Department of Homeland Security
Office of Inspector General

**Management of
the Transportation Security Administration's
Logistics Center**

Homeland
Security

NOV 1 3 2009

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, and special reports prepared as part of our oversight responsibilities to promote economy, efficiency, and effectiveness within the department.

This report addresses the strengths and weaknesses of the Transportation Security Administration's management of its logistics center. 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 our office, and have been discussed in draft with those responsible for implementation. We trust this report will result in more effective, efficient, and economical operations. We express our appreciation to all of those who contributed to the preparation of this report.
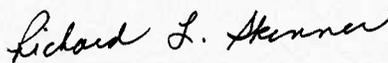
Richard L. Skinner
Richard L. Skinner
Inspector General

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Abbreviations

DHS   Department of Homeland Security
OIG   Office of Inspector General
TSA   Transportation Security Administration

OIG

Department of Homeland Security
Office of Inspector General

Executive Summary

We performed an audit of the Transportation Security Administration's Logistics Center as a result of the Property, Plant, and Equipment material weakness reported in the Transportation Security Administration FY 2008 financial statement audit. The Logistics Center is a staging area for transportation security equipment and related components. This report addresses the efficacy of Transportation Security Administration's efforts to deploy, redeploy, and dispose of transportation security equipment through its Logistics Center.

The Transportation Security Administration did not efficiently deploy, redeploy, or dispose of transportation security equipment through its Logistics Center. Specifically, the Transportation Security Administration stored new equipment more than 3 years without written transition plans for its deployment; did not perform timely assessments of the condition of used equipment to determine whether these items could be redeployed; and stored excess transportation security equipment longer than necessary. This occurred because the Transportation Security Administration did not have standard guidance for the deployment, redeployment, and disposal of its transportation security equipment. As a result, the Transportation Security Administration may have lost utility of equipment as it aged in storage and did not have an accurate accounting of its inventory. In addition, the need to store excess equipment contributed to the Transportation Security Administration's decision to lease additional warehouse space in FY 2009 at a cost of $2 million.

The Transportation Security Administration chartered an Integrated Property Management team in January 2009 to establish guidance for warehouse equipment management and risk mitigation strategies. However, the Transportation Security Administration was still developing this guidance during our audit.

We made three recommendations to the Transportation Security Administration. The Transportation Security Administration concurred with the recommendations.

Background

Transportation security equipment is central to Transportation Security Administration's (TSA) mission to protect the Nation's transportation systems. TSA personnel use six major categories of transportation security equipment to screen air passengers, baggage, and cargo: ready x-rays, advanced technology x-ray, explosive trace detection systems, explosive detection systems, bottle liquid scanners, and enhanced metal detectors. As of January 2009, TSA had approximately 13,650 units of transportation security equipment at 457 airports nationwide and 2,302 units of transportation security equipment stored in warehouses at the TSA Logistics Center in Dallas, Texas. In FY 2008, TSA shipped 1,721 units of transportation security equipment valued at about $253 million through the Logistics Center to individual airports.

TSA generally directs manufacturers of transportation security equipment to ship equipment to the Logistics Center for processing before personnel deploy it to airports. TSA also stores used equipment awaiting repair or redeployment and equipment awaiting disposal at the Logistics Center. Warehouse operations are managed by a TSA contractor using the contractor's information management systems. TSA contracted for its first warehouse for equipment storage at the TSA Logistics Center in February 2005. As inventory increased, TSA added a second warehouse in FY 2007 and a third warehouse in FY 2009.

As illustrated in the table below, 224 units (10%) of equipment at the Logistics Center had been stored for more than 2 years and 826 units (36%) had been stored for more than 1 year as of January 2009.

| | Transportation Security Equipment | | | | | |
| | Time in Storage as of January 2009 | | | | | |
Class	Type	< 1 Yr.	> 1 Yr.	> 2 Yrs.	> 3 Yrs.	Purchase Price ($)
New	Explosive Detection Systems	88	5	3	-	55,188,328
	Explosive Trace Detection Systems	48	316	17	12	11,953,792
	Ready X-rays	136	2	-	-	15,526,293
	Enhanced Metal Detectors	-	9	-	-	34,374
	Explosive Trace Portals	-	-	-	2	358,128
	Subtotal of New	**272**	**332**	**20**	**12**	**83,060,915**
Used	Explosive Detection Systems	47	5	13	9	69,185,000
	Explosive Trace Detection Systems	74	78	7	1	4,634,452
	Ready X-rays	365	7	1	-	14,735,481
	Enhanced Metal Detectors	189	117	44	8	2,351,579
	Explosive Trace Portals	1	1	-	-	280,000
	Subtotal of Used	**676**	**208**	**65**	**18**	**91,186,512**
Pending Disposal	Explosive Detection Systems	33	35	7	11	60,200,000
	Explosive Trace Detection Systems	416	2	2	1	11,237,134
	Ready X-rays	46	1	3	-	2,086,085
	Explosive Trace Portals	33	24	60	23	24,678,320
	Subtotal of Pending Disposal	**528**	**62**	**72**	**35**	**98,201,539**
	Total **2302** **100%**	**1476** **64%**	**602** **26%**	**157** **7%**	**67** **3%**	**272,448,966**

We performed this audit as a result of the Property, Plant, and Equipment material weakness reported in the TSA FY 2008 financial statement audit. The material weakness resulted from impaired equipment not being properly segregated from other equipment in the warehouse and the carrying value of those assets not being adjusted to net realizable value. As a result, TSA management was not able to assert to the valuation of the property and equipment reported on DHS' consolidated balance sheet and related footnotes. The independent public accounting firm performing the financial statement audit under contract to the OIG concluded that material weakness conditions at DHS related to the valuation of property and equipment contributed to DHS' disclaimer of opinion on the financial statements.

Results of Audit

TSA did not efficiently deploy, redeploy, or dispose of transportation security equipment through its Logistics Center. Specifically, TSA stored new equipment more than 3 years without written transition plans for its deployment; did not perform timely assessments of the condition of used equipment to determine whether these items could be redeployed; and stored excess transportation security equipment longer than necessary. This occurred because TSA did not have standard guidance for the

deployment, redeployment, and disposal of its transportation security equipment. As a result, TSA may have lost utility of equipment as it aged in storage and did not have an accurate accounting of its inventory. In addition, the need to store excess equipment contributed to TSA's decision to lease additional warehouse space in FY 2009 at a cost of $2 million.

In response to the material weakness reported in the FY 2008 financial statement audit, TSA chartered an Integrated Property Management team in January 2009 to establish guidance for warehouse equipment management and risk mitigation strategies. However, TSA was still developing this guidance during our audit.

Deployment, Redeployment, and Disposal of Equipment

Deployment of New Equipment

TSA did not always deploy new equipment efficiently or take action to resolve deployment delays. In some instances, new equipment was stored for years before TSA program office personnel designated an airport to receive it. For example, during the first 3 months of 2007, the TSA Logistics Center received eight explosive detection systems units at a cost of about $7 million. As of January 2009, all eight explosive detection systems units remained in storage at the Logistics Center. TSA officials said that the explosive detection systems units were not deployed because the airports were not ready to receive them and that TSA program office personnel have now identified airports that are ready to receive seven of the eight units. As of January 2009, TSA also had 345 new explosive trace detection systems units, which cost about $10.6 million, in storage for at least 1 year; some of these units had been in storage for more than 2 years.

Deployment of this equipment has been delayed because TSA does not have written transition plans for the explosive detection systems units and did not develop an equipment transition plan for deploying explosive trace detection systems units until January 2009. As a result, TSA may have lost utility of equipment as it aged in storage. TSA needs to develop guidelines for processing new equipment and develop standards for the maximum length of time that new equipment should remain at the Logistics Center before deployment. TSA also needs to ensure that equipment transition plans are developed for all of its major categories of transportation security equipment.

Redeployment of Used Equipment

TSA did not perform timely assessments of the condition of the used equipment to determine whether these items could be redeployed or should be disposed. For example, as of January 2009, 291 units of used transportation security equipment had been stored at the Logistics Center for more than 1 year. Further, 142 used explosive detection systems conveyor units, which cost approximately $4.1 million, had been stored at the Logistics Center longer than 2 years. TSA personnel stated that the Logistics Center also stored equipment components for the explosive detection systems units that may no longer be needed and that the contractor's inventory system incorrectly classified some equipment that was no longer useable as available for redeployment. Further, TSA disposed of more than 250 used units of equipment that were classified for redeployment.

This occurred because at the time of our review TSA did not have procedures in place to ensure that inventory was periodically reviewed or properly classified for redeployment or disposal. As a result, inventory was sent to a warehouse, assigned a condition code, and then never reviewed again to ensure that the equipment was still useful. In addition, equipment redeployment capability is determined through a variety of informal processes because no formal, agency wide guidance exists. For example, equipment redeployment capability is frequently determined through verbal discussions between the contracting officer's technical representative and a program manager in the Life Cycle Support group. As a result, TSA's property and financial systems did not contain an accurate inventory of items that are available for use, allow TSA management to make informed deployment, redeployment, and disposal decisions, or ensure that TSA disposes of equipment components that are no longer needed. TSA should be performing periodic reviews of inventory to ensure that inventory is correctly classified.

Equipment Disposal

According to the Office of Management and Budget Capital Programming Guide[1], asset disposal decisions should generally be part of a systematic plan that is integrated into the agency's

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[1] Office of Management and Budget Circular A-11 (June 2008), Supplement to Part 7 (June 2006).

broader capital resource management plan. Management should monitor how well an asset is performing throughout its lifecycle. If the asset becomes uneconomical to keep in service or fails to meet performance criteria, the agency should determine whether it should be retired or replaced. Once the agency decides to dispose of an asset, it should address the removal of the asset from service and plan for a replacement if required, redeploy it to elsewhere in the agency, or finally remove the asset from the agency's property inventory. Agency property specialists, guided by internal policy and applicable laws and regulations, should work closely with agency executives to ensure cost-effective and timely asset disposal.

TSA did not efficiently dispose of excess transportation security equipment stored at the Logistics Center. Although TSA personnel began developing a disposal plan in coordination with the Department of Defense in May 2005, the first equipment disposal did not take place until November and December 2008. This was due to the difficulty in establishing an agreement with a government organization possessing the capabilities to properly destroy sensitive national security equipment and completing a review of hazardous material disposal requirements. In November and December 2008, Logistics Center personnel disposed of about 3,000 units of equipment. More than 1,300 of these 3,000 units had been at the Logistics Center for more than 2 years. As of January 2009, 697 units of equipment were awaiting disposal at the Logistics Center. Of those 697 units, 169 had been at the Logistics Center for more than 1 year. This occurred because TSA had not developed consistent guidance for equipment disposal. As a result, the space occupied by the combination of new, used, and excess equipment at the Logistics Center was a contributing factor in TSA's decision to lease an additional warehouse in FY 2009 at a cost of $2 million. TSA officials stated that disposals will continue through FY 2009, and that the goal is to have a continuous process for disposals. TSA needs to ensure that it adequately monitors units pending disposal to ensure that they are disposed of promptly.

Planned TSA Actions

As a result of the Property, Plant, and Equipment material weakness reported in TSA's FY 2008 financial statement audit, TSA chartered a Transportation Security Equipment Integrated Property Management Team in January 2009. The team's objective is to ensure that TSA stores and deploys transportation security equipment appropriately and that

equipment is controlled, accounted for, and reported pursuant to applicable laws and regulations. Planned deliverables in the team charter included a Warehouse Management Gap Analysis, Warehouse Manual, Disposal Process Document, and TSA Security Equipment Management Manual. The Integrated Property Management Team completed the Warehouse Management Gap Analysis in March 2009, the *Warehouse Management Procedures and Oversight Manual* in July 2009, the *Property Disposition Process and Procedures Document,* and the *Security Equipment Management Manual* in August 2009. However, these documents were in draft during the audit and were completed after the issuance of the draft report. TSA scheduled training in September 2009 to familiarize personnel with new procedures contained in the approved Integrated Property Management Team documents.

In addition, TSA officials have a draft equipment transition plan that outlines the roles, responsibilities, and processes for the redeployment and decommissioning of existing explosive trace detection systems and ready x-ray units. The draft transition plan includes the following:

- Deployment strategy, planning, and execution for new technologies;
- Decommissioning strategy for equipment displaced from the field, including requirements for re-evaluation of decommissioned equipment;
- Specific decommissioning strategy and procedures for ready x-rays and explosive trace detection systems units;
- Quantity of ready x-rays and explosive trace detection systems units TSA will need to maintain in inventory to meet airports' needs; and
- Alternatives to long-term storage of excess units at the Logistics Center.

TSA officials said that their draft equipment transition plan addresses the assessment of redeployment capability for ready x-ray units and explosive trace detection systems units. TSA completed its final equipment transition plan on May 28, 2009.

However, the equipment transition plan only addresses transportation security equipment for the ready x-rays, advanced x-rays, and explosive trace detection systems units. TSA has not developed separate transition plans for the bottle liquid scanners, explosive detections systems, and enhanced metal detector units.

Recommendations

We recommend that the Assistant Secretary for TSA:

- **Recommendation #1:** Develop, implement, and monitor procedures for the efficient deployment, redeployment, and disposal of all transportation security equipment through the Logistics Center.

- **Recommendation #2:** Perform periodic reviews of inventory to make sure inventory is correctly classified.

- **Recommendation #3:** Develop a recurring process to redeploy or dispose of any excess equipment at the Logistics Center.

Management Comments and OIG Analysis

TSA's comments on a draft of this report are included in Appendix B. TSA concurred with the recommendations and recognizes that improvements are needed in the management of security equipment. As such, TSA has initiated corrective action to address each of the recommendations. TSA also provided technical comments to the report.

TSA's Comments to Recommendation #1:

TSA concurred with this recommendation and completed two corrective actions to address this recommendation: a *Warehouse Management Procedures and Oversight Manual* and a *Property Disposition Process and Procedures Document*.

OIG Analysis: TSA's implementation of the standardized policies and procedures described in its *Warehouse Management Procedures and Oversight Manual* and its *Property Disposition Process and Procedures Document* should improve its ability to reduce the time inventory is stored in warehouses. The manual and disposition procedures meet the intent of our recommendation and are sufficient to resolve and close this recommendation.

TSA's Comments to Recommendation #2:

TSA concurred with this recommendation and reported that its *Property Disposition Process and Procedures Document* requires a quarterly review of warehouse inventory to ensure property condition codes are accurately classified. Based on this review, a determination may be made to reclassify property condition; for example, from "repairable" to "salvage".

OIG Analysis: We recognize the improvements TSA has made to ensure the accuracy of the property condition codes. We agree that

the quarterly reviews required by its recently issued *Property Disposition Process and Procedures Document* are sufficient to resolve this recommendation. We will consider closing this recommendation once TSA provides us with a quarterly review of warehouse inventory.

TSA's Comments to Recommendation #3:

TSA concurred with this recommendation and reported that its *Warehouse Management Procedures and Oversight Manual* requires a quarterly review of warehouse inventory levels. The review will validate and confirm equipment deployment quantities and schedules. Any equipment in excess of future requirements will be dispositioned as surplus according to the *Property Disposition Process and Procedures Document*.

OIG Analysis: We agree that TSA developed a recurring process to redeploy or dispose of any excess equipment at the Logistics Center as described in its *Warehouse Management Procedures and Oversight Manual* and its *Property Disposition Process and Procedures Document*. The process described in these documents is sufficient to resolve and close this recommendation.

TSA's Technical Comments:

TSA provided technical comments that were incorporated into the report as appropriate, except for the following comment: "In the section on 'Redeployment of Used Equipment,' TSA disputes the implication that x-ray units may have been inappropriately sent to disposal because the contractor's inventory system classified the property as useable."

OIG Analysis: Our finding that TSA disposed of equipment that was classified as available for redeployment in the inventory system was based on documents provided by TSA during our fieldwork. TSA's response did not provide evidence to demonstrate that the equipment disposed of was suitable for disposal and thus we did not update this section of the report as requested. However, we agree that the new Property Disposition Process and Procedures that TSA implemented is sufficient to resolve the property coding issue.

We performed this audit as a result of the Property, Plant, and Equipment material weakness reported in the TSA FY 2008 financial statement audit. Although TSA owns all types of equipment, transportation security equipment represents the majority of the agency's investment in capital property. Issues contributing to the material weakness included excessive levels of inactive assets on hand, inadequate processes for redeploying used assets not planned for disposal, and improper recording and accounting for all equipment and the associated costs necessary to deploy and operate that equipment. The objective of our audit was to determine whether TSA is efficiently deploying, redeploying, and disposing of equipment through TSA Logistics Center.

We performed the audit at the TSA Logistics Center in the Dallas, Texas area and at TSA Headquarters in Arlington, Virginia. Our review included analysis of the work processes, procedures, data sources, and reports for TSA Logistics Center operations.

To evaluate internal controls relevant to our audit objective, we gathered information about the programs through interviews, analysis, and document reviews. We conducted interviews with various officials in the Office of Security Technology and Office of the Chief Procurement Officer, including contract officers and contract officer technical representatives. We researched applicable laws and regulations and evaluated various planned initiatives. We conducted walkthroughs of the three warehouses at the Logistics Center and performed limited inventory testing. We analyzed TSA procedures and management reporting. We reviewed contracts for the leasing of warehouses. We examined the inventory records for new equipment, used equipment, and equipment awaiting disposal at the Logistics Center as of January 22, 2009. We reviewed the Memorandums of Understanding relating to the disposal of transportation security equipment. We analyzed the records for the equipment disposed of during November and December 2008.

We conducted the audit fieldwork between December 2008 and March 2009 according to generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We validated the reliability of inventory data by observing an inventory and believe within the scope of this audit that we can reasonably rely on the data. We also believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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Transportation
Security
Administration

INFORMATION

MEMORANDUM FOR: Richard Skinner
                   Assistant Inspector General for Audits
                   U.S. Department of Homeland Security

FROM: Gale D. Rossides
                   Acting Administrator
                   Transportation Security Administration

SUBJECT: Draft Letter Report: *Management of the Transportation Security
                   Administration's (TSA) Logistics Center*—For Official Use Only

Purpose

This memorandum constitutes the Transportation Security Administration's (TSA) formal
Agency response to the U.S. Department of Homeland Security (DHS), Office of Inspector
General (OIG) draft letter report, *Management of the Transportation Security Administration's
Logistics Center*—For Official Use Only, dated August 11, 2009. TSA recognizes its
responsibility for effective management of Transportation Security Equipment (TSE), and we
appreciate the opportunity to review and provide comments to your draft report.

Background

TSA is charged with countering terrorist threats to aviation security with technologies and
procedures that prevent, deter, or render ineffective any attempt to sabotage civil aviation. The
development, acquisition, and deployment of TSE is central to TSA's mission to protect
U.S. transportation systems. TSA personnel use equipment to screen air passengers, baggage,
and cargo, including x-rays, explosives trace detection systems, explosives detection systems,
bottled liquid scanners, and enhanced walk-through metal detectors. TSE is evolving rapidly
with changing threats and advances in technology that can result in equipment becoming
obsolete before the end of its useful life. As of January 2009, TSA had approximately 13,650
units of TSE at 457 airports nationwide and 2,302 units of equipment staged at the TSA
Logistics Center (TLC) in Dallas, TX.

The TLC is a facility composed of three warehouses used to temporarily stage new and used
screening equipment for deployment or redeployment to airports, and for processing surplus and
obsolete equipment for disposal. TLC warehouses are operated by a TSA contractor that uses a
contractor information management system to track Government inventory. Over time, and as
inventory increased, the TLC grew from one warehouse in February 2005, to three warehouses
today.

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OIG performed this audit as a result of the Property, Plant, and Equipment material weakness reported in the TSA fiscal year (FY) 2008 financial statement audit process. Independently, and in response to that material weakness, TSA chartered an Integrated Property Management Team (IPT) in January 2009 to establish guidance to ensure that TSE is warehoused and deployed appropriately and that equipment is controlled, accounted for, and reported in accordance with applicable laws and regulations. The IPT established a Management Action Plan (MAP) to create deliverables to strengthen existing procedures or develop new ones to improve the effectiveness and efficiency of existing TSA property management and accounting procedures.

The OIG audit results found that TSA did not efficiently deploy, redeploy, or dispose of transportation security equipment through its Logistics Center. Specifically, TSA stored new equipment more than 3 years without written plans for its deployment, did not perform timely assessments of the condition of used equipment to determine whether these items could be redeployed, and stored excess TSE longer than necessary due to a lack of standard guidance. As a result, TSA leased additional warehouse space in FY 2009 at a cost of $2 million to store excess equipment, may have lost utility of equipment as it aged in storage, and did not have an accurate accounting of its inventory.

Discussion

While TSA concurs with OIG's recommendations, we are providing comments on statements within the five sections of the report: "Results of Audit," "Deployment of New Equipment," "Redeployment of Used Equipment," "Equipment Disposal," and "Planned TSA Actions," that we believe require clarification or correction.

The "Results of Audit" section of the report states that as a result of a lack of standard guidance for the deployment, redeployment, and disposal of transportation security equipment, TSA leased additional warehouse space in FY 2009 at a cost of $1.97 million. While it is accurate that additional space was leased in October 2008, the OIG findings in this area were not the sole cause of TSA's additional space requirement, and it would be unfair to characterize TSA's perceived lack of standard guidance for deployment, redeployment, and disposal of TSE as the sole cause of TSA's additional space requirements. Nonetheless, TSA does believe it was a contributing factor and has taken steps to address the issue.

In the "Deployment of New Equipment" section, please change the term "Warehouse Operations personnel" and "Logistics Center personnel" to "TSA program office personnel." TSA program office personnel designate airports to receive new equipment, and Logistics Center and Warehouse Operations personnel are contractors.

In the section on "Redeployment of Used Equipment," TSA disputes the implication that x-ray units may have been inappropriately sent to disposal because the contractor's inventory system classified the property as useable. At the time of the audit, TSA procedures did not require the contractor to change the property condition code in their inventory system for equipment being sent to disposal. Rather, the equipment was tagged for disposal and entered by TSA into the Inactive Asset Module of the Sunflower Asset Management System (SAMS), the official TSA Property Management system of record. As such, surplus or obsolete equipment approved by TSA for disposal was still in the contractor's inventory system under the most recently assigned property condition code (for example, useable, repairable) prior to the disposal decision. Since

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the audit, TSA has adopted the use of property condition code "X" to specifically designate property going to disposal, in compliance with the TSA Property Management Manual. This procedure is discussed in Section 3.2.3.3 of the *Property Disposition Process and Procedures Document,* dated August 4, 2009, one of the documents prepared by the TSA IPT. The Contracting Officer's Technical Representative (COTR) for the TLC warehouse contract has also directed the contractor to change a property's condition code to "X" in their inventory system upon receiving disposal notification from TSA. Going forward, this new procedure should ensure that condition codes for disposal equipment agree in both TSA's and the contractor's inventory systems, which will avoid the discrepancy that was noted by the auditors. To more accurately describe the circumstances of this discrepancy, TSA recommends replacing the fifth and subsequent sentences of the first paragraph of this section with the following: "TSA personnel did not require the contractor to update its inventory system to change the property condition code for equipment that was approved for disposal. As a result, more than 200 x-ray units approved for disposal by TSA were still shown in the contractor's inventory system with a property condition code of 'usable.'"

Also, in the section on "Redeployment of Used Equipment," the second paragraph states that "TSA did not have procedures in place to ensure that inventory..." Here, OIG correctly references this shortcoming in the past tense, but TSA recommends adding the qualifying language "at the time" preceding this statement, which properly takes into account the subsequent corrective action taken by TSA.

In the section on "Equipment Disposal," the second paragraph noted the extended time between the commencement of initial disposal planning and actual equipment disposal. Admittedly, the time period was long, so TSA would like to offer clarification to better explain some of the contributing factors. TSA recommends replacing the second sentence with, "Although TSA personnel began developing a disposal plan in coordination with the Department of Defense in May 2005, the first equipment disposal did not take place until November 2008, due to the difficulty in establishing an agreement with a Government organization possessing the capabilities to properly destroy sensitive national security equipment and completing a review of hazardous material disposal requirements. In November and December 2008, Logistics Center personnel disposed of approximately 3,000 units of equipment."

The section on "Planned TSA Actions" acknowledges the work of the TSA IPT in preparing deliverables to address TSE warehouse storage and disposal. The IPT meets monthly and has completed four key deliverables since the audit. As such, TSA would like to recommend a text change to reflect the progress of the IPT and its near-term plans. TSA recommends replacing the last sentence of this section with the following: "The Integrated Property Management Team completed the *Warehouse Management Gap Analysis* in March 2009, the *Warehouse Management Procedures and Oversight Manual* in July 2009, the *Property Disposition Process and Procedures Document* and the *Security Equipment Management Manual* in August 2009. Training is scheduled for September 2009 to familiarize TSA personnel with new procedures contained in the approved IPT documents so they may be fully implemented by December 31, 2009." (Documents attached.)

Overall, your recommendations will help us continue to strengthen policies and procedures for deployment, redeployment, and disposal operations at the TLC. We concur with your recommendations and have already taken steps to address them.

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Recommendation 1: Develop, implement, and monitor procedures for the efficient deployment, redeployment, and disposal of all transportation security equipment through the Logistics Center.

TSA Concurs: The TSA IPT produced two deliverables that address this recommendation. The first deliverable was the *Warehouse Management Procedures and Oversight Manual* requires a new quarterly evaluation of warehouse inventory levels against projected operational requirements to ensure equipment does not remain in storage longer than necessary. While the complex and dynamic circumstances of deploying security screening equipment makes it difficult to assign a fixed, maximum length of storage time, the procedures do require an escalated level of approval to store equipment in the warehouse for longer than 180 days. The quarterly evaluation will ensure warehouse inventory levels are continuously monitored so equipment may be reassigned to an alternate deployment site if events occur that would delay deployment to the primary site (for example, permitting, airport construction, etc.). The second deliverable was the *Property Disposition Process and Procedures Document*, which covers the property disposal process from equipment decommissioning through the update of property and financial records to reflect the actual disposal of the property. The document addresses disposition process phases, the assignment of property condition codes, the periodic reevaluation of warehouse inventory, disposition methods, and the treatment of accounting and property records for disposal equipment. The procedures in these two documents will improve the efficiency of TSA deployment, redeployment, and disposal operations through the Logistics Center as recommended by OIG.

Recommendation 2: Perform periodic reviews of inventory to make sure inventory is correctly classified.

TSA Concurs: The *Property Disposition Process and Procedures Document* requires a quarterly review of warehouse inventory to ensure property condition codes are accurately classified. Based on this review, a determination may be made to reclassify property condition (for example, from "repairable" to "salvage").

Recommendation 3: Develop a recurring process to redeploy or dispose of any excess equipment at the Logistics Center.

TSA Concurs: The *Warehouse Management Procedures and Oversight Manual* requires a quarterly review of warehouse inventory levels. The review will validate and confirm equipment deployment quantities and schedules. Equipment quantities in excess of future deployment requirements will be dispositioned as surplus in accordance with the *Property Disposition Process and Procedures Document.*

Attachments

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Gene Wendt, Audit Manager
Stephanie Christian, Program Analyst
Enrique Leal, Program Analyst
Gary Crownover, Program Analyst
Michael Lugo, Auditor
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