

**DEPARTMENT OF HOMELAND SECURITY**

# **Office of Inspector General**

**Assessment of Expenditures Related to the  
First Annual  
Transportation Security Administration Awards  
Program and Executive Performance Awards**



**Office of Inspections, Evaluations, & Special Reviews**

**OIG-04-46**

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**Homeland  
Security**

## Preface

The Department of Homeland Security (DHS) Office of Inspector General (OIG) was established by the Homeland Security Act of 2002 (*Public Law 107-296*) by amendment to the Inspector General Act of 1978. This is one of a series of audit, inspection, investigative, and special reports prepared by the OIG as part of its DHS oversight responsibility to identify and prevent fraud, waste, abuse, and mismanagement.

This report assesses the strengths and weaknesses of the program or operation under review. It is based on interviews with employees and officials of relevant agencies and institutions, direct observations, and a review of applicable documents.

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

A handwritten signature in black ink, appearing to read "Clark Kent Ervin".

Clark Kent Ervin  
Inspector General



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## Abbreviations

<b>ATSA</b>	Aviation and Transportation Security Act
<b>CEI</b>	Comparability Equivalent Increase
<b>CUPS</b>	Consolidated Uniform Payroll System
<b>DFSD</b>	Deputy Federal Security Director
<b>DHS</b>	Department of Homeland Security
<b>DOT</b>	Department of Transportation
<b>FAA</b>	Federal Aviation Administration
<b>FSD</b>	Federal Security Director
<b>FTR</b>	Federal Travel Regulations
<b>FY</b>	Fiscal Year
<b>GS</b>	General Schedule
<b>MI&amp;E</b>	Meals, Incidentals, and Expenses
<b>OIG</b>	Office of Inspector General
<b>OPM</b>	Office of Personnel Management
<b>RFQ</b>	Request for Quotes
<b>SES</b>	Senior Executive Service
<b>TSA</b>	Transportation Security Administration
<b>TSES</b>	Transportation Security Executive Service
<b>TSI</b>	Transportation Success Increase

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

### **Introduction**

On November 19, 2003, the Transportation Security Administration (TSA) honored almost 600 employees, workgroups, and organizations at the first annual TSA Awards Program. This ceremony was held on the second anniversary of the signing of legislation that created TSA.<sup>1</sup> At the awards program, honorary awards were presented to TSA employees for:

- Advancing the mission of TSA;
- Making significant intelligence, technological, organizational, and employee development contributions;
- Creating a model workplace environment, innovation or process improvements, outstanding leadership, customer service, or administrative and technical support;
- Improving the welfare of humanity; and
- Contributing to the equal employment opportunity program and improving workforce diversity.

We learned of issues regarding the awards program from a February 2004 news article. This article reported that TSA spent more than \$200,000 on an “expensive, high-quality” awards program that included “first-rate audiovisual services,” official photographs of award recipients with the TSA Administrator, and airfare and lodging for “a couple [of] hundred” TSA employees and guests. In addition, the article noted that TSA awarded cash bonuses totaling more than \$1.4 million to 88 of its senior managers, for an average bonus of about \$16,000.<sup>2</sup> As a result, we initiated a review of TSA’s expenditures for its awards program and its executive performance awards.

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<sup>1</sup>“Aviation and Transportation Security Act,” Public Law 107-71, enacted November 19, 2001.

<sup>2</sup>Andersen, Martin Edwin, and Torobin, Jeremy, “Cash-Strapped TSA Spent \$200K on Awards Ceremony,” *Congressional Quarterly*, February 11, 2004.

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## Results in Brief

TSA spent approximately \$461,745 to host the first annual TSA Awards Program. The costs included lodging, transportation, and per diem allowances for award recipients and their guests; services provided by a private events planning firm; food and beverages; audio visual support; and, production of awards, programs, and photos of award recipients. Although TSA obtained competitive bids for some of the services needed for the award program, it did not solicit competitive bids when selecting a site for the awards program, and did not compare the total costs associated with different site selections or ceremony configurations.

While the costs of transporting and housing recipients for an awards event, the allied costs for plaques, photographs of the ceremony, and a reception are elements commonly incurred in an agency award program and allowed by applicable regulation, in our view TSA's choices proved to be excessive.

In addition, at the end of FY 2003, TSA distributed \$1,450,000 in individual cash awards to 88 TSA executive employees for their FY 2003 performance appraisals. According to the most recent data available from the Office of Personnel Management (OPM), 49% of all government executive employees received a cash award in FY 2002. At TSA, 76% of its eligible executives (88 of 116) received a cash performance award, which put TSA in the top quartile of all federal agencies. The average award for the 88 TSA executives was \$16,477. According to OPM's data for all federal agencies, the average executive employee cash award in FY 2002 was \$12,444. TSA's FY 2003 average award was higher than any other average executive employee award reported by OPM in FY 2002. In addition, we found that TSA used identical, boilerplate language to justify awards for 38% of its executive awardees.

Finally, TSA was not able to provide reliable or comprehensive data for its monetary awards and performance recognition program for employees in lower, non-executive grades. However, the data TSA did provide, though incomplete, suggests that a substantial inequity exists in its performance recognition program between executive and non-executive employees.



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TSA's awards ceremony and executive performance awards complied with applicable laws and regulations, which give agencies considerable latitude. In our judgment, however, the overall costs of the awards ceremony were unnecessarily expensive. We are recommending that TSA solicit competitive bids for all services and products associated with its annual awards ceremony; ensure that each executive performance award is supported by a justification specific to the employee and with attendant additional detail to support awards in exceptional amounts; and provide more equitable treatment for lower graded employees when making performance award decisions.

## Background

### **First Annual Transportation Security Administration Awards Program**

On November 19, 2001, the Aviation and Transportation Security Act (ATSA) created TSA within the Department of Transportation (DOT) to protect the nation's transportation systems and to ensure the freedom of movement of people and commerce. On March 1, 2003, TSA was transferred from DOT to DHS pursuant to the Homeland Security Act of 2002.<sup>3</sup>

TSA held the first annual TSA Awards Program on November 19, 2003, the second anniversary of its establishment, at the Grand Hyatt in Washington, DC. During the awards program, TSA presented plaques and medals to its employees and others who distinguished themselves through extraordinary professional achievements or who were instrumental in addressing the needs of TSA and the nation's transportation systems.<sup>4</sup> The awards program lasted three hours and was followed by a reception for the award recipients and their guests, totaling approximately 1,100 attendees. The reception was catered by the Grand Hyatt and featured hors d'oeuvres and various sandwiches and finger foods.

TSA distributed the following non-monetary awards at the awards program: (1) individual awards that recognized an employee's individual efforts; (2) group awards that recognized an individual employee's contribution as part of a collective group effort; (3) organizational awards that recognized established offices, divisions, branches, or ad hoc groups assembled to complete special projects; and, (4) special awards that recognized private citizens, industry partners, or other federal, state, or local government employees or agencies who

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<sup>3</sup> P.L. 107-296.

<sup>4</sup> Others included industry partners, private citizens, or federal, state, and local government agencies that made significant contributions in the area of transportation security.

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made contributions through acts of valor, partnerships, or lifetime achievement in the area of transportation security.

A gold, silver, or bronze medal mounted inside a display case was given to each TSA employee or organization that received an individual, group, or organizational award. None of these awards was accompanied by a monetary reward.

### **Transportation Security Administration Performance Awards**

In addition to the anniversary celebration at the Grand Hyatt, TSA administers other awards and recognition programs. From November 19, 2001, through March 1, 2004, TSA distributed monetary and non-monetary performance awards not related to performance appraisals to executive and non-executive employees. TSA employees are eligible for monetary awards, such as “Special Achievement” awards and “On-the-Spot” awards, the latter being subject to a \$250 limit. The non-monetary awards are: (1) “Time-off” awards, which grant an excused absence; (2) “TSA Preparation” awards, which recognize outstanding achievement as a result of thorough preparation; (3) “Career Service Recognition” awards, which recognize employees for their total creditable service with the federal government; (4) “Distinguished Career Service” awards, which recognize retiring employees with more than 20 years of federal service and who made significant contributions; and, (5) “Thanks a Million” awards, which are presented in gratitude for an individual’s accomplishment.<sup>5</sup>

In addition, TSA distributed monetary performance awards to its executive employees based on their FY 2003 performance appraisals. These awards were based on three categories: “impact on program,” “challenges faced and overcome,” and “resource management.”

### **Statutory and Regulatory Basis for TSA’s Award Programs**

ATSA provides that the personnel management system established by the Federal Aviation Administration (FAA) applies to TSA, except to the extent that the TSA Administrator modifies the system. FAA’s and TSA’s personnel management system is exempted by ATSA from applicable statutory provisions, with certain exceptions.<sup>6</sup> Accordingly, the provisions that govern most federal employee incentive awards and the Senior Executive Service do not apply to TSA.

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<sup>5</sup> TSA’s Interim Policy on Awards and Recognition, HRM Letter 451-1, November 18, 2002.

<sup>6</sup> Exceptions are Title 5 provisions governing (1) veterans preference, (2) whistleblower protection, (3) labor-management relations, (4) anti-discrimination, (5) suitability, security, and conduct, (6) workers compensation, (7) retirement, unemployment compensation, and insurance coverage, and (8) appeals to the Merit Systems Protection Board.

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Because ATSA gave TSA the same framework for a personnel management system as the FAA, TSA followed FAA authority and its own policies in implementing the awards program and distributing employee performance awards. FAA's Human Resources Policy manual authorizes both monetary and non-monetary (honorary) awards. The manual also allows TSA to fund travel to awards ceremonies and to pay for expenses incurred in recognizing awards recipients. Finally, the DHS, FAA, and federal travel policies authorize TSA to pay for one family member or guest to attend awards ceremonies and these expenditures deemed to be "an appropriate agency expense." TSA applied these laws and policies to fund the awards program, which included funding award plaques, refreshments, and transportation of award recipients and guests to the ceremony at the Grand Hyatt.

## **Purpose, Scope, and Methodology**

We reviewed TSA's awards program to determine the actual costs incurred in hosting the event and the appropriateness of those costs. In addition, by comparing the number and amount of TSA's executive employee bonuses to those of other federal agencies, we attempted to determine the reasonableness of TSA's bonuses.

We examined federal statutes and regulations that govern TSA employee travel to attend agency functions, permissible expenditures for federal agencies in hosting awards programs, and monetary bonuses given to TSA employees. We also examined decisions by the Comptroller General involving federal agency award programs.

We reviewed billing records and related documents for the services provided by the Grand Hyatt, Renaissance Hotel, Hotel Helix, and other vendors and suppliers. Also, we obtained and reviewed a videotape of the ceremony and other documents pertaining to the conduct of the ceremony; cost records associated with the travel and lodging of award recipients and their guests; and contract and other acquisition documents.

We interviewed TSA headquarters officials and staff at the OPM. We also interviewed employees from the MarCom Group, Grand Hyatt, Renaissance Hotel, and Helix Hotel.

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Our fieldwork was conducted from February 2004 to March 2004. This inspection was conducted under the authority of the Inspector General Act of 1978, as amended, and according to the *Quality Standards for Inspections* issued by the President's Council on Integrity and Efficiency.

## Findings

### **First Annual Transportation Security Administration Awards Program**

TSA held the awards program on November 19, 2003, during which the agency presented non-monetary awards to TSA employees and others who distinguished themselves through extraordinary professional achievements or by having had a significant impact on addressing the needs of TSA and the nation's transportation systems. DHS was informed of TSA's plan to hold the awards program.

#### **Transportation Security Administration's Determination of Awards Program Location and Format**

The TSA Chief of Staff assigned the task of initial research for the awards program to a "development team," comprised of personnel from various TSA offices. The team reviewed different awards programs conducted by other federal agencies, such as the Census Bureau, United States Coast Guard, United States Customs Service, and Executive Office of U.S. Attorneys. In addition, the team was responsible for ensuring that the awards program would be appropriate and consistent with DHS policies. The team believed that they were proposing an awards program consistent in purpose and composition with other agencies. Under the proposal, all TSA employees would be eligible to receive awards, from front line screeners at airports to the most senior agency executives.

According to the development team's staff director, in April 2003, the team identified the following potential sites in the Washington, DC area: the Ronald Reagan Building; the Mellon Auditorium; Constitution Hall; the auditorium at the Voice of America; and the Crystal City Doubletree Hotel in Arlington, VA. The relevant "summary of procurement action" for the awards program stated that TSA also considered other hotels near TSA headquarters in Crystal City (Arlington, VA), "specifically the Marriott Crystal City, Marriott Gateway, Embassy Suites Hotel, Hilton Hotel, and the Hyatt Regency Hotel."<sup>7</sup> According to

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<sup>7</sup> This document was composed by TSA's Human Resource Management office to show that TSA considered other venues in the Washington, DC area and invited proposals from them.

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the summary, TSA also looked at the availability of an auditorium on the campus of the George Washington University and the Warner Theater in Washington, DC.

The most important criterion for choosing the awards program venue was its availability on November 19, 2003, which coincided with TSA's second anniversary. Also, the venue had to accommodate 600-650 awardees and up to 600 guests; be located in metropolitan Washington, DC; be able to host both the awards ceremony and reception in the same facility; and be able to house out-of-town award recipients and guests. The venues listed above that were considered by the team could not satisfy all those requirements.

Although the Hyatt Regency in Crystal City could not meet the awards program criteria, its staff entered the event request into the Hyatt corporate database system. As a result, four other Hyatt hotels contacted TSA about hosting the awards program. TSA's Human Resources Management office subsequently determined that three of these hotels were either too far from TSA headquarters or were unavailable for November 19, 2003. However, the Grand Hyatt in Washington, DC could accommodate the logistical requirements of the awards program and, as a result, was chosen as the venue for the awards program.

According to the relevant "summary of procurement action" for the awards program, TSA "researched other venues" for "availability and cost" and compared the pricing of the "conference room rate" of the Grand Hyatt to others in the Washington, DC area. Federal agencies are required to announce procurements over \$100,000 over the internet, including the website "FedBizOpps."<sup>8</sup> Hotels and other private service providers have access to this website, which facilitates bidding on government contracts. Since the initial estimate of all costs at the Grand Hyatt was less than \$100,000, TSA was not required to enter the awards program onto "FedBizOpps" to solicit bids. Although not required, however, it would have been a good business practice for TSA to have solicited competitive bids from venues that could have hosted the awards program. By not announcing the procurement, TSA could not be assured that it received the best value possible.

A TSA manager, who was part of the development team and who was the agency contact for hotel billing purposes, also said that competitive bids to host the awards program were not solicited because no other hotels had the date of November 19, 2003, available. TSA did not advertise in any other way

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<sup>8</sup> FedBizOpps is an Internet based federal procurement service run by the U.S. General Services Administration. The website contains information on bidding opportunities, contracts awarded, special notices, and surplus government sales.

the parameters of its awards program venue to facilitate competitive bidding. Therefore, TSA did not conduct an overall cost comparison analysis for all services and products when considering venues that could have hosted the awards program.

**Costs for TSA’s First Annual Awards Program**

The deputy director, Office of Financial Management, said that TSA budgeted \$500,000 for the awards program, which was set aside from TSA’s administration appropriations account. Ultimately, the awards program cost TSA approximately \$461,745. Appendix A contains a detailed breakdown of the associated costs.

Type of Cost	Amount (in Dollars)	Percentage of Total Costs
Transportation and Related Allowances - TSA Employees and Guests	\$137,148	30%
Private Events Planning Company	\$85,552	19%
Honorary Awards (Plaques and other items)	\$81,767	18%
Lodging for Attendees (3 Hotels)	\$61,470	13%
Costs Associated with the Grand Hyatt (does not include lodging)	\$73,839	16%
Photographs and Programs	\$17,994	4%
Local Transportation	\$3,900	1%
National Anthem Singer	\$75	<1%
<b>TOTAL</b>	<b>\$461,745</b>	<b>100%</b>

**Costs Incurred for Travel and Related Allowances of Awardees and Guests**

TSA incurred costs of \$137,148 for travel and related allowances of award recipients and their guests. TSA paid \$112,028 for the transportation and per diem subsistence (Meals, Incidentals, and Expenses (MI&E)) of out-of-town TSA employees and \$25,119 for their guests.<sup>9</sup>

The deputy director, Office of Financial Management, said that TSA award recipients and guests were allowed to claim 100% of their full daily MI&E the day of the awards program and 75% of the MI&E on travel days. He said that the allocations for MI&E conformed to applicable Federal Travel Regulations (FTR).

<sup>9</sup> TSA allowed each award recipient to bring a spouse or one blood relative as his or her guest to the awards program.

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## Hotel Lodging Expenses

### *The Grand Hyatt*

TSA paid \$36,735 for lodging 108 TSA attendees and 80 of their guests at the Grand Hyatt. According to Grand Hyatt billing records, 106 of the rooms were booked for two nights. In addition, TSA paid \$515 for three attendees who failed to occupy their rooms. Finally, TSA spent approximately \$1,350 for eight TSA employees who were assigned to headquarters, but stayed at hotels located in Washington, DC in order to facilitate the awards program.<sup>10</sup>

### *Other Hotels*

TSA paid \$9,900 to the Renaissance Hotel in Washington, DC, and \$14,835 to the Helix Hotel, also in Washington, DC, for additional lodging for awards program awardees and guests. The coordinator for the development team told us that a “miscommunication” accounted for the need for additional rooms. TSA provided the Grand Hyatt with the number of rooms needed for the expected number of awardees on October 30, 2003, but did not provide the names of the awardees and guests who were to fill those rooms by November 10, 2003, the Grand Hyatt’s deadline to hold the block of rooms permanently. Consequently, the Grand Hyatt relinquished the reservations for some of those rooms. Awardees and guests whose Grand Hyatt reservations were relinquished were referred by TSA to the Renaissance or the Helix, which were within eight blocks of the Grand Hyatt. Overall, TSA paid for 66 rooms that were occupied on November 18, 2003, at the Renaissance. In addition, TSA paid for 60 rooms that were occupied November 18, 2003, and 55 that were occupied November 19, 2003, at the Helix.

## Costs Incurred for Hiring a Private Event Planning Firm

TSA paid \$172,514, or 37%, of the total awards program costs to MarCom Group, Inc., a private event planning company hired for coordinating aspects of the awards program. A total of \$85,552 was paid for event planning services provided under a Statement of Work and contract that provided that the chosen contractor would be responsible for event planning duties to include:

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<sup>10</sup>TSA’s Office of the Assistant Administrator, Finance and Administration, said that as a “general rule,” TSA employees assigned to headquarters were not allowed to stay at hotels in the Washington, DC area during the awards program. However, certain employees assigned to headquarters who were “involved in the production of the program,” which included “very late night and early morning preparation,” were permitted to stay in hotels during the awards program.

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- Assisting in structuring an “internal communications campaign” to inform all TSA offices of the awards program;
  - Providing copywriting, design, and production of “personal invitations for all award recipients and their guests;”
  - Providing expertise to assist in developing the awards program agenda while providing necessary logistical support, such as hiring the Armed Forces Honor Guard and singers;
  - Designing the stage and supporting the logistical needs of the hotel facility;
  - Providing the photographers, film, and related processing;
  - Providing a “liaison person” to communicate TSA event requirements, such as food and beverages, transportation, and rooming lists, with the hotel facility; and
  - Providing copywriting, design, and production assistance for the awards program booklet.

TSA also paid MarCom \$81,767 to develop and produce the various types of award plaques and other items distributed at the ceremony, such as lapel pins. Of these costs, TSA incurred charges of \$2,718 for a “rush charge” because the plaque designs were not submitted until early November. In addition, TSA paid MarCom \$5,196 to produce official photographs of award recipients with the TSA Administrator, \$1,486 for three balloon arches, and \$1,509 for directional signage.

MarCom was the only vendor used for the awards program obtained by competitive announcement. TSA issued a Request for Quotes (RFQ) on October 6, 2003, by which the agency solicited competitive quotes from event planning firms. The deadline for firms to submit quotes in response to the RFQ was October 14, 2003. Each quote was required to contain a technical proposal that explained in detail how the firm would manage the awards program and a cost proposal that presented a project cost estimate.

According to TSA documents, TSA’s Office of Acquisition recommended the MarCom Group. As a result, the RFQ was emailed to the MarCom Group on the same day the RFQ was issued, about 1½ months before the date of the event. MarCom submitted both technical and cost proposals on October 13, 2003. The technical proposal enumerated how MarCom intended to meet TSA’s expectations for the awards program for services, such as graphic design and copywriting, and event planning and management. MarCom’s cost proposal presented a project cost estimate of approximately \$116,500.



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In addition to the quote from MarCom, TSA received a quote from L&M Production Design Group, Inc., on October 14, 2003. L&M's technical proposal was comparable to MarCom's quote and was considered by TSA. Since L&M's cost proposal estimate was more than MarCom's estimate, TSA awarded the contract to the MarCom Group. However, the MarCom Executive Vice President said that his company did not realize that it had won the bid until the end of October 2003. Consequently, work on the awards program started just three weeks before the event date, which required MarCom to accelerate the pace of their work.

#### Reception Costs

Food and beverages at the Grand Hyatt, including two coffee breaks and a reception following the ceremony, cost \$47,852, or ten percent of the total awards program costs. TSA said that the reception did not include lunch, and that the "finger foods" served were not enough to feed all attendees. Nonetheless, food for the reception cost \$33,183, or about \$33 per person.

While perhaps standard to hotel catering, many of the items served during the coffee breaks and at the reception were costly. For example, for the coffee breaks, TSA paid \$64 for each gallon of coffee and \$3.75 for each soft drink. For the reception, TSA paid \$1,850 for seven sheet cakes,<sup>11</sup> and \$1,500 for 3 cheese displays. For both coffee breaks and the reception, TSA paid \$7,975 in banquet service charges.

#### Costs for Audiovisual Services

In addition to the photographic services paid to MarCom, TSA paid \$20,146 for audiovisual services. These services included the rental costs of equipment, such as lapel, podium, table microphones, and an LCD projector. TSA also paid for the labor associated with setting up and dismantling equipment and for video operators who filmed the ceremony.

#### Costs Incurred for Event Programs

TSA paid \$12,798, or three percent, of the total awards program costs to a private

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<sup>11</sup> Six sheet cakes cost \$250 each, while one sheet cake with a logo cost \$350.

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printing company for developing and producing the events programs distributed at the awards ceremony. According to TSA's Office of the Assistant Administrator, Finance and Administration, the event programs were submitted to the printers on November 12, 2003. Approximately 2,000 programs were printed for the awards ceremony. Each program was printed on high-quality paper stock and contained many photographs and sophisticated graphics.

#### Other Costs

TSA paid the Grand Hyatt \$5,000 to rent the "Independence Ballroom" for the ceremony and \$841 for miscellaneous items, such as the flowers displayed on stage during the ceremony, shipping charges, and contracting for a private security guard the day before the ceremony.

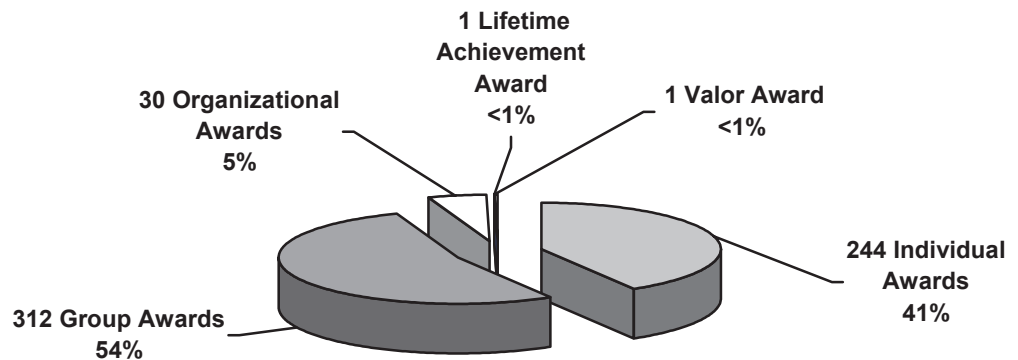
In addition, TSA paid \$3,900 to charter eight buses to transport awards program attendees between TSA headquarters in Arlington, VA and the Grand Hyatt in Washington, DC. Finally, TSA paid \$75 to a singer who sang the National Anthem during the ceremony.

#### Discussion with OPM

We sought an OPM opinion on whether the costs incurred by TSA were in conformity with the general practices of the federal government or whether they may have been excessive. OPM officials agreed that the costs incurred to host the awards program appeared higher than what other agencies typically spend, but they said that the policies on agency awards and awards programs are highly decentralized and give each agency considerable discretion regarding the amounts an agency spends to recognize its employees.

#### **Distribution of Awards at the Ceremony**

TSA presented 588 honorary awards to 543 TSA employees and 30 TSA organizations. Of the 588 honorary awards, 244 were individual awards, 312 group awards were given to 306 employees, and 30 organizational awards were given to 30 offices and divisions within TSA. Nine TSA employees received both individual and group awards. In addition, one valor award was given to a TSA employee, and one lifetime achievement award was given to a retired TSA employee.



**Honorary Awards Presented at the First Annual Transportation Security Administration Awards Program**

The awards were evenly distributed among employees in all TSA pay bands.<sup>12</sup> Approximately 70% of the awards were given to TSA employees in pay bands D through J. The D through J pay bands are roughly equivalent to Grades 3 through 14 in the General Schedule (GS) pay system. TSA also appeared to stratify the number of awards given according to significance. Of the 588 total honorary awards presented, 349, or 59%, were Bronze Medals, 145, or 25%, were Silver Medals, and 92, or 16%, were Gold Medal awards. See Appendix B for a detailed breakdown of awards by pay bands.

### **Transportation Security Administration Performance Awards**

In December 2003, TSA distributed monetary awards to their executive employees separate from the honorary awards distributed at the first annual TSA Awards Program. In addition, throughout the year, TSA distributed non-monetary awards to two executive employees as well as monetary and non-monetary awards to some non-executive employees.

### **Transportation Security Executive Service Performance Awards**

The executive employees at TSA are known as the “Transportation Security Executive Service” (TSES). Each TSES employee is accountable for both

<sup>12</sup> In TSA, pay bands have replaced the grades in the General Schedule pay system.

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individual and organization performance, taking into consideration factors such as improvements in efficiency, productivity, and quality of work or service. Each TSES employee has a performance plan that contains the following two critical performance elements:

(1) Program/Mission Objectives—includes achieving results in accordance with the Government Performance and Results Act, developing, prioritizing, and aligning program responsibilities with administration strategies, objectives, and goals, and ensuring effective implementation of the strategic plan, including program measurement

(2) Executive/Managerial Competencies—includes management/business practices, leadership, and organizational effectiveness

An annual performance appraisal must be performed for each TSES. The TSES annual appraisal period is October 1 to September 30. All TSES personnel who served at least the minimum appraisal period of 60 days must be rated.<sup>13</sup>

#### TSES Monetary Performance Awards

According to TSA's TSES Performance Management System Plan, TSA has the option, but is not obligated, to grant special recognition, awards, and incentive payments to executives who demonstrated extraordinary vision and leadership and who benefited the organization through special achievements.<sup>14</sup> These payments include monetary awards, otherwise known as "bonuses," or "pay adjustments."<sup>15</sup> To recommend a TSES employee for an award related to his/her performance appraisal, the TSES' rater must complete a TSES Performance Award Recommendation Form. This form should include a general narrative that highlights the TSES employee's accomplishments of program-specific performance elements, and should serve as justification for the performance award.

Federal personnel law mandates that an agency with Senior Executive Service (SES) personnel establish a Performance Review Board (PRB). On February 24, 2003, TSA formed a PRB to "ensure consistency and objectivity in appraising and recognizing" TSES performance. The PRB reviews all recommendations

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<sup>13</sup> Memorandum on "Transportation Security Executive Service (TSES) Performance Management System," FY 2003, Transportation Security Administration.

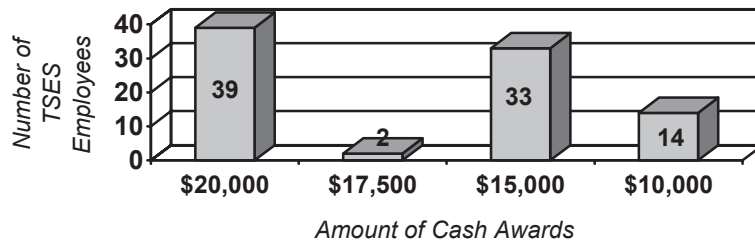
<sup>14</sup> The TSES Performance Management System Plan sets policies for appraising the performance of TSES employees for the FY 2003 rating period.

<sup>15</sup> TSES employees must be in their position for the minimum appraisal period of 60 days to receive a performance award.

for performance awards and pay adjustments for TSES employees when related to performance appraisals. Following a review of the performance appraisal and award recommendation, the PRB provides its recommendation to the TSA Administrator. The PRB may adjust the amount of each recommended bonus.<sup>16</sup> In FY 2003, TSA's Deputy Administrator led the five member board.<sup>17</sup>

In December 2003, TSA distributed \$1,450,000 in individual cash awards related to FY 2003 performance to 88 of the 116 TSES employees who were eligible to receive an award. The awards were in the amounts of \$10,000, \$15,000, \$17,500, or \$20,000.

**Number of TSES Employees Who Received Cash Awards Related to FY 2003 Performance**



TSA's FY 2003 award pool was \$1,850,000.<sup>18</sup> Of that amount, TSA distributed approximately \$1,450,000 to TSES employees,<sup>19</sup> or approximately eight percent of TSES base compensation. According to OPM officials, other federal agencies that are bound by Title 5 are limited to spending a maximum of ten percent of the aggregate career basic SES employees' pay for executive employee performance awards. In addition, each performance award must be within five to 20% of the executive employee's basic pay. Although these provisions of Title 5 do not apply to the agency, TSA stayed within these executive performance award limitations.

<sup>16</sup> Memorandum on "Transportation Security Executive Service (TSES) Performance Management System," FY 2003, Transportation Security Administration.

<sup>17</sup> Memorandum from Admiral James M. Loy, "Performance Review Board," February 24, 2003.

<sup>18</sup> The award pool was equivalent to ten percent of TSES base compensation of \$18,485,436.

<sup>19</sup> The amount of unspent funds was transferred to the non-executive employee performance award pool.

OPM published data for FY 2002 performance and awards for federal executives.<sup>20</sup> TSA was more generous than most other federal agencies. OPM's data indicated that an average of 49% of executive employees at all federal government agencies received a cash award in FY 2002. At TSA, 76% received a cash performance award related to their FY 2003 performance appraisal. While there were agencies with higher percentages, TSA was in the top quartile.

No federal agency paid higher average dollar amounts than did TSA. According to OPM statistics, the overall average award for all federal government agencies in FY 2002 was \$12,444. TSA's FY 2003 average award totaled \$16,477, a figure one third higher than the overall FY 2002 federal average. The TSA average was more than any other average award given to executive employees at any other federal government agency.

AGENCY	Eligible Employees in FY 2002	Number of Awards	Average Award	Percent of Employees Awarded
AGRICULTURE	296	209	\$11,153	71%
AID	19	8	\$7,442	42%
COMMERCE	215	178	\$10,616	83%
DEFENSE	1,000	205	\$15,732	21%
EDUCATION	63	38	\$10,302	60%
ENERGY	343	142	\$9,793	41%
EPA	241	93	\$15,518	39%
FEMA	28	4	\$6,553	14%
GSA	76	72	\$12,003	95%
HHS	342	127	\$10,307	37%
HUD	64	33	\$8,515	52%
INTERIOR	184	60	\$10,243	33%
JUSTICE	258	109	\$9,991	42%
LABOR	124	116	\$10,918	94%
NASA	356	145	\$12,084	41%
NRC	140	110	\$14,699	79%
OMB	53	22	\$12,500	42%
OPM	22	20	\$13,266	91%
SBA	34	28	\$15,000	82%
SOCIAL SECURITY	116	46	\$12,604	40%
STATE	111	39	\$11,026	35%
TRANSPORTATION	175	80	\$10,541	46%
TREASURY	533	292	\$15,114	55%
VETERANS AFFAIRS	264	197	\$8,120	75%
All Others	540	381	\$12,444	71%
<b>TOTAL</b>	<b>5,597</b>	<b>2,754</b>	<b>\$12,444</b>	<b>49%</b>

\*Source: FY 2002 Annual Agency Reports on OPM Form 1558

<sup>20</sup> Data on performance and awards for federal executives in FY 2002 were the most recent data available from OPM as of August 13, 2004. Unofficially, we understand that the preliminary data for FY 2003 will not differ significantly.

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TSA officials told us that the reason for the higher than average awards was that the end of the FY 2003 performance cycle was the first time since TSA came into existence that TSES employees received monetary awards. As a result, the PRB considered a TSES employee's performance for a two-year period. According to a TSA spokesperson, "you basically need to divide everything by two if you are going to try to...make any comparisons to other agencies, because this was two years' worth of recipients and awards."<sup>21</sup>

In addition, TSA attributed the higher than average award to the fact that TSES employees covered under the TSES Performance Management System, unlike other federal government executives, are not eligible for the Presidential Rank Awards program. Under the Presidential Rank Awards program, executive employees may receive a lump-sum payment of 35% of their base pay for a Distinguished Rank Award or a lump-sum payment of 20% of their base pay for a Meritorious rank award. The range of TSES employee performance awards was ten to 17% of their base pay. Finally, TSA told us that all TSES employees who received a cash performance award did not simultaneously receive a pay raise as part of their FY 2003 performance appraisal, thus attributing to higher than average awards. While unusual, it is possible for executive employees at other agencies to receive both a pay increase and a performance award simultaneously.

#### Transportation Senior Executive Service Monetary Performance Award Justifications

We analyzed 88 files of employees who received a cash award related to a FY 2003 performance appraisal. Each file should have two documents: an annual evaluation of the employee's performance and a recommendation supporting the performance award. Of the 88 files, 34, or 38%, had no individual recommendation and justification for the performance award. In addition, the files did not contain, as part of the performance evaluation process, a narrative showing how those TSES employees met the two critical performance elements of program/mission objectives and executive/managerial competencies. Instead, boilerplate justifications, language that is used repeatedly without change and that is not unique to an individual and his/her position, were used to address how they met or exceeded performance expectations.

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<sup>21</sup> Andersen, Martin Edwin, and Torobin, Jeremy, "Cash-Strapped TSA Spent \$200K on Awards Ceremony," *Congressional Quarterly*, February 11, 2004.

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Twenty-nine, or 85%, of the files containing boilerplate justifications were for Federal Security Directors (FSD) or Deputy Federal Security Directors (DFSD).<sup>22</sup> The following is an example of part of the boilerplate justification used on some of the FSDs' and DFSDs' TSES Performance Plans to address how they met the first critical performance area of program/mission objectives. An example of a recommendation supporting a performance award and the annual evaluation of an FSD's performance is found at Appendix C.

- Successfully identifying, understanding, and anticipating the domain for which you are responsible and taking action to deter foreign and domestic terrorists from causing harm or disrupting the airline system and/or its users
- Ensuring that an incident response capability is coordinated to swiftly and effectively restore freedom of movement
- Operating your airport(s) as a leading edge, performance-based organization that consistently meets performance objectives while practicing outstanding stewardship of your resources both fiscal and physical
- Minimizing the impact of the aviation security processes on the traveling public by the reduction of wait times
- Coordinating crisis preparedness and response operations with state and local authorities
- Developing initiative to implement model workplace components supportive of conflict management, vertical and lateral communication, employee involvement and change management

According to TSA officials, the use of boilerplate language to justify performance awards for FSDs and DFSDs is well founded because both positions, regardless of location, have the same duties and responsibilities of providing day-to-day operational direction for federal security at U.S. airports. However, use of the above language defeats the purpose of an awards program if it is to recognize and reward an individual for performance that surpasses that of colleagues. Rather, for each TSES employee recommended for a cash award related to an annual performance appraisal, detailed justifications specific to that employee and unique to the employee's job and duty location should be provided.

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<sup>22</sup> Most FSDs and DFSDs responsible for aviation security at the largest U.S. airports are in the TSES ranks. Those at smaller U.S. airports are generally not at the TSES level.



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### Transportation Senior Executive Service Non-Monetary Performance Awards

In addition to the honorary awards distributed at the awards ceremony, TSES employees are eligible for non-monetary performance awards. Only two individual time-off awards, however, were distributed to TSES employees. One award for eight hours was made in FY 2003, and the other award for 12 hours was made in FY 2004. Of 123 TSES employees as of March 1, 2004, less than two percent received a time-off award.

### **Non-Executive Employee Transportation Security Administration Performance Awards**

Non-executive employees at TSA also are eligible for monetary and non-monetary awards. We intended to analyze and compare the number and amounts of monetary performance awards distributed by TSA to non-executive employees against those distributed to its executive employees. However, the Consolidated Uniform Payroll System (CUPS), TSA's payroll system managed by DOT, records all lump sum payments to employees as an award, whether for an actual performance award or a pay increase. As a result, we could not accurately identify non-executive TSA employees who received cash performance awards since TSA's inception.

TSA's personnel management system is exempted from the provisions of Title 5. Therefore, unlike other federal government employees, TSA employees are not eligible for the annual cost of living adjustment. Rather, all TSA non-executive employees with satisfactory performance evaluations received a Comparability Equivalent Increase (CEI). In 2004, each CEI was equivalent to 2.7 percent of an employee's basic pay. For those employees who were at the top of their pay band, the CEI was given in a lump sum payment. For all other employees, the receipt of a CEI resulted in an actual 2.7 percent increase in their basic annual pay. In addition to CEIs, in FY 2004, TSA gave some non-executive employees Transportation Success Increases (TSI), which were based on organizational successes. TSIs were one-half percent pay increases given to all employees who had satisfactory performance evaluations and were hired by TSA prior to July 4, 2003.<sup>23</sup> Similar to CEIs, those employees who were at the top of their pay band were given the one-half percent TSI in a lump sum payment. For all other employees, the receipt of a TSI resulted in an actual one-half percent increase in their basic annual pay.

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<sup>23</sup> An employee must have worked 90 days to receive a performance appraisal. July 4, 2003, was considered 90 days prior to when performance appraisals were performed on September 30, 2003.

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Both the lump sum payments and the performance awards were recorded in CUPS as cash awards. As a result, we could not distinguish which lump sum payments were increases and which were performance awards. Additionally, performance awards made to employees who transferred from DOT to TSA and paid in FY 2002 prior to their transfer were recorded as an award in CUPS. For example, an award received by a non-executive employee in October 2001 while working for DOT, but who later transferred to TSA, was recorded in TSA's payroll system. However, TSA's payroll system does not make the distinction that this award was given to the employee while being employed at DOT. As a result, we could not determine whether the performance award was distributed to the employee while working at DOT or TSA.

Although unable to provide specific information on monetary performance awards distributed to employees, TSA provided data that showed the agency distributed 2,001 performance awards and pay increases to 1,423 non-executive employees from August 2002 through February 2004. Of 50,878 non-executive employees,<sup>24</sup> three percent received an award or pay increase. Because this CUPS data included both awards and pay increases, the actual number of non-executive employees receiving an award would have to be *less* than three percent. Compared to the 76% of eligible TSES employees who received a monetary performance award, there is a wide disparity in the percentage of non-executive employees who received monetary awards.

TSA was able to provide information on non-monetary time-off awards distributed to non-executive employees. From August 2002 through February 2004, TSA distributed 3,964 time-off awards, totaling 34,929 hours, to 3,607 non-executive employees. Of 50,878 current non-executive employees, seven percent received a time-off award. While this is higher than the three percent of non-executive employees who received a monetary award and the two percent of TSES employees who received a time-off award, it is still significantly low. In addition, the monetary value of those awards was minimal. Each employee received between four and 40 hours. To estimate the average monetary value of each hour, we divided the maximum pay for pay band I, or \$83,600, by 2,080 hours.<sup>25</sup> Based on our calculation, the average value was approximately \$40 for each hour. Therefore, the time-off awards had an average monetary value between \$160 and \$1,600.

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<sup>24</sup> As of March 2, 2004.

<sup>25</sup> Equivalent to the number of hours in a federal work year.

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Based on the less than three percent of non-executive employees who received a monetary award, the seven percent of non-executive employees who received a time-off award, and the estimated average monetary value of each time-off award, a substantial inequity exists in TSA's performance recognition program between executive and non-executive employees.

## **Conclusion and Recommendations**

The first annual TSA Awards Program complied with the laws, regulations, and policies applicable to federal awards programs. TSA did not, however, obtain competitive bids or shop for the best price when selecting a site for the awards ceremony and reception, as well as other services and products associated with the ceremony. Consequently, the costs of the ceremony and reception were higher than necessary. While federal agencies have considerable discretion in how much they choose to spend, OPM noted that TSA's choices when planning and hosting the awards program appeared to place it at the higher end of the spectrum when compared to those of other federal agencies.

Also, although TSA's executive performance awards fell within the confines of permissible practices, the number of employees and the average each received put TSA on the upper perimeter of federal agency practices. In addition, the legitimacy of such large awards is called into question by the lack of an appropriate selection process and the reliance on boilerplate justifications that could be applicable to anyone.

Finally, TSA was not able to provide reliable or comprehensive data for its monetary awards and performance recognition program for employees in lower, non-executive grades. However, the data that TSA did provide, though incomplete, suggest that a substantial inequity exists between the performance recognition awards of executive and non-executive employees.

We recommend that the TSA Administrator:

**Recommendation 1:** Solicit competitive bids for all services and products, including the venues or sites, for the annual awards program.

**Recommendation 2:** Ensure that each executive performance award is supported by a justification specific to the employee and with attendant additional detail to support awards in exceptional amounts.

**Recommendation 3:** Provide more equitable treatment for lower graded employees when making performance award decisions.

Appendix A  
 Breakdown of Costs Associated with the First annual Transportation Security Administration  
 Awards Program

<i>Category and Type of Cost</i>	<i>Amount (in Dollars)</i>	<i>Percentage of Total Costs</i>
<b>GRAND HYATT</b>		
Lodging	\$36,735.20	8%
Ballroom rental	\$5,000.00	1%
Audio Visual	\$20,145.50	4%
Food and Beverage	\$47,852.40	10%
Miscellaneous	\$840.93	<1%
<b>TOTAL</b>	<b>\$110,574.03</b>	<b>24%</b>
<b>RENAISSANCE HOTEL</b>		
66 rooms (1 night)	\$9,900.00	2%
<b>HELIX HOTEL</b>		
60 rooms on Nov. 18; 55 rooms on Nov. 19	\$14,835.00	3%
<b>TRANSPORTATION AND RELATED ALLOWANCES</b>		
TSA Employees	\$112,028.34	24%
Employee Guests	\$25,119.37	5%
<b>TOTAL</b>	<b>\$137,147.71</b>	<b>30%</b>
<b>HONORARY AWARDS</b>		
Plaques (703)	\$75,223.06	16%
Valor and Lifetime Achievement Awards (2)	\$512.91	<1%
Industry Awards (30)	\$3,796.24	1%
Lapel Pins (1,800)	\$2,235.12	1%
<b>TOTAL</b>	<b>\$81,767.33</b>	<b>18%</b>
<b>ADMINISTRATIVE</b>		
Private Events Planning Company	\$85,551.59	19%
Photographs	\$5,195.56	1%
Programs	\$12,798.00	3%
<b>TOTAL</b>	<b>\$103,545.15</b>	<b>22%</b>
<b>SINGER (for National Anthem)</b>	<b>\$75.00</b>	<b>&lt;1%</b>
<b>CAPITAL TOURS (for local shuttle buses)</b>	<b>\$3,900.00</b>	<b>1%</b>
<b>TOTAL COSTS ASSOCIATED WITH AWARDS PROGRAM</b>	<b>\$461,744.22</b>	<b>100%</b>

Appendix B  
 Honorary Awards Presented at the First Annual Transportation Security Administration  
 Awards Program

Type of Award	TSA Pay Band														Total Awards	Percentage of Total Awards
	B	C	D	E	F	G	H	I	J	K	L	TSES	N/A	Not Known		
<i>Individual</i>																
Bronze	1	0	40	4	6	27	19	11	25	10	1	3	0	3	150	26%
Silver	0	0	3	0	3	1	3	3	23	17	1	8	1	5	68	12%
Gold	0	0	3	1	0	0	3	0	9	4	0	3	0	3	26	4%
<b>TOTAL</b>															<b>244</b>	<b>41%</b>
<i>Group</i>																
Bronze	0	1	39	1	18	13	12	9	49	19	1	0	7	17	186	32%
Silver	0	0	6	7	4	7	5	9	13	6	0	1	10	1	69	12%
Gold	0	0	3	0	2	5	3	7	7	11	1	2	1	15	57	10%
<b>TOTAL</b>															<b>312</b>	<b>53%</b>
<i>Organizational</i>																
<b>Bronze</b>															13	2%
<b>Silver</b>															8	1%
<b>Gold</b>															9	2%
<b>TOTAL</b>															<b>30</b>	<b>5%</b>
<b>Lifetime Achievement</b>										1					1	0.1%
<b>Valor</b>						1									1	0.1%
<b>TOTAL</b>	<b>1</b>	<b>1</b>	<b>95</b>	<b>13</b>	<b>33</b>	<b>54</b>	<b>45</b>	<b>39</b>	<b>126</b>	<b>68</b>	<b>4</b>	<b>17</b>	<b>19</b>	<b>44</b>	<b>588</b>	
<b>Percentage of Total</b>	<b>.1%</b>	<b>.1%</b>	<b>16%</b>	<b>2%</b>	<b>6%</b>	<b>9%</b>	<b>8%</b>	<b>7%</b>	<b>21%</b>	<b>12%</b>	<b>1%</b>	<b>3%</b>	<b>3%</b>	<b>7%</b>		

\* The total number of Honorary Awards on the bottom row does not equal 588 because the *Organizational Awards* were given to general TSA units as a whole and not to individual employees. Accordingly, the corresponding percentages on the bottom row do not equal 100 percent.

Appendix C  
Examples of a Transportation Security Executive Service Performance Award  
Recommendation Form and Performance Plan for a Federal Security Director

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**TSES PERFORMANCE AWARD/PAY INCREASE RECOMMENDATIONS**

TSES Member: \_\_\_\_\_

Type of Appointment: \_\_\_\_\_ NTE 2 YR \_\_\_\_\_ NTE 5 YR: \_\_\_\_\_ Permanent

Performance Award Recommendation:

\_\_\_\_\_ TSES Performance Award                      Amount: \$ \_\_\_\_\_

\_\_\_\_\_ TSES Pay Increase                                      Percentage: \_\_\_\_\_

Recommended By:

\_\_\_\_\_  
Rating Official

\_\_\_\_\_  
Date

---

**JUSTIFICATION:** For TSES performance award and pay increase recommendations, briefly describe major accomplishments for program-specific performance elements.

**ACCOMPLISHMENT OF PROGRAM PERFORMANCE ELEMENTS**

Appendix C  
Examples of a Transportation Security Executive Service Performance Award  
Recommendation Form and Performance Plan for a Federal Security Director

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TRANSPORATION SECURITY ADMINISTRATION  
TRANSPORTATION SECURITY EXECUTIVE SERVICE PERFORMANCE  
PLAN

Employee's Name: Appraisal Period: FY 2003

Position: Federal Security Director Organization: TSA

Duty Location:

**CRITICAL PERFORMANCE AREA 1: PROGRAM /MISSION OBJECTIVES**

Achieves result in accordance with the Government Performance and Results Act (GPRA). Develops, prioritizes and aligns program responsibilities with bureau strategies, objectives, and goals. Ensures effective implementation of the strategic plan, including program measurement.

**A. PERFORMANCE AREA 1 EXPECTATIONS MET BY:**

**CRITICAL PERFORMANCE AREA 2: EXECUTIVE/MANAGERIAL  
COMPETENCIES**

Uses efficient business practices, including balanced measures (organizational results, customer satisfaction, and employee perspectives) to help create a high performing organization.

1. Management/Business Practices: Effectively implement human resources, financial risk management, and management control (e.g., self inspection) programs. Ensures that classified information is managed, handled and safeguarded in accordance with applicable laws, rules regulations and procedures. Uses sound judgment to make effective and timely decisions.
2. Leadership: Effectively leads employees by communicating the mission, core values, and strategic goals to them and other stakeholders. Responds creatively to changing circumstances, adheres to merit principles, and promotes communication, workforce effectiveness, collaboration, diversity, team building/teamwork and employee development. Ensures that subordinate

## Appendix C

### Examples of a Transportation Security Executive Service Performance Award Recommendation Form and Performance Plan for a Federal Security Director

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communication, workforce effectiveness, collaboration, diversity, team building/teamwork and employee development. Ensures that subordinate supervisors and managers are developed to prepare them to assume leadership positions with increasing degrees of responsibilities. Demonstrates integrity and the highest standards of public service.

3. Organizational Effectiveness: Train and encourage all employees to conduct themselves as an effective team member to ensure that security is not compromised. Contribute to the accomplishment of the TSA mission and vision by:
  - Supporting TSA values
  - Demonstrating the highest level on concern for the civil rights of both co-workers and the traveling public
  - Making sure that all TSA funds, property, and other resources assigned or allocated for use are guarded against waste, loss, unauthorized use and misappropriation
  - Ensuring a positive working environment by taking prompt and appropriate action to deal with all allegations of discrimination or other inappropriate conduct. Obtain guidance handling such situation, as necessary
  - Supporting the Model Workplace Vision by providing authentic opportunities to all employees to raise workplace issues and resolve them cooperatively without fear of retaliation. Providing a working environment characterized by mutual respect and fair, consistent and non-discriminatory treatment, free of unlawful harassment. Creating and maintaining an environment that encourages and protects optimal information flow to and from employees within his/her organizational units when appropriate. Promotes cross-functional approach to problem solving to achieve organizational success.

#### **B. PERFORMANCE AREA 2 EXPECTATIONS MET BY:**



Appendix C  
Examples of a Transportation Security Executive Service Performance Award  
Recommendation Form and Performance Plan for a Federal Security Director

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**A. PROGRAM AREA 1 EXPECTATIONS MET BY:**

1. Successfully identifying, understanding and anticipating the domain for which you are responsible and taking action to deter foreign and domestic terrorists from causing harm or disrupting the airlines system and/or its users.
2. Ensuring that an incident response capability is coordinated to swiftly and effectively restore freedom of movement.
3. Operating your airport/s/ as a leading edge, performance-based organization that consistently meets performance objectives while practicing outstanding stewardship of your resources both fiscal and physical.
4. Developing and fostering cooperative partnerships with stakeholders and other entities within and outside of DHS having mutual interests in leveraging efforts and resources to improve transportation security.
5. Coordinating crisis preparedness and response operations with state and local authorities.
6. Implementing after-action activities including public confidence building measures and lessons learned in the event of a disruption or attack on our airline system.
7. Developing initiatives to implement model workplace components supportive of conflict management, vertical and lateral communication, employee involvement and change management.
8. Minimizing the impact of the aviation security processes on the traveling public by the reduction of wait times.
9. Creating a TSA culture that values diversity, exhibits zero tolerance for sexual harassment and motivates employee performance.
10. Establishing and implementing an internal and external communications system to provide timely and accurate information to customers and employees thereby reducing congressional inquiries/employee complaints.
11. Develop a staffing plan that maximizes operational efficiency by creating an optimal mix of part-time and full-time screeners by Sept. 30, 2003.
12. Demonstrated ability to meet Executive Core Qualifications of leading people leading change, coalition building/partnerships, results driven

Appendix C  
Examples of a Transportation Security Executive Service Performance Award  
Recommendation Form and Performance Plan for a Federal Security Director

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**PERFORMANCE PLAN CERTIFICATION**

This is to verify that we have met and, discussed and understand expectations for the established appraisal period.

\_\_\_\_\_  
Rating Official's Signature/Date

\_\_\_\_\_  
Executive's Signature/Date

**MID YEAR PROGRESS REVIEW:**

Comments: (attach as required)

\_\_\_\_\_  
Rating Official's Signature/Date

\_\_\_\_\_  
Executive's Signature/Date

**PERFORMANCE RATING**

Annual Summary Rating: \_\_\_\_\_

Critical Program Area 1: Rating: \_\_\_\_\_

Critical Program Area 2: Rating: \_\_\_\_\_

Overall Summary Rating: \_\_\_\_\_

\_\_\_\_\_  
Rating Official's Signature/Date

\_\_\_\_\_  
Reviewing Official's Signature/Date

\_\_\_\_\_  
Executive's Signature/Date

**PERFORMANCE REVIEW BOARD ACTION:**

Recommended Summary Rating: \_\_\_\_\_

Recommended Award: Pay Increase: \_\_\_\_\_ (Percentage)

Performance Award: \_\_\_\_\_ (\$ Amount)

\_\_\_\_\_  
Chair, Performance Review Board/Date

**ACTION OF THE ADMINISTRATOR OR EQUIVALENT OFFICIAL:**

Final Summary Rating: \_\_\_\_\_

Pay Increase: \_\_\_\_\_ (Percentage)

Performance Award: \_\_\_\_\_ (\$ Amount)

\_\_\_\_\_  
Administrator/Equivalent Official /Date

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



Transportation  
Security  
Administration

SEP 13 2004

MEMORANDUM FOR: Clark Kent Ervin, Inspector General  
Department of Homeland Security

THROUGH: Asa Hutchinson, Under Secretary  
Border and Transportation Security

FROM: David M. Stone, Assistant Secretary  
Transportation Security Administration

SUBJECT: Transportation Security Administration Response  
To the "Assessment of Expenditures Related to the  
First Annual TSA Awards Program and Executive  
Performance Awards"

This memorandum constitutes the Transportation Security Administration's (TSA) response to your Draft Report on the "Assessment of Expenditures Related to the First Annual TSA Awards Program and Executive Performance Awards." Thank you for your efforts to provide TSA with increased capabilities to identify certain operational issues that may be appropriate for revision.

The accompanying attachment is TSA's official Agency Comment to the Department of Homeland Security's Office of Inspector General review of TSA's first annual awards program and issuance of executive performance awards. Our comments consist primarily of input from the Chief Support Systems Directorate and the Office of Transportation Security Policy.

TSA responses to each of the recommendations raised in the Draft Report are enclosed, as well as additional comments on the overall Report. We look forward to an ongoing relationship with your office as we work towards identifying and correcting vulnerabilities in our transportation security infrastructure.

Please note that this year TSA will conduct field focused awards ceremonies at individual airports while also conducting a much smaller and less expensive headquarters awards event in November 2004. TSA will also participate in the Department of Homeland Security awards ceremony in December 2004.

Attachment

**TSA Responses to DHS OIG Recommendations:  
“Assessment of Expenditures Related to the First Annual Transportation Security Administration Awards Program and Executive Performance Awards”**

The news article that precipitated this engagement and the resulting Office of Inspector General (OIG) Report alleged that the Transportation Security Administration (TSA) incurred extraordinary costs for its annual honorary awards program and for the executive performance bonus program. TSA’s position is that the costs incurred were neither extraordinary nor incurred without careful consideration of the amount, the reasonableness of the cost, and value the activities would have to the employees.

The report fails to acknowledge that TSA developed and conducted the November 2003 event with the full knowledge of the Department of Homeland Security (DHS). Such an awards program is held in virtually every federal agency, both at the department level and/or at the component organization level. In other federal departments, and likely in DHS in the future, such an activity would be segregated, meaning that notable achievements deserving of Gold and Silver medals and those considered high profile with substantial benefit to the department as a whole might be presented in a large, department-wide ceremony hosted by the Secretary or similar agency head. The presentation of Bronze medals and recognition of achievements peculiar to a specific component organization would be held locally and hosted by the head of the component organization. Because DHS did not expect to conduct such an activity and because TSA leadership had the express intent to acknowledge deserving employees on the second anniversary of the legislation that authorized TSA, it was necessary for TSA to incur the full cost of such an activity. The only evidence the OIG presented to suggest the activity conducted by TSA was “avoidably excessive” was the opinion of unnamed Office of Personnel Management (OPM) officials who do not collect comparable data. It is not clear from the report whether or not these OPM officials were knowledgeable of the circumstances under which TSA undertook this event or the specific elements of cost.

With regard to the executive bonuses paid to Transportation Security Executive Service (TSES) employees, we believe that linking these bonuses and the annual honorary awards program is a disservice to both events. Both events acknowledged and recognized the substantial contributions made throughout the eligible TSA workforce, be they TSES, security screeners or program analysts, to the successful stand-up of TSA. While each of these events was indeed focused on appropriately acknowledging individuals for exceptional performance under extraordinary circumstances, the report may lead uninformed readers to draw incorrect or inappropriate conclusions.

**Recommendation 1: Solicit competitive bids for all services and products, including the venues or sites, for the annual awards program.**

The report suggests that the costs incurred for some elements were excessive because TSA did not follow a competitive procurement process for all goods and services acquired. While acknowledging that TSA has available to it specific procurement flexibilities not available elsewhere in government, the conclusion is reached that TSA

must not have achieved a best value or incurred a reasonable cost for the goods and services. In fact, and as specified in the report although not emphasized, TSA did compete a substantial portion of the program's procurement dollars because the government estimate for such goods and services was estimated to be above the \$100,000 threshold established for just this purpose. In effect, and as reflected in Page 10 of the Report, the cost of the various goods and services acquired through a non-competitive process amounted to approximately 20% of the total event cost. As acknowledged in the Report itself, TSA complied with applicable laws and regulations in conducting its procurement of goods and services. We believe that through both the competitive and non-competitive processes through which TSA acquired goods and services the most reasonable price was paid. TSA is comfortable with its procurement approach to this event, particularly because experience in TSA and elsewhere has indicated that competition in and of itself does not guarantee the best value or most reasonable price.

TSA does acknowledge and agree with the IG suggestion that whenever possible and reasonable to do so that it procure goods and services through a competitive process. However, we also maintain the flexibility to procure goods and services through a non-competitive process whenever circumstances dictate and within the limits established in federal laws and regulations that govern TSA administration.

**Recommendation 2: Ensure that each executive performance award is supported by a justification specific to the employee and with attendant additional detail to support awards in exceptional amounts.**

Recognition of the most deserving executives is not peculiar to TSA or any other element of DHS. TSA conducted the TSES bonus program within all established parameters for similar programs in other federal agencies. TSA allocated 10 percent of aggregate executive salaries, but only distributed about 8 percent, "returning" over \$400,000 to meet other needs.

Furthermore, the report specifies that United States OPM guidance to federal agencies is that executive bonuses should range between 5 and 20 percent of an individual's salary; TSA distributed bonuses between 10 and 17 percent, well within the guidance. This was achieved in spite of the fact that recognitions were effectively for a two-year period, not the one-year period generally accepted and considered in other agencies. The report states that in FY 2002, an average of 49% of executive employees at all federal government agencies received an award compared to 76% at TSA. A review of the SES award data for FY 2000, 2001, and 2002 demonstrates that 5, 6 and 5 of the 23 cabinet level agencies, respectively, paid a higher percentage of their executives' awards than those paid to TSA executives. As an example, in FY 2000, 86.7% of OPM SES employees received a bonus, in FY 2001, 85.2% received a bonus, and in FY 2002, 90.9% received a bonus.

In the first full paragraph of page 18, the report states that TSA paid a higher average award than any other listed agency. This is inaccurate and misleading because it compares TSA, an organizational component, with much larger cabinet level departments

and fails to consider the fact that TSA, with pay banding, has a higher average executive salary. The percentage of awards to basic salary was well within federal standards. A more accurate comparison would have been to compare TSA with the Federal Aviation Administration or the Federal Depository Insurance Corporation, both agencies with pay banding. Also, it was not considered that the TSES award covered a two-year period of time or that TSES employees are not eligible for Presidential Rank Awards and that although eligible for standard base pay increases, none were given in the first year. Thus, the award should have been halved, since no award money was allocated in FY 2004, before being compared to similarly situated agencies.

We do acknowledge and fully consider that the process needs improvement in the preparation and review of documentation available to support such bonuses. We will undertake this and other improvements in determining TSES bonuses in the coming years. To further this goal, we are complying with the new OPM instituted performance based pay system for executives that includes a new and more rigorous performance evaluation system. In addition, DHS has established the Department's performance system which has been forwarded to the Office of Personnel Management and the Office of Management and Budget for approval. Criteria will describe the elements and practices that typify the best executive performance appraisal systems, especially insofar as they assure a linkage between agency results and individual accountability.

**Recommendation 3: Provide more equitable treatment for lower graded employees when making performance award decisions.**

TSA understands that the program infrastructure during our first performance and award cycle was inadequate. However, the findings are not reflective of the fact that awards were processed throughout the time of the review and continue at this time. Although this continuation of awards most likely would reflect less of an inequity than the report indicates, we still agree with the finding that more can be done in this area. While we await the final DHS-wide performance management system, we are working to ensure that this upcoming performance award cycle has the appropriate systems, processes, and reviews in place to provide equitable treatment for all TSA employees.

We evaluated TSA's written comments and made changes to the report where deemed appropriate. Below is a summary of TSA's written response to our recommendations and our analysis of those comments.

**TSA Response:** TSA points out that in other federal agencies the most high profile achievements with a substantial benefit to a department are typically recognized in a department-wide setting, while lower level achievements are recognized in a component-wide setting. Because DHS did not expect to conduct an awards program and TSA leadership wanted deserving employees to be acknowledged on its second anniversary, TSA incurred the full cost of such activity. Furthermore, TSA believes that the only evidence present to suggest the activity conducted by TSA was "avoidably excessive" was the opinion of OPM officials that the costs appeared higher than what other agencies typically spend.

**OIG Evaluation:** We acknowledge the value of publicly recognizing the achievements of staff and consider it admirable that TSA funded and carried out an awards ceremony in the absence of a department-wide event. We noted in the final report that DHS was informed of TSA's plan to hold an awards ceremony. However, TSA is wrong to ascribe the phrase "avoidably excessive" to unnamed OPM officials. OPM officials said that the costs appeared higher than what other agencies typically spend. They also noted, and we reported, that the rules give an agency considerable discretion. The phrase "unnecessarily expensive" appearing in the final version of this report was our judgment and we affirm that, in our opinion, the overall costs of the awards ceremony were unnecessarily expensive when considering the high costs of certain items procured by TSA as noted in the report.

**Recommendation 1:** Solicit competitive bids for all services and products, including the venues or sites, for the annual awards program.

**TSA Response:** TSA believes its procurement approach to this event was appropriate because experience has indicated that competition in and of itself does not guarantee the best value or most reasonable price and because it was exempted from requiring competition if below \$100,000. While TSA acknowledges and agrees that it should procure services and products through a competitive process whenever possible and reasonable, it maintains that it needs the flexibility to procure services and products through a non-competitive process whenever warranted by circumstances.

**OIG Evaluation:** Competitive bidding provides the best way to identify the best value offering. We continue to maintain that TSA should solicit competitive bids for services and products whenever feasible. Even though TSA might assert an exemption as a matter of law, it is not required to use the exemption on every procurement below \$100,000. Although TSA and the OIG differ regarding these procurement issues in the case of its first awards ceremony, we accept TSA's acknowledgement and agreement with the report's "suggestion" as sufficient to resolve this recommendation. We will close this recommendation after TSA provides evidence that it has used the competitive process for its next awards ceremony. Recommendation 1 is resolved - open.

**Recommendation 2:** Ensure that each executive performance award is supported by a justification specific to the employee and with attendant additional detail to support awards in exceptional amounts.

**TSA Response:** TSA acknowledges that improvement is needed and has a goal to improve the preparation and review of documentation available to justify and support executive performance bonuses. To further its goal of providing justifications that support a linkage between agency results and individual accountability, TSA is complying with the newly instituted OPM performance based pay system for executives that includes a more rigorous performance evaluation system. In addition, if approved by OPM and the Office of Management and Budget, TSA will adopt a performance system established by DHS.

**OIG Evaluation:** TSA's plan to improve executive performance award justifications that support a linkage between agency results and executive employees' individual performance is responsive to this recommendation. We will close this recommendation when TSA provides evidence that individualized justifications have been submitted in support of executive performance awards during the next executive performance award cycle. Recommendation 2 is resolved – open.

**Recommendation 3:** Provide more equitable treatment for lower graded employees when making performance award decisions.

**TSA Response:** TSA acknowledges that the distribution of awards during the first performance award cycle was inadequate and agrees with the finding that improvement is needed. While awaiting the final DHS-wide performance management system, TSA is working to ensure that the upcoming performance



award cycle has the appropriate systems, processes, and reviews in place to provide equitable treatment for all TSA employees.

**OIG Evaluation:** TSA concurs with our recommendation. We will close this recommendation once TSA provides evidence of the implementation of its plan to provide more equitable treatment for lower graded employees during the upcoming performance award cycle. Recommendation 3 is resolved – open.

**Recommendation 1:** Solicit competitive bids for all services and products, including the venues or sites, for the annual awards program.

**Recommendation 2:** Ensure that each executive performance award is supported by a justification specific to the employee and with attendant additional detail to support awards in exceptional amounts.

**Recommendation 3:** Provide more equitable treatment for lower graded employees when making performance award decisions.

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