMA-provided disaster relief.

- Disaster relief policies intended to minimize corruption should recognize that the potential for corruption increases when there is a distance between the dollars allocated and the dollars spent. Any plan for reforming disaster relief should recognize the role of local actors, presumably charities and businesses, and create space for them to react in time of crisis. Policies that assume the federal government plays the primary role in disaster response are the most susceptible to corruption.

We have organized this Policy Comment as follows. First, we discuss how public sector corruption adversely affects economic performance. We then explain how FEMA-provided disaster relief increases public corruption. Next, we empirically consider the magnitude of FEMA's effect on corruption in the United States. In the last section of this comment, we provide the policy implications of our analysis.

A. The Economic Impact of Public Sector Corruption

Public sector corruption occurs when political officials abuse their public authority for private gain. There are three ways that political officials may do this. First, political officials may steal public funds directly through embezzlement. Second, political officials may transfer government funds indirectly to private parties for their (i.e., political officials') own gain. Bribes and kickbacks are good examples of this. A political agent in charge

of contracting out a government service may, for instance, offer the contract to the party willing to offer him the largest side payment instead of the best provider. Finally, public officials may manipulate the legal rules they are charged with enforcing, for their personal benefit. A regulatory inspector, for example, may solicit or accept bribes from private individuals subject to regulatory inspection in return for his approval.

In 1995, International Monetary Fund (IMF) economist, Paolo Mauro, published the first study that investigated the relationship between corruption and economic growth.[2] Mauro found that countries with more public sector corruption grow more slowly than those with less public sector corruption. Several reasons account for this finding:

1. Corruption directs public sector resources to unproductive ends that benefit political actors, but yield no benefit for society. For example, corrupt public officials may steal funds earmarked for critical infrastructure projects, such as roads, that would improve individuals' abilities to interact for mutual benefit. While corrupt political actors gain through this, society loses. Similarly, corruption directs private sector resources to satisfying corrupt political figures instead of wealth-enhancing activities. This diversion of resources, while profitable to corrupt politicians, constitutes a loss from the perspective of society. Resources that could have been employed for the production of goods or services are instead used to appease corrupt political actors. For instance, if prospective producers must bribe bureaucrats in order to start businesses, the resources they spend this way cannot be used to produce goods that would contribute to society's wealth.

2. Corruption thwarts the regular workings of the competitive process that tend to channel resources to their most highly valued uses. For example, in the absence of corruption, government agents select vendors because they are the most efficient suppliers and thus able to place the lowest bid. In the presence of corruption, however, this process does not work. Public agents instead choose vendors on grounds unrelated to their efficiency—because they agree to provide political support to the public agent charged with vendor selection for instance, or because they have the highest willingness to pay bribes. As a result, resources are channeled according to political criteria instead of economic criteria that tend to direct resources to the most capable producers.

[2] Paulo Mauro, "Corruption and Growth," *Quarterly Journal of Economics*, 110(3) (1995): 681-712.

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3. Corruption lowers the payoff of wealth-producing activities and raises the payoff of seeking government resources or even becoming a corrupt political agent oneself. For example, if a producer must pay bribes to corrupt political agents to produce, he may find production less profitable than becoming a political agent, thereby drawing time and talent away from activities that contribute to social wealth.

These are the most direct ways that public sector corruption harms the process of wealth creation and economic growth. However, there are also less tangible, indirect harms that corruption imposes on the economy. For example, highly corrupt governments foster a general disregard for the rule of law, which society requires for economic growth. Significant corruption in one area, such as bribes demanded by bureaucrats from citizens to obtain permits or licenses to set up businesses, may spread to other areas of citizens' lives where they begin to see corruption as a reasonable way to achieve their ends.

An individual who has been forced to pay bribes to open his business and is later accused of committing a crime, for instance, may not wait this time for the relevant political actor, in this case the judge, to solicit his graft. He may offer it up himself and in doing so tempt the judge to accept his payment, even though in the absence of his offer the judge would have behaved honestly. In this way, corruption may spread and undermine other important elements of the politico-economic order, which in the long run destroys society's capacity to create wealth. "Institution-destroying" effects of public sector corruption such as these are difficult to quantify and thus less frequently discussed, but they are very real all the same.

B. How FEMA Causes Corruption

B.1 The "Windfall Curse"

Among the less developed countries of the world, a peculiar phenomenon exists. An abundance of natural resources leads not to wealth and prosperity, but to poverty. Economists call this counter-intuitive phenomenon the "natural resource curse," which the following logic explains at least partly. Rich and valuable natural resources, such as large oil deposits in the Middle East, create a windfall of resources to their owners. In most developing countries, like Nigeria, these owners are governments. The ability to exploit the resource cheaply creates cash inflows that fall on its owner with little effort. This windfall fuels corruption in two ways:

1. First, when the owner is the government, the presence of the resource increases the power of the government over the economic lives of its citizens. Since the bulk of the profits citizens can make in this economy stems from exploiting the natural resource, citizens need to be in the government's good graces. This situation creates new opportunities for govern-

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ment officials in charge of access to the resource to solicit bribes or other forms of graft from citizens seeking to benefit from the resource-created windfalls.

2. Second, the resource's presence increases the value of being its political owner or a public gatekeeper to its access. This creates a flurry of activity by political actors to improve their status vis-à-vis the resource. One of the forms that this activity may take is corruption. For instance, political actors may engage in criminal behaviors at the behest of their superiors in an effort to gain increased authority over the valuable resource.

Research that examines the effect of foreign aid on corruption in developing countries corroborates the positive relationship between resource windfalls and government corruption. Recent work suggests that there is a "foreign aid curse" analogous to the "natural resource curse" discussed above.[3] Like rich natural resources, foreign aid disbursements to governments in developing countries also create resource windfalls. These windfalls generate similar incentives and thus similar behaviors to those described above in the case of natural resources, including increased public sector corruption.

B.2 FEMA-Relief Windfalls

Government-provided natural disaster relief creates resource windfalls in much the same way that natural resources and foreign aid do. Under the current system of disaster relief, a disaster striking a state in the United States triggers the flow of federal relief from FEMA in the form of cash and supplies to the affected area. Federal relief constitutes a resource windfall for the recipient state. Financial resources and physical goods are channeled to the state through no effort of its own. Following our logic from the natural resource and foreign aid curses above, it is not difficult to anticipate the likely effect of natural disaster relief windfalls: they increase public sector corruption.

FEMA-relief creates three new avenues of public corruption following a natural disaster:

1. The first is new opportunities for direct expropriation of earmarked funds or physical resources. The influx of funds and resources suddenly in the control of state and local officials often proves too great a temptation to withstand. For example, an employee of Florida's Department of Health and Rehabilitative Services attempted to embezzle $48,000 in FEMA relief following a 1998 hurri-

[3] Simeon Djankov, Jose Montalvo, and Marta Reynal-Querol, "The Curse of Aid" (mimeo, 2005).

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cane.[4] Accusations of a similar nature have surfaced surrounding relief efforts following hurricanes Katrina and Rita.[5]

2. Second, natural disaster relief increases the ability of public officials to transfer government funds to private individuals for their own gain. These opportunities arise because of the sttucture of government relief efforts. For instance, for an individual to receive aid, a public official must assess the damage that the individual suffered and determine the amount of aid to be awarded. In this capacity, public officials enjoy new opportunities to facilitate individuals' fraudulent claims in return for bribes. This form of corruption can be very lucrative. In Louisiana, for example, Wayne P. Lawless, a Louisiana Department of Labor clerk, recently pleaded guilty to exchanging fraudulent disaster unemployment benefits for bribes.[6]

3. The third new avenue of public corruption created by FEMA-relief windfalls is cronyism. In the aftermath of a disaster, public funds finance large rebuilding projects. These projects present political officials with new opportunities to reward friends and supporters with lucrative contracts. This is what happened, for example, to the FEMA relief that went to rebuild bus shelters in Guam after it was hit in 1997 by Super Typhoon Paka. The Governor of Guam's Chief of Staff corruptly awarded the rebuilding contract to the Governor's primary business rival in return for the rival's support of the Governor in the 1998 gubernatorial campaign.[7] Similarly, in Mississippi, reconstruction contractor Mitchell Kendrix and Army Corp of Engineers representative Paul Nelson pleaded guilty to a scheme in which Kendrix falsely approved loads of hurricane debris from Nelson in return for bribes. [8]

B.3 Compounding Corruption

Several factors unique to the circumstances in which FEMA disperses relief compound the corruption problem that government-provided natural disaster relief creates:

1. First, owing to their largely uncontrollable and unpredictable natures, natural disasters breed chaos and confusion where they

[4] "FEMA Worker Held for Trial in 1998 Scheme to Steal $48,000," *Insurance Journal*, May 27, 2005.
[5] See for instance "In Louisiana, Graft Inquiries Are Increasing," *New York Times*, March 18, 2006 and "FEMA Officials Arrested in New Orleans on Federal Public Bribery Charges," *US Fed News*, January 27, 2006.
[6] Department of Justice, *Press Release*, July 17, 2006.
[7] Department of Homeland Security, *Semiannual Report to the Congress, April 1, 2004-December 30, 2004*.
[8] Eric Lipton,"'Breathtaking' Waste and Fraud in Hurricane Aid," *New York Times*, June 27, 2006.

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strike. The resulting mayhem facilitates new opportunities for relief-related corruption. In an environment of confusion, it is more difficult to monitor where relief resources are going and how they are being used. Since the likelihood that corruption will be detected drops considerably, this lowers the political actor's cost of engaging in abusive activities.

2. Adding to this problem is the issue of disaster relief prioritization. In the midst of a devastating natural disaster, evacuating victims, tending the injured, and finding provisions and shelter for refugees is, quite justifiably, considered more important than keeping an eye on unscrupulous political actors to ensure that they do not behave corruptly. The time-sensitive nature of many disaster-related relief activities demands that relief be a priority and corruption monitoring/punishment take a back seat. With attentions focused on relief activities instead of corruption, public officials are less likely to be caught engaging in corrupt activities. This leads them to undertake more corruption.

   In the disaster's aftermath this situation is not much different. Until wreckage is removed, families are reunited, and reconstruction is underway, turning government's attention to public sector corruption seems inappropriate and unlikely. Typically, attention only turns to public abuses that occurred in the midst of the disaster's chaos after the chaos has calmed down. Like above, these features of natural disasters make it easier to get away with abuses and so facilitate public sector corruption.

3. Third, the nature of the task FEMA faces during response, relief, and recovery efforts makes it difficult in many cases to assess the relief-related activities undertaken or overseen by political officials. Hauling debris, for example, is not an exact science. Neither is determining the level of damage to individuals' property. Relief and recovery-related activities such as these create ample latitude for corrupt public officials to engage in criminal behavior, such as accepting government finances for clean up without undertaking actual work.

4. Fourth, because natural disasters are irregular, so too is the flow of natural disaster relief. As a result, there tend be fewer and less effective checks on relief-related spending than other forms of government spending. There is less oversight and fewer well-defined mechanisms for detecting public abuse of disaster relief funds than there is, for instance, for the federal disbursement of educational monies to states. This has the effect of lowering the cost of engaging in disaster relief-related corruption, providing addi-

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tional incentive for corrupt political actors to do so.

5. Lastly, the distance between government disaster relief disbursement, which is at the federal level, and disaster relief receipt, which is at the state or local level, contributes to heightened corruption created by disaster-relief windfalls. It is more difficult for the federal government to monitor resources used at the state and local level than it would be for state and local government authorities. The large separation between the principle—the federal government—and the agent—state and local recipents—reduces the cost of unscrupulous state and local public officials corruptly appropriating and distributing relief resources. This, of course, leads to greater corruption.

Each of the factors considered above are particular to natural disaster-generated relief windfalls under current American disaster relief policy. They tend to exacerbate the corruption-enhancing effect of FEMA relief, making its initial impact even worse. Thus, when it comes to corruption, FEMA-provided disaster relief is doubly damaging. On the one hand, the windfalls it generates increase corruption in the form of activities such as bribes, kickbacks, etc. On the other hand, the unavoidable appearance of these windfalls in the midst of a natural disaster (the impetus for their disbursement in the first place) compounds this increase since windfalls appear at the worst possible time, when monitoring, detection, and punishing mechanisms for corruption are at their weakest.

C. Empirical Evidence for the Impact of FEMA Relief on Corruption

In a recent study, the authors examine the relationship between FEMA relief spending and public sector corruption in the United States.[9] This study measures corruption with the average number of corruption-related crime convictions per capita by state between 1990 and 1999. It estimates the impact of FEMA relief on state-level corruption by taking average FEMA relief received by each state per capita over this period and also controlling for a number of other variables that previous research identifies as important determinants of public corruption. For instance, more racially fragmented states tend to be more corrupt, as do poorer states, states with

[9] Peter T. Leeson and Russell S. Sobel, "Weathering Corruption" (working paper, Mercatus Center at George Mason University, Arlington, VA, 2006).

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laxer laws punishing public corruption, less educated states, more populous states, and states with greater income inequality.

Regional location may also be correlated with corruption. If, for instance, historical factors contribute to the level of corruption across states and these factors are clustered geographically, controlling for states' regional status will adjust for this. Other forms of government spending, both at the state and federal level, may also contribute to the level of corruption in states. To account for this, the authors' study also adjusts for non-FEMA related state spending and non-FEMA related federal spending in each state.

Finally, it is important to account for the direction of causation. For instance, while the "windfall curse" reasoning discussed above suggests that greater FEMA spending should increase corruption, it is also likely that states that are more corrupt have political actors who are more adept at corruptly attracting disaster relief resources in the first place. Political officials in a highly corrupt state, for example, may manipulate the appearance of the damage incurred following a natural disaster in order to attract more federal funds to corruptly appropriate. In order to correctly measure the impact of FEMA relief on corruption, however, an empirical examination must make sure that it isolates only the arrow of causation going from FEMA relief to public corruption, excluding the arrow of causation that runs the opposite direction.

Questions like this that deal with the issue of causality can be difficult to overcome in empirical analyses. Fortunately, we were able to address this issue by using a third variable,[10] private insurance property claims from natural disasters.

Our results confirm the "windfall curse" logic discussed above and hinted at by the anecdotal evidence pointed to earlier in this section. FEMA-provided disaster relief increases American corruption. Each additional one dollar per capita in average annual FEMA relief increases corruption nearly 2.5 percent in the average state. Abolishing FEMA relief would reduce public sector corruption by more than 20 percent in the average state. The results of this study explain the seemingly bizarre relationship between bad weather and public sector corruption noted in this paper's introduction. Natural disasters create resource windfalls in the states they strike by triggering federally-provided natural disaster relief. Disaster relief windfalls in turn increase corruption. States that are more frequently and

[10] We can isolate the causal arrow of interest by examining the connection between something we know cannot be manipulated by corrupt political actors and FEMA relief and then using the part of FEMA relief explained by this variable to investigate the impact of FEMA relief on corruption.

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severely hit by natural disasters, such as Louisiana and Mississippi, attract more FEMA relief than other states, making them more corrupt than these other states as well.

D. Implications for Policy

If policy makers want to reduce the extent of public corruption in the United States, then the most effective way to do so would be to reduce FEMA relief. Every reduction in one dollar per capita in average annual FEMA relief will reduce the average state's level of public corruption by about 2.5 percent. If the federal government did not provide FEMA relief to states following natural disasters, the average state's level of corruption would fall by about 22 percent.

Importantly, tinkering with federally-provided disaster relief, for instance by increasing government oversight of FEMA relief following natural disasters, is unlikely to be effective and may in fact interfere with the overriding objective of government disaster relief: assisting victims of natural disaster. There are three reasons for this:

1. As discussed above, the time-sensitive nature of natural disaster recovery, relief, and reconstruction puts a priority on assisting those in need instead of monitoring and bringing to justice unscrupulous political actors who use disaster-wrought havoc to corruptly appropriate relief-related resources or abuse in other ways their positions of public authority for private gain. However, strengthening government oversight of public sector corruption following a natural disaster and devoting greater energy to this cause would necessarily come at the expense of the relief process's ultimate end of saving lives and restoring those that have been damaged. Each dollar or unit of time used to monitor public sector corruption is a dollar or unit of time that cannot be devoted to, for instance, evacuating disaster victims. Thus, although increased oversight of FEMA relief may raise the cost of corruption and thus reduce corruption somewhat, it would come at a cost most policy makers and other individuals, quite reasonably, would not be willing to pay.

2. More stringent mechanisms for monitoring and disciplining public sector corruption in the case of natural disaster are unlikely to be effective. Such mechanisms suffer from what economists call a "time-inconsistency problem." Although political actors may under normal circumstances desire to reduce public sector corruption, when a natural disaster hits and a myriad of new, highly profitable avenues of corruption related to relief activities emerge, they are unlikely to use the mechanisms they created before the disaster for monitoring relief-related corruption. The creation of

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new, profitable avenues of corruption following the disbursement of FEMA relief makes using these mechanisms more costly to them. Political actors' desires in non-disaster times are inconsistent with their desires after a disaster has actually hit. By applying the more stringent corruption-monitoring mechanisms they devised before the disaster, political agents forego more income in the form of increased opportunities for corruption. It is therefore less likely that they will actually make use of them.

3. There is also another problem of putting into practice more stringent corruption-detection mechanisms. If corrupt political actors devise these mechanisms, they will design mechanisms that do not effectively improve upon existing ones, so as not to upset their abilities to corruptly appropriate and transfer relief resources. Thus, if state-level officials are in charge of devising the new mechanisms, corrupt states—the states that need these mechanisms most—are unlikely to introduce more stringent corruption-detection mechanisms or punishments.

4. Disaster relief policies intended to minimize corruption should recognize that the potential for corruption increases when there is a distance between the dollars allocated and the dollars spent. Any plan for reforming disaster relief should recognize the role of local actors, presumably charities and businesses, and create space for them to react in time of crisis. Policies that assume that the federal government plays the primary role in disaster response are the most susceptible to corruption.

5. The longer FEMA is involved in a post-disaster context, the more opportunities there will be for corruption. In order to minimize the opportunity for corruption, FEMA should exit as soon as possible following a disaster. FEMA was not designed to operate months or years after a disaster, and policy reforms should recognize this.

At the very least, policy makers must be aware of the unintended, undesirable consequences of government-provided natural disaster relief. Although, for the reasons recounted above, it is unlikely that marginal changes in the process or oversight of FEMA relief would appreciably reduce the effect of FEMA relief on public corruption, it is critical that any disaster relief policy keep in mind the corruption-enhancing impact of providing natural disaster relief through government.

CONCLUSION

In this Policy Comment we explain the role of government-provided disaster relief in increasing public sector corruption in the United States. We first explain why and how corruption harms the wealth-creation process and may reduce economic

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progress. We then discuss how resource windfalls, for instance from natural resources and foreign aid, alter the incentives of political actors and set in motion forces allowing them to engage in additional, unproductive corrupt activities. Next, we address how FEMA natural disaster relief creates similar resource windfalls that engender the same kind of public actor incentive shift and increased engagement in corruption.

This concatenation of factors explains the seemingly strange connection between U.S. states with bad weather and high levels of corruption. States located in places prone to more frequent and severe natural disasters receive more FEMA relief. When a natural disaster strikes, federal relief to the affected areas creates a resource windfall in the state hit by the disaster. This resource windfall leads to increased corruption, causing states that receive more FEMA relief to be more corrupt than others.

The results of a study we conducted estimates that each additional one dollar per capita in average annual FEMA relief increases public sector corruption nearly 2.5 percent in the average state. The average state's level of corruption would fall by over 20 percent if policy makers totally abandoned FEMA relief.

Policy makers must bear in mind that government disaster relief generates unintended, undesirable consequences. In the case of natural disaster relief, these manifest in the form of increased corruption. Policy proposals that would only tinker with the existing system by strengthening oversight of FEMA relief and monitoring of relief-related activities more closely are unlikely to work and may jeopardize disaster relief's ultimate goal: assisting disaster victims.

Stronger relief oversight and disaster-related corruption monitoring devotes precious time and resources to a subsidiary concern when disaster victims urgently need recovery and relief. Furthermore, such changes are time-inconsistent; political actors have little incentive to implement these mechanisms following a natural disaster. Finally, so long as the windfall exists, corrupt political actors have an incentive to stay one step ahead of the new rules. The best way to reduce the corruption-creating impact of FEMA relief is to reduce this relief's size. Total elimination of public corruption generated by disaster relief will not be possible so long as FEMA relief exists.

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About the Mercatus Center

The Mercatus Center at George Mason University is a research, education, and outreach organization that works with scholars, policy experts, and government officials to connect academic learning and real world practice.

The mission of Mercatus is to promote sound interdisciplinary research and application in the humane sciences that integrates theory and practice to produce solutions that advance in a sustainable way a free, prosperous, and civil society. Mercatus's research and outreach programs, Capitol Hill Campus, Government Accountability Project, Regulatory Studies Program, Social Change Project, and Global Prosperity Initiative, support this mission.

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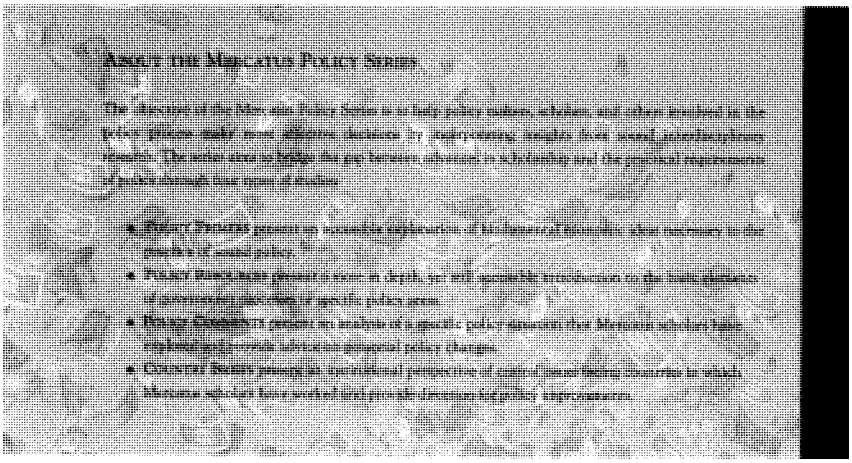

MERCATUS CENTER
GEORGE MASON UNIVERSITY

3301 North Fairfax Drive, Suite 450
Arlington, Virginia 22201
Tel: (703) 993-4930
Fax: (703) 993-4935

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Project Management Institute

WRITTEN TESTIMONY OF
CRAIG KILLOUGH, VICE PRESIDENT, ORGANIZATION MARKETS
PROJECT MANAGEMENT INSTITUTE

BEFORE THE SENATE COMMITTEE ON HOMELAND SECURITY AND
GOVERNMENTAL AFFAIRS
SUBCOMMITTEE ON DISASTER RECOVERY AND
INTERGOVERNMENTAL AFFAIRS
20 OCTOBER 2011

Chairman Pryor and members of the Subcommittee, my name is Craig Killough and I am the Vice President of Organization Markets for Project Management Institute (PMI). I sincerely appreciate the opportunity to participate in this important hearing and speak to the benefits organizations can derive from implementing effective project management and disaster recovery.

Project Management Institute (PMI) is the world's largest project management membership association, with more than 600,000 active members and credential holders in 187 countries. We were founded in 1969 as a not-for-profit organization and our headquarters is in Newtown Square, Pennsylvania. PMI seeks to advance the project management profession through globally recognized standards and certifications, collaborative communities, an extensive research program, and professional development opportunities. PMI also supports 259 local chapters with large chapters in both Arkansas and Kentucky. We have approximately 700 members in Arkansas and nearly 1,400 in Kentucky. In Washington, DC, PMI's chapter is one of the largest and fastest growing in the world, encompassing approximately 10,000 members from the government and private sectors.

PMI believes that the project management profession delivers a competitive advantage to organizations by producing positive outcomes, including increased efficiencies, organizational alignment, stakeholder satisfaction and improved decision making – all critical factors in disaster response and recovery. We believe project management is more than tactical, it is a strategic competency that enables organizations to deliver expected benefits and value through effective planning, organization and risk mitigation. These benefits are derived through the organizational adoption of project management standards and strong support of the practitioners managing projects for those organizations.

14 Campus Blvd | Newtown Square, PA 19073-3299 USA | tel: +1 610 356 4600 | fax: +1 610 356 4647 | PMI.org

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In this testimony I will outline the value that standards bring to the US government generally, how project management as a profession has proven valuable to the US government, and present the importance of a clearly defined project and program manager job classification, role and career path. I will also discuss what PMI knows about the unique area of managing projects in a disaster, and actions this subcommittee could consider to improve the use of standards in project management utilized by the US government.

The Project Management Professional (PMP)® credential program is accredited by the American National Standards Institute (ANSI) against the International Organization for Standardization (ISO) 17024. The 17024 standard includes rigorous requirements for examination development and maintenance and for the quality management systems for continuing quality assurance.

In addition, the PMP credential is also registered against the ISO 9001:2008 standard for quality management systems. This accreditation provides a third-party affirmation of quality in the development, management and governance of the PMP®. It also gives credential holders and organizations that employ them additional confidence in the PMP.

The Importance of Standards

Global standards are crucial to the project management profession because they ensure that a basic project management framework, lexicon and process are applied consistently worldwide.

PMI's 13 standards for project, program and portfolio management are the most widely recognized standards in the profession – and increasingly the model for project management in business and government. They are developed and updated by thousands of PMI volunteers with experience in every type of project and provide a common language for project management around the world. PMI standards, such as the *PMBOK® Guide*, with more than 3 million copies in circulation, have been successfully used in a number of program-oriented and project-driven agencies, such as a remediation project by the US Department of Energy at Rocky Flats nuclear reactor site, which finished ahead of schedule and 6 % under budget. The National Nuclear Security Administration was awarded the PMI Distinguished Project Award for 2010 for the Global Threat Reduction Initiative Project. In 2010, The National Ignition Facility (NIF) Project, run by Lawrence Livermore National Laboratory, was the PMI Project of the Year Winner. In 1998, NASA received a PMI Project of the Year Award for the Mars Pathfinder. Finally, the Federal Aviation Administration developed a project management plan which was central to key portions of the agency being removed from GAO's High Risk List in 2008.

PMI's Pulse of the Profession research study found that organizations using standard practices, along with formal training programs for project managers, perform the best and see the greatest value from project management. In fact, the research showed high-performing organizations that use standards and support certification and training use up to 90% of their project budgets efficiently, whereas low performers put at risk nearly 70% of their budgets.

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The Importance of Certified Professionals

PMI offers six certifications that recognize project management knowledge and competency, including the benchmark Project Management Professional (PMP)® credential. PMI has bestowed over 580,000 PMP® credentials worldwide. The PMP® is a role- and experience-based certification that recognizes the competence of an individual to lead and direct projects and project teams to achieve successful project results. PMI's Program Management Professional (PgMP)® credential recognizes the advanced experience and skill of program managers. Globally recognized and demanded, the PgMP® demonstrates proven competency to oversee multiple, related projects and their resources to achieve strategic business goals. PgMP® credential holders oversee the success of a program, grouping related projects together to realize organizational benefits not available if they were managed separately. PMI's newest certification is the PMI Agile Certified Practitioner (PMI-ACP℠).

PricewaterhouseCoopers, in its most recent study, "Insights and Trends: Current Program and Project Management Practices," reports that "higher-performing projects are significantly more likely to be staffed with certified project managers. In fact, 80% of projects classified as high performing use a certified project manager."

PMI certifications reflect best practices in project management, not any one standard or industry. This provides transferability between agencies and industries, and mobility across agencies. Practitioners earn a PMI certification and have confidence that it provides a baseline recognized in a variety of organizations, industries, and by many methodological approaches. Furthermore, because PMI maintains such rigorous practices to keep its certification program relevant and validated, PMI's certifications never become obsolete.

The Value of Project Management

Project management by its nature enables transparency and accountability. PMI's Pulse of the Profession study found that around the world, only one-third of projects deliver the expected results at the outset. PMI has found that dramatic improvements are possible. The most successful organizations have learned that employing project management techniques and creating a culture focused on project management is vital to achieving business success. An example of some of the organizations who are leaders in project management, and active members of the PMI Global Executive Council, include BAE Systems, Booz Allen Hamilton, Ericsson, Hewlett Packard, General Electric, IBM, Verizon Wireless, The Mayo Clinic and Microsoft. These organizations have embraced project management, utilize it as a strategic competitive advantage, and attribute their organizations' success to it. They are some of the most successful organizations in the world. Government projects and programs have the opportunity to take advantage of what these companies have already learned – using global standards in project management is indispensable for business results.

PMI has conducted extensive research into how organizations can utilize the *PMBOK*® *Guide* and project management to become more effective. PMI is the only professional association that invests heavily in academic research, spending over $16 million since 1997 analyzing the effective use of project and program management. We conducted a three year

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study entitled *Researching the Value of Project Management*. The study was released in 2008, but the results are still relevant and compelling. The study found three primary benefits from the effective implementation of standardized project management that fits an organization's culture: improved business results, increased organizational learning, and improved communication. Successful organizations told us that these benefits drive competitive advantage and deliver value for organizations. These results are also directly relevant to the US government.

When talking about the topic of program and project management, Congress typically focuses on acquisitions and IT. Certainly these are significant areas for project management, but the need for project management skills goes much further. Project managers play an integral role in all agencies at all levels. Project managers are asked to manage considerable efforts – often with little training and undefined authority. Project managers play an integral role in all agencies at all levels, and their role is especially critical in disaster recovery.

In 2010, PMI conducted an analysis of successful government programs: "Program Management 2010: A Study of Program Management in the U.S. Federal Government." Program managers from a wide variety of government sectors shared their insights on "success factors" and best practices for this study. The study examined programs ranging from information technology (software design and systems implementations), to construction and engineering (from a single facility build out to large infrastructure projects), to the creation of new public policies and departmental procedures. While some programs had a timeline of less than a year and a budget of approximately US $1 million, others spanned five years or more and had budgets in the billions of dollars.

We learned that there are most certainly pockets of excellence in program management in the US federal government and that where these exist programs are meeting today's challenges. We discovered how government program leaders are able to achieve results.
The most successful government programs studied begin with a firm grounding in the fundamentals: experienced and well-trained program management practitioners (people), standardized program management practices (processes), and the tools to support both. They then learn to be better communicators, more agile, more collaborative, and more engaging. It is the combination of all these elements that has led to their success.

We found that those responsible for successful programs have built upon a foundation of technical expertise, adding more intangible success factors, such as a culture of communication, agility, superior stakeholder engagement, and active executive support. A ripple effect of increased team morale and better inter-departmental collaboration then creates a self-perpetuating cycle of success. One individual from the State Department said, "Senior management is now bearing the fruits of the project management labor. Projects are now back on track, which is resulting in significant cost savings."

Across the programs we studied, reaction to increasingly complex programs has been an increased focus on the development of competency in the areas of project and program management. The development in competency took on many forms but often revolved around staff training, increased use of formalized project risk management, and increased use of earned value management techniques. We were pleased to hear that many of the agencies we spoke to

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were using PMI Standards as the basis for their practice and tailoring them to the needs of their programs. However, we were even more pleased to hear how the role of project and program management has come to the forefront for many agencies.

Several respondents discussed how the use of program performance metrics has been introduced over the past few years. Using these metrics, they are able to demonstrate real returns on their investments in project and program management. One agency explained how the formal training of 24 project managers had quickly resulted in better stakeholder management and forecasting. Another agency explained how program performance evaluations have trended higher since the introduction of (formalized) program management.

The results of the government research are not isolated or unusual. PMI conducts an annual study, which examines project management trends in the profession in both the public and private sectors. This Pulse of the Profession study, which I mentioned earlier, shows definite value for high-performing organizations versus their low-performing counterparts. This research tells us that using standardized practices yields, on average, 74 % of projects meeting their goals and intent. When not using standardized practices, only 58 % of projects meet their goals. Additionally, there is a significant difference in the amount of money put at risk.

High-performing organizations deliver 92% of their projects, having met original goals and business intent. In addition, high-performing organizations put, on average up to $80,000 at risk for every $1 million spent on projects. This is due primarily to their adoption of effective project management practices and standards. This contrasts considerably to low-performing organizations that consistently miss project deadlines, run over budget and have misaligned project and business goals. For low performers, only 36% of projects meet their original goals and business intent. Low performers also put more money at risk, an average of up to $700,000 for every $1 million spent on projects. By not recognizing—and implementing—project management as a strategic competency, organizations put themselves at unnecessary risk.

PMI's expertise has many practical applications for government. One area that is particularly pertinent to this committee is disaster relief.

Project Management in a Disaster

Disaster relief projects present unique challenges because of their extreme urgency. Project management practices are critical to helping a disaster recovery team stay organized and focused and to implement the solutions a community needs after being struck by a disaster. When you have strong project management practices in place being driven by well-trained people, managing these disaster relief efforts becomes much simpler, since what needs to be executed is already second nature.

In 2006, PMI published a "Project Management Methodology for Post Disaster Reconstruction" in response to two disasters, the Asian tsunami and Hurricane Katrina. Project management practices are critical to helping disaster recovery teams stay organized and focused and to accomplish the solutions a community needs after being struck by a disaster. PMI developed this methodology for those in the disaster recovery field who are providing the

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kind of leadership and clarity of thought needed to help in the reconstruction effort. Reconstruction project management is about solving problems and delivering intended results through an organized, structured methodology.

The post disaster methodology is based on the principles and processes outlined in *A Guide to the Project Management Body of Knowledge (PMBOK® Guide)*–Third Edition, and is meant to enhance collaboration and consistency, as well as quality and accountability, of projects undertaken in a crisis/disaster rebuild environment.

This methodology was developed by more than 80 volunteers from 20 countries, continuing PMI's tradition of gathering input and gaining consensus from diverse groups that represent the world's best thinking. I ask that this methodology be printed in full as part of the record.

The disaster recovery project management methodology does not address the issue of allocating resources for effectiveness. Rather, it assumes resources will be provided to implement recovery projects. After resources have been allocated there are five basic steps to responding to a disaster: initiating the project, planning, executing, monitoring and controlling and closing. The PMI methodology includes templates to assist in executing each step of managing a disaster recovery project.

In addition, a PMI-sponsored research project entitled, *What Enables Project Success: Lessons From Aid Relief Projects* (PMI 2011) assessed aid relief projects between 2007 and 2009. The result of this research showed that there are several common traits in successful relief projects, including effective stakeholder engagement. This engagement enabled stakeholders to share a common vision of the project as the team was working toward successful outcomes. The figure below provides an overview of the research:

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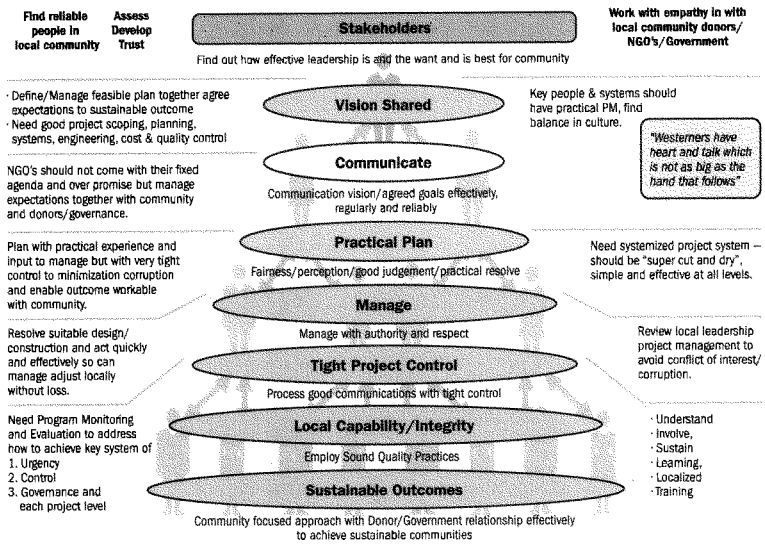

PMI's Recommendations for Project Management Standards in the US Government

PMI advocates for the profession of project management and improved program management within organizations and has found there are several areas where government agencies could broadly improve their organizational maturity, become high performing, and spend funds more efficiently. Implementation of PMI's recommendations to Congress would make great strides toward establishing the framework needed to manage projects effectively. It is vital that Congress direct agencies to embrace project management standards that can be utilized by any agency on any program across the federal government. Because PMI has expertise in developing broad-based standards applicable for managing projects across industries and geographies, they are especially appropriate for use by the federal government.

Former U.S. Chief Information Officer Vivek Kundra identified improving program management as a centerpiece of his "25 Point Implementation Plan to Reform Federal Information Technology Management," which he released on 9 December of last year. After 10 months, a number of key provisions have been initiated. Complete enactment of the reform plan is essential if the government is to be successful in recruiting and retaining the senior-level, highly skilled IT program managers vital to making the government more effective. Congress should seek to utilize these reforms as part of the fundamental shift to implementing standard project management practices across the government.

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Returning to the general subject of project management in the federal government, a 2008 report by the Council on Excellence in Government found that the federal government's project and program management community consists of people who oversee budget authorities of approximately $2.55 trillion dollars. A large portion of those people do not have any certification in project or program management, while about half said they never received any training in project or program management at all. This problem can be solved.

The Department of Homeland Security Authorization Bill, recently marked-up by the full Senate Homeland Security and Government Affairs Committee had several important provisions to improve the program and project management workforce across the Department of Homeland Security. PMI provided guidance to the committee in the drafting of these provisions. Title I of S.1546 incorporates a significant number of the recommendations made by the Under Secretary of Management in a 2010 memo on acquisitions project management. This is an important step and should help significantly improve DHS acquisitions.

The legislation requires the Under Secretary of Management to report to Congress how many of the departments' acquisitions programs have a dedicated program manager. Second, the workforce plan requires the development of a job classification for program managers. Third, the Under Secretary will study how to increase management efficiency across the department's components and report those findings back to Congress. We believe that looking at how project and programs are managed across the Department, including FEMA, will provide useful insights and best practices that can be implemented.

Mr. Chairman, I would like to commend you on being proactive in this area by advocating for language to improve program management in the DHS authorization bill approved by the full committee in September.

1) Utilize project management standards

Organizations that value project management understand that the contributions of professional project managers using standardized practices increases project success rates, creates efficiencies, and improves alignment with organizational strategies. Organizations that recognize the importance of project management are driven by expected and tangible results: on time, on budget, within scope, and in accordance with project requirements.

PMI standards are the guidelines against which individuals and organizations can assess their existing project management capabilities and provide the benchmark for them to build and mature their existing proficiency. They provide the foundation both practitioners and organizations can use as a consistent yet up to date guide for developing and implementing the superior practice of project management

PMI has used an accredited global consensus process for many years to manage the development of its own standards. This collaborative environment ensures that PMI's standards are developed in a way that benefits all project management practitioners around the world and the organizations that employ them.

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A Guide to the Project Management Body of Knowledge (PMBOK® Guide), PMI's enduring gold standard for project management is one of the best-selling project management business titles in history.

2) Create a job classification for project and program managers.

A key factor of failure is the lack of an identified, trained and supported project or program managers. The phenomenon of the "accidental" project manager is far too common across government agencies. PMI would strongly encourage a government-wide availability to hire project and program managers similar to what exists in OPM's 2210 Job Series for IT, which PMI assisted in developing. Identifying this individual is also critical. The IT Reform plan specified that each IT program have a dedicated program manager. This requirement creates transparency and provides additional accountability and should be the focus of every government program with acknowledgment from agency executives.

The Senate Homeland Security Authorization bill requires the department to develop a workforce plan. We hope the department will create a job classification and career path for its project and program managers as part of its workforce plan. The Department of Homeland Security shouldn't be alone, nor should IT acquisitions be uniquely organized for managing projects and programs. Congress should enact legislation that will require OMB and OPM to ensure each of these areas is adopting common standards and aligning to industry best practices.

3) Scale project and program management career paths government-wide.

The role of a project or program manager should not just come about by accident. The importance of recognizing the role of a strong project or program manager and building the necessary skill sets is critical. This is something successful organizations have recognized. PWC's research cited earlier in this testimony shows that "80% of higher-performing projects use a certified project manager." In addition, 50% of project failure is traceable to poor or no project management, including things we know are frequently cited by GAO and others as major problems. They are: bad estimates and deadlines, inadequate communications, poor risk management, scope changes and poor resource planning.

It is essential to retain and support project management talent by providing defined career ladders and options. Recruiting and retaining high-performing personnel is a particular challenge in the federal government. Scaling reform plans across agencies is logical and makes good sense. PMI would encourage the job classification and career path to be expanded beyond IT to all projects and programs. We believe adopting this model will improve efficiency, improve the expenditure of taxpayer funds and improve morale at agencies.

4) Require integrated program teams.

Project management improves processes and ensures that government agencies are not executing projects randomly. It ties projects to business strategy and needs, ensuring those projects are delivering results that support organizational goals. The importance of integrating program teams so they are cohesive is vital to having a strong organization and foundation.

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Among the success factors that set the stage for effective project management is a culture of communication. Bringing together team leaders to share and discuss program management strengthens the ability of teams to work in an integrated fashion and collaborate on a regular basis. Utilizing new organizational teams and making these collaboration activities a part of the program and project schedule keep all team members up-to-date with the progress of the program.

5) Launch a best practices collaboration platform.

PMI values knowledge and invests extensively in project and program management research. Our members are the greatest resources on the profession of project management and their experiences drive successful organizations. We support the establishment of a best practices collaboration forum. PMI has established a library of information within our "Knowledge Shelf." The Knowledge Shelf is a component of the PMI Virtual Library. PMI is hosting a growing online resource for project management knowledge. It is a great place for practitioners to expand their understanding of different aspects of project management. Many of the articles and papers in the Knowledge Shelf help the project and program management professional more effectively practice program and project management.

Within the Knowledge Shelf are peer-submitted articles on a variety of subjects. A panel of volunteers reviews each article for value and readability prior to its posting. Additionally, a selection of white papers, most originating from organizations, can be accessed by all visitors to PMI's website at PMI.org at no charge. Articles already exist in the knowledge shelf on agile practices in project management, IT project management and program management.

PMI also has a Government Community of Practice, which is a virtual community where project and program managers from government agencies who are PMI members can discuss best practices and share the successes in project management in their respective agencies.

6) Strengthen project and program management skills and capabilities.

PMI has developed Knowledge Assessments to help assess any project manager's skills that utilize PMI standards and find potential for improvement. These knowledge assessments provide baselines that can be modified for each unique environment, such as the government, and tailored to each agency's demands for things like knowledge of the Federal Acquisition Regulation, technical competency, and knowledge of security policies. The knowledge assessment products help organizations deliver a career path for project professionals that evaluates current and relevant knowledge of project management standards and establishes a baseline. These baselines provide a path for identifying individual and organization-wide training needs. With this information, agencies can access appropriate guidance in building focused training curricula for employees. These assessments can be used as part of the hiring process and as part of an integrated performance evaluation system.

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Conclusion

PMI will continue to work with the Congress and the Administration to improve efficiency in the federal government. We believe increasing government efficiency through improving the use of project and program management standards will save taxpayer funds and improve delivery of services. PMI's 300,000 American members and credential holders will continue to provide value to organizations, including the US government.

The American people expect results from their government particularly in these fiscally challenging times. Having the right tools and processes alone will not ensure success. But bringing together tangible best practices with the more intangible success factors through standardized project management practices is what has set successful organizations apart from the rest. We believe effective use of project and program management will make those results possible across the US government.

Again, thank you Chairman Pryor, Ranking Member Paul and the Subcommittee on Disaster Recovery and Intergovernmental Affairs for the opportunity to be here and submit this testimony for the full record of the hearing. I will be pleased to answer any questions you or members of the Subcommittee may have.

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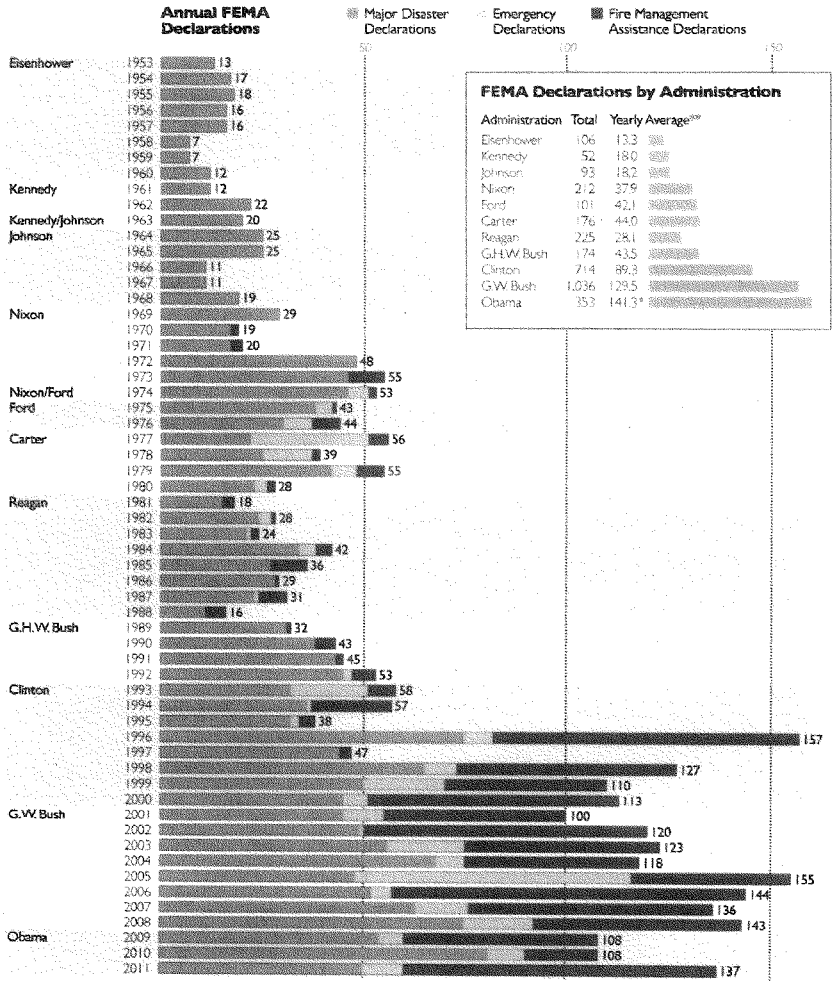
FEMA Declarations, by Year and by Presidential Administration



* Based on data through July 11, 2011. ** Figures are prorated for Kennedy, Johnson, Nixon, and Ford administrations.

Note: Annual totals may not add up to presidential totals during the same time period due to the Jan. 20 inauguration date.

Source: FEMA Disaster Search database, at *http://www.fema.gov/femaNews/disasterSearch.fema?action=Reset* (July 11, 2011).

Chart 1 heritage.org

Project Management Institute

The Project Management Institute (PMI) is the world's largest project management membership association, with more than 500,000 members and credential holders in more than 180 countries. A not-for-profit organisation, PMI advances the project management profession through globally recognised standards and certifications, collaborative communities, an extensive research program, and professional development opportunities.

Celebrating 40+ Years of Project Management Excellence

In 2009, PMI marked our 40th anniversary, celebrating the passion, enthusiasm and drive for excellence that have been the hallmark of PMI's stakeholders for the past four decades. In the years since, it remains clear that the value project managers bring to their organizations continues to evolve beyond meeting schedule, budget and scope. As we move into our fifth decade, PMI continues to envision a future where organizations achieve excellence by embracing, valuing and using project management, and most importantly, attributing their success to it.

We see continued demand for qualified project, program and portfolio managers in leading organizations, including governments across the globe, with new research demonstrating just how much project management, in all its forms, is delivering to organizations. PMI's annual Pulse of the Profession study recently demonstrated organizations that embrace project management as a strategic business driver are more successful.**

Of particular importance, the study showed that high performing organizations deliver more than 80% of their projects on time, on budget and having met original goals and intent, while low performing organizations consistently miss project deadlines, run over budget and have misaligned project and organisational goals. Specifically, low performing organizations **waste $600,000 per $1 million spent on projects**, while high performing organizations spend more than 90% of their budgets effectively.**

We see growing evidence and recognition the strategic implementation of project management, through standardised practices and certified professionals, can deliver competitive advantage for businesses, governments and NGOs.

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PMI's Products & Services

Certification
PMI offers six certifications that recognise project management knowledge and competency, including the Project Management Professional (PMP)® credential held by more than **420,000** practitioners worldwide, and the new PMI Agile Certified Practitioner (PMI-ACP℠). PricewaterhouseCoopers, in its "Insights and Trends: Current Program and Project Management Practices" study, reports that "higher-performing projects are significantly more likely to be staffed with certified project managers. In fact, 80% of projects classified as high performing use a certified project manager."*

Global Standards
PMI's 13 standards for project, program and portfolio management are the most widely recognised standards in the profession - and increasingly the model for project management in business and government. They are developed and updated by thousands of PMI volunteers with experience in every type of project, and provide a common language for project management around the world. PMI standards, such as the *PMBOK® Guide*, with more than 3 million copies in circulation, have been successfully used in a number of program-oriented and project driven agencies, such as a clean-up project by the U.S. Department of Energy at Rocky Flats nuclear reactor site, which finished ahead of schedule and six percent under budget.***

Chapters and Communities of Practice
Most of PMI's member activity takes place in more than 270 geographic chapters and 30 industry- or interest-based communities of practice. These communities, open to PMI members and led by volunteers, support the knowledge sharing and professional networking that are central to our mission.

Training and Education
PMI offers a wide range of professional development opportunities, including SeminarsWorld®, e-learning courses and PMI global congresses.

Global Accreditation Centre for Project Management Education Programs (GAC)
The GAC is a specialized accrediting body that assures the quality of project management degree programs at the graduate and undergraduate levels. GAC accreditation encourages self-study, planning and continuous improvement on the part of the educational institution, and helps organizations, students and faculty make more informed decisions regarding the quality of a project management program. By creating and assessing against clearly defined quality standards that are external to the accredited institutions, GAC accreditation ensures that high-quality academic programs are available to and recognised by the public, other universities and within the accredited program's own institution. There are currently 73 programs in universities worldwide accredited by the GAC.

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Registered Education Provider (R.E.P.) Program
R.E.P.s are organizations approved by PMI to issue professional development units (PDUs) for their training courses. PDUs fulfil the continuing certification requirements for PMI credentials. The R.E.P. program features an extensive range of organizations committed to serving professional development needs, including commercial training providers, colleges and universities, corporations, government and state agencies, and more than 250 PMI chapters in more than 70 countries. PMI currently has 1,500 R.E.P.s.

Consultant Registry
The PMI Consultant Registry is an online resource directory and helps organizations find capable consultants to assist with their project, program and portfolio management implementation. Consulting firms in the registry adhere to the code of conduct and possess relevant PPM consulting experience.

Research
The PMI Academic Research Program, the most extensive in the field, advances the science, practice and profession of project management. It expands the project management body of knowledge through research projects, symposiums and surveys, and shares it through publications, research conferences and working sessions. PMI established the program in 1997 and since then has invested more than US$16 million in project management research.

PMI's Global Executive Council
Members of PMI's exclusive Global Executive Council represent organizations who gather to share best practices, advance the profession, and add their expertise to PMI's thought leadership. The executives at the Council meeting in June 2011 confirmed that they see immense value in project management. They are using it to improve, among other things, their market competitiveness, to reduce waste associated with failed projects and to realise the intended benefit for customers and constituents.

PMI Standards Navigator℠
PMI Standards Navigator is an innovative online tool that gives PMO Directors and leaders of project teams instant access to PMI's standards and other knowledge resources. Using one interface, they can search PMI's vast knowledge within our standards to verify practices, build frameworks and connect to resources that drive improvements, deliver on outcomes and reduce waste.

PMI Standards Benchmark℠

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PMI Standards Benchmark is a self-assessment tool that lets an organisation measure its project and program processes. A survey-based product, PMI Standards Benchmark uses 42 questions for project management and 47 questions for program management, allowing an organisational leader quickly assess their project and program capabilities and most importantly, where they need to improve.

Talent Management
Organisational support of project management doesn't begin and end with hiring the personnel and implementing the practices. PMI's 2010 Pulse of the Profession** study, along with the PricewaterhouseCoopers report* both showed that mature organizations with formal training programs for project managers perform the best and see the greatest value from their project management investment. PMI's products and services help organizations retain and support project management talent by giving them defined career options.

- ***PathPro®***
  PMI has created a career framework that provides organizations a list of skills commonly found in successful project professionals. This framework can be accessed through PMI's PathPro, an online tool designed to help organizations and their employees identify a project management career path, offers organizations the ability to seamlessly track employee career paths and link to organisation-specific development programs.

- ***Knowledge Assessments***
  A 100-question project, program and portfolio management knowledge assessment provides a way for organizations to evaluate the current and relevant knowledge of their project management practitioners. They also serve to assist with identifying training needs and areas for performance improvement.

- ***Career Headquarters***
  Career Headquarters is used by practitioners to post resumes and search for new jobs, and by organizations to find qualified project management talent.

OPM3®
The Organizational Project Management Maturity Model, or *OPM3®*, is PMI's global best-practice standard for improvement, now in its second edition. OPM3 helps organizations understand their project management processes, ensures their projects are tied to the organisation's larger strategy, and measures and guides their capabilities for improvement.

* *Insights and Trends: Current Program and Project Management Practices*, PricewaterhouseCoopers, 2006.
** Statistics from PMI's 2010 Pulse of the Profession Report

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Project Management Institute

Program Management 2010:

A study of program management in the U.S. Federal Government

Sponsored by the Project Management Institute

June 2010

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Study Highlights

Now, more than ever before, the programs funded by the U.S. Federal Government are under incredible scrutiny. The media is filled with stories of project delays, cost overruns, and lackluster deliverables. Stakeholders, from the general public to government legislators and executives are demanding that programs be more transparent and more innovative, which adds layers of complexity to the management of these programs. At the same time, these programs are expected to be delivered on time and within budget and scope.

This suggests a paradox of sorts: how do you deliver increasingly complex programs sooner, cheaper, and better than ever before?

The good news is that some federal government program managers feel that the tide is turning when it comes to understanding the value of formalized program management practices and supporting the development of competency in this area. They cite examples of the increased use of formalized methods for risk management and earned value management and an increased willingness to invest in training and development for project and program management staff.

Program managers from a wide variety of different government sectors shared their insights on "success factors" and best practices for this study. What we learned is that there are, most certainly, pockets of excellence in program management in the U.S. Federal Government and that, where these exist, programs are meeting today's challenges. We found that those responsible for successful programs have built upon a foundation of technical expertise, adding on more intangible success factors, such as a ***culture of communication, agility, superior stakeholder engagement,*** and ***active executive support.*** A ripple effect of increased team morale and better inter-departmental collaboration then creates a self-perpetuating cycle of success.

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Project Management Institute

About the Study

In early 2010, the Project Management Institute (PMI) designed and executed a study of "successful" U.S. Federal Government programs to uncover thematic "success factors" and delve into the specific practices that support these factors.

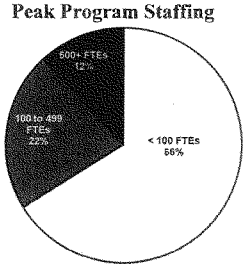
The ultimate goals of this effort are to share the insights we learn and spread the use of best practices throughout the government.

PMI worked with a team of subject matter expert volunteers from Accenture, Booz Allen Hamilton, and PricewaterhouseCoopers to design and conduct a web-based survey and in-depth interviews with program managers and senior-level program sponsors. PMI would like to thank these three firms for volunteering their time and expertise to this research.

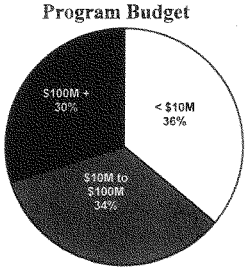
In all, the study collected information from forty different programs across a wide variety of government agencies, including the Department of State, Department of Defense, U.S. Census Bureau, U.S. Coast Guard, Federal Highway Administration, Federal Aviation Administration, and the U.S. Navy Systems Command.

The study programs spanned from information technology (software design and systems implementations), to construction and engineering (from a single facility build out to large infrastructure projects), to the creation of new public policies and departmental procedures. While some programs had a timeline of less than a year and a budget of around $1 million, others spanned over five years and had a budget of billions of dollars.

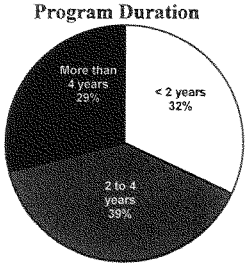
Peak Program Staffing



Program Budget



Program Duration



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Key Findings

Meeting the Demands of Complex Programs

Our study began with an informed hypothesis that program managers were facing a more demanding and challenging environment than ever before. This hypothesis was verified in the interviews we conducted. External factors such as the war on terror, the global economic recession, and the rise of the Internet as a social, economic, and political tool have all impacted the operating environment for government-funded programs. At the same time, a flurry of government mandates has forced the issues of performance management and transparency upon project and program managers.

"During the first few years after 9/11, most reconstruction projects were started without any long-term approach. The result was crisis management more than deliberate planning. Continuation of using the same approach to this mega effort was not acceptable."
Respondent from the U.S. Army Corps of Engineers

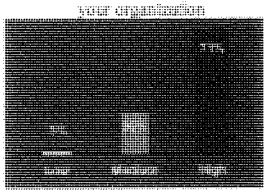
Program managers told us that they are now engaging a broader base of stakeholders and doing so on a more frequent basis. These stakeholders are demanding innovative solutions to complex issues, but they do not want to compromise on program timelines and budgets. One agency reported that in a recent two-year timeframe their number of projects increased ten-fold and that the budgets of some these projects increased from $50 million to $5 billion.

"The business drivers have changed as stakeholders (senior management and tax payers) now want products/services from projects faster, better, and cheaper."
Respondent from the Department of State

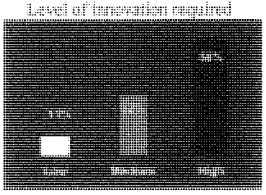
To emphasize this point, 76% of the programs evaluated for this study were self-rated as "above average" in terms of complexity and 84% were considered "mission critical".

We asked respondents to rate their programs across two dimensions of complexity: the number and variety of program interfaces (internal and external) and the level of innovation required for the program.

Number and variety of interfaces



Level of innovation required



> In all, 84% of programs in the study were rated "high" in at least one of these complexity dimensions.

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Across the programs we studied, the reaction to the increasingly complex programs has been an increased focus on the development of competency in the areas of project and program management. The development in competency took on many forms but often revolved around staff training, increased use of formalized project risk management, and increased use of earned value management techniques. We were pleased to hear that many of the agencies we spoke to were using PMI Standards as the basis for their practice and tailoring them to the needs of their programs. However, we were more pleased to hear how the role of project and program management has come to the forefront for many agencies.

It is important to note that our study focused on successful programs, so some findings might not resonate with all readers of this report. We are hopeful that this report will provide useful directional cues to enhance performance in those cases.

Several respondents discussed how the use of program performance metrics has been introduced over the past few years. Using these metrics, they are able to demonstrate real returns on their investments in project and program management. One agency explained how the recent training of 24 project managers has already resulted in better stakeholder management and forecasting. Another agency explained how program performance evaluations have trended higher since the introduction of (formalized) program management.

"The degree to which each agency tailors and combines their own project management techniques with those in the PMBOK Guide is very impressive."
John Ready,
PricewaterhouseCoopers, LLP

One defense-related agency noted a cost reduction of 20-30% on average had resulted from using trained program managers and a more systematic approach to managing programs.

"Senior management is now bearing the fruits of the project management labor. Projects are now back on track, which is resulting in significant cost savings."
Respondent from the Department of State

A respondent from the Department of Energy noted that recent marked improvement in the rigor around scope and requirements definition has significantly improved program success rates.

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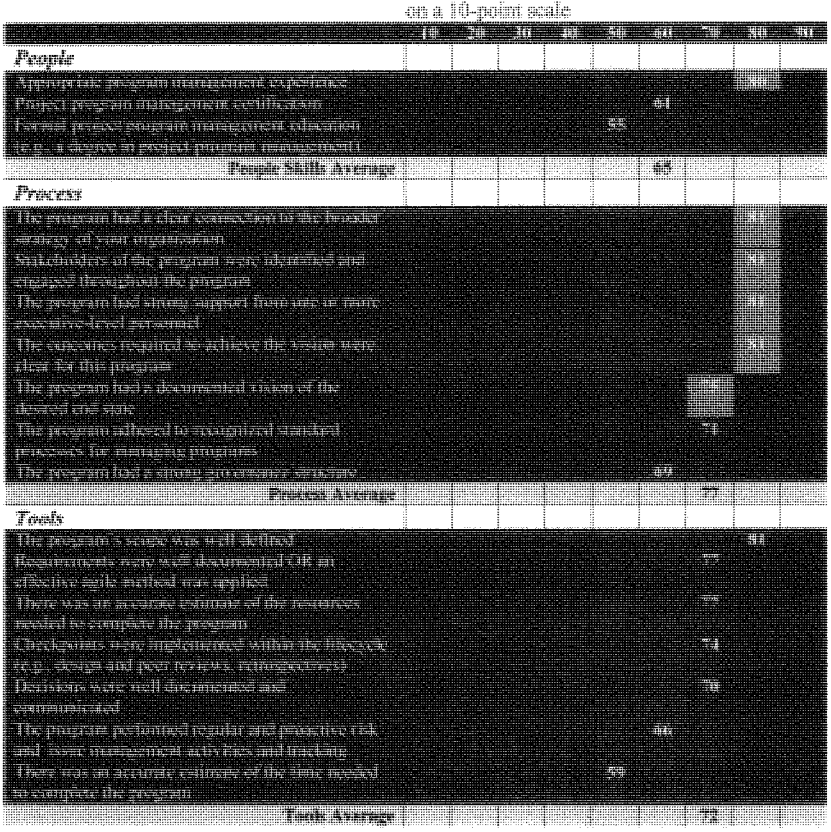
Program Success Factors

Survey respondents were asked to rate the level of positive program impact for a number of factors across the dimensions of people, process, and tools. The process elements averaged the highest impact; however, it was the more intangible process elements related to strategy, vision, and stakeholder engagement that rated the highest. Traditional elements of time and risk management rated relatively low in terms of impact on success.

Percent rating top four box (7, 8, 9, or 10) on a 10-point scale



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PMI
Project Management Institute

The importance of these intangible factors was made even more evident when respondents were asked in an open-ended follow-up question to tell us the top three success factors for their programs. Four themes emerged from the responses: a ***culture of communication, agility, superior stakeholder engagement,*** and ***active executive support.***

Clearly, these factors are interdependent and it is the chemistry between the factors that really fosters success.

What we then focused on with the study was the "how?" How are these programs building a culture of communication? How are they engaging stakeholders? How are they garnering and leveraging executive support? How do you make such a large program agile? The following section highlights some of the very concrete "tangible" practices that we found when we spoke with program managers about these success factors.

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A Culture of Communication

- Conduct monthly project management meetings to share and pilot program management tools (e.g., earned value management tools).
- Create a regular forum where lessons learned are shared.
- Establish lines of communication that run up and down the command chain, across the team, and out to all stakeholders.
- Use collaboration tools such as SharePoint to communicate each project's status across the organization. In fact, one study participant even used closed-circuit television to broadcast project status and information throughout the organization.
- Develop a project management council that meets monthly and reviews project documentation and discusses lessons learned. Extend membership of this council to all stakeholder groups.
- Facilitate collaboration and education through "brown bag lunch" sessions.
- Make collaboration activities a part of your program/project charter and schedule.
- Implement metrics and share performance on these metrics with all stakeholders to keep everyone up-to-date with the progress of the program.

"Communication is probably the key factor in any program's success."
Respondent from the United States Marine Corps

"90% of a project manager's time should be communicating across the project team and with stakeholders."
Respondent from the Department of State

Agile Program Thinking

- Embrace risk management and embrace risks.
- Use a statement of objectives (SOO)-driven service contract approach that allows contractors to specify the best manner to address program objectives. This allows for flexibility throughout the program execution.
- Don't make your project management processes so rigid that they are counterproductive and don't account for inevitable external forces within the government.

"Innovation, from a tactical, not technical, perspective was key to the program's success."
Respondent from the United States Marine Corps

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Active Executive Support

- To garner executive support, show the program's connection to the overall vision, strategy, and goals for the organization.
- Engage executive sponsors to inject energy into the team to support team morale.
- Leverage executive sponsors to support professional development for program management leaders and support staff.
- There are almost always stakeholders higher up the ladder than the executive sponsor for your program. Leverage the executive sponsor as a connection point to these stakeholders.
- Leverage any executive support for the program to garner continued funding.

"When you have (an executive sponsor) totally engaged in the process you feel comfortable going to them when you have problems - they can help you when you hit a stumbling block, and/or when you need resources, they know what you need."
Respondent from the Department of Commerce

"The director created an atmosphere where flexibility was expected. He said 'Your desire to lock things down for your own comfort level is not authorized'."
Respondent from the Federal Aviation Administration

Superior Stakeholder Engagement

- Use a "bottoms-up" approach; start with the customer in mind. Ask him or her to define the problem/issue to be solved. Check back with him or her about technical requirements and again when you think you have a solution.
- Develop a formal list of stakeholders, their groupings, requirements, and dependencies.
- Develop detailed roles and responsibilities for stakeholders and include these in the program plans.
- Allow for a formal change control process that provides a means to incorporate stakeholder input.

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Project Management Institute

Conclusions and Implications

We started with a potential paradox: *"How do you deliver increasingly complex programs sooner, cheaper, and better than ever before?"*

What we saw and heard through this study was that there really is no paradox at all. There are pockets of program management excellence throughout the U.S. Federal Government that are delivering just that. They start with a firm grounding in the fundamentals: experienced and well-trained program management practitioners (people), standardized program management practices (processes), and the tools to support both. They then learn to be better communicators, more agile, more collaborative, and more engaging. It is the combination of all these elements that has led to their success.

Clearly, having the right tools and processes alone will not ensure success, just as agility without the right people and tools will likely go astray. Bringing together the tangible best practices with the more intangible success factors is what really has set these programs apart from the rest.

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About the Project Management Institute

As the number of projects swell, the pool of credentialed talent is not keeping pace. In the Persian Gulf and China Sea regions alone—where entire cities are being built, seemingly overnight—a shortage of 6 million skilled project professionals is expected by 2013. Add to that the fact that, of the 20 million people participating in projects worldwide, just one million have professionally recognized formal training on how to best execute those projects. One thing becomes clear: The demand for skilled project managers is at a critically urgent level.

Since 1969, PMI has advocated on behalf of project professionals around the world. Project management allows an individual to speak in one common language, no matter his or her industry, geography, or whether he or she manages projects, programs, or portfolios. This common language steers organizations toward achieving repeatable, predictable results—critical when $12 trillion is being invested in infrastructure and capital projects worldwide over the next 12 months.

With more than one half million members, credential holders, volunteers, and trained project professionals worldwide, PMI advocates project, program, and portfolio management that can enhance and accelerate organizational change—driving innovation, improving bottom-line performance, and strengthening the competitive advantage.

PMI would like thank the following people for their contributions to this study:

- Ian S. Fogarty, PMP, Director, *Accenture - Defense Industry Group*
- Dr. Al Zeitoun, PMP, Senior Program Management Expert, *Booz Alan Hamilton*
- Scott Fass, PMP, Managing Director, *PricewaterhouseCoopers LLP - Washington Federal Practice*
- John D. Ready, PMP, Director, *PricewaterhouseCoopers LLP - Washington Federal Practice*
-Stacy McAlpine, , PMP, Director, *PricewaterhouseCoopers LLP - Washington Federal Practice*
-Nicholas A. DeBenedetto, PMP, EVP, Manager, *PricewaterhouseCoopers LLP - Washington Federal Practice*

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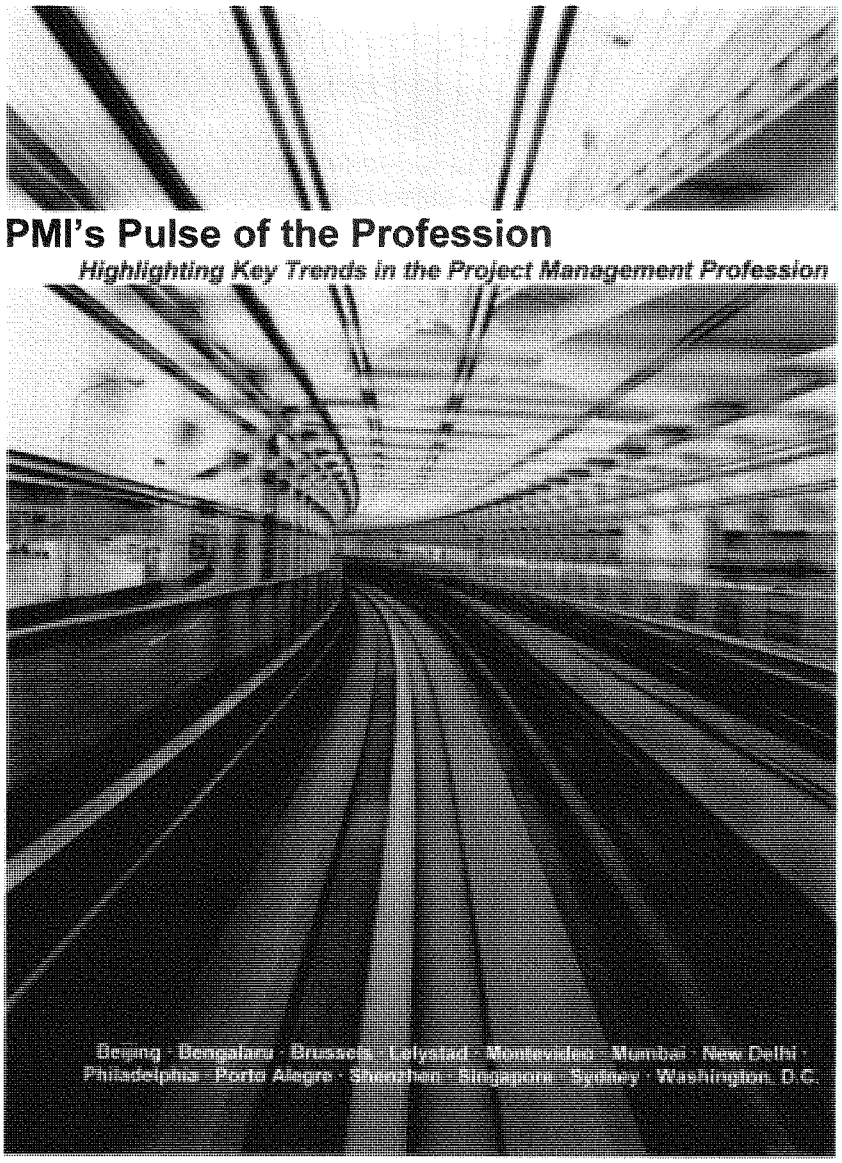
Project Management Institute



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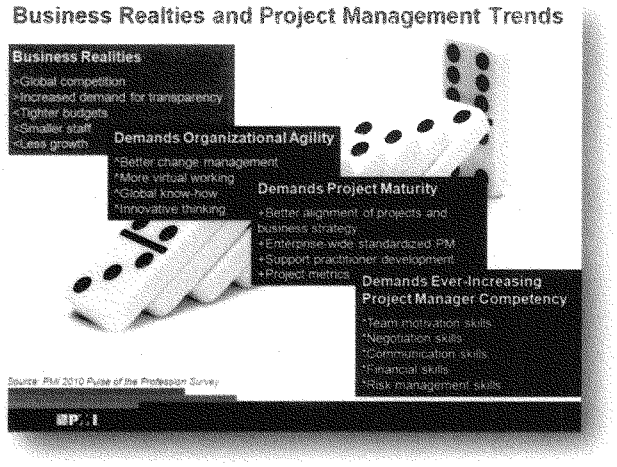
Study Highlights

PMI's latest study on the state of the project management profession finds that projects are facing an increasingly complex, challenging business environment. The mix of ever-increasing global competition and slower global growth has pushed organizations to be simultaneously more innovative and more efficient, more nimble and more engaged.

The good news is that business and government organizations are responding by enhancing their project, program and portfolio management practices. They are also investing in their project management practitioners, and those practitioners are now better able to meet the demands of today's business challenges.



And, we have found that the return on the investment that organizations are making in maturing their project, program and portfolio practices has never been clearer. In fact, our survey shows that organizations that **do not** invest in project management not only have lower project success rates, they also put nearly **nine** times more of their project dollars at risk for every project they manage.

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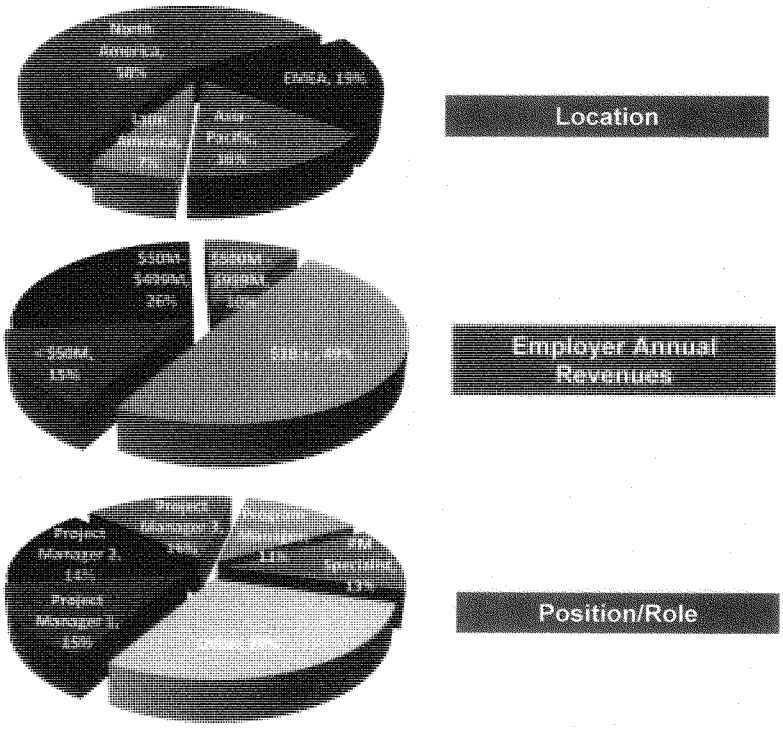
About the Study

PMI's annual look at the project management environment is based on a global web-based survey of over 1,100 PMI members and credential holders. The survey's respondent base is a good statistical representation of PMI's array of stakeholders in terms of geographic diversity, cross-industry employers, sizes of employers and practitioner experience levels.



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Key Findings

A Look at Current Practices...

Standardization of Practices: Three out of five respondents report that standardized project management practices are used throughout all or most of their organization; however, this finding has not shown a significant increase or decrease since the baseline 2006 study. It is not surprising that nearly 70% of those who use standardized practices have based those standards on PMI's *A Guide to the Project Management Body of Knowledge (PMBOK® Guide).*

Project Management Offices: The presence of PMOs remains strong with over 60% reporting their organization has a PMO. Obviously, there are different types of PMOs, the most basic categorization being enterprise-wide versus departmental or divisional PMOs. We found that just less than half (46%) of respondents work for a company that has an enterprise-wide PMO, whereas 65% have at least one departmental or divisional PMO.

We do see that the role of the PMO is evolving; the latest study shows that PMOs are now more likely to take on higher level responsibilities such as *program and portfolio management,* as well as *managing resource allocations* and *monitoring project success metrics.*

Some additional findings regarding current practice are highlighted below:

- The majority (67%) of companies create their own project management methodologies.
  - *Waterfall* project management is still the most commonly used generic method (used always or often by 39% of respondents).
  - *Critical Chain* project management is used always or often by 30%.
  - *Lean* project management is used always or often by 29%.*Agile* project management is used always or often by 24%.
- *37%* use *earned value management* techniques always or often.
- 50% practice *project portfolio management* always or often.
- 52% have a formal process for developing project manager competency.
- 51% have a formal process to mature existing project and portfolio practices

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Linking Project Practices and Project Outcomes

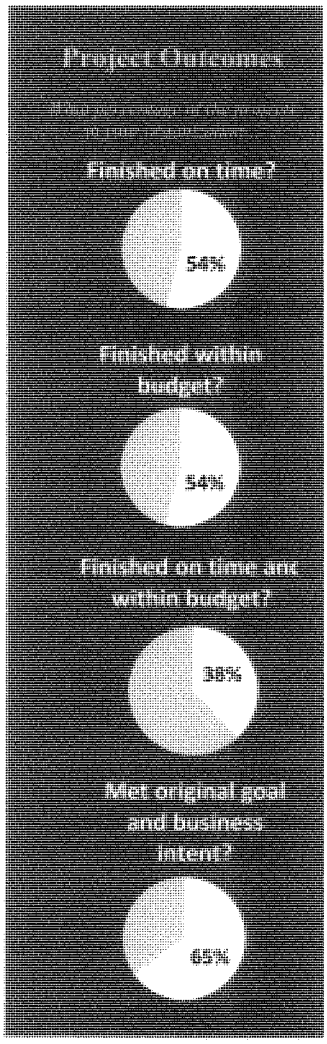
Analysis of the survey data shows clear connections between certain project management practices and project success rates in terms of projects finishing on time, within budget and meeting their business intent (see sidebar at right for the average success rates for each criterion).

For example, the data show that the percentage of projects delivered on time and within budget significantly decreases as the use of standardized project management practices decreases. The same is true when looking at the percentage of projects that meet their original goals and business intent.

Those who use standardized practices throughout their organization report an average of 74% of projects meeting their goals and intent, compared with 58% for those who do not use standardized practices.

Some additional findings regarding linkages between current practices and project outcomes are highlighted below:

- Those with a *formal process for developing project manager competency* report a significantly higher percentage of projects finishing on time and within budget and meeting project goals and business intent.
- Organizations with *a formal process to mature their project management practices* report a significantly higher percentage of projects finishing on time and within budget and meeting project goals and business intent.
- Organizations that *base their practices on the PMBOK® Guide* report a significantly higher percentage of projects finishing on time and within budget and significantly lower levels of scope creep.
- Organizations with higher proportions of *PMP® credential holders* on staff report a significantly higher percentage of projects finishing on time and within budget and meeting project goals and business intent.



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The Rewards of High Performers and the Risks of Low Performers

The Analysis

We segmented our survey respondents into two groups: high performers and low performers, in an effort to understand the cumulative benefit of using formalized project management practices. We used the following indicators to segment the groups:

- Percentage of projects completed on time in the past 12 months;
- Percentage of projects completed within budget in the past 12 months and;
- Percentage of projects meeting the original goals and business intent of the project.

High Performers: those with **80%** or more of their projects achieving **all three** indicators. This group represents 13% of the total sample.

Low Performers: those with **60%** or fewer of their projects achieving **all three** indicators. This group represents 27% of the total sample.

Note: The remaining 60% are moderate performers and are not included in this analysis.

Not surprisingly, there are a number of project management practices, which high performers are much more likely to implement and execute than low performers (see the next page for examples).

More striking is the finding that, on average, only **8%** of projects in high- performing organizations do not meet their original goals and business intent, whereas **64%** of projects in low performers do not meet their goals and business intent; a difference of 56%. Obviously, there are financial implications of a project not meeting its original goal and business intent. Using the average project budget size information from the survey to estimate the amount of money organizations are putting "at risk" with unsuccessful projects, yields a significant difference between high performers and low performers.

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*In fact, we estimate that **low performers put US$300,000 more at risk for every US$1 million spent on projects**.*

High Performers

- 70% have a process in place to mature project and portfolio management practices
- 53% use standardized project management practices throughout the organization
- 72% have a formal process for developing project manager competency
- 44% have over one third of their project managers credentialed with the PMP®
- 38% use risk management techniques always or often
- 85% always track or often track project performance measures

93% of projects meet their original goals and business intent

Put an average of US$40,000 at risk for every US$1 million spent on projects

Low Performers

- 25% have formal process in place to mature project and portfolio management practices
- 12% use standardized project management practices throughout the organization
- 18% have formal process for developing project manager competency
- 23% have one third or less of their project managers credentialed with the PMP
- 5% use risk management techniques always or often
- 21% always track or often track project performance measures

38% of projects meet their original goals and business intent

Put an average of US$350,000 at risk for every US$1 million spent on projects

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Conclusions and Implications

The study results show that respondents believe their organizations are getting better at project management; the proportion that rate their overall project management maturity as "high" (compared with medium or low) has increased from 11% in 2006 to 14% in 2008 to 19% in 2010. However, 45% of respondents still say that their organizations do not fully understand the value of project management.

The findings from this study provide ample evidence that investing in project, program and portfolio management and practitioners indeed offers significant payback. The study clearly shows that organizations implementing project management in more formal ways (e.g., using standardized practices, working to mature those practices and their practitioners, getting their practitioners certified) are less likely to have projects that do not meet their goals and intent and therefore are putting fewer project dollars at risk. As the size and complexity of projects continue to increase, the risk and the value of mitigating that risk will also increase.

About Project Management Institute

PMI is the world's largest project management member association, representing more than half a million practitioners in more than 185 countries. As a global thought leader and knowledge resource, PMI advances the profession through its global standards and credentials, collaborative chapters and virtual communities and academic research. When organizations invest in project management supported by PMI, executives have confidence their important initiatives will deliver expected results, greater business value and competitive advantage. Learn more at www.pmi.org.

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Fax: +610-356-4647
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Internet: www.pmi.org

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Foreword

Disasters – whether natural or man-made – are situations fraught with uncommon complexities, charged emotions and widespread uncertainty. To be effective, disaster-rebuild project managers must be able to answer three questions: Where do we start? Where are we going? and, How are we going to get there? They should be able to answer on a moment's notice the question, Where are we on the path to solving this problem?

Immediately following the terrible tsunami disaster of 2004 in South Asia, the issues facing the region appeared overwhelming. Mobilizing the civilian, military and government organizations to begin the reconstruction effort rapidly and effectively, while handling huge daily human crises, was a task of mind-boggling proportions.

In the American Gulf Coast region, the disastrous impact of Hurricane Katrina in September of 2005 tested the response capabilities and preparedness of local, state, and federal authorities and has left in its wake a reconstruction project so massive it staggers the imagination.

Reconstruction in such cases is never easy. While the world applauds the Herculean efforts of the many government agencies, private relief organizations, and selfless individuals who have become involved in overcoming these challenges, moving recovery efforts to the next level presents both challenges and opportunities.

There is no instant "fix" for disaster rebuild scenarios, but order and progress can be achieved if parties involved in reconstruction have the appropriate knowledge and tools for managing critical projects. This assemblage of knowledge, skills and practices is now available for those assigned responsibility for leading reconstruction projects, and is found in the *Project Management Methodology for Post Disaster Reconstruction* (*Methodology*) developed and promulgated by Project Management Institute (PMI).

PMI's *Methodology* was developed by nearly 80 project management volunteers and subject matter experts representing 20 countries around the world. With the support and assistance of the PMI Board of Directors and senior management, as well as PMI professional staff members, the methodology contained in this document is designed to serve as a framework, grounded in time-tested project management knowledge and skills, to assist in the completion of individual, rudimentary projects, such as the reconstruction of one-story homes and schools, simple irrigation systems, basic roads, etc. following a disaster event.

While most countries, regions or communities may face reconstruction projects of this magnitude only once, PMI's global community has had experience working in many such projects, in locations all over the world. It is the community's collective wisdom and expertise that provide the basis for this *Methodology*. We sincerely hope the knowledge and processes described herein will be viewed as a genuine gesture of our admiration and support of those individuals engaged in these very challenging and worthwhile humanitarian endeavors.

Respectfully,

Iain Fraser
2006 Chair, PMI Board of Directors

Gregory Balestrero
PMI Chief Executive Officer

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Introduction

Disasters and crises are, by nature, accompanied by huge uncertainties. The list of reconstruction priorities is always impossibly long, much longer than one person can ever address alone without support. If you are reading this manual, you have probably already been identified as someone capable of providing the kind of leadership and clarity of thought needed to help in the reconstruction effort. Leadership and the ability to envision solutions are essential to managing projects of all types. But, what is also essential is a clear methodology, a means to practice the established principles of project management to achieve a successful outcome.

Project management and its related processes are the keys to staying organized and focused-and to accomplishing the solutions a community so desperately needs after being hit by a disaster. It is critical to acknowledge, however, that the practice of project management covers the full spectrum of activities surrounding an endeavor-including analysis and planning as well as actual execution.

New project managers sometimes make one of two serious mistakes: 1) They skip the analysis and planning activities and proceed directly to attempting the execution of a solution; or 2) They focus so much on analysis and planning that they never arrive at the point of execution. These mistakes can be equally harmful. Proper planning and analysis are essential to successful project execution; without them, a project may be attempted without taking all important factors into consideration and may fail to meet some of its main objectives. On the other hand, the project does have to get done to do anyone any good, so limits must be set on the amount of time and resources devoted to the planning of a project. Reconstruction project management is about solving problems and delivering intended results through an organized, structured methodology.

This manual – PMI's *Project Management Methodology for Post Disaster Reconstruction* (hereafter referred to as the *Methodology*) – provides, in the simplest terms possible, an approach that, if followed, will deliver results.

The purpose of this *Methodology* is to enhance collaboration and consistency, as well as quality and accountability, of projects undertaken in a crisis/disaster rebuild environment.

This *Methodology* is, based on PMI's *A Guide to the Project Management Body of Knowledge (PMBOK® Guide)* – Third Edition. Unless otherwise noted, it should be assumed that the source of the information in the *Methodology* is the *PMBOK® Guide* – Third Edition. The processes defined in the *PMBOK® Guide* – Third Edition are generally recognized as good practice on most projects most of the time. It is a great resource to any individual or organization—*with or without formal training in project management*—as an effective standard to meet many of the considerable demands of a crisis/disaster rebuild project. But, because of the general nature of the *PMBOK® Guide* – Third Edition, not all of the processes it identifies may be necessary in crisis/disaster rebuild projects and, conversely, some processes essential to such rebuild projects may not be included. This *Methodology*, therefore, adapts the content of the *PMBOK® Guide* – Third Edition, selecting relevant processes from that standard and adding others that apply specially within the unique world of crisis/disaster rebuild projects.

The *Methodology* was developed for global application following a major disaster. The efforts described would generally not begin until relief agencies, Non-Governmental Organizations (NGOs) and/or governments (from this point forward they will be referred to as implementing agencies) have budgets in place. This *Methodology* is not designed for areas still engaged in hostile activities, areas affected by prolonged civil war or other hostilities, disaster response, disaster recovery or large-scale projects.

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The *Methodology* is structured in a manner very similar to the *PMBOK® Guide* – Third Edition, Chapter Three. This structure allows implementing agencies the option to select needed processes to complement a current methodology or to add processes not included in this *Methodology*, as may be appropriate to the specific project.

The materials contained in this *Methodology* are available on the PMI website, www.PMI.org. Practitioners should check the website periodically for revisions and additions, and should tell their associates about the online availability of all these materials.

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Overview of Project Management Methodology

This project management *Methodology* is designed to assist the implementing agency project manager in integrating, coordinating and tracking project activities. It describes the basic practices, techniques and procedures that may be encountered in a crisis/disaster rebuild project (from this point forward, crisis/disaster rebuild project will be referred to as the "project").

Appendix A contains a comprehensive selection of templates to support implementation of the processes described in this *Methodology*. Each section suggests which of these templates would be most applicable for the process being discussed.

In addition, a checklist, which is located in Appendix B, will help the project manager understand the activities that are necessary and their appropriate sequence, and direct him/her to available templates that support these activities.

This document describes five Project Management Process Groups and 21 of the 44 project management processes outlined by the *A Guide to the Project Management Body of Knowledge (PMBOK® Guide)*–Third Edition. The Process Groups are given bolded headings, and the processes within the Process Groups are given bolded, italicized headings. The 21 processes were determined to be the minimum required to preserve order and accountability during a crisis/disaster rebuild project. Familiarity with the Process Groups and their constituent processes should help the project manager to be more effective in maintaining oversight and control.

This *Methodology* will assist the project manager in three primary areas: schedule, cost and information distribution, which will help the user integrate schedule and cost factors and report accurate, timely information to implementing agencies and stakeholders. Each section presents terminology and recommended constituent steps of a process, and suggests templates, as appropriate, for use with the process described.

Project Management Process Groups

Project management of a single project consists of a set of interdependent processes. One of the key responsibilities of a project manager is to be intimately acquainted with these processes, to understand them and integrate them effectively to produce a successful project outcome. To understand these processes and their interactions, the project manager should become familiar with the five Project Management Process Groups, which serve to organize all the processes involved in a project, from initiation through closure.

These groups are as follows:

Initiating Process Group – Defines and authorizes the project or a project phase;

Planning Process Group – Defines and refines objectives, and plans the course of acton required to attain the objectives and scope that the project was undertaken to address;

Executing Process Group – Integrates people and other resources to carry out the project management plan for the project;

Monitoring and Controlling Process Group – Regularly measures and monitors progress to identify variances from the project management plan so that corrective action can be taken when necessary to meet project objectives; and

Closing Process Group – Formalizes acceptance of the product, service or result and brings the project or a project phase to an orderly end.

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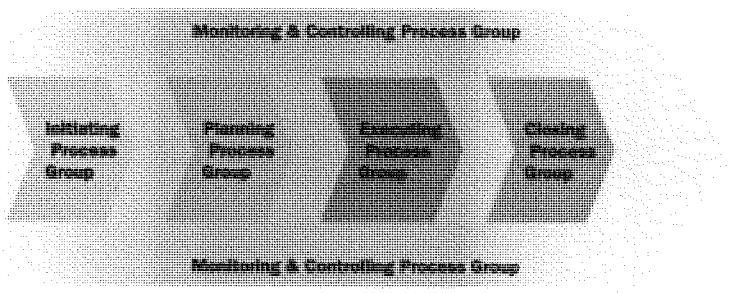
Each of the Process Groups provides a context for the project manager to understand the processes and their interactions, including appropriate inputs, tools and techniques, and outputs. The series of flowcharts, beginning below, illustrates the flow of the project management methodology and the resulting documents and other outputs. The project manager must look at each Process Group individually.

Each group has several inputs (prerequisite items which permit processes to take place), and outputs (resulting items, documents, etc.), which in turn may serve as inputs to another Process Group. Inputs and outputs are listed at the beginning of the section explaining each of the five Project Management Process Groups in this *Methodology*.

Five Project Management Process Groups



The actual flow and interaction of processes is more complex than may appear in the first diagram. The key is understanding how each process interacts and influences other processes within the groups. For some, this understanding may be largely intuitive while for others it may come mainly through project management experience over time.

Project Management Processes

The applicable project management processes discussed in this document provide a basis for the project manager to successfully complete the project, while maintaining control and accountability.

The experienced project manager understands that a project can be managed in more than one way. The processes presented in this *Methodology* are guides for new or less-experienced project managers. Users should understand that the processes described may have to be repeated many times during the project due to changes in the environment, availability of new or better information, or changes in requirements. Good planning at the beginning of the project can minimize but probably never eliminate the need to repeat some processes.

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PROCESS GROUP	PROCESSES INCLUDED
Initiating Process Group	Develop Project Charter Develop Preliminary Project Scope Statement
Planning Process Group	Project Management Plan Scope Planning Schedule Development Cost Estimating Cost Budgeting Human Resource Planning Risk Management Planning Plan Purchases and Acquisitions
Executing Process Group	Direct and Manage Project Execution Acquire Project Team Develop Project Team Information Distribution Request Sellers Response Select Sellers
Monitoring and Controlling Process Group	Monitor and Control Project Work Manage Project Team Manage Stakeholders Risk Monitoring and Control
Closing Process Group	Close Project Contract Closure

A Note Concerning Process Interactions.

Throughout this *Methodology*, it will be emphasized how processes from any of the Process Groups may come into play at any time during a project. For example, processes from the Closing Process Group may occur at the same time as processes from the Planning Process Group. It is important that the project manager understand this concept. If the project manager views the *Methodology* only in a linear fashion, the project will not be efficient. The project manager must learn that these processes may happen in parallel during some periods of the project. During other periods, the processes will be sequential.

The processes from one Process Group may produce a deliverable for the project or may be the input for a process in another Process Group. These concepts are complex and are not necessarily intuitive. To further understand the concept, review the following figure:

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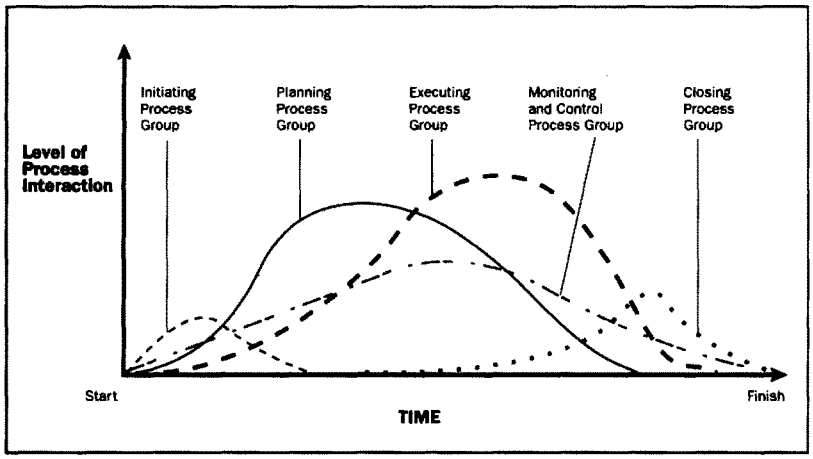

Process Group Interact in a Project (Figure 3-11. *PMBOK® Guide* – Third Edition)

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Detailed Explanation of Process Groups and Processes

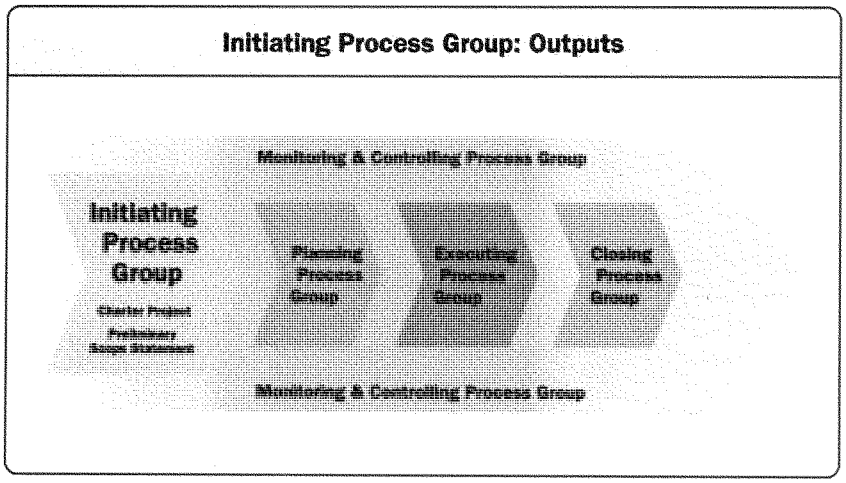
This section will examine each of the five Project Management Process Groups, along with the relevant processes from each group, in the context of a crisis/disaster rebuild project. Each Process Group subsection will begin with a listing of the basic inputs that apply to processes in that group and the outputs or deliverables resulting from these processes. For each process, when applicable, specialized tools and techniques for performing a process are provided. For most processes, available templates are referenced at the end of the subsection.

Initiating Process Group

Inputs	Outputs
• Interviews/Expert Judgment	• Project Charter
• Process Statement	• Preliminary Project Scope Statement
• Documentation (Agency Forms/Policies/Procedures)	
• Contracts	
• Statement of Work (SOW)	

The two processes to help initiate the project are Develop Project Charter and Develop Preliminary Project Scope Statement.

Within this Process Group, the charter formally authorizes the project manager to proceed with the project. The project manager should take great care to ensure that the the project charter and the preliminary project scope statement are as comprehensive and detailed as possible, but should also understand that not everything will be known at the beginning of the project.



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Chartering a project links the project to the ongoing work of the organization. In some organizations, a project is not formally chartered and initiated until completion of a needs assessment, feasibility study, preliminary plan or some other equivalent form of analysis that was separately initiated. Developing the project charter is primarily concerned with documenting the business needs, project justification, current understanding of the customer's requirements, and the new product, service or result that is intended to satisfy those requirements. In disaster relief, this would include servicing organizational, community, governmental and other concerned agency needs.

The project scope statement is the definition of the project - what needs to be accomplished. The preliminary project scope statement processes and documents the characteristics and boundaries of the project and its associated products and services, as well as the methods of acceptance and scope control. A project scope statement may include:

- Project and product objectives
- Product or service requirements and characteristics
- Project boundaries
- Project requirements and deliverables
- Project constraints
- project assumptions
- Initial project organization
- Initial defined risks
- Schedule milestones
- Order of magnitude cost estimate

The preliminary project scope statement is developed from information provided by the initiator or sponsor. The project scope statement content will vary depending on the application area and complexity of the project.

The project charter may need to be updated later and the preliminary project scope statement will be updated to produce a project scope statement, during the Scope Planning Process.

Many of the steps for the processes within the Initiating Process Group will actually occur outside of the control of the project itself. For example, the project manager may have to conduct interviews with non-project personnel, review budgets and other documentation to help complete the project charter that will then help in producing the preliminary project scope statement.

Project stakeholders are persons and organizations such as customers, sponsors, performing organization and the public that are actively involved in a project, or whose interest may be positively or negatively affected by the execution or completion of the project. they may also exert influence over the project and its deliverables. In disaster relief projects, stakeholders may include the general public, local governments, federal agencies, NGOs, agency donors, and other involved parties.

Develop Project Charter

Whenever possible, the project manager should interview those who will receive benefit from the project. Such interviews can be very important to developing the project charter.

Normally a project charter includes the following:

Description of the project – Brief summary of the most important aspects of the project, answering the questions "Why?" (Purpose), "What?" (high level product description/scope, to be elaborated further in the preliminary project scope statement), "When?" (Time), and "How much?" (Resources).

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Purpose/Business Need – Brief summary of who will benefit from the crisis/disaster rebuild project and the need the effort is intended to meet.

Key Assumptions – Brief identification of the most important assumptions, if any, which can be expected to have a major impact on the processes and/or outcomes of the project and which require decisions or actions by the project sponsor or team. Assumptions are factors that, for planning purposes, are considered to be true, real, or certain, without proof or demonstration.

Constraints – Brief identification of the most important constraints, if any, which can be anticipated to have a major impact on the processes and/or outcomes of the project and which require decisions or actions by the project sponsor or team. A constraint is the state, quality, or sense of being restricted to a given course of action or inaction.

Risks – Brief identification of the most important known risks, if any, which can be anticipated to have a major impact on the processes and/or outcomes of the project, and which require decisions or actions by the project sponsor or team. A risk is an uncertain event or condition that, if it occurs, a positive or negative effect on a project's objectives.

Identify Stakeholders – Identification of who the business owner and key stakeholders of the crisis/disaster rebuild project are. Stakeholders are persons and organizations such as customers, sponsors, performing organizations, and the public, that are actively involved in the project, or whose interests may be positively or negatively affected by the execution or completion of the project.

High-level Resources (including budget) – Indication of required and/or available resources to be used on the project. As appropriate, indicate financial, personnel, and material resources (such as equipment, supplies, and services).

High-level Milestones (including deliverables) – Brief description and list of the milestones and dates for the crisis/disaster rebuild project. A milestone is a unique and verifiable product, result, or capability to perform a service that must be produced to complete a process.

Often, a project charter is developed by sponsoring organizations without the project manager's involvement. However, in other cases, the project manager may be required to draft the project charter, for subsequent review and approval by appropriate stakeholders. If you as the project manager are given the project charter developed by others, be sure that you understand its intent and have enough information to begin the work of completing the processes in the other four Process Groups.

Developing the project charter may require interviews, documentation, and a general understanding of the processes within the implementing agencies or the appropriate government. If a contract and/or statement of work are in place, these should serve as a key input(s) to the project charter. Interviews used to develop certain parts of the project charter should usually be used as a means to clarify existing written documentation. However, some areas of the project charter may have only interview data as their foundation.

The project charter should consolidate all relevant information available at the time it is being developed. Remember that the project charter is the foundation or keystone for the project. It will be an input to the next process in the Initiating Process Group, helping the project manager develop the preliminary project scope statement.

The project charter is a formal document.

Template:

A suggested template for a project charter is included in Appendix A. Once the project charter is complete, the project manager is ready to start work on the preliminary project scope statement.

Develop Preliminary Project Scope Statement

The preliminary project scope statement supplies details about the scope of the project, and is an input into the Planning Process Group.

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The project manager should review the project charter and then elaborate on appropriate elements to provide needed detail to when preparing the preliminary project scope statement.

As in the project charter, remember to include those affected by the disaster and the project in developing the preliminary project scope statement. Relief agency headquarters personnel, stakeholders, and donors should have input to this document. Ultimately, however, it is the project manager who decides how to plan the project, the necessary resources, constraints, and how to measure the project.

Major milestones might include, for example: school house, with four classrooms, toilet facilities, kitchen, garden, play area, well. The project manager needs to identify discrete, measurable, tasks. A list of tasks/milestones might include any of the following:

- Establish supply chain (methods used to obtain supplies)
- Secure building materials on site
- Submit lessons learned to implementing agency

The preliminary project scope statement needs to agree with the project charter. If there are differences, they must be resolved before signing the charter. The two documents should be aligned either by changing the preliminary project scope statement to agree with the charter or by updating the charter to reflect the new information included in the preliminary project scope statement. Other documents that may influence or assist in the writing of the preliminary project scope statement include organizational processes and documents used in the writing of the project charter.

Developing the project charter and the preliminary project scope statement may require the project manager to obtain expert judgment by discussing certain issues with a subject matter expert. The project manager may also have to follow established organizational processes, which the relief agency staff are responsible to provide to the project manager. The project manager should request any needed information that has not already been provided.

The preliminary project scope statement helps to prevent scope creep (the adding of features and functionality without addressing the effects on time, cost and resources, without approval) and establishes milestones. The existence of milestones enables monitoring the progress of the project.

Template:

A preliminary project scope statement template is included in Appendix A.

Planning Process Group

Inputs	Outputs
• Project Charter	• Project Management Plan
• Preliminary Project Scope Statement	- Scope Management Plan
• List of Project Deliverables	- Change Management Plan
• Environmental Factors	- Budget (Cost) Baseline
• Roles and Responsibility Matrix	- Risk Management Plan
• Risk planning	- Communications Management Plan
• Cost Estimating (new)	- Procurement Management Plan
• Available Resources	- Logistics Plan
• Subject Matter Experts	- Demobilization/Transition Plan
• Lessons Learned	- Staff Management Plan
	- Schedule Baseline
	• Schedule

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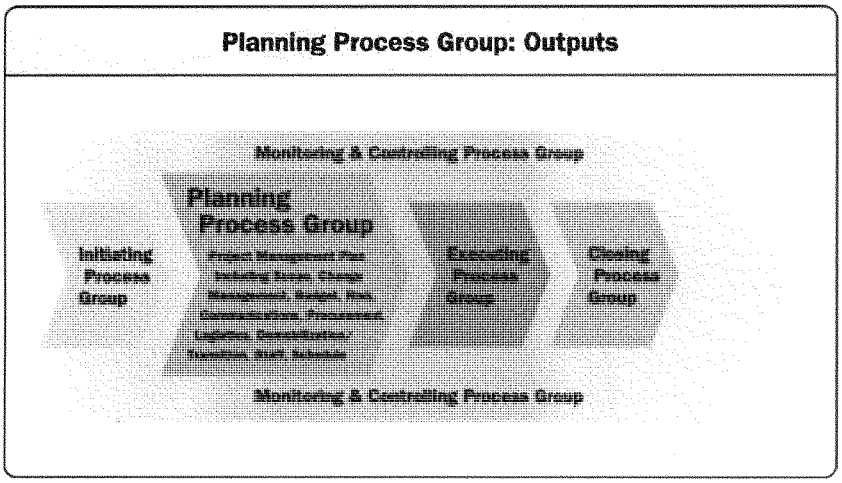
The processes included in the Planning Process Group help guide the project manager through the planning of the project. The project manager is the primary, direct influence on activities in the Planning Process Group.



The purpose of this Process Group is to capture all the elements (such as budgetary, human capital, risk management, performance measures, project constraints) necessary to complete the project according to the agreed-upon goals. The outputs of this Process Group are the project management plan and the schedule.

The project manager may need to seek information from various sources to complete the Planning Process Group Processes. The implementing agency's organizational resources, subject matter experts, lessons learned from prior rebuild projects of other relief efforts, as well as templates and checklists all may provide valuable information for each of the deliverables of these planning processes.

The key processes of the Planning Process Group required to produce the project management plan, include:

- Scope Planning
- Schedule Development
- Cost Estimating
- Cost Budgeting
- Human Resource Planning
- Risk Management Planning
- Plan Purchases and Acquisitions

Scope Planning

The Scope Planning Process builds upon the information gathered in the preliminary scope statement and is used to develop the project scope management plan. The project scope management plan should include a full specification of the project tasks and at a minimum cover the following plans:

- Change Management Plan - Provides the roles and responsibilities, policies, guidelines, and procedures necessary to control and manage scope creep and approved changes to the project.

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- Reporting Process - The policies, guidelines, and procedures necessary to provide credible information distribution to appropriate individuals.
- Communications Plan - Establishes the policies, guidelines and procedures necessary to ensure that all stakeholders are provided timely communications, including reports and meetings.
- Logistics Plan - The logistics plan outlines the policies, procedures and guidelines to help and ensure that material resources arrive to the project site in a timely manner.
- Demobilization/Transition plan -Outlines the policies, procedures, and guidelines for an orderly and cost effective means to return resources safely and to hand off the completed project.
- Other plans as required - Refer to the implementing agency's policies.

The project manager should refer to the project charter and the preliminary project scope statement when developing the project scope management plan. Other items that may influence the project scope management plan include the implementing agency's organizational policies and procedures and environmental conditions present at the project site. In addition, implementing agencies, other project managers and disaster experts should be consulted to find out how projects of similar scope have been managed.

The project manager has the opportunity during this planning process to identify gaps between the relief efforts required by a given situation and the capacity of implementing agencies to respond adequately to the need. Identifying these gaps clearly will encourage the implementing agencies to acknowledge them and to consider working together with other agencies. This may also influence a later process, Plan Purchases and Acquisitions.

The project scope management plan may be kept in either electronic or paper format, depending on the needs of the agency.

By the time the project manager finishes the Scope Planning Process, the preliminary project scope statement will have been updated to a detailed project scope statement. The scope management plan will describe a process to verify that deliverables are complete, a process to control changes, a logistics plan that should include setting up and managing a supply chain and an understanding of the reports required by all stakeholders. This provides the project manager the foundations for executing the project.

Templates:

A template for the project scope management plan is included in Appendix A. The project manager may use this or others as provided or required by the implementing agency. Some organizations like the World Bank and regional development banks require that project managing funds use pre-established processes and procedures. Those should be taken into account and incorporated into the project scope management plan as early as possible in the project. Additional templates include change request, change request report, reporting, and communication plan.

Schedule Development

Due to the unique aspects of a crisis/disaster rebuild project, the project manager will need to develop a milestone-based schedule. Building on the milestones identified in the preliminary project scope statement, the project manager may need to take additional factors into consideration, including the following:

- Implementing agency's organizational processes
- Dates that may be dictated by the government, weather, contracts, material or resource constraints
- Donor or stakeholder date
- Risks

The milestone-based schedule will form the basis for a good cost estimate. The Schedule Development Process and the Cost Estimating Process are closely linked and neither can be completed until they are aligned and management or the approval authority agrees to both as a coordinated whole. The project man-

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ager will use the project schedule to determine the progress of the project and will relate it to the cost to ensure that the project budget is not being expended faster than the work is being accomplished.

The project manager needs to determine how many milestones, and tasks to achieve the milestones, are needed to track the project. Once these milestones and associated tasks are selected, the project manager assigns a date to each task and the latest completion date becomes the milestone date. When the project manager has determined the best estimates for each milestone and date in the schedule and the cost estimate associated with each, the schedule can be approved and baselined. A baseline is an approved plan for the project work against which project execution is checked. Work that is not in the schedule or budget baseline is considered out of scope and should not be done without management approval.

The project manager should not change the baselined dates of the milestones except as outlined in the established change management plan. Then, the project manager will have to update the affected milestones, update the cost estimate, and update the baseline. Anytime a change in schedule takes place, the project manager should communicate this to the appropriate stakeholders.

Project status reports are generated against the schedule baseline-a procedure that helps the project manager with monitoring and controlling the project.

A schedule can be as simple as a small list of tasks or as elaborate and detailed as a Gantt chart with deliverables, tasks, and milestones.

Templates:

A template is provided in Appendix A that may be used to assist in schedule development to assist in activity charting and duration estimating. The template is for milestone/activity schedule estimating.

Cost Estimating

When developing the cost estimates, the project manager should consider the duration of each scheduled activity (see schedule development); the resources necessary to accomplish the project; and the high-level estimate provided in the project charter. This method of cost estimating is called bottoms-up estimating. As described above, the schedule and the cost estimate are linked and decisions made on activity or task durations or the resources applied to the activity or task will normally change the cost estimate. There is a normal interaction between these two processes as they are being completed. As described here, usually the schedule is done first and then the cost estimate. The project manager needs to determine if the estimate provided within the project charter is still reasonable, since this estimating was most likely done several months prior and was a high-level or top-down estimate

Often the first attempt to complete both processes results in either a schedule that is considered too long in comparison to the charter or a cost estimate that is too high in comparison to the charter. The project manager will also have to take into account the Human Resource Planning Process (either explicitly or implicitly) for its affect on the schedule and the cost estimate. Then the project manager must rework these two (or three if human resource planning is explicitly considered) processes, and the charter, until a balance between the charter, the schedule, and the cost estimate is achieved that everyone involved will agree to.

Cost estimating will continue throughout the project. As situations change, the project manager will be expected to understand the change quickly, and its corresponding impact on the cost estimate and schedule. The change may be something that has been officially requested and approved, or it may be an event that has occurred that has forced the project manager to approach a planned milestone differently. The project manager will need to develop an estimate, understand how the estimate impacts the budget, and then may have to request more funds or revise the budget.

On projects of more than six months duration, it is common for a project manager to have to refine the cost estimates as the time remaining to do the work diminishes. This refinement helps keep the estimate more accurate, and may require an update of the Cost Budgeting Process for each milestone. Should the cost estimate differ from the project charter estimate, the project manager is responsible for advising the implementing agency or sponsor, about the discrepancy, its impact on the schedule, if any, and a proposed solu-

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tion as appropriate. Agency staff will provide further instructions to the project manager. The updated cost estimate may require a change to schedule and the project charter. Anytime an estimate changes or is revised, it should be communicated to the appropriate stakeholders.

The Cost Estimating Process produces a cost estimate that is necessary to start the Cost Budgeting Process. As the real costs become apparent, the project manager should update estimates that may directly or indirectly affect the schedule (see Schedule Development Process). This continuous monitoring enhances the project manager's ability to develop the proper reports for the Information Distribution Process.

Templates: Appendix A includes a template for Cost Estimating.

Cost Budgeting

The Cost Budgeting Process is the responsibility of the project manager. The project manager takes the cost estimate and assigns costs to each milestone. This results in a budget. The project manager now has the ability to monitor the costs against the performance of the milestones. The project manager should review the rate at which money is being spent for each milestone and determine whether or not the money is being spent faster than work is being accomplished on the milestone, and how that will affect the cumulative budget.

Should the project manager determine that the budget is being spent faster than work accomplished, the project manager may have to initiate a change request. The change request may be to request more funds, or to extend the schedule, or both. The project manager may also determine that the budget for another milestone may not require the budget allocated and switch the funds to the milestone that is over budget.

The project manager must clearly understand how the funds are being spent on the project so that proper accounting can be maintained. By monitoring expenditures against the schedule, the project manager is effectively using the Monitoring and Controlling Process Group. The project manager should be able to provide accurate reports to the stakeholders and manage their expectations and monitor the risk to the project.

Documentation that will assist the project manager to develop a project budget may include all or some of the following:

- Project Management Plan
- Schedule
- Cost Estimate
- Staffing Management Plan

The project manager reviews the above documentation, evaluates the resources and needs of the project, and determines the cost budget. Should the cost budget differ from the cost estimate or what is proposed in the project charter, the project manager is responsible for advising the implementing agency or the applicable stakeholders, as appropriate, and for resolving any discrepancies. The sponsoring agency will provide further instructions to the project manager. The cost budget may require a change to the schedule, the cost estimate, and/or the project charter.

As the schedule had a baseline, so should the cost. The project cost baseline is the result of the Cost Budgeting Process. Once the cost budget is approved and in agreement with the requirements as established by the implementing agency, the project cost baseline can be established. As with the schedule baseline, once established, the project cost baseline cannot be changed without approval. The project cost baseline should be a formal document approved in accordance with the organization's requirements.

Cost Budgeting Methods: Several methods may be used to develop a project cost budget, which may or may not have also been used in developing the cost estimate. Some budgeting techniques commonly used by implementing agencies include matching revenue forecasts to spend and monitoring cash flow. In addition, the project manager may have to be aware of the currency exchange rate, since this may have major shifts and affect the budget.

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Depending on the requirements of the implementing agency, the project manager may also have to understand the indirect charges that might be applied to the project. Indirect charges are those costs that are charged to the project but are not directly related to the activities of the project. Indirect charges may include a proportionate amount for the relief agency's headquarter staff. Check with the sponsoring agency to understand how your project will be affected.

Templates:

The project manager may communicate the project cost baseline by using project management software, a paper-based ledger, or a template provided by the agency. The project manager should verify the form to be used for the project cost baseline with the agencies involved.

Once the project has begun, the project manager should report the progress of the project in terms of schedule and cost (See Schedule Development Process, Information Distribution Process, and Monitor and Control Project Work Process). The Information Distribution Process will determine the frequency of the reports. However, the project manager should be reviewing expenditures against the budget on a regular basis.

Human Resource Planning

The Human Resource Planning Process produces the staffing management plan, a document for which the project manager is responsible. The staffing management plan must agree with both the approved schedule and the cost baselines.

The staffing management plan specifies the project roles, responsibilities, reporting relationships and how the project will be staffed. Project roles are assigned either to individuals or groups, both inside or outside the executing organization. For example, the project manager may determine the need for a carpenter. The project manager may then determine that none are currently available, and subsequently he or she would need to contract a carpenter via the procurement management plan. Or the project manager may change the manner in which the milestone is accomplished, no longer requiring a carpenter. While developing the staffing management plan, the project manager must constantly keep in mind the potential impact on the schedule and cost baselines as changes are made.

The staffing management plan only reflects human resources. The other resources such as lumber, nails, cement, medical supplies, trucks, etc., are accounted for as part of the cost estimate.

Templates:

A template for the staffing management plan is available in Appendix A. It includes how the staff is going to be acquired, what is the timetable for using any available or required resources, under what circumstances are the resources going to be released, what kind of training needs are going to be covered.

The government agencies, implementing agencies, or even contractors may have templates and checklists to help the project manager to reduce the time required to plan for the human resources. For example, the World Bank requires a very strict procedure to describe the role and hire a resource being paid with financial resources provided by the bank.

Risk Management Planning

The objective of the Risk Management Planning Process is to minimize threats to the project, take advantage of opportunities, and to keep the project team safe. After identifying the threats to the project, the project manager must develop a plan to mitigate risks to cost and schedule.

The risk management plan describes how risk management will be structured and performed on the project. Normally, the risk management plan includes the following:

- Reporting formats - How will the risks be communicated

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- Tracking - Documents and records risk activities for current and future projects and lessons learned
- Enterprise environmental factors
- Risk List - with quantification and risk trigger
- Security Plan (defined by the relief agency)
- Sustainability Plan (defined by the relief agency)
- Contingency Plans
- Demobilization/Transition Plan or Exit Strategy (defined by the relief agency).

The following is a detailed explanation of several of the above-listed risk management plan components:

Enterprise environmental factors. Project success is dependent upon navigating the project through all its various uncertainties. The project manager must be able to look at the environment of the project and determine the risks. The environment may be thought of as the internal project culture, implementing relief agency, and the external physical and social surroundings. The external stakeholders are generally more difficult to identify than other stakeholders and include all those who will be affected negatively or positively by the resulting project outcome. The project manager must consider the natural, political, technological, and social environments, financial and economic situation of the area, and human health and safety of those affected by the project.

Risk List. This task consists of identifying and ranking all the possible risks that may significantly affect the success of the project. In order to identify all the potential risk, it is necessary to undertake risk identification. This might involve soliciting expert judgment or conducting a "brainstorming" workshop with the project team members. Once identified, the risks are ranked according to probability of occurrence and severity of impact. It is recommended to actively manage at least the top ten risks using a risk management plan.

Security Plan. The project manager is responsible not only for the success of the project, but the well-being of the project team as well, which may be a major risk on the project. Therefore, the project manager must develop a security plan. The security plan should include a brief description of security concerns and threats, and a contingency plan to respond to the security concerns. For example, the project manager may understand that there is a potential for a cholera outbreak. The project manager's contingency plan may be to have project team members vaccinated prior to joining the team.

Sustainability Plan. Often, the requiring relief agencies will also require development of a sustainability plan (a long-term operational plan). The sustainability plan should complement the existing services already being offered by other agencies and the government. The sustainability plan outlines how the disaster victims, along with the completed project, will continue to sustain themselves after the departure of the implementing agency. It may be as simple as having the new school house also be the center for distributing goods or the area for a community garden.

Contingency Plans. Once the risks are identified, the project manager must develop contingency plans. The contingency plans should include at a minimum the following information:

- Risk probability
- Risk impact
- Risk mitigation
- A risk trigger.

A contingency plan is applied to identified risks that occur during the project. In order to develop the contingency plans, the project manager should review the implementing agencies' processes and documentation from other disasters. There may be some risks with associated contingencies already available to the project manager. Speak to disaster victims; speak to subject matter experts at the implementing agency; and speak to other relief project managers. Review the project documentation that has been created. This includes the draft project management plan created so far, including the cost baseline, the schedule baseline, the human resource plan, and the draft procurement management plan.

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Risk probability is the likelihood that a risk will occur and risk impact is the effect on project objectives if the risk event occurs. Risk probability and risk impact may be described as very high, high, moderate, low, and very low. Probability and impact of risk are applied to specific events, not the overall project.

Mitigating project risk requires first establishing an appropriate strategy in the event a risk event occurs. Mitigation seeks to reduce the probability and or consequences of an adverse risk event. The strategies may range from simple decisions to accept the risk, especially on small projects, to a comprehensive plan if the likelihood of the event happening is high or very high and/or the effect may be high or very high.

The project manager should also develop risk triggers when possible. Risk triggers, sometimes called risk symptoms or warning signs, are indications that a risk has occurred or is about to occur. For example, a cyclone may be predicted by increasing wave activity and height; earthquakes and tsunamis may be predicted by increased Richter scale activity. If the risk trigger occurs, it does not mean the risk will necessarily occur, but it means that the risk has a higher probability of occurring.

The contingency plan should also outline what will be done when the risk trigger or risk occurs. For example, will the project team evacuate when the risk trigger like increased Richter scale activity occurs? Or, will the evacuation only happen after the risk has happened? These strategies must be determined during the Risk Management Planning Process.

Demobilization/Transition Plan (Exit Strategy). Part of the Risk Management Planning Process needs to include the exit strategy for the team. The exit strategy risks should evaluate the risks associated with the demobilization/transition plan. The project manager needs to ensure that the risks associated with the demobilization/transition plan are documented and updated in the risk management plan. The risks should identify internal and external risks.

The project manager should use expert judgment and previous experience to determine the risks. Many times this is accomplished by having planning meetings to specifically discuss risk. Once the planning is complete, the project manager can create a risk management plan.

Templates:

Several risk management planning templates are included in Appendix A. Some or all of the templates may be used to assist in information gathering (brainstorming), prioritizing, and assessing levels of risk. Depending on the project, they can be added or eliminated as required. The templates are as follows:

- Risk brainstorming
- Risk identification
- Project risk prioritization worksheet
- Risk response plan
- Risk management plan.

The risk management plan is a living document that needs to be reviewed and updated by the project manager on a continuing basis. Using the Monitoring and Controlling Process Group's Risk Monitoring Process, the project manager should update the Risk Management Plan.

Plan Purchases and Acquisitions

Plan Purchases and Acquisitions is the process of identifying which project needs can be best met by procuring products or services outside of the project organization.

A Plan Purchases and Acquisitions Process assists the project manager in acquiring resources needed for the project. The procurement management plan is the document that results from this process.

Plan Purchases and Acquisitions is approached here from the perspective of the buyer in the buyer-seller relationship. The buyer-seller relationship can exist at many levels on one project. Sometimes the seller may be called a subcontractor, a vendor, or a supplier.

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To develop the procurement management plan the project manager needs to review the project management plan and the staffing management plan. Additionally, the project manager may need to review the milestone schedule and cost estimate to determine when the various resources are needed for the project. The project manager must work with the implementing agency to ensure that proper procedures are incorporated into the process to adequately monitor payments and deliveries.

In the spirit of sustainability for the affected area, the project manager should consider the following actions:

- Create opportunity to work with various communities in the disaster area
- Obtain any pre-approved sellers' (vendors') list available for the local community
- Establish a method to expedite communication and approval processes
- Build working relationships with the local government in terms of understanding how to be able to bring a product/service into the country
- Identify if possible, leading community leaders who could aid in obtaining a communications channel to be able to facilitate relief agency work
- Identify distribution channels and alternative routes for access to the local resources.

Templates:

Appendix A contains four templates in support of the Plan Purchases and Acquisitions Process: procurement plan, resource plan, resource requirements worksheet, and resource pool description.

Executing Process Group

After the project management plan has been defined and approved, the Executing Process Group can start. This Process Group produces the deliverables required to achieve the goals of the project. The processes involved ensure that adequate resources and people are integrated and that activities are focused toward accomplishing the project scope.

Inputs	Outputs
• Project Management Plan	• Project Staff Assignments
• Schedule	• Information Distribution
	• Letters of Agreement
	• Logistics Delivery
	• Deliverables
	• Implement Change Requests

All the activities are performed according to what is specified in the project management plan and the various other project-related plans. Regular feedback on activity performance as defined by the Monitoring and Controlling Process Group will help to monitor the efficiency of the project and allow time for corrections if necessary. Correcting inefficiencies may require a change request or simply a different way of approaching a task. Those actions that change the cost or schedule baseline or change the requirements in the project documents need to be documented by an approved change request.

The Executing Process Group, along with the Initiating and Planning Process Groups, results and activities will be the inputs to the Closing Process Group. These ensure appropriate closing of all project activities and an efficient and effective delivery of the project.

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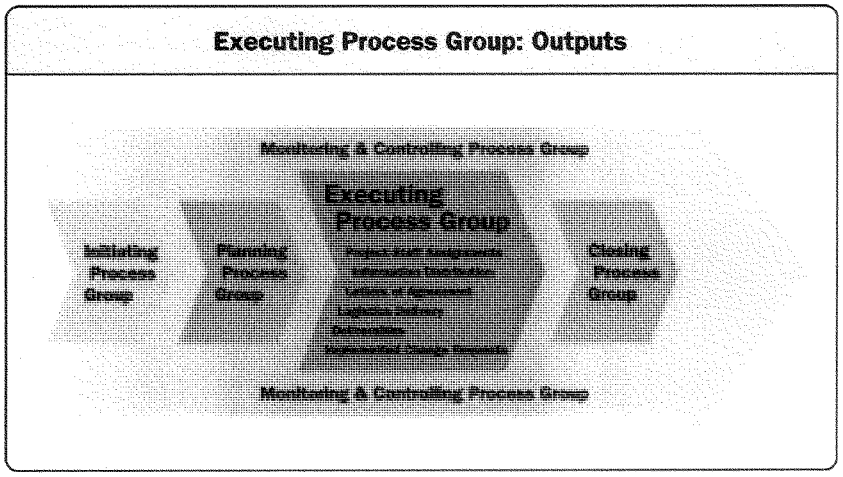

Key processes of the Executing Process Group include:

- Direct and Manage Project Execution (Directing Daily / Weekly / Monthly Activities, including changes)
- Acquire Project Team (Resource Acquisition / Hiring)
- Develop Project Team (Team Skill Development)
- Information Distribution (Activity Reporting / Communication)
- Request Sellers Responses
- Select Sellers (Establish letters of agreement with partners and sellers)

The processes within the Executing Process Group normally will have the longest duration of any of the Process Groups, and are managed by the project manager.

Direct and Manage Project Execution (Directing Daily / Weekly / Monthly Activities, including Change)

This process executes the project tasks and is closely related to the Monitor and Control Project Work Process (See the Monitoring and Controlling Process Group). The result is that both Processes are tightly linked and are normally working in parallel. This Process does not have a deliverable. However, to adequately implement this Process the project manager needs to be familiar with all the project documentation produced in the Initiating and Planning Process Groups. The project manager executes the plans, while adhering to the guidelines and procedures outlined in the project management plan.

Acquire Project Team (Resource Acquisition / Hiring)

The project manager needs to understand the skills required for the project (normally this comes from the staffing management plan) and what resources are available.

The project manager will need to use various sources to understand the availability of resources, the resources' skill sets, and the gap between what is needed and what is available. The project manager will have to review project documentation, including the following:

- Project management plan

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- Schedule
- Staffing Management Plan
- Procurement Management Plan
- Approved changes.

In addition, the project manager should review the implementing agency's policies and procedures, interview other project managers and relief workers with experience, and interview the local leaders. The various inputs will help the project manager acquire the proper team in an appropriate manner. The project manager will most likely have a project team that consists of individuals who were affected by the disaster.

The project manager may have identified some tasks that do not have the appropriate resources. Or, the project manager may decide to staff the project team with unskilled labor, understanding that the Develop Project Team Process would be necessary. If the project manager deviates from the staffing management plan, then he or she must check to see if an update to the schedule and/or the cost estimate is required.

Templates:

This process may or may not produce documentation. If parts of the team were acquired using the procurement management plan, then there may be contractual documents. Other documents may include a roles and responsibility table or a staff assignments table, and possibly an organizational chart. The project manager, along with the implementing agency's requirements, will determine what documents need to be created.

Develop Project Team (Team Skill Development)

Develop Project Team is the Process necessary for developing the skills, competencies and capabilities of the team members to enhance project performance. The project manager will need to use the staffing management plan to understand where the team may need skills developed and should anticipate these needs prior to the time when the skills will be required.

Skill Development Methods. The methods by which the project manager may develop the required skill sets for the project team are listed below. These techniques are provided as suggestions-the project manager must determine which ones may be appropriate for use.

General management skills. Skills such as empathy, influence, creativity, and group facilitation are valuable assets when managing a project team. People skills are particularly important to team development. By understanding the culture, actions and concerns of team members a project manager can increase cooperation and greatly reduce problems on a project.

Training. Training can be formal or informal, can enhance productivity of team members and can be specific to management or technical in nature. Examples of types of training include classroom or on-the-job and can be conducted by a professional trainer, a project team member, mentor, or coach.

Ground Rules. Rules establish clear expectations of acceptable behavior by project team members. Early commitment to clear guidelines will decrease the chances of misunderstandings and foster productivity. Team members will have a better understanding of each other's values and the need to enforce rules once they are established.

Recognition and rewards. The ways in which desirable team behavior is to be recognized and rewarded should be established when the project team is acquired. Specific reward decisions can be made formally or informally during the process of managing the project team and performance appraisals. Factors to consider include cultural differences and balancing team rewards with individual rewards.

The major output of team development is the staff performance assessment. As the project progresses, the project management team makes formal and informal assessments of the project team's effectiveness and development. Evaluation criteria can include: skills and competency improvement and staff turnover rate and improvement in overall productivity.

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Templates:

No specific templates are available for this process.

Information Distribution (Activity Reporting / Communication)

The Information Distribution Process describes how the project manager communicates with the project staff, sellers (vendors), the implementing agency staff, donors, and stakeholders. The project manager must decide how to communicate the information to the various interested parties in a timely manner. Information that may be communicated would include project documentation such as the project charter, change requests and their status, schedule status (including milestone accomplishment or delays), budget status, expenditures, and other information as required by the project management plan and organizational requirements.

The project manager should review the project management plan and implementing agency's processes to understand what information is required, to whom it has to be communicated, and at what frequency. The frequency and type of information reported may be decided by the project manager, while some of it may be dictated by the implementing agency, project documentation, donors, or stakeholders.

The project manager must have adequate communication skills to relay the information. Depending on the project, the project manager may use interpersonal skills almost exclusively to communicate with project resources, and may use email and/or telephone communications with the relief agency staff.

Information Distribution keeps the entire project team informed. It is the project manager's responsibility to ensure all members have the necessary information to accomplish a task. However, the project manager must also understand the requirements established by the implementing agency.

The Information Distribution Process is tightly linked with the Monitoring and Controlling Process Group. Much of the information contained in the various reports will be the result of analysis that takes place in the Monitoring and Controlling Process Group.

Templates:

Templates in Appendix A that may be used for Information Distribution include the following:

- Communications plan
- Cost tracking change request
- Change request
- Project risk prioritization
- Project change request report
- Schedule variance analysis worksheet
- Variance analysis worksheet
- Workaround planning
- Work results guidelines.

The above templates are not required, but provide the project manager with options. The implementing agency may have forms that must be used. The project manager may use the templates or use a less formal system to communicate with the various stakeholders.

Request Seller Responses

The Request Seller Responses Process generally assists in defining a consistent process that all prospective sellers can follow when responding to a request for proposal (RFP) solicited by the implementing agency project manager. The Request Seller Response Process serves as the input for the Select Sellers Process.

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The project manager should use the procurement management plan, speak to local leaders, consult with government personnel and review and discuss issues with the implementing agency. This input will help the project manager decide how to proceed with the Request Seller Responses Process.

Templates:

Appendix A provides two templates in support of the Request Seller Responses Process-an acquisition process workflow prototype and a request for proposal.

Once the project manager receives the responses from the sellers, the next process, Select Sellers, begins.

Select Sellers (Establish contracts or letters of agreement with partners or sellers)

The Select Sellers Process assists the project manager in choosing the best sellers (vendors or suppliers) based on prioritized needs of the project and results in contracts or letters of agreement. This process is the foundation for setting up seller selection evaluation criteria and the final steps of seller selection.

The project manager will need to implement the Select Sellers Process as outlined in the procurement management plan. This will help the project manager select qualified sellers. When selecting sellers, the project manager needs to understand the culture and the law, and consider the need to promote long-term sustainability in the affected area.

Template:

A Select Sellers Process worksheet is provided in Appendix A, along with a letter of agreement. This process is heavily dependent on the customs and laws of the country where the project is being done. The project manager must coordinate efforts with the implementing agency to ensure that the proper controls are in place.

Monitoring and Controlling Process Group

The Monitoring and Controlling Process Group monitors and controls the work being done during any Process Group. It also serves to monitor and control the entire project effort. The Monitoring and Controlling Process Group must also provide feedback to implement corrective or preventive actions to bring the project into compliance with the project charter and project management plan or modify them appropriately.

Inputs	Outputs
• Project Management Plan	• Approved Change Requests
• Schedule	• Corrective Action/Risk Response/Security Updates
	• Staff Performance Assessment
	• Communications/Status Updates
	• Project Management Plan Updates
	• Cost & Schedule Variance Analyses

This Process Group provides the minimal processes to observe and correct project performance on a regular basis. Within this group, control changes and reordering of priorities may occur. Key processes of the Monitoring and Controlling Process Group include:

- Monitor and Control Project Work
- Manage Project Team
- Manage Stakeholders
- Risk Monitoring and Control

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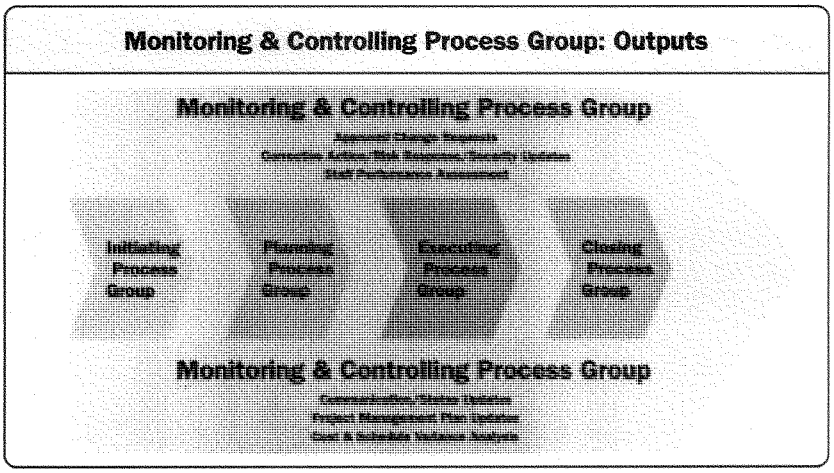

Monitor and Control Project Work (Monitoring Daily / Weekly / Monthly Activities)

Monitor and Control Project Work occurs throughout the project and includes daily, weekly, and monthly activities. The project manager must monitor and limit, as appropriate, changes that may occur on the project. As approved changes occur, they should be incorporated within the project charter and project scope statement. The project objectives and future deliverables should be reviewed, assessed, and updated as necessary in the project charter and project scope statement. This will ensure compliance of deliverables with the project objectives and sponsor's expectations.

Changes to the project charter can be administrative or substantive scope changes. Administrative changes include items such as stakeholder name changes, project manager name changes, grammatical or spelling corrections. Substantive scope changes may have serious implications and should be carefully considered and included as a change to either the project charter or project scope statement only if approved by the appropriate stakeholders. Normally, very few changes are made to the project charter during a project. The potential for schedule and cost variances increase when the project charter or project scope statement changes, especially when changes occur further into the project.

To the greatest degree possible, the project manager should have the responsible parties provide reports on a daily, weekly, or monthly basis, depending upon the risk associated with the items and the duration of the tasks. If tasks are deemed critical, or have associated risks that are being tracked, the reporting should be more frequent. All tasks should be reported upon completion, or when new risks surface, that put the completion dates in jeopardy.

It might not be possible to obtain reliable reports, given the lack of communications infrastructure in developing areas, so the project manager will have to be proactive and creative to achieve reliable monitoring and controlling.

> [Note: Any time the project manager performs an analysis, a process from the Monitoring and Controlling Process Group is being done. It cannot be emphasized enough that the project manager may be involved in many processes while doing one activity. With experience, the project manager will feel increasingly comfortable and will intuitively employ processes at the appropriate time.]

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Templates:

On a day-to-day basis, the project manager uses several different templates. The project manager needs to determine which templates will be effective for the project. It is recommended that the project manager coordinate with the implementing agency. The templates provided in the Appendix A are recommendations only.

The following templates, which are the same as for the Information Distribution Process, are available in Appendix A, and may be used as part of Monitoring and Controlling Project Work:

- Communications plan template
- Cost tracking change request
- Change request
- Project risk prioritization
- Project change request tracking report
- Project risk evaluation
- Schedule variance analysis
- Variance analysis worksheet
- Workaround planning worksheet
- Work results guide
- Others (relief agency templates).

Manage Project Team (Recognize milestone achievements)

Manage Project Team Process is the process necessary for tracking team member performance, providing feedback, resolving issues and coordinating changes to enhance project performance and recognizing achievements. The project manager observes team behavior, manages conflicts, and resolves issues. As a result of managing the project team, the staffing management plan is updated, change requests submitted, and issues resolved. This is a complex process when team members have dual reporting relationships and the project manager is responsible for settling disputes.

The project manager should become experienced in observing the dynamics of the project team. The project manager must also account for cultural dynamics. He or she should speak with team members and resolve conflicts as appropriate. The project manager may also want to keep an issues log.

It is important to take opportunities to recognize project achievements (normally milestones) to help increase morale within the team.

Team Management Methods. Below is a short description of each technique that may help the project manager to manage the project team:

Observation and Conversation. The project manager uses observation and conversation to stay alert to the work and attitudes of project team members. He or she also manages progress toward project deliverables, accomplishments, and interpersonal issues.

Conflict Management. Successful conflict management results in greater productivity and more positive working relationships. Sources of conflict include scarce resources, scheduling priorities, personal and cultural work style differences, and unclear roles and responsibilities. Identifying and planning for team ground rules, group norms, communications, and role definition can reduce the amount of conflict. Project team members are initially responsible for resolving their own conflicts and should escalate the issue if it cannot be resolved. However, depending on the culture and the nature of the conflict, the project manager may have to intervene to facilitate a satisfactory resolution.

Issue log. A written issue log can document specific issues that might prevent a project team from achieving its goals. This document helps the project manager monitor specific issues and their reso-

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lution until closure of the project. Obstacles include: differences of opinion, investigations, and unexpected reassignment of responsibilities.

Templates:

Appendix A contains one template that applies to this process-the issue log.

Manage Stakeholders (Meeting Stakeholder Expectations)

The Manage Stakeholder Process is defined as the process for managing communications to satisfy the requirements of stakeholders and resolve their issues. The project manager is responsible for stakeholder management and addressing stakeholder issues. Stakeholder management can be successful with open and honest communications.

The project manager must keep the stakeholders informed and this should be done via the Information Distribution Process defined in the communications plan. In addition, the project manager should review the project charter and the project management plan for any specific requirements.

The project manager should review the Information Distribution and communicate with the stakeholders as required by the communications plan. The communication may be as simple as an email, or may involve telephone calls or face-to-face meetings.

Templates:

There are no special templates for this process.

Risk Monitoring and Control

The Risk Monitoring and Control Process is necessary for tracking identified risks, monitoring residual risks, identifying new risks, executing risk response plans, and evaluating their effectiveness throughout the project. Planned risk responses are included in the risk management plan and are executed throughout the project. As the project progresses and work is completed, the plan should be continuously monitored for any new or changing risks.

Other purposes of Risk Monitoring and Control Process include determining if:

- Project assumptions are still valid
- Assessed risks have changed from their prior state
- Proper risk management policies and procedures are being followed
- Contingency reserves for cost or schedule should be modified.

Risk Monitoring and Control can involve choosing:

- Alternative strategies, contingencies or fallback plans
- Corrective actions
- Modifications to the project documents.

The project manager should review the risk management plan and other project documentation to monitor the potential risks to the project. The project manager should maintain a risk list that will provide a quick synopsis of the project risks. The risk list has key inputs that include identified risks and risk owners, agreed-upon risk responses, specific implementation actions, symptoms and warning signs of risk, residual and secondary risks, a watch list of low-priority risks, and the time and cost of contingency reserves. As the risks are responded to as they occur, the project manager must continually reassess for changes to the project, and may have to approve changes as needed.

The project manager should be able to understand the risk to the project by speaking to the team members and by maintaining frequent contact with the implementing agency and with appropriate government officials.

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The project manager should always be assessing the security of the team. The project manager may not have a lot of time to react to a security threat. Therefore, it is important that the project manager understand how the security plan will be implemented. If possible, security drills should be conducted.

Templates:

The applicable templates in Appendix A may be used to assist in risk evaluation and reviewing risks. Depending on the type of project, they can be added or eliminated as required. The recommended templates are risk prioritization and risk response.

Closing Process Group

The Closing Process Group includes the processes used to formally terminate the activities of a project or a project phase, coupled with a handover of the completed product to the government or the civilian owner as the rebuilt infrastructure and services become operational.

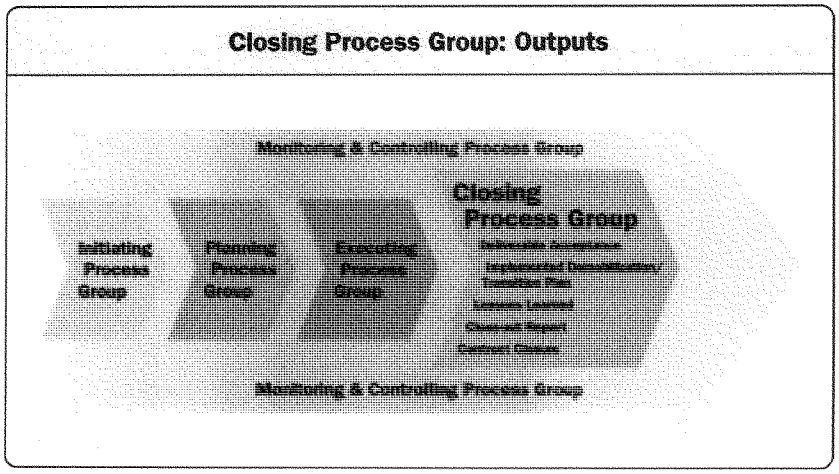
Inputs	Outputs
• Deliverables	• Deliverable Acceptance
• Project Staff Assignments	• Implemented Demobilization/Transition Plan
• Project Management Plan	• Lessons Learned
• Environmental Factors	• Close-out Report
	• Contract Closure

When completing the Closing Process Group, it is not unusual to experience a large turnover of relief personnel. This process group should include actions to minimize the impact of demobilization and provides continuity to the succeeding project or the use of the completed project deliverables.

This Process Group verifies that the defined processes are complete within the other Process Groups and formally establishes that the project or project phase is finished.

Key processes of the Closing Process Group include:

- Close Project
- Contract Closure



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The activities include generating, gathering, and disseminating information to all parties to formalize project completion and facilitate the transition to succeeding projects.

Close Project

This is the process necessary to finalize all activities across all the previous processes and to begin the task of ending the organization's involvement in the project. The Close Project Process is initiated by the project manager and must clearly demonstrate the end of the project to all stakeholders, other implementing agencies, private donors, and the appropriate government. The high visibility of the start of rebuild operations must be complemented by a clear and positive signaling of the end of the project.

The method by which a project will close will in most cases have been decided by the manner in which the implementing agency entered the project. The nature of the agency and the type of services provided by the agency will inherently affect how the project manager will initiate the Close Project Process. The level and type of funding, political considerations, type of relief provided, and severity of the disaster all affect when, who, how, and why the project will end. In approaching the Close Project Process, the project manager must clearly understand what has been done in earlier processes to understand the constraints involved in the closing of the project.

The Close Project Process ideally should begin early in the project as each element or resource or task is conceived. For every activity that the implementing agency is going to accomplish or initiate, a concurrent closing action should be developed by the project manager. The transient and temporary nature of relief operations mandates that the project manager consider the closing process early and develop a tentative Close Project Process during the initial planning Process. The tentative close project plan can be adjusted and formalized as the project develops, matures, and changes.

During the close of the project, the project manager should be vigilant for security concerns. It is suggested that the project manager maintain contact with with the community leaders and implementing agency regarding security concerns

In developing the closing processes, it is important that the project manager understands certain details for each activity being undertaken by the implementing agency. Items that should be considered are:

- Description of the activity, what is it, where is it?
- What will occur with it at the conclusion of the project?
- Constraints and risk involved in ending the activity
- Costs involved in closing; both financial and human resources
- Impact of closure on stakeholders.

The goal of the project manager in completing the Close Project Process is to make it as efficient as possible and to ensure that all stakeholders involved in the project leave with a positive sense of accomplishment.

There are a number of elements that make up the Close Project Process. These elements will be present to some degree in all rebuild operations, and the project manager should examine each of these elements.

Exit Strategy. This is an articulation of when and how the organization will end its activities. The strategy is a vision statement for the organization which defines the circumstances under which they will declare they have completed the mission and should begin to exit. It is also a description as to which assets and resources they will take, leave, transfer, or abandon.

Transition/Hand off. Assets, activities, or functions that will be left behind have to be transferred to the correct agency. This activity will require formal coordination and ideally should be in writing to avoid misunderstanding. The transition/hand-off plan can include a list of resources, activities, or equipment that the implementing agency controls and the disposition of these upon project completion. For example, the implementing agency may determine to leave construction equipment. It is important that the project manager identify any associated costs, both financially and in terms of human resources, which will occur during the transition or hand off.

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Demobilization of project resources. Project resources may include any possible resource used in the project; while human resources are the primary focus, this process also includes any equipment and/or non-consumed goods. The project manager must ensure that he or she understands the risks involved and how to implement the demobilization of project resources. The project manager must do everything possible to ensure the safe return of all agency personnel.

Internal Close-Out Procedures (as required by the Relief Agency). These are both established and ad hoc actions that the project manger must take to close out internal activities that the implementing agency has established. Internal close-out procedures support return of all assets that the implementing agency wishes to take back. The project manager should consider these activities as the organization is packing up its daily operations and getting ready to depart physically from the project.

External Close-out Procedures. These are both established and *ad hoc* actions that the project manager must take to close external activities that the implementing agency has established with other working groups or commercial enterprises.

Close Out. The implementing agency may have either informal or formal procedures for collecting knowledge acquired during the project. A formal close-out report is included in Appendix A. Feedback can be provided to PMI for updates to this *Methodology.*

Final Reporting to Donors. The unique nature of relief operations may require the project manager to provide reports that may be used to provide feedback to the donor.

The agency will decide or define which project project documentation it requires to close out a project.

Template:

Appendix A contains a template for the close-out final report.

Contract Closure (Close Contracts)

The Contract Closure Process is the process during which the project manager formally closes out all contracts that have been established to support both internal and eternal needs. The procedure for closing the letters of agreement will have been established in the Planning Process Group, specifically in the procurement management plan.

The project manager must ensure that the implementing agency's policies for contract closure are also incorporated into the process. The legal requirements and customs pertaining to the disaster area will also have to be evaluated.

The Contract Closure Process includes the following:

Internal Legal Closing Procedures. This refers to the closure of contracts that are applicable to internal support to the implementing organization. These involve contracts to provide services, such as work contracts, or contracts between different sections of the implementing agency, such as part of an organization providing administrative services. This includes the verification that all work and deliverables were acceptable.

External Legal Closing Procedures. This refers to the closure of contracts that were established by the implementing agency with outside bodies to provide goods and services. This involves administrative activities, such as updating records to reflect final results, and archiving such information for future use. The project manager must verify that all work and deliverables were acceptable, as this is an area that is subject to investigation by all stakeholders.

There are four documents that will ensure that contract requirements are met. Those documents are as follows:

- Contract Documentation
- Procurement Management Plan
- Contract Management Plan
- Contract Closure Plan.

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Appendix A - Templates

Project Charter Template

The project charter is the first document produced on the project. The project charter is the foundation of the project. It authorizes the funding and gives the project manager the authority to lead the project. The project charter will require approval from the relief agency.

Project Name:		
Prepared by:		
Date:		
Project Authority:	*Executive sponsor and the designated project manager*	
Description of Project:	*Briefly summarize the most important aspects of the project by answering the questions "Why?" (purpose), "What?" (product description/ scope), "When?" (time), and "How much?" (resources)* *Identify what product is to be delivered at the end of the project, and at any interim delivery points. Describe the product sufficiently to enable the project team to create it, and for agreement to be reached at product delivery time that the product has been correctly produced. List what is "in scope" as well as what is specifically "out of scope."*	
Purpose/Business Need:	*Identify who are to receive and benefit from the post-disaster rebuild project and the need the effort is intended to solve.*	
Key Assumptions, Constraints, Risks:	*Briefly identify the most important assumptions, constraints, and known risks, if any, which can be anticipated to have a major impact on the process and/or outcome of the project and which require decisions or actions by the project sponsor or team.* *The constraints section of the project charter may emphasize to the project manager the need to only use certain vendors or to use the local community for labor resources.*	
Identify Stakeholders:	*Identify who are the business owners and key stakeholders of the post-disaster rebuild project.* *For example, the project charter may identify that the effort has stakeholders from other relief agencies, private donors, and the government. Therefore, the project manager may have to develop extra reports to meet the requirements of the additional stakeholders.*	
High level Resources (including budget):	*Indicate required and/or available resources to be used on the post-disaster rebuild project. As appropriate, indicate financial, personnel, and material resources (such as equipment, supplies, and services)*	
High-level Milestones:	*Briefly describe and list the milestones and deliverable dates for the post-disaster rebuild project.*	
Statement/ Prediction of Benefit:	*Briefly describe the success criteria for the post-disaster rebuild project. It is recommended that at least three benefits be identified.*	
Miscellaneous:	*Identify and explain any other matters that are important for the initiation and conduct of the project. Focus on charter issues of importance between the project sponsor and the project manager. This section is not for describing the project plan. Items that may be included are acceptance criteria, change management, communication and reporting, and others, as necessary.*	
Approval:	Executive Sponsor:	Project Manager:

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Preliminary Project Scope Statement Template

This template helps the project manager organize the various aspects of the project. It will assist the project manager develop the Project Scope Management Plan. The Preliminary Project Scope should be approved by the relief agency.

Project Name:		
Prepared by:		
Date:		
Description of Project:	*It is recommended to use the same description as the project charter.*	
Detailed Key Assumptions, and Constraints:	*Identify in more detail the assumptions and constraints listed in the project charter.*	
Detailed Resources:	*Define the types of resources needed and what the resources will provide to the team.*	
Project Milestones (Deliverables):	*A list of the summary products whose full and satisfactory delivery marks completion of the project. This differs from the high-level milestones within the charter by providing a much more detailed view of project deliverables.*	
Known Exclusions	*What is expressly not included in the project?*	
Manage Project Costs:	*The project manager needs to asses the requirements of each milestone and calculate a cost.*	
Approval:	**Project Manager:**	**Sponsor:**

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Project Management Plan Template

The project management plan is the blueprint for how the project should be managed and controlled. It is developed using the information from the project charter and preliminary project scope. The information included is provided in more detail and this template has several plans and processes. The project management plan needs to be approved by the relief agency.

Project Name:	
Prepared by:	
Date:	
Description of Project:	*It is recommended to use the same description as the project charter and initial project scope. More detail may be included.*
Detailed Key Assumptions, and Constraints:	*Identify in more detail the assumptions and constraints listed in the project charter and initial project scope. Provide more detail.*
Detailed Resources	*Define the types of resources needed and what the resources will provide to the team. Provide more detail, such as how the resources relate to the milestones.*
Project Milestones (Deliverables):	*A list of the summary products whose full and satisfactory delivery marks completion of the project.*
Known Exclusions	*What is expressly not included in the project?*
Detailed Budget:	*The project manager needs to asses the requirements of each milestone and calculate a detailed cost.*
Affirmation of Predicted Benefit	*The project manager needs to have a statement that affirms the benefit.*
Change Management Process:	*Detail how change management will be done on the project. Check with the relief agency to see if there is an existing process. If not, the project manager must decide who can initiate project changes, who the project changes are submitted to, who does the analysis, and who has approval authority.*
Reporting Process:	*The project manager needs to determine what reports are needed, who the reports are provided to, and on what schedule. The project manager should work with the relief agency.*
Communication Plan:	*The communication plan details how communication will occur in the project. It includes formal and informal communication. The project manager should outline how reports are communicated, who receives what report, when to contact project donors, how to communicate changes to the team, how different aspects of the team communicate, how to communicate with the vendors, how to communicate high priority items to the relief agency, etc. A suggested template is included.*
Logistics Plan	*The project manager must work with the relief agency and other project managers in the area. Logistics and the supply chain for materials most likely will be critical elements of the project. The plan needs to be described in detail. Defined by the agency.*
Demobilization	*The project manager works with the relief agency to document the demobilization effort. Defined by the agency*
Transition	*The transition of the completed project must be done within the country's laws and customs. The relief agency needs to work with the project manager to define the appropriate transition. Defined by the agency.*
Other plans	*The project manager needs to review the relief agency's processes and procedures to determine the need for other plans.*
Date:	**Approved by:**

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Project Scope Management Plan Template

This template helps the project manager understand how the details of the project or scope will be created. This template provides the project manager the ability to define how the scope will be defined, verified, controlled, and how the activities will be created.

Project Name:	
Prepared by:	
Date:	
Process to develop scope:	*The project manager should review the project charter and preliminary project scope statement. These documents provide a non-detailed scope of the project. The project manager should use subject matter experts from the area and relief agency to develop the non-detailed scope statement into a very detailed scope of what the will produce.* *For example: The project charter and preliminary project scope statement states to build a school that does not exceed certain dimensions. The project manager may use the following:* • *The project manager would use the project charter and the preliminary project scope statement to determine any other requirements.* • *The project manager should be familiar with minimum health and hygiene requirements..* • *The project manager would ask the NGO/relief agency/government for previous school plans* • *The project manager may ask leaders of the affected community about culture and traditions.* • *The project manager should be briefed on the relevant laws.* • *The project manager may determine proper placement of relief workers based on their previous experience.* *Through this process the project manager may now determine that the school will be made of brick, will have two classrooms, plus lavatories, and a meeting hall. If these detailed plans do not meet the requirements of the original project charter and preliminary project scope statement, the project manager MUST go back to the sponsoring agency and review the plans and have the plan approved.*
Process to develop the activities:	*The project manager, while developing the project scope statement, should also have subject matter experts starting to create high-level activities to understand the schedule, costs, and other project management processes that may need to be used during the project. Refer to the templates on schedules and cost/estimating. Also, the Methodology provides more information on developing a milestone schedule.*
Process to define verification of scope and acceptance:	*The project manager needs to make sure that this is coordinated by the sponsoring agency and reflected in the project management plan. The project manager should refer to the transition/hand-off and the demobilization of project resources, which should be provided by the sponsoring agency and is a part of the Closing Process Group.*
Process for project change requests:	*The project manager should describe how the project will coordinate and route changes to the project scope. The process provided in this document should be detailed in the change management plan.*

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Change Request Template

The change request template may be used when there is a requested change. Ensure that the relief agency requirements are fulfilled.

Date of request:		
Person(s) Requesting Change:		
Change Number:		
Detailed Description of Change Requested:		
Reason for Change Requested:		
Effect on Project Cost:		
☐ **Projected Cost Overrun of approximately**	**%**	
☐ **Estimated Cost Reduction of approximately**	**%**	
Effect on Schedule:		
☐ **Planned Project Completion Date:**		
☐ **New Project Completion Date:**		
Additional Remarks:		
Approval	**Project Manager**	**Date**
Approval	**(Other)**	**Date**

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Change Request Report Template

Changes will occur on the project and a standard form should be available for the team, the stakeholders, and the project manager. All change requests should be sent to the project manager. The project manager will analyze the request for potential cost and schedule impacts. This form is a report of all changes on the project. The report is sent to the relief agency and other stakeholders as outlined by the Project Scope Management Plan.

Project Name:				
Prepared by:				
Date:				
Project Manager:				
Change Number	**Change Name**	**Change Requester**	**Status of Change (open, closed, rejected, accepted)**	**Comments**
				1.
				2.
				1.
				2.
				1.
				2.
				1.
				2.
				1.
				2.
				1.
				2.
				1.
				2.
				1.
				2.
				1.
				2.
				1.
				2.
				1.
				2.
				1.
				2.

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Reporting Template

The below template is a comprehensive report that the project manager may use to report on various aspects of the project. The project manager should adapt the report with the requirements of the relief agency and the project.

Project Name:		
Prepared by:		
Date:		
Status of Project Relative to Project Objectives:		
Scope (On scope? If off scope, how serious?)		
Schedule (On schedule? Ahead or behind by how much, etc.)		
Cost (On budget? Under or over by how much, etc.)		
Milestones (Deliverables)		
Progress Report: (what is completed, what is in process, key changes made, when and why, etc.)		
Forecasting: (estimate of future project status and progress)		
Risk Status: (report on the top ten risks)		
Other issues or comments:		
Issue:	**Who Will Address:**	
Project Report Submitted to:		
Name:	**Title:**	**Date:**
Name:	**Title:**	**Date:**
Name:	**Title:**	**Date:**

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Communication Plan Template

The communication plan is a part of the Project Management Plan. The template below provides guidance to the project manager. The plan, may have to be adapted according to the requirements of the project, relief agency, donors, customs, laws, and other factors.

Key Stakeholders (Distribution Schedule)	**Stakeholder Issues**	**Key Messages to Communicate**	**Communication Methods to be Used** (written, one-on-one, electronic, meetings, etc.)	**Description of Specific Communications** (content, format, level of detail, report, etc.)
Disaster Victims				
Donor				
Sponsor				
Project team members				
Relief Agency				
Vendors				
Community Leaders				
Government Agencies				
Other				

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Milestone/Activity Schedule Estimating Template

Item #	Milestone/Activity	Week Started	Weeks Needed	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1	Milestone																	
2	Activity																	
3	Activity																	
4	Activity																	
5	Milestone																	
6	Activity																	
7	Activity																	
8	Activity																	
9	Milestone																	
10	Activity																	
11	Activity																	
12	Activity																	
13	Milestone																	
14	Activity																	

Add additional rows or columns as required. For each milestone, add at least three activities that will allow you as the project manager to establish a budget and control the schedule. Remember that milestones do not have durations—they are normally tangible deliverables. It is the activities that have the duration.

Once this Milestone schedule has been approved, it will be the baseline for the project. The baselined dates are only changed as needed with approved changes. Dates may be included in the weeks area for better clarity.

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Cost Estimating Template

This template should be used with the Milestone Schedule Estimating template. The durations of the activities and milestones will assist in determining the costs. This template should be completed for each milestone and/or activity.

Project Name:			
Prepared by:			
Date:			
Milestone/Activity:			
Categories			
Labor	**Number of Hours**	**Hourly rate**	**Total cost (number of hours x hourly rate)**
Total			
Materials	**Number of Items**	**Unit Value**	**Total cost (number of items x unit value)**
Total			
Travel / Expenses	**Total amount for trip**	**Number of persons traveling**	**Total cost (total amount for trip x number of persons traveling)**
Total			
Other	**Number of Items**	**Unit Value**	**Total cost (number of items x unit value)**
Total			
Vendor	**Amount charged**	**Unit value (Normally one)**	**Total cost (number of items x unit value)**
Total			
Grand Totals			

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Project Cost Baseline Template

Project Name:					
Prepared by:					
Date:					
	Baseline Labor	Baseline Materials	Baseline Travel/Expenses	Baseline Other	Baseline Vendor
Milestone 1					
Milestone 2					
Milestone 3					
Milestone 4					
Milestone 5					
Milestone 6					
Milestone 7					
Milestone 8					
Milestone 9					
Milestone 10					
Milestone 11					
Grand Total					

Use the Cost Estimating template completed for each milestone/activity. The totals from each of the approved completed forms should be transferred to this template. This completed template becomes the cost baseline. The cost baseline is used to track the cash flow of the project and understand how the costs are in comparison to the baseline. The project manager reports and explains variances to the sponsoring agency.

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Staffing Management Plan Template

The staffing management plan assists the project manager to understand the flow of project personnel and how the plan will be updated with approved changes or when there is a resource issue. This is a living document, which means this plan will be updated many times during the project.

Project Name:			
Prepared by:			
Date:			
Project Manager:			
Staffing Management Plan Number: (original is #1) (The project manager should keep the staffing management plan up to date. In doing so, the project manager should increase the plan number every time there is a change.)			
Approach to Identifying Human Resource Needs: (The Project manager should determine how various resource needs will be met)			
Approach to Determining Timing Needs for Adding and Removing Project Personnel: (The project manager should review the schedule baseline and determine the flow of project personnel)			
Human Resource Needs:			
Description	**Estimated Number**	**Projected Timing**	**Projected Completion**
1.			
2.			
3.			
4.			
5.			
6.			
Projected Approach and Schedule for Updating Staffing Management Plan:			
Triggering Event			**Expected Timing**
Additional Notes:			
1.			
2.			

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Risk Management Plan Template

The project manager is responsible for the project management plan. The project manager should seek information from disaster victims, local leaders, the relief agency, and any others that may assist in defining the risks. Once the top risks (usually 10) are identified, the project manager needs to have the plan approved. The risk management plan is a living document. The project manager needs to review it and update often. As risks change, the plan needs to be changed and approved.

Project Name:
Prepared by:
Date:
Description of how to plan for risk (Methodology):
Approaches (how will the project manager and team identify the risks?)
Resources (Will the project manager involve other team members? Will the project manager involve local leaders? Will the project manager use previous project management data?)
Data Sources (Where will the project find data? The project manager should seek assistance from the disaster victims, local leaders, and other sources as necessary)
Roles and Responsibilities: (Who does what?)
Reporting: (How will risks be reported?)
Top Risk List (expand to ten, as needed)
Risk Management Action #1:
Risk Description
Risk Trigger
Contingency Plan
Risk Owner
Risk Management Action #2:
Risk Description
Risk Trigger
Contingency Plan
Risk Owner
Risk Management Action #3:
Risk Description
Risk Trigger
Contingency Plan
Risk Owner
Risk Management Action #4:
Risk Description
Risk Trigger
Contingency Plan
Risk Owner
Risk Management Action #5:
Risk Description
Risk Trigger
Contingency Plan
Risk Owner

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Risk Management Action #6	
Risk Description	
Risk Trigger	
Contingency Plan	
Risk Owner	
Risk Management Action #7 (etc.)	
Risk Description	
Risk Trigger	
Contingency Plan	
Risk Owner	
Security Plan:	
Security Plan Description: (This is defined by the Relief Agency)	
Contingency Plan	
Owner	
Sustainability Plan:	
Sustainability Plan Description: (This is defined by the Relief Agency)	
Contingency Plan:	
Owner	
Approved By:	**Date:**

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Risk Brainstorming Template

Risk may be a new concept to many individuals. This template provides a means for the project manager to document the potential risks identified by a group of individuals. The group may be the disaster victims, the relief agency staff, donors, government officials, or others. The project manager may use this template to start and update the risk plan.

Project Name:				
Prepared by:				
Date:				
Participants:				
Identified Risk	**Probability of Occurrence**	**Potential Impact**	**Proposed Actions**	**Identified by Whom?**

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Risk Identification Template

Following the risk brainstorming, the project manager may use the following form to understand each of the risks in more detail. This form will assist the project manager to group those risks already identified, evaluate new risks, and potentially delete others. By evaluating the strengths, weaknesses, opportunities, and threats the project manager should be able to provide in-depth contingency plans for each of the top 10 identified risks.

Project Name:
Prepared by:
Date:
Project Manager:
Date of Analysis:
Project Strengths: (What potential strengths exist about the project, the project team, the sponsor, the organization structure, the client, the project schedule, the project budget, the product of the project, etc.?) 1. 2. 3. 4.
Project Weaknesses: (What potential weaknesses exist about the project, the project team, the sponsor, the organization structure, the client, the project schedule, the project budget, the product of the project, etc.?) 1. 2. 3. 4.
Project Opportunities: (What potential opportunities exist in regard to achieving the project requirements, the product requirements, the project schedule, the project resources, etc.?) 1. 2. 3. 4.
Project Threats: (What potential threats exist in regard to achieving the project requirements, the product requirements, the project schedule, the project resources, etc.?) 1. 2. 3. 4.

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Risk Prioritization Template

This template provides the project manager a form to track the top 10 risks. The top 10 risks should be part of the risk management plan. This document is updated as the risks of the project change.

Project Name:				
Prepared by:				
Date:				
Identified Risk	**How will it affect the project?**	**Probability of occurring (high, low, medium)**	**Risk priority number**	**Mitigation action**

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Risk Response Template

This template helps the project manager capture important aspects of each of the top ten risks. This information is a part of the risk management plan. The project manager may include the actual templates or may transfer the information to the risk management plan template.

Project Name:
Prepared by:
Date:
Description of risk identified, include the risk trigger:
Risk Owner:
Results from Risk Analysis:
Contingency Plan(s) (How will the project manager minimize the risk? What will the project manager do if the risk occurs?):
Response #1
Response #2
Response #3
What are the steps to implement the contingency plans:

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Procurement Plan Template

The project manager prepares a procurement plan during the Planning Process Group. This plan is a part needs to coordinate with the relief agency, government officials, and local leaders to understand the laws and customs.

Project Name:	
Prepared by:	
Date:	
Clearly detail the contract requirements and customs for the country:	
How will the project manager procure necessary resources that meet the contract requirements?	
How will the project manager ensure that vendors are selected with sustainability, dignity, and cost monitoring in mind?	
How will the project manager coordinate procurement with the following aspects of the project?	
Scheduling	
Reporting	
Human Resources	
Other	
Submitted to:	**Approved by:**
Date:	**Date:**

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Resource Plan Template

This plan helps the project manager with determining what types of resources, how much of the resources, and when the resources are needed. Additionally, the project manager must determine if the resources will have to be procured. This project manager prepares this document and submits to the relief agency. The project manager needs to await approval prior to acting upon the plan.

Project Name:				
Prepared by:				
Date:				
Milestone/ Deliverable	**Type of Resource Required (material or human):**	**Quantity**	**When and how long? (Notes)**	**Involve Procurement? (Notes)**
1.				
2.				
3.				
4.				
5.				
6.				
Additional Notes or Comments:				

Submitted to:	**Approved by:**
Name:	**Name:**
Title:	**Title:**
Date:	**Date:**

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Resource Requirements Worksheet

This is the second template that creates the resource plan. The resource plan can be these two documents combined or could be a combination of the two. The project manager should coordinate with the relief agency. The project manager must have these documents approved by the relief agency.

Project Name:				
Prepared by:				
Date:				
Milestone (deliverable)	**Type of Resource Required:**	**Quantity**	**What issues/risks are expected? (Notes)**	**Involve Procurement? (Notes)**
1.				
2.				
3.				
4.				
5.				
6.				
7.				
8.				
Additional Notes or Comments:				
Submitted to:	**Name:**			**Date:**
Approved:	**Name:**			**Date:**

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Resource Pool Description Template

This template provides the project manager a means to understand resource requirements by time periods. Normally, the time period is a week. This template, along with the resource requirements template, gives the project manager a means to manage and communicate the resource plan. Both documents need to be approved.

Resource #	**Needed Resources**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**
1	[Specify resources]															
2																
3																
4																
5																
6																
7																
8																
9																
10																
11																
12																
Approved by:								**Date:**								

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Cost Tracking Change Request Template

The project manager has several options for change requests. The generic change request may be used for any type of change. However, the project manager has been provided several change templates that specifically address an area of the project (schedule, cost). It is the choice of the project manager and the relief agency as to which template to use. This template also helps the project manager understand cost variance and schedule variance. Figures in the Actual Amount, Budget Amount and Cost Variance columns should be expressed in the appropriate currency.

Project Name:						
Prepared by:						
Date:						
Milestone:			**Period:**			
Categories	**Actual Hours**	**Actual Amount**	**Budget Hours**	**Budget Amount**	**Time Variance**	**Cost Variance**
Direct Labor						
1.					**0.00**	**0.00**
2.					**0.00**	**0.00**
3.					**0.00**	**0.00**
Total	**0**	**0.00**	**0**	**0.00**	**0.00**	**0.00**
Direct Materials						
1.					**0.00**	**0.00**
2.					**0.00**	**0.00**
3.					**0.00**	**0.00**
Total	**0**	**$0.00**	**0**	**0.00**	**0.00**	**0.00**
Travel / Expenses						
1.					**0.00**	**0.00**
2.					**0.00**	**0.00**
3.					**0.00**	**0.00**
Total	**0**	**0.00**	**0**	**0.00**	**0.00**	**0.00**
Other						
1.					**0.00**	**0.00**
2.					**0.00**	**0.00**
3.					**0.00**	**0.00**
Total	**0**	**0.00**	**0**	**0.00**	**0.00**	**0.00**
Vendor						
1.					**0.00**	**0.00**
2.					**0.00**	**0.00**
3.					**0.00**	**0.00**
Total	**0**	**0.00**	**0**	**0.00**	**0.00**	**0.00**
Grand Totals	**0**	**0**	**0**	**0**	**0**	**0**

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Schedule Variance Analysis Worksheet Template

Variance analysis involves comparing actual project results to planned or expected results. Cost and schedule variances are the most frequently analyzed, but variances from plan in the areas of scope, resource, quality, and risk are often of equal or greater importance. This template and the Variance Analysis Worksheet Template provide the same schedule information. The project manager should select which template to use. The project manager prepares the template and the relief agency approves it.

Project Name:			
Prepared by:			
Date:			
Reporting Period:			
Milestone Analyzed	**Target Start/Finish Dates**	**Actual Start/Finish Dates**	**Amount of Schedule Variance**
Cause of Variance(s):			
Anticipated Impacts:			
Planned Corrective Action:			
Signature			
Name/Title:			**Date:**

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Variance Analysis Worksheet Template

Variance analysis involves comparing actual project results to planned or expected results. Cost and schedule variances are the most frequently analyzed, but variances from plan in the areas of scope, resource, procurement, and risk are often of equal importance. The signature area is for approval. Normally, the project manager prepares the document and the relief agency approves it.

Project Name:			
Prepared by:			
Date:			
Reporting Period (what time period are you measuring, normally a month):			
Type of Variance Analyzed (check the appropriate box):			
❑ **Cost Variance**		❑ **Resource Variance**	
❑ **Schedule Variance**		❑ **Quality Variance**	
❑ **Scope Variance**		❑ **Risk Variance**	
Milestone Analyzed	**Planned Result**	**Actual Result**	**Amount of Variance**
Cause of Variance(s):			
Anticipated Impacts (Will the schedule, cost, scope of the project be affected?):			
Planned Corrective Action (what will the project manager do to minimize the variance?):			
Signature			
Name/Title:			**Date:**

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Workaround Planning Template

This template may be used during the risk management planning process or during risk monitoring and control process. The project manager may use the template to plan a risk, or if the risk is about to occur, the project manager may use the form to replan the risk contingency plan.

Project Name:
Prepared by:
Date:
Description of Risk Trigger and Emerging Risk Identified:
Person(s) Responsible:
Description of how to reduce the risk (contingency): (how will the project manager minimize the effects of the risk):
Action Steps (what does the project manager have to do to implement the contingency):
Fallback Plans (what will the project manager do if the contingency does not work):
Additional Notes:

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Work Results Guidelines

This optional form will assist the project manager with monitoring and controlling the project. This form provides a record of the project accomplishments and may be used as a reporting tool to the stakeholders. The project manager may also use it to understand the actual costs expended by deliverable or milestone.

Project Name:		
Prepared by:		
Date:		
Deliverable or Milestone #1		
Completed as of Scheduled Date:		
Not completed as of Scheduled Date:		
Reason, if not completed		
Quality Standards:	**Met**	**Not Met**
Quality Issues		
Costs Incurred		
On Budget	**Under Budget by**	**Over Budget by**
Additional Remarks:		
Deliverable or Milestone #2		
Completed as of Scheduled Date:		
Not completed as of Scheduled Date:		
Reason, if not completed		
Quality Standards:	**Met**	**Not Met**
Quality Issues		
Costs Incurred		
On Budget	**Under Budget by**	**Over Budget by**
Additional Remarks:		

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Acquisition Process and Workflow Prototype

This is an example of a possible acquisition procedure in which an assumption is that the relief agency has already checked current inventory and found that they do not have the product/service available:

Procedure:

1. Relief Agency receives a request for equipment from project team, a region, an individual, etc.
2. Relief Agency performs requirements analysis to determine all items needed
3. Relief Agency gets Service Order (SO) number (for tracking purposes) for the equipment to be ordered (Obtain SO numbers from relief agency headquarters or create a logbook locally where the rebuild is occurring)
4. Call vendor or reseller for a written quote if possible or have already established quote.
5. Relief Agency prepares a purchase request (PR) with the assigned Service Order number; The PR also has delivery instructions, identifies specific part numbers, descriptions of equipment, price, quantity, account number if needed, packaging and any special label instruction for handling of the packing item(s).
6. PR is routed for appropriate signatures for approval
7. PR is submitted to Relief Agency Acquisitions for purchasing
8. Relief Agency Acquisitions representative places Purchase Order (PO) with vendor(s)
9. Acquisition sends a copy of the PO and Delivery Confirmation form, to originator of the SO
10. Relief Agency forwards a copy of the PO and the Delivery Confirmation form to Project Manager as well as if any other party which may need this information, such as an Installation group.
11. Project Manager to follow up with an inquiry as to performance reporting after the product/service has been delivered.

An example of a flowchart of the above acquisition appears on the following page:

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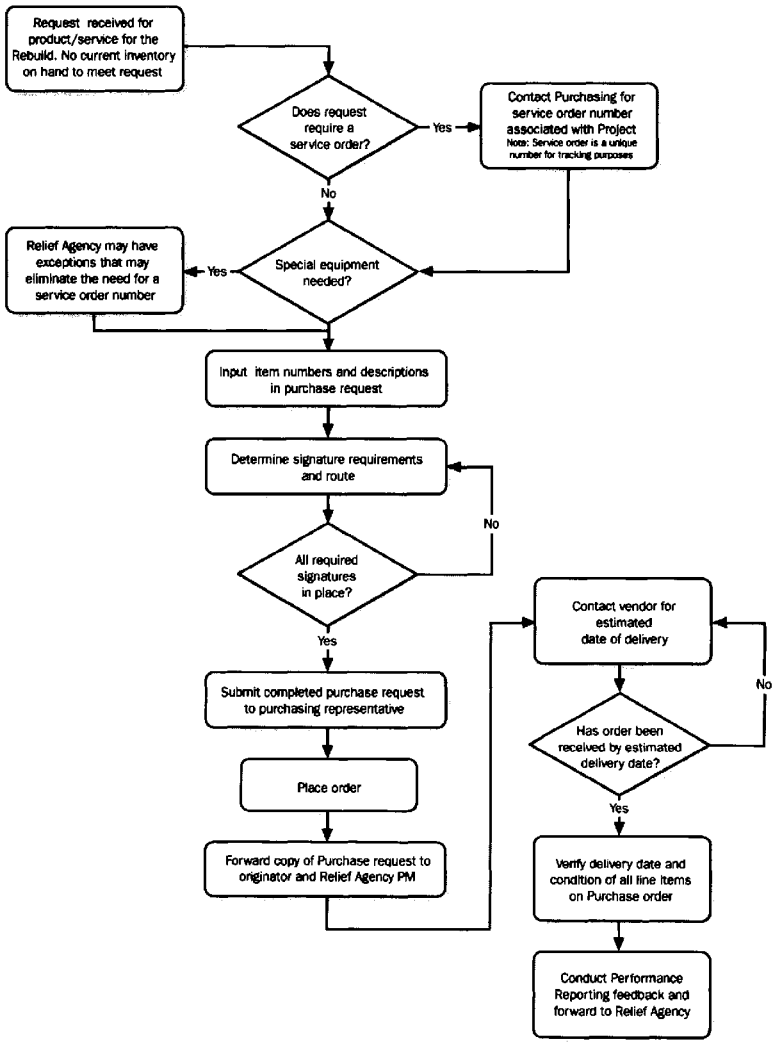

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Request For Proposal

The request for proposal is a formal document to solicit responses from potential vendors. This document may not be necessary or it may be inappropriate for the country. The project manager should understand the laws and customs of the country. The project manager would be advised to check with the relief agency to ensure that this form is appropriate.

Project Name:	
Prepared by:	
Date:	
I. Short project description:	
II. Provide a detailed description of what the vendor must provide (including timeline, response format, and other needed information):	
III. Schedule of Events:	
For example:	
Event	**Date**
1. RFP sent to vendors	
2. Vendors return responses	
3. Evaluation of responses	
4. Letter of Agreement sent to vendor	
5. Commencement of project	
6. Project completion	
7. Final review	
8. Client acceptance and closure	
9.	
10.	
V. Required Contractual Provisions: (This section should be used to detail any contractual and/or traditions that may be unique to the country)	
VI. Evaluation Criteria:	
Descriptions of criteria on which selection of vendor will be based, e.g.,	
A. Purchase price	
B. Reputation of vendor	
C. Vendor capability	

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Select Sellers Process Worksheet

Prepare for Seller Selection

Seller selection is completed during the Planning Phase. To prepare for seller selection, the following items should be available for review:

- Seller proposals that describe the ability to perform the desired function as described in the request for proposal. Whenever possible, it is advisable to receive estimates from the sellers. The project manager must understand the laws, customs, and the relief agency's requirements. So, if estimates are not a usual method of doing business, consider alternatives.
- Evaluation criteria should include minimum standards a seller must meet to be considered. The criteria should determine which elements are most important (i.e., scope, cost, schedule) and develop a weighting system that takes those priorities into consideration. The criteria should be developed prior to reviewing any proposals, and should be created and reviewed by individuals with extensive experience with the desired service.
- Organization and local policies regarding project procurement should be reviewed and taken into account when selecting a seller. This would include any restrictions posed by the sponsoring agency and/or government.

Conduct the Seller Selection

The project manager should assist each seller through the Select Sellers Process by having available contacts ready to answer any questions. If this is a small village the project manager may deal on a one-to-one basis with each seller. This provides the sellers the ability to ask more detailed questions prior to submitting proposals. Check for local customs prior to requiring a proposal. Make sure the sellers are made aware of any unusual requirements, especially if contracting is not done in this culture. Formal proposals should be requested from each seller; however, the project manager may only receive verbal information. Check with the relief agency.

The project manager should determine how the seller's proposal would be evaluated. Make sure the evaluation criteria are fair and encourage those affected by the disaster to participate. A minimum requirement should include a reference check on each seller. An example of an evaluation criterion is shown below. The weight column shows how important that item is relative to other criteria (e.g., experience is twice as important as cost). The project manager reviewed seller one, and on a scale of 1-10, awarded an 8, while seller 2 was awarded a 7. Once all criterion was evaluated, the total score shows that Seller 1 had the better proposal.

Sample Select Sellers Process Worksheet

The weight column must total 10 and the Seller Rating (1-10) must be clearly defined, such as zero means no ability to demonstrate, five means average ability to demonstrate and ten means proven ability to demonstrate.

Evaluation Criterion	Weight	Seller 1 Rating	Weighted Score	Seller 2 Rating	Weighted Score
Experience	2	8	16	7	14
Cost	1	5	5	6	6
Reliability	4	6	24	3	12
Quality	3	4	12	5	15
Total Score			57		47

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Letter of Agreement Template

A letter of agreement may result from the Select Sellers Process. The letter is an agreement between the two parties and should be mutually binding. Again, the project manager may have to amend the understanding of contracts to incorporate the customs and laws of the affected area. One objective in preparing the letter of agreement is to ensure the language used describes the product or service that will satisfy the intended need.

The letter of agreement is a formal document of agreement between the relief agency and the vendor. This document may be inappropriate, not necessary, or may need to be amended, depending on the country's laws and the relief agency's requirements. This document may or may not follow the evaluation of the proposals received from the requests for proposals.

Project Name:	
Prepared by:	
Date:	
IV. Short project description:	
V. Provide a detailed description of what the vendor should provide: (this should include a list of deliverables, the amount paid for each deliverable, and the due dates)	
VI. List of Deliverables:	
Deliverable	**Due Datc**
1. Deliverable 1	
2. Deliverable 2	
3. Deliverable 3	
4. Deliverable 4	
5. Deliverable 5	
6. Deliverable 6	
7. Deliverable 7	
8. Deliverable 8	
VII. Required Contractual Provisions: (List any country or customary contractual language required)	
VIII. Payment Criteria: (List in detail when and how the vendor will be paid. Will the vendor be paid in cash? What dates will the vendor paid or will the vendor be paid when the goods delivered and are satisfactory? Does the vendor have to provide an invoice?)	

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Issue Log Template

An issue log is used for those items that must be addressed. The issues are not risks. Issues are normal disturbances that may occur on a project. Normally, issues do not become risks. However, if the issue is not reviewed, it may develop into a risk. Issues may be items that are project-specific or may be items outside of the control of the project manager.

The first issue is an example.

Issue	**Owner**	**Status**	**Date Opened**	**Date Closed/ Resolution**
Two days of rain have resulted in no work being accomplished	(Provide name of person)	11 July - Rain stopped today. Will review the school today to see if work can resume 12 July- Construction site has dried. Work has begun.	11 July	12 July - Will work 3 extra hours on two days to mitigate the schedule delay

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Appendix B - Checklist

This checklist will help the project manager understand the activities that are necessary and their appropriate sequence, and will direct him or her to available templates that will support these activities.

Key Checklist Questions	Project Manager Response
1. What is the problem that is to be solved? And why do I care about it?	Answering these questions will help the project manager write the project charter or ensure the project charter is correct. It will also provide information for the initial project scope. Ref: Develop Project Charter Develop Preliminary Project Scope Statement Templates: Project Charter Preliminary Project Scope Statement
2. Has the problem to be addressed been well documented? Do I know actual data or is the information anecdotal?	The project manager needs to analyze all available data for the project. This may be assessments that were done prior to the project authorization, donor documentation, organizational processes, and environmental information. The project manager should use this information to verify and supplement the project charter and initial project scope. Ref: Scope Planning Templates: Project Charter Preliminary Project Scope Statement Project Management Plan
3. Has the project scope been well articulated? Do I know exactly what is the beginning and end of the project?	The project manager has to use subject matter experts, prior knowledge, affected disaster victims, local leaders, and the relief agency to completely understand where the project begins and ends. The project manager must know what is in scope and what is out of scope. This will help the project manager complete the project scope management plan, the schedule, the resource plan, the procurement plan, the budget, and the risk management. Ref: Scope Planning Monitoring and Controlling Templates: Change Request Change Request Report Project Management Plan
4. Do all stakeholders (Relief agency/NGO, host government, local governments, local leaders, those affected by the project and disaster) understand the project and do they agree with the project goals?	Project managers in a crisis/disaster rebuild environment must uphold all ethical and moral standards. Therefore, the project manager should use every means to ensure the project is in the best interest of the community. The project manager must uphold these values throughout the project by ensuring proper monitoring and controlling (interventions) processes are in place. Ref: Monitor and Control Project Work Templates: Reporting, and Communication Plan

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Key Checklist Questions	Project Manager Response
5. How will I know that all resources will be available when needed? What will I do if needed resources (human and material) are not available?	The project manager needs to ensure that there is proper reporting to all stakeholders, a schedule based on milestones, a budget based on a realistic estimate, and proper measurement of the spend rate of the budget against the progress of the milestone. The project manager can ensure this based on communication with the team, visual inspection of the project, and comparing to the project documentation. Ref: Scope Planning Schedule Development Cost Estimating Cost Budgeting Monitor and Control Templates: Communication Plan Milestone/Activity Schedule Estimating Cost Estimating Project Cost Baseline Staffing Management Plan Risk Management Plan Risk Brainstorming Risk Identification Risk Prioritization Risk Response Procurement Plan Resource Plan Resource Requirements Worksheet Resource Pool Description Cost Tracking Change Request Schedule Variance Analysis Worksheet Variance Analysis Worksheet Workaround Planning Work Results Issue Log
6. What is the expected outcome of the project?	The project manager needs to thoroughly understand what outcomes are expected on the project. These need to be documented within the project scope management plan and communicated to the entire team, including the stakeholders. Make sure the stakeholders, the intended disaster victims, and the relief agency are in agreement. Ref: Scope Planning Templates: Project Charter Preliminary Project Scope Statement Project Management Plan Communication Plan

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Key Checklist Questions	Project Manager Response
7. What interventions (Monitoring and Controlling) will I use to ensure that the project is being implemented properly?	The project manager's duty on a project is to bring the project in on time, within budget, and in scope. This has to be done in an ethical manner, respecting the community. The project manager needs to implement proper reporting and verifying of data. Ref: Monitor and Control Project Work Templates: Milestone/Activity Schedule Estimating Cost Estimating Project Cost Baseline Staffing Management Plan Risk Management Plan Risk Brainstorming Risk Identification Risk Prioritization Risk Response Procurement Plan Resource Plan Resource Requirements Worksheet Resource Pool Description Cost Tracking Change Request Schedule Variance Analysis Worksheet Variance Analysis Worksheet Workaround Planning Work Results Issue Log
8. How are the interventions (Monitoring and Controlling) supposed to affect the outcomes? What in the project management Methodology supports your ideas?	The Monitoring and Controlling Processes should provide the project manager enough data and information to understand when to write change requests and recommend approval, understand when adjustments to the project are warranted but do not require a change request (project manager discretion), and keep all stakeholders (donor, disaster victims, community leaders, relief agency, government officials, etc) properly informed. Ref: Monitor and Control Project Work Templates: Communication Plan Milestone/Activity Schedule Estimating Cost Estimating Project Cost Baseline Staffing Management Plan Risk Management Plan Risk Brainstorming Risk Identification Risk Prioritization Risk Response Procurement Plan Resource Plan Resource Requirements Worksheet Resource Pool Description Cost Tracking Change Request Schedule Variance Analysis Worksheet Variance Analysis Worksheet Workaround Planning Work Results Issue Log

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Key Checklist Questions	Project Manager Response
9. To what are the responses to the intervention (Monitoring and Controlling) to be compared?	The intervention processes are needed to triangulate the data the project manager receives. Does the information from the team members match with the schedule and cost data? Does a visual representation of the project's progress match the data? Ref: Manage Project Team Templates: Communication Plan Milestone/Activity Schedule Estimating Cost Estimating Project Cost Baseline Staffing Management Plan Risk Management Plan Risk Brainstorming Risk Identification Risk Prioritization Risk Response Procurement Plan Resource Plan Resource Requirements Worksheet Resource Pool Description Cost Tracking Change Request Schedule Variance Analysis Worksheet Variance Analysis Worksheet Workaround Planning Work Results Issue Log
10. Has this project type been done before? Was it successful?	When a project type has been done before and the project manager can refer to the previous project's lessons learned and other project data, the risk is reduced. If this is the first time the project has been done or the first time it has been done in this location (or scale), the potential risk increases. The project manager should be acutely aware of security issues, have contingency plans for quick withdrawal, and have a solid transition plan with demobilization plans and specific project risks identified. Ref: Scope Planning Monitor and Control Project Work Templates: Risk Management Plan Risk Brainstorming Risk Identification Risk Prioritization Risk Response Procurement Plan Resource Plan

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Key Checklist Questions	Project Manager Response
11. How will I know if the final deliverable is a quality product?	The project manager should have independent inspections and verifiable checkpoints in the schedule. The project manager should ask the following questions when thinking about verifying quality: • Does the rebuild project meet the needs of the community? • If the project can't be measured, how can it be changed so that it is measurable? • Determine what quality program is used by the relief agency. Ref: Scope Planning Monitor and Control Project Templates: Project Scope Management Plan Milestone/Activity Schedule Estimating Work Results Guidelines
12. How will I ensure that the schedule and costs are properly updated and reported accurately?	The project manager must continually monitor the progress of the project via communications with the team, and by comparing payments made to the project team and vendors against invoices received. The project manager should update the schedule at least weekly and should make sure that the amount of money spent corresponds to the amount the schedule estimates. Ref: Monitor and Control Project Templates: Communication Plan Milestone/Activity Schedule Estimating Cost Estimating Project Cost Baseline Staffing Management Plan Risk Management Plan Risk Brainstorming Risk Identification Risk Prioritization Risk Response Procurement Plan Resource Plan Resource Requirements Worksheet Resource Pool Description Cost Tracking Change Request Schedule Variance Analysis Worksheet Variance Analysis Worksheet Workaround Planning Work Results Issue Log

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Key Checklist Questions	Project Manager Response
13. How will I ensure that scope changes are minimized?	The project manager should constantly monitor that the work being accomplished is in accordance with the project scope management plan. The project manager should evaluate every change for potential cost and schedule impacts and the need for the change. Do not assume that just because a change has been requested that it is needed. The project manager must balance the needs of the project with the needs of the donors, relief agency, local leaders, and the government. Ref: Monitor and Control Project Templates: Project Scope Management Plan Change Request Change Request Report
14. How will the project status and end results be reported and disseminated?	Ref: Close Project Contract Closure Templates: Close-Out Report

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Appendix C – Contributors and Reviewers of the Project Management Methodology for New Practitioners in Crisis/Disaster Reconstruction Situations, and Training Materials

C.1 Project Leadership Team

The following individuals served as members were contributors of text or concepts and served as leaders within the Project Leadership Team:

Wanda Curlee, PMP (Project Manager)
Gulshan Bhayana (Communications Team Lead)
Caren Conner, PMP (Methodology Co-Team Lead)
Peter Cooke (Methodology Co-Team Lead)
Deena Gordon (Training Co-Team Lead)
Donna Nodson (Methodology Co-Team Lead)
Marie Sterling (Training Co-Team Lead)
Sharyn Thollaug (Training Co-Team Lead)

C.2 Significant Contributors

The following individuals served as contributors of text or concepts.

Peter R. Classen (Checklist)

C.3 Subject Matter Experts

The following individuals provided subject matter expertise in the areas of Project Management Methodologies or Disaster Relief.

BonnieJean Butler, Ph.D., PMP
Carolyn Greer, PMP
Peter R. Classen
Kenn Crossley
Kay Fleischer, PMP
Rebekah Keating
Deborah Dunham, PMP, M.Sc., MCIPD
Lisa Bonnell

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C.4 Project Team Members

In addition to those listed above, the following Crisis/Disaster Reconstruction Methodology and Training Project Team Members provided input to and recommendations on the content and design.

Lawrence A. Adeyemi, Ph.D.
Nadia Circelli Barry Cooney
Maura Irene Jones, PMP, SCMP, ITIL, CISA
Sonja S. Guthrie, PMP Anil K. Mishra, PMP, MBA
Mohammed S. Umar Rich Paulhamus, PMP
Ayman Nassar, M.Sc.
Juan Luis Valero, PMP
Nathalie Udo, MBA, PMP
Michael G. McElroy, MHA, PMP
Dorothy E. Ferguson, PMP, CPIM
Alexandre M. Rennó Pereira
Robin H. Jones, PMP
Mark Hopkins, PMP
Greg Laffey, PMP
Kashinath Dixit, PMP
Frank W. Bell, PMP, CBTE, CBNT
Vinayak Sastri, MBA
Suzanne B. Rhodes, PMP, MPA, MA
Sheldon Bell
Steven R. Borowski
Peggy Brady
Milton Burton
Cynthia Caine
Mark Chism, PMP
Trista Claxon
Umar Farooq
Chayan Dasgupta
Kashinath Raghunath Dixit
Deborah Dunham
Dottie Ferguson
Colette Foan
Glen Foster
Ashley Francis
Maria Elena Garcia Segundo
Tjahjokartiko Gondokusumo

Norm Goodkin
Robert Gordon
Jose Vicente Milla Ibanez
Ron Jeppesen
Raj Suresh Sundar Kadirvel
John Keaton
Rik Lantz
David Lassiter
Edie Lohmann
Daniel McCauley
Mike McElroy, MHA, FACMPE
Helene Minot
Anil Mishra
John Mueller
Ayman Nassar
Kalpesh Parikh
Sean Paterson
Richard Paulhamus
Rick Price
Linda Pridgeon
Balaji Rasappa
Suzanne Rhodes
Steve Ricks
Ivan Daniel Rincon
Michael Russo
Beth Saltmarsh, MPM, PMP
Vinayak Sastri
William Snyder
Chetan Thakkar, PMP
Anand Tiwari
Christine Torres
Hung Trinh
Nathalie Udo
Mohammed Sani Umar
Juan-Luis Valero
Steven Wageman
Luc Wijns, PMP
Lise Yale

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Appendix D – Glossary

Acquisitions – Tangible resources acquired for the *project*.

Assessment – An evaluation of the disaster area, the *project* or project team performance.

Authorization – See *project charter*

Assumptions – Assumptions are factors that, for planning purposes, are considered to be true, real, or certain without proof or demonstration. Assumptions affect all aspects of project planning, and are part of the progressive elaboration of the *project*. *Project* teams frequently identify, document, and validate assumptions as part of their planning process. Assumptions generally involve a degree of *risk*.

Baseline – The approved time phased plan for a *project, a work package, or a schedule activity*, plus or minus approved *project scope, cost, schedule*, and technical changes. Generally refers to the current baseline, but may refer to the original or some other baseline. Usually used with a modifier (e.g., cost baseline, schedule baseline, performance measurement baseline, technical baseline).

Budget – The approved *estimate* for the *project* or any schedule activity. See also *estimate*.

Change Control – Identifying, documenting, approving or rejecting, and controlling changes to the *project baselines*.

Change Request – Requests to expand or reduce the *project scope*, modify policies, *processes*, plans, or procedures, modify costs or *budgets*, or revise *schedules*. Requests for a change can be direct or indirect, externally or internally initiated, and legally or contractually mandated or optional. Only formally documented requested changes are processed and only approved change requests are implemented.

Close Project – The process of finalizing all activities across all of the *project* Process Groups to formally close the *project* or phase.

Communications Management Plan – The document that describes: the communications needs and expectations for the *project*; how and in what format information will be communicated; when and where each communication will be made; and who is responsible for providing each type of communication. A communication management plan can be formal or informal, highly detailed or broadly framed, based on the requirements of the *project* stakeholders. The communication management plan is contained in, or is a subsidiary plan of, the project management plan.

Constraint – The state, quality, or sense of being restricted to a given course of action or inaction. An applicable restriction or limitation, either internal or external to the *project*, that will affect the performance of the *project* or a *process*. For example, a schedule constraint is any limitation or restraint placed on the *project* schedule that affects when a schedule activity can be scheduled and is usually in the form of fixed imposed dates. A cost constraint is any limitation or restraint placed on the *project* budget such as funds available over time. A *project* resource constraint is any limitation or restraint placed on resource usage, such as what resource skills or disciplines are available and the amount of a given resource available during a specified time frame.

Contingency Reserve – A provision in the project management plan to mitigate cost and/or schedule risk. Often used with a modifier (e.g., management reserve, contingency reserve) to provide further detail on what types of risk are meant to be mitigated. The specific meaning of the modified term varies by application area.

Contract – A contract is a mutually binding agreement that obligates the seller to provide the specified product or service or result and obligates the buyer to pay for it.

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Contract Closure – The process of completing and settling the contract, including resolution of any open items and closing each contract.

Corrective actions – Documented direction for executing the *project* work to bring expected future performance of the *project* work in line with the *project management plan.*

Cost – The monetary value or price of a *project activity* or component that includes the monetary worth of the resources required to perform and complete the activity or component, or to produce the component. A specific cost can be composed of a combination of cost components including direct labor hours, other direct costs, indirect labor hours, other indirect costs, and purchased price.

Cost Budgeting – The *process* of aggregating the estimated costs of individual activities or work packages to establish a cost baseline.

Cost Estimating – The *process* of developing an approximation of the cost of the resources needed to complete *project* activities.

Deliverable – Any unique and verifiable product, result, or capability to perform a service that must be produced to complete a process, phase, or *project.* Often used more narrowly in reference to an external deliverable, which is a deliverable that is subject to approval by the *project* sponsor or customer. See also product, service, and result.

Demobilization/Transition Plan – The plan that describes the process of transitioning the *project* deliverable to the owner, and the orderly withdrawal of the *project* team from the *project* site upon completion.

Disaster – An event (natural or manmade) which disrupts the lives of the inhabitants of the region.

Environmental – Any or all external environmental factors and internal organizational environmental factors that surround or influence the *project's* success.

Exclusions – Those activities or areas that are not within the scope of the *project.*

Executing Processes – Those *processes* performed to complete the work defined in the *project* management plan to accomplish the *project's* objectives defined in the project scope statement.

Exit Strategy – A plan for the implementing agency and its *project management* personnel to leave the project area in case of strife or unrest.

Expenditures – Cash payments or other tangible form of payment for products and services.

Flowchart – Diagram format of the inputs, process actions, and outputs of one or more processes within a system.

Ground Rules – A list of acceptable and unacceptable behaviors adopted by a *project team* to improve working relationships, effectiveness, and communication.

Humanitarian – Someone devoted to assisting others in times of disasters.

Human Resource Planning – The *process* of identifying and documenting *project* roles, responsibilities and reporting relationships, as well as creating the staffing management plan.

Information Distribution – The *process* of making needed information available to the *project* stakeholders in a timely manner.

Internal – A resource, service, product that was inherent within the *project* and its team.

Initial Assessment – An initial review of the disaster-affected area is undertaken to understand the impact to the local population's health and livelihood. The review should indicate whether external assistance is required. There should be a broad assessment into each technical sector of water and sanitation, nutrition, food, shelter and health. In this process, templates and checklists are particularly helpful. (Sphere Handbook)

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Initiating Processes – Those *processes* performed to authorize and define the *scope* of a new phase or *project* or that can result in the continuation of halted project *work*. A large number of the initiating processes are typically done outside the *project's* scope of control by the organization, program, or portfolio processes and those processes provide input to the *project's* initiating processes group.

Lessons Learned – The learning gained from the process of performing the *project*. Lessons learned may be identified at any point.

Letters of Agreement – A formal agreement with a vendor that is providing a service to the *project*.

Logistics – The act of planning and carrying the movement of resources, including people and materials.

Logistic Plan – The document that explains the processes necessary to plan and move resources.

Manage Stakeholders – The *process* of managing *communications* to satisfy the *requirements* of, and resolve *issues* with, project *stakeholders*.

Methodology – A *system* of *practices, techniques, procedures,* and rules used by those who work in a *discipline*.

Milestone – A significant point or event in the *project*.

Mission – The purpose of the *project*

Monitor – Collect *project* performance data with respect to a plan, produce performance measures, and report and disseminate performance information.

Monitoring and Controlling Processes – Those *processes* performed to measure and monitor *project* execution so that corrective action can be taken when necessary to control the execution of the phase or *project*.

Non-Governmental Organizations (NGOs) – Humanitarian agencies not affiliated with a government.

Planning Process – Those processes performed to define and mature the *project* scope, develop the project management plan, and identify and schedule the project activities that occur within the project.

Post-Disaster Reconstruction – Normally, a phrase that follows the response and rescue phases of a disaster. It normally occurs approximately four to six months following the actual disaster. Relief agencies and NGOs must plan for this effort.

Practitioner – A person skilled in a trade.

Preliminary Project Scope Statement – Input for the Project Management Plan.

Process – A set of interrelated actions and activities performed to achieve a specified set of products, results, or services.

Procurement Management Plan – The *document* that describes how procurement *processes* from developing procurement documentation through *contract closure* will be managed.

Project – A temporary endeavor undertaken to create a unique *product, service, or result*.

Project Charter – A *document* issued by the *project initiator* or *sponsor* that formally authorizes the existence of a *project*, and provides the *project manager* with the authority to apply organizational *resources* to *project activities*.

Project Management – The application of *knowledge, skills, tools*, and *techniques* to *project activities* to meet the project requirements.

The Project Management Body of Knowledge (PMBOK®) – An inclusive term that describes the sum of knowledge within the profession of *project management*. As with other professions such as law, medicine, and accounting, the body of knowledge rests with the practitioners and academics that apply and advance it. The PMBOK is constantly evolving

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Project Management Process Group – A logical grouping of the *project management* processes described in the *PMBOK® Guide* – Third Edition. The Project Management Process Groups include *initiating processes, planning processes, executing processes, monitoring and controlling processes, and closing processes.*

Project Manager – The person assigned by the implementing agency to achieve the *project* objectives. This would most likely be a relief agency or an NGO.

Relief Agency – A humanitarian organization that may or may not be affiliated with a government.

Reconstruction – The activity of rebuilding after a disaster.

Request for Proposal (RFP) – A type of *procurement document* used to request proposals from prospective *sellers* of *products* or *services*.

Reserve (Contingency Reserve) – A provision in the project management plan to mitigate cost and/or schedule risk. Often used with a modifier (e.g., management reserve, contingency reserve) to provide further detail on what types of risk are meant to be mitigated. The specific meaning of the modified term varies by application area.

Resource – Skilled human resources (specific disciplines wither individually or in crews or teams), equipment, services, supplies, commodities, materiel, budgets, or funds.

Response – When local authorities are unable to meet the needs of the local community, a humanitarian response is required. The response effort should be designed to move living conditions for those affected back toward Sphere Minimum Standards. *See the Sphere Handbook for a complete disclosure of Minimum Standards.*

Risk – An uncertain *event* or condition that, if it occurs, has positive or negative effect on a *project's objectives.*

Risk Identification– The process of determining which risks might affect the *project* and documenting their characteristics.

Risk Management Plan – The document describing how project risk management will be structured and performed on the *project*. It is contained in or is a subsidiary plan of the project management plan.

Risk Response – Developing options and actions to enhance opportunities and to reduce threats to *project* objectives.

Schedule (Project Schedule) – The *planned dates* for performing *schedule activities* and the planned dates for meeting *schedule milestones*.

Scope – The sum of the *products, services, and results* to be provided as a *project*.

Scope Planning– Creating the *project* scope

Security Plan – A document, normally written by the implementing agency, that defines the safety requirements and processes for the *project* personnel.

Sphere Handbook – The first formally printed result of the Sphere collaborative effort, and constituted phase one. (URL http://www.redcross.ca/sites/english/sphere/whatis.html)

Staffing Management Plan – A document that is part of the Project Management Plan. The document describes when and how human resource requirements will be met.

Statement Of Work (SOW) – A narrative description of products, services, or results to be supplied.

Stakeholders – Persons and organizations such as customers, sponsors, performing organization and the public, that are actively involved in the *project*, or whose interests may be positively or negatively affected by the execution or completion of the *project*.

Sustainability plan – A long-term operational plan required by many implementing agencies

Template – A partially complete document in a predefined format that provides a defined structure for collecting, organizing, and presenting information, and data.

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Technique – A defined systematic procedure employed by a human resource to perform an activity to produce a product or result or deliver a service and that may employ one or more tools.

Tool – Something tangible, such as a template used in performing an activity to produce a product or result.

Transition/Hand-Off – Assets, activities, or functions that will be left behind have to be transferred to the correct agency. This activity will require formal coordination and ideally should be in writing to avoid misunderstanding. The Transition/Hand Off plan can be a list of resources, activities, or equipment that the implementing agency controls and the disposition upon *project* completion.

Variance Analysis – A method for resolving the total variance in the set of scope, cost, and schedule variables into specific component variances that are associated with defined factors affecting the *scope, cost, and schedule* variables.

Vendor – An organization or individual that is paid to provide services.

Vision – A statement of the goal state of the *project.*

Workaround – A response to a negative *risk* that has occurred.

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THE COMMITTEE FOR A RESPONSIBLE FEDERAL BUDGET

Budgeting for Emergencies

The Peterson-Pew Commission on Budget Reform

DECEMBER 13, 2011

Peter G. Peterson Foundation
Our America. Our Future.

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THE COMMITTEE FOR A RESPONSIBLE FEDERAL BUDGET

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Budgeting for Emergencies

Summary

Emergency exemptions have been abused routinely to evade caps and satisfy short-term spending demands that add to the long-term fiscal burden.

Emergencies pose a special challenge to those seeking a more disciplined budget process because they are inherently unpredictable and because such costs vary widely from year to year. But, failure to incorporate a reasonable estimate of emergency needs in the budget both understates expected future spending and creates a potential loophole in any set of spending limits and controls. If this gap in the fiscal dike is not sealed, other reforms to shore up fiscal discipline will not hold.

In its November 2010 report, the Peterson-Pew Commission recommended that the budget include *expected* annual emergency spending in advance of actual losses by "... outlaying to an emergency reserve amounts sufficient to pay the expected average annual cost of emergencies, with strict rules governing the use of the emergency reserve."

For those not prepared to go so far, a middle ground approach would be to establish a reserve fund for emergencies, but reduce concerns that such a change would lead policy-makers to think that they have created a "free" pool of resources to draw on for non-emergency needs without adding to the deficit (since outlays would have been recorded as the reserve was built). In this case, budget authority would be scored when funds were appropriated to the reserve, but outlays and deficit effects would only be recorded as reserves were used, creating a political incentive to limit their use. As with the Commission's earlier proposal, withdrawals from the reserve would be required to meet the enacted definition of emergency uses, subject to presidential certification and congressional review, further discouraging abusive withdrawals.

If amounts adequate to meet future emergencies were routinely reserved, this would help the President and Congress enact policies consistent with projected resources. Budgeting these amounts annually would provide a truer projection of the fiscal outlook, and, by eliminating the need for emergency supplemental appropriations, close one of the biggest routes of escape from the budget discipline needed to stabilize the debt.

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Introduction

Unanticipated budget requirements for Hurricane Irene and the financial demands of a feeble economic recovery are only the latest events raising questions about how the government should budget for emergencies. Emergencies pose a special challenge to those seeking a more disciplined budget process because they are inherently unpredictable and because such costs vary widely from year to year. On the other hand, failure to incorporate some reasonable estimate of emergency needs in the budget both understates expected future spending and creates a potential loophole in any set of spending limits and controls.

In the past, emergency exemptions have been abused to evade caps and satisfy short-term spending demands that add to the long-term fiscal burden of the U.S.[1] An extraordinary example occurred in July 2010, when the Census Bureau received $210 million in emergency funding to cover costs in excess of planned expenses for the 2010 decennial census.[2] The cost of the census had been estimated previously at about $10 billion, and most of this had been provided in regular appropriations. Some members of Congress argued against classifying this funding as emergency spending on the reasonable grounds that because the census must be performed every decade, it was impossible to view this spending as sudden or unforeseen.[3] The emergency funding was needed for costs of a management decision that had seemed likely but not certain when the regular appropriation was passed.

Prior to the enactment of the Budget Control Act of 2011 (BCA), all spending designated by the Congress as "emergency," including disaster relief, was exempt from existing budget limits, including caps on discretionary spending.[4] As a consequence, no emergency spending was paid for; its cost was automatically added to the deficit to be paid by future taxpayers and other stakeholders. Many observers had identified this practice as a significant contributor to uncontrolled spending and deficits.

Emergencies and the Budget Control Act of 2011

As a first step toward reasserting control over emergency spending, the BCA codifies the definition of "emergency" spending first developed by OMB in 1991.[5] The BCA distinguishes

[1] Concord Coalition, Growing Misuse of "Emergency" Designation Weakens Budget Discipline and Increases Deficit Spending," May 10, 2010 and General Accountability Office, (2008). Meyers, (1994) Chs. 4-5 identifies "misuse" of emergencies as a predictable consequence of strategic congressional behavior.

[2] http://www.nextgov.com/nextgov/ng_20080702_9517.php

[3] One participant in the debate reportedly scoffed, "George Washington could have told us there would be a census every 10 years." Coleman Bazelon, personal communication, June 10, 2011.

[4] Technically, the cap is raised to accommodate emergency spending.

[5] In 1991, OMB drafted criteria for identifying "emergency spending" under the Budget Enforcement Act of 1990 (BEA). OMB said emergency spending had to meet the following tests to appropriately be exempted from spending limitations established by the BEA: necessary—an essential or vital expenditure, not one that is merely useful or beneficial; sudden—quickly coming into being, not building up over time; urgent—a pressing and compelling need requiring immediate action; unforeseen—not predictable or anticipated as a coming need; and not permanent—the need is temporary.

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"disaster relief" from other forms of emergency spending and caps an exemption of disaster relief from budget limits at its previous 10-year average.[6]

For fiscal year 2012, the Office of Management and Budget (OMB) calculated the maximum amount of exempt disaster relief would be $11.3 billion. Any spending for relief beyond that amount must be paid for by cuts in other spending. However, the ceiling applies only to emergency spending designated as "disaster relief." All other emergency spending remains exempt from the cap.

If followed strictly, BCA could force significant tradeoffs between disaster relief and non-emergency spending. If, for example, the period 2012-2014 were to replicate the pattern of disaster relief appropriated for 2004-2006 (Lindsay and Murray, 2009), Congress would have to reduce non-emergency spending by about $115 billion in fiscal 2013-14.[7]

Because the BCA excludes all emergency spending other than "disaster relief" from the pay-for requirement, it cannot ensure that even a portion of disaster relief will be offset within the capped totals. Under the Act, Congress might avoid the need to find offsets by designating up to $11.3 billion in spending as "disaster relief" and classifying other spending for that purpose as emergency spending. BCA gave voice to a bipartisan consensus for the urgent need to address the lack of control of emergency spending. But it provided only a potential first step toward an effective solution.

How Big is Emergency Spending?

Disasters are one kind of "emergency", but only a small share of federal emergency spending is for disaster relief. During 2001-2010, the annual average of emergency supplemental appropriations, excluding smaller amounts provided in regular appropriations such as those for FEMA and foreign assistance, was $196 billion (Figure 1). Most was for defense and economic emergencies. Disaster relief accounted for about six percent of the total.

Unbudgeted disaster relief spending is a relatively minor contributor to federal spending and the deficit. The more inclusive category of emergency spending is a magnitude larger in size and is a threat to economic stability. Fixing the larger hole is likely to be more effective than a partial patch.

[6] The 10-year moving average excludes the highest and lowest annual values and is adjusted upward for any unused exempt amount of spending from the previous year.

[7] Emergency disaster relief appropriations by year were: 2004, $4.3 billion; 2005, $89 billion for Hurricanes Ivan, Jeanne, Katrina; and 2006, $55 billion for Hurricanes Katrina, Rita, and Wilma. Reductions of $71 billion and $44 billion would be required in 2013 and 2014, respectively.

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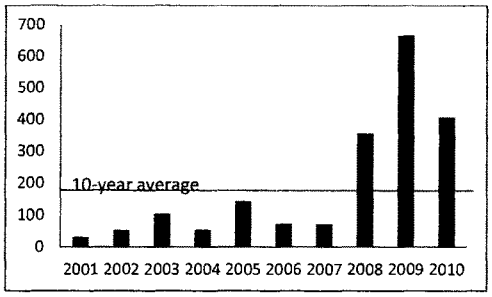
Figure 1: Emergency Supplemental Appropriations, 2001-2010, billions of dollars



NOTE: Staff analysis. Methodology available on request.

An Alternative Approach

A more targeted approach to staunching the flow of red ink through the emergency designation was developed by the Peterson-Pew Commission on Budget Reform and described in their November 2010 report, ***Getting Back in the Black***. Specifically, the Commission recommended that the budget include *expected* annual emergency spending in advance of actual losses by "... outlaying to an emergency reserve amounts sufficient to pay the expected average annual cost of emergencies, with strict rules governing the use of the emergency reserve."[8]

Their proposal differs from the BCA treatment of emergencies in three significant respects. First, it includes all spending for which the Congress has used the "emergency" designation, rather than just disaster relief. Second, it proposes to recognize and pay for the expected cost of emergencies prospectively, as the budget is being developed, rather than after emergency events have occurred. And, third, like the BCA, the Commission proposal requires some but not all emergency spending be paid for. However, Peterson-Pew would require that the amount of spending offset be the moving historical average, not merely any annual excess spending above that average.

Of course, every legislative change requires majority political support and must be technically feasible if it is to constitute a remedy. How helpful are the changes in the BCA?

Paying Before or After

In concept, paying for emergency spending after a loss could be as effective as paying for the loss in advance. Practically, however, reaching agreement to offset the cost of disaster relief after an earthquake or other loss is too time-consuming to enable government to respond quickly when the need is greatest. To pay for a loss after the fact requires reductions in amounts of spending that have already been approved and incorporated into the budget plan. All available

[8] Peterson-Pew Commission on Budget Reform, 2010, *Getting Back in the Black*, p. 28.

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monies have been allocated to favored uses. No Member will accept cutbacks in constituent benefits that have been negotiated and won only by making concessions to the claims of others. Agreement on how to pay for an unbudgeted loss may be as difficult as negotiating an entire new budget.

Hurricane Irene, which occurred between the passage of BCA and its 2012 effective date, provides a timely illustration of this practical difficulty. With the enactment of the BCA, Congress affirmed its intent to change the current practice of borrowing to pay the full cost of every emergency. Some costs were to be paid for by reductions in non-emergency spending. Consistent with this decision, a few members of Congress proposed that some or all of the federal cost of Irene be paid for as part of the legislation to fund assistance. That proposal was met with protests from members whose districts were affected by Irene, some of whom had voted for BCA. Their objection was that the need for federal assistance was immediate and could not await the outcome of an arduous negotiation to identify offsetting savings.[9] That shortcoming, however, is common to all emergency events. Sudden, urgent needs for federal resources are unlikely to be met by a process that requires agreement on a series of cuts to an enacted spending plan.

Paying for emergencies in advance of the loss event is a more timely way because the fiscal resources for expected needs for emergencies are included in the original budget plan. How much should be expected? If the BCA's approach of including a 10-year moving average of domestic disaster spending were expanded to include all emergency spending, it would be a good starting point. The Peterson-Pew recommendation was to include such an estimate in the President's proposed budget and the Congressional Resolution and to score that amount against the budget cap on discretionary spending. This requirement prevents all available funds from being allocated to non-emergency purposes before loss occurs.

Paying For Expected or Unexpected Spending

The BCA's pay-for provision has the appearance of a technical drafting error. It raises the discretionary cap for expected spending up to the 10-year average of disaster relief, but requires that above-average losses, including catastrophic events, be paid for by offsetting reductions in other spending. The traditional reason for not including emergency spending in the budget is that it is unpredictable. Giving a free pass to expected emergency spending while requiring offsets for unpredictable spending turns this logic on its head and requires payment only for unexpected losses. Paying for annual expected disaster relief assistance while deferring the cost of random variation, as recommended by Peterson-Pew, can ease the burden of greater fiscal discipline by avoiding the necessity of chasing self-offsetting year-to-year random variations in disaster relief.

[9] A perhaps less compelling argument offered against the proposal was that a requirement to pay for disaster relief is inconsistent with the American ideal that those who suffer loss can count on assistance from their neighbors who were spared. In fact, borrowing to pay for disaster relief honors a notion that few Americans accept, namely that all losses suffered today should not be paid for by neighbors but by unspecified future generations.

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Details of the Commission's Proposal

The Peterson-Pew Commission's proposal is to include estimates of the expected annual cost of emergencies in the annual budget. Specifically, the Commission recommends that the government budget for emergency spending by:

- Including projected annual average spending for emergencies in the Allowances function of the President's budget request and the Congressional Resolution;
- Enacting mandatory permanent appropriations of the emergency allowance;
- Creating a single federal emergency reserve fund to be credited with the amount of budgeted allowances for emergencies.[10]
- Enacting a list of programs eligible to draw on the reserve fund for financing emergency outlays authorized under law. Use of reserve funds would be conditional on a presidential declaration and Congressional Resolution of need;
- Authorizing annual carry-over of unspent balances in the reserve fund;
- Providing permanent and indefinite borrowing authority for the reserve fund to make payments in excess of account balances for authorized emergency purposes. (This authority would be conditional on certification by the Congressional Budget Office, or another support agency charged with estimating expected annual average outlays, that spending remains within bounds consistent with an unchanged statistical distribution of expected costs); and
- Scoring all changes in law or policy affecting emergency spending with their annual incremental cost or savings, subject to all budget limits and enforcement procedures.

So long as policy and technical factors affecting the statistical distribution of emergency spending remain unchanged (adjusted for the value of covered assets), the expected budget cost of disaster policy could be routinely estimated. In years of extreme severity of losses in which authorized payments exceeded the reserve balance, the Treasury would advance funds to cover the deficiency. Repayment to the Treasury would occur in years in which disbursements are less than the expected value.

Increases in outlays resulting from liberalization of benefits or other changes in authorizing law would be scored to the responsible committee. Similarly, committees that report legislation to modify existing policy and reduce expected outlays would be scored with savings that could be authorized for other purposes, including risk reduction, mitigation, and non-emergency purposes. Changes in the underlying statistical models of cost would lead to mandatory re-estimates Transfers required to rebalance the fund would be scored as outlays or offsetting collections.

[10] Technical note: in assessing compliance of budgets with public debt targets, CBO and OMB would be instructed to assume that all funds in the reserve accounts would be disbursed during the projection period.

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BOX 1: Some Previous Proposals to Budget for Emergencies

Many proposals have been offered by members of Congress, the President, federal agencies, and private analysts to budget for emergencies in anticipation of costs. For example, President Clinton in his budget for FY 1998 proposed creating a contingency emergency reserve fund for both natural and manmade disasters.[11] He requested annual funding equal to the average amounts by which the BEA spending caps had been increased to accommodate emergencies during 1991-97, or $5.8 billion.

He did not propose to pay for this reserve with spending cuts or tax increases now, but rather asked that the discretionary caps and deficit targets be raised by the same amount to permit this spending to occur. The proposed emergency fund would have been available for use by a specified list of executive branch agencies only if spending exceeded amounts assumed in their own budgets.[12] However, those funds would not have been available to the President until 15 days after he had given the Congress official notice of his intent to draw on the fund.

Eight years later, Douglas Holtz-Eakin (2006), Director of the Congressional Budget Office, noted in testimony before the House Budget Committee that government spending for Hurricanes Katrina and Rita would have to be paid for by some combination of spending cuts and tax increases, now or in the future. Absent any interest in paying now, he suggested that,

> The Congress may wish to consider options to incorporate planning for such events in the regular budget process. That planning may help evaluate policies for reducing the cost of future disasters and budgeting in advance for a greater share of those costs.

Most recently, President Obama, in his 2010 budget proposal, harshly criticized the budget practice of omitting expected outlays from the budget. He estimated that for the 2010 budget, those practices, if continued "...would show [falsely] in excess of another $250 billion annually in available funds" for spending on other purposes.[13]

As an alternative, the President requested funding for the projected cost of the wars in Iraq and Afghanistan, recognizing the "statistical likelihood of natural disasters instead of assuming there will be no disasters over the next decade, [and include] a contingency reserve as a placeholder in case further legislative action becomes necessary to stabilize the financial system."

His budget message continued, "If we do not account for [the costs of disasters and emergencies] as we project the future government's fiscal health, we run the risk of allowing these unforeseen events to cause even more economic pain and derail our long-term growth."
The President requested only $20 billion per year for emergencies, but he also projected a $250 billion contingent reserve for economic stabilization.[14]

[11] *A New Era of Fiscal Responsibility, Budget of the Government of the U.S. for FY 1998 Appendix*, pp. 69-70.
[12] Those were Agriculture, Interior, Transportation, FEMA, SBA, and the Corps of Engineers.
[13] p. 36
[14] The President's budget also noted that repayments and future sales of securities would reduce the net cost of the financial stabilization effort to about one-third of the initial outlay. By that estimate, a projected $250 billion cost would support $750 billion in gross asset purchases.

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Potential Advantages of the Commission's Proposal

Compared with current policy, the Peterson-Pew recommendation could decrease the risk of aggregate fiscal instability, increase the quality of individual budget decisions, raise spending for mitigation, and eliminate much misunderstanding of countercyclical fiscal policy and its relationship to long-term fiscal stability.

Increase Macro Fiscal Stability

Under current budget rules, dollars spent for emergencies are treated in the process as free. No current voter or stakeholder has to give up any non-emergency spending or taxable income for more emergency spending. Funds are borrowed now to provide assistance to be repaid later at some unspecified future time by unspecified generations. When faced with an opportunity to receive benefits without cost, people can reasonably demand additional emergency spending until the extra benefit from another dollar of spending approaches its perceived value of zero.

The danger of current policy is that it can also mislead lawmakers into acting as though emergencies are free in reality. If so, government may borrow and spend in excess of the amount that current or future taxpayers are willing to pay. This creates claims on federal revenue greater than the revenue the government is likely to be able to collect. This means that government has made promises it will not be able to honor. Default on the commitment to some stakeholders is inevitable. That is what analysts mean when they conclude that U.S fiscal policies are currently unsustainable.

The Commission's proposal would move to correct the perception that emergency spending costs less than non-emergency spending. By treating emergency and non-emergency spending as equivalent in the budget, the proposal could reduce the bias toward excess spending and borrowing for emergencies. Specifically, under this recommendation, lawmakers would choose a single cap consistent with planned revenues and a stable debt relative to national income. To make this feasible, the cap would have to be adjusted initially for the expected cost of emergencies.

One member of the Peterson-Pew Commission (Steuerle) identifies the tendency of lawmakers to continually spend in excess of likely revenues as the result of the failure to include some "slack" in the budget. His criticism of current policy extends well beyond the failure to budget for emergencies. Rather, he argues that if policy makers ignore the constant change in fiscal needs, they will be driven to overspend as unmet and unbudgeted new needs emerge from, for example, the changing age composition of the population.

Without some unallocated, saved resources, every shift in public preferences, whether emergency or non-emergency, creates gaps between budgeted spending and now-preferred spending. These gaps are extraordinarily difficult to close because all available resources have been promised to and claimed by other users and uses. Under the pressure of those new demands for public services, borrowing to meet all new needs is an attractive short-term option, even though it requires mortgaging future revenues. By saving and postponing the expected benefits of some non-emergency spending, we retain the flexibility to deal with changing circumstances, and avoid both losses from lower value spending and a growing debt burden over the long term.

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Improve Individual (Micro) Budget Decisions

We budget because experience has taught us the inefficiency of sequential and uncoordinated spending choices. Making each decision on the basis of the merits of the immediate choice restricts our attention to the benefits of each single purchase, and thus leads to less than fully-considered decisions. In contrast, a proper budgeting process takes into account benefits and costs of alternative spending choices. Making spending decisions simultaneously based on the best estimates of the costs and benefits of all alternatives, including emergencies, increases the chances of making efficient choices about the use of limited fiscal resources.

The current separate treatment of emergency spending can encourage overspending for unexpected events, compared with what we might choose considering the benefits of spending on alternatives. The natural empathy toward those who recently have suffered loss makes the notion of "too much" assistance sound mean-spirited. Without a realistic budget cap or limit, the impulse to be generous to those in need can displace standards for a consistent and fair response across events.

Increase Incentives for Mitigation

Up-front scoring of the expected cost of emergency spending also provides budgetary incentives to increase federal investment in mitigation that reduces losses. This is important, because once the government accepts responsibility for assisting those who suffer losses we tend to reduce our own avoidance of and preparations for those losses.[15] As we save less and invest less in measures that could reduce our losses, we have more discretionary income and consume more. To compensate for those changes in behavior, or moral hazard, government needs to increase federal savings and mitigation commensurately.[16] Under current budget policy of open-ended borrowing for emergencies, however, government has only weak incentives to increase its own saving or mitigation to offset weakened incentives by households or other beneficiaries of disaster relief.

Without a change in federal saving and investment policy, the nation as a whole is likely to be less prepared for disasters than before federal assistance was offered. Less has been saved for the bad times, mitigation has been reduced, disaster losses are likely higher, and income and wealth are lower after the loss than with private budgeting for emergencies.

Increase Public Understanding of Deficits and Debt

The current budgetary treatment of federal countercyclical (emergency) fiscal initiatives can mislead the public and law makers about the need for changes in federal spending or taxes in recessions and economic booms. The federal government seeks to offset economic fluctuations using fiscal and monetary policies. Both automatic stabilizers and discretionary measures reduce tax revenues and increase spending during recessions. For this reason, as the economy moves into recession, the budget deficit widens. In booms, those policies increase tax revenues and lower spending and the deficit.

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[15] Hou and Duncombe (2008) find evidence of this effect on state and local governments who receive grants to replace infrastructure losses under the Stafford Act.

[16] Bohn (1996) finds evidence that the use of rainy day funds increases saving by state governments.

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Increases in the deficit are popularly interpreted as inconsistent with long-term fiscal stability. Rising countercyclical deficits therefore elicit calls for pro-cyclical deficit reduction during a recession (and stimulative tax cuts and spending increases in a booming economy). In fact, attempting to reduce the budget deficit at the onset of a recession is likely to be counterproductive for both the recession and the deficit.

The Peterson-Pew proposal would replace the annual effect of economic and other types of emergencies on the current deficit with the annual expected cost of emergencies including economic fluctuations. That change would dampen the misleading signals about need for pro-cyclical fiscal policy during downturns and upswings.

Build on Existing Procedures

The core of the Peterson-Pew proposal, to include the expected cost of emergencies in the annual budget, is achieved in large part by recording outlays for this purpose in the existing budget function for allowances, but without offsetting that outlay effect with a credit to another function. The federal government routinely uses special budget accounts or "funds" to earmark funds for designated future spending. In enacting the Federal Credit Reform act of 1990, Congress changed budgeting for the cost of credit assistance, e.g. loan guarantees, by expanding the use of non-budgetary accounts to increase the transparency of expected costs. The use of a single reserve account also highlights the government's total requirement for savings to meet uncertain future needs.

Potential Disadvantages of the Commission's Proposal

The Commission's proposed reform may also have some effects that many will consider major disadvantages or fatal flaws. Those concerns include that advanced budgeting for emergencies is simply not feasible in an annual budget process, that the proposal would convert emergency spending into uncontrolled mandatory spending and that the existence of an emergency reserve fund will invite misuse of these monies and result in larger spending and deficits.

Lack of Feasibility

Budget analysts are now able to estimate long-term average emergency spending with reasonable accuracy assuming the continuation of current policy. However, they cannot accurately predict the year-to-year variation in emergency outlays. Some observers consider this inability to be a fatal obstacle to any attempt to budget for emergencies.

Their argument is that the U.S. budget is primarily a plan for controlling spending by federal agencies in a single year through annual appropriations. According to this view, when monies are obligated is as important to the execution of the budget as for what and to whom those obligations are extended. Exceptions to the single-year duration of the authority to spend are explicitly specified in law. The notion of appropriating money to be spent at some unspecified future date conditional on an uncertain event is inconsistent with annual budgeting. If our inability to predict annual spending for emergencies makes it impossible to budget in advance for this activity, then the current policy of budgeting for emergencies after the event is the only feasible means of dealing with unpredictable emergency spending in an annual budget. This

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view also holds that the key to controlling spending for emergencies is to create rules that require Congress to pay for or offset emergency spending when it approves that spending.

The contrary view of the Commission as described above is that those who make the laws are unlikely to enact rules that will force themselves to do something they are loathe to do, such as to routinely overturn a prior agreement on taxes and spending whenever a costly emergency occurs. Further, the Commission does not believe that effective budgeting requires micro-control of annual obligations.

On the last point, consider disaster relief as an example. For disaster relief, effective budgeting means that whenever an emergency arises, the government's response is immediate, appropriate in scale to the event, and consistent with both the government's commitment and long-term fiscal balance. Currently federal policy meets most of those objectives. Consistency with planned deficits is the major exception. Current policy is largely successful because authorizing legislation (and associated regulations) specifies the conditions under which specific amounts and types of assistance are to be provided to eligible beneficiaries by designated agencies. Delays occur only if funds previously appropriated are insufficient and Congress is unable to agree to cover the funds. The amount appropriated is largely consistent with current law unless members decide to include extraneous funds for some unrelated purposes. However, the amount appropriated is rarely financed in a way that meets the budget plan for debt and deficits.

The Commission approach to budgeting for disaster relief and other emergencies would require modest changes in current practice to realize significant increases in effectiveness. The most important of these is to drop the requirement that the amount to be spent for disaster relief in the budget year be subject to appropriation in that fiscal year. Instead, the amount of spending for disaster relief in that year would be set by existing authorizing law and the severity and type of the disaster. This change would have little effect on disaster spending. That is because the amount currently appropriated for emergency relief—following receipt of agency estimates—is determined by existing authorizing law and the severity and type of the disaster. The drivers of outlays for disaster relief would be the same under current policy and the Peterson-Pew proposal.

Under the Commission's proposal, all emergency spending authorized under current law and policy would be disbursed as needed, and therefore with large annual variations in disbursements. It would be paid for with a highly stable annual outlay within a total budget constraint. If the estimate of expected emergency spending is unbiased, the cumulative sum of the annual differences from the annually appropriated amount would approach zero. If the estimate is found to be biased, a technical re-estimate could be used to correct this error. Subsequent future estimates of the annual, expected cost would be adjusted accordingly.

Loss of Control over Disaster Spending

The Commission's proposal would effectively convert emergency spending into a mandatory program. For those who consider mandatory programs uncontrollable through the budget process, this proposal would eliminate the only remaining restraint on emergency spending—discretionary appropriations. The Commission's view is that mandatory spending is controllable through reconciliation and that to restore fiscal balance this instrument will be needed as it was in the past.

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Mandatory programs provide specified benefits to all who meet the eligibility requirements specified in authorizing legislation. Those programs often are intended to provide long-term benefits over the life cycle – for example, for student loans, Medicare—and form an economic safety net against economic hardship and deprivation, e.g., Medicaid, Social Security. Their roles in affecting people's lifetime plans make cutting promised benefits without significant advance notice unthinkable. Thus, reductions in benefits usually are effective only with a delay and phased in over several years.

Given the nature of mandatory programs, few budget savings can be achieved in the current budget year by enacting long-term changes in benefits. To control mandatory spending, lawmakers must take a longer-term view of budgeting and enact changes to authorizing legislation that are effective only when recipients have had time to adjust to new terms.

Emergency spending has a lot in common with other mandatory programs. The amount to be spent in a future budget year is unknown until the contingent event occurs; in the case of Social Security and disaster relief, for example, the number of people who will qualify for the benefits can't be determined in advance. In addition, in all cases it would be inconsistent with the intent of policy to pay benefits less than that promised because the amount appropriated was less than the requisite sum. To effectively control spending for emergencies or for mandatory programs, policy makers need to adopt a multi-year perspective.

The Commission's proposal to treat emergency spending like a mandatory program would increase the controllability of emergency spending by shifting from an ineffective control instrument, post-loss appropriations when funds are to be disbursed, to a more effective and politically feasible policy, pre-loss adjustments in the terms and conditions under which funds will be provided.

Misuse of Reserve Fund

Another concern is that federal funds cannot be set aside or reserved by government and that attempting to do so leads to increased spending for unintended purposes. The first part of this argument is that if government wants to accumulate resources for future use, it must purchase and hold private assets. That action is widely resisted because ownership of private assets is seen as an undesirable expansion of the federal role into the management of private assets. If government attempts to achieve the same purpose by earmarking federal funds in on-budget trust funds, as is done for Social Security, the money "saved" for one purpose could be spent for other purposes. Further, if government creates an on-budget reserve fund, voters may conclude that government has excess cash that ought to be returned, in lower taxes for example.

The federal government typically makes no attempt to accumulate resources in advance of future payments. It treats those obligations in the budget as having a cost in outlays and adding to the deficit only when they are paid. In a few cases, however, the government has attempted to fund future payments by counting set asides as federal spending that increases the deficit as money is saved. With this approach, no excess monies appear to be available for other purposes. In these cases, the government has had some success in saving for future payments. A key condition for success, however, is that the deficit and spending targets specified in the budget must be effective in restraining actual spending and borrowing. Examples of the second case include

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amounts reserved to pay accrued interest on Treasury debt and, since 1992, to liquidate obligations for loan guarantees. This experience suggests that the capacity to save effectively for a specified purpose depends on congressional intent and on the budgetary procedures used to support the policy.[17]

State and local governments successfully set aside revenues for unexpected events. Those reserves are held in accounts referred to as rainy day or budget reserve funds to reduce the budget adjustments required in the event of economic downturns. However, in most cases, the amounts states reserve are small relative to the expected costs of economic emergencies (Joyce, 2001).

Variations on the Commission's Proposal

Some observers may believe the Peterson-Pew Commission recommendation for the budgetary treatment of emergency spending overreaches by proposing such extensive changes and moving faster than the political process can accommodate. To improve chances of some success, smaller changes might be made, introduced gradually, or a more traditional approach could be used to restrict use of emergency funding.

Increase Budget Coverage Gradually

One option would follow the BCA and begin with a small part of emergency spending, such as natural disaster relief. If this treatment proved feasible, it could be expanded gradually to include such items as flood insurance, deposit and pension insurance, some economic stimulus measures, and short-term defense emergencies.

Enforce a Strict Definition of Emergency

An alternative solution that also builds on the BCA would be to enforce the definition of emergency spending established by OMB in 1991 and now codified in law, as a first step to limit the amounts subject to special emergency treatment.

When Congress included the OMB definition of emergency in the BCA, it ratified a widespread agreement that these criteria constitute a useful definition and that emergency spending ought to be limited to cases meeting these conditions. Agreement on this principle, however, has proved insufficient to avoid disagreement in particular cases.

It will be difficult to bind Congress to a codified definition of emergency spending.[18] However, a point of order could be established in the Senate against any spending that as classified by CBO does not meet the statutory tests.

[17] The 1983 amendments to the Social Security Act appear to be a mixed case: a change in Congressional intent without a change in budget accounting. The effect on government saving is difficult to assess. (Engen and Gale, 1997) and (Nataraj and Shoven, 2009). For a related discussion, see (Elmendorf, Liebman, and Wilcox, 2001.)

[18] The 2010 emergency supplemental had a more infamous precedent in the funding of the cost of the 2000 census for which the entire amount appropriated was designated as an emergency. The Conference report noted the Bureau's inability to accurately project its spending requirements and provide timely information to the Committees. Congressional Record V.145, Pt 21, November 17, 1999 – December 3, 1999, p.30190. Proponents of the

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No Scoring of Emergency Spending

Another variation on the Commission's proposal would provide policymakers with estimates of the expected annual cost of emergencies, but only in a notional form where it would not affect the budget totals until spending occurs after the emergency. Yet another variation would be to show the estimated expected annual cost of emergencies in gross outlays, but to treat them as intra-governmental transfers, so they would not affect net budget authority, outlays or the budget deficit until funds were disbursed by the federal government to non-federal recipients.

Hybrid scoring of emergency spending

A middle ground approach would preserve the concept and much of the disciplining effect of establishing a reserve fund for emergencies, but avoid or reduce some of the objections that such a change would lead policy makers to believe they have created a "free" pool of resources that could be drawn on for non-emergency needs without adding to the deficit (since outlays would have been recorded as the reserve was built). In this case, budget authority would be scored when funds were appropriated to the reserve, but outlays and deficit effects would only be recorded as reserves were used, creating a political incentive to limit their use. As with the Commission's proposals, withdrawals from the reserve would be required to meet the enacted definition of emergency uses, subject to presidential certification and congressional review, further discouraging abusive withdrawals.

How the Recommended Approach Relates to Other Commission Recommendations

The budget process is widely seen as suffering from systemic failure. Changing only one component of a broken system, such as budgeting for emergencies, is unlikely to have much beneficial effect on system performance (Burman and Phaup, 2011). Realizing significant improvements from reform would likely require making other changes, including many of the recommendations of the Peterson-Pew Commission. Those include:

- Adopting a binding fiscal target or rule to constrain budget policies to a sustainable set;
- Renewing existing tools of budgeting that appear to have become moribund, including reconciliation; points of order, discretionary caps, PAYGO, and perhaps most importantly, a commitment by the leadership to *budgeting*;
- Integrating tax expenditures into the budget as mandatory spending;
- Improving budgetary accounting for deferred spending programs such as long-term insurance, pensions and other retirement benefits; and
- Increasing use of program evaluation and performance measures by the Congress in designing and improving specific policies and programs.

One process reform—to suspend the enforcement mechanism for medium-term debt/GDP targets following two consecutive quarters of negative real growth or other indications of economic downturn—would be less urgent if Congress adopted the recommendation for emergencies.

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emergency designation also cited a recent court decision that had imposed added costs on the Bureau. See www.washingtonpost.com/wpsrv/politics/special/budget/stories/spending072799.htm.

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The Commission's recession circuit breaker was intended to avoid a pro-cyclical tightening of fiscal policy during economic downturns. However, this disadvantage would be avoided by muting the ability of the current budget deficit to incorrectly signal the need for pro-cyclical policies. An important effect of budgeting in advance for the possibility of economic contraction is that neither the target nor actual deficit would be much affected by a recession or financial crisis. The budget deficit would increase only if the Congress decided to increase stimulus beyond amounts produced by the operation of existing policy instruments that automatically generate higher spending during downturns.

BOX 2: Do we need to change the way we budget for emergencies to shift national consumption from good times to bad?

The Commission's recommendation aims to increase national saving in good economic times to provide the resources for increased consumption in bad economic times. Some analysts maintain that current policy can deliver those same benefits. In particular, they argue that budgeting in advance is not necessary to shift consumption from good, prosperous years (when one more dollar of consumption has a low value) to bad, low income years (when an extra dollar has a higher value). Current policy could achieve that result, if government borrowed to increase consumption in bad years and repaid the debt in future good years. Whether the good year precedes or follows the bad year is irrelevant because every good or bad year occurs both before and after the other.

This argument also draws on the fact that governments are better able to borrow than individuals during bad times. Government has this advantage because it can obligate future taxpayers to repay the government's debt. Individuals, by contrast, can commit only their own resources to future payments. Thus, government can borrow virtually unlimited amounts to maintain consumption in bad times without saving, provided it can credibly commit to repayment by future taxpayers.

No doubt, government could borrow in bad times and repay in good times. The open question is whether it could overcome the political obstacles to doing so. Future governments, voters, and taxpayers might choose to repay outstanding Treasury debt issued to pay emergency benefits to an earlier generation. Alternatively, they might decide that it would be more beneficial to pay interest only—the time value of money—and to defer the sacrifice of repaying the debt to a later generation of taxpayers. Taken by itself, deferral of debt repayment is benign.

However in the context of an apparent system bias in favor of spending now and taxing later (Moore and Redburn, 2011), a policy to "borrow in need and repay in better times" for emergencies adds to the unsustainable trajectory of debt and heightens the risk that creditors will lose confidence in the willingness and ability of government to repay its solemn obligations. Planned, disciplined borrowing to respond to a disaster is consistent with financial stability. But the use of borrowing as the institutional funding source in all circumstances can lead to calamity. Restraining the use of debt for non-emergency purposes, while maintaining the policy of borrowing the cost of "emergencies," would likely invite policymakers to designate more spending as eligible for favored treatment and create political barriers to paying for it later.

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Conclusion

If Congress and the President were determined to smooth variations in spending arising from emergencies, they could do so without adopting the changes recommended by the Peterson-Pew Commission. Congress could match the long-term availability of fiscal resources to spending, including amounts to be saved for rainy days based on the newly codified definition of emergency spending, and adjust spending levels consistent with their priorities to what could be afforded. They might, if they chose, stick to such an affordable budget not just for a fiscal year but for a decade or longer. But, the present process discourages such prudent behavior; procedural reforms can make it easier.

Routinely reserving amounts adequate to meet future emergencies would help the President and Congress enact policies consistent with projected resources. Budgeting these amounts annually would provide a truer projection of the fiscal outlook and, by eliminating the need for emergency supplemental appropriations, close one of the biggest routes of escape from the budget discipline needed to stabilize the debt.

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Post-Hearing Questions for the Record
Submitted to the Honorable Richard Serino
Deputy Administrator, FEMA

From Chairman Mark Pryor

"Accountability at FEMA: Is Quality Job #1?"
October 20, 2011

1. I raised a question at the hearing about FEMA's implementation of fraud awareness training, and I would like to follow up on your responses. Specifically,
   a) Is FEMA fraud prevention training a one-time training for staff or an annual requirement for all staff? Will training include Disaster Field Offices' staff? In a post-hearing follow-up email provided to my Subcommittee staff[1], FEMA provided information indicating that fraud training is not comprehensive throughout the agency. If training is not offered across the board, please provide us written guidance for what types of FEMA and contractor personnel would be exempt.
   b) The IG report also recommended that the Fraud Prevention and Investigations Branch be adequately staffed and given the authority to review programs throughout FEMA. Why haven't these recommendations been implemented?

Response: FEMA is currently implementing an aggressive fraud prevention training program that will require all its employees to take it as an annual requirement. This training will be a web-based online interactive training module and is currently in the initial stages of development.

FEMA will continue to provide its 2-hour classroom training sessions for identified Agency components with disaster responsibilities. In addition, FEMA plans on developing specialized training for FEMA employees whose jobs provide them with an opportunity to identify and prevent fraud and FEMA will be providing train-the-trainer training to qualified security staff as a force multiplier in delivering face-to-face fraud prevention training to FEMA employees.

Once the train-the-trainer program is implemented, fraud prevention training will be provided to current Disaster Field Office staff and other Disaster Field Offices as they become operational in FY12.

The IG's recommendation has, in fact, been implemented. FEMA expanded its fraud prevention staff in Washington, DC, by hiring additional staff. This staff includes both investigators and analysts. This Division is headed by a GS-15 Supervisor Investigator who had a prior successful career with the U.S. Secret Service. A number of this staff recently traveled to the Federal Law Enforcement Training Center for specialized training on fraud prevention and detection.

2. I would also like to follow up on your statements regarding the error rate for improper payments in the individual Assistance (IA) program. You testified that FEMA's error rate for

[1] Jennie Raab-Barnes, Email to John Vocino, Subject: Get Backs from Oct 20 Hearing, Tuesday, October 25, 2011, 11:20 am.

IA payments has dropped to below one half of one percent, down from a 10 percent error rate in the aftermath of Hurricanes Katrina and Rita. I applaud these improvements but hope to learn more about how FEMA has accomplished this.

a) Is the methodology is used to calculate this error rate independently verified and validated? If so, by whom?
b) Specifically, what controls are in place to ensure the error rates would not drastically increase again in the aftermath of a catastrophic disaster?

Response: FEMA is committed to reducing improper payments in the program, and has a number of controls in place to achieve this goal. Specifically, FEMA uses a commercial data service provider to verify the identity of all disaster assistance applicants by matching names and Social Security numbers in order to determine if a Social Security number is valid, belongs to the applicant, is used by multiple individuals or if it belonged to an individual who is deceased. Other internal controls block the use of automated payments without on-site verification to "high risk" addresses; such as check cashing stores, mail drops, cemeteries, and jails. FEMA also performs duplication of benefits checks to prevent multiple payments from being provided to the same household.

FEMA has performed improper payment testing over identified high risk programs since 2006, and our Individual Assistance Individuals and Households Program was the first tested. Improper payment testing uses agreed-upon audit procedures that ensure program compliance with purpose, period of performance, and payment. We sample a statistically-valid sample of all disbursements made during the prior year and extrapolate the error rate across the population. The Individual Assistance Program during Hurricanes Katrina and Rita is a good example of how a program that relaxed internal controls during a disaster recovery resulted in a high improper payments rate. These problems were identified through both the DHS Inspector General's external reviews and FEMA's own improper payments testing. FEMA implemented the IG's recommendations and, through our corrective action plans, we have been able to improve controls for improper payment testing, resulting in the significantly lower improper payment rate for the program. FEMA has also worked to increase its capacity to handle larger disasters without relaxing controls. Today, the program does its own internal testing throughout the year in addition to formal testing in accordance with the Improper Payments Information Act of 2002, as amended by the Improper Payments Elimination and Recovery Act of 2010. These rates are verified by a contractor for the Office of Chief Financial Officer, and Department of Homeland Security headquarters performs an additional validation.

FEMA's financial management controls also have been strengthened in recent years. From 2007 to 2010, the agency reduced the number of material weaknesses identified by external auditors in the area of financial management from six to two. We have successfully eliminated material weaknesses in the areas of Entity Level Controls, Financial Reporting, Budgetary Resources Management, and Property Management. This was accomplished through the Office of Chief Financial Officer's (CFO) efforts to increase internal controls across all directorates, including agency-wide use of a risk assessment tool that has substantially increased the reliability of FEMA's financial information. DHS recognized these successes in 2010 when it awarded FEMA's CFO, "The DHS CFO Award for Excellence in Financial Management Keystone

Award for FEMA Financial Management Reporting Remediation Team for Superior Mission Achievement."

3. FEMA advocates a "Whole Community" approach to disaster management that involves Federal, State, and local partners as well as non-profit and private sector organizations. The approach recognizes that FEMA is only a part of the team, and full participation is needed in order to successfully manage emergencies. What steps can FEMA take to emphasize accountability tools and controls within its Whole Community partnership framework?
   a) How can we incentivize greater accountability across all levels of government and with FEMA's private and non-profit sector partners in disaster management?
   b) What role does the "Whole Community" approach play in the development of disaster strategies and plans? What steps has FEMA taken to seek out and consider input from private-sector stakeholders in developing the National Disaster Framework and the National Disaster Housing Strategy, in order to take advantage of lessons learned during and after the Katrina Disaster?

Response: The National Disaster Recovery Framework (NDRF) is the result of multiple substantive outreach sessions designed to solicit input from a wide variety of recovery stakeholders. More than 3,000 invitations were sent out for stakeholder outreach sessions conducted in each of the ten FEMA Regions, forums held in five cities across the country, an interactive roundtable session to solicit input from professional associations, and in July 2010 we supported the Disaster Assistance and Recovery Workshop sponsored by the US Chamber of Commerce – Business Civic Leadership Center for private sector stakeholders. The NDRF incorporates comments and recommendations from more than 600 stakeholders representing federal, state, local, and tribal governments, as well as public, private and academic organizations.

The National Disaster Housing Strategy (NDHS) was drafted through a collaborative process among the various local, State, tribal and federal partners, nongovernmental organizations, and the private sector to meet the needs of all disaster survivors. For the Implementation Plans of the NDHS we conducted extensive outreach, hosting workshops at conferences that were open to the public, conducting open conference calls during the drafting process, and incorporating feedback received through an extended Federal Register Notice open comment period. The NDHS called for the creation of a National Disaster Housing Task Force and introduces the concept of State-led Disaster Housing Task Forces. These bodies bring together all partners, including the private sector, to coordinate disaster planning, strategy development and recovery solutions, and were also included in the Plan's development.

Presidential Policy Directive-8 (PPD-8), signed March 30, 2011, seeks to strengthen security and resilience through systematic preparation for threats that pose the greatest risk to the Nation. As a part of PPD-8 implementation and from a Whole Community approach, FEMA is leading the development of a National Planning System (NPS) that integrates planning across all levels of government and with the private and non-profit sectors around key capabilities. Further, the NPS is based on the principle that risk is shared across the Whole Community and that risk must be addressed through planning and operational coordination. This work will result in a set of focused planning documents that support the effective delivery of core capabilities across the

Whole Community. Specifically, the NPS will include planning frameworks that provide guidance to State, local and tribal officials, define roles and authorities, and outline coordinating structures to deliver core capabilities across the 5 focus areas of emergency management. These frameworks will inform the development of operational plans at every level – from the Federal interagency to State/local governments.

4. In your testimony, you referred to the 59 pre-positioned contracts in place to provide supplies and services immediately following a disaster. You also stated the Response Directorate is identifying key metrics that could be used to measure effectiveness in the areas of preparedness and response. To what extent is FEMA paying contractors to "be ready"?
   a) If FEMA is paying contractors to "be ready," (1) is it on a cost reimbursable basis; (2) are there specific performance targets and measures contractually in place; and (3) if there are specific performance targets, how were they developed?
   b) With respect to the pre-positioned contracts, have there been instances where they have not been used because the product or service could not be deployed to a disaster area in a timely manner?
   c) I understand that FEMA has announced its intention to issue a solicitation in order to award multiple contracts for the manufacturing of temporary housing units. To what extent will FEMA consider issuing "standby" contracts directly to manufacturers who will be prepared to deliver needed housing on demand and eliminate the need for storage and maintenance of thousands of FEMA temporary units?

Response: To date, FEMA currently pays $28,750,464.52 for readiness contracts which option years started in Fiscal Year 2011.

(1) No; FEMA pays readiness costs on a Firm Fixed Price basis.

(2) FEMA currently has six contracts that pay readiness costs. Two of the six contracts have performance measures or deliverables associated with them. FEMA has an Individual Assistance - Technical Assistance Contract (IA-TAC) with the following deliverables linked to readiness:

- On-Call- 24/7 availability and the ability for boots on the ground 24-48 hours anywhere in FEMA Area of Responsibility.
- Mission Planning Teams- Allocation of 56 days or 4 trips of 14 days each per Sector.
- Planning- Participation in FEMA/State/Local planning meetings, workshops, and exercises
- Training and Preparation- including classroom disaster training; criminal background checks, etc.
- Sector-Specific Playbooks- updated quarterly, includes: executable operational plans for different types of Scenarios, based on risk profiles identified by the Regions they cover; pre-scripted, executable Mass Care contract documents; Resources Mobilization Tables with Deployment Timelines; local regulations and utility requirements that affect temporary housing

FEMA also has an Interagency Agreement with the Defense Logistics Agency for fuel, meals, and tents. The readiness performance measures which are known as "FEMA Contingency Contract Drills" are real scenarios that require the contractor to conduct mock drills simulating a disaster and providing the contracted services in support of the disaster scenarios.

(3) Response Directorate is identifying key metrics that could be used to measure effectiveness in the areas of preparedness and response. Establishing performance measures and deliverables are typically developed based on historical data and used contractually.

FEMA has not experienced lack of use of pre-positioned contracts and not all pre-positioned contracts have readiness costs associated with them. Having pre-positioned contracting vehicles established reduces the procurement cycle time of awarding contracts and increases FEMA's ability to respond to survivor needs, quickly.

FEMA currently has Indefinite Delivery/Indefinite Quantity (ID/IQ: Time of delivery and the quantity are unknown) contracts in place with manufactures for Temporary Housing Units (THU). Current manufactures don't store THUs on their lots for sale or delivery. The lead time associated with manufacturing a THU is an average time of 3 to 4 weeks.

5. Is FEMA actively managing and tracking corrective actions and lessons learned after disasters and exercises such as the National Level Exercise? How does FEMA determine the effectiveness of its "lessons learned" system?

Response: Yes, FEMA is managing and tracking corrective actions and lessons learned from disasters and exercises, such as the National Level Exercise (NLE).

With regard to National Level Exercises, FEMA manages and tracks corrective actions and lessons learned at the Agency level. FEMA has conducted one Top Officials Exercise (TOPOFF) or NLE per year since 2007, centered on U.S. Government-wide strategy and policy-related issues. The exercises include the participation of all appropriate Federal department and agency principals and operations centers. Exercises are designed to stress the system and identify the processes or activities that need improvement. In accordance with the Homeland Security Exercise and Evaluation Program (HSEEP), corrective actions and lessons learned are identified after each exercise. FEMA supports uploading of unclassified NLE Federal corrective actions within the Corrective Action Program (CAP) System. Federal department and agency Action Officers are responsible for updating the status of corrective actions in the CAP System, from "open" to "completed."

FEMA tracks the NLE corrective actions that are assigned to Department of Homeland Security (DHS) agencies. Quarterly, FEMA reports the cumulative number of "completed" NLE DHS corrective actions. In FY 2011, DHS reported a total of 30 corrective actions completed from Top Officials Exercise (TOPOFF) 4, NLE 2-08 and NLE 2009. This is an additional 17 corrective actions completed since the end of FY 2010. Using completed corrective actions as an indicator of program effectiveness, FEMA, in partnership with the National Security Staff, is

currently strengthening the process to ensure that corrective actions from NLEs are tracked to completion.

With regard to disasters and other exercises, FEMA manages and tracks corrective actions and lessons learned at the regional level. The FEMA Lessons Learned Program is currently being revised to provide FEMA a better capability to monitor lessons learned and observations submitted to the Lessons Learned Information Sharing system, LLIS.gov, in order to determine commonalities or trends across the Regions. FEMA also actively collects data following an event through participation in hotwashes, interviews, and lessons learned studies and compares the data collected to data collected and analyzed from previous events or from other Regions. FEMA uses LLIS.gov to widely distribute the results of these studies and data reviews. The Remedial Action Management Program / Corrective Action Program (RAMP/CAP) is used to track the progress of Regional and FEMA-wide issues. For example, in September 2011, FEMA conducted follow-up on 399 open corrective actions from the RAMP database. Action Officers have provided responses and closed 239 of the corrective actions. FEMA continues to track the remaining corrective actions. FEMA is actively working to enhance tracking and analysis of corrective actions and lessons learned for both disasters and exercises as discussed below.

FEMA is taking action to improve the effectiveness of its lessons learned system for exercises and disasters which will include corrective action and lessons learned management. For example, FEMA is revising the RAMP Manual, dated January 2004. The new RAMP/CAP Manual (in clearance for final approval) defines an integrated after-action review process to evaluate FEMA operational performance consistently in exercises and real-world events and track Agency-wide efforts, working with our partners, to act on lessons learned. Using the new Manual, FEMA will actively track and report on the completion—*and validation*—of corrective actions Agency-wide after both disasters and exercises such as the NLE.

A corrective action is "completed" when a capability element is developed or revised (e.g., a new training package is published). A corrective action is not "validated" until a "completed" corrective action translates into a positive change in mission performance (e.g., staff performance in the field has improved based on the new training). Validation confirms that improvements are being put into practice, which is critical to FEMA's ability to learn and innovate as an organization. Once the RAMP/CAP Manual is approved, FEMA will begin implementation with quarterly in-process reviews and reporting. FEMA will then coordinate RAMP/CAP guidance with National Security Staff, DHS and Federal partners, and conduct outreach to share RAMP/CAP guidance with non-Federal partners for voluntary use. Concurrently, FEMA National Exercise Division (NED) and National Preparedness Assessment Division (NPAD) are developing a joint functional requirements document to integrate or replace components of the existing HSEEP toolkit, including the CAP System and LLIS.gov. Together, these actions will result in improved management and tracking of corrective actions and lessons learned from disasters and exercises.

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Post-Hearing Questions for the Record
Submitted to the Honorable Richard Serino, Deputy Administrator

From Senator Rand Paul

"Accountability at FEMA: Is Quality Job #1?"
October 20, 2011

1) On September 29, Senator Johnson and I wrote a letter to Administrator Fugate inquiring about how FEMA accounts for the Disaster Relief Fund. Specifically, we wanted to know why, during the debate on last month's continuing resolution, FEMA claimed the DRF was depleted and required emergency funding, only to reveal a few days later that the DRF had at least $114 million on hand. To date, we have not received a response. When will we receive one, given that we requested an immediate answer? Can you tell me how $114 million gets overlooked?

   Response: See attached letter dated November 7, 2011.

2) Is there a cap on the total amount of Individual Assistance an individual can receive? Given that these grants are the most susceptible to fraud, should there be limits on how much individuals can receive? Does FEMA have a process to determine whether or not there are adequate community resources to meet individual needs before FEMA steps in?

   Response: In accordance with Section 408(h) of the Robert T. Stafford Disaster Relief and Emergency Assistance Act, the Individuals and Households Program maximum assistance amount is adjusted annually to reflect the changes in the Consumer Price Index for All Urban Consumers that is published by the Department of Labor. The program maximum for a Presidentially-declared disaster was $30,200 for FY 2011 and is $31,400 for FY 2012.

   FEMA is committed to preventing and reducing waste, fraud, and abuse in this and other programs. Accordingly, FEMA has identification verification and program eligibility processes that individuals and households must go through before they can be awarded disaster assistance. These checks include:

   - On site verification of losses
   - Thousands of business rules and edit checks to minimize or eliminate improper payments
   - Automated identity verification
   - Automated ownership and occupancy checks, combined with on site verification
   - Duplicate verification to prevent multiple payments from going to the same household
   - Random sampling and investigation of disaster payments to determine if they were valid.

   Additionally, there is a disaster fraud hotline that can be used by FEMA staff and the general public to report suspected cases of fraud, waste, and abuse of disaster assistance by individuals and households.

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44 CFR Section 206.33 outlines the process for State and local governments to request supplemental Federal disaster recovery assistance when they have determined that an incident has surpassed their local capabilities to respond. The State will make a request through the Regional Administrator that a joint Federal, State, and local government Preliminary Damage Assessment (PDA) be conducted in the affected areas. The PDA is the mechanism used to determine the impact and severity of damage to the affected area and identifies any unmet needs of individuals, businesses, the public sector, and the community as a whole. The findings of the PDA are used by the State as a basis for a Governor requesting supplemental Federal assistance.

When evaluating a Governor's request for supplemental assistance, FEMA assesses a number of factors to determine the severity, magnitude, and impact of a disaster event. Primary factors considered include:

- Amount and type of damage (number of homes destroyed or with major damage);
- Impact on the infrastructure of affected areas or critical facilities;
- Imminent threats to public health and safety;
- Impacts to essential government services and functions;
- Unique capability of Federal government;
- Dispersion or concentration of damage;
- Level of insurance coverage in place for homeowners and public facilities;
- Assistance available from other sources (Federal, State, local, voluntary organizations);
- State and local resource commitments from previous, undeclared events; and
- Frequency of disaster events over recent time period.

The very nature of disasters—their unique circumstances, the unexpected timing, and varied impacts—precludes a complete listing of factors considered when evaluating disaster declaration requests. The PDA process provides FEMA, State and local officials with information on the impact and magnitude of damage and the resulting needs of individuals, businesses, public sector, and community as a whole.

U.S. Department of Homeland Security
Washington, DC 20472

FEMA

NOV 7 2011

The Honorable Rand Paul, MD
Ranking Member
Committee on Homeland Security and
Governmental Affairs
United States Senate
Washington, DC 20510-6250

Dear Senator Paul:

Thank you for your September 29, 2011, letter to the Department of Homeland Security (DHS), Federal Emergency Management Agency (FEMA) regarding FEMA's financial condition and operational budget. The agency shares your desire that Congress has a full and accurate understanding of FEMA's fiscal obligations.

As noted in your letter, at the end of the 2011 fiscal year, FEMA's Disaster Relief Fund (DRF) had reached an unprecedented and dangerously low balance that endangered the Nation's ability to respond to disasters. Throughout FY 2011, FEMA focused its efforts on extending the balance of the DRF for as long as possible. Before the onset of Hurricane Irene, FEMA had been projecting that the DRF balance would be hovering around zero by the end of the fiscal year. As a result, the agency worked aggressively to sustain the DRF by maximizing prior-year recoveries and implementing Immediate Needs Funding (INF)[1] in late August. On September 9, 2011, the Administration requested an additional $500 million for the DRF to help meet the Agency's needs for the remaining portion of the fiscal year. The Administration's request was based on the DRF balance at that time as well as projected funding requirements for the remainder of the fiscal year and anticipated prior year de-obligations that were likely to occur.

During the month of September, FEMA continued to monitor actual versus projected costs and recoveries on a daily basis. The agency provided updated estimates to Congressional staff on the DRF current balance along with an estimate of when the Fund would be depleted. It is important to remember that the projected balance of the DRF fluctuates daily due to a number of factors that are beyond the agency's control, including the number of additional disaster survivors who register for assistance (as well as additional survivors that become eligible for assistance), along with the level of prior-year recoveries that are ultimately achieved. Each day, as FEMA received updated information on actual obligations from the previous day and the

[1] FEMA employs a protocol called "Immediate Needs Funding" (INF) when it appears necessary for the Agency to undertake exceptional cost-saving measures to preserve the DRF—typically, when the unobligated balance of the fund falls below $1 billion. FEMA uses these restrictions to reduce the rate of expenditure of DRF funds by delaying the provision of financial assistance for non-immediate needs, such as permanent work (Categories C through G) under the Public Assistance (PA) program and hazard mitigation grants. "Immediate needs" unaffected by INF include Individual Assistance (IA), PA Categories A (debris removal) and B (emergency protective measures), mission assignments, and essential JFO operations.

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latest projection of recoveries from the field, the agency updated its projections on when the fund would be depleted. By Monday, September the 26th, FEMA had recovered nearly $180 million for the month, which stretched funding for the DRF by five additional days. Included in this amount was more than $40 million in additional contract recoveries that were processed by FEMA contracting staff during the final weekend in September. Based on the current balance of the DRF, along with the latest updated estimates on remaining obligations and recoveries, FEMA was able to project that it would have enough funding in the DRF to last for the remainder of the month barring any new major disasters or emergencies.

Regarding statutory authority to transfer unobligated balances between accounts, the maximum funds available under DHS' transfer authority were not sufficient to meet projected requirements,[2] and FEMA had committed all funds remaining in other FEMA-managed accounts that might have been available for transfer. Based on statutory restrictions, the maximum amount that FEMA could have requested for transfer into the DRF was $264 million,[3] which was far less than the $500 million requested by the Administration for the emergency supplemental appropriation. With respect to internal Agency transfers, any unobligated balances that FEMA was showing in late FY 2011 were already committed to support other critical agency requirements including state and local preparedness programs, firefighter assistance, and the National Flood Insurance Program and, therefore, not available for transfer into the DRF.

Concerning your request for a detailed overview of the account balance for all of FEMA's programs and funds and a description of what each program or fund is used for; I have enclosed the following documents:

- FEMA's DHS Monthly Execution and Staffing Report – as of August 31, 2011[4]
- FEMA's *preliminary* DHS Monthly Execution and Staffing Report – as of September 30, 2011

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[2] *FY 2011 Full-Year Continuing Appropriations Act (P.L. 112-10)*, Section 1101 specifies that, for FY 2011, DHS is subject to the terms and conditions of P.L. 111-83. That provision states:

> "SEC. 503.(c). Not to exceed 5 percent of any appropriation made available for the current fiscal year for the Department of Homeland Security by this Act or provided by previous appropriations acts may be transferred between such appropriations, but no such appropriation, except as otherwise specifically provided, shall be increased by more than 10 percent by such transfers. Provided, That any transfer under this section shall be treated as a reprogramming of funds under subsection (b) and shall not be available for obligation unless the Committees on Appropriations of the Senate and the House of Representatives are notified 15 days in advance of such transfer.
>
> SEC. 503.(d). Notwithstanding subsections (a), (b), and (c) of this section, no funds shall be reprogrammed within or transferred between appropriations after June 30, except in extraordinary circumstances that imminently threaten the safety of human life or the protection of property."

[3] 10 percent of the $2.645 billion (FY 2011 Revised Enacted Budget Authority) for the DRF. (Reference: DHS Monthly Execution and Staffing Report – as of August 31, 2011, Column 4.)

[4] The DHS Monthly Execution and Staffing Report is a legislatively mandated report the DHS CFO must submit, within 45 days after the end of each month, to the House and Senate Committees on Appropriations showing the status of obligations and costs for all components of the Department. *(FY 2011 Full-Year Continuing Appropriations Act* (P.L. 112-10) and the *FY 2010 DHS Appropriations Act* (P.L. 111-83) and its accompanying House Report 111-157 and Senate Report 111-31. P.L. 112-10, Section 1101 specifies that, for FY 2011, DHS is subject to the terms and conditions of P.L. 111-83.)

- A description of FEMA's programs and funds crosswalk to the DHS Monthly Execution and Staffing Report structure

The monthly execution report shows the total obligational authority appropriated (new budget authority plus unobligated carryover), the difference between total obligational authority and current year obligations, and ending unexpended obligations. The monthly execution report is prepared using FEMA's monthly SF 133 (Report on Budget Execution & Budgetary Resources)[5] which is prepared from FEMA's financial data submissions to the Treasury Information Executive Repository (TIER) system.[6] FEMA's financial statements (TIER financial submission) are prepared from the General Ledger (GL) module of our core financial system – IFMIS (Integrated Financial Management Information System). While the GL contains detail daily transactions, the detailed transactions are rolled up by accounting period (monthly) to produce the financial reports. The GL does not have an option to allow us to produce historical daily reports. The only way FEMA could produce daily reports from the GL is to run a report and produce an SF 133 at the end of the actual business day, which FEMA does not do. For this reason, FEMA is unable to produce a report that includes daily account balances for each day in September.

Again, thank you for your letter. Should you have any questions, please have a member of your staff contact FEMA's Office of Legislative Affairs at 202-646-4500.

Sincerely,

Norman S. Dong
Chief Financial Officer

Enclosures

cc: Senator Ron Johnson

[5] Monthly reporting requirement mandated by OMB Circular A-11, *Preparation and Submission of Budget Estimates*, Section 130.
[6] The TIER is a Department of Treasury data warehouse which receives monthly, quarterly, and fiscal yearend financial and budget data in the form of trial balances from Treasury bureaus and other reporting entities within the Department of the Treasury.

Post-Hearing Questions for the Record
From Senator Ron Johnson
Accountability at FEMA: Is Quality Job # 1?
October 20, 2011

Richard Serino, Deputy Administrator, Federal Emergency Management Agency

1) You testified that notices have been sent to 35,000 of the 160,000 recipients of improper payments. You also stated that you did not know how many more notices will be sent.

    a. Can you please provide a timeline as to when FEMA estimates it will have sent notices to all of the remaining recipients of improper payments?

Response: FEMA intends to complete the disbursement of *Notice of Debt* letters for the Katrina, Rita and Wilma population by the end of March 2012. Once this is complete, FEMA will continue to work with these recipients of Notice of Debt letters to establish repayment plans. While improper payments in the program have decreased since Katrina, Rita, and Wilma, unfortunately they still do occur. Accordingly, FEMA is still mandated by law to recoup improper payments from more recent disasters and therefore anticipates having to conduct additional recoupment operations in the future.

2) It was stated that a number of individuals and households receiving improper payments did not have a bank account.

    a. What is the actual number as well as the percentage of payments made by FEMA to individuals and households over the past 10 years that do not have a bank account? Please break this down by individual years.
    b. What process does FEMA have in place for paying recipients that do not have bank accounts?
    c. What further changes can FEMA make to the payment process to help reduce fraud?

Response: FEMA does not track whether or not applicants have a personal bank account, only how they were issued payments. When no personal banking information is provided, FEMA issues U.S. Treasury Checks in lieu of an Automated Clearing House (ACH) payment.

- In FY 2010, FEMA made 124,176 payments to individuals with a Treasury Check instead of an ACH payment.

- In FY 2010, FEMA made 112,220 ACH payments; this represents 47% of the housing payments.
- In FY 2011 to date, FEMA made 148,341 payments to individuals with a Treasury Check instead of an ACH payment.

FEMA has taken a number of steps to reduce fraud, including:

- On site verification of losses
- Automated identity verification
- Automated ownership and occupancy checks, combined with on site verification
- Duplicate verification to prevent multiple payments from going to the same household

Additionally, we are planning to automate portions of our continuing rental assistance program in order to reduce the long term costs of administering it, while providing tools to identify potential overlapping payments or inconsistent documentation.

3) The number of full time employees (FTEs) employed by FEMA more than doubled over the years FY2000-FY2011.

   a. Did more than doubling the number of FTEs over years FY2000-FY2011 help or hurt the agency's ability to fulfill its missions?
   b. Please identify which offices or portions of offices in FEMA are considered to be part of the administrative or managerial capacity of the department. Please provide fiscal year 2011 funding levels for these offices or portions of offices and current FTEs.
   c. Please describe any reorganization experienced by FEMA in the years FY2000-FY2011. Please explain the major changes in the responsibilities, functions, and components of FEMA from FY2000 to FY2012.

Response: The increased resources made available to the Agency have strengthened our ability to fulfill our mission and provided us with the authorities and tools we needed to become a more effective and efficient agency, as well as a better partner to state, local, territorial, and tribal governments, the private sector and our citizens. The following are some of the many ways in which these increased resources have been put to use to strengthen FEMA's ability to support our citizens and first responders:

- The increased resources have given FEMA the ability to lean forward and leverage the entire emergency management team in response and recovery efforts. This team includes not only government, but also private, private non-profit, and citizen partners - the Whole Community. This Whole Community approach emphasizes the importance of working with all partners to successfully prevent, protect against, respond to, recover from, and mitigate all hazards.

- Earlier, Federal incident response duties were shared by two separate teams: Emergency Response Teams (ERT) and Federal Incident Response Support Teams (FIRST). Due to resource constraints, ERTs were comprised of staff with primary day-to-day duties in other areas and the FIRSTs had only a small dedicated staff in two regions. This limited our ability to quickly and adequately deploy Federal response teams. With the increased resources now available, FEMA has created Incident Management Assistance Teams (IMATs) - 13 regional and three national, staffed with full-time, dedicated personnel.
    - Some other examples of increased resources allowing FEMA to leverage the "Whole Community" during response and recovery include: In Missouri, FEMA Emergency Support Function #14 (Long-Term Community Recovery) provided planning, organizational, and on-site support for the Joplin Citizen Advisory Recovery Team's efforts to engage residents about the recovery planning process.
    - In Missouri, FEMA also worked with the State-led Housing Task Force to place families with school-aged children in mobile home parks first, successfully housing all families identified before the start of the school year. In addition, along with state and local partners, FEMA formed a Schools Task Force to support and help Joplin local officials establish temporary facilities for schools to meet their goal to open schools on time in the fall.
    - In Georgia, following the severe spring storms in the southeast this year, FEMA and Georgia Emergency Management Agency collaborated with the State's Bar Association to provide free legal assistance to survivors.
    - In Alabama, FEMA partnered with the Alabama Department of Mental Health to activate Project Rebound in the tornado-affected parts of Alabama to provide free crisis counseling for an extended time period after the disaster. This initiative was conducted under the auspices of FEMA's Crisis Counseling Program (CCP). FEMA administers this program in conjunction with the U.S. Department of Health and Human Services' Substance Abuse and Mental Health Services Administration (SAMHSA).
- Strengthened authorities and staff also support the Agency in leading substantial response planning, including the development of plans across the Federal government for catastrophic incidents; planning for future operations for potential/actual incidents; regional planning for all-hazards events; and evacuation and transportation planning. There are also special programs focused on planning for chemical, biological, radiological, nuclear, and explosives (CBRNE) hazards to communities throughout the Nation.
- Another way FEMA is engaging with its partners is with the National Mass Care Strategy. This strategy will provide a framework to strengthen and expand resources available to help shelter, feed, and provide other mass care services by pooling expertise and identifying partnership opportunities. The newly created National Mass Care Council was launched in June 2011 and is co-chaired by the American Red Cross, FEMA, and the National Voluntary Organizations Active in Disaster (National VOAD). FEMA's role is to represent ESF-6 and all federal mass care components on the Council.
- Post Katrina Emergency Reform Act (PKEMRA) required FEMA, along with its partners, to develop a national disaster recovery strategy to guide recovery efforts after major disasters and emergencies. Through additional direction in Presidential Policy Directive-8 (PPD-8), FEMA and its interagency partners have developed the National

Disaster Recovery Framework (NDRF). The final draft of the NDRF was released in late September 2011. Increased staffing has provided for FEMA's involvement in these efforts to support increased preparedness across the Nation to address all hazards incidents through a Whole Community approach.

- The NDRF clearly defines coordination structures, leadership roles and responsibilities, and guidance for federal agencies, state, local, territorial, and tribal governments, and other partners involved in disaster planning and recovery. The NDRF introduces six new recovery support functions (community planning and capacity building, economic, health and social services, housing, infrastructure systems and natural and cultural resources) and identifies specific recovery leadership positions that help focus efforts on community recovery such as the Federal Disaster Recovery Coordinator (FDRC). The FDRC will be deployed when a federal role is necessary and significant interagency resource coordination is required due to the large-scale, unique or catastrophic nature of the disaster. The FDRC's sole focus is coordinating available resources to assist the community with rebuilding and recovering.
- FEMA has been field testing certain aspects of the NDRF, including the appointment of a FDRC. For example, in the wake of the 2011 tornadoes that tore through Alabama and much of the south, a FDRC was appointed to work with Alabama state officials to develop a recovery strategy that emphasized coordination. In addition, the Governor established a lead state agency to manage state coordination efforts and staff were co-located within the Joint Field Office to provide a direct connection between federal and state partners. The NDRF recognizes the importance of engaging and utilizing the entire team, federal, state, tribal and local governments, non-profit organizations, and the community members, to help a community maximize available resources to recover from disaster.
- This September, we held a National Recovery Tabletop Exercise (Recovery TTX) in the Washington metropolitan area. This exercise involved players from the Whole Community, with over 200 participants from federal, state, tribal and non-governmental organizations. The Recovery TTX consisted of both plenary and breakout group sessions and focus on three planning horizons: short-term, immediate, and long-term recovery. This exercise was the first opportunity to explore the applications of the National Disaster Recovery Framework using a large scale, multi-state catastrophic disaster scenario.
- An important part of the Whole Community is the private sector, and FEMA works to incorporate them into its preparedness activities as much as possible. In addition to being strong partners in our most recent National Level Exercise, private sector representatives also participate in FEMA's no-notice "thunderbolt" disaster response and recovery exercises. To further connect directly to the private sector during the most crucial disaster response efforts, a rotating representative from the private sector works in FEMA's National Response Coordination Center during activations to communicate and coordinate with all members of the private sector including small businesses.
- In addition to engaging the private sector, a realistic approach to emergency management means not only conducting exercises that reflect real disaster scenarios, but incorporating the needs and abilities of real disaster survivors into planning and preparedness efforts. Our planning must be inclusive of people of different ages and abilities and it must meet the access and functional needs of children and people with disabilities. Using some of the additional resources provided, in February 2010, FEMA established the Office of

Disability Integration and Coordination, and in July 2010, established the first-ever Disability Working Group within FEMA. The Disability Working Group is responsible for ensuring the access and functional needs of children and adults with disabilities are fully integrated into all aspects of FEMA's disaster planning, preparedness, response, recovery and mitigation efforts initiated and coordinated at the federal level. As an example, when we pre-stage commodities in preparation for disasters, we include basic items such as water, meals and generators. However, military-style Meals Ready to Eat (MREs) and other provisions are not necessarily suitable for the entire population, especially young children. So we transitioned from MREs to commercial shelf-stable meals and we pre-stage commodities including infant formula, baby food, electrolytes and diapers to anticipate, understand and specifically plan for the needs of children. By improving the preparedness of the Whole Community, FEMA is better able to respond to catastrophic events in an organized and efficient manner.

- The ability to effectively communicate during and immediately after a disaster is essential to fulfilling our mission. In the past five years, we have - in response to changes in technology-completely overhauled the way we communicate with each other and with the public in a disaster environment. We now leverage cutting-edge technology as well as important social media tools to communicate in a more effective and dynamic way.
- PKEMRA included the support of national communications capabilities as part of FEMA's mission. As a result, in 2008 FEMA established the Disaster Emergency Communications Division (DECD) within the Response Directorate as the lead integrator of tactical federal disaster emergency communications. DECD provides tactical emergency communications support utilizing its Mobile Emergency Response Support (MERS) and Mobile Communications Office Vehicle (MCOV) assets, to emergency managers and first responders when federal, state, local, tribal, or territorial infrastructure cannot support communications needs for disaster emergency operations. Some of DECD's activities included offering support to emergency responders in the field for the establishment of state-specific disaster emergency communications plans to improve the Nation's interoperability and response capabilities.
- PKEMRA also requires the establishment of a Regional Emergency Communications Coordination Working Group (RECCWG) within each Regional Office to report to the Regional Administrator and coordinate its activities with the Regional Advisory Council. RECCWGs have been established in each of the ten FEMA Regions. The Working Groups continue to mature, enhance membership, and collectively evaluate inter-and intra-state interoperability programs, share best practices, and advise the FEMA Regional Administrators on the state of regional communications interoperability.
- Looking to the emergency communications of the future, FEMA is also developing a next-generation infrastructure for alert and warning capabilities, known as PLAN (Personal Localized Alerting Network). Cell phones are data centers, capable of quickly accessing and storing a large amount of information. One of the major lessons we learned from the January 2010 earthquake in Haiti was that even if the physical infrastructure of an area is completely destroyed, the cellular infrastructure may be able to bounce back quickly, allowing emergency managers to relay important disaster-related information and enabling the public to request help from local first responders. This new, free public safety system allows customers with an enabled mobile device to receive geographically

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targeted messages alerting them of imminent threats to safety in their area whether nearby cell phone towers are jammed or not.

- We are also expanding our use of social media tools. Social media is an important part of the Whole Community approach because it helps facilitate the vital two-way communication between emergency management agencies and the public, and it allows us to quickly and specifically share information with state, local, territorial, and tribal governments as well as the public. FEMA uses multiple social media technologies like Facebook, Twitter and YouTube to reach the public. Rather than asking the public to change the way they communicate to fit our system, we are adapting the way we do business to fit the way the public already communicates. We value social media tools not only because they allow us to send important disaster-related information to the people who need it, but also because they allow us to incorporate critical updates from the individuals who experience the on-the-ground reality of a disaster.

FEMA has made substantial progress using the increased resources it has been provided over the years. While we still have more work to do, we are confident that with the authorities, tools and resources given us by Congress and the lessons we have learned through their application during disasters and exercises, FEMA will continue to be an agile and innovative Agency that is consistently improving its processes.

4) According to The Heritage Foundation, the number of FEMA disaster declarations has grown from 18 in 1981→ 228 thus far in 2011. According to the FEMA website, FEMA has broken a new record in terms of major disaster declarations.

   a. What has accounted for this increase in disaster declarations? Is it representative of a growing role of the Federal government?
   b. Has this increase in disaster declarations harmed the ability of FEMA to adequately meet its missions?
   c. Do you think that a record breaking number of disaster declarations promotes an over-dependence on Washington that harms the preparedness of states and local communities?

Response: The extreme weather that we have experienced in many parts of the country over the past two years has contributed substantially to the high number of declarations. For example, in 2011 we have seen historic multi-state, multi-incident storm, flooding, and fire events.

Despite the increase in disaster activity over the past year, FEMA continues to achieve its mission. Successful disaster response and recovery depends on all stakeholders having a clear understanding of pre- and post- disaster roles and responsibilities. FEMA is just one part of the team, and the success and speed of response and recovery depends heavily on the whole community's involvement. In order to fulfill our mission, we recognize that these parties are all

important participants in the emergency management community, and by taking advantage of their capabilities we are able to better ensure successful response and recovery.

It is important to note that FEMA continues to work closely with and support all of our partners in improving the nation's preparedness. FEMA is implementing the "Whole Community" approach in recognition that FEMA is not the nation's emergency management team – FEMA is only a part of the team. The "Whole Community" includes FEMA and our partners at the federal level; our state, local, tribal and territorial governmental partners; non-governmental organizations like faith-based and non-profit groups and private sector industry; and most importantly, individuals, families, and communities, who continue to be our greatest assets and the key to our success. In order to successfully prepare for, protect against, respond to, recover from, and mitigate all hazards, we are working with the entire emergency management community to improve capabilities.

Post-Hearing Questions for the Record
Submitted to Matt Jadacki, Assistant Inspector General (IG), DHS OIG

From Chairman Mark Pryor

"Accountability at FEMA: Is Quality Job #1?"
October 20, 2011

1. **FEMA advocates a "Whole Community" approach to disaster management that involves Federal, State, and local partners as well as non-profit and private sector organizations. The approach recognizes that FEMA is only a part of the team, and full participation is needed in order to successfully manage emergencies. What steps can FEMA take to emphasize accountability tools and controls within its Whole Community partnership framework?**

   FEMA advocates the "Whole Community" approach throughout the emergency management cycle, and there are opportunities to emphasize accountability at each stage in the process. For example, FEMA should promote the effective and efficient use of preparedness grant funds and assist states in providing sufficient oversight of subgrantees. During the initial response to a disaster, FEMA can work with its partners to ensure that internal controls that protect against fraud are not relaxed, and it is never too early in a disaster to communicate fraud awareness. During the recovery phase, FEMA should work closely with partners to emphasize that while the first priority is returning communities to a normal way of life. Funding should be safeguarded and accounted for..

   a) How can we incentivize greater accountability across all levels of government and with FEMA's private and non-profit sector partners in disaster management?

   The most readily available tool for incentivizing greater accountability is to provide an increased cost share to FEMA's partners that demonstrate better stewardship of federal funding. This should be balanced with disincentives to those who do not adequately account for funds and fail to show improvement in doing so.

2. **One common theme emerged in the testimony provided by the hearing's witnesses: the need to emphasize the human element through training and workforce professionalization. How can we most effectively sustain these human capabilities? What steps should we be taking to ensure we have a committed and able workforce that can achieve major organizational and policy goals?**

   FEMA's current initiative, the FEMA Qualification System (FQS), is designed to establish qualification and performance standards for each incident management and incident support position and describes how employees can progress to positions of increased authority and responsibility. The FQS requires each member of the disaster workforce to be certified for an incident position through the successful completion of tasks. By establishing specific qualification standards in conformance with agency doctrine and guiding principles, the FQS should ensure that each member of the disaster workforce is qualified for his or her incident

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management or incident support position; however, until the program has been fully implemented, the effective management of the workforce will remain a challenge.

On a related note, what steps can be taken to improve acquisitions and monitoring of contracts? To what extent does professional workforce development have a role in contract acquisitions?

The Contracting Officer's Technical Representative (COTR) plays a critical role in the outcome of the contract administration process and functions as the "eyes and ears" of the contracting officer by monitoring technical performance and reporting any potential or actual problems to the contracting officer. FEMA has made strides in improving its COTR cadre. However, significant challenges remain. Acquisition staff turnover in FEMA has exacerbated file maintenance problems and resulted in multimillion-dollar contracts not being managed effectively or consistently. FEMA has made progress in several of the acquisition areas we reviewed, and in some areas FEMA identified corrective actions regarding our recommendations, but implementation has not been complete. FEMA would benefit from increased oversight of key acquisition issues to ensure that implementation of initiatives is sustained.

Workforce development, staff retention and acquisition consistency will be crucial in order to develop a high-performing acquisition office.

3. **Funding constraints appear to be ahead of all of us for the foreseeable future, so is there a way to demonstrating the "Value" or the "Return on Investment" of these program improvements or activities?**

We have issued numerous reports in the last few years recommending improvements to FEMA's processes, procedures, and operations. FEMA has implemented many of our recommendations to improve economy, efficiency and effectiveness. For example, in response to one of our reports, in Fiscal Year 2010 FEMA deployed disaster assistance employees to accelerate contract closeout efforts for the Disaster Relief Fund, de-obligating $1.2 billion that can be spent on other disaster needs. We also recommended that FEMA adopt the single-point ordering concept, to coordinate all sourcing decisions through the Logistics Section.

In addition to the acquisition, housing, preparedness, operation and mitigation work, we also review disaster grants to ensure that grantees and subgrantees account for and expend FEMA funds according to federal regulations and FEMA guidelines. In FY 2011, we issued 61 financial assistance grant reports. Those reports disclosed questioned costs of $317 million.

4. **What types of performance metrics could be applied to increase oversight and accountability? For example, FEMA is implementing its "FEMA Stat" program, based on the "CompStat" programs that big city police departments use. Is this an effective source of external performance measurement?**

While we have not reviewed the FEMAStat program, we strongly support FEMA's use of tools that increase oversight and accountability. It is critical that FEMA continually develop

and use tools that provide meaningful results to improve accountability and program performance. In our recent report, "Assessment of FEMA's Public Assistance Program Policies and Procedures" (OIG-10-26), we suggested several ways FEMA could improve performance measures for the Public Assistance program. For example, we suggested that when measuring timeliness and customer satisfaction, FEMA should use weighted measures to differentiate between disasters of different magnitudes. With specific regard to accountability, FEMA should ensure that it is continuously monitoring and assessing fraud rates. In light of recent reports on improper payments, FEMA should also examine how it assesses staff performance in administering its assistance programs. For example, a performance metric could be developed around providing accurate program information to applicants. Another performance metric might assess effectiveness in reviewing supporting documentation from applicants. Performance metrics, when developed and used effectively, can be a powerful tool in improving performance and increasing accountability.

5. **Your written statement lists a number of conclusions/observations. To what extent are your conclusions actionable, and is it possible for the federal government to implement any of them in a reasonable amount of time?**

My written statement summarized work we the OIG has done and includes recommendations that, if implemented, would improve FEMA's performance. We are concerned that FEMA does not act quickly to carry out our recommendations, even those recommendations with which it concurs. Of course, some of this inaction may be due to funding or staffing shortfalls and staff turnover. Also, some program changes or new activities are begun but then derailed by a disaster or emergency and left hanging after the more urgent matter is handled. This makes it difficult to implement overall organizational improvements.

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Post-Hearing Questions for the Record
Submitted to Matt Jadacki, Assistant Inspector General (IG), DHS OIG

From Senator Rand Paul

"Accountability at FEMA: Is Quality Job #1?"
October 20, 2011

Given that many cases have demonstrated mixed instructions or reversed decisions by FEMA officials on the ground, what internal guidance does FEMA provide its field offices, and how do you intend to improve the process?

We are concerned with the inconsistency in decision making by FEMA officials in headquarters and in the regional offices. We have begun a series of FEMA regional office inspections which will allow us to better answer this important question.

Post-Hearing Questions for the Record
Submitted to the Honorable Maurice McTigue
The Mercatus Center, George Mason University

From Chairman Mark Pryor

"Accountability at FEMA: Is Quality Job #1?"
October 20, 2011

1. FEMA advocates a "Whole Community" approach to disaster management that involves Federal, State, and local partners as well as non-profit and private sector organizations. The approach recognizes that FEMA is only a part of the team, and full participation is needed in order to successfully manage emergencies. What steps can FEMA take to emphasize accountability tools and controls within its Whole Community partnership framework?
   - How can we incentivize greater accountability across all levels of government and with FEMA's private and non-profit sector partners in disaster management?

Response:
Effectiveness would be enhanced by training local communities for disaster response preparedness to ensure that all players have clear expectations of what disaster recovery resources will be provided by each of their partners. With regard to accountability, the use of a "Memorandum of Understanding"-like approach would help to eliminate misunderstandings arising in the heat and urgency of a disaster. As part of the training process with communities, discussion and agreement on the principles of such a document would help improve trust and expectations.

With regard to FEMA settlements with individuals, they should be based on a "full and final" settlement principle approach with a form of contractual document to be signed by both parties. Consequently, in the absence of fraud or criminal activity, the terms and conditions of such a settlement could not be undone by either party. (Senator Pryor, this form of agreement would make the unfortunate situation you referred to in your opening remarks regarding some of your constituents impossible.)

Attached both here and to my written testimony is a major research study that the Mercatus Center undertook in the immediate aftermath of Hurricane Katrina- research work that continued for the next five years. The finding which is probably most appropriate to your question, Senator Johnson, was that recovery was quickest and most effective when FEMA or similar governmental organizations assisted and supported existing formal and informal community networks. These include local first responders, religious and ethnic support groups and volunteer groups. It would appear that the value of local knowledge is a decided operational advantage and something that outside organizations cannot readily access.

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2. A lot has changed in recent years in the way FEMA, and the rest of the world, does business. Do you think the solutions of the past can be reapplied today? What modifications or approaches do we need to take to make this agency the best it can be?

   Response:
   I believe we can learn from the experiences of the past and apply those lessons to improving future performance. The most effective strategy for improving organizational performance is to focus on robust outcome measures of results. The important measure in this strategy should be readiness. How quickly can FEMA respond in any given situation with a recovery strategy that returns communities and individuals to normal in the shortest time? That measure would incorporate some sub-measures to support that readiness and recovery. These would be:

   - *Capability: the resources and skilled personnel necessary to successfully complete the recovery;*
   - *Knowledge: an internal learning culture that improves the organization's performance after each emergency based on lessons learned from previous events;*
   - *Partnerships: a process of building capabilities with localities so that expectations can be met when an emergency event occurs.*

3. The witnesses' statements led me to conclude that there needs to be a deliberative managerial approach to identifying and then mitigating the risks within FEMA's response and recovery operations. What are the most important actions that FEMA can take in this regard?

   Response:
   The answer lies in my response above. A strategy that does effectiveness analysis of every emergency deployment by FEMA is essential. A rigorous evaluation must follow of what controllable factors could mitigate the damage in future events at a reasonable cost. These factors could be changes to building codes, removing residences from flood plains or increasing the height of levees.

4. One common theme emerged in the testimony provided by the hearing's witnesses: the need to emphasize the human element through training and workforce professionalization. How can we most effectively sustain these human capabilities? What steps should we be taking to ensure we have a committed and able workforce that can achieve major organizational and policy goals?

   Response:
   If the primary measures of performance for FEMA are Preparedness and Capability then FEMA would need to be held accountable for maintaining predetermined levels of preparedness and capability. To meet those standards FEMA must have an effective human capital strategy. So, my response is to keep the oversight on the issues of Preparedness and Capability.

5. In this time of budgetary constraints, are there ways FEMA can demonstrate the "value" or the "return on investment" of its programs' improvements or activities?

   Response:
   The "value" and "return on investment" are political considerations which should be determined by Congress. Having set the value Congress should, however, insist on performance information and results produced by FEMA which demonstrate that value is indeed being achieved.. For example, it is my view that Congress has diminished the "value" or "return on investment" by authorizing FEMA deployment in emergency events of lesser magnitude than in the past. However, this is the prerogative of Congress.

6. What types of performance metrics could be applied to increase oversight and accountability? For example, FEMA is implementing its "FEMA Stat" program, based on the "CompStat" programs that big city police departments use. Is this an effective source of external performance measurement?

   Response:
   I cannot give a definitive answer to this question because I do not have sufficient information on the programs, their implementation or their results. However, if the performance measures adopted by FEMA do measure in a tangible way the diminished damage for disasters as a result of the damage mitigation efforts of FEMA, then the effectiveness of different strategies will become apparent. (James Lee Witt used to quote a figure of $2 of damage reduction for every $1 spent on mitigation.)

7. Your written statement lists a number of conclusions observations. To what extent are your conclusions actionable, and is it possible for the federal government to implement any of them in the foreseeable future?

   Response:
   Congress is the master of its own destiny so it can do anything it wants providing it complies with the Constitution- so, yes, my suggestions are actionable. Whether it is politically desirable is of course a matter for Congress to decide and not something that would be appropriate for me to comment on. My advice is given entirely from the perspective of what I think would help to improve the results achieved by FEMA operations.

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Post-Hearing Questions for the Record
Submitted to the Honorable Maurice McTigue, The Mercatus Center, George Mason University

From Senator Rand Paul

"Accountability at FEMA: Is Quality Job #1?"
October 20, 2011

1) Has there been a trend toward increased state and local dependence on federal disaster recovery funding?

   Response:
   In my view there appears to have been a continuous liberalization of the definition of the term "emergency" over the past two decades. The Peterson-Pew Commission for Budget Reform has prepared a very credible paper (attached) on the use and determination of what constitutes "emergency" by the federal government. It may well be time for Congress to re-address the definition of the term "emergency." If Congress were to take that action then the redefined term should be used to determine when, or if, FEMA should deploy in a certain event.

2) What is the number of states who maintain their own respective disaster relief funds?

   Response:
   The exact number of disaster relief funds is rather difficult to determine given that many states have rainy day funds that are sometimes used to assist in disaster recovery. However, if I may venture an opinion, it does appear that states, cities and counties currently have a much greater expectation of federal disaster support for events of lesser magnitude supported in the past.

3) Has the number of states that save for disasters been decreasing as the federal government's role has expanded?

   Response:
   I cannot provide a definitive answer to this question as the crucial point of the question is the intent of the legislature when it decided to allow reserves to diminish. To give a definitive answer would require a volume of research that I do not have the capacity to conduct at this time.

4) Have trends in individual behavior changed? For example, are individuals purchasing private insurance policies at a decreasing rate?

   Response:
   Insurance coverage for flood damage and wind protection seems to have increased. The individuals' reasons for increasing insurance are probably attributable to hearing stories of others who have suffered significantly loss from not having that coverage.

5) Has there been an impact on population migration trends because of the availability of FEMA disaster relief funds for those residing in areas known to be more prone to disaster?

Response:
Reasons for population migration are hard to determine. Major migrations are likely to be related to job opportunities, climate factors, tax considerations and property prices. It is very difficult to find significant evidence of people trying to game disaster relief as a cause of population movement. Anecdotal incidences of individuals moving into flood plain areas do exist, but whether the dominant reasons for such moves are related to property price or FEMA protection is not possible to determine.

Post-Hearing Questions for the Record
From Senator Ron Johnson
Accountability at FEMA: Is Quality Job # 1?
October 20, 2011

Maurice McTigue, Vice President and Visiting Scholar, The Mercatus Center, George Mason University

1) You testified as to the increased operational tempo of FEMA as well as the rising number of disasters where FEMA has a footprint.

   a. How do you recommend Congress direct FEMA to streamline efficiency and effectiveness?

Response from Hon. Maurice McTigue:

Attached both here and to my written testimony is a major research study that the Mercatus Center undertook in the immediate aftermath of Hurricane Katrina- research work that continued for the next five years. The finding which is probably most appropriate to your question, Senator Johnson, was that recovery was quickest and most effective when FEMA or similar governmental organizations assisted and supported existing formal and informal community networks. These include local first responders, religious and ethnic support groups and volunteer groups. It would appear that the value of local knowledge is a decided operational advantage and something that outside organizations cannot readily access.

The most effective strategy for improving organizational performance and efficiency is to focus on robust outcome measures of results. The important measure in this strategy should be readiness. How quickly can FEMA respond in any given situation with a recovery strategy that returns communities and individuals to normal in the shortest time? That measure would incorporate some sub-measures to support that readiness and recovery. These would be:

- *Capability: the resources and skilled personnel necessary to successfully complete the recovery;*
- *Knowledge: an internal learning culture that improves the organization's performance after each emergency based on lessons learned from previous events;*
- *Partnerships: a process of building capabilities with localities so that expectations can be met when an emergency event occurs.*

Post-Hearing Questions for the Record
Submitted to Craig Killough
Vice President, Project Management Institute

From Chairman Mark Pryor

"Accountability at FEMA: Is Quality Job #1?"
20 October, 2011

1. **FEMA advocates a "Whole Community" approach to disaster management that involves Federal, State and local partners as well as not-for-profit and private sector organizations. The approach recognizes that FEMA is only a part of the team and full participation is needed in order to successfully manage emergencies. What steps can FEMA take to emphasize accountability tools and controls within its Whole Community partnership framework?**
   a) **How can we incentivize greater accountability across all levels of government and with FEMA's private and not-for-profit sector partners in disaster management?**

Answer:

PMI is not in a position to comment on specific aspects of the "Whole Community" approach. However, we can speak to those key elements that make government programs successful. Based on PMI's research of successful government programs across agencies, they are: communication, agility, stakeholder engagement and leadership support – combined with a common framework of program management standards. These factors, if deployed across the organization, will improve results. Because PMI's standards are global and accredited by respected organizations like the American National Standards Institute (ANSI) and the International Organization for Standardization (ISO), they are easier to share and have been adopted across partners. A key benefit of PMI's standards is that they are utilized and understood by project managers in every state. An organization like FEMA should share best practices with its partners at the state and local levels.

By working collaboratively, using a common language, framework and processes, the agency will more efficiently and effectively achieve results. At the same time, this kind of collaboration will help FEMA illustrate the accountability and visibility so critical to high-profile projects. PMI recently recognized the City of Aurora, Colorado's Prairie Water's project – led by CH2M HILL – with its prestigious 2011 PMI® Project of the Year Award for excellence in these very areas. Decades of rapid population growth, an arid environment and a naturally limited water supply collided with a severe, multi-year drought to launch one of the largest water-related public works projects in Colorado in more than 35 years. The complexities of the project were substantial and included stringent cost constraints, coordination with multiple government agencies, stakeholder involvement, environmental restrictions and the pressure to execute a project on an exceptionally fast schedule under the close scrutiny of everyone from government officials to taxpayers.

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The project, originally projected to cost US$854 million, resulted in a newly constructed pipeline, pump stations and a treatment plant that will ultimately deliver up to 50,000 acre feet, meeting Aurora's needs through 2030. Eight significant stakeholder agreements, 145 land parcels and 44 permits were acquired for approval and completion of the project, which took six years to complete and spanned nearly 40 miles in length. Through the use of skilled project personnel, the rigorous application of project management standards, processes and techniques, , the Prairie Waters Project team cut US$100 million from the budget in the design phase without compromising quality and safety, bringing the construction budget to US$754 million. Value engineering techniques enabled the team to fast-track the project two months ahead of schedule and an additional US$100 million below this amended budget. The project was delivered in October 2010 at just under US$653 million – nearly unheard of for a municipal project of this scope.

This is just one of many tangible examples of how commonly accepted standards provide controls and how consistently utilizing standards across the enterprise improves outcomes. The most basic discipline is having a common standard for program management that drives improved accountability. The identification of a project or program manager – with the right training and resources to execute their assignments, is a further control of accountability. Numerous federal programs have been successful utilizing program management offices to track progress. Having an identified, assigned and trained program manager significantly improves outcomes within any organization. Utilizing common standards and certifications will provide greater accountability because they will give the government more confidence in the capabilities of partners at the state and local levels. To a large degree, this is already required for many firms who receive government contracts, but unfortunately the utilization of these requirements is not consistent.

Making FEMA's staff and its partners aware of the benefits of employing identified and trained program managers, as well as having standards and certifications in place is a key factor in achieving successful outcomes.

2. **You indicated that there are examples of excellent project management in places in the Federal government. Can you please provide some additional examples on what distinguishes organizations that apply good program management practices from those that don't? How do we ensure we get good program management in the Federal government?**

Answer:

Pockets of excellence exist throughout the federal government. PMI's 2010 Study of Program Management in the U.S. Federal Government identified and surveyed 40 programs for success factors. This included every major cabinet department with programs ranging in cost from tens of millions of dollars to over US$10 billion. The agencies that had exhibited excellence had adopted best practices and applied them across their organizations. It is

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important for organizations to start with utilizing and adopting standards and an agreed upon approach to program management.

The study found that most successful organizations utilize program management standards as the basis for their approach and add in strong executive support, risk management, agility and a culture of communication to be consistently successful. There are some good examples being developed by the Office of the U.S. CIO in its study on the importance of program management for IT systems. For example, the Social Security Administration has developed a job classification and career path for program management. Second, the National Nuclear Security Administration's Global Threat Reduction Initiative won PMI's Distinguished Project Award in 2010. The NASA Applied Program and Project and Engineering Laboratory (APPEL) is an excellent example of the use of standards in training.

3. **From the panelists' statements we've concluded that there needs to be a deliberative managerial approach to identifying and then mitigating the risks within FEMA response and recovery operations. What are the most important actions that FEMA can take?**

Answer:

Clearly, risk management is a fundamental aspect of any project. PMI's standard for program management incorporates risk management as a critical element for program teams and a key knowledge area for program managers to incorporate in their plans.

PMI's latest Pulse of the Profession study found that program teams that "always" apply risk management techniques to their programs have a higher success rate than those that do not. We have found that, although in some cases project risk management is a dedicated role on a program team, in the majority of cases it is the responsibility of the program manager. PMI has conducted a Role Delineation Study (i.e., a job analysis) for those practicing project risk management and found the three main responsibilities to be:

- Assess and identify program risks
- Plan and activate mitigation of threats and capitalize on opportunities
- Communicate risks to the project team

4. **One common theme emerged in the testimony provided by the hearing's witnesses: the need to emphasize the human element through training and workforce professionalization. How can we most effectively sustain these human capabilities? What steps should we be taking to ensure we have a committed and able workforce that can achieve major organizational and policy goals?**
    a. **On a related note, what steps can be taken to improve acquisitions and monitoring of contracts? To what extent does professional workforce development have a role in contract acquisitions?**

Answer:

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Developing a workforce that can effectively achieve an organization's mission is a major challenge for government and the private sector. PMI does extensive research on the needs and issues in the project management profession. Through this research we know there are common virtues that project managers are seeking. First, we know that having a career path that provides the ability to grow, take on new challenges and gain more responsibility is something our members and credential holders actively look for when considering a position.

In 2011, PMI sponsored a research study among IT professionals in the U.S. Federal Government. This study showed that over two-thirds (68%) of respondents agree that having a career path leading to managing larger and more complex projects would encourage them to stay within federal service. Further, over half (58%) say there are opportunities for advancement in their agency. However only a third (34%) agrees that advancement in their agency is based upon transparent metrics, skill evaluations and performance criteria, presenting a barrier to advancement.

Second, recognition is a major quality that project and program managers are seeking in their jobs. This can obviously come in the form of financial compensation, however, that is not always the most important factor – having the ability to work on larger projects, having a career path that cultivates an individual's ability to tackle more important or more complex projects that drive an agency's mission are what really motivate people and build and develop their careers.

As stated in testimony, a key factor of success is designating identified, trained and supported project or program managers. PMI strongly encourages a government-wide availability to hire project and program managers similar to what exists in OPM's 2210 Job Series for IT, which PMI assisted in developing. Identifying this individual is also critical. The IT Reform plan specified that each IT program have a dedicated program manager. This requirement creates transparency and provides additional accountability and should be the focus of every government program with acknowledgment from agency executives.

5. In this time of budgetary constraints, are there ways FEMA can demonstrate the "value" or the "return on investment" of its programs' improvements or activities?

In our 2010 Study, several respondents discussed how the use of program performance metrics has been introduced over the past few years. Over the course of the past several years, tools like Dashboards, Scorecards and Ratings Tools have been utilized to measure or demonstrate performance. In the private sector, performance is typically judged by profitability, customer satisfaction and on time delivery. Using these metrics, government programs are able to demonstrate real returns on their investments in project and program management. Tools like Earned Value Management allow an organization to set a baseline for costs and measure their ability to maintain those baselines. In addition, the responses from customers and meeting goals are critical.

The City of Aurora, Colorado's Prairie Waters Project, referenced above, provides tangible evidence of how project management standards deliver value and return on investment. Most importantly, it achieved both of these in equal measure while still

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completing the project with the highest levels of quality – an absolutely critical element for an organization like FEMA. The Prairie Waters Project was originally projected to cost US$854 million. Through the use of skilled project personnel, the rigorous application of project management standards, processes and techniques, and the use of earned value management (EVM) techniques, the PWP was able to cut US$100 million from the budget in the design phase without compromising quality and safety, bringing the construction budget to US$754 million. Value engineering techniques enabled the team to fast-track the project two months ahead of schedule and an additional US$100 million below this amended budget. The project was delivered in October 2010 at just under US$653 million. That's US$200 million saved on the project alone, without sacrificing quality. Its return on investment is astronomical in terms of how it will foster business and residential growth in Aurora and its neighboring communities for years to come.

The National Ignition Facility (NIF) project, sponsored by the U.S. Department of Energy's National Nuclear Security Administration (NNSA,) is another example of value and return on investment through the use of project management standards. Initiated in 1996 and completed in March 2009, NIF's 192 giant lasers, housed in a ten-story building the size of three football fields, is capable of delivering at least 50 times more energy than any previous laser system. This achievement is a major step toward developing inertial fusion energy as a clean, safe and virtually unlimited energy source for the future. In order to achieve this, the facility contains more than 3,000 pieces of amplifier glass, 8,000 large optics and 30,000 small optics, which have been assembled into 6,206 replaceable units. Through the use of skilled and certified project personnel and the rigorous application of the project management standards, processes and techniques promulgated by Project Management Institute, as embodied in *A* Guide to the *Project Management Body of Knowledge (PMBOK® Guide)* — Fourth Edition, the project was completed approximately US$2 million under the projected US$3,502 million budget, three weeks ahead of schedule. Since its completion, the NIF has consistently demonstrated outstanding reliability and availability, serving a broad scientific community exploring new technologies in energy production and new frontiers in astrophysics, materials science and nuclear science.

Ultimately, there is no single consensus on value. Value is decided by the stakeholder. Building an understanding of mutually desired outcomes, communicating goals and then accomplishing them is valued by stakeholders. Other value factors such as "efficiency" — projects completed on time and within budget — are important. In the private sector, value may simply be measured if a project was profitable or resulted in positive net present value. In delivering services, a major part of FEMA's mission, client satisfaction is typically found to be the key value.

6. **What types of performance metrics could be applied to increase oversight and accountability? For example, FEMA is implementing its "FEMA Stat" program, based on the "CompStat" programs that metropolitan police departments use. Is this an effective source of external performance measurement?**

Answer:

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I am not actively familiar with the practices FEMA is employing with the "FEMA Stat" program; however, it is my understanding that "FEMA Stat" is being used to identify opportunities for improvement, and aligning resources with their mission and goals. This management tool looks at outcomes across the agency to determine progress on stated priorities, monitor FEMA's readiness posture, and identify opportunities to improve our performance. "FEMA Stat" meetings provide a place for the agency's senior leadership and mid-level managers to have an open, data-driven discussion about an identified topic or mission area. This is a prime example of a "culture of communication" identified as a key success factor in federal programs. In "FEMA Stat" performance gaps are identified and actions to address these gaps are decided upon and assigned to an office for rapid action. It also provides a forum where lessons learned and best practices from previous disasters can be used to improve our processes."

We have seen senior government leaders, particularly in IT turning to portfolio management to a greater degree. This is reflected in an August 8th memo from OMB Director, Jack Lew, to heads of all executive agencies and departments regarding new authorities for CIOs. In it, Lew acknowledges the changing role of the CIO with the implementation of the 25-Point Plan (IT Reform Initiative) away from just policymaking to encompass true portfolio management for all IT projects. This procedure sounds similar to the portfolio management standard developed by PMI.

Identifying metrics is the key to reporting that will enable the monitoring of goal achievement, track financial obligations, stakeholder satisfaction, risks and resource utilization. Metrics should measure the quantitative and qualitative information from the program or portfolio components. The selected metrics should not overwhelm stakeholders, but rather be actively monitored, tracked and understood. Some examples of metrics we have identified as being commonly used include:

Quantitative measures:

- Increase in revenue
- Development of new markets and expansion of customer base
- Cost reductions
- Change in net present value
- Return on investment
- Internal rate of return
- Reduction of business/investment risk
- Availability of resources
- Percentage of reduction in cycle times or
- Change in quality improvement

Qualitative benefits:

- Recognition of legal and regulatory compliance
- Degree of strategic alignment

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The need for metrics is to determine whether the expected value is realized. A portfolio metric is more concerned about progress toward achieving a goal. Program and project metrics give an indication of health at a particular moment in time and progress toward achieving a deliverable. These metrics, over time, enable tracking, analysis and decision-making.

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Post-Hearing Question for the Record

Submitted to Craig Killough

Vice President, Project Management Institute

From Senator Rand Paul

"Accountability at FEMA: Is Quality Job #1?"

20 October, 2011

1. In your 2010 assessment of project management in the federal government and 2011 study on aid relief projects, did you get a feel for which agencies are the most effective in overseeing projects? Which are not? Can you elaborate on specific policy changes that you would recommend to increase the use of performance-based metrics and improve project efficiency?

Answer:

Senator Paul, thank you for your question. In response to parts 1 and 2 of the question, our 2010 program management study was conducted anonymously; however, the study did reveal strong data, which we believe are instructive for effective oversight. PWC, a partner in the analysis, noticed how many successful agencies applied *A Guide to the Project Management Body of Knowledge (PMBOK® Guide)* to their projects. The *PMBOK® Guide,* along with PMI's Program Management Standard, are the most widely recognized standards for managing programs. The most successful agencies in the study utilize program management standards as the basis for their approach and add in strong executive support, risk management, agility and a culture of communication to be consistently successful. The most successful organizations also adopt best practices and apply them across their organizations.

Specifically, PMI's study found that the U.S. Army Corps of Engineers noted an average cost reduction of 20% to 30% when using trained project and program managers and a more systematic approach to managing programs. Below are some other examples to share outside of the study.

- NASA created an in-house training center and, as a result, increased its number of program managers using standard practices. NASA believes that the center reduces training cost, creates alignments across international project teams and helps with talent retention.
- In 2006 and 2007, the U.S. Department of Energy won the PMI® Project of the Year award.
    - In 2006 the Rocky Flats Plant Cleanup in Colorado, won PMI's Project of the year. The DOE created incentives for its workers to meet project milestones,

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shared project documents with stakeholders and utilized a standardized risk management approach they credit with saving more than half a billion dollars.

- In 2007, the Fernald Natural Preserve (Fernald, OH) project cleaned up over 1,000 acres of a uranium processing plant to create a public park. The team employed standards in risk management and earned value management as integral components of their approach. As a result, the project was completed 12 years ahead of schedule and US$7.8 million under budget.

In response to the third portion of your question, in my testimony, I provided several recommendations for increasing the use of performance-based metrics and improving project efficiency. I believe there are two recommendations that warrant specific attention, as legislation already exists to move towards enacting them.

My first recommendation is the broad application of program management standards across government agencies and programs. Second is to ensure that a job classification and career path exist for program managers so they can continue to deliver value to their organizations over time.

To implement these recommendations, we encourage the Senate to take up two pending bills, which would increase the use of standards. First, we urge passing the Information Technology Investment Management Act of 2011(S.801), sponsored by Senator Carper, this bill passed the Senate in 2010 and would require the use of earned value management (EVM) and certified program managers for IT. This bill codifies practices already being utilized in many agency IT departments. Second, PMI urges the Senate to pass the DATA Act, S.1222, sponsored by Senator Warner and the H.R.2146 sponsored by Representative Issa. This bipartisan bill requires using performance standards and improved data reporting mechanisms, which will drive increased performance and transparency.

Because program management standards are universal, they can be applied to any agency undertaking projects. Attention from Congress to these issues can serve a vital function. PMI's research shows that the organizations that successfully manage their programs – deliver their stated objectives on time and on budget – tend to have strong commitments from their organizations' leadership. Having the right tools and processes alone will not ensure success. Bringing together the tangible best practices, standards support is what really sets successful programs apart from the rest.

We look forward to working with you and members of the committee to improve program outcomes and performance.

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