Department of Homeland Security
Office of Inspector General

Transportation Security Administration's
Aviation Channeling Services Provider Project

FEB 22 2013

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

FROM: Anne L. Richards
                    Assistant Inspector General for Audits

SUBJECT: *Transportation Security Administration's Aviation*
                    Channeling Services Provider Project

Attached for your action is our final report, *Transportation Security Administration's Aviation Channeling Services Provider Project.* We incorporated the formal comments from the Transportation Security Administration in the final report.

The report contains four recommendations aimed at improving the overall effectiveness of the Aviation Channeling Services Provider Project. Your office concurred with all four recommendations. Based on information provided in your response to the draft report, we consider the recommendations resolved. Once your office has fully implemented the recommendations, please submit a formal closeout letter to us within 30 days so that we may close the recommendations. The memorandum should be accompanied by evidence of completion of agreed-upon corrective actions and of the disposition of any monetary amounts.

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

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

Attachment

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Appendixes

Abbreviations

AAAE	American Association of Airport Executives
ACSP	Aviation Channeling Services Provider
CFR	Code of Federal Regulations
CHRC	Criminal History Records Check
DAC	Designated Aviation Channeler
DHS	Department of Homeland Security
FAR	Federal Acquisition Regulation
OIG	Office of Inspector General
OTA	Other Transaction Agreement
STA	Security Threat Assessment
TSA	Transportation Security Administration

Executive Summary

The Honorable Bennie Thompson requested that the Department of Homeland Security (DHS) Office of Inspector General (OIG) conduct an audit to determine whether the Transportation Security Administration's (TSA) Aviation Channeling Services Provider project selected vendors according to Federal policies and procedures, and effectively planned for the implementation of the new services.

TSA's Aviation Channeling Services Provider project was initiated in response to concern that airports and airlines should be able to choose vendors for relaying information used to issue airport security badges. Although TSA selected three vendors using Other Transaction Agreements under the authority of the *Aviation Transportation Security Act*, it did not properly plan, manage and implement the project. Specifically, TSA did not—

- Document the project's plan, roles and responsibilities, budget and spending, and major decisions made while implementing the project;
- Establish and enforce standard testing requirements and ensure that all vendors test system functionality with at least one airport to identify problems prior to deploying the new Aviation Channeling Services Provider system; and
- Ensure that project challenges were adequately addressed.

As a result, airports nationwide experienced difficulties causing a backlog of background checks. To address the backlog, TSA temporarily allowed airports to issue badges without the required background checks. Consequently, according to records available for our review, at least five airports granted badges to individuals with criminal records, giving them access to secured airport areas. TSA did not track which airports temporarily issued badges to individuals without the required background checks. Therefore, some individuals with criminal records may still have access to secured areas in our Nation's airports.

TSA concurred with our four recommendations. TSA agreed to develop a lessons learned report to use for future projects showing challenges that occurred throughout the Aviation Channeling Services Provider project; establish a policy that requires all projects include a comprehensive plan; communicate customer service expectations to vendors and monitor their performance for accountability; and require inspectors during fiscal year 2013 to conduct a review of badges issued without the required background checks.

Background

TSA is responsible for protecting the Nation's transportation systems. The agency has the statutory responsibility for requiring individuals who have unescorted access to secured areas of the airport to be properly vetted.[1] This is accomplished by comparing the applicant's information against Federal criminal and immigration databases to discern whether the applicant is a threat to transportation or national security. In accordance with the Code of Federal Regulations (CFR) Title 49 Part 1542, and TSA Aviation Security Directive 1542-04-08G, applicants are required to undergo a fingerprint-based Criminal History Records Check (CHRC) and have an approved Security Threat Assessment (STA) from TSA before receiving a badge and obtaining unescorted access to secured airport areas.

TSA reported that 446 airports currently are responsible for issuing badges to employees for access to secured areas of the airports. As of August 27, 2012, TSA reported that approximately 3.7 million badged employees had access to secured areas within the Nation's airports.

The badge vetting process is initiated when the airport transfers an applicant's biographical and fingerprint information to a Designated Aviation Channeler (DAC), referred to in our report as a vendor. The vendor ensures that the information is properly formatted and complete before relaying the information to TSA for vetting against Federal criminal and immigration databases. Appendix C provides more details about the Aviation Channeling Services Provider (ACSP) process.

In 2004, TSA entered into a noncompetitive agreement with the American Association of Airport Executives' (AAAE) Transportation Security Clearinghouse for relaying background check information for airports, air carriers, and general aviation to TSA. We reviewed documentation dated in 2008 that showed that constituents requested that TSA provide competition for these services. In 2010, TSA created the ACSP project to address these concerns. The goal of the ACSP project was to introduce choice and competition for aviation channeling services to airports and aircraft operators. We reviewed all other contractual agreements that TSA had with AAAE between 2004 and present. Although these contracts were all sole source agreements, based on the information provided, we found no evidence that TSA improperly favored AAAE.

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[1] A secured area is a portion of an airport, specified in the airport security program, in which certain security measures specified in part 1542 are carried out. Additionally, secured areas are Security Identification Display Areas, or a portion of an airport (specified in the airport security program) in which the security measures specified in part 1542 are carried out. This area includes the secured area and may include other areas of the airport, such as the Air Operations Area.

At the time of our review, the TSA offices responsible for managing the design, implementation, and deployment of the ACSP project were—

- The Office of Security Policy and Industry Engagement – programmatic, and
- The Office of Intelligence and Analysis - technological.

In 2011, TSA selected three vendors to provide aviation channeling services. This was done using Other Transaction Agreements (OTA) under the authority of the *Aviation Transportation Security Act*.[2] The vendors TSA selected were AAAE, Telos ID, and L1 Identity Solutions (now MorphoTrust Enrollment Solutions). The Federal Acquisition Regulation (FAR) does not apply to OTA agreements; therefore, TSA was not required to follow the FAR's policies and regulations for full and open competition for the ACSP project. Yet TSA did advertise the solicitation on FedBizOpps, a public website that lists government contracting opportunities. TSA also performed market research and a review of proposals to select the three vendors for the ACSP project. All businesses had the opportunity to bid on the ACSP. Only five vendors applied; however, no small or disadvantaged businesses submitted proposals to TSA.

As of July 1, 2012, one of the 446 airports had switched from AAAE to Telos ID for channeling services. The third vendor, MorphoTrust Enrollment Solutions, began the onboard systems functionality testing in July 2012. A timeline of the history of channeling services is provided in appendix D.

The Honorable Bennie Thompson requested that DHS OIG review the solicitation and selection of the vendors, as well as project implementation, costs passed on to users, and vendor performance. This report responds to his request. Our objective, scope, and methodology are provided in appendix A.

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[2] Policy for the Use of Other Transaction Agreements (TSA ACQ Letter No. 2011-002). An Other Transaction Agreement is a set of legally enforceable promises between TSA and the other party in the agreement. It is not a procurement contract, grant, or cooperative agreement, and is thus not subject to many of the Federal requirements that apply to those financial instruments.

Results of Audit

Although TSA selected three vendors using OTAs under the authority of the *Aviation Transportation Security Act*, it did not properly plan, manage, and implement the project. Specifically, TSA did not—

- Document the project's plan, roles and responsibilities, budget and spending, and major decisions made while implementing the project;
- Establish and enforce standard testing requirements and ensure all vendors test system functionality with at least one airport to identify problems prior to deploying the new Aviation Channeling Services Provider system; and
- Ensure project challenges were adequately addressed.

As a result, airports nationwide experienced difficulties, which caused a backlog of background checks. To address the backlog, TSA temporarily allowed airports to issue badges without the required background checks. Consequently, according to records we reviewed, at least five airports granted badges to individuals with criminal records, which gave them access to secured airport areas. TSA did not track which airports temporarily issued badges to individuals without the required background checks. Therefore, individuals with criminal records may still have access to secured areas in our Nation's airports.

Aviation Channeling Services Provider Project

TSA's ACSP project is still not completely implemented and continues to face challenges to accomplish its mission and provide airports with a choice of vendors to channel STA and CHRC data for airport badging. As of July 1, 2012, only one of the 446 airports had switched from AAAE to Telos ID for channeling services. The third vendor, MorphoTrust Enrollment Solutions, was still not active and began the onboard systems functionality testing in July 2012.

TSA is not tracking vendor service performance. TSA established metrics to track the vendor system performance in the technical specifications for the project. However, these performance metrics are not related to how vendors provide customer service for the ACSP project.

According to the *Federal Register*, the Federal Bureau of Investigations charges $14.50 for processing a fingerprint-based criminal history record check. In the OTAs, TSA required the vendors to collect this fee from the airports. This is the only cost that TSA passes on to the airports for ACSP services.

Planning and Management

Document Project Planning and Decisions

TSA did not have a written comprehensive plan for the ACSP project design and implementation. TSA maintained documentation for the solicitation and selection of the vendors for the ACSP project; however, it did not always maintain documentation to support project planning and management decisions. Management is responsible for establishing and maintaining internal control to achieve the objectives of effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations.[3]

Specifically, TSA did not maintain agency documentation when developing the ACSP concept. The only document that TSA provided as official evidence of the ACSP concept was a letter dated May 2008 from the Airports Council International-North America. The letter thanked TSA for providing the project's technical specifications.

To further examine project decisions made by TSA for the ACSP project, we inquired about TSA's rationale for determining that three vendors would be sufficient for the services. According to the ACSP project manager, three vendors were selected to maintain a balance for—

- Providing choice and competition;
- The government's cost to manage, oversee, and accredit these vendors;
- Vendors under their no-cost OTA; and
- Security.

TSA did not document management decisions or approvals throughout the evolution of the ACSP project. Although the ACSP project manager briefed senior leadership regarding the project status, there was no requirement to receive formal approvals from senior managers on project decisions. TSA project officials maintained that they did not require approvals because the ACSP project was not a formal acquisition program and there were no costs obligated under the OTA. The TSA officials asserted that the project existed as a temporary project under an existing program, yet could not provide evidence to support this claim.

According to TSA officials, TSA developed a collaborative Integrated Project Team of technical and programmatic representatives throughout the agency.

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[3] Office of Management and Budget Circular A-123

This project team, with the ACSP project manager as the chair, made project decisions. TSA did not maintain team meeting minutes but relied on agendas as evidence of actions assigned to each responsible member of the team.

Formally Document Roles and Responsibilities

TSA designated program managers responsible for the Office of Security Policy and Industry Engagement and Office of Intelligence and Analysis portions of the project. However, TSA did not identify a senior official responsible for oversight of these two offices and the project overall, leading to implementation problems and limited accountability.

The ACSP concept was developed under the legacy Transportation Threat Assessment and Credentialing office, which no longer exists within TSA. At the time of our review, the technical services and support for the ACSP project were performed by TSA's Office of Intelligence and Analysis. Program management of the ACSP project was performed by the Office of Security Policy and Industry Engagement.

TSA did not have documentation that provided the ACSP project manager with the authority to make project decisions. We reviewed the position descriptions for key officials involved with implementing the ACSP project. The roles and responsibilities were not clearly defined, which presented a problem regarding project oversight. TSA assigned roles and responsibilities on an ad hoc basis through the Integrated Project Team. The team's meeting agendas included action items, which were assigned to an office and specific individuals involved in the ACSP project.

As we attempted repeatedly to identify information sources and decision makers, TSA identified three different officials responsible for leading the ACSP project. Originally, TSA identified the ACSP project manager as the responsible official. The agency later identified the Office of Security Policy and Industry Engagement Assistant Administrator as the responsible official and finally directed us to the new Acting Branch Manager for the Office of Security Policy and Industry Engagement Program Management, Transportation Workers Vetting Division.

Document Project Costs

TSA did not track and report all project costs related to implementing the ACSP project. TSA was only able to provide supporting documentation for project costs expended for the IBM Organizational Application Support and Information Services contract. This contract was issued to provide maintenance and production support to several screening services application programs. The screening services application programs included the Consolidated Screening Gateway, the system in which the selected vendors are required to provide the CHRC and STA data for processing by TSA.

TSA could not provide documentation to support the costs incurred to perform certification and accreditation testing of the selected vendors' systems. Although TSA maintained that costs to conduct certification and accreditation were a factor in selecting only three vendors, it did not develop an analysis of certification and accreditation costs or document costs incurred for the ACSP project. According to TSA officials, it was impossible to provide exact costs because the expenditures were not tracked in detail. However, those costs were incurred by TSA and should have been documented as allocated costs to the ACSP project.

Since TSA did not maintain documented project decisions for selecting only three vendors or for other project costs, it is unable to establish whether more vendors could have been acquired for the ACSP project. Furthermore, TSA cannot be sure that it has not incurred unplanned additional costs.

Project Implementation

Standard Testing Requirements

TSA did not establish standard testing requirements, nor did the agency require that all vendors test system functionality with at least one airport. Although TSA required all vendors to complete system security testing and functionality readiness testing prior to providing channeling services to airports, the agency did not provide clear guidelines on the testing completion requirements.

TSA required the vendors to have the following types of testing to receive an authority to operate from TSA and deploy their system for aviation channeling services:

- *Federal Information Security Management Act*'s Certification and Accreditation system security testing managed by TSA's Office of Information Technology, and

- On-board system functionality readiness testing managed by TSA's Office of Intelligence and Analysis.

In August 2011, TSA was ready to begin the onboard testing phase for the selected vendors; however, according to TSA ACSP project officials, Telos ID and AAAE were not ready until several months later. The third vendor, MorphoTrust Enrollment Solutions, had not completed testing at the time we completed fieldwork. Since TSA did not establish testing timeframe requirements, the agency could not hold the vendors accountable for delaying the ACSP project schedule. According to TSA ACSP project officials, TSA did not provide specified requirements for vendors to complete testing because a Federal contract was not used and TSA did not pay the vendor for the ACSP services.

Both AAAE and Telos ID successfully passed the testing portion and received the authority to operate by TSA's Office of Information Technology. On March 9, 2012, Telos ID completed 100 percent of the on-board testing and received the authority to operate. The vendor submitted test plans, which included a Test Readiness Review Checklist to document the success or failure of testing 72 different test case scenarios. In addition, Telos ID completed all 72 test case scenarios and an airport volunteered to conduct pilot testing with them, which assessed their system's transmittal of data to and from the airport.

At the time TSA activated the AAAE DAC system, the vendor completed 25 percent of the on-board system functionality testing and currently is providing services under the ACSP project. AAAE did not submit a Test Readiness Review Checklist and only completed 18 of the 72 test case scenarios. TSA officials explained that AAAE was not subject to the same system functionality testing as the new vendors because AAAE was the sole provider for aviation channeling services prior to the new DAC system. TSA officials further indicated that fully testing AAAE would have disrupted channeling service operations and prevented other vendors from offering these services.

Without establishing or enforcing standard testing requirements, TSA cannot ensure that all systems were functioning properly before the project was deployed.

Project Challenges

Alternate Measures

On April 2, 2012, TSA deployed the new DAC system, which offered two vendors for aviation channeling services—AAAE and Telos ID—under the ACSP project. As a result of the inadequate testing, airports began to experience significant problems with the new DAC system. For instance, TSA was not receiving enrollment data and badging offices could not see results in AAAE's DAC system. Airport operations were hindered because of aviation workers' inability to access secured areas without proper badge authority. To resolve the backlog of badges, TSA issued an "Exemption from TSA Regulations and Alternate Measures to Security Directive 1542-04-08 series."

The alternate measures gave airports the option to issue badges without the federally required CHRC and STA background checks. The alternate measures covered the period from April 20 to June 1, 2012 and applied to security badge applications submitted by the airports and waiting on results of CHRCs and STAs. However, aviation workers who were issued badges were required to have their badges revoked if after 14 days TSA had not received their CHRC or STA results.

TSA did not track which airports used the alternate measures and the number of badges that were issued under those measures. After an inquiry by our office, the Office of Security Operations initiated a survey in which TSA relied on the airports to self-report whether they decided to operate under the alternate measures and to track employees who were not fully vetted. The Office of Security Operations reported that of the 446 airports nationwide, 290 responded to Office of Security Operation's request and 168 airports self-reported that they adopted the alternate measures. Five of the airports identified a total of 11 individuals with criminal backgrounds, who received badges during the alternate measures period and would not have received badges if they had been properly vetted. Five of those individuals held their badge for more than 14 days, and therefore those airports were not in compliance with the alternate measure.

TSA could have better informed airports on the program challenges. TSA did not inform the airports of the difficulties that were limiting the airport's choice of vendors. Instead, TSA simply posted information on its WebBoard regarding available vendors without providing current project status and vendor availability.

TSA could have improved communication with the vendors involved. For example, TSA did not promptly address AAAE regarding its deployment issues and the subsequent backlog of badges at airports nationwide. TSA's Office of

Security Policy and Industry Engagement met with AAAE to discuss performance issues. TSA considered sending AAAE a deficiency letter in May 2012. However, TSA officials informed us that they chose not to send the letter and would manage the performance of AAAE under their OTA in a "partnered-centered approach vs. issuing a derogatory letter (e.g., cure notice or letter of remediation) given TSA's long-term and strategic partnership with AAAE in the area of aviation security."

Without explanation, TSA issued a modified version of the deficiency letter and considered it a performance letter dated September 6, 2012, which identified seven customer service and technology performance issues associated with AAAE. Although both parties discussed performance issues previously, according to AAAE officials, they were not informed of these seven particular matters until they received this formal letter. They further stated that these ACSP project issues were not discussed even though TSA and AAAE had a working group in which ACSP project issues were discussed weekly.

Conclusion

Without appointing a designated responsible official for the ACSP project, TSA's limited planning, management, and implementation led to deploying a system that did not provide the choice in vendors that TSA had intended. Without TSA's ability to maintain documented project decisions for selecting only three vendors or for other project costs, it is unable to establish whether more vendors could have been acquired for the ACSP project. Furthermore, TSA cannot be sure that it has not incurred unplanned additional costs.

The need for better managed implementation of the ACSP project led to a backlog of vetting for individuals applying for badges that still existed at the time of our review. TSA did not track which airports temporarily issued badges without the required background checks. Therefore, individuals with criminal records may currently have access to secured areas in our Nation's airports.

Recommendations

We recommend that the Transportation Security Administration's Deputy Administrator:

Recommendation #1:

Develop a lessons learned report for future projects to show challenges that occurred throughout the Aviation Channeling Services Provider project. This

should include improving comprehensive system functionality testing of the channeling process and developing a resolution plan to address unresolved issues.

Recommendation #2:

Establish a policy that requires all projects include a comprehensive plan that—

- Designates an official(s) responsible for overall project status and completion;
- Documents decisions made throughout all phases of the project's design, selection, testing, implementation, communication, and oversight; and
- Tracks and reports all project costs.

Recommendation #3:

Immediately communicate customer service expectations to vendors and monitor their performance for accountability. This would include establishing a formal process or survey schedule to obtain feedback from vetting project stakeholders on vendor performance, services, and other related concerns.

Recommendation #4:

Conduct a comprehensive review of badges issued under the "Exemption from TSA Regulations and Alternate Measures to Security Directive 1542-04-08 series." Create a detailed report identifying the locations and badges involved in the use of alternate measures and the actions taken to ensure all badges issued during the backlog have been issued in accordance with Federal requirements and the proper security checks.

Management Comments and OIG Analysis

TSA provided formal comments to our report. A copy of TSA's response in its entirety is included as appendix B. TSA also provided technical comments and suggested revisions to our report in a separate document. We reviewed the technical comments and made changes in the report when appropriate.

TSA indicated that it has delivered on its promise to provide airports and aircraft operators with a choice of service providers and to provide selected businesses the opportunity to offer their services for work that had been sole-sourced to a single provider. TSA also noted that it properly selected three vendors as part of the ACSP Project, and the TSA process allowed market forces to drive the provision of choice for airports and air carriers and support competition among

qualified business entities. The agency provided additional information to explain how it addressed the ACSP challenges and required testing. TSA concurred with all four recommendations, and has begun to formulate plans to implement the recommendations contained in the report. A summary of the responses and our analysis follows.

Response to Recommendation #1: TSA concurs. TSA will create a lessons learned report that is based on the specific experience and challenges faced throughout the ACSP Project. The report will address comprehensive testing requirements and develop a plan to address unresolved issues within TSA's scope of authority and responsibility. TSA expects to complete this lessons learned report by May 2013.

OIG Analysis: The recommendation will remain open and resolved until we have reviewed a copy of TSA's lessons learned report.

Response to Recommendation #2: TSA concurs. TSA will use the existing management control system or establish a policy that requires all projects to include a plan that designates the office or person responsible for the project's overall status and completion, documents key decisions, and which identifies and tracks all estimated project costs. TSA expects this recommendation to be implemented by August 2013.

OIG Analysis: The recommendation will remain open and resolved until we review the planned policy and ensure that it comprehensively addresses the identified concerns.

Response to Recommendation #3: TSA concurs. TSA will reiterate its customer service expectations to the DACs and establish a process to periodically solicit feedback from stakeholders on vendor performance. The TSA Office of Acquisition will communicate by letter to all three DACs to re-emphasize the customer service expectations as an element of their responsibilities as a DAC provider. TSA will evaluate options on the best method to conduct a practical and viable survey, giving particular consideration to the most effective means of survey distribution. TSA is considering disseminating the survey through one or more airport associations or the airport Federal Security Directors. The associations will be engaged well in advance of the launch of the survey, to collaboratively establish a pathway to achieve a significant percentage of airport participation, as completion of the survey will be voluntary for the airports and aircraft operators. The first survey would be distributed in approximately 6 months, allowing airports adequate time to evaluate vendor performance.

Once survey feedback is obtained, if the input indicates a failure of a specific DAC to meet OTA service expectations, TSA will address the issue with that DAC to establish accountability and result in improved performance. Target dates for implementation are in development.

OIG Analysis: The recommendation will remain open and resolved until we examine evidence of communication and survey activity within 6 months. We need to verify that TSA is communicating customer service expectations to vendors and monitoring their performance for accountability. This would include establishing a formal process or survey schedule to obtain comments from vetting project stakeholders on vendor performance, services, and related concerns.

Response to Recommendation #4: TSA concurs. At the time the exemption and alternative measure was implemented on April 20, 2012, TSA's Office of Security Operations planned to determine and eliminate any security vulnerabilities potentially created by the waiver period. Per the exemption and alternative measure, airport operators were required to deactivate any badge issued during the waiver period if no results were returned at the end of 14 days or if results returned showing the individual ineligible for a Security Identification Display Area badge.

Additionally, airport operators were required to manually check the names of all individuals against the TSA "No-Fly" and "Selectee" lists prior to issuing the badges. After the waiver period ended on June 1, 2012, TSA required airport operators to confirm whether the airport issued a badge to an individual who was later found to have a disqualifying offense. Transportation Security Inspectors then verified that all badges issued to individuals with a disqualifying offense were deactivated. TSA will direct that during fiscal year 2013, as part of their annual inspection plans, inspectors nationwide must focus on the waiver period when inspecting secured and sterile area badge issuance and compliance.

OIG Analysis: The recommendation will remain open and resolved until we review evidence and details of the Inspections. We need to verify that TSA identified all individuals who obtained badges during the period of time when the use of alternate measures was permitted. We will review the actions taken to ensure that TSA issued all badges during the backlog in accordance with Federal requirements and with the proper security checks.

Appendix A
Objectives, Scope, and Methodology

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

In response to a congressional request, we conducted an audit of the recent contractual arrangements for vetting services under the TSA ACSP project and the new design of the project. Our objective was to determine whether TSA's ACSP project selected vendors according to Federal policies and procedures, and effectively planned for the implementation of the new services.

We performed work at TSA headquarters in Arlington, VA, and at TSA's Office of Intelligence and Analysis in Annapolis Junction, MD, to meet the audit objective. We reviewed the contractual relationship established in April 2011 with AAAE, and in March 2011 with L-1 Identity Solutions (now MorphoTrust Enrollment Solutions) and Telos ID, to determine whether TSA followed Federal policies and procedures, as well as DHS- and component-specific guidance related to acquisition and implementation. We also examined prior audit reports to identify deficiencies related to AAAE's performance as sole source channeling vendor prior to the ACSP project.

We interviewed TSA staff responsible for the management, oversight, and execution of the ACSP project in the following offices: the Office of Security Policy and Industry Engagement, the Office of Intelligence and Analysis, the Office of Information Technology, and the Office of Acquisition. We requested all documentation pertaining to the project and its implementation.

We interviewed officials from the three aviation badge-vetting vendors awarded agreements with TSA to identify the services offered and the costs passed on to the airports. We met with Airports Council International-North America to identify the level of communication and outreach TSA applied to the project. We judgmentally selected and interviewed aviation officials at the following eight airports, which either had changed vendors or were possibly considering changing vendors: Austin Bergstrom International Airport, Honolulu International Airport, Oakland International Airport, Indianapolis International Airport, Sacramento International Airport, Mineta San Jose International Airport, San Francisco International Airport, and St. George Municipal Airport. We also judgmentally selected three airports to visit located close to our duty stations: Ronald Reagan Washington National, Philadelphia International Airport, and

Miami International Airport, and interviewed aviation badge-vetting officials to determine whether the airports were interested in changing vendors and to discuss their experience with AAAE, the previous sole source provider.

We conducted this performance audit between April and September 2012 pursuant to the *Inspector General Act of 1978*, as amended, and according to generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based upon our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based upon our audit objectives.

Appendix B
Management Comments to the Draft Report

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

Transportation
Security
Administration

JAN 1 5 2013

INFORMATION

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

FROM: J.W. Halinski
Deputy Administrator

SUBJECT: Response to Draft Report, *Transportation Security Administration's Aviation Channeling Services Provider Project*, November 2012

Purpose

This memorandum constitutes the Transportation Security Administration's (TSA) response to the DHS Office of the Inspector General (OIG) draft report, *Transportation Security Administration's Aviation Channeling Services Provider Project*, dated November 2012.

Background

In April 2012, in response to a Congressional request, OIG conducted an audit of recent contractual arrangements for vetting services under TSA's Aviation Channeling Services Provider (ACSP) Project and its new design. OIG's objective was to determine whether TSA's ACSP Project selected vendors according to Federal policies and procedures and effectively planned for the implementation of new services.

Discussion

The ACSP Project supports most of the Nation's 450 airports, 65 U.S. flagged air carriers, and 19,000 general aviation airports. TSA greatly appreciates the work done by OIG during the course of this review and intends to use this valuable information to assist our efforts to continue to improve TSA and aviation worker vetting.

TSA's ACSP Project Has Delivered on its Primary Purpose

The ACSP Project's primary purpose was to provide airports and aircraft operators a choice of service providers and to provide selected businesses the opportunity to offer their services for work that had been sole-sourced to a single provider. The ACSP Project also made important technical enhancements to TSA's technical infrastructure that added to the overall efficiency and effectiveness of the security threat assessment process. For example, ACSP enabled data transfer with multiple service providers; transitioned from outdated file transfer processes to a more efficient web services interface; and replaced the existing disparate and bifurcated vetting application processes with a new process based on one complete package, providing enhanced identity management capabilities.

As a result of the ACSP Project allowing more choice in service providers, seven of the Nation's airports and the entire General Aviation population are using a new service provider or Designated Aviation Channeler (DAC), with two additional airports scheduled to change service providers in January 2013. Each of the seven airports experienced a smooth and seamless transition to a new DAC with no customer service issues, no delays or backlogs in applicant vetting (vetting results returned within 24 hours), and a reduction in fingerprint capture issues.

TSA Properly Selected Vendors for the ACSP Project

As confirmed by the DHS OIG, TSA properly selected vendors for the ACSP Project according to TSA and Federal policies and procedures, and used an effective source selection process to implement the ACSP Project. In addition, the DHS OIG determined that TSA did not unfairly favor the American Association of Airport Executives (AAAE), the incumbent provider. TSA's use of a no-cost Other Transaction Agreement (OTA) was an innovative and cost-effective method to allow aviation users to obtain important aviation security services from qualified vendors. While not a contract, the DAC OTA established legally enforceable agreements that included a termination for cause provision. The OTA required the vendor to comply with all requirements stated within the OTA including the technical specifications, security standards, and OTA cited regulations and references.

TSA determined that it would select three DACs as part of the ACSP Project, and the TSA process allowed market forces to drive the provision of choice for airports and air carriers and support competition among qualified business entities. Even though the Federal Acquisition Regulation (FAR) did not apply to the OTA, TSA applied FAR-based procedures to complete market research and advertised in FedBizOpp to solicit proposals in an open and impartial manner. TSA also applied FAR-based principles and source selection best practices to evaluate all the proposals against the stated technical and management evaluation criteria.

TSA selected the three most qualified offerors that demonstrated their ability and technical readiness to satisfy the requirements of the ACSP DAC.

TSA Ensured Project Challenges Were Addressed

The goal of ACSP was to replace a sole-source environment with one that gave the aviation stakeholders a choice of service providers. This goal drove TSA's decisions and approaches in addressing challenges.
Any testing delays only impacted the projected schedule as to when TSA could provide a choice of service providers to aviation stakeholders. TSA kept its focus on establishing multiple operational DACs to end the sole-source arrangement. TSA could have held the vendors accountable for delaying the ACSP Project schedule by terminating the OTA with the DAC, but it would not have allowed TSA to achieve its objective of providing choice to the aviation community.

From the project's inception, TSA used a cross-functional Integrated Project Team (IPT) composed of representatives from across TSA to help effectively manage the scope and scale of the project. The IPT worked together to create the technical and business requirements that formed the basis for ACSP. The IPT worked expeditiously through issues with subject matter experts from affected TSA organizations. This helped ensure issues were tracked and referred to the proper TSA organization in a timely manner.

Throughout the project, the ACSP IPT worked through issues in an effective and collaborative fashion. The ACSP IPT was empowered by senior leadership to make informed, responsible recommendations and decisions, and the IPT ensured TSA Senior Leaders were kept informed via regular, bi-weekly progress briefings.

TSA Established Onboard Testing Requirements with all Designated Aviation Channelers

TSA established onboard testing requirements and testing timeframes between TSA and the DACs, and did not include testing between DACs and their respective airports as part of the ACSP Project. The scope of the testing was specific to the DACs and TSA because each DAC must individually negotiate arrangements with aviation stakeholders. Each DAC is responsible for ensuring the aviation stakeholder data is transmitted to TSA and meets TSA technical specifications. The onboard testing requirements and guidelines were clearly documented in a variety of project documents, to include: ACSP Test and Evaluation Master Plan, ACSP Test Scenarios, DAC Onboard Test Scenarios, each DAC's Test Plan, ACSP Onboard Test Summary, DAC Integration Testing Summary, and each DAC's own test schedule.

Consistent with the technical requirements and OTA, TSA required onboard testing of the form and manner of data-exchange between the DAC providers and TSA to ensure the establishment

of a standard data interface. TSA's approach and scope for onboard testing did not include interfaces between DACs and their respective airports for the reasons stated above. TSA performed onboard Test Readiness Reviews with each DAC to specify what was expected and to determine the readiness of the DAC to begin testing. In addition, test scenarios were developed and communicated to each DAC to guide the testing process. The TSA technical specifications, test scenarios, and test cases were clear and sufficient for the purpose and scope of the ACSP Project, namely to demonstrate a DAC's ability to conform to TSA technical specifications and test requirements for transmitting applicant data to TSA for vetting purposes.

At the close of the initially established testing timeframe, only one DAC, Telos ID, had completed testing with TSA. To not proceed with the system cut-over as-scheduled would have increased technical DAC testing support costs, maintained the sole-source arrangement with AAAE, and effectively prevented TSA from offering a choice in service providers to aviation stakeholders via the first qualified DAC, Telos ID. During testing, AAAE had successfully transmitted 'enrollment' transactions, 'update biographic' transactions, and 'cancel enrollment' transactions to TSA. These transactions represented the most critical test scenarios and 25 percent of total test cases for the ACSP Project. The decision to proceed with the system cut-over on April 2, 2012, considered that AAAE had successfully performed the enrollment function for the aviation sector for approximately a decade, had served as the exclusive system of record for aviation workers since inception, had successfully completed the rigorous certification and accreditation (C&A) process, and successfully demonstrated its ability to submit enrollment transactions to TSA during onboard testing between TSA and AAAE.

TSA Inspectors Confirm Control of Badges Issued During Waiver Period

Finally, technical issues between aviation stakeholders and the incumbent DAC, AAAE, resulted in a backlog of badges while TSA transitioned to a new DAC system. As a result of this backlog, TSA issued an exemption from TSA regulations and provided airports with alternate measures to issue badges without the federally required background checks. At the time the exemption and alternative measures were implemented, TSA began strategizing how to later evaluate the airport operators' compliance. The waiver and alternative measure deliberately required the airport operator to conduct a follow-up verification on each badge issued during the exemption period. The verification was to ensure that the individual ultimately received all required background checks with any verification problems requiring that the issued badge be revoked. TSA Inspectors in local field offices contacted each airport's security coordinator, who is designated by the airport in accordance with 49 CFR 1542.3(b) to review and control the results of background checks, to verify the airport had in fact ensured all background checks were completed. As a result of the review, TSA was able to confirm that airport operators had controlled badges as required.

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Conclusion:

TSA recognizes the important issues set forth in this report and is committed to working to address these issues. TSA has already begun to formulate plans to implement the recommendations contained in the report. Our specific response to each recommendation follows.

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

Response to OIG Draft Report,
Transportation Security Administration's Aviation Channeling Services Provider Project,
November 2012

Recommendation #1: Develop a lessons learned report for future projects to show challenges that occurred throughout the ACSP Project. This should include improving comprehensive system functionality testing of the channeling process and developing a resolution plan to address unresolved issues.

TSA Concurs. TSA will create a lessons learned report that is based on the specific experience and challenges faced throughout the ACSP Project. TSA will address comprehensive functionality testing opportunities and develop a plan to address unresolved issues within TSA's scope of authority and responsibility. TSA expects to complete this lessons learned report by May 2013.

Recommendation #2: Establish a policy that requires all projects include a comprehensive plan that:
- Designates an official(s) responsible for overall project status and completion;
- Documents decisions made throughout all phases of the project's design, selection, testing, implementation, communication, and oversight; and
- Tracks and reports all project costs.

TSA Concurs. TSA will harness the existing management control system or establish a policy that requires all projects to include a plan that designates the office or person responsible for the project's overall status and completion, documents key decisions, and which identifies and tracks all estimated project costs. TSA expects this recommendation to be implemented by August 2013.

Recommendation #3: Immediately communicate customer service expectations to vendors. This would include establishing a formal process or survey schedule to obtain feedback from vetting project stakeholders on vendor performance, services, and other related concerns.

TSA Concurs. TSA will reiterate its customer service expectations to the DACs and establish a process to periodically solicit feedback from stakeholders on vendor performance.

The TSA Office of Acquisition will communicate by letter to all three DACs to re-emphasize the customer service expectations as an element of their responsibilities as a DAC provider.

TSA will undertake an evaluation of options on how best to conduct a survey that is practical and viable, giving particular consideration to the most effective means of survey distribution. TSA is considering disseminating the survey through one or more airport associations or the airport Federal Security Directors. The associations will be engaged well in advance of the launch of

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the survey, to collaboratively establish a pathway to achieve a significant percentage of airport participation, as completion of the survey will be voluntary for the airports and aircraft operators.

The first survey would be distributed in approximately 6 months, allowing airports adequate time to evaluate vendor performance.

Once survey feedback is obtained, if the input indicates a failure of a specific DAC to meet OTA service expectations, TSA via OA will address the issue with that DAC to establish accountability and result in improved performance. Target dates for implementation are in development.

Recommendation #4: Conduct a comprehensive and thorough review of badges issued under the "Exemption from TSA Regulations and Alternate Measures to Security Directive 1542-04-08 series." Create a detailed report identifying the locations and badges involved in the use of alternate measures and the actions taken to ensure all badges issued during the backlog have been issued in accordance with Federal requirements and the proper security checks.

TSA Concurs: At the time the exemption and alternative measure was implemented on

April 20, 2012, TSA's Office of Security Operations planned for determination of and elimination of any security vulnerabilities potentially created by the waiver period. Per the exemption and alternative measure, airport operators were required to deactivate any badge issued during the waiver period if either no results were returned at the end of fourteen (14) days or if results returned showing the individual ineligible for a Security Identification Display Area (SIDA) badge. Additionally, airport operators were required to manually check the names of all individuals against the TSA "No-Fly" and "Selectee" lists prior to issuing the badges. After the waiver period ended on June 1, 2012, TSA required airport operators to confirm by July 13, 2012, whether or not the airport issued a SIDA badge to an individual who was later found to have a disqualifying offense. Transportation Security Inspectors (TSIs) then verified that all badges issued to individuals with a disqualifying offense were deactivated. Going forward, TSA will direct that during Fiscal Year 2013, as part of their annual inspection plans, TSIs nationwide must focus on the waiver period when inspecting SIDA and sterile area badge issuance and compliance.

Appendix C
Aviation Channeling Services Provider Process
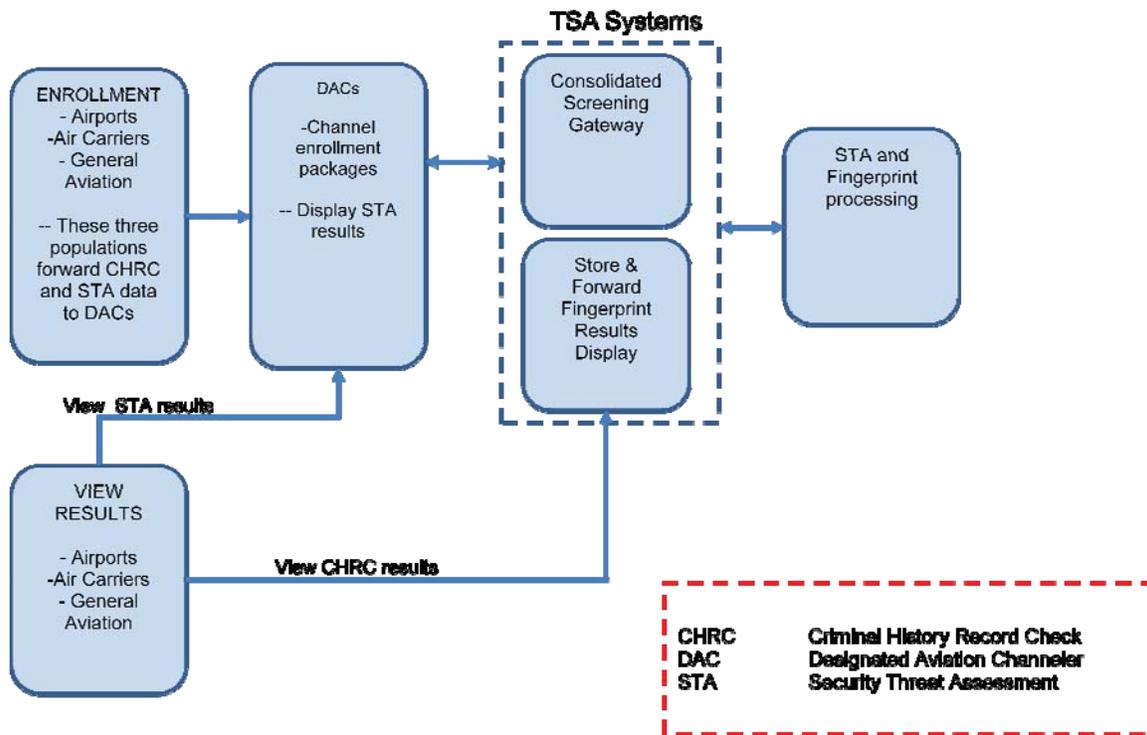
Source: TSA Office of Security Policy and Industry Engagement

Appendix D
History of Aviation Channeling Services
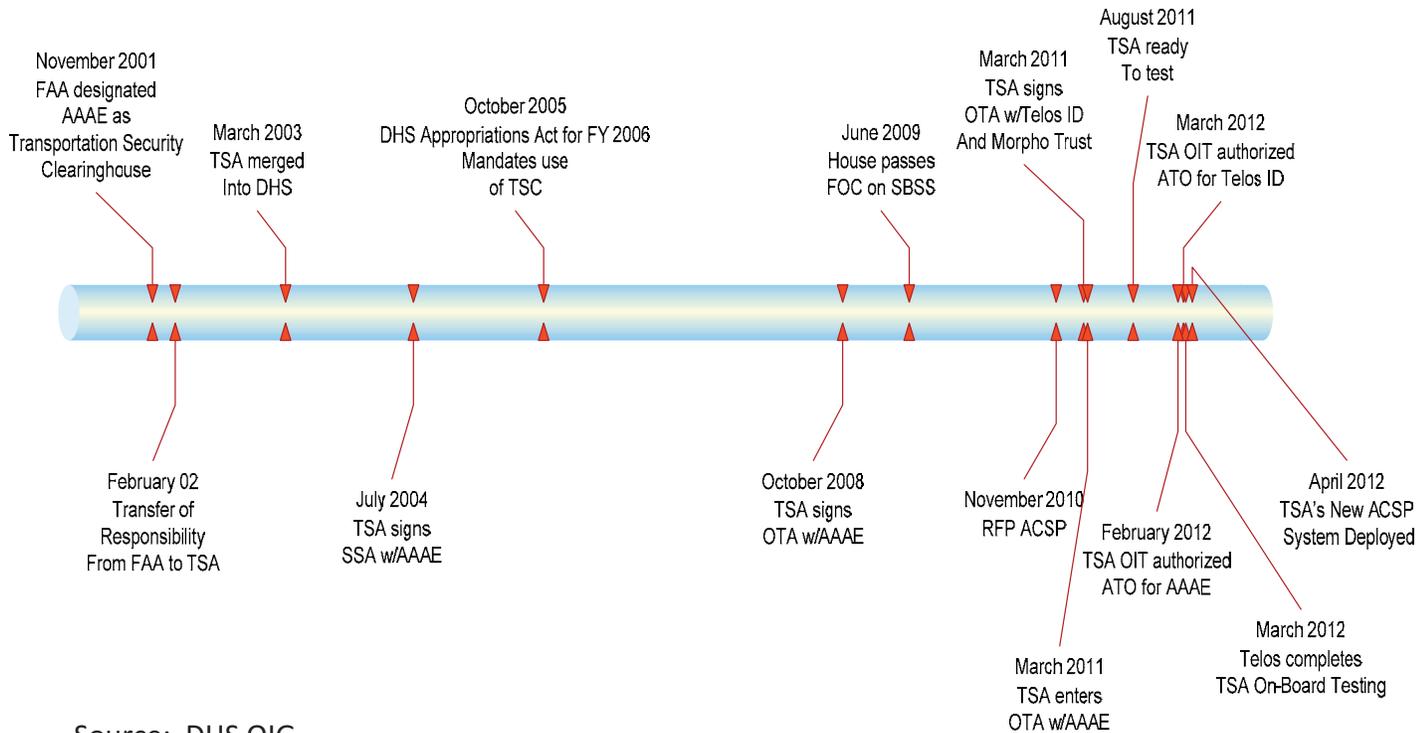
Source: DHS OIG

Acronyms

AAAE:	American Association of Airport Executives
ACSP:	Aviation Channeling Services Provider
ATO:	Authority to Operate
FAA:	Federal Aviation Administration
FOC:	Full and Open Competition
OIT:	Office of Information Technology
OTA:	Other Transaction Agreement
RFP:	Request for Proposal
SBSS:	Security Background Screening Services
SSA:	Sole Source Agreement
TSC:	Transportation Security Clearinghouse

Appendix E
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Appendix F
Report Distribution

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