

October 2010

# RECOVERY ACT

## FEMA Could Take Steps to Protect Sensitive Port Security Grant Details and Improve Recipient Reporting Instructions



GAO

Accountability \* Integrity \* Reliability

## Why GAO Did This Study

The American Recovery and Reinvestment Act of 2009 (Recovery Act) requires recipients to report, among other things, project descriptions on [Recovery.gov](#), the federal Recovery Act Web site. Within the Department of Homeland Security, the Federal Emergency Management Agency's (FEMA) Grant Programs Directorate administers the Port Security Grant Program (PSGP) to strengthen ports against risks from terrorist attacks. FEMA received and obligated \$150 million in Recovery Act PSGP funds in 2009, and, as of September 2010, recipients have drawn down over \$10 million. To facilitate recipient reporting, FEMA must consider the need both for transparency and for protection of Sensitive Security Information (SSI), which could be detrimental to transportation security if disclosed. As requested, GAO assessed FEMA's: (1) controls to ensure Recovery Act PSGP staff consistently follow SSI policies, and (2) steps to ensure PSGP recipients have not disclosed SSI on [Recovery.gov](#). GAO reviewed relevant laws, regulations, guidance, and a random sample of PSGP Recovery Act recipient reports available as of February 2010, and interviewed agency officials.

## What GAO Recommends

GAO recommends that FEMA improve SSI training, ensure proper marking of SSI, enhance recipient report review controls, and instruct recipients on safeguarding SSI while reporting on funded activities and expected outcomes in a transparent manner. FEMA concurred.

View [GAO-11-88](#) or key components. For more information, contact David C. Maurer at (202) 512-9627 or [maurerd@gao.gov](mailto:maurerd@gao.gov).

## RECOVERY ACT

### FEMA Could Take Steps to Protect Sensitive Port Security Grant Details and Improve Recipient Reporting Instructions

#### What GAO Found

FEMA has taken steps to ensure Recovery Act PSGP staff consistently follow the Department of Homeland Security's SSI policies and processes, but key actions have not been taken. For instance, FEMA has appointed an SSI Program Manager—responsible for FEMA-wide SSI oversight—and an SSI Coordinator to facilitate the Grant Programs Directorate's use of SSI. Also, the SSI Program Manager provided SSI training to FEMA's Grant Programs Directorate staff; however, the training did not include FEMA-specific examples to illustrate the application of SSI, which the staff requested. GAO has previously reported that, when assessing training, managers should consider whether the training includes both the theoretical basis of the material—such as context and principles—and the practical application of the issues. Including FEMA-specific examples could help FEMA ensure Recovery Act PSGP staff have the necessary knowledge to handle and safeguard SSI. In addition, the SSI Coordinator has not assessed whether SSI documents have been appropriately labeled, in accordance with SSI regulations. For example, FEMA has determined that certain materials grant recipients submit to FEMA during the application process to describe how their projects will address current gaps and deficiencies are SSI, but has not marked them as such. While these documents have not been posted to [Recovery.gov](#), immediately reviewing and marking them as SSI could improve safeguards and help prevent the information contained therein from inadvertent disclosure.

FEMA has taken steps to develop a quarterly review process for Recovery Act PSGP recipient reports—prior to their public release on [Recovery.gov](#)—but does not have key controls to help prevent public disclosure of SSI. For instance, FEMA staff drafted a procedure for reviewing recipient reports, but FEMA management has not approved it and the draft does not include a procedure to verify the reviews' accuracy. Further, while GAO found that SSI had not been disclosed in Recovery Act recipient reports posted on [Recovery.gov](#) for the single reporting period GAO reviewed—with data publicly available as of February 2010—FEMA lacks a process for comparing recipient reports to SSI criteria, and a protocol that informs recipients when FEMA determines that their reports contain SSI. Introducing these measures could help Grant Programs Directorate staff consistently review reports, identify when they contain SSI, reduce the risk of SSI disclosure on [Recovery.gov](#), and reinforce recipients' obligations to safeguard SSI. In addition, GAO found wide variation in the level of detail about the awards' descriptions among the recipient reports sampled from [Recovery.gov](#) as of February 2010, although the majority provided minimal detail. According to FEMA, the sensitive nature of PSGP information affects the transparency of PSGP recipient reporting. By providing instruction to recipients on what should and should not be reported due to SSI requirements, FEMA could help recipients report project details in a transparent manner on the expenditure of Recovery Act funds while protecting information that could otherwise jeopardize transportation security if released.

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## Abbreviations

DHS	Department of Homeland Security
FEMA	Federal Emergency Management Agency
GPD	Grant Programs Directorate
MTSA	Maritime Transportation Security Act of 2002
OMB	Office of Management and Budget
PSGP	Port Security Grant Program
Recovery Act	The American Recovery and Reinvestment Act of 2009
Recovery Board	Recovery Accountability and Transparency Board
SSI	Sensitive Security Information
TSA	Transportation Security Administration
TWIC	Transportation Worker Identification Credential program

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United States Government Accountability Office  
Washington, DC 20548

October 15, 2010

The Honorable Mitch McConnell  
Republican Leader  
United States Senate

Dear Senator McConnell:

The American Recovery and Reinvestment Act of 2009 (Recovery Act) provided \$150 million to the Department of Homeland Security's (DHS) Port Security Grant Program (PSGP) for awards to states, localities, and private port operators to strengthen the nation's ports against risks associated with potential terrorist attacks.<sup>1</sup> To promote transparency and accountability, the Recovery Act includes a requirement that recipients report quarterly on a number of measures, such as a description of the projects funded,<sup>2</sup> and that these reports be made available to the public through Recovery.gov, the government's Recovery Act Web site.<sup>3</sup>

The transparency that is envisioned for tracking Recovery Act spending and results is an extensive undertaking for the federal government. Both Congress and the President have emphasized the need for accountability, efficiency, and transparency in the expenditure of Recovery Act funds and have made it a central principle of the act. However, tracking billions of dollars that are being disbursed to thousands of recipients is an enormous effort. The administration expects that achieving this degree of visibility will be iterative, whereby both the reporting process and the information recipients provide improve over time and, if successful, could be a model for transparency and oversight beyond the Recovery Act.

To implement Recovery Act reporting requirements, the Office of Management and Budget (OMB) provides guidance to federal agencies for overseeing recipients' Recovery Act quarterly reporting, which includes a requirement that agencies review the overall data quality of recipient reports before they are posted on Recovery.gov. While the Recovery Act does not specifically define transparency, OMB's guidance states that

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<sup>1</sup>Pub. L. No. 111-5, 123 Stat. 115, 164 (2009).

<sup>2</sup>Recovery Act, div. A, title XV, § 1512, 123 Stat. 287-88.

<sup>3</sup>Id. at §§ 1523(b)(4), 1526.

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recipients' narrative information, such as their award descriptions, must be sufficiently clear to facilitate understanding by the general public of how Recovery Act funds are being used.

In addition, OMB directs federal agencies to consider both transparency as well as national security concerns, when applicable, when reviewing recipients' quarterly reports in preparation for posting on Recovery.gov.<sup>4</sup> Among other agencies, this directive applies to DHS' Federal Emergency Management Agency (FEMA), which operates the Recovery Act PSGP. On the one hand, FEMA must help ensure that award and project descriptions publicly available on Recovery.gov explain how recipients are using PSGP funds in order to promote transparency. On the other hand, FEMA is responsible for helping to ensure that specific information about the ports' existing vulnerabilities, such as the absence of security systems, is safeguarded and not publicly disclosed on Recovery.gov. This is particularly important since the disclosure of such information—some of which stems from grant recipient documents that contain Sensitive Security Information (SSI)—could compromise national security.<sup>5</sup>

In response to your request regarding the federal role in reporting on the use of Recovery Act funds and the extent to which recipients transparently report on their activities, we issued a report in May 2010 on the extent to which descriptions of awards found on Recovery.gov fostered a basic understanding of award activities and expected outcomes.<sup>6</sup> This report provided information on the level of transparency in reporting on Recovery.gov for federal agencies administering 11 Recovery Act programs including broadband, energy, transportation, infrastructure, and civil works. Our assessment of transparency on Recovery.gov included a review of the transparency of award descriptions on Recovery.gov for

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<sup>4</sup>This guidance provides that, "in general, if a question arises about whether to provide public disclosure of information, agencies should promote transparency to the maximum extent practicable when consistent with national security interests." OMB, *Memorandum for the Heads of Departments and Agencies: Initial Implementing Guidance for the American Recovery and Reinvestment Act of 2009*, M-09-10 (Washington, D.C.: February 2009).

<sup>5</sup>Under federal regulations, SSI is, in general, information obtained or developed in the conduct of security activities, including research and development, the disclosure of which the Transportation Security Administration (TSA) has determined would, among other things, be detrimental to the security of transportation. See 49 C.F.R. § 1520.5.

<sup>6</sup>GAO, *Recovery Act: Increasing the Public's Understanding of What Funds Are Being Spent on and What Outcomes Are Expected*, [GAO-10-581](#) (Washington, D.C.: May 27, 2010).

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FEMA's Recovery Act PSGP. The Recovery Act PSGP recipient reports varied widely in level of detail—as we will discuss later in this report—because FEMA lacked a process for considering both the need to report on funded activities and expected outcomes in a transparent manner and the need to safeguard SSI in recipient reports. Therefore, as agreed with your office, this report focuses on FEMA's efforts to safeguard sensitive information associated with its Recovery Act port security awards. Specifically, it addresses: (1) the extent to which FEMA has implemented management controls to ensure that DHS' SSI policies and processes are consistently followed when administering the Recovery Act PSGP, and (2) the steps that FEMA has taken to ensure that sensitive information has not been publicly disclosed by PSGP recipients on Recovery.gov.

To conduct our work, we reviewed relevant laws, regulations, and DHS guidance on SSI to determine the extent to which FEMA has adopted DHS management controls to apply applicable safeguards to SSI contained in PSGP grant materials.<sup>7</sup> We also attended a new SSI training course on July 12, 2010, that FEMA provided to its staff to observe the applicability of course material to FEMA grant managers. In addition, we reviewed FEMA's draft standard operating procedure for reviewing Recovery Act recipient reports prior to their release on Recovery.gov and compared it with Standards for Internal Control in the Federal Government and DHS' guidance for safeguarding SSI to determine the steps FEMA has taken to help prevent public disclosure of sensitive Recovery Act PSGP grantee details.<sup>8</sup> We complemented this review by interviewing FEMA and DHS officials with responsibility for ensuring a reasonable degree of quality across PSGP recipient reports, as laid out in OMB's Recovery Act reporting guidance.

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<sup>7</sup>Pub. L. No. 111-5, 123 Stat. 115 (2009). 49 C.F.R. Part 1520. DHS, *Sensitive Security Information (SSI)*, Management Directive 11056.1 (Washington, D.C.: November 2006).

<sup>8</sup>GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 2009). Internal control is an integral component of an organization's management that provides reasonable assurance that the following objectives are being achieved: effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. These standards, issued pursuant to the requirements of the Federal Managers' Financial Integrity Act of 1982 (FMFIA), provide the overall framework for establishing and maintaining internal control in the federal government. Also pursuant to FMFIA, the Office of Management and Budget issued Circular A-123, revised December 21, 2004, to provide the specific requirements for assessing the reporting on internal controls. Internal control standards and the definition of internal control in Circular A-123 are based on the GAO *Standards for Internal Control in the Federal Government*.

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In addition, we reviewed existing Recovery Act guidance from OMB to determine the extent to which instructions are available to agencies on handling sensitive information from grant recipients and reviewed documentation of FEMA's contact with recipients after reviewing their reports to assess the extent to which FEMA consistently attempted to prevent disclosure of protected information.<sup>9</sup> We also selected a representative probability (random) sample of 61 out of the total 214 PSGP recipient reports available on Recovery.gov as of February, 2010, and reviewed the level of detail they provided. We also spoke with DHS officials responsible for assessing whether or not documents contain SSI to determine the extent to which recipient award descriptions available on Recovery.gov could reveal vulnerabilities at the ports and potentially jeopardize port security.<sup>10</sup>

Finally, we interviewed a nonprobability sample of 6 of the 61 randomly sampled Recovery Act PSGP recipients to determine the extent to which FEMA had provided recipients with information related to safeguarding sensitive details when submitting Recovery Act reports. We selected the 6 recipients based on diversity in geographical location; PSGP award size; level of detail included in quarterly report submission provided to FEMA; and whether the recipient made changes to its entries following FEMA's review. Our interviews provided us with an understanding of recipients' experience in balancing transparency and the safeguarding of SSI in reporting information for ultimate posting on Recovery.gov. However,

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<sup>9</sup>OMB, *Memorandum for the Heads of Departments and Agencies: Initial Implementing Guidance for the American Recovery and Reinvestment Act of 2009*, M-09-10 (Washington, D.C.: February 2009). OMB, *Memorandum for the Heads of Departments and Agencies: Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009*, M-09-15 (Washington, D.C.: April 2009). OMB, *Memorandum for the Heads of Departments and Agencies: Implementing Guidance for the Reports on Use of Funds Pursuant to the American Recovery and Reinvestment Act of 2009*, M-09-21 (Washington, D.C.: June 2009). OMB, *Memorandum for the Heads of Departments and Agencies: Updated Guidance on the American Recovery and Reinvestment Act – Data Quality, Non-Reporting Recipients, and Reporting of Job Estimates*, M-10-08 (Washington, D.C.: December 2009). OMB, *Memorandum for the Heads of Departments and Agencies: Updated Guidance for the American Recovery and Reinvestment Act*, M-10-14 (Washington, D.C.: March 2010).

<sup>10</sup>While there are 218 total Recovery Act PSGP recipients, we found 214 Recovery Act PSGP recipient reports available on Recovery.gov as of February 10, 2010, when we took our sample. According to FEMA officials, reports from 2 of the remaining 4 recipients were not available at the time we took our sample because the recipients had experienced problems entering information in certain fields in Recovery.gov, and the other 2 recipients likely had similar problems.

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because we used a nonprobability sample, the results cannot be generalized to all Recovery Act PSGP recipients.

We conducted this performance audit from June 2010 through October 2010 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## Background

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### Port Security Grant Program Priorities and Management

The Recovery Act Port Security Grant Program (PSGP) is based on the existing PSGP, which was first established under the Maritime Transportation Security Act of 2002 (MTSA).<sup>11</sup> Since 2007, FEMA has been operating the PSGP to provide grant funding to port areas for the protection of critical port infrastructure from terrorism.<sup>12</sup> When the Recovery Act was enacted in February 2009, it provided an additional \$150 million while preserving the funding priorities of the existing PSGP, which emphasize prevention and response to threats against the nation's seaports, including weapons of mass destruction.<sup>13</sup> FEMA had obligated all \$150 million of its Recovery Act PSGP funds as of September 29, 2009. As of September 3, 2010, 64 of the 218 PSGP recipients had drawn down funds, for a total of \$10,002,461.

The Recovery Act PSGP also placed additional priority on cost-effective projects that can be started quickly and stimulate the economy through jobs creation. PSGP recipients, such as owners and operators of MTSA-

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<sup>11</sup>Pub. L. No. 107-295, 116 Stat. 2064, 2075-79 (2002).

<sup>12</sup>Prior to 2007, the PSGP was operated by a number of offices within the Department of Transportation and DHS.

<sup>13</sup>These are (1) enhancing "maritime domain awareness," which involves enhancements to intelligence sharing and analysis amongst law enforcement and government leaders; (2) enhancing prevention, protection, response, and recovery to improvised explosive devices and weapons of mass destruction; (3) supporting implementation of DHS' Transportation Worker Identification Credential (TWIC) program; and (4) completing construction or infrastructure improvement projects that align with existing port and vessel risk management and security plans.

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regulated vessel and facilities, can use their 3 year grants for, among other things, equipment purchases, such as acquiring security cameras and security gates to strengthen access controls, as well as card readers and other infrastructure necessary to implement DHS' Transportation Worker Identification Credential (TWIC) program.<sup>14</sup>

FEMA's Grant Programs Directorate (GPD) is the central unit for grants management at FEMA and within DHS, both FEMA's GPD and the U.S. Coast Guard (Coast Guard) are involved in managing the Recovery Act PSGP.<sup>15</sup> FEMA (1) has the lead in creating selection criteria for use in the application review process, (2) administers the Recovery Act PSGP, (3) provides outreach and support to applicants about program requirements, and (4) manages the Recovery Act PSGP to ensure compliance with federal grant management requirements. In addition, FEMA assigned all Recovery Act PSGP recipients a FEMA program analyst to serve as the recipient's "one-stop" account manager, who would meet with the recipient as needed and coordinate with other agencies to support the recipient. The Coast Guard has the lead in setting port security priorities associated with Recovery Act PSGP award selection criteria. These priorities are emphasized in the Recovery Act PSGP application process, which requires eligible port areas and ferry systems to provide, among other things, an investment justification describing how the proposed project will help address gaps and deficiencies in current programs and capabilities, the length of time needed to begin and complete the project, and the number of jobs the project would create.

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<sup>14</sup> Access controls can include security measures such as pedestrian and vehicle gates, keypad access codes that use personal identification numbers, magnetic stripe cards and readers, fingerprint readers, or other biometric technology, turnstiles, locks and keys, and security personnel. In general, under the TWIC program, maritime workers who require unescorted access to secure areas of MTTA-regulated port facilities and vessels must obtain a biometric TWIC credential to access such secure areas to help ensure appropriate security checks of such personnel.

<sup>15</sup> GPD was formally created on April 1, 2007, pursuant to the Post-Katrina Emergency Management Reform Act of 2006 (Pub. L. No. 109-295, 120 Stat. 1355, 1394 (2006)). GPD consolidated the grant business operations, systems, training, policy, and oversight of all FEMA grants and the program management of the suite of preparedness grants.

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## DHS' Policy for SSI

DHS Management Directive 11056.1 establishes the department's policy regarding the recognition, identification, and safeguarding of SSI.<sup>16</sup> In addition to requiring certain actions by specified agencies such as Immigration and Customs Enforcement, Customs and Border Protection, and the Coast Guard, the directive provides that other DHS component heads not specifically identified—where appropriate based on the extent of use of SSI—should appoint an official to serve as the component's SSI Program Manager, who is to be responsible for, among other things, developing component-specific SSI identification and procedural guidance as necessary, and conducting self-inspections of the component for the effective management and practical application of SSI, and consistent and appropriate application and use of SSI at least once every 18 months.

In addition, the directive states that those other component heads not specifically identified in the directive, where appropriate, should appoint at least one employee in each office that generates or accesses SSI to serve as SSI Coordinator and have the authority to make determinations on behalf of DHS that records generated by this office are appropriately marked SSI. Further, among other responsibilities, the SSI Coordinator is to conduct annual self-inspections of the office for the effective management and practical application of SSI, and consistent and appropriate application and use of SSI, as well as ensure that office personnel who access SSI receive training.

FEMA considers the narratives within PSGP recipients' investment justifications to be SSI, the disclosure of which could compromise national security, because information found in the investment justifications could reveal current vulnerabilities and present opportunities for potential terrorist threats. Therefore, FEMA does not permit the investment justifications to be publicly released. In addition, under federal SSI regulations, both FEMA's grants management staff and PSGP recipients are considered to be "covered persons" because, among other things, they

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<sup>16</sup>In 2005, we reported that TSA lacked policies, procedures, and internal controls related to the identification and safeguarding of SSI. Following our report, DHS issued Management Directive 11056 in December 2005. See GAO, *Transportation Security Administration: Clear Policies and Oversight Needed for Designation of Sensitive Security Information*, [GAO-05-677](#) (Washington, D.C.: June 2005). We also reported that DHS issued a revised management directive, Management Directive 11056.1, to address legislative requirements in the DHS Appropriations Act of 2007 and our 2005 recommendations. See GAO, *Transportation Security Administration's Processes for Designating and Releasing Sensitive Security Information*, [GAO-08-232R](#) (Washington, D.C.: November 2007).

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access SSI contained in the investment justifications.<sup>17</sup> Covered persons’ responsibilities include, among others, taking reasonable steps to safeguard SSI in their possession or control from unauthorized disclosure, regardless of medium, and marking information as SSI.<sup>18</sup>

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## Recovery Act Recipient Reporting Process

To promote transparency and accountability, the Recovery Act requires recipients of Recovery Act funds, such as PSGP recipients, to report each calendar quarter on the use of funds, and further requires that this reporting continue for every quarter in which the recipient receives Recovery Act funds from the federal government. Specifically, these reports collect numerical information, such as the amount of funds obligated—or committed for payment—as well as narrative details, such as a description of the activity funded at the port.<sup>19</sup> To implement Recovery Act reporting requirements, OMB has worked with the Recovery Accountability and Transparency Board (Recovery Board) to deploy a nationwide data collection system at [Federalreporting.gov](http://Federalreporting.gov).<sup>20</sup>

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<sup>17</sup>The regulatory definition of “covered person” includes, for example, DHS, each person who has access to SSI, owners and operators of MTTSA-regulated vessels and facilities, and each person employed by, or contracted to, or acting for a covered person, including a grantee of DHS. See 49 C.F.R. § 1520.7. In general, under SSI regulations, access to SSI is to be provided only to those covered persons with a need to know. The regulations establish the circumstances under which a person has a need to know SSI, such as when a person requires access to specific SSI to carry out transportation security activities approved, accepted, funded, recommended, or directed by DHS or the Department of Transportation.

<sup>18</sup>To mark paper information as SSI, a covered person must place a protective marking—SENSITIVE SECURITY INFORMATION—conspicuously at the top of the outside of the front and back cover, the title page, and each page of the document. In addition, the covered person must also include a distribution limitation statement at the bottom of each page. The distribution limitation statement is: “WARNING: This record contains Sensitive Security Information that is controlled under 49 CFR parts 15 and 1520. No part of this record may be disclosed to persons without a ‘need to know,’ as defined in 49 CFR parts 15 and 1520, except with the written permission of the Administrator of the Transportation Security Administration or the Secretary of Transportation. Unauthorized release may result in civil penalty or other action. For U.S. government agencies, public disclosure is governed by 5 U.S.C. 552 and 49 CFR parts 15 and 1520.”

<sup>19</sup>The required field “Award Description” asks recipients to describe in narrative form “the overall purpose, expected outputs, and outcomes or results of the award, including significant deliverables and, if appropriate, units of measure.” See GAO 10-581.

<sup>20</sup>The Recovery Act created the Recovery Accountability and Transparency Board, which is composed of 12 Inspectors General from various federal agencies, who serve with a chairman of the board.

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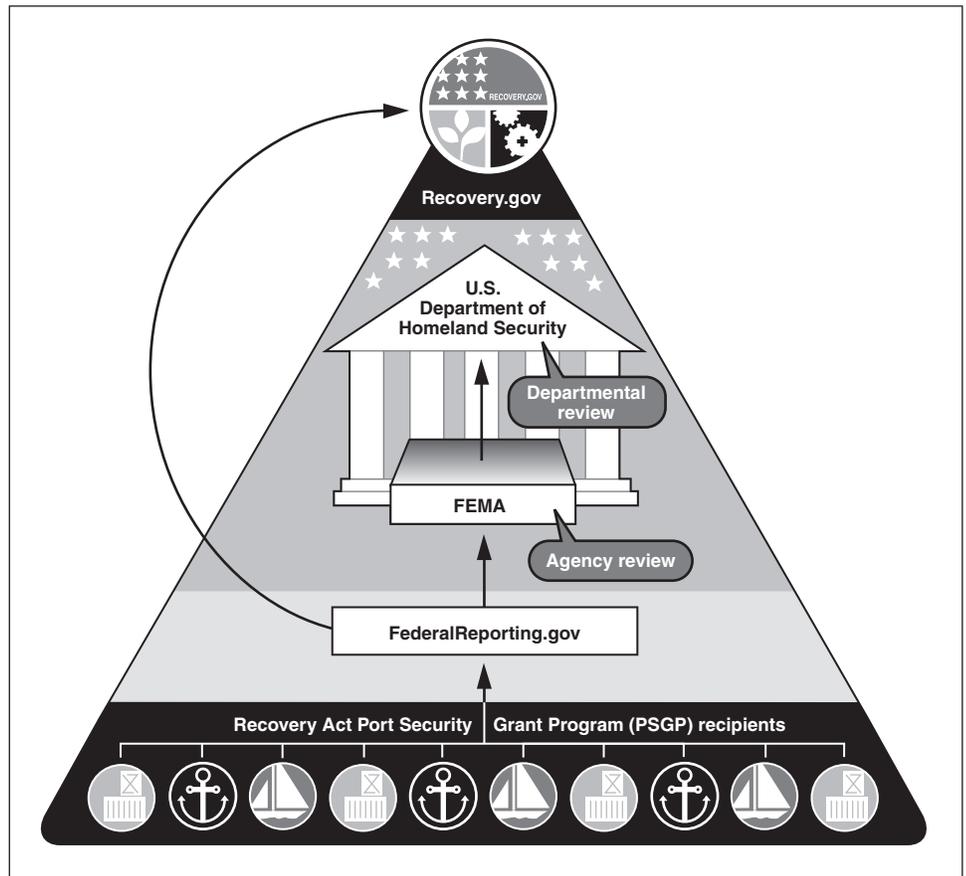
OMB set specific time lines for recipients to submit reports and for agencies to review the data using this site. Specifically, recipients are required to prepare, enter, and validate their information by the tenth day following the end of a quarter, after which federal agencies perform data quality reviews, in accordance with OMB guidance, to identify material omissions and significant reporting errors, and notify recipients of the need to make appropriate and timely changes to erroneous reports.<sup>21</sup> Recipients have the ultimate responsibility for responding to the agency's data quality reviews and then submitting the final data for posting on Recovery.gov, as illustrated in figure 1. Recovery.gov was designed to provide transparency of information related to spending on Recovery Act programs and is the public's official source of information related to the Recovery Act.

As a federal agency administering Recovery Act funds, FEMA is responsible for adhering to OMB guidance and Recovery Act requirements and GPD has the lead for executing these responsibilities for the Recovery Act PSGP. In addition, DHS officials responsible for agencywide Recovery Act implementation also review recipient quarterly reports, checking data fields, such as award numbers, for accuracy, and informing GPD staff of noncompletion.

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<sup>21</sup>Material omissions are defined as instances where required data are not reported or reported information is not otherwise responsive to the data requests resulting in a significant risk that the public is not fully informed as to the status of a Recovery Act project or activity. Significant reporting errors are defined as those instances where required data are not reported and such erroneous reporting results in significant risks that the public will be misled or confused by the recipient report in question.

**Figure 1: FEMA's Recipient Review Process for Recovery Act PSGP**



Source: GAO.

## FEMA Has Taken Steps to Implement DHS' SSI Policies in Administering the Recovery Act PSGP, but Further Actions Could Improve Consistency

FEMA has taken recent steps to adhere to DHS' Management Directive when administering the PSGP, such as appointing officials with direct responsibility for SSI; however, FEMA has not yet established or put in place all of the management controls, or taken all the actions, called for in the directive. For example, in January 2010, FEMA appointed its first SSI Program Manager, and in July 2010—during the course of our review—GPD appointed an SSI Coordinator. Nevertheless, GPD's SSI Coordinator has not assessed the extent to which SSI documents, including Recovery Act PSGP investment justifications, have been marked appropriately, or instilled practices to ensure that GPD personnel who access SSI receive appropriate training, as required by DHS' directive.

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## FEMA Has Taken Some Steps to Adhere to DHS' SSI Policies and Procedures

FEMA has appointed an SSI Program Manager, GPD has appointed an SSI Coordinator, and both individuals are taking steps to adhere to DHS' Management Directive, issued in 2005.

**FEMA has appointed an SSI Program Manager.** FEMA appointed its first SSI Program Manager in January 2010, and this individual has developed a standard operating procedure that, in accordance with DHS' 2005 Management Directive, establishes FEMA's protocols for recognizing, identifying, and safeguarding SSI. According to the SSI Program Manager, the standard operating procedure was reviewed by Transportation Security Administration (TSA) and Coast Guard officials, and approved by officials in FEMA's Office of Security before distribution to FEMA staff in mid-August. The SSI Program Manager also reported that he is planning to develop an SSI Instruction Guide for FEMA GPD in November 2010 that will identify the types of information in grant documents handled by FEMA GPD staff that should and should not be marked and treated as SSI. According to the SSI Program Manager, this guide will be completed in collaboration with FEMA GPD, TSA, and the Coast Guard, and will be applicable to FEMA GPD staff, contractors, and grantees. Further, the SSI Program Manager reported to us that he is developing a self-inspection program based on an SSI evaluation program that the Coast Guard currently uses. This will fulfill the Management Directive's instruction to conduct self-inspections for effective management, and consistent and appropriate application and use of SSI, at least once every 18 months.<sup>22</sup> He expects to conduct FEMA's self-inspection in December 2010.

In addition, in response to our questions regarding the extent of SSI training offered to GPD staff, the Program Manager provided training to FEMA's GPD staff in mid-July on identifying, handling, and safeguarding SSI. We observed this training, and noted that it explained the difference between SSI and classified information, defined the 16 categories of SSI in the SSI regulations, and provided guidance regarding how to handle SSI.

**FEMA's GPD has appointed an SSI Coordinator.** During the course of our review, and in response to our questions regarding the status of GPD's efforts to appoint an SSI Coordinator within GPD, the GPD Assistant Administrator appointed GPD's Director of Internal Controls and Risk Management to be GPD's first SSI Coordinator on July 8, 2010. The SSI

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<sup>22</sup>DHS, *Sensitive Security Information (SSI)*, Management Directive 11056.1. (Washington, D.C.: November 2006).

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Coordinator told us that she informed all GPD staff of the SSI Program Manager's July SSI training and encouraged GPD personnel who access or generate SSI to attend. Further, according to the SSI Coordinator, she and her staff will reach out to ensure that the remaining staff who have not yet received training attend one of the upcoming training sessions that the SSI Program Manager is offering throughout the fall of 2010. In addition, the SSI Coordinator told us that, once staff are trained, she plans to identify and reach out to supervisors in GPD branches who will have responsibility for staff managing SSI within their units to discuss and delineate their unit's SSI responsibilities, including determining whether documents in their office are appropriately marked SSI, and reporting back to her.

Further, the SSI Coordinator told us that she plans to issue a bulletin or memorandum to GPD staff and grantees to provide additional information beyond that discussed in the initial SSI training, such as GPD staff members' specific roles in identifying and handling SSI and the relevance of SSI to GPD grants. Before writing the bulletin, the SSI Coordinator reported that she planned to talk to GPD staff—including Recovery Act PSGP program officials, as well as the official responsible for reviewing Recovery Act PSGP recipient reports—to determine the process being used for handling recipient information and reporting, and what information related to SSI these officials need. According to the SSI Coordinator, she has drafted the bulletin but plans to make revisions before issuing it to GPD staff and grantees later this fall. Additionally, the SSI Coordinator told us she will—while conducting training and working with GPD staff responsible for SSI in their branches—assume responsibility for conducting GPD's annual self-inspection, in accordance with DHS' 2005 Management Directive. According to FEMA's SSI Program Manager, he and the SSI Coordinator will jointly complete a self-inspection of FEMA GPD in December 2010 to identify to the SSI Coordinator what the self-inspection program should entail.

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### Additional Actions Could Help FEMA Better Ensure That DHS' SSI Policies Are Consistently Followed

FEMA has established some management controls outlined in DHS' Management Directive to help ensure that its staff are better able to appropriately identify and handle SSI, but it has not yet taken all the actions or fully established all the management controls included in the directive.

**Marking of SSI:** The SSI Coordinator told us that with respect to Management Directive-required oversight of SSI within GPD, she has not made any determinations as to whether SSI documents are appropriately marked. While FEMA considers all PSGP investment justifications to be

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SSI, our analysis showed that not all Recovery Act PSGP investment justifications—documents recipients submit to FEMA when applying for the grant and that FEMA keeps on file—have been marked as such, pursuant to SSI regulations. Specifically, our sample review of six Recovery Act PSGP investment justifications showed that none of the materials were marked as SSI, as required by SSI regulations. According to one Recovery Act PSGP official, while the investment justifications are not labeled SSI, GPD staff convey the sensitive nature of the documents to the covered parties involved.

The SSI Coordinator told us that supervisors she designates throughout GPD will be responsible for reviewing their unit's grant file documents to determine if they are marked appropriately and report the results to her after these supervisors receive SSI training. However—while FEMA does not publicly release the investment justifications, such as on Recovery.gov—some of the Recovery Act PSGP investment justifications are currently not marked SSI in accordance with SSI regulations. As a result, others who access the information in the investment justifications may not be aware that it is SSI and, thus, are at a greater risk of inadvertently disclosing such information. Reviewing these justifications and marking them immediately as SSI could help the SSI Coordinator ensure that GPD personnel are better positioned to safeguard them from inadvertent unauthorized disclosure.

**SSI Training:** Prior to July 2010, FEMA did not provide specific SSI training to its grants management staff, and the FEMA SSI Program Manager told us the development of this course stemmed largely from our work on the subject. However, based on our observations, the course did not include grant-specific examples that could have helped facilitate GPD staff's understanding in applying the training concepts regarding SSI to their work.

For instance, GPD officials with whom we spoke were unclear about the application of SSI to the Recovery Act PSGP and grant specific examples could clarify how to determine if grant information is SSI. For instance, according to a TSA SSI official, the information upon which the PSGP investment justifications are based—port vulnerability assessments—are identified as SSI in the C.F.R. Therefore, the investment justifications may contain SSI, but the TSA official told us that the investment justifications are not SSI in their entirety because information from the vulnerability assessments could be removed from the documents. However, the three Recovery Act PSGP officials with responsibility for administering the program offered conflicting information with regard to the sensitive nature

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of PSGP materials. One official reported that FEMA considers all PSGP investment justifications to be SSI because the disclosure of activities under the PSGP could demonstrate current vulnerabilities and present opportunities for potential terrorist threats. Another official told us that he disagrees with the determination that the investment justifications are SSI because projects funded under the PSGP are visible to the public—for instance, if a port is adding lighting, the public can see that the project is being undertaken. Moreover, this official noted that information about the Recovery Act PSGP projects could easily be obtained from other publicly available sources, such as construction permits. A third FEMA official believed that certain information in the investment justifications may be SSI, but the investment justifications in their entirety are not.

Moreover, during the training session we observed, numerous GPD staff asked for clarification and examples to understand how the SSI regulations apply to their day-to-day work. The training did not provide this information. The SSI Coordinator acknowledged that the training lacked specific examples and told us that GPD staff likely will need additional information about the relevance of SSI to FEMA's grant management. We have previously reported on a number of factors that managers should consider when assessing training. One of these factors includes whether the training incorporated a suitable blend of content, addressing both the theoretical basis of the material (such as an explanation of the context and principles involved) and the practical application of the issues (such as agency administrative procedures related to the material).<sup>23</sup> The initial SSI training delineated the context of SSI and the regulations involved, but it did not incorporate any GPD-specific examples to illustrate the appropriate identification and handling of SSI by GPD personnel. In addition, it did not include any reference to the Recovery Act PSGP or any other Recovery Act program FEMA administers. Further, it also did not address how GPD staff should ensure transparent reporting on funded activities and expected outcomes while also safeguarding SSI. Given that Recovery Act PSGP staff were unclear about the application of SSI to their work and attendees at GPD's initial SSI training requested examples to illustrate how SSI pertains to their work, providing grant-specific examples in its SSI training could help FEMA ensure that all GPD staff, including Recovery Act PSGP staff, are

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<sup>23</sup>GAO, *Human Capital: A Guide for Assessing Strategic Training and Developing Efforts in the Federal Government*, [GAO-04-546G](#) (Washington: D.C.: March 2004).

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better positioned to identify, mark, and safeguard SSI within their programs.

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## **FEMA Has Taken Initial Steps to Develop and Document a Review Process, but Additional Controls Could Help Prevent the Unauthorized Disclosure of SSI**

FEMA has implemented an agencywide standard operating procedure governing the safeguarding of SSI within FEMA; however, this is a broad policy that does not specifically address aspects related to the Recovery Act PSGP recipient report review process. Further, while FEMA GPD staff have taken steps to outline their recipient review process, GPD management has not approved the procedure and the draft does not include key controls for reducing the risk of error. Moreover, when conducting its data quality review, FEMA does not have a distinct process for comparing recipients' quarterly reports against SSI criteria to ensure that sensitive information, similar to that which is described in the recipients' investment justifications, is not included in the Recovery Act reporting and thus made publicly available. FEMA also lacks a protocol for informing recipients when their draft Recovery Act reports contain sensitive information and should be safeguarded appropriately. Finally, FEMA has not provided instruction to recipients cautioning them up front against revealing SSI in their recipient report submissions and guiding them on what an appropriate level of detail would be.

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## **FEMA's Process for Reviewing Recovery Act PSGP Recipient Reports Is Documented but Lacks Key Controls and Has Not Been Approved**

Two officials within GPD were responsible for performing quality reviews on recipients' quarterly submissions to [FederalReporting.gov](http://FederalReporting.gov) before these submissions were posted to [Recovery.gov](http://Recovery.gov) in February 2010, the reporting period we reviewed. One official told us that he and his former colleague drafted a standard operating procedure after they were charged with reviewing recipients' reports in 2009 which described the Recovery Act recipient report reviewing process they undertook. This draft standard operating procedure included descriptions of the reporting cycle, the various elements recipients report, sources of the reporting data, the Recovery Act process for reviewing recipient information, and directions on how to compile and report the required information. However, the draft standard operating procedure does not have managerial approval as of September 2010 and lacks a discussion of internal controls, including a process to ensure that a secondary review of the comments occurs.

Internal control standards state that transactions and significant events—in this case, FEMA's data quality review of Recovery Act recipients'

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reports—should be authorized and the authorization should be clearly communicated to employees to assure that only valid transactions take place.<sup>24</sup> We found that the draft standard operating procedure being used was not approved by senior GPD management as of September 2010. A former director in GPD with oversight of the individuals conducting reviews of recipients' submissions did not approve the standard operating procedure before she left the agency and, as of September 2010, it has neither been approved nor presented to her replacement for approval. Approving a standard operating procedure for Recovery Act quarterly recipient report reviews could help FEMA management better ensure that the Recovery Act PSGP personnel are conducting reviews in a consistent manner.

In addition, internal control standards state that key duties and responsibilities need to be divided or segregated among different people to reduce the risk of error or fraud, including separating the responsibilities for authorizing, processing and recording, and reviewing transactions.<sup>25</sup> Moreover, internal control standards call for internal controls and all transactions and other significant events to be clearly documented and appear in management directives, administrative policies, or operating manuals. The draft standard operating procedure FEMA's Recovery Act staff developed does not describe procedures for verifying the accuracy of reviews, such as the process whereby one reviewer independently verifies the other's work, that its author told us had been occurring. Without determining what procedures FEMA will use to verify its reviews of recipient reports and documenting those procedures, FEMA management lacks reasonable assurance that the reviews are being conducted consistently and in accordance with management's direction. For instance, the GPD official with responsibility for reviewing quarterly Recovery Act recipient reports told us that a former director in GPD completed another layer of review before FEMA concluded its data quality review. Further, although this official reported that four additional GPD or DHS officials verified the accuracy of his initial reviews, three of the officials named told us that they have not reviewed recipient reports in any manner. The remaining official told us that she reviews the numerical fields solely for data accuracy and does not review the narrative fields, such as the award description where potential SSI may appear.

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<sup>24</sup>[GAO/AIMD-00.21.3.1.](#)

<sup>25</sup>[GAO/AIMD-00.21.3.1.](#)

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## FEMA Lacks a Procedure for Comparing Recipient Reports Against SSI Criteria

FEMA's standard operating procedure does not include a method for its Recovery Act PSGP recipient report reviewers to safeguard SSI as required of covered persons in SSI regulations. For example, none of the FEMA officials with whom we spoke reported that they—or anyone else—was responsible for incorporating a sensitivity review into their quarterly data quality assessment during which they could compare recipients' submissions to FederalReporting.gov against SSI standards to determine if the information should be prevented from public disclosure on Recovery.gov.

A Recovery Act PSGP official with whom we spoke reported that it is Recovery Act PSGP recipients' responsibility to ensure that they do not report SSI in their quarterly reports because it is the recipients who initially report the information, not FEMA. However, since FEMA treats the investment justifications as SSI, and much of the information requested in the reporting fields on FederalReporting.gov is similar in nature, conducting such a review would help FEMA ensure that nothing from the investment justifications was inadvertently copied into the FederalReporting.gov reporting fields and ultimately published on Recovery.gov. Further, pertinent SSI regulations require that a covered person must take reasonable steps to safeguard SSI in that person's possession or control from unauthorized disclosure,<sup>26</sup> and state that violations of the SSI regulations, such as unauthorized disclosure of SSI, is grounds for, among other things, a civil penalty and other enforcement or corrective action by DHS.<sup>27</sup> While recipients initially report the information, FEMA accesses this information during its data quality review and, therefore, under SSI regulations, Recovery Act PSGP personnel are considered to be covered persons and have the accompanying responsibility to safeguard any SSI in the recipient reports.

A TSA security official who reviewed our sample of 61 PSGP recipient reports available on Recovery.gov for the reporting period with data available as of February 2010, informed us that none contained SSI; however, FEMA should consider a cautious approach when reviewing this material in advance and inform recipients if their draft submissions

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<sup>26</sup> 49 C.F.R. §1520.9(a)(1).

<sup>27</sup> 49 C.F.R. §1520.17.

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contain SSI.<sup>28</sup> While our review showed that none of the Recovery Act PSGP recipient reports for the single reporting period in our review contained SSI, developing a management-approved policy for reviewing Recovery Act PSGP recipient reports that includes steps to compare submissions against SSI criteria and properly safeguard it could reduce the risk that SSI is made publicly available on Recovery.gov in subsequent reporting periods. Further, such a policy could help better position FEMA to ensure that officials responsible for Recovery Act recipient reviews take reasonable steps to safeguard SSI from unauthorized disclosure, as required by SSI regulations.

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### FEMA Lacks a Protocol for Informing Recipients When Their Draft Recovery Act Reports Contain SSI and Should Be Safeguarded

According to the GPD official responsible for reviewing recipients' submissions and performing the data quality review on FederalReporting.gov, when the Recovery Act quarterly reporting began, the issue of data sensitivity was not discussed in any manner. However, the official noted that the GPD Director to whom he reported at the time told him to use his judgment and when he thought recipient submissions included "too much detail" in the narrative-based fields, such as the one for "award description," he should notify recipients. Specifically, the director instructed him to use boilerplate language when commenting back to the recipients, with the following notification statement: "Due to the public nature of this report, please adjust the Award Description to: American Recovery and Reinvestment Act Port Security Grant Program (ARRA PSGP)."<sup>29</sup> This official stated that he did not develop standard criteria to determine what "too much detail" meant, nor does he compare the information contained in these quarterly reports against SSI criteria while conducting his data quality review. Instead, he explained that he used his best judgment and if the details in the narrative field appeared similar to the information the recipient reported in its investment justification, then he sent the recipient the standard notification statement.

This notification statement did not communicate the rationale for change—that the specific information about their use of award funds or

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<sup>28</sup>TSA's SSI Branch is the focal point governmentwide for making assessments to determine if information is SSI.

<sup>29</sup>While federal agencies are required under OMB guidance to perform data quality reviews of recipient data before they are posted on Recovery.gov and notify recipients of the need to make appropriate and timely changes to erroneous reports, recipients are ultimately responsible for data quality checks and final submission of the data.

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expected outcomes could disclose SSI, which could document vulnerabilities or jeopardize port security—or a reason for recipients to take action, even though SSI regulations require covered persons to take reasonable steps to safeguard SSI from unauthorized disclosure. Moreover, internal control standards call for managers to ensure that there are adequate means of communicating with, and obtaining information from, external stakeholders that may have a significant impact on the agency achieving its goals. Most importantly, FEMA’s notification statement does not inform recipients of their responsibility as covered persons to safeguard SSI. Including in its standard operating procedures a process for notifying recipients when their reports include SSI and taking steps to inform recipients about their responsibilities as covered persons could better position FEMA to help prevent the inadvertent release into the public domain of information that could potentially compromise national security.

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### FEMA Has Not Provided Instruction to Recipients on Safeguarding SSI While Reporting Project Details in a Transparent Manner for Posting on Recovery.gov

During the Recovery Act quarterly reporting process, under federal SSI regulations, both recipients—who submit the initial information—and FEMA personnel—who review the information—are considered to be covered persons with a duty to safeguard SSI. In addition, OMB’s Recovery Act reporting guidance states that recipients’ narrative information must be sufficiently clear to facilitate understanding by the general public of how Recovery Act funds are being used.

In reviewing the narrative descriptions provided on Recovery.gov for the 61 recipients in our sample, we found wide variation in the level of detail provided regarding the awards’ purposes, scope and nature of activities, locations, costs, outcomes, and status of work. In a few instances, the reports had clear and complete information across these areas. For instance, the description of an award for a Missouri port stated that it will be used for surveillance cameras that will allow the police department to receive information about potential attacks using improvised explosive devices and, as a result, increase the likelihood of preemptive action. In the majority of cases, however, the reports provided little or none of the information on what funds are being spent on and what outcomes are expected. For instance, an award description for a port in Washington did not provide the location where the award activities are being conducted, what the award would fund, or the outcomes expected as a result of the award.

According to FEMA, the sensitive nature of port security information affects the transparency of PSGP recipient reporting. However FEMA’s

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GPD has not provided technical assistance or program-specific guidance to Recovery Act PSGP recipients on how to report on funded activities and expected outcomes in a transparent manner while also safeguarding SSI. For example, all of the PSGP recipients with whom we spoke reported that FEMA had not instructed them on how to consider transparency needs and safeguard SSI in Recovery Act reporting.<sup>30</sup>

According to a Coast Guard Recovery Act PSGP official, GPD's SSI Coordinator, and three of the five Recovery Act PSGP recipients with whom we spoke, Recovery Act PSGP recipients are not always clear regarding what information they should report and what information they should protect. For instance, GPD's SSI Coordinator told us that the recipients may be confused about what they should report in their quarterly Recovery Act reports because OMB guidance stresses transparency even though SSI regulations stress safeguards. Therefore, the SSI Coordinator stated that recipients may be unsure how to comply with both because of their seemingly conflicting messages. Moreover, the Coast Guard official and four of the five Recovery Act PSGP recipients with whom we spoke told us that guidance from FEMA on what recipients should and should not report for ultimate posting on Recovery.gov would be helpful to recipients and assist them in better understanding how to adhere to the requirements in both OMB's existing guidance on Recovery Act recipient reporting and those found in the SSI-related regulations.

Recovery Act PSGP officials with whom we spoke cited two reasons why FEMA has not issued instructions to recipients on what information to include in the narrative fields when completing their quarterly reports. First, the officials reported to us that FEMA was concerned that issuing instructions to recipients on what to report in the narrative fields may conflict with OMB's emphasis on transparency in Recovery Act reporting. When we raised this issue with OMB, staff there told us that OMB allows agencies discretion with regard to balancing transparency with national security concerns and it cannot provide guidance that addresses the details of each Recovery Act program. OMB staff noted that agencies should be aware of what program information may be sensitive and address these concerns directly with recipients. Further, according to OMB officials, agencies overseeing Recovery Act programs have discretion to provide their recipients with technical assistance or supplemental materials to aid recipients in reporting.

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<sup>30</sup>One of the six PSPG recipients in our sample did not respond to our inquiries.

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In our May 2010 report, we reported that some agencies—unlike FEMA—supplemented OMB’s high-level guidance with program-specific technical assistance on how to meet OMB’s reporting requirements, including specific instructions on what to write in the narrative fields.<sup>31</sup> In addition, OMB’s March 2010 Memorandum 10-14 permits federal agencies overseeing Recovery Act reporting to provide program-specific guidance on Recovery Act recipient reporting to recipients as long as it does not conflict with OMB guidance and the agency obtains OMB approval.<sup>32</sup> Two other agencies—the departments of Transportation and Education—have obtained OMB approval to issue such program-specific guidance to assist recipients with Recovery Act reporting. As we reported in May 2010, OMB officials told us that OMB created generic reporting guidance because they expected the guidance to be a baseline, with agencies providing supplemental guidance that was more specific to unique program characteristics and situations than OMB’s one-size-fits-all guidance was designed to address. We also reported that, according to OMB, the agencies would be better sources of program specific individualized guidance, tailored to the awards made under their programs.<sup>33</sup>

Second, FEMA officials said that even if they were to issue instructions to recipients on what to report in the narrative fields that ultimately will be posted on Recovery.gov, some recipients might not follow them and FEMA cannot require them to do so. However, given that under federal SSI regulations Recovery Act PSGP recipients are considered to be covered persons, they have a duty under SSI regulations to safeguard SSI.

Taking appropriate measures to provide instruction—which could be in the form of technical assistance, supplemental materials, or OMB-approved guidance—to Recovery Act PSGP recipients has several benefits. Namely, by describing the information to include in narrative fields that ultimately will be posted on Recovery.gov and informing recipients of their duty to protect SSI as covered persons, FEMA could help ensure that recipients consider both the need to report on funded activities and expected outcomes in a transparent manner while

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<sup>31</sup>[GAO-10-581](#).

<sup>32</sup>Office of Management and Budget, *Memorandum for the Heads of Executive Departments and Agencies: Updated Guidance on the American Recovery and Reinvestment Act*, M-10-14 (Washington, D.C.: March 2010).

<sup>33</sup>[GAO-10-581](#).

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safeguarding SSI when reporting information on issues that ultimately will be posted on Recovery.gov.

With regard to additional controls to prevent unauthorized disclosure of Recovery Act PSGP SSI, FEMA officials reported that their ability to implement such controls—including their assessments of information recipients submit quarterly to FederalReporting.gov—is constrained due to the small number of PSGP staff on board, as well as significant staff turnover. According to FEMA data, as of July 2010, 10 FEMA employees were administering both the Recovery Act PSGP and regular PSGP, and GPD's staff turnover rates were 4 percent and 8 percent in the 2nd quarter and 3rd quarter of 2010, respectively. Further, according to FEMA officials, OMB is primarily concerned with data quality surrounding the numerical reporting fields, such as the award amount, and is less concerned with the content of the narrative reporting fields, such as the award description. In addition, DHS officials charged with overall Recovery Act implementation confirmed that their review of DHS-wide recipient information focuses on the nonnarrative fields—such as jobs created, recipient addresses, or recipient Congressional district. As a result, the FEMA official charged with conducting the data quality reviews told us his priorities have been on numbers rather than narrative. OMB staff with whom we spoke told us that agencies are better positioned to review narrative information because they have knowledge of the programs and OMB staff explained that agencies are expected to use their judgment to help ensure that recipients do not disclose SSI in the information that ultimately will be posted on Recovery.gov.

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## Conclusions

Reporting on the funded activities and expected outcomes of Recovery Act funds in a transparent manner is vital to ensuring public trust. As such, OMB has made transparency a priority in the oversight of Recovery Act spending and instructed agencies that when reviewing recipients' quarterly reports they should aim to ensure transparency while also safeguarding information that is crucial to national security.

FEMA's GPD has taken some recent steps to establish policies and procedures to ensure that it appropriately identifies, handles, and safeguards any Recovery Act PSGP information that is SSI. However, FEMA could do more to ensure that FEMA officials are helping to prevent the disclosure of information that ultimately will be posted on Recovery.gov and that is otherwise considered SSI. Specifically, determining whether Recovery Act PSGP documents, such as investment justifications, that contain SSI are appropriately marked as such and

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taking steps to ensure Recovery Act PSGP officials receive FEMA-specific SSI training could help better position FEMA to ensure that its Recovery Act PSGP staff protect SSI from unauthorized disclosure. Further, having an approved policy for reviewing Recovery Act PSGP recipient reports could help ensure that initial reviews by different FEMA GPD staff will be conducted in a consistent manner to reduce the risk of error. Moreover, including in its process a review to identify recipient-reported information as SSI, and taking appropriate measures to improve recipients' understanding of what information to include in the narrative fields that ultimately will be posted on Recovery.gov and what information to safeguard as SSI could better position FEMA to help prevent the disclosure of sensitive information on Recovery.gov.

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## Recommendations for Executive Action

To enhance the identification, management, and protection of SSI within FEMA in its administration of the Recovery Act PSGP, we recommend that the FEMA Administrator take the following four actions:

- Direct GPD's SSI Coordinator to review Recovery Act PSGP investment justifications in FEMA's possession and ensure that they are appropriately marked as SSI.
- Direct GPD's SSI Coordinator, when developing and providing further SSI training to GPD staff, to incorporate FEMA-specific examples of the application and use of SSI in the training.
- Direct FEMA's Assistant Administrator for GPD to develop, document, and approve a policy that reflects management's intent to implement internal controls governing FEMA's review process for Recovery Act recipient reports that include appropriate internal controls and a procedure both for comparing recipient reports against SSI criteria and notifying recipients when their submissions contain SSI.
- Direct FEMA's Assistant Administrator for GPD to take appropriate measures—such as issuing technical assistance, supplemental materials, or OMB-approved guidance—to inform Recovery Act PSGP recipients of what information they should include in the narrative fields that ultimately will be posted on Recovery.gov to foster a basic understanding of funded activities and expected outcomes in a transparent manner while ensuring that SSI is not disclosed on Recovery.gov.

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## Agency Comments and Our Evaluation

We provided a draft of this report to FEMA for review and comment. FEMA provided written comments on the draft report, which are reproduced in full in appendix I. FEMA concurred with all four of our recommendations, and reported that it plans to take steps to implement them. Specifically, FEMA plans to ensure that all Recovery Act PSGP

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grant documents are reviewed and appropriately marked as SSI, which would address our first recommendation. Further, FEMA intends to enhance its current SSI training to ensure that it is relevant to FEMA personnel. If implemented, such training would address our second recommendation. In addition, FEMA plans to take steps to incorporate appropriate internal controls into its written Recovery Act PSGP policies to help ensure consistency in its review of Recovery Act PSGP recipient reports. Implementing such controls will address our third recommendation. FEMA also agreed with our final recommendation to take appropriate measures to inform Recovery Act PSGP recipients of what information they should include in their Recovery Act reports. However, FEMA did not describe specific actions it planned to take to address this recommendation. Nevertheless, FEMA noted that, while no SSI was released to the public for the reporting period which we reviewed, implementing this recommendation, as well as our others, will enhance ongoing review of Recovery Act PSGP recipient reports and better enable FEMA to protect SSI from disclosure in the future. FEMA also provided technical comments, which we incorporated as appropriate.

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As agreed with your office, unless you publicly announce the contents of this report earlier, we plan no further distribution for 30 days from the report date. At that time, we will send copies of this report to the Secretary of Homeland Security and interested congressional committees. In addition, this report will be available at no charge on the GAO Web site at <http://www.gao.gov>.

Should you or your staff have any questions concerning this report, please contact David Maurer at 202-512-9627 or by e-mail at [maurerd@gao.gov](mailto:maurerd@gao.gov). Contact points from our Offices of Congressional Relations and Public

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Affairs may be found on the last page of this report. Key contributors to this report are listed in appendix II.

Sincerely yours,

A handwritten signature in black ink that reads "David C. Maurer". The signature is written in a cursive style with a long, sweeping tail on the final letter.

David C. Maurer  
Director, Homeland Security and Justice Issues

# Appendix I: Comments from the Department of Homeland Security

U.S. Department of Homeland Security  
Washington, DC 20528



**Homeland  
Security**

October 12, 2010

David Maurer  
Director, Homeland Security and Justice  
441 G Street, NW  
U.S. Government Accountability Office  
Washington, DC 20548

Dear Mr. Maurer:

RE: Federal Emergency Management Agency's (FEMA) Review of GAO Draft Report 10-979, "*RECOVERY ACT: FEMA Could Take Steps to Protect Sensitive Port Security Grant Details and Improve Recipient Reporting Instructions.*" (440889)

Thank you for the opportunity to review and comment on the Government Accountability Office (GAO) draft report entitled, "*RECOVERY ACT: FEMA Could Take Steps to Protect Sensitive Port Security Grant Details and Improve Recipient Reporting Instructions.*"

This report included four recommendations. FEMA concurs with the four recommendations addressed to DHS. FEMA appreciates the opportunity to highlight current efforts that will not only comply with the recommendations, but will also improve our overall operational effectiveness. The recommendations and FEMA's corrective actions to address the recommendations are described below.

**Recommendation 1:** Direct GPD's SSI Coordinator to review Recovery Act PSGP investment justifications in FEMA's possession and ensure that they are appropriately marked as SSI.

**Response:** Concur. FEMA will ensure that all grants are reviewed and have appropriate markings.

**Recommendation 2:** Direct GPD's SSI Coordinator, when developing and providing further SSI training to GPD staff, to incorporate FEMA-specific examples of the application and use of SSI in the training.

**Response:** Concur. FEMA believes that training goals are better fulfilled by providing relevance to those impacted by or those who impact the outcomes or actions of the subject of the training, and is moving beyond the standard training platform currently in place.

**Recommendation 3:** Direct FEMA's Assistant Administrator for GPD to develop, document, and approve a policy that reflects management's intent to implement internal controls governing FEMA's review process for Recovery Act recipient reports that includes

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appropriate internal controls and procedures both for comparing recipient reports against SSI criteria and notifying recipients when their submissions contain SSI.

**Response:** Concur. SSI is a matter that is broader than Recovery Act awards for FEMA. It was an important consideration before Recovery Act funds and will remain beyond this segment of funds. The FEMA Assistant Administrator for GPD has documented policies that reflect management's intentions and assurances relative to internal controls governing many of GPD's management and operational activities. The Recovery Act and the transparency requirements through new reporting portals introduced a new direction for both the Agency and the grantees. In the wake of those new directions, we acknowledge the need to ensure that internal controls are applied consistently in FEMA's review process for Recovery Act recipient reports as well as in our grants management generally. GPD will take steps to ensure that internal controls related to ARRA are added to our existing policies.

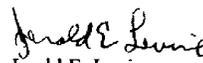
Recovery Act recipients self-report on Recovery.gov. It was understood by the agency as well as the grantee community that the intent of the Recovery Act reporting was for information to be posted on a public website. Staff reviewed the contents of the material and generally found that the grantees were reporting appropriate information. It was the lack of detail that initiated the inquiry into insufficient transparency. In the end, the report found no incidence of SSI information being publicly reported. We did find very limited cases in which grantees were overzealous in complying with the intentions of transparency. Staff asked if they might revise their submission in consideration of SSI.

**Recommendation 4:** Direct FEMA's Assistant Administrator for GPD to take appropriate measures – such as issuing technical assistance, supplemental materials, or OMB-approved guidance – to inform Recovery Act PSGP recipients of what information they should include in Recovery.gov's narrative fields to foster a basic understanding of funded activities and expected outcomes in a transparent manner while ensuring that SSI is not disclosed on Recovery.gov.

**Response:** Concur. It is important to note, as mentioned in the report, throughout the implementation of the Recovery Act transparency process that FEMA, through timely and diligent attention, has NOT permitted the release to the public any SSI with respect to the reviewed program. The ongoing reporting process will be enhanced through the implementation of the recommendations in this report. FEMA is certain, the processes and training currently in place did, in fact, ensure that NO SSI was released to the public on Federal Reporting.gov.

Thank you for the opportunity to comment on this Draft Report. We look forward to working with you on future Homeland Security issues.

Sincerely,



Jerald E. Levine  
Director  
Departmental Audit Liaison Office

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# Appendix II: GAO Contacts and Acknowledgments

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## GAO Contacts

David C. Maurer, (202) 512-9627 or maurerd@gao.gov

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## Acknowledgments

In addition to the contact named above, key contributors to this report were Joy Gambino, Assistant Director; Jill Evancho, Analyst-in-Charge; and Kathryn Crosby. Tom Beall assisted with design and methodology; Geoffrey Hamilton provided legal support; Katherine Siggerud, Yvonne Jones, and Susan Zimmerman contributed expertise in the Recovery Act; George Erhart and Richard Winsor helped with on-site record review; and Labony Chakraborty provided assistance in report preparation.

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