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Resources, Community, and
Economic Development Division

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The Honorable Richard J. Durbin
Co-Chairman
The Honorable Bill Emerson
Co-Chairman
Congressional Task Force on
Disasters
House of Representatives

The occurrence of several large disasters since 1989--including hurricanes Hugo, Andrew, and Iniki and the Loma Prieta and Northridge earthquakes--has led to unprecedented increases in the cost of disaster assistance. Since fiscal year 1988, the Congress has appropriated \$17 billion in supplemental appropriations alone for disaster relief. The federal government has absorbed a substantial part of the losses from past disasters and is likely to absorb large amounts in the future.

This correspondence responds to your May 1994 request that we summarize our work related to federal disaster assistance. To respond to your request, we identified our products on disaster assistance issued since 1985 and reviewed the products for their content and relevance to your request. We focused on key findings, recommendations to agencies that have not been fully implemented, and matters for congressional consideration that are relevant to the Task Force. For those products recommending that an agency take action, we reviewed our documentation indicating whether and how the agency had responded. We then followed up, where appropriate, with the agency to update the status of actions taken on our recommendations.

Enclosure I discusses the federal government's role in each phase of disaster assistance, including coordination with state and local governments.

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Enclosure II discusses federal disaster insurance programs, including the National Flood Insurance Program and the U.S. Department of Agriculture's crop insurance program.

Enclosure III discusses several financial management issues, including the administration of the Disaster Relief Fund-- the major source of federal disaster recovery assistance.

For each enclosure, we also include matters for congressional consideration and recommendations to executive branch agencies that have not been fully implemented and the action(s) taken in response to our recommendations. Each enclosure also includes a list of our relevant products.

If you or your staff have any questions about this correspondence, please contact me at (202) 512-7631.

for Michael Szykora
Judy A. England-Joseph
Director, Housing and Community
Development Issues

THE FEDERAL GOVERNMENT'S ROLE IN DISASTER ASSISTANCE

When a disaster threatens or strikes, the responsibility for relief and recovery initially resides with the individuals and institutions affected, and aid comes from state and local governments and voluntary relief agencies. When these resources are inadequate, governors can request federal assistance. The President declares major disasters under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (the Stafford Act), under which federal assistance supplements the efforts and resources of state and local governments and voluntary relief agencies. Federal assistance is coordinated by the Federal Emergency Management Agency (FEMA) but can involve the efforts of up to 27 agencies.

Disaster management consists of four categories of activities. Preparedness activities--including the preparation of emergency operations plans and participation in training and disaster exercises--help ensure that state and local governments are ready to respond to disasters. Mitigation activities are directed at reducing the risk of damages from future disasters. In the response phase, agencies address immediate needs by, for example, providing food, shelter, water, and medical care and restoring electric power. Once this immediate response is under way, agencies begin the recovery phase, which involves such activities as funding the repair of houses and public facilities and providing assistance to individuals and businesses for damages.

PREPAREDNESS

We have made several recommendations to improve FEMA's programs for enhancing states' and localities' ability to prepare for disasters.

Recommendations to the Executive Branch

Following our review of federal assistance in the wake of Hurricane Andrew, we recommended in a July 1993 report that FEMA enhance the capacity of state and local governments to respond to catastrophic disasters by (1) continuing to give state and local governments increasing flexibility to match grant funding to their specific response needs, (2) upgrading training and exercises specifically geared toward catastrophic disaster response, and (3) assessing each state's preparedness for responding to catastrophic disasters. We defined catastrophic disasters as disasters that overwhelm the ability of state, local, and volunteer agencies to adequately provide victims with such life-sustaining mass care services as food, shelter, and

medical assistance within the first 12 to 24 hours. Actions to meet the objectives of the recommendation are in process. For instance, FEMA has upgraded its exercises geared toward states' responses to catastrophic disasters and will be testing the exercises in Louisiana and Mississippi in fiscal year 1995. However, because of limited funding, FEMA has not made substantial progress in increasing flexibility regarding grant funding.

In a March 1991 report--which incorporated much of our work reviewing federal assistance following Hurricane Hugo and the Loma Prieta earthquake--we examined federal, state, and local governments' responses to natural disasters. To help ensure that local, state, and federal agencies are prepared to assist when disasters occur, we recommended that the Director of FEMA request states to establish monitoring systems to help ensure that local jurisdictions correct problems and weaknesses identified during emergency training exercises and drills. Actions to meet the intent of this recommendation are in process. For example, FEMA is revamping its emergency training exercise program. Under this effort, the agency is requesting states to report both problem areas identified during emergency training exercises and corrective actions proposed.

MITIGATION

We have identified two matters for congressional consideration and made one recommendation to the Secretary of Transportation regarding enhancements to mitigate damage from disasters.

Matters for Congressional Consideration

In a May 1992 report, we found that about 40 percent of all federally owned and leased buildings are located in areas where the risk of earthquake damage is moderate to very high, and little has been done to make the structures--or workers--safer. Most agencies lack sufficient data to identify the extent of buildings' vulnerability. Agencies attributed their slow progress in completing seismic studies to limited funding. In the report, we suggested that the Congress consider targeting initial funds for the rigorous studies needed to identify (1) federally owned and leased buildings that are most vulnerable to earthquakes and (2) the costs associated with reducing federal buildings' seismic risk. The Senate Committee on Commerce, Science and Transportation drafted language responsive to the matter for congressional consideration and included it in a fiscal year 1994 authorization bill. The language, however, was dropped from the final bill.

In a June 1993 report, we reviewed the federal government's efforts to monitor and coordinate responses to drought. We found that no permanent federal agency is responsible for monitoring drought conditions and planning drought management governmentwide. Instead, individual agencies responsible for developing and managing water resources, including the Department of the Interior's Bureau of Reclamation, the U.S. Army Corps of Engineers, other federal agencies, state governments, and other entities, carry out these activities and make various arrangements to cooperate with one another. Noting that progress on important interagency policy questions is difficult to attain when it depends on such voluntary action, we suggested that the appropriate committees of the Congress may wish to request that the Western Water Policy Review Advisory Commission consider whether a permanent entity is needed to monitor drought and to plan and oversee the federal response to severe drought.¹ We believe that the Commission would also be in a position to consider whether such an entity should have authority to resolve policy differences between federal agencies.

The administration had not appointed the members of the Commission as of July 25, 1994. The Chairman, Subcommittee on Oversight and Investigations, House Committee on Energy and Commerce, transmitted our findings to federal agencies, including the Secretary of the Interior, on June 29, 1993. The Secretary agreed with our finding that the Commission should be consulted on the need for a permanent entity for drought management but said that a broader national review of this issue should also be undertaken.

Recommendation to the Executive Branch

In a January 1992 report, we recommended that the Secretary of Transportation direct the Administrator, Federal Highway Administration (FHWA), to expand the range of seismic-related training available to states to help them better identify bridges that are at risk from earthquakes. States have made limited progress in identifying and correcting seismic-related bridge deficiencies but could make greater progress if FHWA provided

¹Authorized by legislation, the Commission is to assist the President in reporting to the Congress by October 30, 1995, on federal activities that affect the allocation and use of water resources in the western states. The Commission is also to consider whether reorganization or consolidation should be proposed for the water resources development and management agencies.

bridge engineers in states and FHWA field offices with additional training and access to the latest research on seismic design and retrofit techniques. We believe that it is important for state transportation officials to have the most current information on protecting structures from the effects of earthquakes and to be aware of the latest developments in retrofitting bridges. FHWA is taking action to implement a number of training courses and provide updated guidance to the states.

RESPONSE

In several reports, we included two matters for congressional consideration, a recommendation to the President, and a recommendation to FEMA regarding federal response to disasters.

Matters for Congressional Consideration

In our June 1993 report, we suggested that the Congress consider amending title 10 of the United States Code to allow military reserve components to be activated to provide disaster assistance. We stated that the purpose of amending the legislation would be to improve the Department of Defense's (DOD) ability to respond to catastrophic events. In our opinion, as the size of the active forces is reduced, the need for activating the reserves to assist in relief operations could increase. No action has been taken on this matter.

A related issue that we discussed in that 1993 report relates to the role that DOD should play in disaster assistance operations. There is concern that, as the size of the military is reduced, the availability of the forces to perform disaster assistance will also be reduced. Furthermore, DOD officials believe that overall management responsibility for directing relief efforts in catastrophic disasters should remain in the hands of a civilian authority outside of DOD's chain of command. We believe that DOD's role in disaster assistance operations should remain one of assisting in, rather than managing, the federal response, as some have suggested.

Our March 1991 report showed that improvement was needed in federal, state, and local governments' response to natural disasters. One matter we presented for congressional consideration was that FEMA be authorized to act as a first-response agency whenever states, which normally assume the role, request that FEMA respond. In related testimony before the Congress in May 1993 and in our July 1993 report, we suggested that the Congress consider providing FEMA and other federal agencies with explicit authority to prepare for catastrophic

disasters when there is warning. Legislation introduced in the 103rd Congress has sections that are responsive to these matters.

Recommendations to the Executive Branch

We recommended in our May 1993 testimony before the Congress and our July 1993 report that the President designate a senior official in the White House to oversee federal preparedness for and responses to catastrophic disasters. We stated that this official should monitor the federal government's initial response to catastrophic disasters and also have ongoing responsibility for overseeing FEMA and other federal agencies' efforts to plan, prepare for, and respond to such disasters. This recommendation was based on our finding that because the necessary federal response to catastrophic disasters is so fundamentally different--bigger and more urgent--from its response to less severe events, the person or organization directing the federal response must explicitly and demonstrably have the authority of the President in managing the disaster. Legislation introduced in the 103rd Congress contains a provision that would provide for a White House official to oversee federal government's preparedness for and response to disasters.

To improve FEMA's capability to respond to catastrophic disasters, we recommended that FEMA use its authority to aggressively respond to catastrophic disasters, assess the extent of damage, and then actively advise state and local officials of identified needs, the federal resources available to address such needs, and the extent to which DOD's resources will be needed to supplement those of the Red Cross in meeting mass care needs. Indications are that FEMA is improving in this regard. For example, FEMA has revised its approach to responding to catastrophic disasters by becoming more proactive. Agency officials will contact states and localities as soon as a catastrophic disaster occurs to determine how the agency can help in the way of providing needed resources, such as tents and water. In the past, FEMA waited for the states to request its assistance. Because FEMA's capability to respond to catastrophic disasters affects the federal government's overall capability to respond to catastrophic disasters, we believe that the agency should strive for continual improvement in meeting the intent of this recommendation. Also, legislation introduced in the 103rd Congress has provisions responsive to these recommendations.

RECOVERY

Because recovery efforts can take years, we have not comprehensively reviewed recovery assistance from the federal

government. However, our products listed on pages 9 and 10 touch on various recovery-related issues.

Matter for Congressional Consideration

Our March 1991 report showed that legislative action may be needed to clarify FEMA's role in responding to disaster-related, long-term housing needs. In our opinion, one of FEMA's approaches to assisting homeowners whose homes have been totally destroyed by a natural disaster does not conform to requirements of the Stafford Act. The approach provides cash grants to disaster victims to build new, permanent homes. Section 408 of the Stafford Act authorizes "temporary housing units" such as mobile homes to disaster victims who "require temporary housing." We suggested that the Congress consider amending the Stafford Act to authorize FEMA to provide permanent housing to disaster victims. In raising this matter for congressional consideration, we noted that such authority should be available only when special circumstances make it impracticable to provide temporary housing units such as in remote areas where transporting mobile homes is expensive and time-consuming. No action has been taken by the Congress on this matter.

Recommendations to the Executive Branch

Our April 1994 testimony before the Senate Committee on Agriculture, Nutrition, and Forestry focused on the difficulties that the U.S. Department of Agriculture (USDA) has faced in administering disaster assistance payments. We noted that USDA (1) does not have the data it needs to ensure the correct level of assistance payments for nonprogram crops, such as fruits and vegetables, and (2) pays excessively high disaster assistance benefits to many producers of nonprogram crops. We stated that as recommended in our earlier reports, there is a need to develop a more-effective approach to administering agriculture disaster assistance payments and that integrating the disaster assistance and crop insurance programs could ensure that producers have continuous disaster coverage and protect government funds. Action on these items is in process. First, USDA agencies are estimating the cost of collecting the needed data. Second, ad hoc crop disaster assistance legislation introduced in the 103rd Congress has sections responsive to the excessive payment issue. Also, in March 1994, the Secretary of Agriculture proposed a plan to consolidate disaster aid and crop insurance programs. That proposal is currently under consideration and debate in the Congress.

On April 18, 1994, we recommended that the Director, Fish and Wildlife Service, Department of the Interior, take steps to

ensure that funds spent for repair and rehabilitation work resulting from the damage from Hurricane Iniki at two national wildlife refuges comply with the requirements of Dire Emergency Supplemental Appropriations Act of 1992. The act provided funding for the repair and replacement of facilities damaged by Hurricane Iniki at the refuges in Kauai, Hawaii. The recommendation was based on our finding that expenditures at two of the three Kauai refuges were not authorized by the act. This recommendation is an example of reconstruction work extending beyond that authorized by emergency appropriations after a disaster. The Fish and Wildlife Service is evaluating alternatives to ensure conformance with the act.

GAO PRODUCTS

Preparedness

Disaster Management: Improving the Nation's Response to Catastrophic Disasters (GAO/RCED-93-186, July 23, 1993).

Disaster Assistance: Federal, State, and Local Responses to Natural Disasters Need Improvement (GAO/RCED-91-43, Mar. 6, 1991).

Mitigation

Water Resources: Federal Efforts to Monitor and Coordinate Responses to Drought (GAO/RCED-93-117, June 8, 1993).

Federal Buildings: Many Are Threatened by Earthquakes, but Limited Action Has Been Taken (GAO/GGD-92-62, May 6, 1992).

Transportation Infrastructure: The Nation's Highway Bridges Remain at Risk from Earthquakes (GAO/RCED-92-59, Jan. 23, 1992).

Response

Disaster Management: Improving the Nation's Response to Catastrophic Disasters (GAO/RCED-93-186, July 23, 1993).

Disaster Assistance: DOD's Support for Hurricanes Andrew and Iniki and Typhoon Omar (GAO/NSIAD-93-180, June 18, 1993).

Disaster Management: Recent Disasters Demonstrate the Need to Improve the Nation's Response Strategy (GAO/T-RCED-93-46, May 25, 1993).

Disaster Assistance: Federal, State, and Local Responses to Natural Disasters Need Improvement (GAO/RCED-91-43, Mar. 6, 1991).

Recovery

Correspondence to the Director, U.S. Fish and Wildlife Service, re: Reconstruction work authorized by emergency appropriations after a disaster (GAO/RCED-94-132R, Apr. 18, 1994).

Disaster Assistance: Problems in Administering Agriculture Payments (GAO/T-RCED-94-187, Apr. 13, 1994).

Disaster Assistance: Federal, State, and Local Responses to Natural Disasters Need Improvement (GAO/RCED-91-43, Mar. 6, 1991).

FEDERAL DISASTER INSURANCE PROGRAMS

The federal government operates two disaster insurance programs. The National Flood Insurance Program, administered by FEMA, provides property owners with flood insurance in order to reduce federal expenditures for disaster assistance. Legislation in 1973 required the mandatory purchase of flood insurance to cover structures in special flood hazard areas of communities participating in the program if (1) any federal loans or grants were used to acquire or build the structures and (2) loans were secured by improved properties and the loans were made by lending institutions regulated by the federal government. (Properties not included in these categories are not required to have flood insurance, even if located in special flood hazard areas.) The program is intentionally not actuarially sound because the Congress authorized subsidized insurance rates to be made available for policies covering certain structures.¹ From fiscal year 1987 through fiscal year 1993, revenue to the program covered insurance claims as well as program and administrative costs, precluding the need to borrow from the U.S. Treasury. However, at the end of 1993, the U.S. Treasury had to provide \$100 million to cover claims resulting from severe flooding.

The federal crop insurance program, administered by USDA's Federal Crop Insurance Corporation (FCIC), allows farmers to insure their crops against shortfalls that result from unavoidable risks, such as drought and excess moisture. (Losses due to negligence or poor farming practices are excluded.) Insured farmers who do not achieve specified crop levels are paid indemnities out of the total premiums paid by all insured farmers or by other sources of funds available to the insurer. In 1980, the Congress redesigned crop insurance to make it the preeminent form of agricultural disaster assistance; one of the goals was to erase government-funded disaster payments by increasing crop insurance participation. However, the program has never attained the level of participation the Congress believed necessary to safeguard producers from weather-related risk. From fiscal year 1981 through fiscal year 1993, the federal government paid \$8.2 billion (61 percent) of the \$13.5 billion cost of the crop insurance program, and producers paid the balance through their crop insurance premium.

¹For the program to be actuarially sound, the overall revenues from insurance premiums would need to be sufficient to cover expected claims losses and expenses to the program.

THE NATIONAL FLOOD INSURANCE PROGRAM

We have reported on several problems in the National Flood Insurance Program and have made several recommendations. In a March 1994 report, we concluded that any attempt to revise the flood insurance program should be considered in the context of the integral relationship between this program and other federal disaster programs. The following are examples of our conclusions:

- Any revision to strengthen the flood insurance fund by eliminating all or part of the present subsidy (of the 2.7 million policies in force, about 41 percent are subsidized) would likely lead to the cancellation of policies by some policyholders. Because structures covered by subsidized policies suffer more frequent and greater flood losses, cancellation of these policies would likely lead to increased costs of other federal disaster programs during future flooding.
- Conversely, attempts to increase participation in the program by expanding or strengthening the mandatory purchase requirement would likely reduce the cost of other federal disaster programs, but the resultant increase in subsidized policyholders would put greater financial stress on the flood insurance fund. (As we noted in a 1990 report, information concerning the extent of noncompliance with the mandatory purchase requirement is limited.)

We believe that this situation shows clearly how changes made in one federal disaster program could adversely affect other federal disaster assistance programs. Legislation with sections that are responsive to this matter has been passed by the 103rd Congress.

In 1992, we reported on the implementation and effect of the Coastal Barrier Resources Act of 1982. Coastal barriers buffer the U.S. mainland from storms. The act was intended to discourage development on selected coastal barriers. This would minimize (1) the loss of human life, natural resources, and property from storms and (2) the resulting federal expenditures for flood insurance and other assistance. Specifically, the act prohibits federal agencies from providing new expenditures or financial assistance that would encourage development on coastal barrier development, including the provision of federal flood insurance coverage for coastal barrier properties. However, we found that development was occurring on coastal barriers despite the act's provisions and that federally backed flood insurance policies had been underwritten for properties on some properties on coastal barriers. As a result, we recommended that the Director of FEMA (1) identify and cancel ineligible federally

underwritten flood insurance policies that now exist in selected properties on coastal barriers and (2) establish procedures to help ensure that such policies are not underwritten in the future. Actions are in process to satisfy these recommendations. For example, FEMA is studying the feasibility of using technology to better identify the location of selected coastal barrier properties so that inappropriate policies are not underwritten in the future.

In the 1992 report, we also included a recommendation regarding the Coastal Barriers Task Force. Established by the Congress, the Task Force's duties include analyzing and reporting on the effects of federal regulatory activities on development on selected coastal barriers. We recommended that the Secretary of the Interior, as the agency head charged with providing a designee to serve as the chairperson for the Task Force, (1) promptly name his designee and encourage other agencies on the Task Force to promptly name their designee and (2) direct the designated chairperson to promptly convene the Task Force to begin its work. Interior has deferred action on the Task Force until such time as the Congress provides funding to the Task Force to undertake its work. As of July 27, 1994, the issue had not been resolved.

THE FEDERAL CROP INSURANCE PROGRAM

We have reported on several problems in the federal crop insurance program. In a December 1993 report in which we reviewed and commented on the National Performance Review's (NPR) recommendations, we cited areas of concern to us that were not mentioned by NPR. Included in these areas was our conclusion that the crop insurance and disaster assistance programs should be integrated and considered together as risk-reduction alternatives subject to the same decision-making process for the budget. We stated that this approach would result in substantial savings. We observed that fundamental reforms in these programs are needed, including redefining the role of the federal government as a lender and insurance provider for farmers. New government management in these areas could also improve risk management, reduce administrative costs, and improve equity to all farmers while saving taxpayers and consumers billions of dollars. In March 1994, the Secretary of Agriculture proposed a plan to integrate the programs. The plan is currently under consideration and debate in the Congress.

In March 1993 testimony before the Subcommittee on Rural Development, Agriculture, and Related Agencies, House Committee on Appropriations, we drew upon our crop insurance work since the 1980 legislation to highlight overall findings and conclusions that demonstrate a need for reforming the crop insurance program.

The following is taken from our testimony:

- FCIC rapidly expanded the program but without developing actuarially sound premiums. Because premiums were not actuarially sound, losses exceeded the premiums' income by over \$2.3 billion for fiscal years 1981 through 1990.
- Since fiscal year 1980, FCIC has utilized private insurance companies to deliver the majority of crop insurance policies. However, FCIC bore most of the risk on those policies. Consequently, while FCIC had underwriting losses of \$2.3 billion over the fiscal year 1981-90 period, reinsured companies had underwriting gains in 7 of the 10 fiscal years, contributing to a net underwriting profit of \$101 million.
- FCIC does not sufficiently control how private insurance companies service crop insurance policies, particularly claims adjustments. For example, we found that a sample of 134 claims from the 1984 and 1985 crop years had an overpayment rate of 31 percent. FCIC has since improved its oversight of claims adjustments, but in 1992 USDA identified overpayment of FCIC claims as a continuing high-risk area.
- Other forms of agricultural disaster assistance continued to expand during the 1980s. Of the \$25 billion in costs that USDA incurred for fiscal years 1980 through 1990 for crop insurance, emergency loans, and direct payments, only 24 percent, or \$6 billion, was spent on crop insurance; \$19 billion, or 76 percent, was spent on other assistance.

In a 1989 report, we assessed the best way to provide disaster assistance to farmers. The public policy principles we used for that assessment are based largely on the premises that disaster victims should be treated equitably and consistently over time and that overall costs to the program and society should be minimized. Using these premises, we identified eight criteria that should be considered in devising an effective disaster assistance strategy. Crop insurance satisfies more of these criteria than other disaster assistance programs for agriculture although none of the programs fully satisfied all of

the criteria.²

ALL-HAZARD INSURANCE

Legislation has been introduced in both the House and the Senate that would establish all-hazard insurance. In our May 1994 testimony before the Senate Committee on Commerce, Science, and Transportation, we expressed concerns with aspects of the Senate bill, which would establish federal disaster insurance and reinsurance programs as well as a natural disaster hazard mitigation program. Our concerns were with the primary insurance and the reinsurance programs as proposed. With respect to primary insurance, our greatest concerns were that

- setting affordable actuarially sound rates may be difficult;
- to effectively spread risk, broad participation would be required, yet similar programs for flood and crop insurance have not yet achieved widespread participation even with subsidized premiums;
- because insurers will sell the insurance while the government accepts the risks, there are several negative incentives associated with the program; and
- insurers would be permitted to select the lowest risks for themselves, leaving the federal government with most of the losses but only a part of the premiums collected.

Our principal concern regarding the reinsurance program was how federal reinsurance payments would be triggered--for example, the program appears to shift the costs associated with natural disasters away from the insurance industry and toward the reinsurance fund and the U.S. Treasury. Modifications to the Senate bill are being considered.

GAO PRODUCTS

National Flood Insurance Program

Flood Insurance: Financial Resources May Not Be Sufficient

²In a 1980 report, Federal Disaster Assistance: What Should the Policy Be? (PAD-80-39, June 16, 1980), we used similar criteria to assess overall federal disaster assistance and concluded that insurance satisfied more of the criteria than did disaster loans or grants.

to Meet Future Expected Losses (GAO/RCED-94-80, Mar. 21, 1994).

Coastal Barriers: Development Occurring Despite Prohibitions Against Federal Assistance (GAO/RCED-92-115, July 17, 1992).

The Federal Crop Insurance Program

Management Reform: GAO's Comments on the National Performance Review's Recommendations (GAO/OCG-94-1, Dec. 3, 1993).

Crop Insurance: Federal Program Has Been Unable to Meet Objectives of 1980 Act (GAO/T-RCED-93-12, Mar. 3, 1993).

Disaster Assistance: Crop Insurance Can Provide Assistance More Effectively Than Other Programs (GAO/RCED-89-211, Sept. 20, 1989).

All-Hazard Insurance

Federal Disaster Insurance: Goals Are Good, but Insurance Programs Would Expose the Federal Government to Large Potential Losses (GAO/T-GGD-94-153, May 26, 1994).

FINANCIAL MANAGEMENT

Mitigating, preparing for, responding to, and recovering from disasters places a tremendous financial demand on the federal government. To minimize the cost of disaster assistance to the federal government, strong financial management is imperative. We have made several recommendations to improve the administrative operations associated with agencies' financial management of disaster assistance.

MATTER FOR CONGRESSIONAL CONSIDERATION

In a June 1993 report, we examined the effect that humanitarian services had on the active military and National Guard forces that provided these services during hurricanes Andrew and Iniki and Typhoon Omar. We found that the Stafford Act¹ does not explicitly authorize planning for response actions unless there is a presidential declaration of a major disaster and a mission assignment² from FEMA. Consequently, federal agencies may be reluctant to take any actions that involve the expenditure of large amounts of funds until they are tasked by FEMA. DOD officials said that their response to the emergencies could have been faster if they had had explicit authorization to take more extensive predeclaration actions such as assembling personnel, equipment, and supplies and preparing for movement to the affected area. Therefore, we suggested that the Congress consider providing explicit authority in the Stafford Act to DOD to incur reimbursable predeclaration costs for functions that would enhance response capabilities when there is advance warning of a catastrophic disaster.

Similarly, in our July 1993 report summarizing our work on catastrophic disasters, we reported that federal agencies may fail to undertake advance preparation because of uncertainty over whether FEMA will request their assistance and whether costs incurred before a disaster is declared will ultimately be reimbursed by FEMA. We suggested that the Congress consider giving FEMA and other federal agencies explicit authority to take actions to prepare for catastrophic disasters when there is warning. Legislation responsive to this matter has been introduced in the 103rd Congress.

¹Under the Stafford Act, federal agencies may be reimbursed for expenditures by funds appropriated for the act's purposes.

²FEMA may direct federal agencies to perform specific disaster assistance activities (such requests are called "mission assignments").

RECOMMENDATIONS TO THE EXECUTIVE BRANCH

In a 1993 report, we examined the circumstances surrounding the shortfall in the fiscal year 1991 Disaster Relief Fund³ and actions taken to help prevent a recurrence. We concluded that although severe disasters involve significant costs over a number of years, FEMA's budget submission to the Congress does not show the extent to which the agency's balance in the Fund will be needed to pay for costs of disasters that occurred in previous years. The Congress, in our view, could use such information in its consideration of the need for and the amount of appropriations. We recommended that the Director of FEMA expand the information in the Fund's budget proposals submitted to the Congress to show estimated future costs for disasters that occurred in previous years and for which recovery was not complete. Action to provide this information is in process; FEMA is developing procedures to collect the needed data. FEMA has included the expanded budget proposals in its fiscal year 1996 budget to be submitted to the Office of Management and Budget and the Congress.

In 1992, we evaluated selected aspects of FEMA's efforts to assist in the recovery from the Loma Prieta Earthquake, which struck the San Francisco Bay area in October 1989. We recommended that to help avoid differing interpretations of FEMA's regulations and to expedite federal disaster assistance in future earthquakes, the Director of FEMA should clarify the agency's regulations to specify how much and under what conditions FEMA will pay to restore historic structures. We noted that there were differing interpretations of FEMA's regulations on restoring historic structures, which contributed to disputes relative to the recovery. When we issued our report, FEMA did not agree that more-specific guidance was needed; however, recently, FEMA's Associate Director for Response and Recovery said that FEMA is reconsidering its position and has taken action to meet the intent of our recommendation. For example, as recent disasters have occurred, the agency has entered into agreements with state historical preservation officers on the restoration of designated historical structures. According to FEMA's Associate Director, after the agency gains more experience in this area, it will consider revising the regulations.

³FEMA's Disaster Relief Fund is the major source of federal disaster recovery assistance; to replenish the fund, FEMA requests annual appropriations from the Congress.

GAO PRODUCTS

Disaster Assistance: DOD's Support for Hurricanes Andrew and Iniki and Typhoon Omar (GAO/NSIAD-93-180, June 18, 1993).

Disaster Management: Improving the Nation's Response to Catastrophic Disasters (GAO/RCED-93-186, July 23, 1993).

Disaster Relief Fund: Actions Still Needed to Prevent Recurrence of Funding Shortfall (GAO/RCED-93-60, Feb. 3, 1993).

Earthquake Recovery: Staffing and Other Improvements Made Following Loma Prieta Earthquake (GAO/RCED-92-141, July 30, 1992).

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