TSA OVERSIGHT PART IV: IS TSA EFFECTIVELY PROCURING, DEPLOYING, AND STORING AVIATION SECURITY EQUIPMENT AND TECHNOLOGY?

JOINT HEARING

BEFORE THE

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

AND THE

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

HOUSE OF REPRESENTATIVES

ONE HUNDRED TWELFTH CONGRESS

SECOND SESSION

———

MAY 9, 2012

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TSA OVERSIGHT PART IV: IS TSA EFFECTIVELY PROCURING, DEPLOYING, AND STORING AVIATION SECURITY EQUIPMENT AND TECHNOLOGY?

Wednesday, May 9, 2012,

HOUSE OF REPRESENTATIVES,
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM,
JOINT WITH THE
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE,
Washington, D.C.

The committees met, pursuant to call, at 1:09 p.m. in room 2154, Rayburn House Office Building, Hon. Darrell Issa [chairman of the Committee on Oversight and Government Reform], presiding.

Present from the Committee on Oversight and Government Reform: Representatives Issa, Cummings, Mica, Chaffetz, Lankford, Farenthold, Gowdy, Buerkle, Connolly, Norton, Burton and Guinta.

Present from the Committee on Transportation and Infrastructure: Representatives Mica, Lankford, Farenthold, Altmire, Cummings, Cravaack, Bucshon, Richardson, Norton, DeFazio, Guinta and Hultgren.

Also Present: Representative Blackburn.

Staff Present: Thomas Alexander, Senior Counsel; Will L. Boyington, Majority Staff Assistant; Molly Boyl, Majority Parliamentarian; Sharon Casey, Senior Assistant Clerk; Adam P. Fromm, Majority Director of Member Services and Committee Operations; Linda Good, Majority Chief Clerk; Christopher Hixon, Majority Deputy Chief Counsel, Oversight; Mitchell S. Kominsky, Majority Counsel; Mark D. Marin, Majority Director of Oversight; Laura L. Rush, Majority Deputy Chief Clerk; Jeff Solsby, Majority Senior Communications Advisor; Rebecca Watkins, Majority Press Secretary; Sang H. Yi, Majority Professional Staff Member; Kevin Corbin; Minority Deputy Clerk; Ashley Etienne, Minority Director of Communications; Jennifer Hoffman, Minority Press Secretary; Carla Hultberg, Minority Chief Clerk; Peter Kenny, Minority Counsel; Lucinda Lessley, Minority Policy Director; and Dave Rapallo, Minority Staff Director.

Chairman ISSA. The Committee will come to order.

At the Oversight Committee, we exist to secure two fundamental principles. First, Americans have the right to know that the money Washington takes from them is well spent. Second, Americans deserve an efficient and effective government that works for them.

Our duty on the Oversight and Government Reform Committee is to protect these rights. Our solemn responsibility is to hold gov-

ernment accountable to taxpayers because taxpayers have a right to know what they are getting from the government.

We work tirelessly in partnership with citizen watchdogs to deliver the facts to the American people and bring genuine reform to the Federal bureaucracy. This is our mission, this is what we are here for today.

The way in which TSA has managed aviation security at our Nation's eight airports raises numerous questions and concerns regarding the stewardship of taxpayer dollars. Although a new organization, you are not so new that you shouldn't have gotten better by now. Too many Americans instead of delivering effective security, believe that TSA has given Americans public long lines and policies that hardly make us safer.

This is not to say that the 65,000 employees, particularly those at the front lines who often find people frustrated when they get to the head of the line, are to blame. Organizations are not based on whether their workers are good or bad, they are based on whether, in fact, their leadership is good or bad.

As we look at the Transportation Logistics Center in Dallas, we find a flaw that it is easy to poke holes into, but as we look at the 4,000 out of 65,000 TSA people who are here in Washington making up rules, overseeing logistics and, in fact, making many of the mistakes that have been noted in the past by both our Committee and the Transportation Committee, we realize there is a problem. The problem, for our purposes, will primarily be seen as a failure to get organized in Washington.

Do I believe that TSA could do more with less? Yes. As we look at various new technologies that cost hundreds of millions of dollars, and we find them sitting not in the field but in storage. In many cases, our audits show, through Chairman Mica and my staff, that assets are brought back and languish there for long periods of time until congressional investigators show up. Then after weeks of delay and a few more hours delay, they have been swept away.

That is exactly what you cannot do in an America that depends on your Inspector General and your Congress to have transparent ability to fairly evaluate needs for improvement.

I served in the military a generation ago. The name Inspector General meant a great deal. Often people would have to say, we have to get ready for the IG's inspection. That meant training and preparation to pass a test. It did not mean shoving things away, hiding them or making up new schedules of what it would be on a certain day.

I remain concerned that since the TSA's creation in 2001 and as its workforce has grown from an initial 16,500 authorized, with 25,000 as its intended cap, the 65,000 people working for TSA today represent too many people for too little protection. Part of this is because of the failure to launch effectively new technologies.

I, for one, was at the center of the dais, was here in 2001. I participated in the vote to create the TSA and I participated in many, many votes that spent a great deal of money. Literally, one could say we threw money at the problem. It wasn't Republicans, it wasn't Democrats; it was a nation that was concerned in a post-

9/11 era that we had to act quickly. We were more interested in effectiveness than efficiency.

We are decade later. Today, we are looking at both efficiency and effectiveness and we find both lacking at the TSA. The idea that you get a good deal by buying more machinery that simply decays or becomes obsolete during its presence in Dallas makes no sense. Additionally, as a manufacturer, I am well aware that if you want to take possession of assets, it is much, much less expensive on these large pieces of equipment to take possession at the factory and have them drop-shipped when needed.

Logistically, there were failures; in oversight, there was cover up; and in fact, a decade after the creation of TSA, we are here today to question whether or not the management is maximizing the hard work of the men and women of the TSA for the benefit of the American people. That is why we are here today. This is the fourth in a series and an unparalleled joint effort by this Committee and the Transportation Committee.

I hope you have answers for the many questions today and I hope this will serve as a reminder that in fact we will not give up, on the Republican or Democratic side, until TSA delivers a higher value for the American people.

With that, I recognize the Ranking Member for his opening statement.

Mr. CUMMINGS. Thank you very much, Mr. Chairman.

Earlier this week, the CIA reportedly thwarted an effort by an al Qaeda affiliate in Yemen to blow up an airliner headed to the United States using a new version of an underwear bomb. If these reports are accurate, they are yet another testament to the superb work of our intelligence and military officials in our entire Nation's ongoing vigilance against terrorism.

This conspiracy also underscores the real threats that are still directed against our Nation. We are engaged in an ongoing battle to stay one step ahead of the terrorists. Just because Osama Bin Laden has been killed and al Qaeda leadership has been degraded does not mean we can rest.

As today's hearing highlights, part of our core defense includes efforts by TSA to procure and deploy effective security technology and equipment in our Nation's airports. In recent years, however, the DHS Inspector General and GAO have documented shortcomings in TSA's acquisition process in individual procurements.

In 2006, for example, TSA deployed Explosive Trace Detection Portals, commonly known as "puffers," even though initial tests suggested they might not perform in airports as they had in laboratory settings. TSA later ended the program and scraped the machines when they failed to perform adequately in the field.

Similarly, after the attempted bombing of a Northwest Airlines flight on Christmas Day, 2009, another passenger screening technology, the Advanced Imaging Technology, was rapidly deployed. GAO raised concerns about the testing and performance of these machines before they were deployed. GAO also raised concerns about their low usage after they were deployed.

Finally, last month, GAO reported that TSA's Checked Baggage Screening Program has never had a Department-approved acquisition program baseline. This program, which initiated eight years

ago, has cost an estimated $49 billion through 2030. According to GAO, the program has already experienced cost increases, but the absence of an approved baseline makes it difficult to measure those increases against specific benchmarks.

TSA's procurement challenges are similar to those of other agencies. For example, during my tenure as Chairman of the Subcommittee on the Coast Guard and Maritime Transportation, I convened a series of hearings to examine the Coast Guard's major procurements, including what was then known as the Deepwater Program.

Early in this program, the Coast Guard spent millions of dollars buying boats that literally did not float. Based on our detailed oversight work, over many months, I offered legislation to ensure that specific and detailed statutes would guide Coast Guard procurement in the future. I am proud to say that this legislation eventually became Title IV of the Coast Guard Authorization Act of 2010.

I believe a similar effort may be warranted here and that we should consider applying such statutes to the entire Department of Homeland Security. In the meantime, I'm encouraged that the Department has already taken some steps to strengthen its management and oversight, starting with issuing a new acquisition guideline directive.

This directive requires that each procurement follow a standardized and rigorous process and it is intended to allow progress through acquisition phases only after clear and justifiable decisions are made at specific milestones. However, no rules will be effective unless they are followed.

DHS awarded 88,000 procurement actions for $13 billion in fiscal year 2010. The challenges that TSA has faced with its aviation security systems are a result of the agency not fully complying with DHS directives and DHS not insisting on TSA's compliance. The Department and its agencies must be accountable for their expenditures and that process starts by ensuring that the Department and its procuring agencies follow their own rules.

In a time when people are proposing even more extreme measures to address TSA's challenges, I see a very simple solution. Follow the protocols that have been established. We have come a long way and we still have a long way to go, but we now have an acquisition system in place that all DHS components should follow. With today's hearing, I look forward to understanding how and when TSA will reach this critical milestone.

With that, Mr. Chairman, I yield back.

Chairman ISSA. I thank the Ranking Member.

We now recognize the Chairman of the Committee on Transportation and Infrastructure, the senior member of the Oversight Committee, Mr. Mica, for his opening statement.

Mr. MICA. Thank you again, Chairman Issa, and also Mr. Cummings, for agreeing to co-chair and be part of this oversight hearing with the Transportation and Infrastructure Committee, in our efforts to make certain that the American public is safe and secure and we have in place the very best security and transportation security system possible.

The subject today is, "Is the TSA Effectively Procuring, Deploying and Storing Aviation Security Equipment and Technology?" To that, I have to say absolutely they are not doing that.

When we assumed the majority last year, we started looking at the history of the acquisition of equipment during the past four years and what was happening with important security equipment. I think each of my colleagues has alluded to the fact that aviation in this country is still at risk.

In the last 48 hours, we have seen that terrorists still are targeting aviation because they know it can destroy our economy. The question is, what is our primary agency that is responsible for getting the latest technology, and dealing with technology and spending taxpayer money on technology what are they doing?

First of all, Mr. Cummings talked about the puffers. I wanted to know where are the puffers? I went to Atlantic City and saw the puffers. They didn't work when I went through them. I had some trace on me, went through them multiple times and they said, it was just a software glitch and it would be resolved. Instead, they went forward buying puffers. They bought puffers, they deployed puffers at great expense. What happened to the puffers when they found they didn't work? They sat in warehouses.

We started our investigation last year and they were still sitting in warehouses for years at great expense to the taxpayers. When we started the investigation, they finally took the puffers, at a cost of $600 apiece, correct me if I am wrong, and had the Department of Defense destroy them. In the meantime, I want to know how much those puffers, sitting there idly in that warehouse, cost the taxpayers and how much that fiasco cost us.

Let us get current here. We had a whistleblower contact us at the end of last year and the beginning of this year who said there are incredible amounts of equipment sitting in a TSA warehouse outside of Dallas, Texas. We started looking into it and of course TSA gave us a hard time. Thanks to Mr. Issa, we combined forces. We have one staffer who is with OGR, thank you, and also with our Committee. We started investigating and sure enough something was rotten in Denmark and Dallas. Denmark is very close to Dallas in this case.

Here we get the whistleblower, we emailed at the beginning of February that we wanted to do a site visit to Texas and they put us off. They put us off for some time. I want this sequence of time line of the requests and delays on the site visit made a part of the record.

Chairman ISSA. That will be made a part of the entire record without objection.

Mr. MICA. In February, we asked to go down there. They put us off. Finally, they asked for a delay. Then we found out, our staff arrived there February 15, on the 13th through the 15th, TSA was moving, we got word, 1,300 pieces of equipment. As our staff is arriving, the equipment is going out the back door to make certain congressional investigators don't see what is there. What there was is equipment that had been sitting there for I think over a year, some of it very important to the security and safety of the people of the United States.

We have the equipment sitting there and we find out the equipment was bought for certain purposes, very good purposes. Some of that dealt with screening baggage and liquids. I won't get into all the details and was supposed to have certain performance standards. Then we find out the equipment is there and TSA can't deploy the equipment.

These are pictures of this equipment. Here the country is at risk, the United States is under threat and highly technical equipment that is purchased, they don't know how to operate it and they are storing it at great public expense. It is sitting in these warehouses, 5,700 pieces of equipment were sitting there.

I think this is outrageous. We are depending on this agency to protect us, not to be storing equipment, buying it, not meeting the specifications, not able to operate the equipment. We will hear some from our witnesses today in more detail about this outrage.

I thank you for holding this hearing. We need to get to the bottom of why TSA is dancing this Committee, our joint committees, around and not providing taxpayers with good return for their dollars and security for the traveling public.

I yield back.

Chairman ISSA. I thank the Chairman.

I understand the chairman of the subcommittee will be submitting his for the record.

Without objection, all members will have seven days to submit opening statements and related material for the record.

At this time, I would like to recognize our distinguished panel of witnesses. Mr. David R. Nicholson is Assistant Administrator for Finance and Administration and Chief Financial Officer at the Transportation Safety Administration. Mr. Charles K. Edwards, a very important returning witness, is Acting Inspector General at the Department of Homeland Security. Mr. Stephen M. Lord is Director of Homeland Security and Justice Issues at the U.S. Government Accountability Office, a part of this branch of government.

Pursuant to Committee rules, all witnesses must be sworn. Please rise to take the oath.

Do you solemnly swear or affirm that the testimony you are about to give will be the truth, the whole truth, and nothing but the truth?

[Witnesses respond in the affirmative.]

Chairman ISSA. Let the record indicate that all witnesses answered in the affirmative.

In order to have time for discussion and knowing that in about 20 or 25 minutes, we will have our first round of votes, I would ask that you try to summarize your statements to the five minutes. Your entire opening statements will be placed in the record.

With that, I recognize Mr. Nicholson for five minutes.

WITNESSES STATEMENTS

STATEMENT OF DAVID R. NICHOLSON

Mr. NICHOLSON. Good afternoon, Chairman Issa, Chairman Mica, Ranking Member Cummings and distinguished members of the committees. Thank you for the opportunity to testify today.

As intended in the Aviation Transportation Security Act, TSA remains vigilant in ensuring the security of people and commerce flowing through our transportation networks. The nature of our counter-terrorism work has driven changes. TSA employs risk-based, intelligence-driven operations to prevent terrorist attacks and to reduce the vulnerability of the Nation's transportation system to terrorism, and provide the most effective security in the most efficient manner.

We continue to revolve our security approach by examining procedures and technologies we use and how screening is conducted. To date, TSA conducts security operations at about 450 airports divided into six regions, 26 Federal air marshal field offices, we have a 7 by 24 national operations center and two vetting centers with credentialing enrollment centers throughout the country.

We have a systems integration facility and a logistics facility, a Federal air marshal training center and our headquarters is located in Arlington, Virginia. We have over 15,000 pieces of checkpoint and baggage screening equipment at our airports. Our 37 Viper teams provide a deployable capability ready to respond to intelligence and provide the capability for protecting or restoring transportation security.

In our international programs, we have 29 TSARs in 19 countries covering 100 international governments. We also have 920 canine teams and law enforcement agreements with 300 local law enforcement authorities.

To meet our transportation security responsibilities requires flexibility and involving our personnel capabilities, processes and employment of technology to screen about 1.7 million passengers and their property each day.

You have heard about our risk-based security initiatives like TSA PreCheck which has screened over 1 million passengers, and new procedures for screening children and people over 75.

To meet our security requirements, TSA must be able to rapidly deploy technology in response to changing threat information or have equipment ready to deploy when airport facilities are changed to accommodate the equipment. Approximately 85 percent of our screening equipment is being used in the field and 15 percent is in warehouse either for deployment, redeployment or scheduled for disposal.

After security equipment successfully clears a multifaceted testing regime, TSA fulfills several requirements prior to its use in an airport setting. These requirements include developing estimates of how much equipment is needed and building a schedule for deploying individual pieces of equipment at airports around the country.

Coupled with the manufacturing schedules and companies that produce our equipment, TSA typically procures equipment ahead of scheduled deployments so that it is immediately available when the airport is ready to receive it. Preparedness includes facilities preparation and a trained workforce at the appropriate staffing level.

To store transportation security equipment prior to deployment, redeployment or disposal, TSA leases three warehouses in Texas. Nearly 80 percent of the screening equipment procured by TSA has been stored in warehouses for less than a year. The reported gross value of our security equipment in the warehouse, as of March 31

is approximately $155 million or 5 percent of the value of all of our security equipment.

In the past two years, by working directly with warehouse owners and awarding warehouse operations contracts to a service-disabled veteran-owned small business, we have reduced our cost to $3.1 million annually or 2 percent of the value of the equipment just located in the warehouse.

In a report published in November 2009, the DHS Inspector General reviewed TSA's management of the Logistics Center. TSA worked closely with the IG to quickly implement the three recommendations made in the report. As a result, these recommendations have been closed. Since this report closed, TSA has continued to build on those recommendations to streamline our equipment deployment, storage and disposal. As a result of these efforts, TSA is planning to close one of the three warehouses within the next year.

Thank you for the opportunity to appear before you today and I am happy to answer any of your questions.

[Prepared statement of Mr. Nicholson follows:]

Statement of

David Nicholson

Assistant Administrator

Office of Finance and Administration

Transportation Security Administration

U.S. Department of Homeland Security

Before the

United States House of Representatives

Committee on Oversight and Government Reform

and

Committee on Transportation and Infrastructure

May 9, 2012

Good afternoon Chairman Issa, Chairman Mica, Ranking Member Cummings, Ranking Member Rahall, and distinguished Members of the Committees. Thank you for the opportunity to testify before you today about Transportation Security Administration (TSA) security equipment and technology.

As originally intended in the Aviation and Transportation Security Act (ATSA) (Pub.L. No. 107-71, 115 Stat. 597), enacted more than a decade ago, TSA remains vigilant in ensuring the security of people and commerce flowing through our Nation's vast transportation networks. TSA employs risk-based, intelligence-driven operations to prevent terrorist attacks and to reduce the vulnerability of the Nation's transportation system to terrorism. Our goal at all times is to maximize transportation security to stay ahead of evolving terrorist threats while protecting privacy and civil liberties and facilitating the flow of legitimate travel and commerce. TSA's measures create a multi-layered and unpredictable system of transportation security that substantially mitigates risk. Moreover, to remain ahead of those who seek to do us harm, we continue to evolve our security approach by examining the procedures and technologies we use, how specific security procedures are carried out, and how screening is conducted.

TSA occupies the front lines of the Nation's transportation security responsibilities. These responsibilities include security screening of passengers and baggage at 450 airports in the United States that facilitate air travel for 1.8 million people per day; vetting more than 14 million passengers and over 13 million transportation workers against the terrorist watch list each week; and conducting security regulation compliance inspections and enforcement activities at airports, for domestic and foreign air carriers, and for air cargo screening operations throughout the United States and at last point of departure locations internationally.

TSA is also committed to improving the effectiveness of security in the most cost-effective manner possible. Through advancements in technology and workforce efficiency, TSA has been able to accommodate the increased workload that has accompanied the current practice of many airlines to charge fees for all checked baggage; the restrictions on liquids, aerosols and gels that we implemented to counter a known terrorist threat; and the screening required for the significant increase in the number of laptops carried by passengers. By employing smarter security practices in developing and deploying our people, processes, and technologies, we are delivering more effective security in a more efficient manner. Additionally we will continue to make improvements to ensure the security of the traveling public and the Nation's transportation system.

Adopting a Risk-Based Security Strategy

TSA is developing processes for enhanced use of intelligence and other information to enable more risk-based security (RBS) in all facets of transportation, including passenger screening, air cargo, and surface transportation. The concept of RBS demonstrates a progression of the work TSA has been doing throughout its first decade of service to the American people. Risk is inherent in virtually everything we do; our objective is to mitigate risk to the greatest extent possible while at the same time balancing the need to protect interests in privacy, civil rights and civil liberties, cost containment, and the free flow of commerce. In the passenger screening context, RBS allows our dedicated Transportation Security Officers (TSOs) to focus more attention on those travelers we believe are more likely to pose a risk to our transportation network – including those on the Federal government's integrated terrorist watchlist – while providing expedited screening, and hopefully a better travel experience, to those we believe pose

less risk. TSA incorporates random and unpredictable security measures throughout the airport; as a result, no individual is guaranteed expedited screening so as to retain a certain element of randomness to prevent terrorists from gaming the system.

TSA is moving away from a one-size-fits-all security model to providing security tailored to the traveler or cargo. Two key enablers – technology and intelligence – are allowing TSA to adopt the RBS model.

TSA Pre✓™ Program

TSA Pre✓™ is perhaps our most widely known risk-based security enhancement. Since first piloting this idea last fall, the program has been expanded to 14 U.S. airports, making it possible for qualified passengers flying from these airports to experience expedited security screening at airport checkpoints. Over one million passengers have had the benefits of expedited screening, and the feedback we have received is consistently positive.

Under TSA Pre✓™, individuals who are members of the U.S. Customs and Border Protection (CBP) Trusted Traveler programs, or who volunteer information about themselves to certain airline frequent flyer programs prior to flying, are eligible for expedited screening at checkpoints. By changing procedures for those travelers we know more about, through information they voluntarily provide, and combining that information with our multi-layered system of aviation security, TSA can better focus our resources on higher-risk and unknown passengers. This new screening concept holds great potential to strengthen security while significantly enhancing passengers' travel experience.

TSA Pre✓™ has also been extended to active duty service members at Ronald Reagan Washington National Airport (DCA). Eligible service members include U.S. Armed Forces service members including reservist and National Guard members, who possess a valid Common Access Card (CAC) and are traveling out of DCA. TSA Pre✓™ passengers are pre-screened by TSA each time they fly through participating airports. If the indicator embedded in their boarding pass reflects eligibility for expedited screening for a particular flight, the passenger is able to use the TSA Pre✓™ lane. Currently, eligible participants include certain frequent flyers

from American Airlines, Delta Air Lines, and Alaska Airlines as well as U.S. Citizen members of CBP's Trusted Traveler programs who are flying domestically on participating airlines.

TSA is actively working with other major air carriers such as United Airlines, US Airways, Jet Blue, and Hawaiian Airlines, to expand both the number of participating airlines and the number of airports where expedited screening through TSA Pre✓™ is provided. In February 2012, Secretary Napolitano and TSA Administrator Pistole announced the goal to have TSA Pre✓™ rolled out and operating at 35 of the busiest domestic airports by the end of 2012.

TSA Pre✓™ travelers are able to divest fewer items, which may include leaving on their shoes, jacket, and light outerwear, and may enjoy other modifications to the standard screening process. As always, TSA will continue to incorporate random and unpredictable security measures throughout the security process. At no point are TSA Pre✓™ travelers guaranteed expedited screening.

An Active Acquisition and Deployment Program

To fulfill its security responsibilities for deploying and operating state-of-the-art security technology at over 450 airports across the Nation, TSA must be able to rapidly deploy technology to respond to changing threat information, or to have equipment ready to deploy when airport facilities are changed to accommodate the equipment. In addition, TSA must have the ability to stand up operations in locations affected by natural disasters and other crises. These factors and others require that the agency have a steady inventory of technology available to deploy to continue to strengthen aviation security.

After technology is tested, TSA must fulfill a number of requirements prior to deploying any machines in an airport setting. For example, TSA must estimate the amount of equipment it needs and the likely schedule for deploying that equipment at busy, crowded airports. These factors are coupled with the manufacturing schedules of the companies that produce this state-of-the-art equipment. These factors generally lead TSA to procure equipment ahead of deployment so that the equipment is immediately available when the airport is ready. To store transportation security equipment prior to deployment, TSA leases three warehouses in Texas. In the past two years, TSA has reduced the annual cost for its warehouse lease and operations by $4.1 million

dollars (from $7.6 million annually in 2009, to $3.5 million in 2011) by working directly with warehouse owners and awarding the warehouse operations contract to a Service-Disabled Veteran-Owned Small Business. TSA plans to further reduce its warehouse related expenses in the near future.

Nearly 80 percent of the screening equipment procured by TSA has been stored in warehouses for less than a year. By way of example, most of the explosive trace detection machines in our warehouse are scheduled to be deployed in the current fiscal year. The reported gross value of equipment at the warehouse as of February 29, 2012, is approximately $185 million. This figure includes technology that is already scheduled for deployment, but is being held until the assigned airport is ready.

Conclusion

As we review and evaluate the effectiveness of TSA's aviation security enhancements, we must always be cognizant of the fact that these enhancements are only as good as the people who operate staff and manage them. As we strive to continue strengthening transportation security and improving, whenever possible, the overall travel experience for all Americans, we must always remember that our success is defined in the final analysis by our people. Whether it is for business or for pleasure, the freedom to travel from place to place is fundamental to our way of life, and to do so securely is a goal to which everyone at TSA is fully committed. Thank you for the opportunity to appear before you today. I will be happy to address any questions you may have.

Chairman ISSA. Thank you.

Mr. Edwards.

STATEMENT OF CHARLES K. EDWARDS

Mr. EDWARDS. Good afternoon, Chairman Issa, Chairman Mica, Ranking Member Cummings, and distinguished members of the committees. Thank you for the opportunity to testify today on the Transportation Security Administration's procurement, deployment and storage of airport security-related equipment.

My testimony today will focus on our November 2009 audit report titled "Management of Transportation Security Administration's Logistics Center," which evaluated the efficiency and effectiveness of TSA's deployment, redeployment and disposal of transportation security-related equipment.

Our audit concluded that because TSA did not have formal guidance and procedures to ensure periodic review and proper classification of inventory, it was unable to efficiently deploy, redeploy and dispose of transportation security equipment through its Logistics Center. As a result, the agency had potentially lost equipment utility and did not have accurate accounting of its inventory.

We learned that the equipment was sent to a warehouse, assigned a condition code and never reviewed again to ensure its utility. TSA's systems did not include an accurate inventory of items available for use; did not allow TSA management to make informed deployment; redeployment and disposal decisions, and did not ensure TSA disposed of equipment that was no longer needed. We recommended TSA periodically review its inventory to make sure equipment is correctly classified.

We also found that TSA did not always deploy new equipment efficiently or resolve deployment delays. In some instances, new equipment was stored for years before TSA personnel designated an airport to receive it. For example, eight explosive detection systems units, worth about $7 million, were stored for two years.

At the time of our audit, airports had been identified to receive seven of the units. Additionally, 345 EDT units, worth about $10.6 million, had been stored for one to two years or longer. The equipment deployment had been delayed because until that time, TSA did not have written transition plans for the units.

We recommended that TSA develop, implement and monitor procedures for the efficient deployment, redeployment and disposal of all transportation security-related equipment through its Logistics Center.

Our audit also revealed TSA was not redeploying equipment effectively. TSA did not assess the condition of used equipment in a timely manner to determine whether to redeploy or dispose of units. For example, as of January 2009, used equipment, including conveyors worth about $4 million, had been stored at the Logistics Center for one to two years or longer.

Finally, TSA did not efficiently dispose of excess equipment because the agency did not have consistent guidance for disposal. Although TSA began developing a disposal plan in May 2005, the first actual disposal did not take place until late 2008. The delay was due to difficulty in establishing an agreement with a govern-

ment entity that could properly destroy sensitive national security equipment and review hazardous material disposal requirements.

The space required to store the growing inventory of new, used and excess equipment contributed to TSA's decision in fiscal year 2009 to lease an additional warehouse at a cost of $2 million. We recommended the agency develop a recurring process to redeploy or dispose of any excess equipment at the Logistics Center.

TSA concurred with all three of our audit recommendations and has taken corrective action in all three. We have closed the recommendations as implemented.

In conclusion, the Office of Inspector General remains committed to identifying issues and making recommendations to assist TSA in carrying out its mission effectively and efficiently.

Messrs. Chairmen, this concludes my prepared statement. Thank you for the opportunity to testify and I welcome any questions from you or the members of the Committee.

[Prepared statement of Mr. Edwards follows:]

Good morning Chairman Issa, Chairman Mica, Ranking Members Cummings and Rahall, and distinguished Members of the Committees:

I am Charles K. Edwards, Acting Inspector General of the Department of Homeland Security (DHS). Thank you for the opportunity to testify today on issues associated with the procurement, deployment, and storage of airport security-related equipment.

As you know, the DHS Office of Inspector General (OIG) was established in January 2003 by the *Homeland Security Act of 2002* by amendment to the *Inspector General Act of 1978.* The DHS OIG seeks to promote economy, efficiency, and effectiveness in DHS programs and operations and reports directly to both the DHS Secretary and the Congress. We fulfill our mission primarily by issuing audit, inspection, and investigative reports that include recommendations for corrective action, and by referring cases to the United States Attorney General for prosecution.

At today's hearing, I will focus on the November 2009 report of our audit titled, Management of the Transportation Security Administration's (TSA) Logistics Center, OIG-10-14. We performed this audit as a result of the property, plant, and equipment material weakness reported in TSA's FY 2008 financial statement audit. Our report centered on the efficacy of TSA's deployment, redeployment, and disposal of transportation security-related equipment through its Logistics Center, a staging area for this equipment and related components.

At the time of our audit, we concluded that, because it had not established standard guidance, TSA did not efficiently deploy, redeploy, or dispose of transportation security equipment through its Logistics Center. As a result, the agency had potentially lost the utility of stored equipment, and it did not have an accurate accounting of its inventory. Furthermore, in FY 2009, TSA had leased additional warehouse space at a cost of $2 million. However, by the time of our report, TSA had already taken steps to address these issues and implement our recommendations. All three recommendations included in our report are now closed.

Deployment of New Equipment

TSA did not always deploy new equipment efficiently or take action to resolve deployment delays. In some instances, new equipment was stored for years before TSA program office personnel designated an airport to receive it. For example, in early 2007, the Logistics Center received eight explosive detection systems units worth about $7 million, which remained in storage as of January 2009. TSA officials stated that airports had not been ready to receive the equipment but, by the time of our audit, personnel had identified airports ready to receive 7 of the 8 units. In January 2009, TSA also had 345 new explosive trace detection systems units, which cost about $10.6 million, in storage for at least 1 year; some had been stored for more than 2 years. Deployment of this equipment had been delayed because, until that time, TSA did not have written transition plans for the units. As a result, the equipment may have lost its utility as it aged in storage.

Redeployment of Used Equipment

TSA did not assess the condition of used equipment in a timely manner to determine whether to redeploy or dispose of units. For example, as of January 2009, 291 used transportation security equipment units had been stored at the Logistics Center for more than 1 year; 142 used explosive detection systems conveyor units worth about $4.1 million had been stored longer than 2 years. The Logistics Center also stored equipment components for explosive detection systems units that may not have been needed, and the contractor's inventory system incorrectly classified some unusable equipment as available for redeployment. Further, TSA disposed of more than 250 used equipment units that were classified for redeployment.

These storage and redeployment issues resulted from TSA not having formal guidance and procedures to ensure periodic review and proper classification of inventory. Instead, inventory was sent to a warehouse, assigned a condition code, and never reviewed again to ensure the equipment was still useful. Thus, TSA's property and financial systems did not contain an accurate inventory of items available for use; did not allow TSA management to make informed deployment, redeployment, and disposal decisions; and did not ensure TSA disposed of equipment components that were no longer needed.

Equipment Disposal

TSA did not efficiently dispose of excess transportation security-related equipment stored at the Logistics Center because the agency did not have consistent guidance for equipment disposal. In May 2005, TSA personnel began developing a disposal plan, but the first disposal did not take place until November and December 2008. The delay was due to difficulty establishing an agreement with a government organization capable of properly destroying sensitive national security equipment and completing a review of hazardous material disposal requirements. In November and December 2008, Logistics Center personnel disposed of about 3,000 equipment units, of which more than 1,300 had been stored for more than 2 years. As of January 2009, 697 units were awaiting disposal, 169 of which had been in storage there for more than 1 year. At the time, TSA officials stated that disposals would continue through FY 2009 and that the goal was a continuous disposal process. The space occupied by new, used, and excess equipment contributed to TSA's FY 2009 decision to lease an additional warehouse at a cost of $2 million.

OIG Recommendations and Steps Taken by TSA

TSA concurred with all three of our recommendations. First, we recommended that TSA develop, implement, and monitor procedures for the efficient deployment, redeployment, and disposal of all transportation security-related equipment through the Logistics Center. Second, we recommended TSA periodically review its inventory to make sure it correctly classified its equipment. Finally, we recommended the agency develop a recurring process to redeploy or dispose of any excess equipment at the Logistics Center.

In January 2009, TSA chartered an Integrated Property Management Team to establish guidance for warehouse equipment management and risk mitigation strategies and, in March 2009, the team completed a Warehouse Management Gap Analysis. In July 2009, TSA issued a

Warehouse Management Procedures and Oversight Manual; in August 2009, it issued a *Property Disposition Process and Procedures Document* and a *Security Equipment Management Manual*. We agreed that the *Warehouse Management Procedures and Oversight Manual* and *Property Disposition Process and Procedures Document* met the intent of our first recommendation, which we closed. In regard to our second recommendation, TSA reported that its *Property Disposition Process and Procedures Document* required a quarterly review of warehouse inventory to ensure property condition codes are accurately classified and to validate and confirm quantities of deployed equipment and schedules. We agreed to consider closing the second recommendation once TSA provided a quarterly review. In March 2010, TSA provided the results of its quarterly review, and we closed this recommendation. Finally, the *Warehouse Management Procedures and Oversight Manual* and *Property Disposition Process and Procedures Document* included a recurring process to redeploy or dispose of any excess equipment at the Logistics Center. Thus, we also closed the third recommendation.

In September 2009, TSA also trained personnel on new procedures. In addition, TSA officials drafted an equipment transition plan outlining the roles, responsibilities, and processes for redeploying and decommissioning existing explosive trace detection systems and ready x-ray units.

In closing, I would like to reiterate that TSA has taken steps to resolve issues related to the storage, deployment, redeployment, and disposal of airport security-related equipment and has implemented our recommendations to improve its processes. The Office of Inspector General remains committed to identifying issues, and making recommendations to assist TSA in carrying out its mission effectively and efficiently.

Mr. Chairmen, this concludes my prepared statement. Thank you for the opportunity to testify, and I welcome any questions from you or Members of the Committee.

Chairman ISSA. Thank you, Mr. Edwards.
Mr. Lord.

STATEMENT OF STEPHEN M. LORD

Mr. LORD. Good afternoon, Chairman Issa, Chairman Mica, Representative Cummings, and other distinguished members of the committees. I am pleased to be here today to discuss DHS and TSA's broader efforts to develop and field new screening technologies.

This is an important issue as these technologies represent billions of dollars in life cycle costs and are an integral part of TSA's layered approach to aviation security. Today, I would like to highlight some of the key insights gleaned from our prior work. I summarize those as three.

First is the importance of defining clear program requirements. Secondly is overseeing and testing new technologies. Thirdly is developing reliable and accurate acquisition program baselines to help gauge progress as an acquisition unfolds.

Regarding requirements, our past work has highlighted the importance of setting clear requirements at the program's start. Otherwise, you run the risk of having poor program outcomes further down the path or increased costs. For example, in June 2010, we reported that over half of the 15 DHS programs reviewed initiated acquisition activities without required approval of key requirements or planning documents. Obviously, this issue is broader than TSA alone.

We also found that TSA has faced challenges related to the requirements setting process. For example, we found that TSA did not fully follow acquisition policies when acquiring advanced imaging technology or body scanners which resulted in DHS approving the scanners for deployment without full knowledge of their capabilities.

We also reported that TSA revised requirements for its check baggage screening systems in 2005 and again in 2010 without a clear plan that will ensure the machines were capable of meeting the requirements. TSA did agree with our recommendations to address these issues and has begun taking action to address them.

Regarding my second point, the importance of testing, our prior work has identified several challenges related to testing which can lead to problems down the road in the acquisition process. For example, in January, we reported that TSA began deploying AIT machines before it received formal approval for how it would test the machines.

Specifically, DHS approved AIT deployment in September 2009 but did not approve the very important Testing and Evaluation Master Plan, or TEMP, until January 2010, after the decision had already been made to deploy the machine.

We also identified some testing issues in our report on TSA's baggage screening system. We found that TSA was trying to collect explosive data at the same time it was procuring new machines, not to say it couldn't be done but it was a high risk strategy which led to some delays in the acquisition process. Thus, we recommended that TSA collect the needed data first before starting the procurement process for new machines.

Our prior work has also highlighted the importance of establishing reliable program baselines, schedules and cost estimates. For example, as was alluded to earlier, we found that TSA's Electronic Baggage Screening Program has not had a departmental approved acquisition program baseline since the inception of the program more than eight years ago. This is for one of DHS' largest acquisition programs.

TSA reports that it hopes to submit an approved version in time for the next ARB meeting in July 2012. Just for the record, they have made two prior attempts, so it is not that they are not trying but the baseline submitted didn't meet departmental level requirements.

In response to our AIT report, TSA also agreed to develop an AIT roadmap or schedule to help decision makers gauge TSA's progress in meeting new performance requirements. We think that is an important part of the process as well.

In response to these and other challenges we have identified, not only at TSA but other components, DHS has taken some additional steps to strengthen the Department's acquisition processes. For example, they have established a new Office of Program Accountability and Risk Management, PARM. This office will reportedly work with DHS leadership to assess the health of major acquisitions and investments and provide new tools to increase the information flows between the Department and the various components.

In closing, our past work has highlighted the importance of adhering to DHS acquisition processes to achieve better outcomes, transparency and accountability. Doing so will help ensure taxpayer funds are used wisely.

Mr. Chairman, this concludes my statement. I look forward to your questions.

[Prepared statement of Mr. Lord follows:]

United States Government Accountability Office

GAO

Testimony

Before the Committee on Oversight and
Government Reform and Committee on
Transportation and Infrastructure, House
of Representatives

HOMELAND SECURITY

DHS and TSA Face Challenges Overseeing Acquisition of Screening Technologies

Statement of Steve Lord, Director
Homeland Security and Justice Issues

G A O
Accountability * Integrity * Reliability

GAO-12-644T

HOMELAND SECURITY

DHS and TSA Face Challenges Overseeing Acquisition of Screening Technologies

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Accountability * Integrity * Reliability

Highlights

Why GAO Did This Study

Within DHS, TSA is responsible for developing and acquiring new technologies to address transportation-related homeland security needs. TSA's acquisition programs represent billions of dollars in life-cycle costs and support a wide range of aviation security missions and investments, including technologies used to screen passengers and checked baggage such as AIT and EDS, among others. GAO's testimony addresses three key DHS and TSA challenges identified in past work: (1) developing and meeting technology program requirements, (2) overseeing and conducting testing of new screening technologies, and (3) identifying acquisition program baselines (or starting points), program schedules, and costs. This statement will also discuss recent DHS and TSA efforts to strengthen TSA's investment and acquisition processes. This statement is based on reports and testimonies GAO issued from October 2009 through April 2012 related to TSA's efforts to manage, test, and deploy various technology programs.

What GAO Recommends

GAO is not making any new recommendations. In prior work, GAO made recommendations to address challenges related to deploying AIT, EDS, and other screening technology to meet requirements; overseeing and conducting testing of AIT and EDS technologies; and incorporating information on costs and schedules, among other things, in making technology acquisition decisions. DHS and TSA concurred and have actions underway to address these recommendations.

What GAO Found

GAO's past work has found that the Department of Homeland Security (DHS) and the Transportation Security Administration (TSA) have faced challenges in developing and meeting program requirements when acquiring screening technologies. GAO's past work has demonstrated that program performance cannot be accurately assessed without valid baseline requirements established at the program start. In June 2010, GAO reported that more than half of the 15 DHS programs GAO reviewed awarded contracts to initiate acquisition activities without component or department approval of documents essential to planning acquisitions, setting operational requirements, or establishing acquisition program baselines. At the program level, in January 2012, GAO reported that TSA did not fully follow DHS acquisition policies when acquiring advanced imaging technology (AIT)—commonly referred to as a full body scanner that identifies objects or anomalies on the outside of the body—which resulted in DHS approving full AIT deployment without full knowledge of TSA's revised specifications. In July 2011, GAO reported that in 2010 TSA revised its explosive detection systems (EDS) requirements to better address current threats and planned to implement these requirements in a phased approach; however, GAO reported that some number of the EDSs in TSA's fleet were configured to detect explosives at the levels established in 2005 while the remaining ones were configured to detect explosives at 1998 levels and TSA did not have a plan with time frames needed to deploy EDSs to meet the current requirements.

GAO also reported DHS and TSA challenges in overseeing and testing new technologies. For example, in January 2012, GAO reported that TSA began deploying AIT before it received approval for how it would test AIT. Contrary to DHS's acquisition guidance, TSA approved AIT for deployment prior to DHS's approval of the AIT testing and evaluation plan. In July 2011, GAO also reported that TSA experienced challenges collecting data on the properties of certain explosives needed by vendors to develop EDS detection software and needed by TSA before testing EDS prior to procurement and deployment to airports. TSA and the DHS Science and Technology Directorate experienced these challenges because of problems safely handling and consistently formulating some explosives. The challenges related to data collection for certain explosives resulted in problems carrying out the EDS procurement as planned.

DHS and TSA have experienced challenges identifying acquisition program baselines, program schedules, and costs. GAO's prior work has found that realistic acquisition program baselines with stable requirements for cost, schedule, and performance are among the factors that are important to successful acquisitions delivering capabilities within cost and schedule. GAO also found that program performance metrics for cost and schedule can provide useful indicators of the health of acquisition programs. In April 2012 GAO reported that TSA's methods for developing life-cycle cost estimates for the Electronic Baggage Screening Program did not fully adhere to best practices for developing these estimates.

DHS has efforts underway to strengthen oversight of technology acquisitions. In part due to the problems GAO highlighted in DHS's acquisition process, the implementation and transformation of DHS remains on GAO's high-risk list.

_____ United States Government Accountability Office

Chairmen Issa and Mica, Ranking Members Cummings and Rahall, and Members of the Committees:

I am pleased to be here today to discuss our past work examining the Transportation Security Administration's (TSA) progress and challenges in developing and acquiring new technologies to address homeland security needs. TSA acquisition programs represent billions of dollars in life-cycle costs and support a wide range of aviation security missions and investments, including technologies used to screen passengers, checked baggage, and air cargo, among others. Within the Department of Homeland Security (DHS), the Science and Technology Directorate (S&T) has responsibility for coordinating and conducting basic and applied research, development, demonstration, testing, and evaluation activities relevant to DHS components, which also have responsibilities for developing, testing, acquiring, and deploying such technologies. For example, TSA is responsible for securing the nation's transportation systems and, with S&T, researching, developing, and deploying technologies to, for example, screen airline passengers and their property.

In recent years, we have reported that DHS has experienced challenges in managing its multibillion-dollar acquisition efforts, including implementing technologies that did not meet intended requirements and were not appropriately tested and evaluated, and has not consistently included completed analyses of costs and benefits before technologies were implemented.

My testimony today focuses on the key findings of our prior work related to TSA's efforts to acquire and deploy new technologies to address homeland security needs. Our past work has identified three key challenges: (1) developing and meeting technology program requirements, (2) overseeing and conducting testing of new screening technologies, and (3) identifying acquisition program baselines—or starting points, program schedules, and costs. This statement will also discuss recent DHS and TSA efforts to strengthen its investment and acquisition processes.

This statement is based on reports and testimonies we issued from October 2009 through May 2012 related to TSA's efforts to manage, test,

acquire, and deploy various technology programs.[1] In addition, we obtained updated information in May 2012 from TSA on the number of currently deployed AIT units and from DHS officials on the status of the current EDS acquisition. For our past work, we reviewed program schedules, planning documents, testing reports, and other acquisition documentation. For some of the programs we discuss in this testimony, we conducted site visits to a range of facilities, such as national laboratories, airports, and other locations to observe research, development, and testing efforts. We also conducted interviews with DHS component program managers and S&T officials to discuss issues related to individual programs. More detailed information on the scope and methodology from our previous work can be found within each specific report. We conducted this work in accordance with generally accepted government auditing standards.

Background

Since the department's creation in 2003, we have designated the implementation and transformation of DHS as high risk because DHS had to combine 22 agencies—several with major management challenges—into one department, and failure to effectively address DHS's management and mission risks could have serious consequences for U.S. national and economic security.[2] This high-risk area includes (1) challenges in strengthening DHS's management functions—financial management, human capital, information technology (IT), and acquisition management—(2) the effect of those challenges on DHS's mission implementation, and (3) challenges in integrating management functions within and across the department and its components. On the basis of our prior work, in September 2010 we identified and provided to DHS 31 actions and outcomes that are critical to addressing the challenges within the department's management areas and in integrating those functions across the department. These key actions and outcomes include, among others, validating required acquisition documents in accordance with a department-approved, knowledge-based acquisition process.

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[1] See the related products list at the end of this statement

[2] See GAO, *Highlights of a GAO Forum: Mergers and Transformations: Lessons Learned for a Department of Homeland Security and Other Federal Agencies*, GAO-03-293SP (Washington, D C. Nov. 14, 2002) and *Results-Oriented Cultures: Implementation Steps to Assist Mergers and Organizational Transformations*, GAO-03-669 (Washington, D.C.: July 2, 2003).

The Aviation and Transportation Security Act (ATSA) established TSA as the federal agency with primary responsibility for securing the nation's civil aviation system, which includes the screening of all passengers and property transported from and within the United States by commercial passenger aircraft.[3] In accordance with ATSA, all passengers, their accessible property, and their checked baggage are screened pursuant to TSA-established procedures at more than 450 airports presently regulated for security by TSA. These procedures generally provide, among other things, that passengers pass through security checkpoints where they and their identification documents, and accessible property, are checked by transportation security officers (TSO), other TSA employees, or by private-sector screeners under TSA's Screening Partnership Program.[4]

TSA relies upon multiple layers of security to deter, detect, and disrupt persons posing a potential risk to aviation security. These layers include TSOs responsible for screening passengers and their carry-on baggage at passenger checkpoints, using technologies that include x-ray equipment, magnetometers, and Advanced Imaging Technology (AIT), among others. In response to the December 2009 attempted terrorist attack, TSA revised its procurement and deployment strategy for AIT, commonly referred to as full-body scanners, increasing the number of AIT units it planned to procure and deploy. TSA stated that AIT provides enhanced security benefits compared with walk-through metal detectors, such as enhanced detection capabilities for identifying nonmetallic threat objects and liquids. AIT produces an image of a passenger's body that a screener interprets. The image identifies objects, or anomalies, on the outside of the physical body but does not reveal items beneath the surface of the skin, such as implants. As of May 2012, TSA has deployed more than 670 AIT units to approximately 170 airports and reported that it plans to deploy a total of about 1,250 AIT units. In January 2012, we issued a classified report on TSA's procurement and deployment of AIT that addressed the extent to which (1) TSA followed DHS acquisition

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[3] See Pub. L. No. 107-71, 115 Stat. 597 (2001). For purposes of this testimony, "commercial passenger aircraft" refers to a U.S. or foreign-based air carrier operating under TSA-approved security programs with regularly scheduled passenger operations to or from a U.S. airport.

[4] Private-sector screeners under contract to and overseen by TSA, and not TSOs, perform screening activities at the 16 airports currently participating in TSA's Screening Partnership Program. See 49 U.S.C. § 44920

guidance when procuring AIT and (2) deployed AIT units are effective at detecting threats. Another layer of security is checked-baggage screening, which uses technology referred to as explosive detection systems (EDS) and explosives trace detection (ETD).[5]

DHS and TSA Have Experienced Challenges in Developing and Meeting Key Performance Requirements for Various Screening Technologies

Our past work has found that technology program performance cannot be accurately assessed without valid baseline requirements established at the program start. Without the development, review, and approval of key acquisition documents, such as the mission need statement and operational requirements document, agencies are at risk of having poorly defined requirements that can negatively affect program performance and contribute to increased costs.[6] For example, in June 2010, we reported that more than half of 15 DHS programs we reviewed awarded contracts to initiate acquisition activities without component or department approval of documents essential to planning acquisitions, setting operational requirements, or establishing acquisition program baselines.[7] We currently have ongoing work related to this area and we plan to report the results later this year. We made a number of recommendations to help address issues related to these procurements as discussed below. DHS has generally agreed with these recommendations and, to varying degrees, has taken actions to address them.

In addition, our past work has found that TSA faces challenges in identifying and meeting program requirements in some of its aviation security programs. For example:

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[5] AIT screens passengers for metallic and nonmetallic threats including weapons, explosives, and other objects concealed under layers of clothing. TSA primarily uses two types of technology in the screening of checked baggage: (1) explosive detection systems (EDS) which use X-rays with computer-aided imaging to automatically recognize the characteristic signatures of threat explosives, and (2) explosives trace detection (ETD) machines, in which a human operator (baggage screener) uses chemical analysis to manually detect traces of explosive materials' vapors and residue

[6] The mission need statement outlines the specific functional capabilities required to accomplish DHS's mission and objectives, along with deficiencies and gaps in these capabilities. The operational requirements document includes key performance parameters and describes the mission, capabilities, and objectives to provide needed capabilities

[7] GAO, *Department of Homeland Security. Assessments of Selected Complex Acquisitions*, GAO-10-588SP (Washington, D.C.: June 30, 2010). Three of 15 were TSA programs.

- We reported in January 2012 that TSA did not fully follow DHS acquisition policies when acquiring AIT, which resulted in DHS approving full AIT deployment without full knowledge of TSA's revised specifications.[8] Specifically, DHS's Acquisition Directive 102 required TSA to notify DHS's Acquisition Review Board (ARB) if AIT could not meet any of TSA's five key performance parameters (KPP) or if TSA changed a KPP during qualification testing.[9] Senior TSA officials acknowledged that TSA did not comply with the directive's requirements, but stated that TSA still reached a "good decision" in procuring AIT and that the ARB was fully informed of the program's changes to its KPPs. Further, TSA officials stated that the program was not bound by the directive because it was a new acquisition process and they believed that the ARB was not fully functioning at the time.[10] DHS officials stated that the ARB discussed the changed KPP but did not see the documents related to the change and determined that TSA must update the program's key acquisition document, the Acquisition Program Baseline, before TSA could deploy AIT units. However, we reported that, according to a February 2010 acquisition decision memorandum from DHS, the ARB approved TSA for full-scale production without reviewing the changed KPP. DHS officials stated that the ARB should have formally reviewed changes made to the KPP to ensure that TSA did not change it arbitrarily. According to TSA, it should have submitted its revised requirements for approval, but it did not because there was confusion as to whether DHS should be informed of all changes. We had previously reported that programs procuring new technologies with

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[8] In January 2012, we issued a classified report on TSA's procurement and deployment of AIT, commonly referred to as full body scanners, at airport checkpoints.

[9] The ARB is the cross-component board within DHS that determines whether a proposed acquisition has met the requirements of key phases in the acquisition life cycle framework and is able to proceed to the next phase and eventual full production and deployment. Key performance parameters (KPP) are system characteristics that are considered critical or essential. Failure to meet a KPP could be the basis to reject a system solution.

[10] DHS's Undersecretary for Management issued a memorandum on November 7, 2008, requiring compliance with the directive at the program's next formal decision point, but no later than 6 months from the date of the directive (by May 2009). DHS acquisition officials stated that enforcing compliance with the new policy took almost 1 year, but that it worked with TSA to make the directive's requirements known. However, DHS's previous Directive—Management Directive 1400—also required component agencies to follow a similar process whereby programs were reviewed by DHS's Investment Review Board. As such, the Investment Review Board began reviewing TSA's AIT program (at that time called the Whole Body Imager) as early as 2008.

fluctuating requirements will have a difficult time ensuring that the acquisition is meeting program needs.[11] DHS acquisition oversight officials agreed that changing key requirements is not a best practice for system acquisitions already under way. As a result, we found that TSA procured and deployed a technology that met evolving requirements, but not the initial requirements included in its key acquisition requirements document that the agency initially determined were necessary to enhance the aviation system. We recommended that TSA should develop a roadmap that outlines vendors' progress in meeting all KPPs. DHS agreed with our recommendation.

- In July 2011, we reported that TSA revised its EDS requirements to better address current threats, and plans to implement these requirements in a phased approach.[12] However, we reported that some number of EDS machines in TSA's checked baggage screening fleet are configured to detect explosives at the levels established in the 2005 requirements. The remaining EDS machines are configured to detect explosives at 1998 levels. When TSA established the 2005 requirements, it did not have a plan with the appropriate time frames needed to deploy EDSs to meet the requirements. To help ensure that TSA's checked baggage screening machines are operating most effectively, we recommended that TSA develop a plan to deploy EDSs to meet the most recent explosive-detection requirements and ensure that the new machines, as well as machines deployed in airports, are operated at the levels in established requirements.[13] DHS concurred with our recommendation and has begun taking action to address it; for example, DHS reported that TSA has developed a plan to evaluate its current fleet of EDSs to determine the extent to which they comply with these requirements. However, our recommendation is intended to ensure that TSA operate all EDSs at airports at the most recent requirements. Until TSA develops a plan identifying how it will

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[11] GAO, *Defense Acquisitions: Managing Risk to Achieve Better Outcomes*, GAO-10-374T (Washington, D.C. Jan. 20, 2010).

[12] GAO, *Aviation Security: TSA Has Enhanced Its Explosives Detection Requirements for Checked Baggage, but Additional Screening Actions Are Needed*, GAO-11-740 (Washington, D C July 11, 2011)

[13] Ibid. An EDS machine uses computed tomography technology to automatically measure the physical characteristics of objects in baggage. The system automatically triggers an alarm when objects that exhibit the physical characteristics of explosives are detected

approach the upgrades for currently deployed EDSs—and the plan includes such items as estimated costs and the number of machines that can be upgraded—it will be difficult for TSA to provide reasonable assurance that its upgrade approach is feasible or cost effective.

DHS and TSA Have Encountered Challenges in Overseeing and Testing New Screening Technologies

Our prior work has also shown that not resolving problems discovered during testing can sometimes lead to costly redesign and rework at a later date. Addressing such problems before moving to the acquisition phase can help agencies better manage costs. Specifically:

- In January 2012, we reported that TSA began deploying AIT before it received approval for how it would test AIT. For example, DHS's Acquisition Directive 102 required DHS to approve testing and evaluation master plans—the documents that ensure that programs are tested appropriately—prior to testing. However, we found that DHS did not approve TSA's testing and evaluation master plan until January 2010, after TSA had completed qualification and operational tests and DHS had already approved TSA for full AIT deployment. According to DHS, the DHS Director of Operational Testing and Evaluation assessed the testing of AIT prior to the September 2009 ARB meeting and recommended approving the decision to procure AIT at that meeting, even though the ARB did not approve its testing plans. Additionally, we reported that DHS approved TSA's AIT deployment in September 2009, on the basis of laboratory-based qualification testing results and initial field-based operational testing results that were not completed until later that year. According to DHS officials, the department initially had challenges providing effective oversight to projects already engaged in procurement when the directive was issued. For example, they noted that TSA had begun conducting qualification testing in 2009, but DHS's first AIT oversight meeting under the new directive was not until later that year. As a result, we reported that TSA procured AIT without DHS's full oversight and approval or knowledge of how TSA would test and evaluate AIT.

- In July 2011, we reported that TSA revised the explosive detection requirements for EDS checked baggage screening machines in 2005 though it did not begin operating EDS systems to meet these 2005 requirements until 2009. We also reported that TSA made additional revisions to the EDS requirements in January 2010 but experienced challenges in collecting explosives data on the physical and chemical properties of certain explosives needed by vendors to develop EDS

detection software to meet the 2010 requirements.[14] These data are also needed by TSA for testing the machines to determine whether they meet established requirements prior to their procurement and deployment to airports. TSA and S&T have experienced these challenges because of problems associated with safely handling and consistently formulating some explosives, which have also resulted in problems carrying out the EDS procurement as planned. Further, TSA deployed a number of EDSs that had the software necessary to meet the 2005 requirements, but because testing to compare false-alarm rates had not been completed, the software was not activated, subsequently; these EDSs were detecting explosives at levels established in 1998. According to TSA officials, once completed, the results of this testing to compare false alarm rates would allow them to determine if additional staff are needed at airports to help resolve false alarms once the EDSs are configured to operate at a certain level of requirements. TSA officials told us that they planned to perform this testing as a part of the ongoing EDS acquisition. We recommended that TSA develop a plan to ensure that TSA has the explosives data needed for each of the planned phases of the 2010 EDS requirements before starting the procurement process for new EDSs or upgrades included in each applicable phase. DHS stated that TSA modified its strategy for the EDS's competitive procurement in July 2010 in response to the challenges in working with the explosives for data collection by removing the data collection from the procurement process. TSA's plan to separate the data collection from the procurement process is a positive step, but to fully address our recommendation, a plan is needed to establish a process for ensuring that data are available before starting the procurement process for new EDSs or upgrades for each applicable phase.

- In June 2011 we reported that S&T's Test & Evaluation and Standards Office, responsible for overseeing test and evaluation of DHS's major acquisition programs, reviewed or approved test and evaluation documents and plans for programs undergoing testing, and conducted independent assessments for the programs that completed operational testing.[15] DHS senior-level officials considered the office's assessments and input in deciding whether programs were ready to

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[14] GAO-11-740.

[15] GAO, *DHS Science and Technology. Additional Steps Needed to Ensure Test and Evaluation Requirements Are Met*, GAO-11-596 (Washington, D C June 15, 2011)

proceed to the next acquisition phase. However, the office did not consistently document its review and approval of components' test agents—a government entity or independent contractor carrying out independent operational testing for a major acquisition. We recommended, among other things, that S&T develop mechanisms to document its review of component acquisition documentation. DHS concurred and reported actions underway to address them.

- In October 2009, we reported that TSA deployed explosives trace portals, a technology for detecting traces of explosives on passengers at airport checkpoints, in January 2006 even though TSA officials were aware that tests conducted during 2004 and 2005 on earlier models of the portals suggested the portals did not demonstrate reliable performance in an airport environment.[16] In June 2006, TSA halted deployment of the explosives trace portals because of performance problems and high installation costs. In our 2009 report, we recommended that, to the extent feasible, TSA ensure that tests are completed before deploying new checkpoint screening technologies to airports. DHS concurred with the recommendation and has taken action to address it, such as requiring more-recent technologies to complete both laboratory and operational tests prior to deployment.

DHS and TSA Have Experienced Challenges Identifying Acquisition Program Baselines, Program Schedules, and Costs

We have found that realistic acquisition program baselines with stable requirements for cost, schedule, and performance are among the factors that are important to successful acquisitions delivering capabilities within cost and schedule.[17] Our prior work has found that program performance metrics for cost and schedule can provide useful indicators of the health of acquisition programs and, when assessed regularly for changes and the reasons that cause changes, such indicators can be valuable tools for improving insight and oversight of individual programs as well as the total portfolio of major acquisitions.[18] Importantly, program performance cannot be accurately assessed without valid baseline requirements established

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[16] GAO, *Aviation Security: DHS and TSA Have Researched, Developed, and Begun Deploying Passenger Checkpoint Screening Technologies, but Continue to Face Challenges,* GAO-10-128 (Washington, D.C.: October 7, 2009).

[17] GAO-10-588SP.

[18] *Defense Acquisitions Measuring the Value of DOD's Weapon Programs Requires Starting with Realistic Baselines,* GAO-09-543T (Washington, D C · April 1, 2009)

at the program start, particularly those that establish the minimum acceptable threshold required to satisfy user needs.[19] According to DHS's acquisition guidance, the program baseline is the contract between the program and departmental oversight officials and must be established at program start to document the program's expected cost, deployment schedule, and technical performance. Establishing such a baseline at program start is important for defining the program's scope, assessing whether all life-cycle costs are properly calculated, and measuring how well the program is meeting its goals. By tracking and measuring actual program performance against this baseline, management can be alerted to potential problems, such as cost growth or changing requirements, and has the ability to take early corrective action.

- We reported in Aril 2012 that TSA has not had a DHS-approved acquisition program baseline since the inception of the EBSP program more than 8 years ago. Further, DHS did not require TSA to complete an acquisition program baseline until November 2008. According to TSA officials, they have twice submitted an acquisition program baseline to DHS for approval—first in November 2009 and again February 2011. An approved baseline will provide DHS with additional assurances that TSA's approach is appropriate and that the capabilities being pursued are worth the expected costs. In November 2011, because TSA did not have a fully developed life-cycle cost estimate as part of its acquisition program baseline, DHS instructed TSA to revise the life cycle cost estimates as well as its procurement and deployment schedules to reflect budget constraints. DHS officials told us that they could not approve the acquisition program baseline as written because TSA's estimates were significantly over budget. TSA officials stated that TSA is currently working with DHS to amend the draft program baseline and plans to resubmit the revised acquisition program baseline before the next Acquisition Review Board meeting, which is currently planned for July 2012. Establishing and approving a program baseline, as DHS and TSA currently plan to do for the EBSP, could help DHS assess the program's progress in meeting its goals and achieve better program outcomes.

In our 2010 report of selected DHS acquisitions, 12 of 15 selected DHS programs we reviewed exhibited schedule delays and cost growth beyond initial estimates. We noted that DHS acquisition oversight officials have

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[19] GAO-10-588SP.

raised concerns about the accuracy of cost estimates for most major programs, making it difficult to assess the significance of the cost growth we identified. Leading practices state that the success of a large-scale system acquisition, such as the TSA's EDS acquisition, depends in part on having a reliable schedule that identifies: (1) when the program's set of work activities and milestone events will occur, (2) how long they will take, and (3) how they are related to one another.[20] Leading practices also call for the schedule to expressly identify and define the relationships and dependencies among work elements and the constraints affecting the start and completion of work elements. Additionally, best practices indicate that a well-defined schedule also helps to identify the amount of human capital and fiscal resources that are needed to execute an acquisition.

- We reported in January 2012 that TSA did not have plans to require vendors to meet milestones used during the AIT acquisition. We recommended that TSA should develop a roadmap that outlines vendors' progress in meeting all KPPs because it is important that TSA convey vendors' progress in meeting those requirements and full costs of the technology to decision makers when making deployment and funding decisions. TSA reported that it hoped vendors would be able to gradually improve meeting KPPs for AIT over time. We reported that TSA would have more assurance that limited taxpayer resources are used effectively by developing a roadmap that specifies development milestones for the technology and having DHS acquisition officials approve this roadmap. DHS agreed with our recommendation.

- In July 2011, we reported that TSA had established a schedule for the acquisition of EDS machines but it did not fully comply with leading practices, and TSA had not developed a plan to upgrade its EDS fleet to meet the current explosives detection requirements. These leading practices state that the success of a large-scale system acquisition, such as TSA's EDS acquisition, depends in part on having a reliable schedule that identifies when the program's set of work activities and milestone events will occur, amongst other things. For example, the schedule for the EDS acquisition is not reliable because it does not reflect all planned program activities and does not include a timeline to deploy EDSs or plans to procure EDSs to meet subsequent phases

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[20] GAO-11-740.

of explosive detection requirements. We stated that developing a reliable schedule would help TSA better monitor and oversee the progress of the EDS acquisition. DHS concurred with our recommendation to develop and maintain a schedule for the entire EBSP in accordance with the leading practices identified by GAO for preparing a schedule. DHS commented that TSA had already begun working with key stakeholders to develop and define requirements for a schedule and to ensure that the schedule aligns with the best practices outlined by GAO.

- In April 2012, we reported that TSA's methods for developing life cycle cost estimates for the EBSP did not fully adhere to best practices for developing these estimates. As highlighted in our past work, a high-quality, reliable cost estimation process provides a sound basis for making accurate and well-informed decisions about resource investments, budgets, assessments of progress, and accountability for results and thus is critical to the success of a program. We reported that TSA's estimates partially met three characteristics and minimally met one characteristic of a reliable cost estimate.[21] DHS concurred with our recommendation that TSA ensure that its life cycle cost estimates conform to cost estimating best practices, and identified efforts underway to address it. DHS also acknowledged the importance of producing life cycle cost estimates that are comprehensive, well documented, accurate, and credible so that they can be used to support DHS funding and budget decisions.

DHS Has Efforts Underway to Strengthen Oversight of Technology Acquisitions

In part due to the problems we have highlighted in DHS's acquisition process, the implementation and transformation of DHS remains on our high-risk list. DHS currently has several plans and efforts underway to address the high-risk designation as well as the more specific challenges related to acquisition and program implementation that we have previously identified. For example, DHS initially described an initiative in the January 2011 version of its Integrated Strategy for High Risk Management to establish a framework, the Integrated Investment Life Cycle Model (IILCM), for managing investments across its components and management functions; strengthening integration within and across those functions; and ensuring mission needs drive investment decisions.

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[21] We reported that the estimate was partially comprehensive, partially documented, partially accurate, and minimally credible when compared to the criteria in our *Cost Estimating and Assessment Guide*

The department seeks to use the IILCM to enhance resource decision making and oversight by creating new department-level councils to identify priorities and capability gaps, revising how DHS components and lines of business manage acquisition programs, and developing a common framework for monitoring and assessing implementation of investment decisions. We reported in March 2012 that, from the time DHS first reported on the IILCM initiative in January 2011 to its December 2011 revision of its high-risk strategy, the initiative had made little progress though DHS plans to begin using the IILCM by the end of September 2012.

In October 2011, to enhance the department's ability to oversee major acquisition programs, DHS realigned the acquisition management functions previously performed by two divisions within the Office of Chief Procurement Officer to establish the Office of Program Accountability and Risk Management (PARM). PARM, which is responsible for program governance and acquisition policy, serves as the Management Directorate's executive office for program execution and works with DHS leadership to assess the health of major acquisitions and investments. To help with this effort, PARM is developing a database, known as the Decision Support Tool, intended to improve the flow of information from component program offices to the Management Directorate to support its governance efforts. DHS reported in its December 2011 Integrated Strategy for High Risk Management that senior executives are not confident enough in the data to use the Decision Support Tool developed by PARM to help make acquisition decisions. However, DHS's plans to improve the quality of the data in this database are limited. At this time, PARM only plans to check the data quality in preparation for key milestone meetings in the acquisition process. This could significantly diminish the Decision Support Tool's value because users cannot confidently identify and take action to address problems meeting cost or schedule goals prior to program review meetings.

We reported in March 2012 that DHS has made progress strengthening its management functions, but the department faces considerable challenges. Specifically, DHS has faced challenges overseeing the management, testing, acquisition, and deployment of various technology programs including AIT and EDS. Going forward, DHS needs to continue implementing its Integrated Strategy for High Risk Management and show measurable, sustainable progress in implementing its key management initiatives and corrective actions and achieving outcomes including those related to acquisition management. DHS reported that it plans to revise its Integrated Strategy for High Risk Management in June 2012, which

includes management initiatives and corrective actions to address acquisition management challenges, among other management areas. We will continue to monitor and assess DHS's implementation and transformation efforts through our ongoing and planned work, including the 2013 high-risk update that we expect to issue in early 2013.

Chairmen Issa and Mica, Ranking Members Cummings and Rahall, and members of the committees, this concludes my prepared statement. I would be pleased to respond to any questions that you may have.

GAO Contact and Staff Acknowledgments

For questions about this statement, please contact Steve Lord at (202) 512-4379 or lords@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. Individuals making key contributions to this statement include Dave Bruno, Assistant Director; Scott Behen, Analyst-in-Charge; Emily Gunn, and Katherine Trimble. Other contributors include: David Alexander, Tom Lombardi, Jason Lee, Linda Miller, and Jerry Seigler. Key contributors for the previous work that this testimony is based on are listed within each individual product.

Related GAO Products

Checked Baggage Screening: TSA Has Deployed Optimal Systems at the Majority of TSA-Regulated Airports, but Could Strengthen Cost Estimates. GAO-12-266. Washington D.C.: April 27, 2012.

Transportation Security Administration: Progress and Challenges Faced in Strengthening Three Key Security Programs. GAO-12-541T. Washington D.C.: March 26, 2012

Aviation Security: TSA Has Made Progress, but Additional Efforts Are Needed to Improve Security. GAO-11-938T. Washington, D.C.: September 16, 2011.

Department of Homeland Security: Progress Made and Work Remaining in Implementing Homeland Security Missions 10 Years after 9/11. GAO-11-881. Washington, D.C.: September 7, 2011.

Homeland Security: DHS Could Strengthen Acquisitions and Development of New Technologies. GAO-11-829T. Washington, D.C.: July 15, 2011.

Aviation Security: TSA Has Taken Actions to Improve Security, but Additional Efforts Remain. GAO-11-807T. Washington, D.C.: July 13, 2011.

Aviation Security: TSA Has Enhanced Its Explosives Detection Requirements for Checked Baggage, but Additional Screening Actions Are Needed. GAO-11-740. Washington, D.C.: July 11, 2011.

Homeland Security: Improvements in Managing Research and Development Could Help Reduce Inefficiencies and Costs. GAO-11-464T. Washington D.C.: March 15, 2011

High-Risk Series: An Update. GAO-11-278. Washington D.C.: February 16, 2011.

Department of Homeland Security: Assessments of Selected Complex Acquisitions. GAO-10-588SP. Washington, D.C.: June 30, 2010.

Aviation Security: Progress Made but Actions Needed to Address Challenges in Meeting the Air Cargo Screening Mandate. GAO-10-880T. Washington, D.C.: June 30, 2010.

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Aviation Security: TSA Is Increasing Procurement and Deployment of Advanced Imaging Technology, but Challenges to This Effort and Other Areas of Aviation Security Remain. GAO-10-484T. Washington, D.C.: March 17, 2010.

Aviation Security: DHS and TSA Have Researched, Developed, and Begun Deploying Passenger Checkpoint Screening Technologies, but Continue to Face Challenges. GAO-10-128. Washington, D.C.: October 7, 2009.

Chairman ISSA. Thank you, Mr. Lord.

I now ask unanimous consent that my colleague from Tennessee, Mrs. Blackburn, be allowed to participate in today's hearing. Without objection, so ordered.

I will now recognize myself for five minutes.

Mr. Nicholson, are you concerned with the fact that TSA's Office of Legislative Affairs may have provided inaccurate, incomplete and potentially misleading information to Congress?

Mr. NICHOLSON. No, sir.

Chairman ISSA. You are not concerned?

Mr. NICHOLSON. No, sir.

Chairman ISSA. If you learned that in fact, TSA's Office of Legislative Affairs provided inaccurate, incomplete or potentially misleading information to Congress concerning financial management at TSA, what would you recommend that the Administrator do?

Mr. NICHOLSON. If I learned that someone purposely provided incorrect information, then I think the Administrator should hold those people accountable under our professional responsibility program.

Chairman ISSA. Then I propose to you my staff was given documents which were not accurate as to the day they were given, but in fact, were a projection of what you would shove out the backdoor in the days before they came in. I would propose to you that we have the ability to criminally refer that, criminally refer that as lying to Congress.

Now, will you look at what was in the warehouse, investigate, and I know that the IG would be happy to help you, what was in the warehouse as of the day the information was given and in fact, as we were delayed going in, that material was being taken out so that on the day our people went in, it would match it but did not fairly and accurately relate to the amount of material that was there subject to our inspection and our fact finding.

Mr. NICHOLSON. Sir, we would be happy to look at those time lines and when the meeting was scheduled, how it was scheduled, what the inventory consisted of, what the dates were and what the nuances.

Chairman ISSA. Do you believe that not giving an inventory of what was in the warehouse on the day it was given but what was going to be there after over 1,000 pieces were removed is misleading Congress?

Mr. NICHOLSON. I don't believe that happened.

Chairman ISSA. It did happen. Your IG is shaking his head. I want you to understand, Congress was mislead, our staff was deliberately given a document that as they delayed an ordinary appearance, by the way, not one in which we were going to count but simply an ordinary appearance, they were given a document that deliberately was lower than the amount that was there on the day it was given and in fact, stuff was being shoved out.

People were brought in at I believe 5:00 a.m. so they could get it out before our people came in. That is something we believe we can make a case for. Will you agree here today to take action and tell us what is going to be done about it while we consider whether it rises to the act of a criminal deception of Congress?

Mr. NICHOLSON. We will be happy to look into this.

Chairman ISSA. I appreciate that.

By the way, Mr. Lord, as you were going through the additional group being layered on to create communication between an already bloated group, I could only think of a GSA conference in Las Vegas that perhaps adding additional layers would beg additional conferences.

Mr. Nicholson, I am going to stay with you a little bit. You gave us a lot of figures and I appreciate that but let me just ask you the basic question. Do you think that by buying and storing equipment well in advance, you are minimizing the cost to the American taxpayer or your procurement procedures need to be tightened, more or less a yes or no there?

Mr. NICHOLSON. I think there is always room for improvement in our procedures. I think we have taken many steps over the last few years and I think we have a good employment plan and implementing.....

Chairman ISSA. Can we have the picture of the office stuff? If you could put up the picture of the office supplies? Do you recognize that type of equipment?

Mr. NICHOLSON. From what I can see, it looks like tables and perhaps some terminals.

Chairman ISSA. I am going to pose a question to you, a very simple one. What idiot thought that moving that kind of equipment back and forth around the Country made any sense? Are you aware that the GSA and other organizations already exist to take that kind of equipment off your hands? It doesn't appear to be sensitive, it doesn't in any way, shape or form justify moving it from San Diego or somewhere like there to Dallas.

I might suggest you start with that. It might be a small amount of money but the basic concept that you are going to use a central warehouse for office supplies flies in the face of an established General Services Administration system that disposes of every Congressman on the dais' excesses when we have it and that you at least limit those 700,000 feet to unique and sensitive material.

Mr. Lord, I have just one more question with my remaining time.

The GAO previously reported that it was unclear whether the advanced imaging system would have discovered explosives similar to those used by the Christmas Day bomber. Just yesterday, Secretary Janet Napolitano said there is a high likelihood that advanced imaging technology would have detected the new, sophisticated underwear bomb attempted to be used in the recent plot in Yemen. Do you agree that there is a high likelihood that advanced imaging would have caught the new bomb?

Mr. LORD. That is a very interesting question. I would have great difficulty answering that in open session, sir. We have done a classified report. We can provide information related to that question. I would be happy to brief you in closed session.

Chairman ISSA. We will take that and I am going to predict that it will be no, they couldn't, but the actual answer will remain classified.

With that, I recognize the Ranking Member for his questions.

Mr. CUMMINGS. Thank you very much, Mr. Chairman.

Mr. Edwards, I have always been very sensitive in this Committee, or any committee, when criminal activity is alleged. The

Chairman is rightful to be upset about this situation and I am very upset about it, but he said something I just want to make sure we clear up. He said you were shaking your head and you were shaking your head. Do you remember when he said that just a minute ago and it implied that you were in disagreement with Mr. Nicholson. It was at a very critical moment. He was asking about criminal activity. I was just wondering, why were you shaking your head? I have to hear you because this is important.

Mr. EDWARDS. I am just listening to the question, sir.

Mr. CUMMINGS. You were in disagreement or what? I want to understand because the implication was that you were not believing what he was saying. That was the implication.

Mr. EDWARDS. No, I am just listening to the question, sir.

Mr. CUMMINGS. You need to watch your head then.

Effective and efficient oversight of Federal acquisitions is a critical task for this Committee and Congress. It is a long term task and requires diligent review of each stage of what can an extremely complex process. One of the most crucial steps in any procurement should be the establishment of the acquisition program baseline. According to DHS' own acquisition manual, this is essentially the contract between the Department and the procuring agency against which future performance will be measured.

Mr. Lord has written in his testimony that program performance cannot be accurately assessed without valid baseline requirements established at the program start. I completely agree with that, Mr. Lord.

The Coast Guard acquisition legislation I offered prohibits the Coast Guard from beginning to obtain assets under Level 1 and Level 2 acquisitions until the Coast Guard provides several things to Congress. These include key performance parameters for acquisitions, a detailed schedule and program baseline and acquisition unit costs.

Mr. Nicholson, it is my understanding TSA currently has seven Level 1 acquisition programs. How many of these have Department-approved acquisition program baselines?

Mr. NICHOLSON. Sir, I believe on the acquisition program baselines, I believe the Department has approved one and we have scheduled others.

Mr. CUMMINGS. Shouldn't you have those things already?

Mr. NICHOLSON. Yes, sir.

Mr. CUMMINGS. Why don't you?

Mr. NICHOLSON. The Department's program to come in to have the ARBs, to establish and approve those ARBs happened well after the start of most of our programs. Within the agency, we did hold our own ARBs. We established them and I think it is proper to refresh those and have them done and affirmed or modified by the Department as part of their process.

Mr. CUMMINGS. I understand some of your Level 1 programs have TSA-approved acquisition baselines but they have lacked DHS-approved baselines for more than seven years. That is seven years of spending without an approved acquisition plan. That is more than four years of spending since DHS issued its new acquisition management directive in 2008.

I know that each program is unique and many predate the 2008 acquisition directive, but why do so many TSA Level 1 acquisitions lack Department-approved program baselines?

Mr. NICHOLSON. We just need to get in the queue and get those approved by the Department under the new process.

Mr. CUMMINGS. That is not good enough. That is good enough. We have to do better than that. What steps are being taken to ensure the Department reviews and approves baselines for these programs?

Mr. NICHOLSON. We have scheduled meetings with them, we have provided the documentation to them and they review those as part of our input into the programs and analysis that the new Office of PARM has set up to perform.

Mr. CUMMINGS. Mr. Lord, I understand the GAO is currently reviewing all of TSA's Level 1 acquisition programs. Can you explain why TSA has so many Level 1 procurements that have lacked program baselines and what steps TSA is taking to ensure that the baselines can be approved by the Department because it sounds like this is one of them I blame you, you blame me and nobody gets it done.

Mr. LORD. I think you need to look at two levels. The Department level, it is a shared responsibility and DHS needs to take ownership of some of the requirements. It is not sufficient to simply issue a new framework; you have to monitor component adherence to it and take additional steps to ensure the necessary meetings, paperwork and discussions take place.

I am concerned about that because again, the acquisition program baseline is the key document that outlines what the program is going to cost, when it is going to be fielded and what technical performance it is going to deliver. If you don't have that up front, how are you going to gauge progress over the length of the program.

Mr. CUMMINGS. Mr. Lord, what specific steps does DHS need to take to ensure its component agencies comply fully with its acquisition directives and by what date will this be accomplished? Can you tell us that?

Mr. LORD. I think, first of all, to their credit they have implemented some new guidance, clarified some of the existing rules. We found there was some confusion at the TSA level about what the actual requirements were because the requirements changed. I think they have clarified that. They have given new training, they are hiring more acquisition professionals, so it is a difficult nut to crack but hopefully, over the longer term, they will be more successful. Again, that is a key deficiency, not having a departmental-approved acquisition program baseline.

For your Level 1, just so everybody knows, those are your major programs. That is when the life cycle costs exceed $1 billion.

Mr. CUMMINGS. Thank you, Mr. Chairman.

Chairman ISSA. Thank you.

We now recognize the Chairman of the Transportation Committee, Mr. Mica, for his questions.

Mr. MICA. Mr. Nicholson, have you seen this report that we published November 16 that was the 10th anniversary of the passage of the TSA legislation?

Mr. NICHOLSON. Yes, sir.

Mr. MICA. You have seen it?

Mr. NICHOLSON. Yes, sir.

Mr. MICA. Are you one of the people that said publishing this report was a disservice to TSA?

Mr. NICHOLSON. I have not heard that said.

Mr. MICA. Your communications folks, when Mr. Issa and I produced this report, said this is a disservice to TSA. I remember very clearly and I wrote the Administrator back and I thought it was a disservice for him to ignore what we had outlined.

In that report, we went through TSA's failing to develop and deploy effective technology. Back then, Mr. Issa, we said TSA warehouses are at near capacity, we were correct there, containing almost 2,800 pieces of screening equipment. Little did we know there were 5,700 pieces of screening equipment sitting there that again you delayed and actually diverted our investigators from going down there, moving the stuff out in the middle of the night before they arrived after delaying them.

You need to go back and look at this report because it is not meant to demean TSA, but to better define the mission to look at the gaps. We think we did a fairly thorough job. We will continue to take each part of this, Mr. Issa and I, apart and we will send our investigators down until we somehow make some sense out of this agency.

When you are procuring billions of dollars worth of equipment, it is sitting in warehouses, some of it for over a year. Listen to this. First of all, the Committee investigators discovered 85 percent of the transportation security equipment currently warehoused there has been stored for longer than six months; 35 percent of the equipment had been stored for more than a year.

First, there was a 2008. Here is advanced imaging technology sitting in that center since August 4, 2008. The next page is explosive detection system. I don't know exactly which one it was but people within the last 48 hours are trying to take our lights out and advanced explosive detection system equipment has been sitting there since December 12, 2010. Are you aware of this, sir?

Mr. NICHOLSON. I am not aware of this.

Mr. MICA. You are not aware of this? Well, somebody needs to get aware. This is hundreds of millions. The advanced imaging technology was a half a billion dollar acquisition of which they bought equipment, for which we still don't have people that are trained, we don't operate it.

Yesterday I was briefed in a closed door briefing on the performance, of looking at specifically, and this was scheduled before all of this came out. We have had the General Accounting Office test the system and Mr. Issa and I will continue to do it, but we have seen the failure. Somebody needs to see the failures both in acquiring equipment, deploying equipment and making sure equipment is not sitting in a warehouse idle when people are trying to take our lights out.

Don't you think that is a reasonable request, sir, that we have you act and make certain that this equipment, one is four years, the other is two years, that it is properly deployed or something is done with it? The puffers, we stopped paying for the rental after

years of having it in those warehouses. It would still be sitting there if we hadn't done something about it.

Mr. NICHOLSON. Sir, I can tell you as I started to say, the EDS, I am not sure which unit that would be and what type. The EDS would be for electronic baggage. The AIT picture, given the date, would have to be a pilot unit from a program that we had several years ago because we didn't make our purchase of AIT to deploy in the primary screening area until much later in time after 2008 following the events of Christmas Day, 2009.

Mr. MICA. Again, the procurement process is a disaster. We just heard we are buying things we haven't properly vetted. I do not think any of the advanced imaging technology was properly vetted, in fact, I know it wasn't vetted. I know we could have bought the stick equipment with the image that wasn't offensive. Now you are going back and vetting and testing the stick equipment rather than the invasive equipment that you deployed.

We have an agency in which we had no Administrator for over a year and an agency that has turned out to be more dysfunctional than anyone would have anticipated. Somebody has to get control of this. With 65,000 employees, nearly $8 billion in expenditures, 14,000 administrative staff, it has reached critical mass. The taxpayers are not going to put up with it anymore.

I yield back.

Chairman ISSA. I thank the gentleman.

I ask unanimous consent I be able to ask one quick question to follow up on the Ranking Member. Without objection.

Mr. Edwards, as Inspector General, if it was done, deliberately moving equipment out and changing what was actually in the warehouse, essentially rigging something for an IG inspection, if this was the military Inspector General, you take all your excess equipment, you run it somewhere so you can fit a certain requirement, isn't that normally something for which there is disciplinary action if an IG discovers that essentially things have been moved out in anticipation of an IG's inspection or anyone's inspection?

Mr. EDWARDS. If an allegation or if something is brought to our attention and it is perceived to be in that nature, then we would definitely do an administrative investigation and refer it to management for appropriate action.

Chairman ISSA. Thank you. I appreciate your indulgence.

We now go to the gentleman from Virginia, Mr. Connolly, for five minutes.

Mr. CONNOLLY. Mr. Chairman, before my clock begins, may I just inquire of you?

Chairman ISSA. Of course.

Mr. CONNOLLY. Was this panel sworn in?

Chairman ISSA. Yes, they were.

Mr. CONNOLLY. I thank the Chair.

Mr. Nicholson, you are under oath. In response to the Chairman's question, did I understand you to deny any and all awareness of the fact that equipment may have been moved in the warehouses in question in order to conceal information from congressional staff or Congress itself?

Mr. NICHOLSON. Sir, you understood me to say that I have no information that that was done.

Mr. CONNOLLY. Are you aware of the fact it was done?

Mr. NICHOLSON. I don't believe it was done.

Mr. CONNOLLY. Your position is?

Mr. NICHOLSON. My position is that we have disposals that happen at our warehouse in the three to five month range each year. Those disposals take place and the email traffic I think will be part of the record will show that this disposal schedule was started in the first quarter of fiscal year 2011. There were several back and forths scheduled for it. The disposal was scheduled to take place the 13th through the 17th of February and the disposal took place as it was scheduled. It was scheduled and it was attempted to be scheduled several months before.

Mr. CONNOLLY. Congressional staff happened to be visiting the facility and it was coincident with that scheduled moving out of equipment, is that correct?

Mr. NICHOLSON. Yes, sir. I think the letter we received from the Committee that was signed on the 6th of February suggested dates of 14 or 15 February and the response we gave was 15 February would be fine.

Mr. CONNOLLY. Mr. Edwards, nothing came to your attention in the IG's office with respect to this matter?

Mr. EDWARDS. No, sir, nothing came to us.

Mr. CONNOLLY. So this is news to you?

Mr. EDWARDS. Yes, sir.

Mr. CONNOLLY. Thank you.

Mr. Nicholson, at our previous hearing on TSA, we cited the abysmal record of turnover at TSA and one of the reasons attributed to it was, the Partnership for Public Service's Best Places to Work Survey, which surveys 241 Federal agencies and entities, TSA ranked 232nd out of 241. Mr. Chairman, maybe we should hold hearings on the other nine some day to find out just how bad things can get.

Chairman ISSA. What does it take to get to the very bottom.

Mr. CONNOLLY. Exactly, what does it take.

To what do you attribute such incredible turnover because one looks at working conditions, one looks at management, one looks at compensation. Part two of my question is, and I would like Mr. Lord to comment on this as well, we can't, especially in light of the recent announcement of yet another permutation on a terrorist attempt to take on an airplane, we know we can't simply rely on technology. We need trained eyes and trained minds to recognize something looks funny and true judgment needs to be exercised in order to protect the public on occasion.

I am deeply concerned, as I know you must be, that given the turnover and the low morale, that has to impinge on that key set of skills we need deployed on behalf of American security.

Mr. NICHOLSON. Sir, I can give you a couple of comments on that with respect to our transportation security officer workforce. I don't have the exact numbers but I seem to recall it is somewhere above 60 percent of our people have served over 5 years in the agency, so we have good retention of a core group of people.

The attrition rate that we have today I think is about 7 percent, so there is marked change in attrition over the years. The surveys do show some of the things that you mentioned with respect to

where TSOS started but we do know the year before TSA stood up, the industry was recording over 100 percent turnover so they hired essentially two people for the same job every year, so we have made significant progress in that.

We do get overwhelming positive responses in the nature of the work and dedicated to the mission. I think the focus of our people on the front line to your point are people focused on security and protecting the American public. I think the surveys have borne that out at least in the minds of our transportation security officers.

Mr. CONNOLLY. Mr. Lord?

Mr. LORD. I just want to point out we have ongoing work looking at DHS morale issues. I would argue that it is an issue that cuts across the entire department. I don't have any unique insights offers today because our work is not completed, but in general, TSA has a difficult task. They are screening 1.7 million passengers per day. Some passengers are in a hurry, some are grumpy. It is a challenge in some cases.

Mr. CONNOLLY. Conceding it is a challenge, Mr. Lord, but the question is, given relatively low morale by any measurement and historic high turnover, although improvements have been made, is there reason to believe, from your professional perspective, that that could impinge on the ability of the agency through its personnel to sort of stay attuned to the human factor as opposed to relying machines to catch it?

Mr. LORD. I think you need a dedicated and alert workforce given the issues you are dealing with but again, I am not sure what the root causes are and we have a team looking at that. It is not being led by me, I should add. It is being led by another GAO executive.

Mr. CONNOLLY. Thank you, Madam Chairman.

Ms. BUERKLE. [Presiding] I thank the gentleman.

The Chair now yields five minutes to Mr. Chaffetz from Utah.

Mr. CHAFFETZ. Thank you.

Mr. Nicholson, the current inventory TSA has is somewhere between $185 million and $200 million, is that correct?

Mr. NICHOLSON. The inventory in the warehouse as of the March 31 was about $155 million. It has dropped as of the end of April. I don't have the exact figure.

Mr. CHAFFETZ. The inventory sheet that you gave the United States Congress, why did that not account for things that were in the disposal process?

Mr. NICHOLSON. I am not sure, I haven't seen the sheet, so I am not sure.

Mr. CHAFFETZ. You are the CFO, you are having a hearing about this topic and you are telling me you haven't seen the inventory sheet?

Mr. NICHOLSON. No, sir. I don't normally look at the inventory sheets for our warehouse on a month to month basis.

Mr. CHAFFETZ. Who would look at that? You are the CFO of TSA and we are talking about hundreds of millions of dollars. You don't look at that?

Mr. NICHOLSON. The person who oversees the warehouse has the inventory sheet. I get a monthly printout as part of our financial statement.

Mr. CHAFFETZ. Maybe we are getting to the heart of the problem and with thousands administrators along the way, we would expect somebody at your level and certainly if we are having a hearing about this, we would expect the TSA to provide that type of person.

Let me ask you another question. How many bomb sniffing dogs do you have in the inventory, in the warehouse, how many extra ones do you have?

Mr. NICHOLSON. We have no canines in the warehouse, sir.

Mr. CHAFFETZ. You have spent hundreds of millions of dollars on whole body imaging machines that cost about $175,000 apiece. Dogs, fully trained, are about $30,000. How many of these whole body imaging machines have you been requested to provide to either the White House, Iraq or Afghanistan?

Mr. NICHOLSON. Sir, first I would like to say the amount of money we spend for technology for all of the AITs, including the 200 that we just purchased about two weeks ago, is about $159 million.

Mr. CHAFFETZ. This most recent purchase was how many dollars?

Mr. NICHOLSON. $30 million.

Mr. CHAFFETZ. $30 million, and you still have some in inventory and we don't know that they necessarily work.

Let me ask you, if we were to take an improvised explosive device and strap it to your groin area and you didn't want it to be detected, would you much rather walk by a bomb sniffing German Shepherd or through a whole body imaging machine?

Mr. NICHOLSON. I would not want to walk past either, especially if the canine team was properly certified.

Mr. CHAFFETZ. I find it fascinating that only the TSA seems enthralled with these machines. I go visit the White House, I have been to Iraq, I have been to Afghanistan and I have never seen a whole body imaging machine in some of the places we need the highest level of security but I do routinely see dogs, bomb sniffing dogs. When we have the State of the Union, arguably one of the most secure events this Nation has, they don't bring in whole body imaging machines, they bring in dogs.

What frustrates me about the TSA is that we know, based on what we have done at the Pentagon, when they stood up JIED, joint improvised explosive device, we put a General in charge of it, they spent $19 billion figuring out to find these improvised explosive devices and their conclusion was, the single best way to find a bomb is through a dog, a bomb sniffing dog.

This TSA and this Administration continues to deny the opportunity to secure these airports to the fullest extent that they can by purchasing these machines that we have questions about whether or not they even work. The threat from terrorism is real. We are not messing around. People want to kill us and people are going to die if we continue to play games, put hundreds of millions of dollars in equipment in warehouses not to be used, we don't even know what that inventory is, and we refuse to invest in dogs and canines that are mobile. They can detect things from everything from the parking lot right up to the gate and on the airplane themselves.

It is what the Israelis do, it is what the Pentagon does, it is what the White House does. It is what we do in the United States Congress. Yet, only the TSA decides that whole body imaging machines are better and then we stick hundreds of million dollars of them in the warehouse. People are going to die if we continue to make these asinine decisions.

It is so frustrating to see what is happening and then to basically get a document that is totally inaccurate presented to the United States Congress to try to cover this up while we have thousands of administrators out there, we shouldn't be investing in more administration and opening a new office so we can communicate better. Go get the dogs. That is how we are going to secure these airplanes and thwart these terrorists that want to try to kill us.

I yield back.

Ms. BUERKLE. I thank the gentleman.

The Chair will not recognize the gentleman from Oregon, Mr. DeFazio.

Mr. DEFAZIO. Thank you.

I have just one question about the newly acquired, automated AIT. What are you doing about the false alarm problem?

Mr. NICHOLSON. We are looking at the false alarm problem to make sure it fits within our standards. Right now it does fit within our standards. What we are concerned as we make the improvements to the technology.

Mr. DEFAZIO. I wonder what that standard is. What percent of false alarms do you allow? I conducted a little experiment just for fun. I wore identical clothes through San Diego last Friday and Eugene, Oregon on Monday, absolutely identical, I took the underwear home and washed it, so nothing changed.

I went through the remote operator body scanner in San Diego and since I know what not to wear, no problem, go right through. In Eugene, for the fourth week in a row, brand new technology, I have to get patted down, identical clothing. Then I stood there and watched and of the next 15 people who went through that machine, 12 had to be patted down. Doesn't that seem like a pretty high false alarm rate because they were all false alarms?

Mr. NICHOLSON. Sir, I would have to check into that. I don't know the exact answer to your question.

Mr. DEFAZIO. Okay. I did talk to the regional administrator and he admits that they have a little problem with the software. There is new software being developed because it can't deal with clothing. If you are wearing pants that are little heavier than normal, like jeans, alarm; wearing socks and pants, alarm because he has socks and pants on and wearing a collar, alarm.

Because we are so uptight in this country that we couldn't look at the fuzzy, black and white images of bodies and have something that perhaps is more effective and false alarms less, we have now gone to this dumb downed machine or hastily acquired machine which apparently, at least from my observations, false alarms a tremendous amount of the time.

Basically, I believe if you get a lot of false alarms, after a while, it is like this thing false alarms all the time, then I think the screeners are going to lose their attentiveness to find a real threat.

Mr. NICHOLSON. I hope that your experience is not shared and I would be happy to take that up and look into it.

Mr. DEFAZIO. I am told that it does have a problem and they are developing new software, but the question would be why did we deploy them and we are using them as standalones with this problem. My observation is you are actually requiring more personnel because you have so many false alarms as opposed to we are saving, we don't have to have a remote operator anymore. It seems to me an acquisition problem. We should have had people wearing different thicknesses of clothing testing these things and had some sort of parameter on how many false alarms we should tolerate.

On the inventory, there is the Advanced Technology AT2s, 472 of them. Does every airport in America now have AT2s for carry-on bags?

Mr. NICHOLSON. No, sir, they don't. I am not sure of the date of the inventory, I don't have the report available.

Mr. DEFAZIO. I am just looking at the report the Republicans provide, but if there were 472 sitting there, basically this is pretty much a simple replacement, doesn't require much reconfiguration of the airport, they are a much better technology, have faster throughput and are more accurate. We really shouldn't have 472 of them sitting in inventory, should we?

Mr. NICHOLSON. I think we have 157 in inventory and about 23 of those are in our safety stocks. At least 23 will remain in inventory unless we have a problem. We have had a deployment plan we set out. The deployment plan called for us to continue to outfit the entire nation by the end of this fiscal year. We are about three months ahead of that plan and will deploy AIT by July of this year.

Mr. DEFAZIO. Then on the EDSs, 54 according to this inventory, these would be baggage screening EDSs. Why would we have 54?

Mr. NICHOLSON. It could be a variety of reasons. It could be because some are safety stock, a small number of those will be safety stock. Another reason is we are doing facilities modification at some airports to put in inline systems. That facilities work normally takes about a year depending upon the size of the project. We buy the stock to put in so that when the facilities work is ready, we can deploy the units and make the system complete.

Mr. DEFAZIO. Right, but we have airports that don't have any EDS, we have 54 in stock and we keep a large number in stock so that when someone finishes their inline system sometime in the next 12 months, we will have machines there to go.

What happened to just in time delivery? Why couldn't we just have the machines delivered to that airport when their new inline system is complete?

Mr. NICHOLSON. That is what we try to do, sir. We use six regional managers and that is the job they try to serve to work with the airports to have those ready and available and sequence them in for the installation. It is the same approach we take for the checkpoint technology.

Mr. DEFAZIO. Finally, when you go to an inline system and you have the standalone units, what do you do with those standalone units?

Mr. NICHOLSON. The standalone units, depending upon what happens, you retire some of those. If you have standalone units and

they are replaced by the inline system, which is often the case, those get eliminated.

Mr. DeFazio. Eliminated? What if you have airports that don't have any EDS, why wouldn't you take a still functioning machine and move it there?

Mr. Nicholson. Yes, sir, that is exactly what we do.

Mr. DeFazio. Thank you.

Mr. Lankford. [Presiding] I yield five minutes to myself.

Let me pick up on what Mr. DeFazio was just talking about, Mr. Nicholson. Just in time delivery, I know very few businesses in my district that don't do just in time delivery and they will also order it, purchase it and then it is delivered from the factory. Are these pieces of equipment inspected and calibrated after they arrive at the airport?

Mr. Nicholson. Yes, sir. There are a couple of things on that. Depending on the technology, there is a different inspection regime. For example, the EDS we were just talking about, the AT and AIT, there is normally an inspection that takes place at the factory before we go. It is called factory acceptance test and then we do a site acceptance test.

Mr. Lankford. Are you also inspecting when it comes to the warehouse?

Mr. Nicholson. When it comes back to the warehouse.

Mr. Lankford. I am saying when it leaves the factory, it is inspected before it leaves the factory. When it gets to the warehouse, is it inspected again?

Mr. Nicholson. No, not until the site acceptance. The manufacturer has the warranty on that. They pick it up for the site acceptance.

Mr. Lankford. Is there a reason that it can't be just delivered from the factory to the airport when it is ready, when it is time?

Mr. Nicholson. In our earlier discussion on AIT, to make sure we have the record straight on AIT, the inventory level of the warehouse for AIT that we have I think is two right now.

Mr. Lankford. We are talking about probably pieces of equipment, some that have been there six to nine months or a year and you are saying the airport is getting ready in the next year so you know when it is coming?

Mr. Nicholson. Right.

Mr. Lankford. Obviously there is a long lead up time, there is plenty of time to contact the manufacturer and say one of these nine months from now dropped and ready to go. You take the nine months preparing the airport and then it is delivered out?

Mr. Lankford. Right. The other situation you will have with equipment that we buy for the airport is if you take a look at our explosive trace detection equipment, for example, we have 8,000 units. Those are split between checked baggage resolution and carry-on baggage resolution. The life expectancy of those units or the service life, if you will, is about seven years. You are replacing almost 1,000 or more every year.

Mr. Lankford. Is that seven years from the time it hits your warehouse or the time it hits the airport?

Mr. NICHOLSON. Seven years from the time it hits the airport. If we are going to buy those, we wouldn't buy them in small lots. We usually buy them to get an economic quantity.

Mr. LANKFORD. I understand. It is typical manufacturing procurement. You may buy it in multiple if it is part of your agreement and hold them at the factory. You know you are going to need 18, they have them, they manufacture them, hold them there and ship them out just in time. That is a typical agreement.

Mr. NICHOLSON. It depends upon how we structure our agreement with manufacturers.

Mr. LANKFORD. Let me make a couple comments. I have met some great people who work for TSA. I have no criticism of some of the folks there but it is an incredibly chaotic environment that you walk through, yelling, lots of long lines and not long lines because of efficiency, it is yelling because somebody is yelling bag check over here and it takes four or five minutes for someone to wander over and check it. Then you have bag check over there multiple times and hollering back and forth and you see this frustrated group of passengers there.

I also see policies that are implemented that even the TSA workers themselves don't understand why they have to do this and it is especially frustrating to me when they interact with constituents, senior adult ladies with a knee replacement that are getting pat downs on that are absolutely humiliating to them in the process.

I know we have had some discussion on what to do with children and now people over 75, but this humiliating process of going through the pat downs seems to be very unique to what is happening in our airports. Can we document a single moment that a putdown has discovered a threat?

Mr. NICHOLSON. I think the answer to that is yes, sir. I don't have the specifics. I know we find weapons sometimes through pat downs. We find several prohibited items that we find through pat downs. We find several items that are concealed on people that may or may not be the instrument of terrorism but they are the instrument of something that is illicit.

Mr. LANKFORD. Not just find something, not just a bottle of shampoo or something. Mr. Lord, you look like you were leaning forward. Do you have a response to that as well?

Mr. LORD. No, I don't. I am sorry to suggest I did.

Mr. NICHOLSON. For example, we found people with tens of credit cards and false IDs taped to their bodies. We find folks with tens of thousands of dollars taped to their body and attempted to be concealed on their body. We find weapons that are strapped to a body.

Mr. LANKFORD. You are talking about in a patdown?

Mr. NICHOLSON. Sometimes in a patdown or in resolution if it shows up as an anomaly during technology screening.

Mr. LANKFORD. The issue comes back to what I mentioned before, the senior adult lady with a knee replacement that if they come to the Capital and it sets off the metal detector, we have a wand. If you come to the airport, she is going to get patted down and that is not a lot of fun for anyone.

I have had multiple times, Mr. DeFazio talked about it before, of being patted down as I go through security. But it is humiliating for a senior adult to go through that. I know people I have talked with who say they have just stopped flying. This is beyond just a safety issue, this is a commercial enterprise and free movement of people around the United States.

There is a unique balance that has to be abided where some of this equipment helps us in that, as Mr. Chaffetz mentioned before dogs can help us with that, but in moments that we can get things out of the warehouse and into placement and go through a process where we are not having to humiliate people as they go through, we need to strive to achieve that.

Mr. NICHOLSON. You said it very close to how our Administrator presents it. That is exactly what we are trying to do. We are trying to take a risk-based approach to this and modify our procedures and phase those in.

Mr. LANKFORD. Obviously, I fly often as well and I watch the procedures changing consistently over time. There seems to be this constant experiment that is going. It is a constant sense of frustration that is also happening in the process as well.

We are approaching a time for votes. It is getting very close to the time it is going to end. I would like to put us in recess for a moment until these votes conclude and call us back in session after that.

With that, we will recess until after votes are concluded.

[Recess.]

Chairman ISSA. [Presiding] The Hearing will reconvene.

Mr. CRAVAACK. Thank you, Mr. Chairman.

I would like to thank you, Chairman Mica and Ranking Member Cummings for having what I consider a pretty important meeting and trying to have the most efficient government as possible.

Mr. Edwards, it is good seeing you again, sir.

I would like to thank all the witnesses for coming here today. I know it has been a tough day and I appreciate you coming. The bottom line is we are trying to get an efficient government as best we can.

One of the things we are all concerned with is right now the national debt ticked up over $15.7 trillion today. It was $15.6 trillion for a couple weeks and it is rapidly increasing. We are just trying to bring down government costs and spending.

One of the proposals I have actually submitted, and you can go to the website and take a look, but it addresses this issue and making sure some of the baggage screening devices we have had, we have over 600, I believe, and we have to get rid of them, move them on and hopefully get some kind of reimbursement out of it at the same time.

Under my proposal, the Federal Government could save about $20 million in storage costs. That is pretty significant. Any proceeds in selling the excess equipment could be used in savings. We are trying on our part to make it as efficient as possible.

In the investigations into some of the things we are trying to cut, the Committee investigators discovered that 85 percent of major transportation security equipment currently warehoused are stored for longer than six months and 35 percent of the equipment has

been stored for more than one year. One piece of equipment has been stored for more than six years and that is 60 percent of its total useful life.

Mr. Nicholson, I know you have been involved in a lot of this but why is $184 million worth of screening equipment with an annual leasing cost of more than $3.5 million in the warehouse in Dallas? Can you tell us why that is?

Mr. NICHOLSON. Yes, sir. The inventory varies a little bit as I mentioned. It sounds like that inventory might have been a January-February time frame, 155 and we are under 150 now, I think in inventory. From the perspective of 95 percent of the value of our security equipment is in the field and in the airports, at the same time I mentioned in my statement that 85 percent of the equipment is out in the airports and 15 at the warehouses.

What that tells me when I look at my monthly reports that I get on the status of the inventory are that we do have our most expensive, which we generally think of as our most impacting technology, is operationally deployed. It still is a lot of material. The combined warehouses are a little over 400,000 square feet, so they are big warehouses but when you put it in the context of what percent of the total equipment value is in that warehouse, and consider that is our only transportation security equipment warehouse operation. I think that gives context to the operation.

Mr. CRAVAACK. I am assuming that you do have a plan to dispose of this equipment?

Mr. NICHOLSON. Yes, sir, we do. Our next disposal is scheduled for early June or late May. I think we are at about 1,000 pieces of equipment already and there will be more that will be coming up to that point. Each year as part of our financial audit, we have two wall to wall inventories, so we capture and reconcile all the inventory in that.

In the past few years, because of several of the concerns the IG had as part of doing that, they would accompany and observe the inventory. One we did in the June timeframe, and one we did just before the close of the fiscal year, usually the last week in September, last two weeks in September.

Because of the progress that we have made in reconciling, identifying, coding, addressing all those things that are found wrong, this year TSA will do its June inventory by itself and we will be joined in the September timeframe by the IG for the final inventory. That is largely the result of last year when we did the sample size for the value of the inventory at the time, we had 100 percent success in identifying every piece of equipment, its condition code and where it was in the warehouse.

Mr. CRAVAACK. I have 14 seconds left, so with that, I will yield back.

Chairman ISSA. Thank you.

I guess I will recognize myself for a second round. I apologize that voting tends to have this effect.

Mr. Nicholson, what do you say to the fact that you buy more pieces of equipment than you have identified locations for? In other words, you make purchases of equipment, commitments to purchase and take delivery prior to figuring out what airports they would or could go for and when asked, the answer we got was it

was a good buy, we made a larger buy because we get a better price. Is that a sound way to do planning?

Mr. NICHOLSON. I think it depends upon the piece of equipment as far as the specific location. I say that because each year as part of the appropriations process we provide a list of all the projects we are going to do and all the equipment. Before we execute any of the monies or purchases on that equipment, we have to identify numbers units and the projects they would go to.

Chairman ISSA. Let me follow up then. If I hear you right, what you are saying is the appropriations process drives bad purchasing systems because you buy based on what you can justify in appropriations, more or less?

Mr. NICHOLSON. No, sir, that is not so.

Chairman ISSA. Why did the appropriations process work there at all?

Mr. NICHOLSON. I think the appropriations process has worked in that case.

Chairman ISSA. But you bought more than you identified a use for, you bought more than you needed and in some cases, the stuff never actually went to the field before it became obsolete, so what caused that to happen?

Mr. NICHOLSON. I think in some cases, there were advancements in some technology. In the question that I previously answered, we would get to things like explosive trace detection equipment. There are several thousand pieces of that equipment that serve our baggage screening process as well as the passenger carry-on baggage process.

We don't always know the exact locations and we won't buy with a specific location for each piece of equipment, but we do have a forecast of when the service life of that equipment would reach its completion, so we would buy a quantity for that and later determine which airport gets those specific pieces of equipment.

Chairman ISSA. Mr. Edwards, when you did your investigation, did you find these were reasonable assessments of excess volume or in fact in some cases, long after they arrived, even two years after they had not identified where they would go?

Mr. EDWARDS. We started the audit mainly because the plant, property and equipment, material weakness was reported in the 2008 financial statement. We looked back at 2010 and 2011 and those material weaknesses still existed. First, you need to have a transition plan and you have a procedural policy. You have to have that and then you go back and see if it is actually working.

For new equipment, you need to have a strategy and a deployment plan for that and then for redeployment, if you are taking some from an airport can that be used at a smaller airport and how often you are going to review that. There should be a limit on how long something stays in storage. Those things need to be taken into consideration.

Chairman ISSA. I appreciate that.

Mr. Lord, you haven't been asked nearly enough questions and this one may be a little bit outside of your preparation. Because we know we count on the GAO to get answers for questions that somebody on a panel doesn't yet have, as we reviewed in preparation for today's hearing, we discovered kind of an anomaly.

Some of the money, of course, for TSA comes from regular appropriations, some comes from fees. When they purchase excess equipment and then dispose of it, but dispose of it in many cases to other "agencies," are we leaving if you will a back door of excess purchases that are slightly out of date, new technologies when they end up not being destroyed because they are "out of service," but rather, passed on to other governments, do we create essentially a back door appropriation if some of that money comes from user fees? By the way, are we wasting user fees by allowing excess purchasing?

Mr. LORD. That is a very difficult question that I am not prepared to answer.

Chairman ISSA. That is why we give them to GAO.

Mr. LORD. If I understand your question correctly, you are asking whether that poses any anti-deficiency act issue where you are spending in excess of your appropriation. I would have to look at that. It is clear they are disposing of equipment and perhaps receiving revenue, so the question becomes is that consistent with relevant appropriation law. I am not prepared to answer that today but it is a great question.

Chairman ISSA. Mr. Edwards, we recently had a Cabinet officer who gave a grade to himself in this Committee, so I will ask not the individual but you as the most direct overseer, if you had to give for logistics management and control TSA a grade 2008 and today, what grades would you give them for each of those reporting periods?

Mr. EDWARDS. TSA has made some improvements, but there is still a lot of work left.

Chairman ISSA. D to a C minus?

Mr. EDWARDS. Somewhere in that range.

Chairman ISSA. I want to thank you for your patience here today. Mr. Edwards, I will tell you that our staff does intend to follow up with the details of their visit, time lines and at least a synopsis of what employees at the plant told them that led us to believe that in fact it was not an ordinary disposal, that people were brought in early specifically to get it out and that our people were delayed so that the number on the previously given inventory would come much closer to the number that was going to be present but certainly not the number at the time they had. We would appreciate your following up to get the facts because we want to be accurate.

Mr. EDWARDS. Yes, sir, absolutely. As soon as I get the information.

Chairman ISSA. If you want a second round, go ahead. The gentleman is recognized.

Mr. CRAVAACK. Mr. Lord, I was going to ask you in regard to some of the history like the puffers that didn't work. What can we do to make sure that we don't have that type of problem again in regard to their redesign? Some of the equipment that we have now, making sure it does what we need it to do, things like that. Could you elaborate on that?

Mr. LORD. These are some of the same issues I discussed in my written statement. I think it is really important to clearly define your requirements up front, what you actually need and not only get agreement within the component but at the higher level within

the department and the acquisition group that is responsible for overseeing everything.

Even though DHS has done a good job in updating the requirements and issuing new rules, you also want DHS to be aggressive in conducting oversight and making sure people follow the rules so to speak. At the department level, you need that to occur.

At the component level, as some of the examples suggest in my testimony today, you need the components, TSA, other groups within the department to provide timely information to the people trying to conduct oversight. Since there has been a breakdown in the process, you need good flows of information up, you need good flows down, you need clear roles, you need someone responsible for conducting oversight and enforcing the rules.

It is a very complicated process. That is probably the simplest way I could explain it.

Mr. CRAVAACK. Complicated but important, making sure we efficiently use the taxpayer dollars which I know you are vigilant of.

Has the TSA developed a plan for identifying how to approach the upgrades from currently deployed explosive detection systems?

Mr. LORD. For the EDS, that was a recommendation we made in our July 2011 report. We were concerned about that. They not only have this large fleet of machines on the floor, so to speak, but they are buying new machines. We didn't see a clear plan for ensuring not only the new stuff but the old machines were going to be capable of meeting the new requirements.

During the process, they also enhanced their explosive detection requirements which poses a very complex problem but we think they need to conduct better planning to ensure they will meet those requirements.

Mr. CRAVAACK. The TSA does have a plan?

Mr. LORD. We are currently conducting follow up on that report. They agreed with our recommendation, they are moving out smartly to develop such a plan, but we haven't signed off on it yet.

Mr. CRAVAACK. Thank you very much. I appreciate the information today.

I yield back. Thank you.

Chairman ISSA. I thank the gentleman.

I want to thank all of you for your attendance and participation today.

We stand adjourned.

[Whereupon, at 3:06 p.m., the committees were adjourned.]

Timeline of Congressional Request and Delay of the On-Site Review of TSA's Transportation Logistics Center Warehouses

January 31, 2012 – OGR Committee staff notified Peter Hearding in TSA's Office of Legislative Affairs of its interest in traveling to Dallas to set up meetings and review the Transportation Logistics Center

February 1, 2012 – Email from TSA Legislative Affairs to OGR Committee staff explaining that TSA is unable to accommodate the site visit for the week of February 7-9th, 2012

February 1, 2012 – Email from OGR Committee staff to TSA Legislative Affairs requesting an explanation for the inability to accommodate a Committee staff visit for the week of February 7-9th, 2012

February 1, 2012 – TSA Office of Legislative Affairs called OGR Committee staff but never provided an explanation for TSA's inability to accommodate the request for the week of February 7-9th, 2012

February 3, 2012 – Email from TSA Legislative Affairs to OGR Committee staff scheduling the visit for either February 14th or 15th, 2012

February 6, 2012 – Chairman Mica and Issa and Subcommittee Chairman Chaffetz send a letter to Administrator Pistole requesting a site visit of TSA's three Transportation Logistics Center Warehouses

February 9, 2012 – Email from TSA Legislative Affairs to OGR Committee staff detailing the trip agenda, which rescheduled the warehouse briefing and tour for the afternoon of Wednesday February 15th.

February 13, 2012 – TSA Legislative Affairs provided an electronic copy of the Quarterly Warehouse Inventory Report one day prior to the Congressional trip to Dallas that inaccurately accounted for the disposal of equipment that was still in storage at the TLC

February 13 through the morning of February 15th – TSA removed nearly 1300 pieces of screening equipment from the Transportation Logistics Center prior to the Congressional site visit

February 15, 2012 – 1pm – TSA warehouse briefing and site visit of the three Transportation Logistics Center warehouses

Opening Statement of Jason Chaffetz
Committee on Oversight and Government Reform
"TSA Oversight Part IV: Is TSA Effectively Procuring, Deploying, and Storing Aviation
Security Equipment and Technology?"
May 9, 2012

Thank you, Mr. Chairman, and I appreciate the opportunity for us to discuss this important matter and continue performing in-depth oversight of the Transportation Security Administration. The American public deserves and expects a TSA that is effective in its mission, respectful of our rights, and efficient in its operations.

During this Congress, the House Oversight Subcommittee on National Security, Homeland Defense, and Foreign Affairs has been conducting continued and thorough oversight of TSA in an attempt to find solutions to how we can best reform an agency that lacks credibility with the public.

On March 16, 2011, the Subcommittee conducted a hearing entitled, "TSA Oversight Part I: Whole Body Imaging," at which it examined concerns about the effectiveness of Advanced Imaging Technology, along with privacy and health concerns associated with screening technology and pat-downs.

In continuing this effort, on July 13, 2011, the Subcommittee conducted another hearing entitled, "TSA Oversight Part II: Perimeter Security," at which it examined the security approach and policies adopted by TSA to ensure that airports are secure from the front door to the fence line.

Through these hearings, the Subcommittee has found that is still remains unclear, at best, whether whole body imaging, now known as Advanced Imaging Technology, is an effective screening technology. With the recent news that Al Qaeda has developed a new type of explosive, a more sophisticated underwear bomb, it is imperative that we learn whether Advanced Imaging Technology is actually effective, which GAO has raised serious doubts about.

Further, the Subcommittee has found that TSA continues to spend billions of taxpayer dollars on, as TSA calls it, "layers of security," that have been clearly documented as ineffective, such as the SPOT program.

Through our continued oversight, I have grown increasingly concerned that TSA is ineffectively spending hundreds of millions of dollars, and, at the same time, failing to make us more secure.

Today, we continue this series of hearings by addressing issues associated with the procurement, deployment, and storage of TSA security related equipment. These matters are of paramount importance to our national security, homeland defense, and the safety of the traveling public.

Based on Committee staff's review of documents and their site visit of TSA's Transportation Logistics Center in Dallas, Texas, it appears fairly clear that TSA is failing to effectively procure screening technology and equipment for use at commercial airports.

While TSA is ineffectively procuring screening technology, it is also inefficiently deploying them. Security technology, in many cases, has been sitting in a warehouse in Dallas, Texas, for years.

And when AIT machines are, in fact, deployed, as Steve Lord previously testified before this Committee, "some of the deployed AIT units were used on less than 5 percent of the days they were available since their deployment . . . some units were used on less than 30 percent of the days available since their installation."

This is entirely unacceptable. While I don't believe we should be using AIT machines in the first place, if the Administration chooses to deploy a knowingly ineffective security measure, they should at least ensure that this expensive technology, which is costing hundreds of millions of dollars, is actually utilized.

I hope that our discussion today will include potential solutions to serious gaps in aviation security and dialogue on how to make TSA more efficient in their procurement and deployment of screening technology.

I look forward to hearing from the panel, and appreciate everyone's willingness to be here.

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