

Department of Homeland Security **Office of Inspector General**

Transportation Security Administration's Screening Partnership Program






OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Washington, DC 20528 / www.oig.dhs.gov

JUNE 20 2013

MEMORANDUM FOR: John W. Halinski
Deputy Administrator
Transportation Security Administration

FROM: Anne L. Richards 
Assistant Inspector General for Audits

SUBJECT: *Transportation Security Administration's Screening Partnership Program*

Attached for your action is our final report, *Transportation Security Administration's Screening Partnership Program*. We incorporated the formal comments from your office in the final report.

The report contains two recommendations aimed at improving the Screening Partnership Program. Your office concurred with both recommendations. Based on information provided in your response to the draft report, we consider recommendation 1 closed and recommendation 2 resolved and open. Once your office has fully implemented recommendation 2, please submit a formal closeout letter to us within 30 days so that we may close the recommendation. The memorandum should be accompanied by evidence of completion of agreed-upon corrective actions and of the disposition of any monetary amounts.

Consistent with our responsibility under the *Inspector General Act*, we are providing copies of our report to appropriate congressional committees with oversight and appropriation responsibility over the Department of Homeland Security. We will post the report on our website for public dissemination.

Please call me with any questions, or your staff may contact John E. McCoy II, Deputy Assistant Inspector General for Audits, at (202) 254-4100.

Attachment



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Abbreviations

ATSA	<i>Aviation and Transportation Security Act</i>
DHS	Department of Homeland Security
OIG	Office of Inspector General
PMO	Program Management Office
SPP	Screening Partnership Program
TSA	Transportation Security Administration



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Executive Summary

We performed this audit in response to requests from Senator Roy Blunt (Missouri) and Senator Bob Corker (Tennessee). The Senators had concerns about the Transportation Security Administration's (TSA) management of the Screening Partnership Program, as well as the procurement process at Kansas City International Airport.

As of January 2013, 16 airports were participating in the Screening Partnership Program. Under the program, an airport operator may apply to use a private company to screen passengers and baggage rather than use Federal Government screening personnel. TSA reviews and approves applications to participate, awards contracts to private screening companies, and oversees the private screening workforce. We performed this audit to determine whether TSA administered the Screening Partnership Program in accordance with Federal regulations.

Until 2011, TSA had no criteria when considering whether to approve airports' applications to participate in the Screening Partnership Program. TSA administered the program in accordance with the *FAA Modernization and Reform Act of 2012*, but could improve aspects of its administration. Specifically, TSA's files for its five most recent decisions to approve airports' applications to participate included documents that had not been finalized, as well as documents with inaccurate information. In addition, TSA did not document the rationale used to decide on four of the five contracts awarded during 2011 and 2012.

TSA had these issues because it did not develop and implement procedures to ensure that application evaluation and procurement decisions were adequately documented. The component also did not have quality assurance procedures to ensure that the most relevant and accurate information was used to determine eligibility and approve participation in the Screening Partnership Program. As a result, TSA risks making incorrect decisions on applications and procurements, and thus, may miss opportunities to save funds.

We recommended that TSA expedite developing and implementing procedures to ensure that decisions on Screening Partnership Program applications and procurements are fully documented according to applicable Department and Federal guidance. We also recommended that TSA establish and implement quality assurance procedures to ensure that the most relevant and accurate information is used when determining eligibility and approving airports' participation in the Screening Partnership Program.



Background

In 2001, the *Aviation and Transportation Security Act* (ATSA) (P.L. 107-71) established the Screening Partnership Program (SPP). Under SPP, airports can apply to TSA to use personnel from private companies to screen passengers and baggage. In 2002, five airports began participating in a 2-year pilot program; they elected to transition into the permanent program in 2004. In the same year, TSA began accepting applications from other airports.

In 2012, under the *FAA Modernization and Reform Act of 2012* (P.L. 112-95), TSA was required to—

- Approve an application when determining that doing so would not compromise security or detrimentally affect the cost-efficiency or effectiveness of passenger and baggage screening at the airport;
- Decide on an application within 120 days of receipt; and
- Provide a written report to the applicant and Congress when rejecting an application, identifying why the application was rejected and recommending how to improve the application for future approval.

Once an application is approved, TSA contracts with a qualified company to provide screening at the airport. According to ATSA, to enter into a contract, TSA must conclude and certify to Congress that the level of screening services and protection will be equal to or greater than the level that Federal screeners provide. TSA considers a private screening company qualified if the company's screening personnel meet all ATSA requirements for Federal screening personnel. The company must provide at least the same level of compensation and benefits to its employees that Federal employees receive.

TSA Federal Security Directors are responsible for overall airport security, provide oversight of screening operations, and ensure effective and efficient security operations. As of January 2013, TSA provided oversight for screening operations at 450 airports, including 16 airports participating in SPP.

TSA developed a process to evaluate airports' SPP applications and award contracts, which TSA senior management approved after we concluded our audit work. According to TSA Office of Security Operations personnel, the application process begins when the Program Management Office (PMO) receives the airport application. The TSA Integrated Project Team analyzes the application and advises the Office of Security



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Operations Assistant Administrator on the effect of its acceptance on TSA's Federal screening.

The PMO's estimate of the cost of using private screeners at the airport and an Office of Security Operations estimate for using Federal screeners are given to the Integrated Project Team to review. TSA management personnel receive and review both estimates before they are presented to the TSA Administrator, who uses them to decide whether to approve or reject applications. Once approved, the TSA Office of Acquisition begins the procurement process. When an application is rejected, the PMO informs the applicant and Congress about the reasons for rejection and how the applicant might improve the application.

The procurement process includes solicitation, evaluation, selection, and contract award. During solicitation, TSA selects evaluation factors, develops a source selection plan, establishes evaluation standards, holds a pre-proposal conference, and visits and surveys sites. In evaluating proposals, evaluation teams independently review proposals and submit evaluation reports.

Following evaluation, the TSA Source Selection Authority selects a screening company and provides a written selection decision to the contracting officer. Contract award documentation is then finalized and approved. Appendix E contains a flowchart of the application and procurement processes. Appendix F contains details on related roles, responsibilities, and activities.

According to TSA records, from 2004 through 2008, 21 airports, including the 5 pilot program participants, applied to participate in SPP. TSA accepted 19 airports into SPP, and 2 airports withdrew their applications before final decisions were made. Of the 19 airports accepted, 3 later withdrew from SPP when carriers discontinued service before the start of the contracts. During 2009 and 2010, five SPP applications were received, but none were approved.

We performed this audit in response to requests from Senator Roy Blunt (Missouri) and Senator Bob Corker (Tennessee). The Senators had concerns about TSA's management of SPP, as well as the procurement process at Kansas City International Airport. Appendix A contains our objectives, scope, and methodology. Appendix C contains copies of the Senators' letters. Appendix D contains our responses to the Senators' questions as presented in their letters and subsequent discussions that are not covered in the results section of the report.



Results of Audit

Until 2011, TSA had no criteria when considering whether to approve airports' applications to participate in SPP. TSA administered the program in accordance with the *FAA Modernization and Reform Act of 2012*, but could improve aspects of its administration. We reviewed TSA's files associated with its five most recent decisions to approve SPP applications and identified documents that had not been finalized, as well as documents that contained inaccurate information. In addition, TSA did not document the rationale used to decide on four of the five contracts awarded during 2011 and 2012.

TSA had these issues because it did not develop and implement procedures to ensure adequate documentation of application evaluations and procurement decisions. The component also did not have quality assurance procedures to ensure that the most relevant and accurate information was used to determine eligibility and approve participation in SPP. As a result, TSA risks making incorrect decisions on applications and procurements, and thus may miss opportunities to save funds.

SPP Application Process

Prior to passage of the *FAA Modernization and Reform Act of 2012* (2012 act) in February 2012, ATSA was in effect, and it did not include criteria for TSA in approving SPP applications; TSA could approve any SPP application submitted. Prior to the 2012 act, there were no criteria beyond defining a qualified private screening company and how private screeners would be compensated. TSA complied with the requirements of the 2012 act in approving the five SPP applications submitted after its passage. However, TSA did not ensure that documents related to decisions on these five applications were finalized and accurate. Because decision makers rely on the information in this documentation, it should be as accurate and complete as possible.

From 2004 through 2008, TSA approved 19 SPP applications. During 2009 and 2010, five SPP applications were received, but none were approved. In 2011, the TSA Administrator decided that the agency would no longer approve SPP applications unless airports demonstrated "a clear and substantial benefit" to the Federal Government.

Since the 2012 act was passed, TSA approved five applications, two of which were submitted during 2009 and 2010, but indicated that actual program participation is conditional on TSA being able to retain private screening



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providers for the airports that meet the act's requirements of effective and cost-efficient screening. As of January 2013, 16 airports were participating in SPP; 5 additional airports had been accepted into the program, but TSA indicated that it had not yet awarded contracts for these 5 airports.

We reviewed applications from the following five airports, which TSA approved since the passage of the 2012 act:

- Orlando Sanford International Airport (Florida)
- Sacramento International Airport (California)¹
- Glacier Park International Airport (Montana)
- Bert Mooney Airport (Montana)
- Bozeman Yellowstone International Airport (Montana)

TSA made the decisions on these applications within 120 days of receiving them, but TSA's files included inaccurate documents.² For example, 14 of 25 (56 percent) of the documents that TSA used to evaluate these five applications were not finalized. We also identified errors in the documents. For example, we noted the following errors in two separate documents:

- A document included an incorrect figure, which resulted in a \$162,057 overstatement of the cost to use private screeners.
- A document used to compare the estimated cost of private screening to the estimated cost of Federal screening showed TSA understated an estimate of the cost savings of private screening by \$423,572. If the estimate had been correctly stated, the report would have shown a 7 percent increase in maximum potential cost savings from using private screening compared to Federal screening.

According to TSA, the errors may have resulted from using information from an earlier application file and not changing all of the required figures to reflect the analysis of the new applications. TSA did not have quality control procedures that required a second review of the data in application files to ensure that all required documentation was finalized and accurate. Although in these two cases TSA correctly approved the applications, there is still a risk that inaccurate estimates could lead to incorrect decisions.

¹ After our audit work was completed, Sacramento International Airport withdrew its SPP application.

² Documentation reviewed included cost estimate briefings, integrated project team briefings, SPP application chair briefings, application determination briefings, and decision memorandums.



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SPP Procurement Process

From January 2011 to August 2012, TSA did not comply fully with *Federal Acquisition Regulation* Section 15.308 when documenting its decisions in awarding four SPP contracts. Specifically, in this time period, TSA's documentation on proposal evaluations and decisions related to these contract awards was missing details and included inaccuracies. TSA did not formalize and implement procedures to ensure that SPP procurements were fully documented, and it did not have quality control procedures to verify the accuracy of data used for contract decisions. As a result, TSA risks not selecting the best contractor offer and not ensuring that it provides the best screening services.

In four of the five procurement files for contracts awarded between January 2011 and August 2012, the rationale for TSA's final decisions on contractor selection was not fully described in supporting documentation. The DHS source selection guide requires the Source Selection Authority to document its rationale separately. The guide further specifies the elements that files should include—a decision statement, a brief description of the product or service being procured, a brief description of the basis for the award, a list of competitive offerors, the rationale for business judgments and tradeoffs, and the reason that the selected offeror's proposal is the best overall value to the Federal Government.³

Rather than including all of this information, all four files contained a similar short paragraph noting the Source Selection Authority's decision. For example, in the file for the contract awarded to the Kansas City International Airport, the final decision noted that the Source Selection Authority had completed an independent review and assessment of the technical and price reports, but did not include other details on the rationale for its decision. According to TSA, the files were missing documentation on the rationale for decisions because staff members believed that they had met *Federal Acquisition Regulation* requirements for final decision documentation.

In September 2011, a Federal court ruled that TSA could not award a private screening contract to the contractor originally selected for the Kansas City International Airport, and it directed the component to cancel or amend the solicitation. The Federal court concluded that the TSA Source Selection Authority's decision did not include documentation on its independent analysis. According to *Federal Acquisition Regulation* Section 15.308, the Source Selection

³ *A Practical Guide to Source Selection, Version 1.1*, September 2008.



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Authority may use reports and analyses prepared by others, but its decision shall represent its independent judgment.

Following the 2011 ruling, TSA developed lessons learned to ensure full documentation of its proposal analysis and the rationale for its decisions, as well as the Source Selection Authority's independence. Although at the time of our audit the lessons learned had not been formalized as policy, TSA began requiring additional documentation to support final source selection decisions. We reviewed documentation for a decision on a contract to provide screening for three airports and confirmed that it included details on the rationale for procurement decisions and on independent analysis.

In reviewing the five contracts awarded between January 2011 and August 2012 for eight airports, we noted data discrepancies in TSA's proposal evaluation documentation.⁴ In addition, we reviewed two of eight cost estimates that TSA prepared for the five procurements and identified discrepancies in both cost estimates. Specifically, there were differences in labor hours and overtime rates. Inaccurate cost estimates could affect TSA's evaluation of offerors.

Cost Considerations

Under the 2012 act, TSA is required to consider cost efficiency in deciding on airports' admission into SPP. However, we were unable to conclude whether TSA was properly considering cost because TSA reported that none of the four SPP applications approved and in progress since the act's passage had progressed to the contract evaluation phase where cost would be evaluated.

A January 13, 2013, memorandum approved by the TSA Administrator directed that cost efficiency be evaluated when deciding on an airport's continued participation in SPP. TSA developed and continued to refine a methodology for estimating the cost of converting SPP airports back to screening with Federal TSA personnel, but had yet to perform the cost determination for any airport in SPP at that time.

The cost estimates consider factors such as labor costs, attrition, real estate costs, and overhead, which are partially based on costs of using Federal personnel at two comparable airports. As TSA refines the cost estimates, the component continues to adjust factors that result in several different cost estimates, some of which indicate TSA employee screening would cost more and

⁴ One contract covered three airports; another contract covered two airports.



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others in which the contracted screening would cost more. Because different factors may be added and removed from the cost estimates, they do not provide a consistent basis for making decisions on SPP participation.

Conclusion

Without improving aspects of its administration of SPP, TSA increases the risk of not selecting the best contractor to provide screening services. TSA's administration of SPP includes in-depth examination of airport applications and private contractor offers, which requires detailed calculations and analysis in deciding whether to accept or reject applications and proposals. Therefore, TSA should ensure that this process provides decision makers with accurate information.

Recommendations

We recommend that the Transportation Security Administration Deputy Administrator:

Recommendation #1:

Expedite developing and implementing procedures to ensure that decisions on Screening Partnership Program applications and procurements are fully documented according to applicable Department and Federal guidance.

Recommendation #2:

Establish and implement quality assurance procedures to ensure that the most relevant and accurate information is used when determining eligibility and approving airports' participation in the Screening Partnership Program.

Management Comments and OIG Analysis

TSA recognized the importance of the issues in this report and appreciated our efforts to identify improvements in SPP application review. The component noted that our recommendations reflect program enhancements since passage of the 2012 act, and that it had already made significant progress toward implementing our recommendations.



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Recommendation #1: TSA concurred with the recommendation and revised and approved its application process on March 4, 2013. In December 2012, the TSA Office of Acquisition issued a policy letter, effective January 1, 2013, on Source Selection Authority appointment and business processes. The policy letter includes a requirement for an independent Source Selection Authority tradeoff analysis decision, with a reference to the DHS source selection guide. In January 2013, TSA issued a policy reminder on source selection procedures, which reiterates that the Source Selection Authority must independently document its decision. According to the policy reminder, the Contracting Officer also needs to review in detail all source selection documents.

OIG Analysis: We reviewed TSA's corrective actions and confirmed that they satisfy the recommendation. TSA provided sufficient supporting documentation. We consider recommendation #1 to be resolved and closed.

Recommendation #2: TSA concurred with recommendation #2. Early in fiscal year 2013, TSA began to improve quality assurance in application documents and completed part of the work in March 2013, when it finalized the revised application process. In the fall of 2012, the component began printing dates on Government cost estimates to track changes and versions over time more accurately. TSA expects to finalize a cost estimating process in 2013. The PMO is finalizing a review process, which it planned to complete in 2013, to ensure that all application documents are final and accurate before being used to reach a final determination. For all future procurements, the PMO will formally confirm or revise the TSA "cost efficiency number" 1 week prior to releasing the request for proposals. TSA expected to document and finalize this standard in 2013.

OIG Analysis: TSA's planned corrective actions are responsive to the recommendation. This recommendation will remain open and resolved until we receive documented support that the cost estimation process, the review process for all application documents, and the standard for documenting the "cost efficiency number" are finalized.



Appendix A

Objectives, Scope, and Methodology

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 as part of our oversight responsibilities to promote economy, efficiency, and effectiveness within the Department.

Senators Roy Blunt and Bob Corker requested this audit because of concerns regarding TSA's management of SPP. We determined whether TSA is administering the program in accordance with Federal regulations.

We interviewed staff in the TSA Office of Acquisition and the SPP Management Office to develop an understanding of the processes and procedures involved in administering SPP. We reviewed relevant criteria, policies, and other guidance related to SPP procurement and application functions. We obtained and reviewed SPP application and procurement documentation at TSA headquarters.

To determine whether TSA complied with applicable laws, regulations, and policies, we reviewed applications approved since passage of the *FAA Modernization and Reform Act of 2012* (P.L. 112-95) in February 2012. The following airports were in this category: Orlando-Sanford International, Sacramento International, Glacier Park International, Bert Mooney, and Bozeman Yellowstone International. For the application process, we reviewed approved, rejected, and withdrawn applications, including the support documentation for all applications decided on since February 2012. Documentation included the Cost Estimate Briefing, Integrated Project Team Briefing, SPP Application Chair Briefing, Application Determination Briefing, and the Decision Memorandum.

To determine whether TSA complied with applicable procurement laws, regulations, and policies, we reviewed both full and open competition and small business set-asides. We reviewed the San Francisco International Airport, Jackson Hole Airport, and Kansas City International Airport procurements for full and open competitions. We also reviewed the Charles M. Schulz-Sonoma County Airport, Joe Foss Field/Sioux Falls Regional Airport, Key West International Airport, Greater Rochester International Airport, and Tupelo Regional Airport procurements for small business set-asides. The team assessed TSA documentation related to price, technical, and past performance evaluations; Source Selection Evaluation Board and Source Selection Authority analyses; and other supporting documentation deemed necessary.



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Using data provided by TSA, we identified all airports that applied for SPP, including the number of times each airport applied and the outcome of those applications. We identified timelines for TSA decisions. For the procurement process, we examined contract file documentation, and we reviewed documents pertaining to TSA analyses of private screening proposals under full and open competition and small business set-asides. This documentation included the following:

- Consensus technical evaluations (evaluate technical strengths and weaknesses of proposals);
- Price costs (determine and ensure fair and reasonable pricing);
- Past performances (review and rate contractors' prior service performance);
- Source Selection Evaluation Board tradeoff analyses and recommendations (explain, rank proposals, and make recommendations based on technical, price, and past performance evaluations); and
- Source Selection Authority independent analyses and decisions and business clearance memorandum reports (document contracting officers' actions, analyses, and decisions on procurement actions).

To verify and validate the figures and data calculated on the cost estimates prepared by the TSA SPP Program Office, we reviewed cost estimates for two airports. We verified the mathematical calculations and obtained some of the cost estimate source data to verify the figures used. Specifically, we obtained TSA's Staffing Allocation Model spreadsheet to verify estimated staffing information on the cost estimates. We also obtained one airport's contractor invoices for September 2009 and invoices from December 2009 to February 2010; we compared these invoices with the prepared cost estimate to determine whether burdened rates, such as overhead, general and administrative, overtime, and fringe rates, matched; and we noted any discrepancies. With a limited sample of invoices, we could not make a general conclusion on fringe rate differences. We were also unable to determine the base wage rates used for the cost estimate based on invoices obtained.

Because of time constraints, we did not obtain contractor invoices for the second airport we tested. We also did not obtain source data for other cost estimate elements, so we were unable to verify some figures. We did not review source data on TSA assumptions for part- and full-time staff; breakdown of screener, lead screener, and supervisory screener labor categories; non-screener wage rates; and historical profit and



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other direct costs. We did not make any judgments on TSA's assumptions and source data used in preparing the cost estimates for the purposes of this audit.

To verify ATSA wage rates in the cost estimates and the solicitation issued for three airports in April 2010, we obtained TSA's 2010 pay band chart and the 2010 Office of Personnel Management locality pay chart to independently calculate ATSA wage rates.

To determine which factors contributed to or influenced airports' decisions not to participate in SPP, we selected for interviews 25 airports that have never participated in the non-federalized screening model. We interviewed 23 airport officials—one official discontinued the interview and another did not respond to our interview request. To identify the number of airports that have never applied for non-federalized screening model, we separated airports whose SPP applications were accepted, pending, withdrawn, or rejected from TSA's list of 446 airports. Given our new universe of 420 airports, we judgmentally selected 25 airports, with five airports taken from each of TSA's five designated airport categories.⁵

We conducted this performance audit between July 2012 and January 2013 pursuant to 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 upon our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based upon our audit objectives.

⁵ TSA classifies the Nation's airports into one of five categories (X, I, II, III, and IV) based on various factors such as the number of annual takeoffs and landings. In general, Category X airports have the largest number of passengers boarding aircraft and Category IV airports have the smallest number.



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Appendix B
Management Comments to the Draft Report

U.S. Department of Homeland Security
501 South 12th Street
Arlington, VA 20558



Transportation
Security
Administration


MAY 20 2013

INFORMATION

MEMORANDUM FOR:

Anne L. Richards
Assistant Inspector General for Audits
U.S. Department of Homeland Security (DHS)

FROM:

J.W. Halinski 
Deputy Administrator

SUBJECT:

Response to Draft Report, *Transportation Security Administration's Screening Partnership Program*, OIG Project No. 12-152-AUD-TSA

Purpose

This memorandum constitutes the Transportation Security Administration's (TSA) response to the DHS Office of Inspector General (OIG) draft report, *Transportation Security Administration's Screening Partnership Program*, OIG Project No. 12-152-AUD-TSA, April 2013.

Background

The OIG conducted this audit at the request of Senator Roy Blunt and Senator Bob Corker. The audit objective was to determine whether TSA is administering the program in accordance with Federal regulations. The OIG audit team conducted this performance audit from July 2012 through January 2013.

The OIG found that TSA administered the Screening Partnership Program (SPP) in accordance with the Federal Aviation Administration (FAA) Modernization and Reform Act of 2012 (FAA Act). They also stated that TSA could improve some aspects of its processes. The OIG made two recommendations to improve TSA's administration of the program.

Discussion

Privatized screening is important to TSA's mission. Private contractors at SPP airports screen more than 28 million people and their baggage annually, and TSA is grateful for the OIG's efforts to examine and help improve the program. TSA appreciates the OIG's confirmation that the SPP is administered in accordance with the FAA Act, and that TSA acted in accordance with its regulations and procedures. The OIG also reports that the SPP did not exceed its statutory authority or act improperly, unethically, or unlawfully. TSA is further pleased that OIG found no conflict of interest associated with the 2011 SPP contract award at the Kansas City International Airport.



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TSA believes the SPP is a robust, effective, and well-run program, and the OIG's recommendations will help improve it. The OIG's recommendations mirror the program's own enhancements in progress since the FAA Act became law. TSA enhancements include a revision of the original application process. The revision was completed in March 2013. Additionally, based on feedback from the audit team prior to the report's publication, the program began revising its internal procedures to include using multiple layers of review of application documents, such as cost estimates, to ensure they are accurate and complete prior to a formal decision by TSA leadership.

The OIG reviewed all documentation concerning the applications received and approved since February 2012 and all SPP procurements dating back to 2010. The OIG report states, "As a result [of not having quality assurance procedures], TSA risks making incorrect decisions on applications and procurements, and thus may miss opportunities to save funds." The OIG concluded this after identifying documents that did not appear to be "finalized" due to an oversight that inadvertently led to the documents retaining "draft" and "pre-decisional" markings. However, the documents were final and the data were accurate. These markings did not increase the likelihood of poor decision-making by the Agency. It is worth noting that while the OIG identified two "inaccurate cost figures in the application documents," both inaccuracies were for the same application, which was the first application adjudicated following the passage of the FAA Act. The calculations were correct but unfortunately mislabeled on the two supporting documents in question. Most importantly, the cost figures in those documents when forwarded to TSA senior leadership were properly labeled and the associated decisions were not based on these calculations alone. Although the mislabeling is regrettable, these errors did not lead TSA to miss "opportunities to save funds."

Regarding SPP procurements, OIG concluded, "From January 2011 to August 2012, TSA did not fully comply with [Federal Acquisition Regulations (FAR)] part 15.308." While TSA maintains that all the procurements in question were compliant with the FAR requirements, TSA also acknowledges that documentation could have been more thorough. Additionally, the report states, "... the rationale for TSA's final decisions on contractor selection was not fully described in supporting documentation. The DHS source selection guide requires the Source Selection Authority to document its rationale separately." TSA complied with procurement regulations, but may not have fully implemented a best practice as recommended by the guide. All SPP procurements now include a separately documented rationale by the selection authority.

Conclusion

TSA recognizes the important issues set forth in this report and appreciates OIG's efforts to identify areas to improve the SPP application review process. Significant progress has already been made toward implementing the OIG recommendations. TSA values the OIG's acknowledgement that TSA is administering the SPP program in accordance with Federal regulations and welcomes the opportunity to improve this program.

Attachment



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U.S. Department of Homeland Security
Transportation Security Administration (TSA)

Response to OIG Draft Report
Transportation Security Administration's Screening Partnership Program
OIG Project No. 12-152-AUD-TSA

Recommendation 1: Expedite developing and implementing procedures to ensure that decisions on Screening Partnership Program (SPP) applications and procurements are fully documented according to applicable Department and Federal guidance.

TSA concurs. To implement this recommendation, TSA revised and approved its application process on March 4, 2013. Federal Acquisition Regulations (FAR) Subpart 15.308 delineates requirements for source selection authority's (SSA) decisions. Additionally, the U.S. Department of Homeland Security (DHS) Source Selection Guide expands upon this requirement and provides further guidance on specific information to be included in an SSA decision. In December 2012, the TSA Office of Acquisition (OA) issued a Policy Letter, (effective January 1, 2013), regarding SSA Appointment and Business Processes. One portion of this Policy Letter denotes the requirement for an independent SSA trade-off analysis decision, with a reference to the DHS Source Selection Guide. In addition to this Policy Letter, in January 2013, OA issued a Policy Reminder on Source Selection Procedures. Among other things, this policy reminder reiterates the requirements for the SSA to independently document their decision, as well as the need for the Contracting Officer to provide a detailed review of all source selection documents.

Recommendation 2: Establish and implement quality assurance procedures to ensure that the most relevant and accurate information is used when determining eligibility and approving airports' participation in the Screening Partnership Program.

TSA concurs. TSA began work on improving quality assurance in application documents early in fiscal year 2013. Part of this work was completed in March 2013, when the revised application process was finalized. The document capturing this process outlines the artifacts, locations, and naming conventions of all application documents. Additionally, TSA is in the process of establishing the following:

- To ensure the quality of cost estimates, the SPP Program Management Office (PMO) began printing dates on Government costs estimates in the fall of 2012 in order to better track changes and versions over time.
- TSA expects to finalize a cost estimating process by June 30, 2013. The process will describe in detail how cost estimates are created and how they will be reviewed.
- The SPP PMO is finalizing a review process for all application documents to ensure they are final and accurate before being used to reach a final determination. This should be completed by May 31, 2013.
- For all future procurements, the SPP PMO will formally confirm or revise the TSA "cost efficiency" number used in any procurement one week prior to releasing the request for proposals. This standard is being documented and should be finalized by May 31, 2013.



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Appendix C
Senators' Requests to DHS OIG

ROY BLUNT
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United States Senate

WASHINGTON, DC 20510
March 5, 2012

COMMITTEE
APPROPRIATIONS
COMMERCE, SCIENCE
AND TRANSPORTATION
RULES AND ADMINISTRATION
SELECT COMMITTEE
ON INTELLIGENCE

Charles K. Edwards
Acting Inspector General
Department of Homeland Security
245 Murray Drive, SW, Building 410
Washington, DC 20528

Dear Mr. Edwards

I write to request an investigation to determine whether the Transportation Security Administration (TSA) has acted outside its own regulations and procedures, taken any actions that exceed its statutory authority, or has otherwise acted improperly, unethically, or unlawfully in its administration of the Screening Partnership Program (SPP).

Despite the demonstrated success of SPP airports, TSA has never fully embraced the SPP. The TSA has recently taken a series of actions and made a number of decisions which have been detrimental to the SPP and seemingly are outside the statutory discretion of the TSA. These factors, coupled with a general lack of transparency, raise troubling questions that need to be answered.

To that end, I am requesting that your investigation include possible improper pressure exerted by the TSA on airport officials to not "opt-out" of TSA security screening, TSA's arbitrary rejection of airport "opt-out" requests and onerous requirements on airports that wish to participate in the SPP.

I also request that you investigate questionable actions regarding the TSA's procurement procedures relating to the SPP. This has come to my attention as result of the TSA's voided SPP contract award at Kansas City International Airport (MCI). In the federal judge's ruling in which she voided the contract, she described the TSA's actions as "arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law." Of particular interest in this case is the TSA Source Selection Evaluation Board's and Source Selection Authority's apparent unwillingness to perform a proper "best-value tradeoff analysis." A recent House Homeland Security Transportation Security Subcommittee hearing highlighted this issue and others that are of concern within this contracting process.

It is my hope that this investigation will provide some much needed transparency and oversight into the TSA's past, present, and future decision-making. I appreciate your attention to these important matters, and look forward to further discussions, your subsequent review, and final response with regard to them.

Sincere regards,



Senator Roy Blunt

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OFFICE OF INSPECTOR GENERAL
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United States Senate

May 24, 2012

COMMITTEES:
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ENERGY AND NATURAL RESOURCES
SPECIAL COMMITTEE ON AGING

Charles K. Edwards
Acting Inspector General
Department of Homeland Security
245 Murray Drive, SW, Building 410
Washington, DC 20528

Dear Mr. Edwards,

I am writing to formally join in Senator Blunt's request for an investigation by your office "to determine whether the Transportation Security Administration (TSA) has acted outside its own regulations and procedures, taken any actions that exceed its statutory authority, or has otherwise acted improperly, unethically, or unlawfully in its administration of the Screening Partnership Program (SPP)."

I am concerned that TSA has failed to take full advantage of its partnership with the private sector as Congress intended to adopt and advance innovations in security and management best practices. Rather, some of TSA's actions have given the appearance that it seeks to downplay the effectiveness of its private screening partners in making contributions toward improving security, reducing costs, and cultivating positive relationships with our country's airports and passengers. TSA seemingly continues to rely on its flawed internal studies to support fundamental management decisions, resisting full implementation of the Government Accountability Office's (GAO) recommendations for an accurate comparison of performance and cost between SPP and non-SPP airports.

Additionally, I have significant concerns with TSA's procurement procedures relating to the SPP following a recent federal court ruling that voided TSA's SPP contract award at Kansas City International Airport (MCI), finding that the TSA's actions were "arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law." Of particular interest in this case is the TSA Source Selection Evaluation Board's and Source Selection Authority's failure to perform a proper "best-value tradeoff analysis."

I expect that your investigation will provide needed transparency and oversight of TSA's past procurement practices as well as produce important recommendations for future decision-making. My hope is that this investigation will be conducted thoroughly and swiftly, and that the TSA will soon be in an improved position to award SPP contracts that are in accordance with law. I appreciate your consideration of this request.

Sincerely,


Bob Corker
United States Senator



Appendix D

Answers to Senators' Other Concerns

Question 1:

Did TSA act outside its own regulations and procedures or take any actions that exceed its statutory authority, or did it otherwise act improperly, unethically, or unlawfully in its administration of the SPP?

Answer 1:

No. In reviewing the SPP application and procurement documents and processes and interviewing appropriate personnel, we found no evidence that TSA acted outside its regulations and procedures; exceeded its statutory authority; or acted improperly, unethically, or unlawfully.

Question 2:

Identify whether TSA is not embracing the Screening Partnership Program by putting pressure on airport officials to not participate in the program.

Answer 2:

TSA met the intent of ATSA. The component implemented SPP and made it available to interested airports. TSA has not pressured airport officials to not participate in the SPP. We conducted telephone interviews with officials from 24 non-SPP airports, none of whom said they were pressured by TSA regarding the program. Specifically, officials at 20 airports said that they were satisfied with TSA screening at their airports, two had no comment or were undecided, one airport was not interested in the SPP, and one airport planned to apply to the program.

We reviewed documentation for the six airports whose applications to participate in SPP were rejected, including the four that subsequently resubmitted applications. The four airports that reapplied were subsequently accepted. Officials from the two airports that did not reapply said that TSA did not place undue pressure on them for this decision.

Question 3:

Did TSA take full advantage of SPP to advance innovations and best practices in security and management, as well as cultivate positive relationships between screeners and passengers at airports?

Answer 3:

Based on information provided by TSA, the component maintains a web-based tool called the IdeaFactory to collect information and suggestions from the workforce. SPP contractors can submit suggestions at the TSA website. The website terms leave it relatively unclear whether contractor suggestions through the website are desired. To better answer this question, we would need to have lengthy discussions with SPP participant airports and TSA officials to develop a more detailed understanding of the



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process; and to draw a more complete conclusion, we would need to review innovations previously submitted and rejected. Time constraints did not allow the audit team to hold such discussions or review previously submitted innovations.

Question 4:

Determine if TSA resisted implementing Government Accountability Office recommendations to accurately assess the costs of screening at SPP and non-SPP airports.

Answer 4:

We reviewed the preliminary work and plans for doing so, but could not answer this question until TSA finalizes the process. The component continues to update its SPP Cost Estimate used to compare actual costs for SPP contracts against the costs of federalized screening.

Question 5:

Determine TSA's rationale to starting the Kansas City International Airport procurement process over.

Answer 5:

TSA decided to re-procure the solicitation because of the errors in the original Request for Proposals, which led to a Federal court ruling, as well as the length of time since the original proposal was issued by the component.

According to the ruling, TSA could either amend the solicitation to correct the price evaluation scheme, notify the sole offerors about the amendment to the solicitation, and engage them in discussions; or re-procure the solicitation.

Question 6:

Identify any conflict of interest at Kansas City International Airport with a former TSA employee.

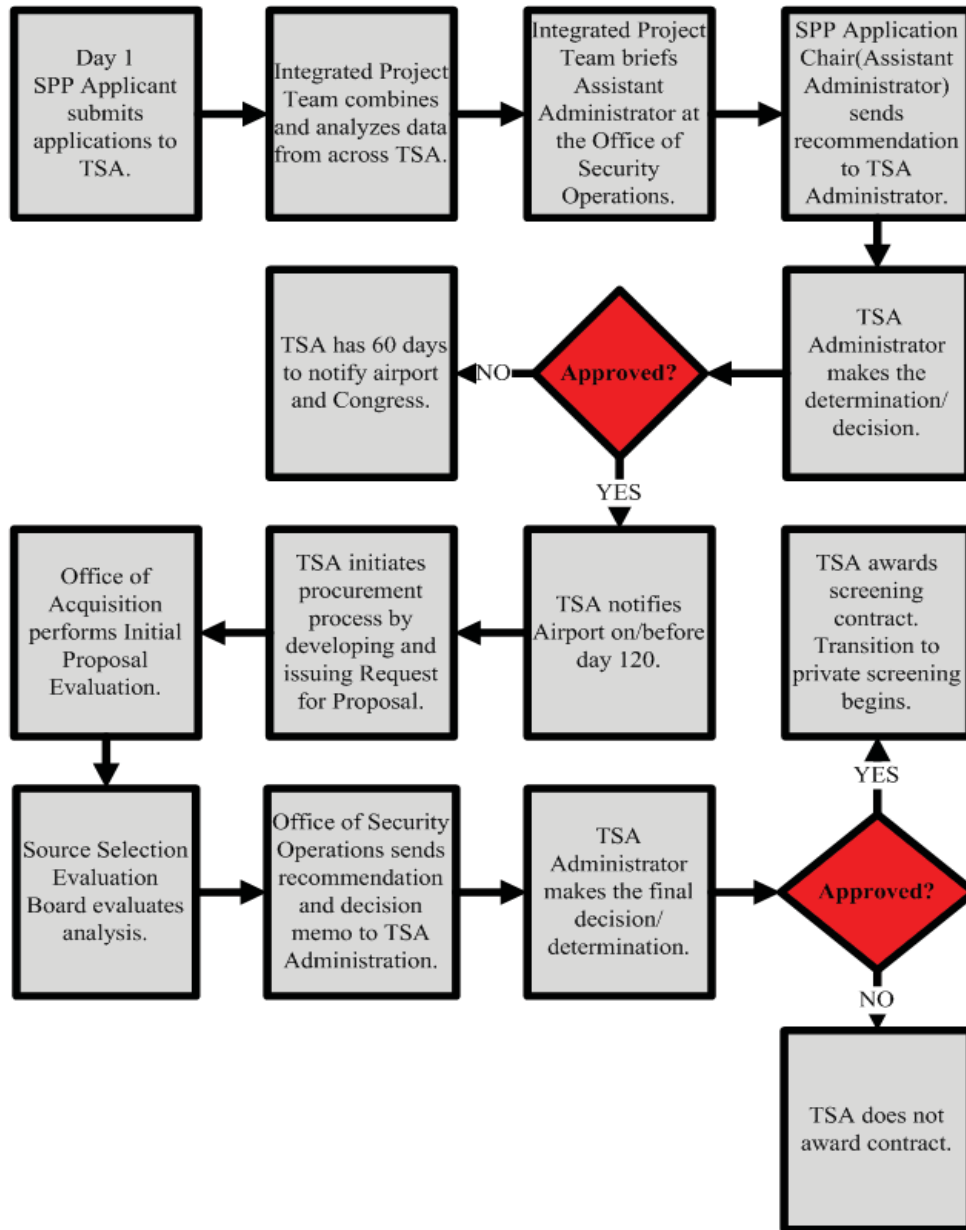
Answer 6:

We did not identify any conflict of interest.

We examined TSA procurement files located at TSA headquarters, Office of Acquisitions. The files did not provide any evidence that the former TSA employee had any influence over the procurement.



Appendix E Application and Procurement Processes



Source: DHS OIG-generated based on TSA source documents.



Appendix F

Roles, Responsibilities, and Activities

The **Program Management Office (PMO)** receives the airport application, confirms that it is complete, and advises the TSA Integrated Project Team of the application.

The **Integrated Project Team** gathers data concerning the applicant airport, including estimates of the cost of converting the airport to private screening and of continuing to use Federal screeners, and briefs the SPP Application Committee Chair.

The **SPP Application Committee Chair** briefs the TSA Senior Leadership Team on the application, including recommending whether to approve or reject the application.

The **TSA Administrator** decides whether to approve the application, and the PMO advises the applicant of the Administrator's decision. If the application is not approved, the PMO provides the applicant with a report that includes the reasons for rejection and recommendations for future application. TSA Legislative Affairs forwards copies of the report to appropriate congressional committees.

The **proposal selection process** involves acquisition planning, pre-solicitation activities, issuing the solicitation, initial proposal evaluation, selecting a source, and awarding the contract. Acquisition planning entails conducting market research, determining the need for pre-solicitation or pre-proposal conferences, preparing an acquisition plan, and conducting an acquisition integrity briefing for team members.

Pre-solicitation activities involve selecting evaluation factors, subfactors, and criteria; preparing a source selection plan; establishing evaluation standards; and preparing a solicitation. Soliciting industry consists of issuing the solicitation, holding a pre-proposal conference, and visiting sites or conducting surveys (if needed). Initial proposal evaluation entails receiving proposals, the evaluation team independently reviewing proposals, holding consensus meetings, and preparing and submitting initial evaluation reports.

Source selection involves the Source Selection Authority deciding on a source and providing a written selection decision to the contracting officer. Contract award consists of finalizing and approving award documentation.

Source: DHS OIG-generated based on TSA source documents.



Appendix G

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Appendix H

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