

Subcommittee on Aviation

Hearing on

Aviation Security

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PURPOSE

The purpose of this hearing is to examine the current status of TSA's effort to improve aviation security.

BACKGROUND

The President signed the Aviation and Transportation Security Act on November 19, 2001. This legislation removed responsibility for aviation security from the FAA and established the Transportation Security Administration (TSA), within the Department of Transportation, to handle all transportation security matters including aviation security.

In the 8 months since the law was passed, a number of issues have arisen that will be the subject of the hearing. Some of them are summarized below.

Checked baggage screening deadline. The law requires the TSA to deploy enough explosive detection systems by the end of this year to screen all checked baggage.

TSA has said this will require about 1,100 bulk detection machines, such as the CTX or L3, and about 5,000 trace detection machines. Some airports have complained that they will not be able to reconstruct their terminals by the end of the year to accommodate all the large bulk detection machines. Although the law provides flexibility in such cases, some airports are seeking an extension of the deadline.

According to the DOT Inspector General, of the 1,100 explosive detection machines that DOT says are needed by the end of the year, 1,025 have been ordered, 114 were supposed to be delivered by the end of June, 86 were delivered, and 29 have been installed. With the equipment installed under previous contracts, there are now 215 bomb detection machines operating at airports.

Federalization of the screener workforce. One of the most controversial aspects of the original bill was whether those who screen passengers and carry-on baggage should be Federal employees or employees of private security companies. In the end, the legislation required that all but 5 airports have Federal screeners. The law requires the conversion to a Federal workforce to be completed by November 19th. So far, only 3 airports have been federalized, leaving more than 400 to go. If there are not enough Federal screeners on November 19th, it is possible that TSA may have to limit the number of open checkpoints to those that it can staff. This would result in longer passenger queues.

The Los Angeles Times reported on July 7th that Secretary Mineta was asked what would happen if there aren't enough federal screeners on hand by November 19? "To the extent that we don't get our full strength at any airport, we may just have to cut some [checkpoint] lanes," he responded. He was then asked what would happen at the remaining lanes. "Long lines, long lines," Mineta said.

At BWI, as of June 18, only 8.6% of the people who applied for Federal screener positions were hired. According to the Inspector General, only about 2,500 Federal screeners had been hired nationwide as of July 13. DOT says the number is higher now.

Screener competence. Recent tests of screener performance found that they missed about 1/4 of the fake guns and bombs in 387 smuggling attempts at 32 airports. This is occurred even though undercover officers probing the system were instructed not to make dummy weapons difficult for screeners to find. These test were not

conducted at the airports with Federal screeners.

TSA workforce. When Congress was considering security legislation last year, estimates were that the TSA workforce would range from 28,000 to 31,000 employees. Now, estimates are that that workforce could grow to as much as 67,000 employees. The Supplemental Appropriations bill, which passed the House, would cap the TSA workforce at 45,000 employees this fiscal year.

Aviation experience of TSA workforce. The TSA Under Secretary as well as many of the TSA employees are former Federal law enforcement officers. It seems that they tend to hire in key positions other ex-law enforcement officers. While they have vast experience in security matters, they have little experience with the complexities of managing an efficient airport and airline operation.

TSA arrogance. Some in the aviation community have complained that TSA officials are not willing to listen to them. Moreover, some airport directors complain that TSA officials will arrive at their airport unannounced and give orders to airport personnel without consulting with the airport director. An example was reported in Orlando where a TSA advance team showed up unannounced and set up a hiring center for screeners on airport property. When the airport director went to investigate, he was threatened with arrest for trespassing in a Federal area.

TSA pay scales. Law enforcement agencies have complained that they are losing employees to the TSA because they cannot compete with the salaries that TSA is paying. The FAA's Chief Counsel's office has also complained that it is losing lawyers to the TSA for the same reason. This is occurring at the same time that TSA is complaining that their budget resources are inadequate.

TSA research. Fifty million dollars has been appropriated to the TSA for the purpose of researching new security technologies. Efforts have been made to get an accounting from the TSA on how exactly this money is being spent. However, so far, those efforts have been unsuccessful. The report accompanying the Defense Department appropriations bill included an earmark of \$25 million for a proof of concept demonstration for a communication technology supported by Boeing.

Guns in the cockpit. On July 10th, the House passed legislation by a vote of 310-

113 to allow all pilots to carry guns to defend the cockpit against a hijacker. The Administration opposes this bill.

Non-Lethal Weapons. TSA has failed to act on a request from United Airlines to allow the installation of tasers in the cockpits of their aircraft. The guns in the cockpit legislation would require TSA to respond to such a request within 90 days.

Profiling. The TSA has a system known as the Computer Assisted Passenger Prescreening System (CAPPS), which is designed to select those passengers who warrant additional security. However, frequently this system seems to select little old ladies, young children, or others who do not seem to pose a terrorist risk. TSA is working on a new profiling system, known as CAPPS II, which is supposed to better select those who should receive additional scrutiny. However, many people are concerned that the CAPPS II system will constitute an invasion of privacy. Others are concerned that any profiling system will single out people on the basis of race, color or national origin.

Trusted traveler program. To reduce the “hassle factor” for its frequent flyers, the airlines have advocated the implementation of a Trusted Traveler Program. The screening of passengers who participate in the program would be expedited. This would give more time for screeners to focus on those passengers who should be subject to more extensive scrutiny. TSA Under Secretary Magaw has indicated that he is opposed to such a program. However, Homeland Security Director Ridge has stated that he is open to such an idea. Airline employees have suggested that they could be the initial participants in such a program since they have to go through background checks to get their job. In a May 19th report to Congress, the TSA stated that it is pursuing multiple actions to minimize the hassle factor for the traveling public and that evaluation of a trusted traveler program is among one of the priorities it is pursuing in this area.

Cargo security. Most cargo is not screened by x-ray or other mechanical devices. Rather, the security of cargo is supposed to be ensured either by shipper participation in the “known shipper program” or by actual inspection of the cargo. However, published reports indicate that there are holes in the known shipper program and much of the cargo from unknown shippers is not rigorously inspected.

Airport workers. Many people, such as food caterers and aircraft fuelers, drive trucks onto the airport. While those employees may be subject to background

checks, there is little or no inspection of the contents of the trucks that are driven onto the airport property.

Perimeter security. Many airports seem to rely on natural boundaries, such as water, to keep intruders off the airport property. But it is not clear that these would keep a determined terrorist out of the secured areas of an airport. There have been reports recently of thefts of aviation workers' uniforms and IDs.

Private charters. Public charters are currently subject to the same security requirements, such as screening passengers and their carry-on bags, as the scheduled airlines. Private charters, such as a company charter of an aircraft to carry its employees, are not subject to these security rules. TSA has issued a rule, without an opportunity for prior public comment, that would require private charters using aircraft over 95,000 pounds to begin complying with these security rules on August 19. The industry is complaining that they cannot comply by August 19th. Some also complain that the 95,000 pound threshold is too low. The DC-9 and Boeing 717 are examples of aircraft that are just over 95,000 pounds. Bombardier makes a business jet that is 95,000 pounds while the Gulfstream business jets are just under the threshold.

General Aviation. Some have expressed concern that a private pilot could fill a small plane with explosives and use it to blow up a building, national monument, nuclear plant, or dam. Others fear that a small crop duster could be used to spread germs or other toxic or biological agents. The airport and general aviation communities have suggested various ways to beef up general aviation security. However, they remain concerned that TSA will impose onerous requirements that will not improve security but will prevent many law-abiding general aviation pilots from continuing to fly.

Reagan National Airport. Ronald Reagan Washington National Airport has been closed to general aviation traffic since September 11th. However, exceptions have been made for some elected officials. The general aviation community was promised that a decision on reopening National Airport to them would be made by the end of May. However, to date, National Airport remains closed to all but a select few in the general aviation community.

Covered airports. There are more than 500 airports with commercial airline

passenger service. However, TSA plans to federalize the screener workforce and install explosive detection systems at only about 430 of them. TSA says that the others have only seasonal service or charter service.

There will be both an open and closed portion of the hearing. The open session will begin at 10:00 a.m. and end at 1:00 p.m. In order to allow enough time for witness statements and Member questions, opening statement may be limited. At 1:00 p.m., the Committee will recess and at 2:00 p.m. reconvene in a closed session to discuss sensitive security matters that could not be discussed in the open session.

WITNESSES

PANEL I

[Honorable Norman Y. Mineta](#)

Secretary of Transportation

Accompanied by:

Michael Jackson

Deputy Secretary of Transportation

Admiral James Loy

Deputy Under Secretary for Transportation Security

[Ms. Alexis Stefani](#)

Assistant Inspector General for Auditing

Department of Transportation

U.S. DEPARTMENT OF TRANSPORTATION

STATEMENT OF THE HONORABLE NORMANY Y.
MINETA
SECRETARY OF TRANSPORTATION

Before the

SUBCOMMITTEE ON AVIATION
COMMITTEE ON TRANSPORTATION AND
INFRASTRUCTURE
U.S HOUSE OF REPRESENTATIVES

July 23, 2002

Good morning, Mr. Chairman, Congressman Lipinski, and Members of the Subcommittee. With me today is Deputy Secretary Michael Jackson, Acting Under Secretary James Loy, and Assistant Inspector General Alexis Stefani.

Today Jim Loy makes his first appearance before Congress as the Acting head of the Transportation Security Administration (TSA). I know that many of you have had the pleasure of working with Jim in his previous position as Commandant of the Coast Guard. He is an outstanding manager, with impeccable credentials in security, intelligence, law enforcement and customer service. He has deep operational skills and leadership focus. This is only his second day as Acting Under Secretary, so

I would ask that you welcome him to this large task.

This testimony is an opportunity to provide a status report on our work to build the TSA and meet the vital objectives that Congress set out for this new agency just over eight months ago. TSA's every step has, appropriately, been the focus of intense scrutiny.

There is a great deal of hand wringing going on in various quarters about the difficulty of federalizing security at the nation's commercial airports. Some are urging Congress to revise its mandated deadlines, which were spelled out in detail last Fall in the TSA legislation. Others seek earmarks or payments of non-federal security costs that distract from TSA's core mission.

The Department of Transportation willingly took on the responsibility to implement that law and its ambitious timetables. I recruited a superb team that has met literally every single one of the many tough Congressional deadlines to this point -- tasks that in normal times would have been the work of years of preparation. We have made tremendous progress. There is much more to accomplish.

We shouldered this task with enthusiasm for an important reason: we are at war against determined, well-trained terrorists who seek to attack and seriously damage our nation and its people. Without doubt, this threat has not abated. Just the opposite. The threat is real, the war is real. So the questions we meet here today to discuss are profoundly important.

President Bush has rightly urged the American people to return to life as normal. He has encouraged us to vacation with our loved ones, to conduct business as usual, not to be cowered by the evil ones. But make no mistake, the TSA employees we are recruiting and training nationwide are frontline troops in the war against terrorism.

Unlike the military troops that our nation sent to meet this challenge abroad, at home we began TSA's deployment with a blank slate and a clear command: get the job done, and do it this year. No excuses. Again, we accepted that mandate willingly, because I have read the intelligence reports, I know the threat is very real.

Today I was expecting to discuss TSA's challenges, to seek your counsel, report to you on what is working, and tell you what needs improving. Most importantly, I was prepared to renew our pledge to meet the ambitious deadlines established by Congress and explain exactly how we were going to get there.

But the extraordinary delay in approving emergency funding and new restrictions imposed on TSA have dramatically undermined our ability to meet this goal.

Let me explain why. Four months ago, President Bush asked Congress to approve a \$4.4 billion Emergency Supplemental to stand up this new agency. That is a lot of money, but that should not be surprising because the mandates set out in the TSA legislation are ambitious.

We set to work in good faith, launching the massive effort required to meet the statutory plan. We waited for the funding through May, June and now July.

In the meantime, TSA borrowed money, renegotiated payment schedules with our vendors, deferred purchase of explosive detection equipment, and set back the pilot testing of various security measures. Now TSA is literally days away from running out of money to pay for the ongoing work of screeners nationwide. We expected active Congressional oversight, but we also needed your support to fund TSA, and to do it in a timely manner.

The Administration's Emergency Supplemental request was the amount we needed to do the job. No more, no less. Last Friday, the appropriations Conference Committee voted to cut \$1 billion from the \$4.4 billion requested by President Bush and to impose new restrictions on our ability to get the job done. Here are five facts about the Conference report:

- First, it eliminates \$550 million off the top;
- Second, it sets aside \$480 million in a so-called contingency fund that may not be available to TSA;
- Third, it imposes \$445 million in numerous earmarks not requested or supported by the Administration;
- Fourth, it limits the total number of full-time TSA employees to 45,000 -- at least 20,000 employees short of what TSA needs to meet its statutory mission; and
- Finally, report language severely restricts my discretionary

authority to manage TSA expenses in a cost-effective manner.

In short: TSA's budget was cut by at least \$1 billion, possibly up to \$1.5 billion. That is a whopping 34 percent cut from the President's request.

Here is the dilemma Congress has created. You have not yet changed TSA's mission, yet the budget to do the job is apparently on the way to being radically diminished while new restrictions and mandates are being imposed. What can be done? The amount of money Congress is about to approve simply will not support the mandates and timetables for aviation security that Congress set last Fall for TSA.

Less money with no flexibility means fewer TSA employees, less equipment, longer lines, delay in reducing the hassle factor at airports, and/or diminished security at our nation's airports. Frankly, these conflicting signals sent by Congress have forced us to regroup and revise the TSA business plan. That will likely take several more weeks. It will involve complex negotiations, and a review of literally thousands of TSA commitments and plans.

We need the supplemental now to continue fighting the war on terrorism and protecting the homeland. The Administration will propose and support a significant budget amendment for FY 2003 for TSA. Even if approved, however, we are confronted with a load TSA cannot lift. Such funds will not arrive prior to our having to make immediate changes to our existing

deployment schedule. There are a number of voices in Congress calling for more resources, or less; maintaining current law, or seeking flexibility in the law. What is needed most at TSA today, however, is clarity. Tell us the mission, give us the resources to do that mission in a timely fashion, and we will accomplish it.

* * *

TSA was poised for achieving tremendous success. We are managing two massive roles simultaneously. First, in February, we assumed responsibility for the contract screeners formerly employed by the airlines. We integrated over 1,000 FAA security employees into the new TSA organization. In the short term, TSA has significantly strengthened these existing security systems with new tools and techniques. TSA is, in other words, maintaining and improving the existing security system while we systematically disassemble it.

Second, we are building from scratch an entirely new transportation security organization to support core security tasks at 429 airports nationwide. Today we are eight months into implementation, four months from the one-year deadline for full Federal staffing of checkpoints, and a little over five months from the deadline for installation of explosive detection systems. My message to the DOT team has been consistent and clear: we will do what it takes to meet all the deadlines Congress set in the Act.

We have set up an unprecedented public-private partnership that is supported by comprehensive services from three major contractors, each of whom is required contractually to complete their work by the statutory deadlines -- provided we have enough money to pay them. Our airport rollout began in earnest within the last month with these firms being deployed nationwide.

Screeners hiring. We have contracted with NCS Pearson to recruit, assess and hire about 55,000 passenger and baggage screeners at 429 airports. By the end of this week, we will have posted job vacancy announcements for every airport in the country, and will soon receive our one-millionth inquiry for employment with TSA. We have received more than half a million applications, and completed the hiring process for more than 6,500 screeners so far. By mid-August, we planned to be hiring over 4,000 new screeners per week.

Screeners training. We have developed a world-class training program with the assistance of the Federal Law Enforcement Training Center and leaders from the private sector. This program, which includes 40 hours of classroom training and 60 hours of on-the-job training, is being delivered by instructors from Lockheed Martin for passenger screeners, and by Boeing for baggage screeners. We have ramped up to train more than 5,000 screeners per week.

Overall project coordination and checkpoint re-design. Lockheed Martin will upgrade screening checkpoints based on

the model we tested successfully at Pier C at BWI, a model that significantly decreases wait times and prevents costly terminal evacuations. Lockheed is already in place in about 250 airports. Their team has built a sophisticated, automated system to track over 185,000 discreet tasks at the 429 airports.

EDS installation. Boeing engineers are assessing airport facilities, submitting design plans, and will soon undertake needed construction. As you have heard from your airport constituents, many of these projects are complex, though absolutely necessary to meet the requirements of the law. Boeing is already at work in about 150 airports.

With this deployment, we are also implementing a four-part plan to reduce the hassle factor of airport travel. It includes steps to end gate screening, and new tools to identify selectees more intelligently.

I am confident that, with funding, these plans would have enabled us to complete the job you gave us. Now much of the program I've just described will have to be thoroughly reevaluated in the next few weeks.

* * *

I want to reiterate that we are not asking for a free pass from rigorous oversight or criticism -- that is expected. Nor am I telling you that everything is perfect. Everything is not tidy, but it is unreasonable to expect from a massive stand-up the same

type of certainty and stability found in long-established programs.

I have perhaps been too blunt today, but the circumstances demand no less. I know how difficult your job is, and understand the competing pressures each of you faces in making sound policy.

I come before you as a former Chairman of this Subcommittee and former Chairman of your full committee, one who loves this great institution -- the Congress. I am a lifelong Democrat proudly serving an outstanding Republican President.

I close with a simple message. There are literally thousands of committed TSA employees working furiously to improve transportation security. Please support them and their mission.

Restore the money and the discretion to complete our security work effectively. Give me the tools and flexibility we need to build this young organization. We will then be able to hand it off to a new Homeland Security Department, led by a Cabinet colleague who, like me, will continue to work with you to strengthen TSA.

**Before the Committee on Transportation and
Infrastructure
Subcommittee on Aviation
United States House of Representatives**

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**Progress in
Implementing
Provisions of the
Aviation and
Transportation
Security Act**

**Statement of
Alexis M. Stefani
Assistant Inspector General for Auditing
U.S. Department of Transportation**



Chairman Mica, Ranking Member Lipinski, and Members of the Subcommittee:

I appreciate the opportunity to testify today on the Transportation Security Administration's (TSA) progress in implementing provisions of the Aviation and Transportation Security Act (Act). We all recognize that the mission of ensuring that our transportation systems are 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 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. It should be noted that TSA could not be working any faster or harder than it already is.

Since we last testified before this Subcommittee in January, TSA has made progress in implementing the requirements of the Act, but the heavy lifting still lies ahead. TSA:

- Completed the deployment of Federal passenger screeners at three airports including Baltimore/Washington International (BWI) Airport—the first location 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 Services 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 about \$1 billion, not including contract options.
- Addressed several cost concerns that we identified, among them TSA has agreed to use part-time positions which will help match staffing to traffic patterns at many airports.
- Entered into an agreement with the Office of Special Counsel to handle whistleblower complaints from TSA screeners.

Since we last testified before you, it has also become apparent that the price of good security is substantial. TSA has requested \$6.8 billion for fiscal year (FY) 2002 and \$4.8 billion for FY 2003. TSA anticipates that in FY 2003 the agency's workforce will have grown to about 67,000. However, revenues from the new passenger security fee will pay for only a fraction of these costs. Current estimates are that the fee will generate about \$900 million this year, and \$1.7 billion next year. 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 throughout the Federal Government.

Mr. Chairman, today the deadline to have a federalized screener workforce in place is less than 4 months away, and the deadline to begin screening all checked baggage is just over 5 months away. While there has been much debate as to

whether these dates are achievable, we can attest that TSA is working diligently to meet these deadlines.

Today, I would like to discuss two areas—meeting the deadlines in the Act, and building cost controls into the Agency’s infrastructure.

- ***Meeting the Deadlines in the Act.*** As we get closer to the deadlines with only a fraction of the airports completed, the task ahead becomes more formidable. In the next 30 to 45 days it should become clearer as to what exactly must be done—airport by airport—to meet the deadlines of the Act. As TSA and the contractors begin rolling out plans for deploying Federal screeners and installing explosives detection equipment, it will be extremely important to communicate information to all parties (Congress, the Administration, airports, and airlines) if corrections are needed. Because airport assessments for the deployment of explosives detection equipment are scheduled to be completed at the largest airports by the end of August, and because of the current ramp-up in hiring passenger screeners, we will be in a much better position in a month to judge what is or is not feasible to accomplish by the deadlines.
- ***Building in Cost Controls.*** 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. TSA faces significant challenges in overseeing the large number and dollar volume of new contracts it is letting. Contracts associated with deploying a new Federal screener workforce and screening all checked baggage total over \$2 billion, including all contract options; while contracts with the current screening companies are expected to cost about \$1.6 billion. Because the agency is new, it does not have an established infrastructure that provides an effective span of control to monitor contractor costs and performance.

The President’s proposal to create a Department of Homeland Security (which should offer economies of scale) could have significant implications for TSA. The implications extend to activities TSA anticipates performing and staffing up, such as intelligence gathering and analysis, performing criminal investigations, establishing an administrative support structure, and office space requirements at airports. With the tremendous tasks facing TSA, it is important that the Agency avoid extending itself beyond the basic tenets of the Act.

Meeting the Deadlines in the Act

The two most critical deadlines in the Act are federalizing the screening workforce and the screening of all checked baggage. First, TSA is required to have enough Federal screeners in place to conduct the screening of passengers and their carry-on property at all commercial airports by November 19th. Second, TSA must have a sufficient number of explosives detection systems in place to screen all checked bags by December 31st.

Hiring and Training TSA's Passenger Screener Workforce

The deadline for hiring and training all passenger screeners is November 19, 2002, less than 4 month away. TSA is estimating it will need up to 33,000 screeners and screener supervisors to meet this requirement. As of July 13, 2002, TSA had only 2,475 passenger screeners onboard with another 4,000 having accepted offers for employment. TSA has also hired 529 other staff, including Federal Security Directors, attorneys, criminal investigators, program analysts, computer and information technology specialists, and administrative staff. These figures do not include 1,034 former employees of the Federal Aviation Administration (FAA), which brings TSA's total to about 4,000 employees, exclusive of Federal Air Marshals.¹

Hiring Passenger Screeners. The next 30 days will be crucial in determining if TSA will meet the deadline for a federalized workforce. With less than 4 months left, TSA needs to hire and train more than 7,600 passenger screeners a month to meet the November 19th deadline. This is to hire the estimated 33,000 passenger screeners needed and does not include an estimated 21,600 checked baggage screeners that will be needed.

TSA contracted with Lockheed Martin to convert airport checkpoints to a new Federal model and coordinate the conversion of passenger screeners to a Federal workforce. This conversion includes both a physical reconfiguration of screening checkpoints and deployment of Federal screeners. Currently, Lockheed Martin has over 100 teams conducting assessments at over 200 airports during the month of July to determine how each checkpoint needs to be reconfigured. In addition, Lockheed Martin subcontracted with a consulting firm to develop a computerized model to determine the number of passenger screeners needed at each airport. A breakdown of passenger screeners per airport from the new computerized model should be available within the next couple of weeks. Therefore, TSA should have

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

a better idea in August how many passenger screeners will be needed at each airport.

TSA contracted with NCS Pearson for recruiting and hiring. As of July 17, 2002, NCS Pearson was accepting applications for about 250 airports, and had opened 27 centers to assess applicants and hire screeners for 70 airports. NCS Pearson plans to begin accepting applications for the remaining airports by July 24, 2002. NCS Pearson also plans to open 18 additional assessment centers for 22 more airports this week.

As of July 15, 2002, TSA had completed the hiring process of passenger screeners for six airports. Three of these airports (BWI, Louisville, and Mobile) are currently operating with a Federal workforce. All passengers are being screened by Federal screeners, and all contract screeners have been replaced at these airports. TSA plans to begin screening passengers with Federal screeners at two additional airports—Kalamazoo, Michigan and Bedford, Massachusetts—the week of July 22nd. Federal screeners have also been hired to screen passengers at the airport in Chicopee, Massachusetts. In addition to the six airports, a Federal workforce has taken over passenger screening at three terminals at John F. Kennedy International Airport (JFK) in New York.

There is no doubt that over the last month the pace of hiring has increased. TSA has almost doubled the number of screeners hired (from 1,248 to 2,475) and increased the number of airports currently in the assessment process from 3, during the week of June 17, 2002, to 92 by the end of this week. This pace is continuing to accelerate as more assessment centers are opening. In addition to the screeners hired, as of July 15th TSA had 4,000 individuals that have accepted offers for employment as passenger screeners. *These employees will be added to TSA's payroll and considered hired, upon reporting for training.*

However, TSA is still having difficulties in hiring enough screeners in major metropolitan areas such as New York, Boston and Chicago. For example, TSA estimated it will need about 2,300 passenger screeners in total for the three largest airports in the New York area: JFK, La Guardia, and Newark. The assessment center for these three airports has been opened since June 24, 2002. As of July 15, 2002, TSA had 368 job offers accepted, 15 percent of the targeted amount.

The delays in hiring are largely due to the high percent of “no shows” and the number of applicants failing the aptitude test portion of the assessment process.

- Based on experience, TSA now expects one third of the scheduled candidates not to show up at the assessment centers. At BWI airport, 26 percent of qualified, scheduled candidates did not show up for assessments.
- A significant number of applicants are failing the first phase of the assessment process. The first phase of the assessment process consists of a computer-based test for English proficiency and overall aptitude skills. For the three New York airports, 61 percent of applicants who completed the first phase of the assessment process failed. This is similar to TSA's experience at BWI, where 53 percent of applicants failed the first phase of the assessment process.

TSA is experiencing difficulty hiring a sufficient number of women. Initially, TSA's target was to hire 50 percent men and 50 percent women. However, of the 4,593 applicants who have accepted job offers for employment at a specific airport (excludes the mobile screeners²) as of July 15, 2002, only 24 percent are women. TSA has recently addressed this issue, by modifying its hiring targets to one third women, one third men, and one third either. If TSA is successful in getting the new mix, there should still be sufficient female screeners to ensure that female passengers are wanded by female screeners, since screeners rotate positions at screening checkpoints.

Training Passenger Screeners. The May conversion at BWI to a Federal workforce 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 Lockheed Martin instructors to conduct the courses. As of July 8th, there were 539 Lockheed Martin instructors who have passed the 44-hour basic screener course and are available to conduct training classes.

Since the beginning of July, Lockheed Martin instructors have held basic screener training at five airport sites: Louisville, Kentucky and Mobile, Alabama the week of July 1st; and in New York City, New York; Kalamazoo, Michigan; and Lexington, Massachusetts the week of July 15th. Basic screener training is planned for five airport sites and at the FAA Academy in Oklahoma City this week.

As of July 13th, TSA had about 2,260 passenger screeners who had completed the basic training course, 1,480 in the Mobile Screener Force (MSF) and 780 permanent workforce screeners now working at three airports, BWI, Louisville and Mobile. Approximately 200 additional screeners took the basic screening course the week of July 15th.

² The Mobile Screener Force consists of supervisory screeners who were hired to deploy to airports around the country as the Federal workforce takes over screening.

While the quality of the in-class instruction has been satisfactory, TSA experienced other difficulties with the training.

- The training contractor is not being required to provide x-ray machines and trace machines for hands-on training during the classroom instruction. For the training to be effective, students need to have hands-on practice with screening equipment. TSA has addressed this by conducting hands-on training using equipment at airport checkpoints that are closed for the night. So far, the contractor has been able to use equipment at the airports because TSA had taken over checkpoint operations before starting any on-site training. However, TSA has changed its deployment procedures, due to the number of airports it needs to convert to Federal screeners each week, so that it will not take over checkpoint operations at an airport before it starts the on-site training. As a result, TSA will need to work closely with airport managers and screening contractors to get access to screening equipment and ensure screeners receive this critical hands-on training.
- The hiring contractor needs to do a better job of providing accurate and timely information to the on-site training coordinator on the number and identity of the personnel who are to report for training. Significant differences have occurred between the roster of personnel scheduled for training and the actual students who report. For example, at the training that started on July 15th in New York, a roster listing 127 students was provided, but only 63 students reported to training. However, 21 of the 63 students reporting were not on the roster. The training contractor had to verify that the 21 additional students were supposed to be in training and then run the class for half as many students as planned. This problem is occurring in the major cities where the rate of hiring has not met initial expectations and the hiring contractor is scheduling applicants for training within days of passing the assessment and accepting a job offer.

Hiring Screeners in Large Metropolitan Areas Is Presenting a Challenge.

While TSA has recently made progress in both hiring new screeners and conducting training at the airports, it only has 4 months left to meet the November 19th deadline. TSA is having the most difficulty in hiring screeners in large metropolitan areas.

TSA estimates that overall, it takes an average of 5 weeks to build a Federal workforce for each airport, which includes 2 weeks to conduct assessments, 2 weeks for new screeners to notify current employers that they are leaving their jobs, and 1 week for classroom training. For two of three airports federalized to date, TSA has been able to beat this estimate. It was able to deploy a classroom

trained screener workforce in Louisville and Mobile in just over 3 weeks after starting the on-site assessment and hiring process. However, the total passenger screener workforce for these two airports is about 200.

In the metropolitan areas of New York, Boston and Chicago, assessment centers were open for at least 3 weeks before local screeners started reported for training. The on-site training in these cities now is scheduled to last several weeks. Given the hiring difficulty TSA is experiencing in metropolitan areas, TSA should consider immediately opening assessment centers in all major metropolitan areas to ensure that sufficient screeners are hired to meet the November deadline.

Meeting the Deadline for Screening All Checked Baggage

Everyone recognizes that the challenge facing TSA in meeting the statutory December 31st deadline³ to screen 100 percent of checked baggage is both unprecedented and monumental. An effort of this magnitude—an estimated 1,100 explosives detection systems (EDS) and 6,000 explosives trace detection (trace) machines to be deployed—has never been executed in any single country or group of countries. In fact, the amount of explosives detection equipment necessary to screen all checked baggage at more than 400 U.S. airports is estimated to be at least three times the amount of equipment currently deployed at airports worldwide. It is in this context that TSA and the Department are working fervently to meet the deadline, and they could not be working any faster or harder than they already are.

Today TSA faces the task of deploying all the necessary explosives detection equipment in just over 5 months to more than 400 airports around the country, and at the same time hiring and training a checked baggage screener workforce of 21,600, not including the 33,000 passenger screening workforce that will need to be hired and trained. To help fulfill its December 31st mandate, TSA awarded a contract to Boeing Services Company to deploy EDS and trace machines to the Nation's airports and to train the checked baggage screener workforce needed to operate the equipment. *In our opinion, it should become clear by the end of next month as to what must be done—airport by airport—to meet the December deadline, as TSA and the contractors begin rolling out airport by airport plans for installing explosives detection equipment and for hiring and training screeners.*

³ Section 110(d) of the Aviation and Transportation Security Act (Public Law 107-71) mandates that the Under Secretary of Transportation for Security shall take all necessary action to ensure that explosive detection systems are deployed as soon as possible to ensure that all United States airports have sufficient explosives detection systems to screen all checked baggage no later than December 31, 2002, and that as soon as such systems are in place at an airport, all checked baggage at the airport is screened by those systems; and that all systems deployed are fully utilized; and if explosive detection equipment at an airport is unavailable, all checked baggage is screened by an alternative means.

The success of the deployment effort requires that TSA effectively manage three major program activities running on three parallel tracks. Therefore, TSA must:

- Obtain the necessary funding to place the remaining equipment orders and ensure that equipment manufacturers meet the delivery schedules laid out in their contracts. TSA's FY 2002 emergency supplemental funding is pending, while at the same time its FY 2003 budget is under consideration by the Committees on Appropriations.
- Ensure that Boeing executes its master plan for deploying the necessary equipment needed to screen all checked baggage, staying within the established timeframes for each of the major milestones in the deployment process.
- Ensure that a checked baggage screening workforce of 21,600 is recruited, hired and properly trained.

These activities must be done in tandem given the fact that, among other things, the deadline is just over 5 months away, and that each activity has specific milestones allowing for little, if any, schedule slippage. Since the activities are interrelated, schedule slippage in any one activity affects the ability of the other activities to stay on track.

Current Deployment Status on Equipment Needed to Meet the Deadline. As of July 9, 2002, 215 EDS and 273 trace machines were in use at 59 airports for screening checked baggage. Nearly 60 percent of this equipment was installed prior to the events of September 11th, over a 5-year period beginning in February 1997. That leaves more than 1,000 EDS and over 5,600 trace machines that will have to be installed and made operational by December 31, 2002.

TSA has an ongoing 5-airport pilot project for screening all checked baggage using EDS, trace or some combination. Of the 5 airports selected, only 1 is considered a large airport (but is not 1 of the 20 largest airports) with the other 4 being medium and small airports. The five airports participating in the project are currently screening all checked baggage using explosives detection equipment. Of the five airports, passengers' checked baggage is being screened using trace machines at three airports; all EDS at one airport; and a combination of EDS and trace machines at the other airport. According to TSA, results from the pilot project will be used to determine the "most effective equipment layouts and best procedures to expedite the movement of passengers through check-in screening without compromising security."

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 May 2002, the latest available data, 77 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. Of the 100 machines for which data were available, only 13 were screening more than 1,000 bags per day. The following table shows usage rates for the latest available data on 100 EDS machines for May 2002.

Number of CTX Machines	Bags Screened Per Day
22	1 – 250
29	251 – 500
26	501 – 750
10	751 – 1,000
8	1,001 – 1,250
5	1,251 – 1,500

One of the overriding reasons the machines are underutilized is that air carriers are only required to have the equipment to screen the baggage of passengers requiring additional security measures based on the Computer Assisted Passenger Prescreening Systems (CAPPS). The air carriers are currently allowed to use alternative methods, such as positive passenger bag match, to screen all other passengers' checked baggage.

It makes good sense to get real world experience by maximizing the use of machines currently in operation, especially at large airports. Fully utilizing the installed machines will (1) assist TSA in determining how many machines are needed to screen 100 percent of checked baggage; (2) give TSA and the air carriers real world experience with screening all checked baggage using lobby-installed EDS; and (3) provide insight into how machine downtime and maintenance requirements will impact security and passenger operations.

TSA needs to direct that the current rate of machine usage pick-up 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.

Equipment Orders and Deliveries. TSA needs to place the remaining equipment orders required to complete the deployment effort. However, funds for remaining equipment orders are included in TSA's emergency supplemental request for FY 2002 pending approval of Congress. With the equipment orders that are currently placed, TSA must ensure that equipment manufacturers meet the delivery schedules laid out in their contracts. Delivery dates under the current orders have not always been met because of problems found with the machines during factory acceptance testing.

Equipment Orders. As of July 12, 2002, TSA has placed orders for 1,025 EDS, including orders for almost 400 long-lead items in the amount of \$682 million; and 1,410 trace machines, including long-lead orders in the amount of \$7 million. TSA needs \$427 million to place orders for an additional 75 EDS and 4,590 trace machines to meet the projected equipment deployment quantities.

EDS manufacturers have certain machine components that need long-lead times, in some cases up to 60 days. Manufacturers of trace also have certain machine components with long-lead times of 60 to 90 days. Orders will have to be placed by the end of September 2002 if the equipment is to be delivered, installed and made operational by year-end.

Equipment Deliveries. Under TSA letter contracts awarded to the two EDS manufacturers in February and April 2002, 114 machines were to be delivered by the end of June 2002. However, as of July 21st, 90 machines have been delivered and 29 of those have been installed and made operational. By the end of September 2002, TSA expects to take delivery of a total of 558 EDS.

Before the February and April 2002 TSA contracts, prior FAA contracts with one EDS manufacturer were limited to about 100 machines per order with delivery dates spread out over a 2-year period. An average monthly production rate was about 4 to 5 machines per month. Under the current TSA letter contract, this EDS manufacturer has an order for 418 machines to be delivered by the end of September 2002. To meet the September delivery deadline, a monthly average of 138 machines will have to be produced and factory acceptance tested before TSA can take delivery. That equates to an average production rate of about 28 times what this particular manufacturer had earlier experienced.

Any time a manufacturer dramatically ramps up production of complex systems such as EDS that heretofore have been produced in limited quantities, a great deal of attention must be focused on quality control efforts (for both software and hardware) to ensure that new systems will work as intended. TSA is working closely with the manufacturers to resolve the quality control issues and anticipates

that the manufacturers will be able to meet revised delivery dates. Obviously, meeting the revised delivery dates will be key to meeting the December deadline.

Deploying the Necessary Equipment Needed to Screen All Checked Baggage.

Since we last testified before this Subcommittee, TSA formalized its deployment strategy for meeting the December 31st deadline to screen all checked baggage, and reported on its plan in a May 18, 2002 report to selected committees of Congress. TSA has also hired a general contractor to execute TSA’s deployment plan for meeting the deadline.

Deployment Strategy. TSA has planned a two-phase approach. The initial phase is an interim solution to meeting the deadline where 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. An interim solution was selected because it was not possible for manufacturers to produce enough EDS to screen all checked baggage, and even if they could, there would not be enough space in airport lobbies to install the EDS. Nor was it possible to complete the necessary modifications to baggage handling facilities to integrate EDS into the baggage handling systems.

There are cost and staffing tradeoffs associated with using trace instead of 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. The following table shows the cost and staffing trade-offs estimated by officials at Dallas/Fort Worth International Airport (DFW).

Item	Lobby-Installed Trace and EDS Machines	In-Line EDS
Equipment Mix	157 Trace machines 12 EDS	60 EDS 19 Trace machines
Workforce	1,444 screeners	628 screeners
Labor Costs (Annual)	\$72.3 million	\$31.4 million
Facility Modifications and Explosives Detection Equipment (Up Front) Costs	\$67 million	\$281 million

The trade-offs estimated by DFW show that lobby-installed trace machines compared to in-line EDS will require over twice the number of screeners and annual labor costs but only one-quarter of the costs for facility modifications and explosives detection equipment.

In phase two, at a future date not yet established, TSA will move the EDS machines into baggage systems at the largest airports. It is unclear how much this will cost and who will have to pay. A review of its FY 2003 budget shows that

TSA is not planning to fund any equipment relocations from the lobby to the baggage handling facility. For now, it is also unclear whether some airports will rely exclusively on trace machines to screen checked baggage even in phase two.

The task will not be to simply move the machines from lobbies to baggage handling facilities but will require major facility modifications. 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 DFW estimates nearly \$196 million in facilities costs in its own EDS in-line proposal.

Hiring a General Contractor. One major development, since our last testimony, was the hiring of Boeing Services Company to execute TSA deployment strategy for meeting the December 31st deadline. On June 7th, TSA issued Boeing a cost-plus award fee contract for an estimated cost of \$508 million from now until December 31st, with \$862.4 million in options through calendar year 2007. Boeing has been tasked to (1) complete airport site assessments at over 400 airports scheduled between early July through November 2002, with 266 airports being completed by the end of August; (2) submit to TSA a proposal 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 21,600 to operate the equipment.

Boeing's contract does not include the purchase of explosives detection equipment, which will be funded separately by TSA. Boeing has been authorized to expend up to \$340 million for installations and facility modifications at airports nationwide. However, it is unclear who will pay for any additional airport modifications in excess of the \$340 million.

Beginning July 1st, Boeing started the first phase of a six-phase deployment process. The six phases include site assessment, site survey, design, construction, installation, and site acceptance testing of the equipment. As part of the site assessments, Boeing will determine the equipment mix and quantities needed at each airport. Henceforth, site assessments become the driving force behind the actual number of machines needed to be procured and manufactured, and the actual number of employees that need to be hired and trained for each airport. Site assessments have been started at 153 airports. Of these, 24 airports were completed as of July 18th. The next 30 days of site assessments will tell what can and cannot be accomplished by the deadline.

The remaining 5 phases (site survey, design, construction, installation, and site acceptance testing of the equipment) are stretched out over the remainder of the year with 43 of the largest airports (e.g., DFW, San Francisco, Atlanta) scheduled

to be completed the last week in December. Of the remaining 386 airports, 88 are scheduled to be completed between mid-November and mid-December, and completion of the other 298 airports will be staggered throughout the remainder of the year with the earliest scheduled for completion in early August. Boeing needs to stick to its milestones for each phase. Schedule creep in any one phase can affect the ability to meet the milestones of the other phases and ultimately the December deadline for all airports.

Also, this is an enormous effort that requires large amounts of money expended in a short period of time. 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 with regards to the \$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. For example, DFW alone spent 12 weeks and over \$2 million to complete its assessment.

Hiring and Training a Baggage Screener Workforce. TSA must ensure that a screening workforce is recruited, hired and properly trained, and it estimates that 21,600 screeners are needed for checked baggage screening operations. This is in addition to the 33,000 passenger screening workforce. The workforce of 21,600 screeners will be responsible for operating EDS and trace machines used in the screening of passengers' checked baggage at the Nation's 400-plus airports.

As of July 16, 2002, TSA has hired, trained and deployed 166 Federal baggage screeners. That leaves more than 21,400 screeners to be recruited, hired and trained before the December 31st deadline. That means for the next 5 months nearly 4,300 screeners need to be recruited, hired and trained each month. It is too early at this time to tell whether TSA will experience the same problems hiring this workforce as it has experienced with hiring the workforce for passenger screening, such as the high percentage of applicants failing the aptitude test portion of the assessment process. Nevertheless, we believe the earlier experiences with hiring passenger screeners can be instructive and provide valuable lessons for TSA and its contractors in this effort.

It is also important to keep in mind that the driving force behind the staffing levels for checked baggage screeners is the mix and quantity of equipment used in

screening checked baggage, whether the equipment is all EDS, all trace or some combination. With the exception of an estimated 12 airports, the equipment mix and quantity either is not known or has not been finalized for the remaining 400-plus airports. Boeing is currently conducting site assessments at airports nationwide to determine what equipment is needed and where. Once the assessments are completed, TSA will know how many screeners will be needed at each airport.

Building in Cost Controls

TSA has requested \$6.8 billion for FY 2002 and \$4.8 billion for FY 2003. These requirements are against projected revenues from the security fee of \$900 million and \$1.7 billion, respectively. Clearly, 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 throughout the Federal Government. Within this context, the need for TSA to build cost control mechanisms into its infrastructure is critical. Controls are particularly important in terms of defining the scope of its missions, establishing employee compensation and controlling salaries, overseeing contracts, and utilizing space at airports.

Defining the Scope of the Agency's Missions. With the tremendous tasks facing TSA, it is important that the agency avoid extending itself beyond the basic tenets of the Act's requirements. For example, while the law is only explicit about a Federal law enforcement presence at checkpoints, we have seen TSA proposals for staffing activities such as criminal investigations at airports and intelligence gathering. In these instances, it is unclear what TSA's role would be or how it would relate within the jurisdiction of other agencies such as the Federal Bureau of Investigation or the proposed Department of Homeland Security.

The President's proposal to create a Department of Homeland Security (which should offer economies of scale) could have significant implications for TSA—particularly in overlapping functions, such as intelligence gathering and analysis, criminal investigations, administrative support, and space requirements at airports. For example, under the President's proposal, TSA would be merged with Customs Service and the Immigration and Naturalization Service, which already have a combined criminal investigative workforce of approximately 5,000.

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 that function could be merged into the new Department of Homeland Security.

Establishing Employee Compensation and Controlling Salaries. 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. For example, 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.

While law enforcement positions without LEAP may receive intermittent overtime, it is important to bear in mind that LEAP is constant. 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 but not to checkpoint guards.

We also have concerns regarding the salary levels being established for some general and administrative positions. As of July 13, 2002, TSA had hired 3,004 employees—2,475 of these employees were screeners with an average salary of \$37,273.⁴ Of the remaining 529 employees, 321 (61 percent) had salaries over \$90,000, and 240 (45 percent) had salaries over \$100,000. In fact, within most of the job categories for general and administrative positions, the preponderance of employee salaries were over \$90,000. For example:

- Of 57 attorneys hired, 47 (82 percent) have salaries ranging from \$90,000 to \$144,000.
- Of the 61 employees hired in the General Inspection, Investigation, and Compliance series, 45 (74 percent) are receiving annual salaries between \$91,421 and \$141,500.

⁴ This average reflects the higher salaries of the Mobile Screening Force staff. As TSA increases the total screener staff, this average will go down.

- Of 46 criminal investigators hired, 32 (70 percent) have salaries ranging from \$90,395 to \$138,200, which does not include a 25 percent LEAP differential.

It is important that TSA exercise caution in how it structures employee compensation and benefits, since these costs represent the largest portion of the agency's operating expenses. For a workforce of about 67,000, these costs will be significant in 2003 and will have a tremendous impact on future financial needs. FAA, which has similar flexibilities in setting pay, has experienced huge cost growth in its operating costs largely due to employee salaries. As a result, containing operating costs has now become a critical issue for FAA.

Ensuring Adequate Contract Oversight. TSA faces significant challenges in overseeing the large number and dollar volume of contracts being let by the agency. For example, the contracts with Boeing, Lockheed Martin, and NCS Pearson alone total over \$2 billion, including all contract options. In addition, TSA estimates that the current screening contracts will cost about \$1.6 billion. Because the agency is new, it does not have an established infrastructure that provides an effective span of control to monitor contractor costs and performance. Cost and performance oversight are key tenets in any internal control system, and we are prepared to assist TSA, however possible, in establishing adequate internal controls.

One recommendation we have made is that TSA set aside or "fence off" a specific amount to be used for overseeing contractor performance with respect to cost, schedule, and quality. In recent hearings before the House Appropriations Subcommittee on Transportation and Related Agencies, we recommended that TSA reserve at least one half of one percent of the available contract award dollars for oversight activities. For example, TSA can contract with the Defense Contract Audit Agency for a wide variety of services, including audits of incurred costs claimed by contractors on cost reimbursable contracts. Because TSA has few internal staff resources to monitor this huge contract workload, such an action would be prudent to ensure that taxpayers' money is not wasted.

As far as the \$1.6 billion screening contracts, in April, we testified before the House Subcommittee on Transportation Appropriations that controls over the existing security screener contracts were lacking and that improvements were drastically needed. Since that time, we met with TSA officials who agreed that internal controls over the screener contracts were inadequate. They stated that additional staff would be assigned and TSA would provide more guidance to security field representatives for reviewing contractors' on-site documentation. TSA also set out to obtain a contractor to provide oversight of screening contracts and contractors, and sent out staff to review contractors at three airports.

Notwithstanding these initiatives, we continue to find that further action is needed immediately. During our visits to two airports and six screening contractors, we saw virtually no on-site monitoring of screener contractors by TSA employees. While we were able to locate all contractor employees who signed in for duty at the time of our visits, we observed contractor employees arriving late and leaving early, but they signed in as though they were on duty the entire time. For example, a contractor employee arrived at 1:53, but signed in as though he arrived about an hour earlier at 1:00. In this case, TSA would be paying for about 1 hour of work that was not performed.

We also found that hourly and overhead rates charged by the contractors vastly exceeded the rates they charged before TSA assumed the contracts. The following table shows the loaded labor rates (which include amounts paid to contractor employees and for the contractors' overhead costs) charged by contractors before and after TSA became responsible for screener contracts (February 17, 2002).

Overhead Rates

Screeners	Employee Pay Rates	Loaded Rates Billed to Customers*	Overhead Rate
Company 1			
Before Feb. 17	\$8.25	\$11.11	35%
After Feb. 17	\$11.00	\$19.81	80%
Company 2			
Before Feb. 17	\$10.00	\$14.91	49%
After Feb. 17	\$14.00	\$28.00	100%
Company 3			
Before Feb. 17	\$6.90	\$9.83	42%
After Feb. 17	\$10.13	\$19.39	91%

**Rates before February 17 were billed to airlines, while rates after February 17 were billed to TSA.*

While contractors should recover their costs and overhead, they are required to provide TSA with specific cost and pricing data including components of and support for the loaded hourly rates. At the locations we visited, we asked the contractors for support for their loaded labor rates. However, they did not provide evidence to support their rates nor did they explain why the overhead rates billed to TSA more than doubled under contracts to TSA, as compared to contracts with airlines.

Because of the urgent need for continuing coverage, when TSA took over these contracts in February, letter contracts were originally awarded to screening contractors who were already under contract with the airlines. Immediately after signing the letter contracts, the screening contractors were to begin negotiating the price and any price-related terms with the agency's contracting officer. The intent was that these negotiations would result in definitized firm-fixed price contracts with each company.

It is now over 5 months since the letter contracts were issued and cost and pricing data have not been submitted, negotiations have not been conducted, and the contracts have not been definitized. In accordance with the terms of the Aviation and Transportation Security Act, TSA employees must be in place performing the screening services at the Nation's airports by November 19, 2002. After the screener contracts end, it could be very difficult to recover any improper or unsupported payments. Accordingly, TSA needs to take immediate action to: (1) require contractors to submit proposals and cost and pricing data; and (2) definitize the contracts.

In addition to our work, TSA's Office of Inspection performed similar reviews at two screening contractors and three airports. These reviews also found that internal controls were not followed, contractors billed TSA for employees who were on vacation, and TSA was overcharged for services not performed. TSA notified us of its intent to refer the results to our Office of Investigations.

TSA is in the process of developing a statement of work to hire a different contractor to perform oversight of screening contractors' billings. We have reviewed and provided comments on the statement of work, but according to TSA, bids have not been solicited because of a funding shortage. Based on our initial findings, the oversight contract needs to be in place quickly and clarified to ensure that the oversight contractor verifies cost and pricing data at the screener contractors' offices, focusing specifically on cost data used to support the loaded labor rates. Another alternative is for TSA to enter into an agreement with the Defense Contract Audit Agency for this work.

Additionally, TSA is planning to enter into an agreement with the Defense Contract Management Agency to provide contract administration services. If implemented, this would be a good step in the right direction.

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