



Department of Homeland Security Office of Inspector General

Use of American Recovery and Reinvestment Act Funds by the Transportation Security Administration for the Electronic Baggage Screening Program



American Recovery and Reinvestment Act of 2009



Homeland
Security

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Preface

The Department of Homeland Security Office of Inspector General 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 audits, inspections, and special reports prepared as part of our oversight responsibilities for programs, grants, and projects administered by the department under the *American Recovery and Reinvestment Act of 2009* (Recovery Act).

This report presents information on the status of Recovery Act funds used by the Transportation Security Administration for the Electronic Baggage Screening Program and on whether (1) the agency selected airports for federal support based on risk and prudent use of funds, (2) acquisition and deployment of explosive detection equipment allow for timely and effective use of funds, and (3) the agency's performance and monitoring metrics are adequately designed and properly functioning.

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. We trust 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, appearing to read "Anne L. Richards".

Anne L. Richards
Assistant Inspector General for Audits

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Abbreviations

DHS	Department of Homeland Security
EBSP	Electronic Baggage Screening Program
EDS	Explosive Detection System
ETD	Explosive Trace Detector
OIG	Office of Inspector General
OMB	Office of Management and Budget
RSEDS	Reduced Size Explosive Detection Systems
TSA	Transportation Security Administration

OIG

*Department of Homeland Security
Office of Inspector General*

Executive Summary

The *American Recovery and Reinvestment Act of 2009* (Recovery Act) provided \$1 billion to the Transportation Security Administration for the “procurement and installation of checked baggage explosives detection systems and checkpoint [passenger screening] explosives detection equipment.” The agency allocated \$734 million to its checked baggage explosives detection system program and \$266 million to the passenger screening program. This review covers the \$734 million that the agency is using for (1) modifying airport facilities to deploy in-line explosive detection equipment systems, (2) purchasing and installing reduced size explosive detection equipment, and (3) managing and operating the program.

Our objectives were to determine (1) the status of funds in relation to Recovery Act timeframes and whether the agency selected airports for federal support based on risk and prudent use of funds, (2) whether acquisition and deployment of explosive detection equipment allow for timely and effective use of funds, and (3) whether performance and monitoring metrics are properly designed and functioning.

As of June 30, 2010, the agency had obligated approximately \$643 million and had reasonable plans to obligate the remaining \$90.6 million by September 30, 2010. The agency prudently selected airports for facility modifications according to Recovery Act guidance to accelerate the deployment of explosive detection systems at facilities with completed designs. Since the agency funded all airports with submitted applications, risk was not a factor in selecting projects. We determined that the agency needs to strengthen controls over (1) installing reduced size explosive detection equipment, (2) allocating and charging costs to its management support contract, (3) monitoring status of projects, and (4) ensuring recipient compliance with the *Buy American Act*.

We are making seven recommendations to improve controls in these areas. The Transportation Security Administration has instituted or completed corrective actions on six recommendations and did not agree with one recommendation.

Background

The *American Recovery and Reinvestment Act of 2009* (Recovery Act) made available approximately \$787 billion to federal agencies to preserve and stimulate economic growth in the United States. Department of Homeland Security (DHS) components received \$2.75 billion for Recovery Act projects (Appendix C). The Recovery Act required DHS to obligate all funds by September 30, 2010. The Transportation Security Administration (TSA) received \$1 billion for “procurement and installation of checked baggage explosives detection systems and checkpoint [passenger screening] explosives detection equipment.” TSA is currently allocating \$734 million to baggage screening and \$266 million to passenger screening.

The objective of the Electronic Baggage Screening Program (EBSP) is to deter, detect, mitigate, and prevent transportation of explosives or other prohibited items in checked baggage on commercial aircraft. Under the program, TSA tests, buys, deploys, integrates, and provides full life cycle support for security technology equipment at approximately 450 of the Nation’s airports. The primary security technologies used are explosive detection system (EDS) equipment and explosive trace detector (ETD) devices. According to TSA, EDS equipment uses computer-aided tomography x rays adapted from the medical field to examine the objects inside the baggage for characteristic signatures of threat explosives. ETD devices analyze a swab of the baggage to determine whether the baggage contains explosives.

TSA is using Recovery Act funds principally for modification of airport facilities to prepare for later deployment of optimal¹ checked baggage inspection systems. These systems use a conveyor to rapidly transport checked baggage from the ticket counter to a secure screening area where baggage automatically flows through the EDS for screening and then onto departing aircraft. Baggage requiring additional screening is tested manually with the ETD. (See appendixes D through F for schematic designs of EBSP technologies.)

¹ To meet congressional deadlines after September 11, 2001, to screen checked baggage for explosives, TSA deployed approximately 1,000 EDS machines and 6,000 tabletop ETD devices in airports, most of which were installed in lobby areas. Optimal systems will modify airport facilities and baggage handling systems into automated checked baggage inspection systems that will fully integrate with the airports’ behind-the-scenes baggage handling system.

TSA initiates the facility modification projects by awarding funds to airport authorities. Similar to a grant, TSA executes an “Other Transactional Agreement” with airport authorities to deliver federal funds for the facility modification project and to specify terms and conditions, including matching fund requirements.

TSA will also use Recovery Act funds to purchase and install Reduced Size Explosive Detection Systems (RSEDS) equipment and for program management and operations. RSEDS are smaller stand-alone EDS machines that are commonly located in terminal lobbies and usually screen fewer than 200 bags per hour.

In its April 3, 2009, *EDS and Checkpoint Expenditure Plan* and its May 15, 2009, *Electronic Baggage Screening Program: Program Specific Recovery Act Plan*, TSA originally allocated \$700 million for EBSP, of which it distributed \$600 million to facility modification projects at 16 airports. With regard to these projects, the Recovery Act specified that TSA “shall prioritize the award of these funds to accelerate the installations at locations with completed design plans.” The remaining \$100 million was for the purchase and installation of RSEDS and for operational activities to support equipment installation and program management. On August 4, 2009, TSA updated its expenditure plan to add 11 more facility modification projects.

TSA reports quarterly to Congress on the status of and modifications to its plans for use of Recovery Act funds for explosive detection systems. These reports present information on both baggage and passenger screening projects and on Recovery Act and appropriated funds. In addition, TSA submits weekly updates on the status of its Recovery Act projects to DHS. The weekly report for the period ending June 30, 2010, identified 29 facility modification projects and \$734 million allocated to the baggage screening program.

Results of Review

TSA obligated \$643 million of the \$734 million as of June 30, 2010, and has reasonable plans to obligate the balance of funds by September 30, 2010.² Regarding stimulation of the economy, recipients of Recovery Act funds for baggage screening reported the creation or retention of 589 jobs.³ In using these funds, TSA prudently selected airports for facility modification projects and for installation of RSEDS in accordance with appropriate guidance. However, we determined that the agency does not have a process to ensure the timely installation of RSEDS equipment. We also identified a need to improve controls over allocating and charging costs to TSA's management support contract, assigning travel costs, ensuring recipient compliance with the *Buy American Act*, and monitoring project status.

Use and Status of Funds

While most of the \$734 million allocated to the baggage screening program will still be used for facility modification projects, TSA has made considerable changes to its Recovery Act expenditure plans since August 4, 2009. The changes resulted from cost savings of approximately \$327 million due to TSA validating project cost estimates and negotiating with airport authorities (\$310 million) and from cost reductions to planned spending for management and operations (\$17 million).

Principal changes include the increase in the number of facility modification projects from 16 to 29 (appendix G) and RSEDS locations from 50 to 91 airports; the use of \$32.6 million to purchase ETD equipment; and an increase of \$41 million for closed-circuit TV equipment under the Advanced Surveillance Program. Table 1 compares initial spending plans with project status as of June 30, 2010. See appendix H for locations and funding for the Advanced Surveillance Program.

² According to an October 4, 2010, status report filed with the department, TSA reported obligations of \$741,363,745 for the baggage screening program and obligations of \$258,413,748 for passenger screening, as of September 30, 2010. Total obligations for both programs amounted to \$999,777,493.

³ Recipients of Recovery Act funds file quarterly reports to the federal government on the status of funds and projects and on jobs created or retained. According to Office of Management and Budget Memorandum 09-15, jobs created are positions that are both created and filled or were existing unfilled positions that are filled. Memorandum 09-15 also says that retained positions are existing filled positions that are retained as a result of Recovery Act funding. The 589 jobs are based on the quarterly reports for the period ending March 31, 2010.

**TABLE 1. COMPARISON OF INITIAL SPENDING PLANS WITH
PLANNED SPENDING AS OF JUNE 30, 2010**

Activity	Per April and May 2009 Spending Plans		Per Plan Updates and June 30, 2010, Weekly Status Report	
	No. of Projects	Amount (millions)	No. of Projects	Amount (millions)
Airport Facility Modifications	16	\$598.1	29	\$566.5
Reduced Size Explosive Detection Systems	50	\$64.2	91	\$77.4
Advanced Surveillance Program	Not Identified	\$2.2	15	\$43.4
Explosive Trace Detector Equipment	None	None	Not Identified	\$32.6
Program Operation, Management, Technology, and Engineering	N/A	\$35.5	N/A	\$14.1
Total		\$700.0		\$734.0

According to information provided by TSA, approximately 88% or \$643 million of the \$734 million allocated to the baggage screening program has been obligated as of June 30, 2010. In contrast, only 17% or \$106.9 million of funds obligated have been reported as expended, and 589 jobs reported as created or retained. Table 2 presents financial and jobs information for baggage screening program activities.

**TABLE 2. FUNDING AND JOBS INFORMATION FOR ACTIVITIES UNDER THE
BAGGAGE SCREENING PROGRAM, AS OF JUNE 30, 2010**

Activity	Funding			Jobs
	Planned	Obligations	Expended	
Airport Facility Modification Projects	\$566,512,652	\$476,488,436	\$40,608,015	211.16
Reduced Size Explosive Detection Systems	\$77,365,398	\$77,367,469	\$60,508,419	345.00
Advanced Surveillance Program	\$43,402,464	\$43,403,464	\$96,526	13.54
Explosive Trace Detector Equipment	\$32,632,500	\$32,632,500	\$0	0.00
Program Operation, Management, Technology, and Engineering	\$14,086,986	\$13,515,434	\$5,713,407	19.00
Total	\$734,000,000	\$643,407,303	\$106,926,367	588.70

TSA has unobligated funds of \$90.6 million, which it plans to use in the following ways:

**Use of American Recovery and Reinvestment Act Funds by the Transportation Security
Administration for the Electronic Baggage Screening Program**

-
- Complete negotiations and finalize agreements with three airport authorities for \$90 million by the end of September 2010.⁴
 - Accrue approximately \$600,000 in personnel compensation and benefits by September 2010.⁴

This action plan for the additional funds provides a reasonable approach for obligating the Recovery Act funds by September 30, 2010.

Selection of Airports

TSA selected airports for facility modifications based on (1) compliance with guidance in the Recovery Act to give preference to projects that can be started and completed expeditiously and (2) the quality and completeness of the airport's application and cost estimate. We determined that risk⁵ was not a factor in the selection of facility modernization projects because all airports with submitted applications were selected. For RSEDS equipment, TSA chose airports with obsolete EDS technology it had already approved for replacement and smaller airports that lacked EDS. TSA's methodology for the RSEDS site selection gave preference to locations where installation could be completed expeditiously.

Acquisition and Deployment of Reduced Size Explosive Detection Systems

TSA ordered and received new RSEDS and set up schedules with the airports to install the systems before it learned of installation limitations due to a delay in the execution of the systems integrator contract. TSA subsequently determined that the manufacturer could install only five units per week, which resulted in a delay of RSEDS deployments.

Holding new RSEDS in storage for extended periods is costly. As of June 7, 2010, the TSA Logistics Center held 78 new and 14 used but redeployable RSEDS. For the new RSEDS, the manufacturer's warranty period begins approximately 120 days after delivery to the Logistics Center. During the warranty period, the manufacturer provides maintenance services for the RSEDS at no cost to TSA. After the warranty expires, the yearly charge for the services and related training, according to the contract with the manufacturer, runs from \$64,750 to \$70,700 per unit.

⁴ TSA subsequently reported that it obligated \$97 million for three more airport improvement projects and accrued an additional \$421,000 for personnel compensation by September 30, 2010.

⁵ According to the "DHS Risk Lexicon," September 2008, which defines a single language for DHS risk management, risk is "a potential for an adverse outcome assessed as a function of threats, vulnerabilities, and consequences associated with an incident, event, of occurrence."

For every day an RSEDS under warranty remains warehoused (over 120 days), TSA loses about \$186⁶ in warranty benefits per unit. As of June 7, 2010, the TSA Logistic Center held seven such units. The seven units were under warranty a total of 790 days, resulting in a loss of approximately \$147,000 in warranty benefits.

To maximize the efficient use of its RSEDS assets, TSA should minimize the period between manufacturer delivery and airport installation. The need for TSA to plan for the deployment of EDS was identified by the DHS OIG in its November 13, 2009, report *Management of the Transportation Security Administration's Logistics Center*, No. OIG-10-14. While TSA has taken measures to reduce the volume and duration of EDS equipment stored in its warehouses, additional corrective actions are warranted to ensure that equipment is not delivered before it can be installed.

Recommendation

We recommend that the Deputy Administrator, Transportation Security Administration:

Recommendation #1: Modify RSEDS delivery scheduling procedures to ensure that manufacturer/integrator installation capabilities are taken into account for future deliveries, and delay, to the extent possible, RSEDS deliveries when installation delays greater than 120 days from date of delivery are forecasted.

Management Comments and OIG Analysis

TSA Comments to Recommendation:

Concur. TSA modified its RSEDS deployment plan “to fully utilize the manufacturer/integrator installation capabilities and airport readiness for installation.” According to TSA, the modified plan accounted for installation of 34 units at 23 airports, “increased operational capability, reduced installation delays, and ensured that these units, on average, have less than 120 days in the warehouse.”

OIG Analysis:

The response from TSA is sufficient for us to consider this recommendation resolved and closed.

⁶ To compute a daily warranty benefit, we added \$64,750 and \$70,700 and divided by 2 to compute an average annual warranty value of \$67,725. We divided the \$67,725 by 365 days to determine the daily warranty benefit.

In responding to this recommendation, TSA also commented that the charge for yearly maintenance services for RSEDS is \$42,150 as opposed to the \$67,725 we cited in our report. Based on this comment, we have modified our report to indicate that the \$67,725 includes charges for maintenance services and training, which accounts for the difference in amounts.

Accounting and Management Oversight Controls

While TSA's May 15, 2009, EBSP expenditure plan described overall processes for monitoring and evaluation of program performance, TSA also needs to strengthen controls over the following activities:

- Determining the amount of Recovery Act funds that should be used to finance contractor support of the EBSP related to the Recovery Act
- Assigning travel costs of TSA employees between Recovery Act and non-Recovery Act funds
- Ensuring that recipients of Recovery Act funds comply with the *Buy American Act* requirements

Office of Management and Budget (OMB) Circular A-123 contains overall federal agency guidance for management controls. Circular A-123 requires federal managers to establish an organization, policies, and procedures to ensure that resources are used efficiently and effectively to achieve program results in accordance with laws and regulations and that reliable and timely information is obtained, maintained, reported, and used for decision making. OMB Memorandum M-09-15 presents specific guidance on implementing the Recovery Act. M-09-15 requires agencies to report on the overall obligation and outlay of Recovery Act funds and for program-specific plans to incorporate sufficient oversight capacity to ensure that funds are used for eligible activities.

TSA initially identified \$3.8 million of the \$700 million for EBSP for personnel compensation and benefits for 30 additional positions. As of January 28, 2010, TSA had filled only 9 of the 30 positions and reduced the \$3.8 million allocation to \$1.8 million. The increase in facility modification projects funded by the Recovery Act and the delay in hiring additional staff has affected TSA's monitoring of facility modification projects.

Determining the Amount of Recovery Act Funding for Contractor Support of EBSP

TSA did not have sufficient support for a \$4.86 million obligation of Recovery Act funds that it used to finance contractor support for EBSP. In 2008, TSA awarded a fixed-price contract to Deloitte Consulting for program management support for TSA's Office of Security Technology, which oversees five programs, including EBSP and the Passenger Screening Program. The contract scope of work for EBSP calls for Deloitte Consulting to provide day-to-day support to program and deputy program managers in all their areas of responsibility. Support activities include project management, budget and finance management, test and evaluation, assistance to contracting officer's technical representatives, deployment support, scheduling support, and outreach. Out of a \$25,363,491 fixed annual amount for option year one of the contract, TSA obligated Recovery Act funds of \$4,860,351.

TSA provided a one-page analysis of all activities performed by Deloitte Consulting to estimate the amount of the latter's effort allocable to the Recovery Act portion of the EBSP. The percentages that TSA used to allocate effort to the various activities performed under the contract were not supported. TSA used the unsupported allocation as the basis for charging costs to the Recovery Act funds obligated to support the contract. For example, Deloitte Consulting submits monthly invoices for the same fixed amount each month. In conjunction with the payment of the invoices, TSA charges \$405,029 (one-twelfth of \$4,860,351) to the Recovery Act obligation.

While it is appropriate to finance the contract with Deloitte Consulting with Recovery Act funds for the contractor's Recovery Act activities, procedures to identify the amounts applicable to the Recovery Act are insufficient. The principal reason for this condition is that the contract with Deloitte Consulting is fixed price and does not require the contractor to track costs by program or group. However, it would not be economical or appropriate to revise the contract to require Deloitte Consulting to track costs associated with Recovery Act work. Consequently, TSA should perform further analysis of the contractor's activities to ensure that the amounts allocated to EBSP and the Passenger Screening Program are sufficiently justified, and, in turn, that invoiced costs are accurately charged to the Recovery Act obligation on the basis of any revised allocations.

Assigning Travel Costs

Cost of travel by TSA employees on non-Recovery Act work was incorrectly financed with Recovery Act funds. We examined travel costs of \$35,281 out of \$123,994 paid for with Recovery Act funds as of December 31, 2009. We identified expenditures of \$4,635 (13% of amounts examined) that were not related to Recovery Act work.

Accounting personnel incorrectly entered the expenditures into the accounting system even though supporting documentation for the expenditures included the correct accounting codes. TSA needs to instruct accounting personnel to ensure that costs are charged to the proper accounts and examine the balance of travel charged to Recovery Act funds to determine whether there are additional errors.

Monitoring Buy American Act Compliance

TSA has not developed sufficient processes to ensure that airport authorities comply with the *Buy American Act*. Section 1605 of the Recovery Act requires that iron, steel, and manufactured goods used in Recovery Act projects be produced in the United States. On October 13, 2009, the DHS Acting Administrator published in the *Federal Register* a notice of waiver for the Section 1605 requirement. The basis for the waiver was that full application of the requirement was inconsistent with the public interest. Under the waiver, airport authorities may use up to 5% of total project funds for non-American covered products.

TSA relies on the airport authorities and their construction contractors to notify TSA if a project requires foreign-produced iron, steel, or manufactured goods. TSA requires airport authorities that have been granted a waiver to submit monthly reports listing the non-American products. While these actions may provide some assurance of compliance, more proactive efforts should be taken. TSA should implement independent monitoring of recipient compliance with the Buy American provisions of the Recovery Act.

Hiring of Additional Staff

TSA's hiring of additional staff with Recovery Act funds is behind schedule. As of April 2, 2010, TSA had obligated only \$485,249 of the \$1,799,000 currently identified for personnel compensation and benefits. The May 15, 2009, EBSP Recovery Act Plan

indicated that full-time employees are needed to support a surge in program activities. The plan also said that “TSA intends to retain these new Federal employees by fully offsetting their costs through the elimination of full-time contractor positions, thus reducing TSA reliance on contractor resources.”

TSA’s need for additional staff was also noted in the DHS OIG December 3, 2009 report *Survey of the Number, Qualifications, and Training of DHS Personnel Responsible for Recovery Act Contracts and Grants*, No. OIG-10-21. In response to survey questions, TSA said that it needs an additional 15 program management acquisition staff and that “its Recovery Act work will be hindered by the lack of acquisition staff.” TSA also said,

COTRs [contracting officer’s technical representatives] are performing their regular duties in addition to their Recovery Act responsibilities. This means that our resources are heavily overburdened. This situation has the potential to cause increased errors and difficulty with timely reporting as our staff is focused on performing multiple duties concurrently.

The Budget Manager for the Office of Security and Technology said that TSA still plans to hire 30 additional staff. To help ensure that additional qualified staff are hired expeditiously, TSA should develop and implement a hiring plan that identifies the professional series, grade, number, and cost of needed staff and a schedule for bringing them on board.

Obtaining Monthly Status Reports

Monthly status reports were not being submitted by airport authorities or were not being controlled by TSA upon submission. The Other Transaction Agreements with airport authorities for EBSP facility modifications require the submission of monthly reports. Among other things, the reports show the construction critical path, baseline and actual date information, and costs. The construction schedule provides the basis for TSA planning of its contracted activities to install and test the EDS equipment. TSA applies Earned Value Management systems to costs incurred to report risk that could impact the cost or schedule. The timely and effective use of Recovery Act funds could be adversely impacted if TSA deployment management is not actively reviewing project status and milestone information.

As of December 2009, TSA could furnish us with reports from only 3 of 16 recipients with active projects. In June 2010, we followed up on this matter and determined that only two recipients had not submitted monthly status reports. We attributed the decline in overdue reports to new procedures that TSA implemented based on a preliminary notice of this finding and a recommendation to track and pursue overdue reports. As a result, we consider recommendation six closed, and no further reply to this matter is required.

Recommendations

We recommend that the Deputy Administrator, Transportation Security Administration:

Recommendation # 2: Conduct further analysis of Deloitte Consulting's performance under the activities covered by the contract to determine the appropriate amount allocable to the Recovery Act and adjust charges against Recovery Act funds as appropriate.

Recommendation # 3: Communicate accounting codes used to charge costs to Recovery Act project activities to the accounting office; and, instruct accounting personnel to charge costs to the identified accounting codes.

Recommendation # 4: Review travel costs not tested and correct any identified errors.

Recommendation # 5: Implement procedures to ensure that EBSP projects using Recovery Act funds are compliant with the Section 1605 Buy American requirements.

Recommendation # 6: Implement a hiring plan to bring on additional staff to administer Recovery Act projects.

Recommendation # 7: Implement a process to track the status of monthly milestone reports and to follow up on overdue reports.

Management Comments and OIG Analysis

TSA Comments to Recommendation # 2:

Non concur. TSA said that it believes that the methodology it used to "allocate Recovery Act funds and non-Recovery Act funds to its fixed-

price management support contact was reasonable and not prohibited by the Recovery Act or applicable guidance.”

OIG Analysis:

We do not agree with TSA that its allocation method was reasonable because TSA did not provide support for how it computed the allocation (Appendix I). Therefore, we could not determine whether it was reasonable. In addition, the issue of how to allocate costs to different appropriations or activities is not addressed by the Recovery Act or M-09-15, *Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009*.

TSA determined that \$8.6 million was allocable to the Recovery Act out of a set annual payment of approximate \$25 million under a fixed-price contract and the balance allocable to a different appropriation. In effect, TSA is allocating costs between two activities. Guidance to federal agencies on cost accounting is contained in Statement of Federal Financial Accounting Standards 4: Managerial Cost Accounting Standards and Concepts. Also, the U.S. Government Accountability Office provides guidance on this matter in Volume II of the *Principles of Federal Appropriations Law*. Chapter 7, page 9, in discussing the criteria for recording obligations, says

A related concept is the allocation of obligations for administrative expenses (utility costs, computer services, etc.) between or among programs funded under separate appropriations. There is no rule or formula for this allocation apart from the general prescription that the agency must use a supportable methodology.

Our recommendation is merely asking for some basis of support for the allocation. This recommendation is unresolved and we request that TSA reconsider the recommendation.

TSA Comments to Recommendation # 3:

Concur. TSA said that it ensured that the accounting codes used to charge costs to Recovery Act project activities “were clearly communicated to the accounting office and that accounting personnel were instructed to properly charge costs to the identified accounting codes.”

OIG Analysis:

The response from TSA is sufficient for us to consider this recommendation resolved and closed.

TSA Comments to Recommendation # 4:

Concur. TSA replied that it is reviewing travel costs and that it will make any necessary adjustments on the basis of the review.

OIG Analysis:

The actions taken by TSA are sufficient to resolve this recommendation. We will keep the recommendations in an open status, however, until we receive the results of the TSA examination of travel costs charged to the Recovery Act.

TSA Comments to Recommendation # 5:

Concur. TSA said that the funding agreements with recipients of Recovery Act funds allow TSA to conduct audits to determine recipient compliance with agreement provisions, including complying with the Buy American Act. TSA also said that it “has surveillance plans in place to sample OTAs established under the Recovery Act for Buy American compliance.”

OIG Analysis:

TSA’s response is sufficient for us to consider the recommendation resolved. However, we will keep the recommendation open until TSA provides us with a plan or schedule for conducting compliance audits of a sample of the funding agreements.

TSA Comments to Recommendation # 6:

Concur. TSA responded that 14 of 15 positions authorized to support activities associated with the explosive detection system program had been hired as of August 12, 2010, and that the remaining position will be filled by September 26, 2010.

OIG Analysis:

The response from TSA is sufficient for us to consider this recommendation resolved and closed.

TSA Comments to Recommendation # 7:

Concur. TSA noted that it had implemented corrective action during the course of the audit and the OIG had closed the recommendation on the basis of that action.

OIG Analysis:

As mentioned in our report, we previously resolved and closed this recommendation on the basis of procedures implemented during our audit by TSA to monitor recipient reporting.

Appendix A

Purpose, Scope, and Methodology

We audited TSA's use of Recovery Act funds to support the Electronic Baggage Screening Program. The objectives of the review were to determine: (1) the status of funds in relation to Recovery Act timeframes and whether TSA selected airports for federal support based on risk and prudent use of funds; (2) whether acquisition and deployment of explosive detection equipment allow for timely and effective use of funds; and (3) whether the agency's performance and monitoring metrics are properly designed and functioning.

We examined applicable laws, policies, procedures, and internal directives TSA uses to administer and monitor the EBSP. We reviewed status reports and expenditure plans for the EBSP. We interviewed TSA officials responsible for administering, managing, and overseeing the EBSP. Additionally, we interviewed various airport authority officials to obtain information on the status of their facility modification projects. We reviewed acquisition, deployment, and airport site preparation schedules and tested various expenditures to determine whether they allow for timely and effective use of Recovery Act funds. We did not, however, evaluate TSA's external reporting processes for accuracy and timeliness. Our fieldwork was conducted at TSA and DHS headquarters from December 2009 through June 2010.

We conducted this audit under the authority of the *Inspector General Act of 1978*, as amended, and according to generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for the findings and conclusions based on our audit objectives.

**Appendix B
Management Comments to the Draft Report**

SEP 24 2010

U.S. Department of Homeland Security
601 South 12th Street
Arlington, VA 20598



**Transportation
Security
Administration**

MEMORANDUM FOR: Anne L. Richards
Assistant Inspector General for Audits

FROM: John S. Pistole, Administrator *[Signature]*

SUBJECT: Response to the U.S. Department of Homeland Security Office of Inspector General Draft Report OIG-10-022, "Use of *American Recovery and Reinvestment Act* Funds by the Transportation Security Administration for the Electronic Baggage Screening Program"

Purpose

This memorandum responds to the Draft Report OIG-10-022, "Use of *American Recovery and Reinvestment Act* Funds by the Transportation Security Administration for the Electronic Baggage Screening Program," dated August 2010.

Background

The Recovery Act provided \$1 billion to the Transportation Security Administration (TSA) for the "procurement and installation of checked baggage explosives detection systems and checkpoint [passenger screening] explosives detection equipment." The Agency allocated \$734 million to its checked baggage explosives detection system program. The Office of Inspector General (OIG) conducted a review of the \$734 million that the Agency is using for modifying airport facilities to deploy in-line explosives detection equipment systems, purchasing and installing reduced size explosives detection equipment, and managing and operating the program.

The OIG's stated objectives were to determine the status of funds in relation to Recovery Act timeframes and whether (1) the Agency selected airports for Federal support based on risk and prudent use of funds, (2) the acquisition and deployment of explosives detection equipment allow for timely and effective use of funds, and (3) the Agency's performance and monitoring metrics are properly designed and functioning.

Appendix B Management Comments to the Draft Report

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Discussion

TSA expresses its appreciation to the OIG for acknowledging TSA's progress in obligating the \$1 billion in *American Recovery and Reinvestment Act of 2009* (Recovery Act) funds for the Electronic Baggage Screening Program. In particular, the OIG found that TSA had obligated \$643 million of Recovery Act funds and that TSA had reasonable plans to obligate the remaining \$90.6 million. The OIG also acknowledged that TSA prudently selected airports for facility modification projects and accelerated the deployment of explosives detection systems according to Recovery Act guidance. The OIG did find, however, that TSA could improve in certain limited areas involving its accounting and administrative oversight controls. With the exception of one recommendation, TSA concurs with the draft report's recommendations on how to strengthen controls over (1) installing reduced size explosives detection equipment, (2) allocating and charging costs to TSA's management support contract, (3) monitoring the status of projects, and (4) ensuring compliance with the *Buy American Act*.

Attachment:

Transportation Security Administration (TSA) Response to the Office of Inspector General (OIG) Draft Report, "Use of *American Recovery and Reinvestment Act* Funds by the Transportation Security Administration for the Electronic Baggage Screening Program" August 2010

Appendix B Management Comments to the Draft Report

Transportation Security Administration (TSA) Response to the Office of Inspector General (OIG) Draft Report, "Use of American Recovery and Reinvestment Act Funds by the Transportation Security Administration for the Electronic Baggage Screening Program" August 2010

Acquisition and Deployment of Reduced Size Explosives Detection Systems (RSEDS)

Recommendation One: Modify RSEDS delivery scheduling procedures to ensure that manufacturer/integrator installation capabilities are taken into account for future deliveries, and delay, to the extent possible, RSEDS deliveries when installation delays are greater than 120 days from date of delivery are forecasted.

TSA Concurs: TSA has modified its RSEDS deployment plan to fully utilize the manufacturer/integrator installation capabilities and airport readiness for installation. Simple installation "drop and go" sites were identified, and TSA established a process to accelerate deployment at "drop and go" sites if an airport reported it would not be ready. This modified plan has accounted for 34 units installed at 23 airports. This has increased operational capability, reduced installation delays, and ensured these units, on average, have less than 120 days in the warehouse.

Clarification: Page 6, *Acquisition and Deployment of Reduced Size Explosives Detection Systems* section, paragraph one. Installation limitations were caused by a delay in the execution of the systems integrator contract, not the manufacturer. The integrator supports the complex installations that required some degree of facility/infrastructure work at the airports.

Correction: Page 7, *Acquisition and Deployment of Reduced Size Explosives Detection Systems* section, second line, the yearly charge for maintenance services for Reveal RSEDS is \$42,150.

Accounting and Management Oversight Controls

Recommendation One: Conduct further analysis of Deloitte Consulting's performance under the activities covered by the contract to determine the appropriate amount allocable to the Recovery Act and adjust charges against Recovery Act funds as appropriate.

TSA Non-Concurs: TSA believes the methodology it chose to allocate Recovery Act funds and non-Recovery Act funds to its fixed-price management support contract was reasonable and not prohibited by the Recovery Act or applicable guidance. The Final Report should reflect that OIG did not suggest that the method selected by TSA for allocating Recovery Act funds across a fixed-price contract violated (1) the Recovery Act or any associated guidance (2) Office of Management and Budget (OMB) Circular A-123, or (3) OMB Memorandum M-09-15.

Appendix B Management Comments to the Draft Report

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Recommendation Two: Communicate accounting codes used to charge costs to Recovery Act project activities to the accounting office; and, instruct accounting personnel to charge costs to the identified accounting codes.

TSA Concurs: TSA believes the accounting errors noted by OIG were isolated errors and not a systemic problem. The accounting office has reclassified the few incorrect charges the OIG identified. TSA ensured the accounting codes used to charge costs to Recovery Act project activities were clearly communicated to the accounting office and that accounting personnel were instructed to properly charge costs to the identified accounting codes. In February 2009, OMB issued guidance to all Recovery Act recipients to “ensure all funds provided by the Recovery Act are clearly distinguishable from non-Recovery Act funds in all agency financial systems” and “establish unique Treasury Appropriation Fund Symbols in their financial systems for all Recovery Act funding.” TSA’s distinct Recovery Act accounting codes were created in accordance with OMB guidance along with the Agency’s own account code structure using the account code request application, which includes a field for a detailed description of the codes. When a new code is added and approved, the application triggers an e-mail notification to the Office of Financial Management (OFM) and the Office of Budget and Performance (OBP) personnel. OFM then enters the code in the financial system and establishes funds control limits. OBP, OFM and program office personnel are notified via e-mail when the codes are ready for use. The codes are also visible and available for reference in the account code database, which is accessible by all personnel on the OFM Web site.

Recommendation Three: Review travel costs not tested and correct any identified errors.

TSA Concurs: TSA believes incorrect travel charges were isolated clerical errors and not evidence of a systemic problem. TSA is currently reviewing travel costs to ensure that all Recovery Act travel costs and transactions are properly charged. If any discrepancies are identified during the review, TSA will correct them. TSA also provided further training to ensure travel costs are coded properly.

Recommendation Four: Implement procedures to ensure that EBSP projects using Recovery Act funds are compliant with the Section 1605 Buy American requirements.

TSA Concurs: TSA understands OIG’s concerns and the importance of Buy American compliance. Given that the bulk of TSA’s Recovery Act spending is on construction projects, the Buy American Act is an important component of these projects. The Other Transaction Agreements (OTAs) for the Recovery Act include provisions that allow TSA to conduct audits to ensure compliance, and TSA has contractual remedies for any non-compliance. TSA has surveillance plans in place to sample OTAs established under the Recovery Act for Buy American compliance.

Recommendation Five: Implement a hiring plan to bring on additional staff to administer Recovery Act projects.

Appendix B Management Comments to the Draft Report

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TSA Concurs: Of the 15 additional positions authorized to support activities associated with the explosives detection system program, 14 have been filled as of August 12, 2010. The remaining position is expected to be filled as of September 26, 2010.

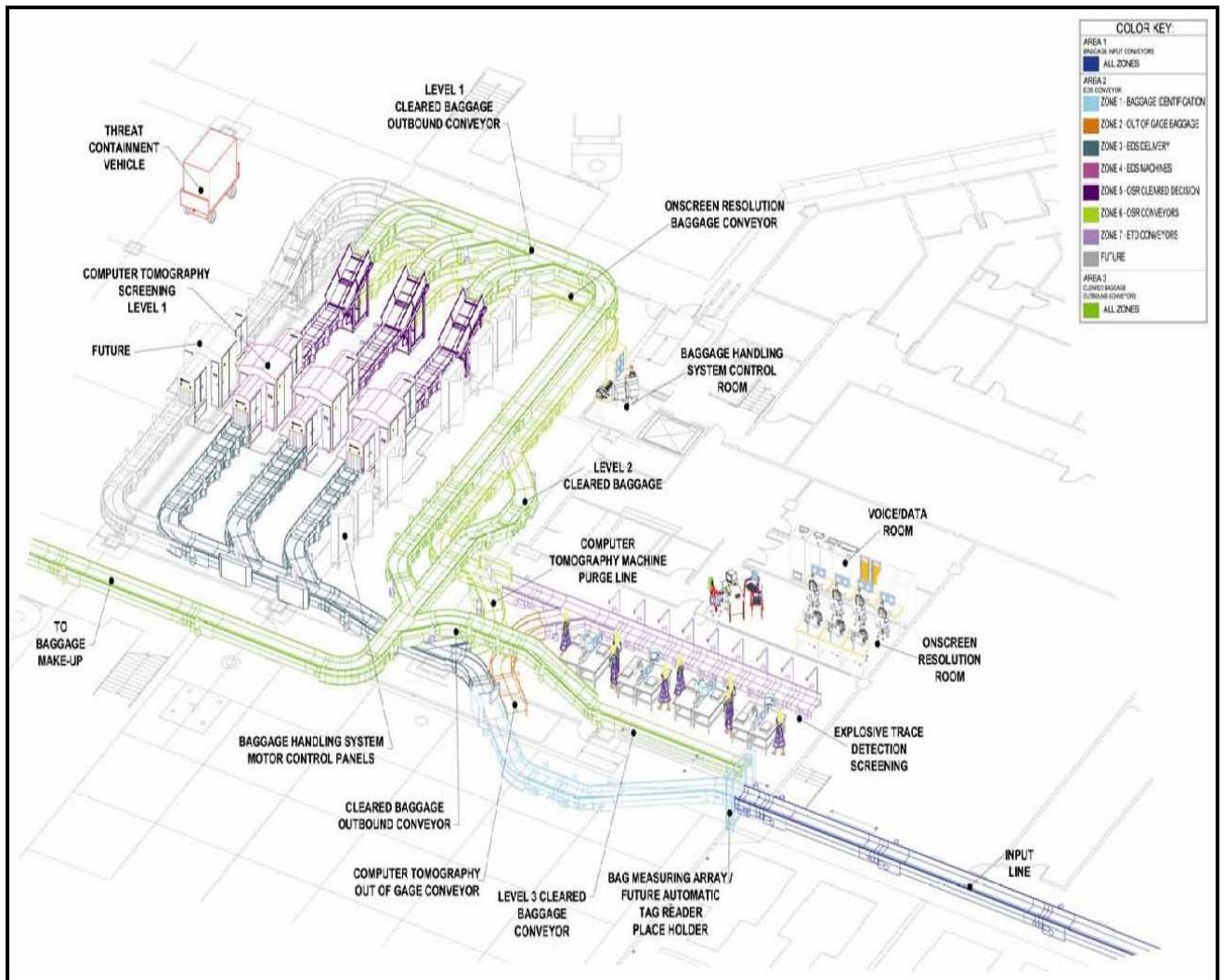
Recommendation Six: Implement a process to track the status of monthly milestone reports and to follow up on overdue reports.

TSA Concurs: The OIG report noted that corrective action has been taken, and they consider this recommendation closed.

Appendix C
Recovery Act Funds by DHS Component

COMPONENT	ACTIVITY	AMOUNT (in millions)
Office of the Under Secretary for Management	<ul style="list-style-type: none"> • DHS Headquarters Building Consolidation 	\$200
U.S. Customs and Border Protection	<ul style="list-style-type: none"> • Land Ports of Entry • Non-Intrusive Inspection Technology • Southwest Border Technology • Tactical Communications 	\$420 \$100 \$100 \$60
U.S. Immigration and Customs Enforcement	<ul style="list-style-type: none"> • Tactical Communications 	\$20
Transportation Security Administration	<ul style="list-style-type: none"> • Baggage and Passenger Screening Equipment 	\$1,000
Coast Guard	<ul style="list-style-type: none"> • Alteration of Bridges • Shore Facilities and Aids to Navigation 	\$142 \$98
Federal Emergency Management Agency	<ul style="list-style-type: none"> • Assistance to Firefighter Grants • Emergency Food and Shelter Grants • Transit and Rail Security Grants • Port Security Grants 	\$210 \$100 \$150 \$150
Total		\$2,750

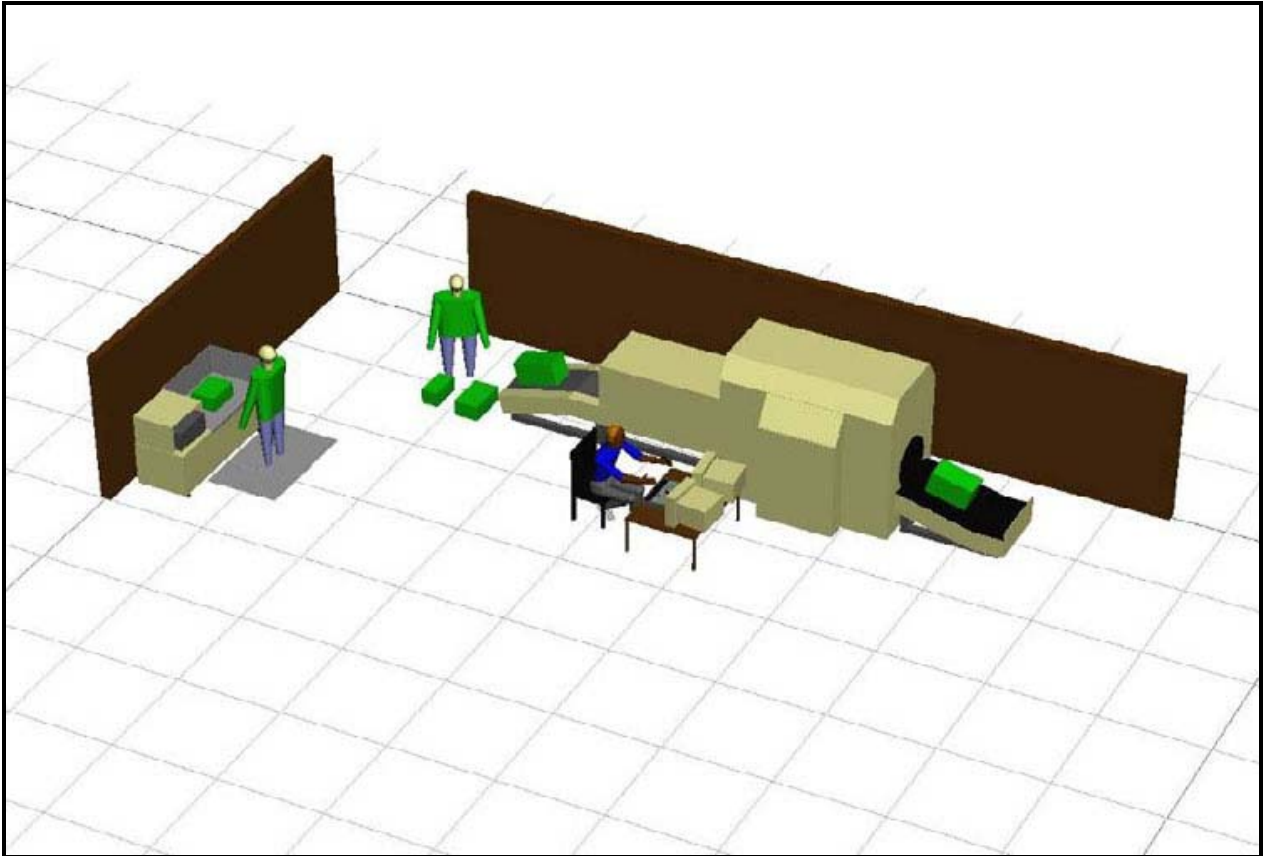
Appendix D Automated Checked Baggage Inspection System



Source: *TSA Electronic Baggage Screening Program, Program Specific Recovery Act Plan* dated May 15, 2009

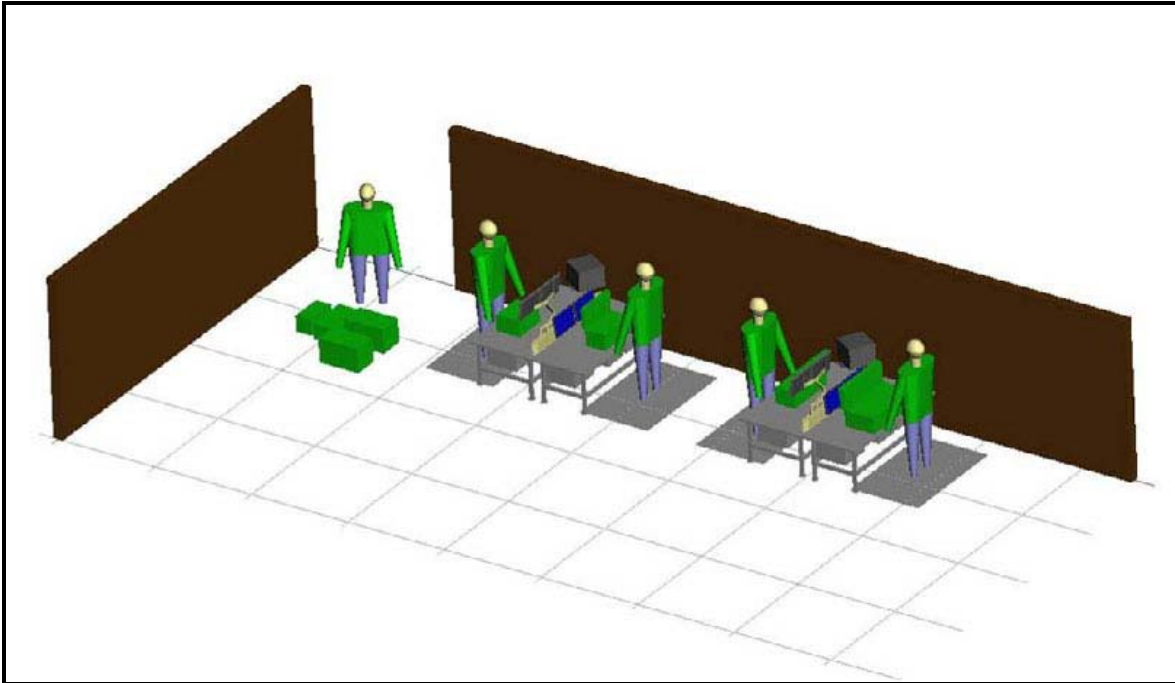
Use of American Recovery and Reinvestment Act Funds by the Transportation Security Administration for the Electronic Baggage Screening Program

Appendix E
Stand-Alone Reduced Size Explosive Detection System



Source: *Planning Guidelines and Design Standards for Checked Baggage Inspection Systems*





Appendix F
Stand-Alone Explosives Trace Detector System



Source: *Planning Guidelines and Design Standards for Checked Baggage Inspection Systems*

Appendix G
Facility Modification Projects and Timelines as of June 2010

Facility Modification Project	2009				2010				2011				2012				2013				2014			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
1. San Francisco Intl. (SFO)																								
2. Jackson Hole (JAC)																								
3a. Orlando Intl. (MCO) East																								
3b. Orlando Intl. (MCO) West																								
4. Orlando Intl. (MCO) Remote-Design																								
5. Orlando Intl. (MCO) Remote																								
6. San Jose Intl. (SJC)																								
7. Portland Intl. Jetport (PWM)																								
8. Washington Dulles Intl. (IAD)																								
9. San Antonio Intl. (SAT)																								
10a.Kahului (OGG) North																								
10b.Kahului (OGG) South																								
11. Philadelphia Intl (PHL) A-E6																								
12a.Philadelphia Intl (PHL) S23 Phase 1																								
12b.Philadelphia Intl (PHL) S23 Phase 2																								
13. Honolulu Intl. (HNL)																								
14. Sacramento, Intl. (SMF)																								
15a.Port Columbus Intl. (CMH) North																								
15b.Port Columbus Intl. (CMH) South																								
16. James M. Cox Dayton Intl. (DAY)																								
17. Hartsfield-Jackson Atlanta Intl. (ATL)																								
18. Yellowstone Regional (COD)																								
19. Bozeman (BZN)																								
20. St. Petersburg (PIE)																								
21. Minneapolis-St. Paul (MSP)																								
22. Little Rock (LIT)																								
23. San Diego (SAN)																								
24. Charlotte (CLT)																								
25. Colorado Springs (COS) Design																								
26. Phoenix (PHX)																								
27. Huntsville Intl. (HSV) Design																								
28. St. Louis Lambert Field (STL) Design																								
29. St. Louis Lambert Field (STL)																								

Construction Period: 
Integrated System Acceptance Test: 
Award Date: 
Anticipated Award Date: 

Appendix H
Locations and Funding for the Advanced Surveillance Program as of June 2010

Locations	Funding	
	Planned Obligation	Actual Obligation
Boise Airport (BOI)	\$ 452,545	\$ 452,545
Ronald Reagan Washington National (DCA)	\$ 1,139,400	\$ 1,139,400
Ronald Reagan Washington National (DCA) Modification	\$ 634,356	\$ 634,356
Cincinnati / Northern Kentucky International Airport (CVG)	\$ 141,813	\$ 141,813
Spokane International Airport (GEG)	\$ 427,999	\$ 427,999
Gerald R. Ford International Airport (GRR)	\$ 169,423	\$ 169,423
Washington Dulles International Airport (IAD)	\$ 5,488,818	\$ 5,488,818
Will Rogers World Airport (OKC)	\$ 3,427,888	\$ 3,427,888
Adams Field Little Rock National Airport (LIT)	\$ 5,514,430	\$ 5,515,430
Omaha Eppley Airfield Airport (OMA)	\$ 2,862,994	\$ 2,862,994
Chicago Midway International Airport (MDW)	\$ 1,334,418	\$ 1,334,418
Kansas City International Airport (MCI)	\$ 6,554,288	\$ 6,554,288
Tampa International Airport (TPA)	\$ 6,022,084	\$ 6,022,084
Salt Lake City International Airport (SLC)	\$ 3,641,200	\$ 3,641,200
Orlando International Airport (MCO)	\$ 5,590,808	\$ 5,590,808
Total	\$ 43,402,464	\$43,403,464

Appendix I

TSA Allocation of the Cost of Financing the Deloitte Consulting Contract, Fiscal Year 2009

DELOITTE FY09 PMO Allocations

Group/Program	%	# FTE's	EDS	Checkpoint	Maintenance	O/I	Cargo Supplemental	TOTAL	Proposed ARRA Allocation	FY 09
EBSP	21%	20.8	5,138,970	0	0			\$ 5,138,969.90	\$ 2,569,484.95	\$ 2,569,484.95
PSP	18%	18.3		4,519,817	0			\$ 4,519,816.90	\$ 2,259,908.45	\$ 2,259,908.45
ASP	7%	6.5		1,609,798	0			\$ 1,609,797.80	\$ 804,898.90	\$ 804,898.90
SIIP	6%	5.5	417,434	944,702	0			\$ 1,362,136.60		\$ 1,362,136.60
E&OI	3%	3.0		0	0	742,984		\$ 742,983.60		\$ 742,983.60
Cargo	6%	6.0		0	0		1,485,967	\$ 1,485,967.20		\$ 1,485,967.20
LCS	2%	1.8		0	433,407			\$ 433,407.10		\$ 433,407.10
Engineering	3%	2.8	542,378	150,454	0			\$ 692,832.21		\$ 692,832.21
Innovations	4%	4.0	764,391	226,254	0			\$ 990,644.80		\$ 990,644.80
TSIF	4%	4.5	1,102,711	0	0			\$ 1,102,711.49		\$ 1,102,711.49
OS Director	1%	1.0	191,098	56,564	0			\$ 247,661.20		\$ 247,661.20
Acquisitions	7%	7.0	1,337,684	395,945	0			\$ 1,733,628.40	\$ 866,814.20	\$ 866,814.20
Communications	8%	8.0	1,528,781	452,508	0			\$ 1,981,289.60	\$ 990,644.80	\$ 990,644.80
HR	2%	2.0	382,195	113,127	0			\$ 495,322.40		\$ 495,322.40
B&F	9%	9.0	1,435,816	731,220	61,915			\$ 2,228,951.00	\$ 1,114,475.50	\$ 1,114,475.50
TOTAL	100%	100	12,841,458	9,200,389	495,322	742,984	1,485,967	\$ 24,766,120.20	\$ 8,606,226.80	\$ 16,159,893.40

Appendix J
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Appendix K
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