

DEPARTMENT OF HOMELAND SECURITY

Office of Inspector General

Transportation Security Administration's Information Technology Managed Services Contract



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**Homeland
Security**

Preface

The Department of Homeland Security (DHS) Office of Inspector General (OIG) was established by the Homeland Security Act of 2002 (*Public Law 107-296*) by amendment to the Inspector General Act of 1978. This is one of a series of audit, inspection, and special reports prepared by our office as part of our oversight responsibilities to promote economy, efficiency, and effectiveness within the department.

This review was conducted at the request of Congressman Don Young, Chairman, Committee on Transportation and Infrastructure, U.S. House of Representatives. We assessed the Transportation Security Administration's (TSA) oversight of its ITMS contract with Unisys Corporation. Our report is based on interviews with employees and officials of relevant agencies and institutions, direct observations, and a review of applicable documents.

The recommendations herein have been developed to the best knowledge available to our office, and have been discussed in draft with those responsible for implementation. It is our hope that this report will result in more effective, efficient, and economical operations. We express our appreciation to all of those who contributed to the preparation of this report.

A handwritten signature in cursive script that reads "Richard L. Skinner".

Richard L. Skinner
Inspector General

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Abbreviations

ATP	Authorization to Proceed
ATSA	Aviation and Transportation Security Act
COTR	Contracting Officer's Technical Representative
DCAA	Defense Contract Audit Agency
DHS	Department of Homeland Security
DOT	Department of Transportation
EVM	Earned Value Management
FAR	Federal Acquisition Regulation
FSD	Federal Security Director
FTE	Full Time Equivalent

Table of Contents/Abbreviations

FY	Fiscal Year
GWAC	Government Wide Agency Contract
HSOC	High Speed Operational Connectivity
IT	Information Technology
ITMS	Information Technology Managed Services
ITOP II	Information Technology Omnibus Procurement II
IV&V	Independent Verification and Validation
LAN	Local Area Network
LMR	Land Mobile Radios
OIG	Office of Inspector General
OIT	Office of Information Technology
OMB	Office of Management and Budget
PMIP	Performance Management Improvement Plan
QASP	Quality Assurance Surveillance Plan
RFP	Request for Proposal
SLA	Service Level Agreement
SOO	Statement of Objectives
SOW	Statement of Work
SR	Service Request
TSA	Transportation Security Administration
WAN	Wide Area Network

*Department of Homeland Security
Office of Inspector General*

Executive Summary

The Office of Inspector General (OIG) reviewed Transportation Security Administration's (TSA) contract with Unisys Corporation (Unisys) for Information Technology Managed Services (ITMS) in response to a request from Congressman Don Young, Chairman, Committee on Transportation and Infrastructure, U.S. House of Representatives. Specifically, Congressman Young requested answers to the following questions:

1. How are the contract and related task orders set up, including how much the government has paid and what services and/or products have been received?
2. How do those actual services and products received compare to what was planned?
3. How is contractor performance under these task orders measured and how is the contractor performing under these measures?
4. How does TSA ensure appropriate use of small businesses?
5. How does TSA ensure appropriate use of new technology through this contract?

In 2002, TSA started the rollout of security operations at airports under congressionally mandated short timeframes with significant budget constraints. To quickly establish an information technology and telecommunication infrastructure needed to support its employees at headquarters and airport locations across the United States, TSA awarded a \$1 billion contract to Unisys using a broad statement of objectives to describe the requirements. At the time of award, the TSA Office of Information Technology (OIT) and Contracting Office had small staffs overseeing numerous high value acquisitions, including the Unisys contract.

By the beginning of Fiscal Year (FY) 2006, TSA spent most of the contract ceiling without receiving many of the contract deliverables critical to airport security and communications. The following discussion references the questions posed by Congressman Young.

1. **Contract Cost and Structure** – TSA's OIT projected that, by the beginning of FY 2006, its total costs on the Unisys contract would exceed \$834 million. The original contract including option years was to run through FY 2009; therefore, 83 percent of the contract ceiling has been expended in less than half of the allotted time. TSA awarded a Statement of Objectives (SOO)¹

¹ Under a Statement of Objectives (SOO) contract, the government describes its requirement in terms of desired objectives. Contractors are then asked to propose solutions that they believe will best meet or exceed the objectives.

contract in August 2002, but did not receive FY 2003 funding at anticipated levels. OIT issued numerous requests for specific tasks and deliverables, but did not always ensure that technical proposals included all of the required contracting elements such as statements of work with delivery due dates and acceptance criteria.

2. **Planned Versus Actual Costs and Deliverables** – Although actual contract costs exceeded planned contract costs, TSA did not receive all planned contract deliverables. TSA attributed most of its setbacks to budget cuts, understaffing, and changing or increasing requirements. TSA officials said that they originally estimated that the contract could exceed \$3-5 billion, but set the contract ceiling at \$1 billion. In its response to our draft report, TSA said that the \$1 billion ceiling was based on specific requirements but could not document which specific requirements.
3. **Performance Measures and Contract Performance** – TSA did not have adequate performance measures on the Unisys contract two years into the contract. Performance measures have evolved and improved over the life of the contract through TSA’s efforts to improve them, but performance measures were limited to a small portion of contract work and were added too late in the contract cycle to be effective in assessing the contractor’s performance.
4. **Appropriate Use of Small Business** – Unisys use of small businesses is appropriate. TSA has taken an aggressive approach to ensure that Unisys complies with small business subcontractor management responsibilities.
5. **Appropriate Use of New Technology** – TSA did not provide airport Federal Security Directors (FSDs) with all of the high-speed connections needed to obtain and transfer data and email necessary for their business operations. FSDs told us they were dissatisfied with the low level of technology in the equipment provided by TSA.

In our draft report, we recommended that TSA terminate the current contract at the end of the base period and re-bid the contract, and implement procedures to ensure that future contracts are procured with proper controls. TSA concurred with the recommendations and has developed a new acquisition strategy for information technology services. This strategy identified some work previously performed by Unisys for immediate competition, and allows for future competition as opportunities are identified. On December 30, 2005, TSA awarded a ‘bridge’ contract to Unisys that allows it to retain equipment leased under the current ITMS contract, and provide for the transition of ongoing projects. TSA said that the ‘bridge’ contract implements sound business practices and processes to address the weaknesses identified in our report. We consider the recommendations resolved and closed based on TSA’s assurances that these actions are complete.

Background

The *Aviation and Transportation Security Act*, Public Law 107-71, established TSA as a component of the Department of Transportation (DOT). The Act mandated an aggressive schedule to rollout new security operations across 429 airports nation-wide by November 2002. To accomplish this rollout, TSA needed to establish information technology and telecommunication infrastructure support and managed services for its anticipated 65,000 employees at headquarters, as well as 429 airports, 21 field offices, the TSA Command Center, and other locations to be determined. In August 2002, TSA used a streamlined acquisition strategy to award a \$1 billion ITMS contract to Unisys.

The most basic Unisys deliverable, High Speed Operational Connectivity (HSOC), provides the foundation for information technology capabilities. OIT defined this deliverable in three phases:

- *Red Package*, “Getting TSA Started” - This package included dial up connectivity, laptops, pagers, and cell phones that served as the foundation for TSA’s capabilities. Unisys was to complete this delivery by November 19, 2002.
- *White Package* (now known as HSOC), “Making IT Functional” - This package included high-speed data connectivity, phone systems, integrated scheduling, encrypted radios, and the Electronic Surveillance System. Unisys was to complete this delivery by December 31, 2002.
- *Blue Package*, “Optimizing IT” - This package included Airport Command Centers, advanced wireless applications, integration with DHS applications, and Land Mobile Radios (LMR) interoperability. TSA did not give Unisys a specific due date to complete this package.

As of September 30, 2004, Unisys had fully delivered the *Red Package* but not the *White Package*. Due to funding constraints, TSA was unable to begin implementation of the *Blue Package*.

1. Contract Cost and Structure – *How are the contract and related task orders set up, including how much the government has paid and what services and/or products have been received?*

TSA's OIT projected that, by the beginning of FY 2006, its total costs on the Unisys contract would exceed \$834 million². The procurement began as a SOO contract, but TSA managed it using the Service Request (SR) process to accomplish specific tasks. However, the SR technical proposals did not always include all of the required contracting elements such as statements of work with delivery due dates and acceptance criteria. As a result, TSA had no assurance that costs for Unisys deliverables were fair and reasonable; Unisys was sometimes allowed to perform unauthorized contract work; and TSA did not effectively manage its project priorities.

Contract Costs

TSA's projected total expenditures consisted of \$456 million in incurred costs and \$378 million to complete on-going projects. Contract obligations as of July 15, 2005, were \$763 million. Total contract obligations do not include equipment transition-to-ownership costs. TSA is leasing all equipment under this contract from Unisys. The contract calls for government buy-out of this equipment should TSA decide to cancel the contract. The buy-out fees decrease over time as the seven-year contract period progresses.

The original contract including option years was to run through FY 2009. Therefore, spending \$834 million would mean that 83 percent of the contract ceiling had been expended in less than half of the allotted time. TSA attributed this accelerated spending to continually changing and increasing Information Technology (IT) requirements. TSA officials stated that the staffing levels and geographic complexity of the technology required to secure the entire nation's transportation system were largely undefined when TSA was established and the ITMS Acquisition Plan was approved. Planned costs compared to actual costs are discussed in more detail in the next section.

Contract Structure

TSA requested proposals from contractors on a DOT "Information Technology Omnibus Procurement II (ITOP II) Government Wide Agency Contract (GWAC)," which included previously negotiated hourly rates. DOT had determined that the ITOP II labor prices were fair and reasonable.

² OIT reported that total costs through FY 2005 would be approximately \$940 million, reflecting an additional \$106 million in DHS work order costs that would be obligated and incurred on the Unisys contract by the end of FY 2005. These DHS costs count towards the contract ceiling of \$1 billion, but do not affect TSA's contract obligations because they were funded by DHS.

TSA opted to issue a request for proposal (RFP) for a SOO contract instead of the more common SOW contract. TSA personnel said that this type of contract could help them to meet the time constraints Congress imposed to establish the IT infrastructure of the new agency, particularly when TSA did not know exactly what its IT requirements would encompass. In response to the draft report, TSA said that it had selected a SOO contracting approach after performing market research. The Acquisition Plan stated:

“Under a SOO, the government describes its requirement in terms of desired objectives. Contractors will be asked to propose solutions that they believe will best meet or exceed the objectives. In essence, the government states the problem it wants solved, and industry is offered the freedom to propose what they consider the best solution. Under a SOO, the government is changing the very nature of what it is acquiring from the traditional compliance with a Government developed SOW, to performance results.”

TSA defined 11 contract objectives and asked the bidding contractors to define how they planned to meet those objectives. TSA awarded the contract to Unisys in August 2002 as a SOO contract with two work orders for information technology managed services at 429 airports and TSA headquarters, with an estimated 65,000 employees. The Unisys contract is an “Indefinite Delivery Indefinite Quantity SOO” contract with a base period of three years, two-year option periods (two), a \$1 billion ceiling, and provisions for Firm-Fixed-Price, Cost-Plus-Fixed-Fee, Cost-Plus-Award-Fee, Time-and-Materials, and Fixed-Price-Award-Fee type work orders.

As the contract progressed, TSA managed the specific contract requirements by issuing SRs with specific tasks. TSA did not, however, ensure that SR technical proposals included all required contracting elements such as statements of work with delivery due dates and acceptance criteria. When OIT did not receive FY 2003 funding at anticipated levels, it pulled smaller portions of work from the two large original work orders to fit with the funding levels provided. The contract expanded at that point into 11 work orders with hundreds of SRs, representing individual projects that were essentially more defined subsets of the original SOO. Appendix B describes the 11 work orders.

Fair and Reasonable Pricing

TSA did not adequately determine price reasonableness for individual projects. Even though it determined that the initial hourly rates were fair and reasonable, TSA often failed to determine that the number of hours charged or the labor categories used were reasonable or justifiable. Unisys submitted cost proposals to TSA for individual SRs using these hourly rates. However, only 7 of 27 SR contracting files reviewed contained evidence of price reasonableness

determinations or independent cost estimates. Federal Acquisition Regulation (FAR) 15.402 (a) requires that contracting officers purchase supplies and services at fair and reasonable prices. According to FAR 15.403-3 (a) (1), contracting officers are responsible for obtaining information that is adequate for evaluating the reasonableness of contract prices. We interviewed TSA OIT program managers to ask how they determined fair and reasonable pricing. Often, these officials cited the originally negotiated labor prices as their main justification for determining price reasonableness. In fact, the few program managers who closely examined Unisys' cost proposals found that many times Unisys proposed too many hours and higher labor categories than necessary for the described scope of work. In these cases, TSA successfully negotiated lower prices.

Further, TSA requested several audits of the Unisys contract from the Defense Contract Audit Agency (DCAA). A TSA contracting official told us, "our office reached out to DCAA in order to gain some assistance, an independent assessment of the issues we saw... to rectify the issues we have faced [with Unisys] on a long term basis." DCAA reported pricing and billing problems.³ For example, on January 4, 2005, it concluded that:

- Unisys' actual fully burdened rates were lower than the negotiated ITOP II rates, which indicated higher profit margins than 8.5 percent contemplated by the ITMS contract.
- Unisys billed the Functional Subject Matter Expert labor category rates, which were the highest rates among all 25 ITOP II rates, for employees who did not have the requisite knowledge and expertise.
- Unisys may have realized additional profit by billing uncompensated labor hours that were not reflected in the proposed base labor rates used to build up the ITOP II rates.
- The ITOP II fully burdened rates were not representative of the actual performance of the ITMS contract because Unisys used entirely different subcontractors and fewer subcontract labor hours than initially proposed for the ITOP II rates.

TSA reported that it has formed an Implementation Planning Team and is working with Unisys to correct the issues identified in the DCAA audit reports.

Unauthorized Contract Work

Unisys repeatedly performed work under the contract without receiving authorizations to proceed (ATP) from TSA's contracting office. TSA is partially responsible for this occurrence because OIT officials asked Unisys to begin work without signed ATPs. Unisys performed work before receiving an ATP on 13 of

³ DCAA Report Number 6321-2004U17900002.

27 SRs reviewed. In one case, Unisys completed most of the work on a project before TSA's contracting office signed an ATP. In another instance, TSA refused to pay Unisys for unauthorized work. Working without an ATP is referred to as working "at risk." TSA is aware of this problem and has investigated it through its Internal Affairs office. TSA's legal office is aware of this problem, too, and warned OIT about continuing to allow Unisys to work at risk. On numerous occasions, TSA's contracting officer attempted to prevent Unisys from working at risk. For example, TSA's contracting officer sent the following e-mail to Unisys:

“Unisys was not authorized to perform work under this SR; therefore, Unisys should not have provided any services under this SR to date for which Unisys expected reimbursement. For this reason the proposed \$26,190 in Senior Program Manager costs are not accepted.”

The Summary of Procurement Action on the same SR stated:

“Unisys has been repeatedly told by the contracting officers assigned to this contract that they shall not expect reimbursement for costs if they were not expressly directed by the contracting officer to perform work. It is the contracting officer's recommendation that the period of performance of this SR be the date the SR is accepted through September 30, 2004, and that Unisys be notified that all costs incurred from the start date shall be denied. Given that Unisys is a repeat offender on this issue, there is little hope that Unisys will instill more discipline without being financially penalized for failing to recognize the contracting officer as the only Government representative authorized to direct work.”

Contract files contained numerous other examples of warnings to Unisys about working at risk. In the most costly example, Unisys requested over \$40 million for work it performed without an ATP. After two lengthy negotiations, TSA agreed to pay \$15 million for the unauthorized work.

Ineffective Project Prioritization

Changing priorities caused delays in deploying fundamental projects to airports such as HSOC. Shifting priorities between projects appears to have caused some of OIT's contract management problems, too. Program managers reported that they were often frustrated by these shifts, which transferred funds from one project to another. At the end of FY 2004, TSA reprioritized its projects, moving HSOC back to the top of the list. (See Table 1, p. 10, for more detail.)

TSA attributed the problems identified in this report to staffing constraints and noted that the original staffing level for OIT was only 94 full-time equivalent

(FTE) positions. TSA subsequently increased the OIT staff ceiling to 142 FTEs. However, TSA officials cited a human capital study conducted for DHS in April 2004 that showed OIT supported roughly 350 users per FTE, whereas the average number of supported users per FTE among other federal agencies was approximately 50. According to TSA, OIT regularly requests increases to the FTE baseline but increases have not been approved to relieve this disproportionate FTE-to-user ratio. Further, in its response to this report TSA stated that OIT staffing has not reached its ceiling level with current staffing at 116 FTEs.

In addition, TSA stated that many studies have shown that its contracting office is equally understaffed. The ITMS contracting staff has grown from one contracting officer to the current staff of seven since contract award. Increasing the contracting staff level continues to be a focus area for TSA.

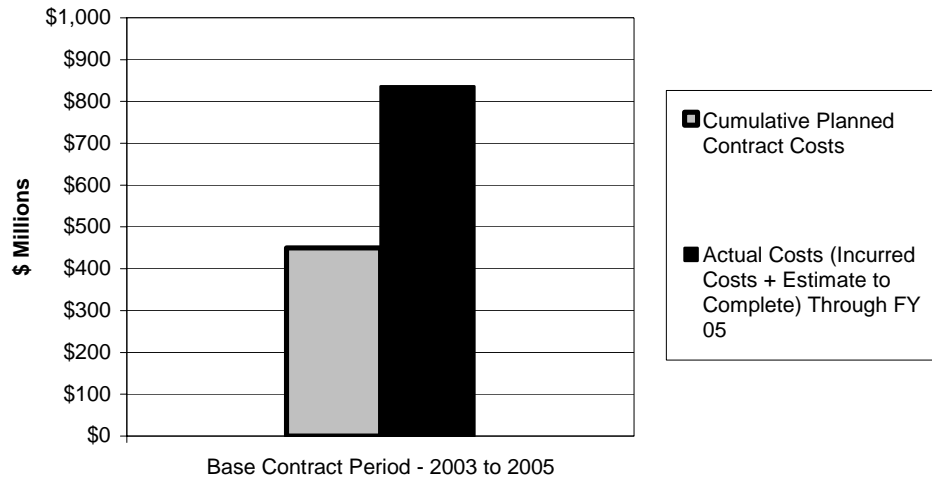
2. Planned Versus Actual Costs and Deliverables – *How do those actual services and products received compare to what was planned?*

Actual costs exceeded planned costs; and, TSA has not fully received essential planned deliverables. In the ITMS Acquisition Plan, OIT estimated costs to be \$1 billion over a seven-year period. However, TSA has spent nearly the entire amount in three years, but has not fully received all essential deliverables. TSA attributed most of its setbacks to budget cuts, understaffing, and changing as well as expanding requirements. Several TSA officials said that they never expected to complete all of the contract objectives within the original contract ceiling and originally estimated that the contract could cost between \$3-5 billion, but set the contract ceiling at \$1 billion. These same officials further explained that they were challenged to accurately estimate a contract ceiling because the staffing levels and complexity of the technology required to secure the entire U.S. transportation system were unknown when the ITMS Acquisition Plan was approved. In its response to our draft report, TSA said that it had specific requirements before the start of work and estimated the cost of those requirements at \$1 billion. TSA was not, however, able to provide documentation on what specific requirements were included in the \$1 billion ceiling. Consequently, we could not identify a clear basis for comparing estimated to actual costs for specific requirements.

Planned Versus Actual Costs

TSA's Acquisition Plan stipulated a \$1 billion contract ceiling to cover a seven-year contract period. The estimate for the base period (FY 2003-2005) was \$450 million. However, OIT estimated that it spent \$834 million (83 percent) just three years into the contract. The chart below compares TSA's planned contract expenditures for the base period with the actual contract costs.

Cumulative Planned Contract Costs Compared to Actual Contract Costs



Planned Versus Actual Deliverables

TSA has not received many planned deliverables that are critical to airport security and communications. One example is High Speed Operational Connectivity (HSOC), which TSA planned to have fully installed by December 31, 2002. TSA delayed HSOC deployment, however, when it did not receive full funding. Two years into the contract, 11 percent of large “hub” airports and 100 percent of smaller “spoke” airports were still using dial-up connectivity. HSOC, or the “White Package,” is the IT infrastructure that provides high-speed electronic connectivity and communications to all major airports. TSA originally scheduled HSOC for completion to all FSD sites by December 2002. TSA should have placed higher priority on completing this project because of its importance to airport security and communications, and because most other ITMS projects—such as time and attendance software, the screener scheduling software, and screener training programs—depend on it.

Table 1 shows the status of the 12 essential planned deliverables from the contract. Appendix C provides additional details about these unmet deliverables, including assessments from OIT and our office. Twelve essential deliverables from this list were either overdue, or had no established due dates and were only partially delivered. FAR 37.601(a)(2) stipulates that performance-based contracting methods ensure that required performance quality levels are achieved, and requires the government to use measurable performance standards, including timeliness standards. OIT’s acceptance of work proposals without planned delivery dates resulted in little control over when essential products and services were delivered.

	Deliverable Description⁴	Original Planned Delivery Date	Has Project Been Fully Delivered?	Reason for Delay (Per TSA)
1	White Package (HSOC) to all airports with FSDs	Dec-2002	No	Lack of funding
2	Quality Control Surveillance Program	No date promised	No	See Appendix C
3	Electronically enable employees	Dec-2002	No	Lack of funding
4	Time and attendance system (KRONOS)	Dec-2002	No	Lack of funding
5	Scheduling system (SABRE)	Dec-2002	No	See Appendix C
6	Interoperable land mobile radio services	Aug-2003	No	See Appendix C
7	Electronic surveillance system	No date promised	No	Pilot/Lack of funding
8	Integrated voicemail solution	No date promised	No	Lack of funding
9	Sensitive but unclassified (SBU) capability	Dec-2002	No	See Appendix C
10	Wireless solutions	No date promised	No	Technology not available
11	Government Information Security Reform Act compliance	No date promised	No	See Appendix C
12	Asset management	No date promised	No	In progress

TABLE 1 – Essential Deliverables not Fully Received

We asked FSDs to rate the effectiveness of the goods and service received under the Unisys contract. Although the FSDs gave Unisys an average score of 7.3 on a scale of 1 to 10 (with 1 “poor” and 10 “excellent”), the FSDs submitted written comments complaining about products provided (see Appendix D for survey results). Many FSDs commented on ineffective email, voice mail, telephone service, cell phone service, Internet access, and LMRs. They also noted that the shortfalls were the result of inadequate funding rather than the fault of Unisys. The FSDs said that they need these key communication tools to ensure airport security.

OIT attributed most of its setbacks to budget cuts within TSA (see Appendix C for details from OIT as to why some deliverables were not met). Table 2 presents OIT’s budget requests, as well as TSA’s allocations and cuts, from FY 2002 through 2004 (in millions).

⁴ No direct correlation between these deliverables and the work orders shown in Appendix B exists. All original contract deliverables were associated with Work Orders 1 and 2, but were later partially moved into other work orders. Therefore, we focused on key essential deliverables as shown in Table 1 and Appendix B.

Fiscal Year	Requested	Initial Allocation	Final Allocation
2002	\$238.2	\$108.2	\$108.2
2003	290.5	269.5	269.5
2004	406.1	339.0	262.7
Total	\$934.8	\$716.7	\$ 640.4

TABLE 2 – OIT Budget Requests and Allocations

TSA cut the OIT FY 2004 budget three times after the initial allocation. OIT reported that these budget cuts resulted in delays on at least seven major ITMS projects.

3. Performance Measures and Contract Performance – *How is contractor performance under these task orders measured and how is the contractor performing under these measures?*

OIT did not establish or implement adequate performance measures at the beginning of the Unisys contract. Performance measures have evolved and improved over the life of the contract, but they were limited to a small portion of SRs and added too late in the contract process to have an impact. OIT has, however, made use of the limited performance measures available to indicate its lack of satisfaction with Unisys performance, awarding Unisys only 5 percent of the available performance award funds.

Measurement Tools

OIT implemented 19 tools to measure, monitor, and track performance on the Unisys contract (listed in Appendix E). However, 12 of the 19 tools came into use a full year after the contract was in place. Several of the tools were introduced only recently or never fully implemented such as the Quality Assurance Surveillance Plan. We reviewed five performance measurement tools on 27 SRs with incurred costs of \$320 million as of August 30, 2004 and concluded that all five performance measures needed improvement.

- a. Acceptance Criteria – OIT did not define acceptance criteria for 24 of the 27 SRs (89 percent). FAR 37.602-2 requires agencies to develop quality assurance surveillance plans that contain measurable acceptance criteria. Much of the work OIT placed on the Unisys contract did not include this basic requirement. Without setting specific acceptance criteria—including terms of quality, timeliness, and quantity—TSA cannot hold Unisys liable for timely delivery of acceptable products and services. When OIT implemented the new SR process, it should have required specific statements of work with

all the elements described for each SR. Instead, OIT allowed Unisys to work on projects without deadlines or acceptance criteria.

We interviewed program managers for the 27 SRs about acceptance criteria. Managers for seven of the projects admitted that OIT had not defined acceptance criteria for its projects. Three project managers misunderstood how to define acceptance criteria. They said that a completed DD250 form denoted acceptance criteria. However, a completed DD250 simply indicates that a product or service was received on a specific date and that the government accepts it. OIT should have clearly defined acceptance criteria prior to awarding contract modifications, not after completion of the work.

- b. Service Level Agreements (SLAs) – SLAs are performance measures that gauge how well a contractor delivers services according to contractual requirements and customer expectations. For the first two years, OIT placed only 18 SLAs on this \$1 billion contract. OIT admitted this number was insufficient because the SLAs covered only operations, maintenance, and security. Also, TSA’s performance manager reported that five security SLAs were insufficient and irrelevant to important security issues, thus they were never used. On October 1, 2004, OIT revised the SLAs, eliminating eight and adding 24 for a total of 34. However, adding new performance measures two years, and over half a billion dollars into the contract, occurred too late to effectively measure performance.
- c. Performance Management Incentive Plan (PMIP) – OIT developed a PMIP to track and monitor contractor performance. However, because the original version was inadequate, OIT never fully implemented it. OIT made major changes to the plan and added it to the contract on October 1, 2004. The new version contained improved performance measures; however, two years into the contract, the PMIP was still evolving and was not fully implemented. Again, implementation of this measurement tool occurred too late to be effective.
- d. Earned Value Management (EVM) – EVM is a project management tool that effectively integrates the investment scope of work with schedule and cost elements for optimum investment planning and control. According to Office of Management and Budget (OMB) Circular A-11, *Preparation, Submission, and Execution of the Budget*, Section 300, *Planning, Budgeting, Acquisition and Management of Capital Assets*, EVM is required for those parts of the investment where developmental effort is required. Those “parts” include prototypes and tests to select the most cost-effective alternative during the planning phase, the work during the acquisition phase, and any developmental, modification, or upgrade work performed during the operational/steady state phase. EVM is to be applied to both government and contractor efforts.

According to the Circular, program managers must use EVM for ongoing investments to identify problems on specific work packages. OIT did not begin applying EVM until the last quarter of FY 2004, and then, only on a few projects. OMB representatives told us that EVM requirements were in effect as of FY 2002, that TSA is required to use EVM on the Unisys contract, and that TSA's business case would receive a less than satisfactory score if it did not use EVM on a project as large as the Unisys contract. The end result might be a program or budget cut, according to OMB.

- e. Independent Verification and Validation – OIT used a contractor to independently verify Unisys' performance and to determine whether measuring and reporting SLAs produced significant and accurate measures of performance. The contractor prepared detailed reports and recommendations for improving contractor performance. However, OIT has not implemented those recommendations. For example, SLA AVL-10 measured the availability of all servers across the Unisys contract. In a November 2003 report, the contractor told OIT that the current measures of server availability were not a good indicator of whether actual services (files, e-mail, print, and applications) were available to OIT customers. The independent evaluator recommended that, as soon as feasible, OIT develop SLAs to measure availability of these services. In another example from the same report, the evaluator discussed SLA AVL-11, which monitors infrastructure maintenance, and the time Unisys takes to repair and return items such as laptops, desktops, and software applications to service. The evaluator could not unconditionally validate this SLA because documentation for contacting customers for repairs was inadequate. The evaluator recommended that OIT implement a documentation process to report the time it takes to make repairs. OIT provided no evidence that it had implemented any of these recommendations. According to senior OIT officials, OIT did not implement the recommendations because of a funding shortage.

Awards

The Unisys contract contains a clause to establish an award pool each FY quarter. As of September 30, 2004, TSA paid Unisys one \$697,000 award (or 5 percent) of an available \$13.7 million pool, signaling that Unisys generally did not perform at a level sufficient to earn awards.

Customer Satisfaction

Many FSDs were dissatisfied with Unisys equipment and services. In our survey, we asked all 158 FSDs nationwide to rate Unisys' equipment and services. The FSDs' response rate (105 or 66 percent) shows their concern and frustration with ITMS goods and services. Table 3 summarizes common issues reported by FSDs and Appendix D lists a sample of FSD comments expressing dissatisfaction with Unisys' equipment and services.

Common Issues Reported by FSDs	Number of FSDs Reporting this Issue	Percent of Respondents
Help Desk Ineffective/Slow	31	30%
Need More Local Control of IT	27	26%
Cell Phones Ineffective	26	25%
Plain Old Telephone Service (POTS) is Ineffective	22	21%
Local IT Support Needs Improvement	20	19%
Land Mobile Radio Equipment Ineffective	14	13%
Overall ITMS Needs Not being Met	13	12%
Copiers/Fax Ineffective	12	11%
Email Slow and Cumbersome	10	10%

TABLE 3 – Common Issues Reported by FSDs

4. Appropriate Use of Small Business – *How does TSA ensure appropriate use of small businesses?*

Unisys use of small businesses is appropriate. Although the ITMS contract has no specific small business subcontracting requirements for Unisys, it incorporates Unisys' Commercial Subcontracting Plan that uses goals across all of its government contracts without specific small business subcontracting goals for individual government contracts. TSA has taken an aggressive approach to ensure that Unisys complies with small business subcontractor management responsibilities, even though it is not contractually obligated to any specific goals.

5. Appropriate Use of New Technology – *How does TSA ensure appropriate use of new technology through this contract?*

TSA has not provided new technology at airports. During our site visits to four airports and from responses on survey questionnaires from 105 airports, we learned that many FSDs were dissatisfied with the technology provided under the Unisys contract. OIT officials described two methods that were available to ensure the use of new technology, both through the SR process:

- a. Unisys knows it can propose new technology at any time for any service request. Unisys updates products as needed to keep current with what the

market has to offer. The contracting office makes product changes based on the availability of new technology.

- b. When OIT negotiates a new service request, OIT asks Unisys for a solution. Prior to acceptance, OIT program managers thoroughly evaluate Unisys' technical proposals. According to OIT officials, Unisys and the OIT program managers continuously research the market for the latest technology.

Despite these options, many airports were operating with old technology, relying on dial-up Internet, and using email connectivity that was slow and ineffective. Telephone systems were often archaic without the capability to forward, hold, or conference calls. Land mobile radios did not have enough repeaters to ensure reception throughout airport properties and were not interoperable with other law enforcement agency equipment.

Conclusion

In 2002, TSA started the rollout of security operations at airports under congressionally mandated short timeframes with significant budget constraints. TSA had to quickly establish an information technology and telecommunication infrastructure needed to support its employees at headquarters and airport locations across the United States. To accomplish this challenging task, TSA awarded a \$1 billion contract to Unisys using a broad statement of objectives to describe the requirements. At the time of award, the TSA OIT and Contracting Office had small staffs overseeing numerous high value acquisitions, including the Unisys contract.

The broad scope of requirements and short timeframes for implementation caused difficulty in establishing a realistic contract cost ceiling, structuring specific tasks and establishing reasonable prices for those tasks. These difficulties impeded TSA's effective management of the Unisys contract and resulted in a lack of IT capabilities and support for TSA locations. This lack of IT capabilities, according to some FSDs, diminished their ability to accomplish their mission.

The original funding is almost exhausted but many airports still do not have basic information technology and a telecommunications infrastructure. Moving to a new acquisition strategy at this time will allow TSA to establish well-defined requirements, develop independent cost estimates for those requirements, and better manage the implementation of new technology.

Management Comments and OIG Analysis

In our draft report, we recommended that the Assistant Secretary, TSA:

1. Close out the current ITMS contract at the end of the base period (August 12, 2005), without exercising the option for additional contract periods; and, re-bid the work using either an adequately funded SOO contract or a SOW contract with well-defined requirements.
2. Implement procedures to ensure that future procurement actions include the following features:
 - Fair and reasonable pricing;
 - Avoidance of unauthorized contract work;
 - Establishment of acceptance criteria prior to contract award;
 - Timely and effective performance measurements to ensure acceptable quality contractor performance.

TSA concurred with the recommendations and stated that it has taken appropriate actions to implement those recommendations. TSA has developed a new acquisition strategy for information technology services. This strategy identified some work previously performed by Unisys for immediate competition, and allows for future competition as opportunities are identified. On December 30, 2005, TSA awarded a 'bridge' contract to Unisys that allows it to retain equipment leased under the current ITMS contract, and provide for the transition of ongoing projects. TSA said that the 'bridge' contract implements sound business practices and processes to address the weaknesses identified in our report. We consider the recommendations resolved and closed based on TSA's assurances that these actions are complete.

TSA also provided technical comments on the report content. We considered those comments in the development of the final report and revised the report to include TSA's comments and clarify specific points where necessary.

Appendix F includes TSA's comments in their entirety.

Appendix A

Purpose, Scope, and Methodology

Purpose – Our audit objective was to answer five congressional questions:

1. How are the contracts and related task orders set up, including how much the government has paid and what services and/or products have been received?
2. How do those actual services and products received compare to what was planned?
3. How is contractor performance under these task orders measured and how is the contractor performing under these measures?
4. How does TSA ensure appropriate use of small businesses through this contract?
5. How does TSA ensure appropriate use of new technology through this contract?

Scope – We conducted the audit between July 2004 and July 2005 under the authority of the *Inspector General Act of 1978*, as amended, and according to generally accepted government auditing standards. Our scope focused strictly on answering these questions and covered the contract through Modification 110. The audit included incurred costs as of August 30, 2004, and estimates to complete on-going projects, and deliverables completed as of the beginning of FY 2005. We performed limited testing (sampled SRs) of the accuracy of incurred cost data provided by TSA and Unisys. We did not test the accuracy of other electronic data provided.

We selected a judgmental sample of 27 Service Requests, which included the 15 largest dollar projects (over \$10 million) as well as 12 that were added as we learned about projects by attending OIT performance management meetings, conducting interviews, observing airport deliverables, and analyzing survey questionnaire results. We used the same sample to review projects for fair and reasonable pricing and performance measurement issues.

Methodology – To answer the congressional inquiry, we reviewed and analyzed contracting and SR files, contractor sub-contract files, invoices, financial reports and databases, TSA policy and IT manuals, and miscellaneous file documentation. We interviewed TSA contracting personnel, department heads, program managers, and budget employees. We also attended OIT performance management meetings.

We conferred with Defense Contract Audit Agency (DCAA) auditors who were conducting an audit of Unisys invoices for the ITMS contract and with an official at OMB. We reviewed previous audits and reviews conducted by the Government Accountability Office, DHS OIG, and TSA's Internal Affairs Office.

Appendix A

Purpose, Scope, and Methodology

We composed and sent a survey questionnaire to 158 federal security directors asking them to rate the products and services provided by Unisys. We also toured four airports and interviewed FSDs, Unisys on-site IT specialists, and TSA screeners and managers.

We took the list of contract deliverables directly from Unisys contract attachments J-9 and J-11 (Work Orders 0001 and 0002 Technical Proposals) and from contract Modification 0004, “A Proposal for Measuring ITMS Success.” TSA’s contracting officer confirmed that this list was an accurate representation of contract deliverables. We asked OIT officials to confirm whether each deliverable had been completed.

Appendix B Work Order Descriptions

Work Order Number	Work Order Descriptions
1	Enterprise Operations Center
2	Field/Headquarters Infrastructure Deployment
3	Land Mobile Radio, Electronic Surveillance & Wireless Systems
4	Enterprise Management
5	Applications
6	Time and Attendance (KRONOS) and Scheduling (SABRE) Applications
7	Cargo Applications
8	e-Gov Operating Platform
9	DHS IT Support Vehicle – Ends FY 04
10	DHS - US VISIT
11	DHS IT Support Vehicle – Beyond FY 04

Appendix C Contract Deliverables Not Fully Completed

We provided a list of original contract deliverables to OIT officials to ascertain whether each deliverable was complete, and if not, why not. As shown in the table below, many of the essential deliverables were due by December 2002 and were still in progress or not delivered by the beginning of FY 2005. OIT's explanations are in Column D. If we disagreed with OIT's conclusions, the reasons are shown in Column D. OIT provided the following overview:

Introduction - The ITMS contract with Unisys was intended to be a vehicle from which TSA could order the IT services that were required to meet TSA mission requirements. From the beginning, it was assumed that adequate funding would be made available in a timely manner to facilitate the capabilities and timeline as proposed within this vehicle. At time of award, TSA was going through a period of constantly changing requirements almost on a daily basis. This time of change due in part to the turmoil of standing up an agency, an IT office, lack of timely funding, and trying to meet congressional mandates was unforeseeable and greatly impacted our ability to execute as originally envisioned. These factors contributed to the numerous contract changes that were executed through the Service Request process and/or through the ordering of services when funding was made available. The majority of the deliverables that will be discussed below were affected by the factors as discussed above. Even though an expectation was set early on that these capabilities would be rolled out on a promised schedule, forces outside of OIT's control necessitated that the original planning needed to be modified to facilitate the constantly changed environment.

A. Planned Contract Deliverables	B. Service/Product Delivered? (Per TSA)	C. Service/Product Delivered? (Per OIG)	D. Reason for Non-delivery of Service or Product/OIG Comments
1. <u>White Package</u> a. White Package to all CAT X (21) & CAT1 airports by 11/19/02 b. LAN/WAN infrastructure c. Operational hosting center (Network Operations Center, WAN Operations Center, Security Operations Center) d. Encrypted LMR TSA "accepts" installation e. White Package to 122 remaining "FSD" airports by 12/31/02.	In progress	In progress	a. & b. - This is still in process of being completed as funding permits. Total funding to meet these requirements has not been provided to complete this task. c. This was completed as identified above d. Encryption capable Land Mobile Radios have been fielded to all airports e. Total funding to meet these requirements has not been provided to complete this task.

Appendix C

Contract Deliverables Not Fully Completed

A. Planned Contract Deliverables	B. Service/Product Delivered? (Per TSA)	C. Service/Product Delivered? (Per OIG)	D. Reason for Non-delivery of Service or Product/OIG Comments
<p>2. <u>Quality Control Surveillance Program (QCSP)</u></p> <p>Implement a robust QCSP</p>	In progress	In progress	<p>Initial QCSP was developed but not implemented. Subsequently, QCSP is being re-vamped based on the new SLA metrics, and the QCSP was to be implemented by the end of QTR 1 FY05. Interim QCSP was implemented by the OIT via the Quality Management monitoring process, IV&V and the OIT Project Control process.</p>
<p>3. <u>Electronically enable employees</u> Each employee will have the IT support necessary to meet their basic "role" needs. Role-based: Staff=PC, e-mail, inter/intranet access, telephone, and other capabilities. Screeners=e-mail, inter /intranet access, electronic access for scheduling and benefits 50% of employees by 11/19/02 100% of employees by 12/31/02</p>	In progress	In progress	<p>As equipment was fielded these accounts were provided to meet users requirements. Screener Accounts were provided as the training requirements and funding were made available to support these requirements.</p> <p><i>OIG Comment: Unisys has missed its deadlines for this project.</i></p>
<p>4. <u>Time and Attendance System</u> Provide a Time and Attendance card reader device, installation and maintenance solution that are technically feasible and cost-effective which can be integrated with the TSA Transportation Worker Identification Card (TWIC).</p>	Yes	No	<p>This program is still in the delivery stages. An initial capability was delivered in FY03 and is still in use. Lack of available funding has prevented the rollout of services to the maximum extent the program was developed to provide.</p> <p><i>OIG Comment: OIT scheduled this project for completion at all airports by 12/31/02. However, as noted above, it is still in the delivery stages.</i></p>
<p>5. <u>FSD Staff Management (Scheduling System (SABRE))</u> Ability to acquire, assign, and track employees. a. Electronic database of staff available and fully-trained to assign b. Electronic ability to assign staff to shifts at least 3 weeks in advance c. Electronic ability to track staff time and attendance d. Electronic ability to pay staff for shift work performed e. 50% of employees by 11/19/02 f. 100% of employees by 12/31/02</p>	In progress	In progress	<p>This capability was fielded according to TSA requirements that continued to evolve post contract award. Both TSA and Unisys modified this original schedule through the SR process to meet TSA's mission requirements.</p> <p><i>OIG Comment: As noted in column A, 100% SABRE was originally scheduled for completion by 12/31/02.</i></p>

Appendix C Contract Deliverables Not Fully Completed

A. Planned Contract Deliverables	B. Service/Product Delivered? (Per TSA)	C. Service/Product Delivered? (Per OIG)	D. Reason for Non-delivery of Service or Product/OIG Comments
<p>6. <u>Land Mobile Radios</u> Provide secure, interoperable Land Mobile Radio Services to our customers.</p>	Fulfilled	No	<p>LMR system provided to TSA to support its requirements.</p> <p><i>OIG Comment: Many FSDs reported that their LMRs do not work across the entire airport property and are not interoperable with other law enforcement agencies' equipment.</i></p>
<p>7. <u>Electronic Surveillance System</u> Provide an Electronic Surveillance System (ESS)</p>	Fulfilled	No	<p>ESS is an ongoing program to deploy a pilot to several airports to test the feasibility of the system. Upon a successful pilot and when funding is identified, the Electronic Surveillance System will be deployed to the required TSA field Sites.</p> <p><i>OIG Comment: This system has not been deployed to the required TSA field sites; therefore, it cannot be considered fulfilled.</i></p>
<p>8. <u>Integrated Voicemail System</u> Implement an integrated voice/voicemail solution including dialing plans that are 100% interoperable with all Field/HQ nodes and equipment. Provide a migration path to Unified Messaging capability.</p>	In progress	In progress	<p>Voice over IP (VoIP) was deployed to HQ. Budget constraints forced a reduction of deployed sites. Alternative systems were provided to airport sites that did not receive VoIP. The VoIP program has been restarted to try and fulfill this requirement.</p> <p><i>OIG Comment: This item has only been deployed to HQ.</i></p>
<p>9. <u>Classified Capability</u> TSA ability to manage crises- Ability for TSA to alert and communicate with appropriate employees in the event of national or regional events. a. Command and Control b. FSD Crisis Participation c. 158 FSD airports with classified/Sensitive But Unclassified (SBU) capability by 11/19/02 d. All airports with classified/SBU capability by 12/31/02.</p>	In progress	In progress	<p>This requirement continued to evolve after contract award to the present capability of FSD being able to communicate in a timely manner with the Transportation Security Operations Center.</p>

Appendix C

Contract Deliverables Not Fully Completed

A. Planned Contract Deliverables	B. Service/Product Delivered? (Per TSA)	C. Service/Product Delivered? (Per OIG)	D. Reason for Non-delivery of Service or Product/OIG Comments
<p>10. <u>Wireless Solutions</u> Provide coordinated wireless solutions consistent with operational need and consistent with TSA Enterprise Architecture.</p>	In progress	In progress	The multiple variables at airports have required TSA to wait for technology to catch up to its need to have an extremely secure system that can meet the many varied laws, regulations, and codes that are imposed upon TSA by the numerous airport authorities.
<p>11. <u>Government Information Security Reform Act Compliance (GISRA)</u> Implement established GISRA compliance/review processes throughout the TSA Enterprise.</p>	In progress	In progress	GISRA has been superseded by Federal Information Security Management Act requirements and this is being met with the joint support of the TSA Security Office and Team Unisys.
<p>12. <u>EOC Deployment</u> Development of all Enterprise Operations Center related (EOC) deployment (services or equipment) packages coordinated with all TSA stakeholders and consistent with higher mission schedules and IT security requirements. Includes asset management.</p>	Completed	No	<p>Task was completed based upon stand-up of the EOC and site visits by TSA security, infrastructure, and operations.</p> <p><i>OIG Comment: This deliverable includes asset management. Airport FSDs reported that Unisys has not delivered this yet.</i></p>
<p>13. <u>Balanced Scorecard</u> Balanced scorecard to define the consolidated components of Performance Plan.</p>	In progress	In progress	TSA is still developing its approach to a balanced scorecard based upon OIT Strategic Objectives.
<p>14. <u>LAN/WAN/VPN</u> Provide TSA LAN and WAN connectivity, Internet access, VPN capability, and the servers and applications that make up the core foundation of those networks and are architected to optimize information security, total security, total cost of ownership, reliability, and user satisfaction in meeting TSA objectives.</p>	Provided	No	<p>This was implemented to the maximum extent possible under the funding provided by TSA. Insufficient funding was provided to complete the installation of LAN/WAN connectivity to all TSA Sites.</p> <p><i>OIG Comment: This was not fully implemented due to funding constraints.</i></p>
<p>15. <u>Total Cost of Ownership (TCO)</u> Develop and maintain TCO consistent with scope of the TSA IT infrastructure, configuration management, and TCO benefits.</p>	In progress	In progress	This is maintained at several levels consistent with standard government practices and is evaluated through the individual SR proposals and accomplished through the “estimate to complete” reviews.

Appendix C

Contract Deliverables Not Fully Completed

A. Planned Contract Deliverables	B. Service/Product Delivered? (Per TSA)	C. Service/Product Delivered? (Per OIG)	D. Reason for Non-delivery of Service or Product/OIG Comments
<p>16. <u>Enterprise and Security Architecture</u> Immediate participation in the creation and maintenance of the TSA enterprise and security architecture planning and compliance process and TSA capital planning and portfolio management process.</p>	In progress	In progress	<p>Unisys is helping TSA to develop enterprise and security architectures under the auspices of Work Order 4. Initial efforts have been completed and delivered. OIT has an Enterprise Architecture, Technical Reference Model, and Security Architecture. Capital Planning and Portfolio Management is under development at this time.</p>
<p>17. <u>On-site IT Support</u> Provide on-site support at critical CAT X, CAT I airports, Federal Air Marshall, and other locations designated by TSA.</p>	Yes	No	<p>On-site technical support at select locations for the Federal Security Director and subordinate staff to assist with network administration activities, system security, training needs, and related technical work and coordination as required.</p> <p><i>OIG Comment: Only 36 of the 41 Category I airport FSDs responding to the OIG survey reported that they have on-site IT support.</i></p>

Appendix D

Federal Security Director (FSD) Survey Questionnaire Results

TSA has deployed various levels of ITMS goods and services to 429 airports. We sent a survey questionnaire to 158 federal security directors (FSDs) and received responses from 105, or 66 percent (most FSDs are responsible for more than one airport). We asked the FSDs to rate the products and services they are receiving from Unisys on the ITMS contract.

FSDs were asked to rate the following goods and services on a scale of 1 to 10, with 1 "poor" and 10 "excellent". The figures below represent the average of the 105 responses received.							
Cell Phones	E-mail	Help Desk	Radios	Copiers/Fax	Land Phones	On-Site Tech	Overall Rating
7.1	7.9	7.5	7.4	8.4	6.8	7.7	7.3

In many cases, although the FSDs rated the item satisfactorily, they included narrative comments that contradicted the numerical rating. The following are notable comments from dissatisfied FSDs:

1. "With no on-site service, response is slow, resulting in loss of productivity when computers go down. Inflexibility in adding peripherals to the system (printers) also reduces productivity. Technicians usually do not have any working knowledge of the programs they are attempting to fix and end up spending most of their time on the phone with the helpdesk. We could be just as effective with an administrative password and the helpdesk and save thousands of dollars per service call."

2. "Radio equipment provided by Unisys does not provide adequate coverage of all areas serviced by TSA at the airport. Request for a repeater has not been met due to lack of TSA funding. An off-site contractor provides local Unisys technical support. The contractor provides good support but equipment is sometimes deadlined awaiting arrival of contractor. On-site dedicated support is necessary."

3. "Much of what is handled by UNISYS can be better performed by in house employees at little or no cost to the government. For example, last year we needed to upgrade Adobe Acrobat. This is a routine upgrade performed by consumers everywhere in the world. Unfortunately, under the UNISYS contract it required a UNISYS rep to visit each work station to upgrade the software, because no one on my staff was authorized administrative privileges."

Appendix D

Federal Security Director (FSD) Survey

Questionnaire Results

4. “The Help Desk is far from helpful. Although the service has improved over the last year, there are many times when you are sent the wrong template document, they refer you to departments or people that don’t exist, or they will argue with you when you are trying to explain what is really needed to fix the problem at your location. We have had open jobs for weeks with no follow-up or a date when a field tech will be out to fix the problems.”
5. “Overall, UNISYS is providing ‘reasonably’ good service for this Directorate. Email service is rated low only because Red Package support is not deemed as acceptable service to meet the expected pace of TSA. Understanding that this is largely a money issue, all airports should still have a better baud modem rate than 30-46K! This FSD is scheduled for higher speed connectivity at its off-site headquarters before the end of November 2004, but services at all eight of our airports will remain on the Red Package for an undetermined amount of time. Our concern is that service will decrease with dwindling Red Package assets and service, and this is a topic that requires immediate address.”
6. “Inadequate number of cell phones available to core staff and managers. White package not at all locations. Radios are inadequate to the tasking. Not all divisions are in possession of fax machines (Regulatory, training, etc.) I am not satisfied that we have properly equipped all our management staff with proper desktop and cellular communications. My training staff is a very busy one and does not have a fax machine. My Regulatory operation should have a proprietary fax machine and does not. Proper printing equipment is not available to all operations for all aspects of their requirements. There is a problem with a print queue for some printers that should be fixed by TSA HQ and is being neglected.”
7. “Very important that we get [this airport] on the white package as soon as possible. Both the Deputy FSD and ASI are assigned to this location and they are significantly handicapped due to the slow and unsatisfactory performance of the old “red” package system. Numerous inquiries into a timetable for their white package installation have provided very little information.”
8. “We are not pleased with the level of services provided as the services are not state of the art and in fact are archaic.”

Appendix D

Federal Security Director (FSD) Survey

Questionnaire Results

9. “The areas for improvement are: 1) [this airport] needs a decent, reliable, modern office phone system and equipment. We were given a hodge-podge of \$20 Radio Shack sale rack phones with which to conduct business. Many do not have common office features like speakerphone, hold, transfer, inter-com or re-dial capabilities. Some are so old they actually have a mechanical bell that rings when someone is calling. 2) The other major item in need of some attention is radio service. We have thousands of dollars worth of radio equipment to use, but do not have a repeater that will boost the signal to all corners of the airport. Sometimes people on the same concourse can't even communicate with each other. This needs to be fixed. For emergencies, we need a robust radio system that will work anywhere inside the terminal building and outside the building up to 1-2 miles (end of runway, around entire perimeter). 3) Next, it is essential that we get connectivity at the airport terminal (we have T-1 line at the office off airport) in some way, shape, or form. Our Managers and Supervisors have to enter large amounts of data into a computer then connect via a dial up connection. This takes a long time and keeps them from being as efficient as they could/should be. A T-1 line has been installed at the airport, but no cable has ever been strung to the manager's office or other locations nor has a server been installed to connect airport personnel to TSA systems. 4) Lastly, the "Lanier" copiers are good but have not been configured to the LAN in order to take advantage of all their advanced capabilities.”
10. “Telephone equipment is very basic. Need a phone system with many more options. Need to be able to put callers on hold, answer any line from any office and have speaker phone capability.”
11. “Initial roll out and set up of equipment worked well. However, when problems occur with equipment, the help desk is the first entry point to resolve the problem. Often, the tech at the help desk cannot solve the problem and a ticket number is assigned for an on-site visit. The local Unisys techs (not assigned to TSA) are not usually familiar with TSA networks and configurations and must also call the helpdesk during the visit to resolve issues. In addition, software is not on site and must be sent to the techs prior to the visit. This adds time to the repair process. We have experienced many trouble calls that result in the tech spending all day at the TSA office and still not resolving the problem. For example, Setting up two new laptops for our Aviation Security Inspectors

Appendix D

Federal Security Director (FSD) Survey

Questionnaire Results

took almost two weeks. The tech had problems with the log in sequence for the dial-up capability and the “image” was reloaded several times.”

12. “We have a legacy closed circuit television system, several hundreds of thousands of dollars hanging from the roof of our checkpoint as a tool to use, that UNISYS cannot/will not maintain because it is not under the ITMS contract. We cannot even plug it in to our HSOC servers for connectivity. We’re in a position to maintain it out of operational funds. This feels like fraud, waste, and abuse of government resources. Our airports still are working on dial-up and the HSOC package has not been deployed. Cell phones are limited to Verizon service, which has great coverage in the eastern United States but is not a premium service in the Northwest. The IT system itself is so overprotected that it’s difficult to use, and I believe some people explore ways to defeat it, just to be able to use it - that is not good security. The IT system provided by UNISYS is serviceable for day-to-day operations – we get by. But it is largely 1980’s technology being applied in 2005. It is limited in scope and ignores a large IT tool installed specifically to enhance security operations under the ATSA. Our IT system is in dire need of upgrade and the contract needs to cover everything in a manner that services our needs.”

13. “Local Unisys technician is outstanding but a second technician is needed because of the volume of work. White package is still not activated for most of the airport (awaiting a switch and rewiring since TSA has moved since spaces were first wired). There are no local file or web servers and only limited manual backups. Bandwidth is insufficient for planned HSOC rollout. We are unable to share intelligence information via network with other government agencies because of the refusal to allow secure external connectivity. LMRs remain unencrypted and monitored by the press and possibly others. There is no direct radio connectivity with other first responders for emergency coordination. Land telephone service is inadequate. We are leasing a large number of Plain Old Telephone Service lines at higher cost than a central exchange system and minimal functionality. There is no caller ID, ten-digit dialing is required for intra-office calling, and voice mail requires listening to the entire message before deleting. There is no way of determining how many voicemails are waiting. Telephones supplied are not ergonomic and have no speakerphone capability. There is no capability for announcement service - a feature that

Appendix D

Federal Security Director (FSD) Survey

Questionnaire Results

was vital during the three hurricanes that struck the airport. Requests for additional lines take an excessively long time to approve.”

14. “Cell phone service has been spotty due to multiple dead spots throughout the airport. Help desk - prime to sub handoff and follow-up spotty in completing repairs. Radio Equipment - poor design, lack of repeaters at field limit effectiveness. Land telephone equip and service, not sure if this is due to funding or poor Unisys management, but it has taken two years to get our first land lines into the airport. Our support center has gotten two dial-up lines within the last 60 days, and baggage pods have gotten landlines within the past two weeks. There still is no landline capability for any checkpoint at any of our 7 terminals. Overall Unisys Performance - Many of our issues may be outside of the purview of Unisys (i.e. due to funding, TSA HQ decisions, etc.) however our overall satisfaction with telephones, computer connectivity, and general responsiveness on the part of Unisys is that they are below average as compared with other providers I have had experience with.”

Appendix E
Methods and Tools TSA Uses to Measure, Monitor, and Track
Performance on the Unisys Contract

DESCRIPTION OF TOOL	OBJECTIVES	IMPLEMENTATION DATE
Independent Validation and Verification	Monitor program accountability	Jan-03
Independent Monitoring of programs/projects by designated Contracting Officer's Technical Representatives (COTRs)	Ensure costs, schedule, and performance are in accordance with contract	Jan-03
TSA Investment Review Board	Review of Project investment portfolio	Jan-03
TSA Information Technology Management Council	Review of Project investment portfolio	Jan-03
Contractor Estimate To Complete reports	Monitor financial accountability	Mar-03
Invoice Reconciliation	Monitor financial accountability	Mar-03
Review of Service Orders	Monitor financial accountability	Mar-03
TSA Change Control Board (CCB)	Monitor change requirements	Aug-03
TSA Configuration Control Board (CCB)	Monitor and track CCB issues	Aug-03
Engineering Review Board	Monitor and track CCB issues	Aug-03
SLAs	Outline SLAs for performance management to contracts	Aug-03
Program Control Review of project expenditures	Monitor financial accountability	Sept-03
Quality Assurance Surveillance Plan	Monitor quality performance	Oct-03
Quad Charts	Monitor and report on project performance-cost, schedule and performance	Oct-03
Budget Versus Expenditure Reports	Monitor financial accountability	Jan 04
Performance Measure Reviews	Assess SLAs, key performance indicators, business objectives and special project incentives as addressed in the QASP and PMIP.	Feb-04
Cost, Schedule, Performance Management Reviews	Brief senior management	Mar-04
PMIP	Monitor and report on performance measures on contract	Oct-04
Directors' Survey	Provides a subjective review of the ITMS performance based on the PMIP	Oct-04

Appendix F Management Comments

Office of the Assistant Secretary

U.S. Department of Homeland Security
601 South 12th Street
Arlington, VA 22202-4220




Transportation
Security
Administration

JAN 18 2006

INFORMATION

MEMORANDUM FOR: J. Richard Berman
Assistant Inspector General
Department of Homeland Security

FROM: Kip Hawley 
Assistant Secretary
Transportation Security Administration

SUBJECT: The Transportation Security Administration's (TSA) response to the Department of Homeland Security (DHS) Office of Inspector General (OIG) draft report titled "*Audit of the Transportation Security Administration's Information Technology Managed Services Contract with Unisys Corporation.*"

Purpose

This memorandum constitutes TSA's response to the findings and recommendations made in the DHS OIG draft report, "*Audit of the Transportation Security Administration's Information Technology Managed Services Contract with Unisys Corporation*" (September 2005).

Background

The DHS OIG performed a review of TSA's \$1 billion contract with Unisys Corporation (Unisys) for Information Technology Managed Services (ITMS). This review was done in response to a congressional inquiry (dated June 17, 2004) from Congressman Don Young, Chairman of the House Committee on Transportation and Infrastructure.

Discussion

TSA has implemented several changes since the DHS OIG opened this audit and continues to make significant improvements within the Office of Acquisition. TSA appreciates the DHS OIG's efforts to account TSA's activities related to this report, and we look forward to an ongoing relationship with your office as we work towards identifying and correcting vulnerabilities in our transportation security infrastructure.

Attachment

Appendix F Management Comments

The Transportation Security Administration (TSA) Formal Response to the Department of Homeland Security (DHS) Office of Inspector General (OIG) Draft Report and Recommendations, “*Audit of the Transportation Security Administration’s Information Technology Managed Services Contract with Unisys Corporation*”

TSA has reviewed the draft report, *Audit of the Transportation Security Administration’s Information Technology Managed Services Contract with Unisys Corporation*, which was prepared in response to a request from Congressman Don Young.

On December 30, 2005, TSA awarded the “bridge” contract to Unisys in accordance with our approved acquisition strategy to transition to the anticipated departmental solutions. The new contract has implemented sound business practices and processes to address the weaknesses identified in the subject report. As part of the strategy, TSA has identified work previously performed by Unisys to be immediately competed, and will continue to seek efforts for future competition.

We appreciate the opportunity to comment and provide our input. TSA generally concurs with the recommendations; however, there are a number of areas within the report that require clarification.

Contract Structure

The draft report states that TSA awarded a Statement of Objectives (SOO) contract but shortly thereafter changed the contract structure to a Statement of Work (SOW) contract because the Office of Information Technology (OIT) did not receive anticipated funding. The report further states that TSA chose this approach due to Congressional time constraints. This is inaccurate. After careful market research to determine the best contract vehicle, TSA awarded a contract to Unisys based on an SOO. The use of an SOO is broadly recognized as a best practice for implementation of performance based contract management. The SOO provides the strategic information technology (IT) performance objectives of TSA. Subsequently, TSA negotiated an SOW at the work order level, which is part of the overall SOO contract, not a separate contract as stated in the report. This process, known as the Service Request (SR) process, enables TSA to analyze proposed solutions and determine whether the contractor’s approach is technically acceptable and based on fair and reasonable costs.

Planned vs. Actual Contract Cost

When TSA was initially defining IT requirements, the scope of the proposed Information Technology Managed Services (ITMS) contract changed frequently. Since the requirements could not be completely defined at that time, a decision was made to freeze the requirements to allow critical work to commence. The cost of these requirements was estimated at approximately \$1 billion. Therefore during the review period prior to award it was determined that the contract would have a ceiling set at \$1 billion.

TSA recognized that the magnitude of ITMS required flexibility and cost adjustment based on experience. The scope of the contract was appropriately broad and the structure accommodated

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undefined requirements (through time and materials line items) with requirements for commercially available technology and services that could be priced on a firm fixed basis. However, TSA could not have anticipated the inclusion of IT requirements for the yet-to-be created DHS.

Fair and Reasonable Pricing

The Department of Transportation (DOT) determined that the Information Technology Omnibus II (ITOP II) prices were fair and reasonable. ITMS is a task order under ITOP II. It was awarded competitively, and the prices were again determined to be fair and reasonable at that time. In addition, TSA reviewed each service request for technical acceptability and determined that it was fair and reasonable based on the best information available. When proposal evaluators determined that the cost proposals included too much labor, the wrong type of labor categories, or the labor rates were high, the TSA team negotiated lower prices.

Unauthorized Contract Work

TSA has established a formal process, referred to as the “authorization to proceed process,” to eliminate the occurrence of unauthorized work. There is no work being performed on the contract without formal authorization from the Contracting Officer. In most cases where Unisys performed work prior to authorization, invoiced costs were not accepted or paid.

Performance Measurement Tools

Unisys’ performance has been continuously measured under the ITMS program. As the program has matured, the performance measurement program has evolved. Since the contract was awarded, the Performance Management Plan and Service Level Agreements (SLAs) have undergone two substantial revisions, and the performance measurement system is now based on current industry best practices. Further, under the program, incentive awards are made only when performance exceeds contractual requirements and objectives. For the 11 months that the current performance plan has been in place, the contractor has consistently been evaluated as meeting (but not exceeding) contractual requirements. Consequently, during that time, no incentive award was paid. The effectiveness of this program is illustrated by Unisys’ performance ratings during the contract having steadily increased over the course of the performance program.

According to Office of Management and Budget guidance, the Earned Value Management System (EVMS) policies for civilian agencies are required by the end of this calendar year. Following traditional project management best practices of planning using a work breakdown schedule (WBS), the ITMS team has included an EVMS provision in the Bridge Contract that allows the Government to properly manage baselines and control overall cost, schedule, and performance. The EVMS being implemented is based on the project level for projects over \$500K and 6 months of effort. The contractor is to report at the second level of the WBS, while explaining variances over 10 percent. The Government subject matter experts agree that standard reporting of performance from the contractor, based on project management best practices tied to a WBS and schedule, will provide necessary control and insight into each project without incurring significant cost or effort.

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Customer Satisfaction

TSA has tracked monthly customer satisfaction metrics, through follow up SPOC surveys that are based on a 5.0 likert scale. These monthly metrics are a compilation of daily follow-up calls in response to user support issues. The questions include responses based on promptness, courteousness, technical service, and problem solving. Using a response of 1 as the lowest (customer dissatisfaction) and 5 as the highest (customer satisfaction), TSA was able to identify potential areas for improvement and areas where support is satisfactory to TSA customers. The results to date indicate a customer satisfaction range from 4.69 to 4.85 on monthly statistics from October 2003 to October 2005 with an average rate of 4.78 on a 5.0 scale. Field surveys are conducted annually in addition to SPOC surveys. Data acquired during the past 3 years of field surveys indicate that in 2003 there was a score of 4.31, in 2004 a score of 4.25, and in 2005 a score of 4.30 on a 5.0 likert scale.

Appropriate Use of Small Businesses

In accordance with industry practice, TSA implemented the small business goals and subcontracting plan that was in effect under the Information Technology Omnibus II (ITOP II) contract. Under the terms of the contract, Unisys submits a Monthly Small Business Activity Report to the TSA Office of Small Business as well as the ITMS Contracting Officer (CO). This report identifies the subcontract, the type of business, and the total disbursements made to date for each business size category. TSA has placed significant emphasis on achieving small business goals since early in the contract.

The TSA acquisition strategy for future IT contracts is in alignment with agency small business goals. The strategy also identifies specific requirements that will be set aside for small business prime contracts.

Appropriate Use of New Technology

TSA has driven significant technological enhancements to airports. Information resources and telecommunications were provided to a newly formed operation that included headquarters and airports for an estimated 65,000 employees. There was no existing IT infrastructure in place when TSA was formed. Initial operating capability at TSA locations included rapid deployment of cellular phones and laptops with a dial-up modem for e-mail and Internet access. To meet full IT requirements, TSA implemented the High Speed Connectivity (HSOC) program. In its first year, HSOC was implemented at 16 TSA field locations; this provided for a more stable, secure and better-performing IT environment. To date, HSOC has provided 160 Federal Security Directors (FSDs) with High Speed Access (100%), 2,140 Training Computers Networked (53%), 215 MPLS Technology Insertions (98% of deployed network), 2,550 Field VoIP Intelligent Phones, and 1,800 Headquarter User Migrations (99%). Through its HSOC initiatives, TSA continues to upgrade connectivity to each airport and FSD location. This includes connectivity to all TSA controlled space, i.e., passenger checkpoints, baggage areas, training rooms, office spaces, and wide area connectivity to the TSA Hosting Center. Full deployment of HSOC will also provide VoIP

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Intelligent Phones, migration to Windows XP and e-mail, and conformance to IT Architecture and Security standards.

TSA Response to DHS OIG Recommendations:

OIG Recommendation 1: Close out the current ITMS contract at the end of the base period August 12, 2005, without exercising the option for additional contract periods; and, re-bid the work using either an adequately funded SOO contract or a SOW contract with well-defined requirements.

TSA concurs. TSA did not exercise the option period of the ITMS contract. TSA is currently in the process of negotiating a new bridge contract for portions of the IT services currently performed by Unisys. The TSA requirement was defined in a comprehensive statement of work developed by TSA and then further refined by using alpha negotiation techniques. Every possible scenario was considered regarding the acquisition of these services beyond the life of the existing contract, including competing the requirement outright. The solution developed and approved is a combination of continuing with Unisys for portions of the existing work for a short time (a bridge contract) until the Department establishes Department-wide acquisition vehicles, which will leverage the buying power of the 22 agencies within the Department, and competing other aspects of the requirement.

A DHS initiative to consolidate the entire Department's and bureaus' IT requirements is anticipated to go into effect in the next 2 to 3 years. During the performance of this bridge, TSA intends to transition to those contracts when possible. Therefore, this bridge contract will ensure that there is no lapse in service while awaiting DHS's contract. Furthermore, TSA is designing a plan to break out "non-core" services and competitively award contracts to multiple vendors, including small businesses, to infuse competition into the process. These non-core requirements will include IT equipment purchases, wireless communication services, application development, and program management services and accounts for 30 percent of the current effort.

OIG Recommendation 2: Implement procedures to ensure that future procurement actions include the following features:

- **Fair and reasonable pricing;**
- **Avoidance of unauthorized contract work;**
- **Establishment of acceptance criteria prior to contract award;**
- **Timely and effective performance measurements to ensure acceptable quality contractor performance**

TSA concurs. TSA has in place mechanisms to ensure all of the items cited above are achieving the desired objectives. All new proposals are being properly evaluated, negotiated, and documented in accordance with acquisition regulations and best practices.

In order to ensure that TSA receives fair and reasonable pricing, certified cost and pricing data is required by TSA as part of the proposal on the bridge effort. TSA is performing a

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technical evaluation of all labor and cost analysis while using Federal Acquisition Regulation part 15 as a guide, and the Defense Contract Audit Agency is auditing the cost proposal.

To prevent unauthorized work, a fixed price contract for all CORE services will be awarded and any requests for new work will require a properly submitted procurement request package that contains a statement of work, an Independent Government Cost Estimate, and inspection and acceptance criteria. All new work will be fixed price to the maximum extent possible.

The contract will contain inspection and acceptance criteria and SLAs to determine acceptable performance. TSA will use quarterly performance reviews to monitor performance.

OIT is also realigning its contracting officer technical representatives to specific areas of the contract and will use technical monitors to ensure performance standards are achieved.

Appendix G

Congressional Request



U.S. House of Representatives

Committee on Transportation and Infrastructure

Washington, DC 20515

Don Young
Chairman

James L. Oberstar
Ranking Democratic Member

June 17, 2004

Lloyd A. Jones, Chief of Staff
Elizabeth Megginson, Chief Counsel

David Heymsfeld, Democratic Chief of Staff

The Honorable Clark Kent Erving
Inspector General
U.S. Department of Homeland Security
Washington, D.C. 20528

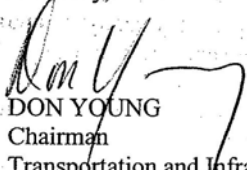
Dear Mr. Erving:

Procurement and contract management at the Transportation Security Administration (TSA) remains a subject of continued concern for the Committee on Transportation and Infrastructure. In addition to general concerns, the Committee is specifically interested in one of TSA's contracts with Unisys Corp. That contract number is DTSA20-02-D-00485 and is referred to as the Information Technology Managed Services Program (ITMS).

The Committee's questions regarding this contract include management from the program office and oversight from the procurement office. We would like to know how the contract and related task orders are set up, including how much the government has paid and what services and/or products have been received. We would also like to know how those "actuals" compare to what was "planned". We are also interested in how contractor performance under these task orders is measured and how the contractor is performing under these measures. Finally, the Committee wants to understand how TSA ensures appropriate use of small businesses and new technology through this contract. To answer these questions, I am requesting the Office of Inspector General to review and audit this contract.

If you have any questions about the Committee's interest on this issue, please contact Bob Faber, Senior Counsel, Oversight and Investigations at: (202) 225-5504. I appreciate your time and attention to this matter.

Sincerely,


DON YOUNG
Chairman
Transportation and Infrastructure Committee

Appendix H

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Appendix I

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