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Subcommittee on Transportation
United States House of Representatives**

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**Key Challenges Facing
the Transportation
Security
Administration**

**Statement of
The Honorable Kenneth M. Mead
Inspector General
U.S. Department of Transportation**



Mr. Chairman and Members of the Subcommittee:

I appreciate the opportunity to testify today on key issues facing the Transportation Security Administration (TSA). We all recognize that the mission of ensuring that our transportation system is secure is a tremendous task. Although TSA is charged with securing all modes of transportation, the agency's efforts so far have mostly focused on addressing aviation security and meeting deadlines established in the Aviation and Transportation Security Act. The task is one that has never been undertaken before on a scale of this magnitude and TSA has very little empirical experience to draw on. *The overriding goal for TSA must be to provide tight and effective security in a manner that avoids waste and ensures cost-effective use of taxpayer dollars.*

The President's proposal to create a Department of Homeland Security, which will be considered by Congress concurrently with TSA building a large security organization, could have significant implications for TSA. The implications extend to activities TSA anticipates performing and staffing up for, such as intelligence gathering and analysis, performing criminal investigations, establishing an administrative support structure, and office space requirements at airports. The President's proposal should offer economies of scale. TSA needs to exert great caution in staffing its own criminal investigative and intelligence workforces when such functions could be merged with existing workforces from other agencies.

As we testified before this Committee in April, the costs associated with implementing the law will be enormous. TSA estimates that, in addition to the \$2.4 billion already funded, the agency will need about \$4.4 billion in supplemental funding for fiscal year (FY) 2002. This will bring TSA's total funding requirements for this year to about \$6.8 billion—which is not a full year's costs. Since our last testimony, the Administration transferred \$760 million to TSA from the Federal Emergency Management Agency (FEMA) to meet the agency's immediate funding needs and to avoid becoming anti-deficient. This transfer reduced TSA's supplemental request for FY 2002 to \$3.64 billion and increased FEMA's supplemental request for FY 2002 to \$3.5 billion.

Revenues from the new passenger security fee will pay for only a fraction of TSA's costs. Current estimates are that the fee will generate only about \$900 million this year, and \$1.7 billion next year. To meet funding requirements of \$6.8 billion using only the proceeds from the security fee, we estimate the fee in FY 2003 would have to be in excess of \$10 per flight segment. This means that on a round trip flight with one changeover each way, a passenger would pay over \$40 in security fees alone. Given the amount consumers already pay in aviation taxes, it is doubtful that the fee could be raised enough to cover TSA's costs

without impacting the aviation industry's attempts to return to profitability. It is evident TSA will require a large infusion of cash from the General Fund at a time when the General Fund is already strained to pay for vastly increased fiscal needs.

Since our last testimony, there have been several notable developments. TSA has:

- Deployed Federal passenger screeners to Baltimore Washington International (BWI) Airport—the first location scheduled to have a Federalized passenger screener workforce;
- Let three major contracts—two to Lockheed Martin for training all passenger screeners and modifying airport checkpoints, and one to Boeing Service Company to do site assessments, modify airports, install equipment, and train personnel for screening checked baggage. The three contracts have a combined total dollar value of over \$1 billion;
- Addressed several cost concerns that we identified during our last testimony before this Committee, among them TSA has agreed to use part-time positions which will help match staffing to traffic patterns at many locations;
- Selected Admiral Loy as TSA's Chief Operating Officer who brings to the agency experience in managing a large operating organization with multiple missions;
- Established a process for notifying our office, within 5 days or sooner, of allegations of fraud, waste, and abuse they receive, and
- Entered into an agreement with the Office of Special Counsel to handle whistleblower complaints from TSA screeners.

Mr. Chairman, today the deadline to have a Federalized screener workforce in place is 5 months away, and the deadline to begin screening all checked baggage is just over 6 months away. While there has been much debate as to whether these dates are achievable and what will realistically be required to meet them, we can attest that TSA is working fervently to meet these deadlines, and could not be working any faster or harder than it already is.

However, the task ahead becomes more formidable as each week passes. In our opinion, it should soon become clear, probably within 45 to 60 days, as to what must be done—airport by airport—to meet the deadlines of the Act. *As TSA and the contractors begin rolling out plans for converting screeners and integrating explosives detection equipment, it will be extremely important to communicate information to all parties (Congress, the Administration, airports, and airlines) if midcourse corrections are needed as far as what is or is not feasible to do by the deadlines.*

Today, I would like to discuss three matters that have been the driving force behind much of TSA's efforts and will have the greatest fiscal implications to the agency's future. Those are hiring and training TSA's workforce; meeting requirements to screen checked baggage; and building cost controls into the agency's infrastructure.

Hiring and Training TSA's Workforce

As of June 1, 2002, TSA had hired 1,248 passenger screeners and 313 other staff positions, including Federal Security Directors, attorneys, program analysts, computer and information technology specialists, personnel specialists, and administrative staff. These figures are in addition to 1,034 former employees of the Federal Aviation Administration (FAA), which brings TSA's total so far to almost 2,600 employees, exclusive of the Federal Air Marshals,¹ which TSA has been aggressively hiring.

TSA's April 25, 2002 supplemental budget request for FY 2002 projected that by the end of FY 2002, the agency would have a workforce of 46,000 on-board, excluding Federal Air Marshals; about 26,000 will be passenger screeners and 15,000 will be checked baggage screeners. By December 31st, TSA is planning to have a screener workforce onboard of about 63,000² (33,000 passenger screeners and approximately 30,000 checked baggage screeners, as per the contract with Boeing). The 63,000 does not include Federal Security Directors, TSA airport support staff, TSA law enforcement officers, criminal investigators, attorneys, former FAA employees, or headquarters staff. When TSA's FY 2002 supplemental request is approved, the agency then plans to finalize its FY 2003 staffing needs.

TSA recently awarded Lockheed Martin a major contract for converting airport checkpoints to a new Federal model and coordinating the conversion of passenger screeners to a Federal workforce. The estimated cost of this contract is \$495 million. TSA has determined that there are a total of 740 checkpoints at over 400 airports. One checkpoint, pier C at BWI, has been totally converted to the Federal model thus far.

Passenger Screener Hiring. TSA contracted with NCS Pearson for recruiting and hiring. Pearson has processed almost 40,000 on-line applications. TSA prepared its course curriculum for basic screening and trained about 600 screeners

¹ The actual number of Federal Air Marshals is classified information.

² We understand that TSA is taking action on recruiting part-time screeners but it is unclear how many of the 63,000 will be part-time.

for its Mobile Screening Force—the forward teams that will train and convert each airport to a Federal screening workforce.

TSA planned to hire another 3,700 passenger screeners and supervisors during May and projected that it would then need to hire and train more than 5,000 passenger screeners a month, starting in June, to meet the November 19, 2002 deadline. This projection is only for the 33,000 passenger screeners and does not include plans for hiring approximately 30,000 checked baggage screeners.

As of June 1, 2002, TSA had hired 1,248 screeners and experienced unexpected difficulties in hiring and training a permanent screener workforce for BWI. The delays in hiring at BWI were largely due to a large number of “no shows” and the percentage of applicants who did not pass the pre-hiring assessment. At BWI, only 36 percent of qualified applicants who were contacted to schedule an assessment reported for their assessment, and only one-third of those who reported actually passed the assessment. Hopefully, these rates will improve materially in the weeks ahead.

For the period of July through the end of October, TSA will need to hire 7,000 to 8,000 passenger screeners each month so that over 400 airports can be converted by the November 19 deadline. In our opinion, the next 60 days will be decisive in determining if the November 19 date can be met and to what extent.

Passenger Screener Training. The conversion of BWI also provided TSA with a valuable test of its planned process to train passenger screeners. BWI was TSA’s first attempt to locate its training operation near an airport, and for the training contractor (Lockheed Martin) to conduct the courses. During the BWI courses, TSA used its own security trainers to supplement the contract trainers.

While the quality of the in-class instruction was satisfactory, TSA experienced other difficulties. The primary problem was that the training contractor did not initially provide x-ray machines and trace machines for hands-on training. TSA addressed the problem by conducting hands-on training using equipment at checkpoints that were closed for the night. However, it is unclear whether TSA will use this solution at other airports or require Lockheed Martin to provide the equipment for hands-on training.

TSA’s training program for passenger screeners is designed to meet the requirements for 40 hours of classroom instruction and 60 hours of on-the-job training. Although the requirements are set out in the Act, it could be beneficial for TSA, as it gains more experience, to revisit the training requirements in light of experience gained by other countries, such as in Europe. Generally speaking, the

European standard is 80 hours of classroom instruction and 6 months of on-the-job training.

Screening Checked Baggage

The challenge facing TSA in meeting the December 31st deadline to screen 100 percent of checked baggage is unprecedented. An effort of this magnitude—an estimated 1,100 explosives detection systems (EDS) and 6,000 explosive trace detection (trace) machines to be deployed this year—has never been executed in any single country or groups of countries.

To help meet the December 31 deadline, TSA recently awarded a \$500 million contract to Boeing Service Company to deploy EDS and trace machines to the Nation's airports and to train the screener workforce needed to operate the equipment. This does not include the purchase of explosive detection equipment, which will be funded by TSA, nor will all airport modifications be covered under this contract. Although TSA has budgeted an average of \$350,000 per EDS machine for installation, the costs to integrate them into airport baggage handling systems could be significantly more. For example, TSA recently approved Boston's Logan International Airport proposal for in-line EDS at an estimated cost of \$100 million to the airport, while Dallas Fort Worth International Airport (DFW) estimates nearly \$196 million in facilities costs in its own EDS in-line proposal.

This deployment effort will be a huge challenge for TSA and Boeing, since only 200 EDS and 200 trace machines are currently in use at 56 airports for screening checked baggage as of June 12. At least 900 EDS and an estimated 5,800 trace machines will have to be installed and made operational by December 31, 2002, and an estimated workforce of 30,000 checked baggage screeners will need to be hired and trained to use the equipment.

Deployment of Checked Baggage Systems. Since we last testified, TSA formalized its deployment strategy for meeting the December 31 deadline to screen all checked baggage. TSA is planning a two-phase approach. Initially, some airports will use EDS, with trace machines used only for resolving alarms; others will use trace machines exclusively; and some will use a mix of EDS and trace machines to screen checked baggage to meet the December 31st deadline. At a future date, TSA will move the EDS machines into baggage systems at the largest airports. For now, it is unclear how many airports will rely exclusively on trace machines to screen checked baggage even in phase two.

Mr. Chairman, there are two issues regarding the two-phase approach that you and other members of the Committee need to be aware of. First, there are tradeoffs associated with using trace over EDS. Trace requires much more staff than EDS to operate, while integrating EDS machines into airport baggage handling systems takes substantially more up-front capital. For example, officials at DFW estimated that 628 screeners were needed to operate 60 in-line EDS machines and 19 trace machines compared to 1,444 screeners needed to operate 157 lobby-installed trace machines and 12 in-line EDS machines. At DFW, overall airport modification and equipment costs for the in-line EDS are estimated at \$281 million, with corresponding annual salary costs for screeners of \$31.4 million. While the mix of lobby installed EDS and trace are estimated to cost \$67 million, corresponding annual salary costs for screeners would be \$72.3 million.

The second issue is that when TSA moves into phase two, with its plan to relocate the EDS machines into baggage systems at the largest airports, it is unclear how much this will cost and who will have to pay. The task will not be to simply move the machines from lobbies to baggage handling facilities. Major facility modifications will be necessary as evidenced in the Boston Logan and DFW checked baggage screening proposals.

The United States has very little experience with installing these machines in-line since only a few small-scale integrations have been completed, and could hopefully draw on the European experience before it does large scale installations. Europe has had years of experience with integrating explosives detection equipment into baggage handling systems. We recently visited several airports in France, Germany, the Netherlands, and England and observed several different in-line systems screening 100 percent of checked baggage. In our observations we found the systems to be well designed and constructed, and operating efficiently.

General Contractor Now Onboard to Execute Deployment Plan. On June 7, TSA issued Boeing a cost plus award fee contract for an estimated cost of \$508 million from now until December 31, with \$862.4 million in options through calendar year 2007. Boeing has been tasked to (1) complete airport site assessments at over 400 airports, (2) submit to TSA proposals on the right mix of equipment for each airport and where the equipment will be installed, (3) modify facilities to accommodate the equipment, (4) install and make the equipment operational, (5) maintain the equipment, and (6) train a workforce estimated at 30,000 to operate the equipment. Boeing will utilize several subcontractors to assist in completing these tasks. TSA will provide Boeing with the explosive detection equipment needed to meet the deadline. Boeing has been authorized to expend up to nearly \$340 million for installations and facility modifications at airports nationwide. However, it is unclear who will pay for the phase two installations or any additional airport modifications in excess of the \$340 million.

This is an enormous effort that requires large amounts of money expended in a short period of time—nearly \$2.5 million per day through year-end. The span of control over this effort is far-reaching because there are numerous subcontractors. With respect to this contract, TSA needs to ensure that three basic oversight steps are taken:

- monitoring contractor billings, especially when such a large amount of money is being spent over a short period of time;
- monitoring contractor performance with respect to cost, schedule and quality especially with \$31 million available in award fees; and
- drawing on work that has already been done by Raytheon and airport operators with respect to the recently completed airport site assessments. Many of the major airport operators have gone to great lengths to assess their needs for meeting the deadline and have submitted their plans to TSA for review. For example, DFW spent 12 weeks and over \$2 million alone to complete its assessment.

EDS Equipment Must Be Fully Utilized. During the 5-year period when air carriers were responsible for screening checked baggage, we testified repeatedly that the EDS machines were woefully underutilized. *During this time the majority of machines were screening, on average, fewer bags per day than the machines were capable of screening in 2 hours. Although we have seen a steady increase in utilization since TSA took over the screening company contracts in February 2002, machines continue to be underutilized.*

For April 2002, 70 percent of the machines in use were screening, on average, 750 bags or less per day. These machines can screen 125 bags per hour and should be screening, at a minimum, 1,250 bags per day assuming a 10-hour operating period. The following table shows usage rates for the latest available data on 138 EDS machines for April 2002.

<i>Number of CTX Machines</i>	<i>Bags Screened Per Day</i>
22	1 – 250
36	251 – 500
39	501 – 750
19	751 – 1000
10	1001 – 1250
9	1251 – 1500
3	1501 – 1850

When plans call for buying more than 900 EDS and the 100 percent checked baggage screening requirement, it makes good sense to maximize use of machines currently in operation. Fully utilizing the installed machines will assist TSA in

determining how many machines are needed to screen 100 percent of checked baggage. TSA needs to pick-up the current rate of machine usage substantially, otherwise we will miss out on the opportunity to practice screening a higher percentage of checked baggage in order to better understand the logistical and physical constraints of lobby-installed machines, and the human factors involved.

Building in Cost Controls

We have seen progress by TSA in addressing certain cost-related issues such as advertising for part-time screeners, reclassifying law enforcement positions, and establishing reasonable cost estimates for employee background checks. However, TSA needs to do more to build cost control mechanisms into its infrastructure. Controls are particularly important in terms of establishing employee compensation and controlling salaries, defining the scope of its missions (other than screening passengers and checked baggage), and addressing other workforce-related costs, such as law enforcement training, premium pay, and utilizing airport space.

Establishing Salaries. Like FAA, TSA is exempt from the Federal general schedule for employee salaries, and uses the core compensation system developed by FAA. This system consists of pay bands that are broader than the pay grades of the Federal general schedule (GS). For example, the D pay band in FAA's core compensation system has a salary range of \$23,600 to \$35,400 which is the equivalent of a GS 5 (step 2) to GS 8 (step 5). TSA has much flexibility in establishing salaries for newly hired employees, and employees can be hired anywhere within the pay band for their position. *Use of this flexibility bears watching to ensure that salaries for TSA employees are commensurate with the position duties and not arbitrarily higher than salaries for comparable positions in other agencies.*

We have seen numerous reports that recruitment of Federal Air Marshals is draining other agencies' law enforcement resources. We found that most Federal Air Marshals were being hired at the lower half of their assigned pay band which starts at \$36,400, excluding locality pay. However, air marshals also receive a 25 percent Law Enforcement Availability Pay (LEAP) differential, which would put their total starting salary at \$45,500.

This salary level is higher than law enforcement salaries at other agencies that do not receive LEAP. For example, starting salaries for law enforcement officers with the Defense Protective Service, the Capitol Hill police and the Federal Protective Service (none of whom receive LEAP), ranged from \$22,000 to \$37,000—considerably less than the total salary for Federal Air Marshals.

TSA had originally planned to provide LEAP to all its law enforcement positions including checkpoint guards. However, after concerns were raised, TSA reconsidered that approach. TSA is currently planning to provide LEAP to air marshals and criminal investigators. All other law enforcement positions will be classified in the job series for police officers and will not receive LEAP. TSA plans to hire about 25 percent of these law enforcement officers at a base pay of \$31,100 and about 75 percent at a base pay of \$36,400. However, even these levels could still exceed state, local, and airport law enforcement salaries at some locations—particularly in smaller, rural communities.

TSA has also reconsidered earlier plans to have screeners in a tiered pay structure. TSA had originally planned to hire checked baggage screeners in a higher pay band than passenger screeners. This would have meant that starting salaries for passenger screeners would have been a minimum of \$23,600 while starting salaries for checked baggage screeners would have been a minimum of \$36,400. TSA is now planning to hire all screeners within the same pay band. TSA's goal is to hire inexperienced screeners beginning at \$23,600 and experienced screeners beginning at \$29,500.

Finally, we have concerns regarding the salary levels being established for positions outside the basic tasks of TSA. As of June 1, 2002, TSA had hired 1,561 employees – 1,248 of these employees were screeners with an average salary of \$39,300 (this average reflects the higher salaries of the Mobile Screening Force staff). Of the remaining 313 employees, 162 or 51 percent had salaries over \$100,000. *In fact, within most of the job categories, the preponderance of employee salaries were over \$100,000.*

For example:

- Of 39 attorneys hired, 31 or 79 percent have salaries ranging from \$101,267 to \$148,000.
- All of the 18 employees hired in the Program Management Series, including Federal Security Directors, their Deputies, and related fields, have salaries between \$108,640 and \$145,229.
- Of the 32 employees hired in the General Inspection, Investigation and Compliance series, 21 or 65 percent are receiving annual salaries between \$102,530 and \$136,340.
- Of 30 criminal investigators hired, 18 or 60 percent have salaries ranging from \$101,351 to \$136,340 which does not include a 25 percent LEAP differential.

Other Opportunities for Cost Control. There are also many other opportunities to build cost controls into the new agency. Since we last testified before this Committee in April, TSA has taken positive steps to address many of the workforce cost issues we identified at that hearing. For example, TSA now plans to use part-time positions for its screener workforce and has posted part-time announcements in screener vacancy announcements. Offering part-time positions will help TSA better match screener staffing to traffic patterns at many locations. It should also increase the pool of applicants for screeners by making those positions more attractive to individuals who require more flexibility in their work schedules.

TSA has also revisited some earlier estimates for other types of workforce related costs. For example, TSA had originally budgeted \$2,500 for background checks for each screener hired. In our April testimony, we expressed concerns that the level of background check planned far exceeded what was necessary for the duties and responsibilities of screeners. TSA subsequently revised its background check estimate to \$200 per screener, which will save the agency approximately \$95 million in FY 2002 alone.

Despite these steps taken, there are still opportunities for TSA to build further cost controls into its workforce structure that need to be taken advantage of from the beginning. The following are some examples of cost saving opportunities that TSA has not specifically addressed in its supplemental request for FY 2002. While this is not meant to be an exhaustive list, these are issues that TSA needs to explicitly address in subsequent budget requests.

- ***Defining Missions.*** The President’s proposal for a Department of Homeland Security has immediate implications for TSA’s workforce cost controls, especially in the areas of criminal investigators, intelligence, and regulatory workforces. Under the President’s proposal, Customs and the Immigration and Naturalization Service (which combined have a criminal investigative workforce of approximately 5,000) would join TSA in reporting to an Under Secretary for Border and Transportation Security. *TSA needs to exert caution in staffing its own criminal investigative workforce when such a function would be merged with the already existing criminal investigator workforce of Customs and Immigration and Naturalization Service.*

Similarly, the proposed Department of Homeland Security will include an Under Secretary for Information Analysis and Infrastructure Protection whose responsibilities will include receiving and analyzing law enforcement information and intelligence. It may be premature for TSA to expend resources now to expand an intelligence function beyond the existing staff of

the Department and Coast Guard when such a function is proposed to be merged into the new Department.

Currently, the Department is reviewing whether responsibility for regulating hazardous material in aviation should be transferred from FAA to TSA. Given the President's proposal to separate TSA from the Department of Transportation and the Department's central role in regulating hazmat transportation, the Department may now decide to retain that responsibility and regulatory workforce within the FAA, while TSA can focus resources on the core responsibilities (screening passengers and checked baggage) set out by the Act.

- ***Training Checkpoint Law Enforcement Positions.*** TSA's budget request includes considerable start up costs for items such as vehicles, uniforms, communication equipment, and furniture. In some cases, we found that the requests did not appear to be realistic or reasonable. For example, TSA is budgeting over \$27,000 in initial training costs for each law enforcement officer the agency hires. For FY 2002, this could amount to over \$27 million in initial training costs, if the agency meets its planned hiring goals for law enforcement positions. That amount seems particularly excessive given the fact that TSA plans to fill many of its law enforcement positions with experienced police officers.
- ***Airport Space.*** TSA has also budgeted a significant amount of funding for renting space at airports. For example, TSA is budgeting 400 square feet (at \$75 per square foot) for a screener break room for every security checkpoint at every airport. TSA is also assuming that each of the Federal Security Directors at the 81 largest airports will have office space of 3,500 square feet (at an average of \$90 per square foot). Under the proposal to create a Department of Homeland Security, sharing space with other agencies co-located in airports, such as Customs, would be an opportunity to maximize economies of scale.
- ***Premium Pay.*** TSA's budget request does not specifically address how the agency plans to use premium pay, such as night and weekend differentials. Given the fact that screeners will work nights, weekends, and holidays, these costs could be significant. For example, in FY 2001, air traffic controllers, who work similar schedules, were paid over \$230 million in premium pay. Since decisions regarding premium pay lie primarily with the agency, TSA needs to clarify its position regarding paying premiums, and show in subsequent justifications, the potential cost impact these premiums will have on its budget.

- ***Utilizing Former FAA Employees.*** It is unclear how TSA plans to integrate the 1,034 former FAA Civil Aviation Security personnel into its workforce. The former FAA staff includes security specialists, dangerous goods specialists, and Federal security managers who were previously responsible for security oversight of airports and air carriers. Given that TSA will have Federal Security Directors and supplemental staff who will assume many of these functions, TSA needs to determine what place these employees will fill in the new organization. For FY 2002, the projected costs associated with this workforce are over \$280 million.

Mechanisms to Prevent Fraud, Waste, and Abuse. TSA faces significant challenges in overseeing the large number and dollar volume of contracts being let by the agency. TSA is budgeting \$1.5 billion for start-up contracts in FY 2002 in addition to \$1.6 billion in costs for the existing screening contracts. Due to the rapid pace that TSA is moving forward to meet the Act's deadlines, it has not yet established an infrastructure that provides an effective span of control to monitor contractor costs and performance. Costs and performance oversight are key tenets in any internal control system. For example, in April, we expressed concerns to this Committee about controls over the current screening contracts. Despite the large dollar implications, we found that controls over those contracts were not adequate.

To its credit, the Department has taken several steps to improve those controls. For example, FAA (who is managing the contracts) has added five people to assist the two contracting officers in managing the contracts. TSA is also planning to award an oversight contract for the specific purpose of reviewing security contractor invoices. Our office has also taken actions to monitor these contracts. In June, we initiated an audit to specifically evaluate the effectiveness of TSA oversight of screener contracts.

One step the Committee may wish to consider to bolster controls over TSA contracts would be to set aside or "fence" a specific amount to be used for overseeing contractor performance with respect to cost, schedule, and quality; monitor billings; and provide for independent cost audits by the Defense Contract Audit Agency.

That concludes my statement Mr. Chairman, I would be happy to address any questions you or other members of the Subcommittee might have.