



Testimony
Before the Subcommittee on
Transportation Security, Committee on
Homeland Security, House of
Representatives

For Release on Delivery
Expected at 2:00 p.m. ET
Tuesday, November 17, 2015

SCREENING PARTNERSHIP PROGRAM

Improved Cost Estimates Can Enhance Program Decision Making

Statement of Jennifer Grover, Director,
Homeland Security and Justice

Chairman Katko, Ranking Member Rice, and Members of the Subcommittee

I am pleased to be here today to discuss issues related to the Transportation Security Administration's (TSA) Screening Partnership Program (SPP). TSA, within the Department of Homeland Security (DHS), is responsible for screening the approximately 1.8 million passengers and their property traveling through our nation's airports every day to ensure, among other things, that persons do not carry prohibited items into airport sterile areas or on flights.¹ In 2004, TSA created the SPP, allowing commercial (i.e., TSA-regulated) airports an opportunity to apply to TSA to have the screening of passengers and property performed by TSA-approved qualified private-screening contractors.² Contractors perform passenger and baggage screening services at a total of 21 airports across the country, with the most recent airport beginning operations in June 2015.³ At each of the SPP airports, TSA continues to be responsible for overseeing screening operations, and the contractors must adhere to TSA's security standards, procedures, and requirements.

Since the SPP's inception, congressional committees, industry stakeholders, and TSA have sought to determine how screening costs compare at airports with private and federal (i.e., TSA-employed) screeners, and TSA does produce cost estimates that attempt to predict what it would cost the agency to provide passenger and baggage screening services at airports that have opted out or plan to opt out of federal screening. Our previous work, including a January 2009 briefing and a March 2011 update, raised concerns with TSA's methodology for

¹The sterile area is the portion of an airport defined in an airport's security program that provides passengers access to boarding aircraft and to which access is generally controlled by TSA through the screening of persons and property. See 49 C.F.R. §1540.5.

²See 49 U.S.C. § 44920. There were approximately 450 commercial airports as of September 2015. We refer to airports that are participating in the SPP as SPP airports and the screeners in those airports as private screeners. We refer to airports that do not participate in the SPP as non-SPP airports and the screeners at those airports as federal screeners.

³Of the 21 airports, 7 have transitioned to private screeners since September 2014. One additional airport, Punta Gorda Airport, has been accepted into the SPP but, as of September 2015, was awaiting contract award.

developing its cost estimates.⁴ In 2013, TSA developed a revised methodology for developing cost estimates for each SPP airport that addressed some of the design limitations we previously cited. TSA's estimates are used to provide a basis of comparison in internal reports and as part of TSA's revised contracting strategy for selecting contractors at SPP airports, which incorporates the estimates in an effort to award contract values at or below what it would cost TSA to screen passengers and property at an airport.

As additional airports consider applying to the SPP and as TSA continues to seek ways to improve its ability to compare the costs of private and federal screeners, you asked that we examine TSA's approach to estimating costs, how these estimates are used in procuring screening services, and how TSA continues to adapt its SPP procurement policies and processes. My remarks today are based on our report, released at this hearing, entitled *Screening Partnership Program: TSA Can Benefit from Improved Cost Estimates*, which addresses (1) the extent to which TSA has developed and reported reliable cost estimates for providing screening services for SPP airports, (2) how TSA uses cost estimates in selecting SPP contractors and the extent to which TSA monitors contractor costs relative to its cost estimates, and (3) how the SPP has changed since the beginning of fiscal year 2014.⁵

For our November 2015 report, we compared TSA's cost estimation practices with leading best practices identified in GAO's *Cost Estimating and Assessment Guide* and assessed TSA internal reporting guidance using GAO's *Standards for Internal Control in the Federal Government*.⁶

⁴See GAO, *Aviation Security: TSA's Cost and Performance Study of Private-Sector Airport Screening*, [GAO-09-27R](#) (Washington, D.C.: Jan. 9, 2009). and *Aviation Security: TSA's Revised Cost Comparison Provides a More Reasonable Basis for Comparing the Costs of Private-Sector and TSA Screeners*, [GAO-11-375R](#) (Washington, D.C.: Mar. 4, 2011).

⁵GAO, *Screening partnership Program: TSA Can Benefit from Improved Cost Estimates*, [GAO-16-19](#) (Washington, D.C.: Nov. 16, 2015).

⁶GAO, *GAO Cost Estimating and Assessment Guide: Best Practices for Developing and Managing Capital Program Costs*, [GAO-09-3SP](#) (Washington, D.C.: Mar. 2, 2009). The methodology outlined in this guide is a compilation of best practices that federal cost-estimating organizations and industry use to develop and maintain reliable cost estimates throughout the life of a government program. The best practices were developed in conjunction with government and industry experts in the cost-estimating community. GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999).

We analyzed contracts representing 20 of the 22 airports in the SPP to identify where the cost estimates were used and whether cost estimates were updated based on changes to the contract.⁷ Additionally, we visited nine airports that had private screeners or were preparing for private screeners and spoke to SPP stakeholders at each airport, including airport directors, contractors, TSA federal security directors, and federal screeners. We also met with each of the five private screening contractors with SPP contracts at the time of our review as well as TSA officials responsible for the program. More detailed information on our scope and methodology can be found in our November 2015 report. We conducted the work on which this statement is based in accordance with generally accepted government auditing standards.

TSA's Cost Estimates

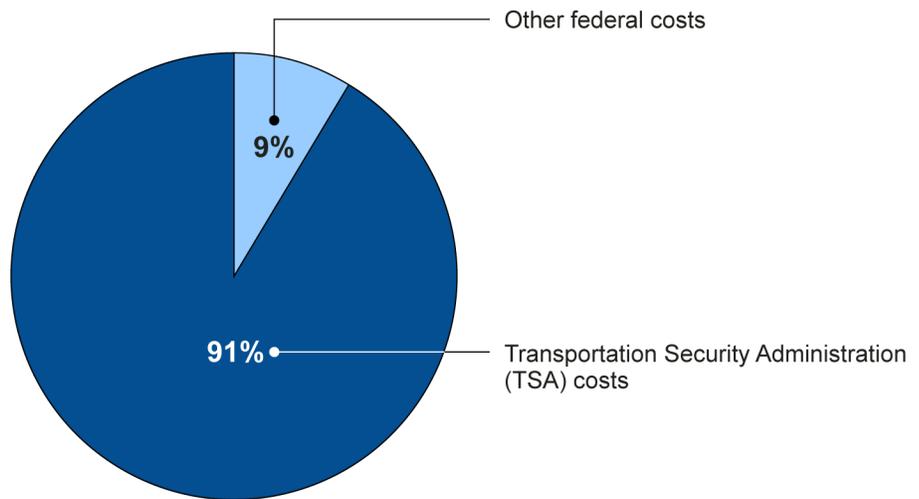
In our November 2015 report, we found that, based on an analysis of TSA's cost estimating practices and methodology developed in 2013 compared against best practices, TSA's cost estimates have some strengths, but also have limitations in four general characteristics that best practices call for in a high-quality and reliable cost estimate.⁸ TSA's cost estimating practices reflect certain strengths, including a revised cost estimating methodology that provides sufficient details for TSA staff to develop and document cost estimates. However, limitations in each of the four characteristics of a high quality cost estimate prevent TSA's estimates from being reliable. For example, TSA's cost estimates are not fully comprehensive because they include only the costs incurred by TSA to perform screening at an airport and not the total costs incurred by the federal government such as retirement benefits and insurance. As shown in figure 1, we found that by including TSA's estimates of these other

⁷We selected all of the contracts that were active at the time of our review, except two. We did not review the contracts for (1) Kansas City International Airport because of an ongoing dispute over TSA's award of the SPP contract and contract renegotiations during the time of our review (see, e.g., *Firstline Transportation Security v. United States*, 119 Fed. Cl. 116 (2014)). and (2) Punta Gorda Airport because, as mentioned earlier, the contract award was pending at the time of our review.

⁸The four characteristics of a high quality cost estimate are: comprehensive, well-documented, accurate, and credible. See our November 2015 report, GAO-16-19, for more details.

federal costs (i.e., costs not borne by TSA) for the 13 SPP airports for which TSA provided official cost estimates, TSA's cost estimates are, on average, 91 percent of the total federal costs. In addition, the percentage difference between the estimates of TSA's costs and all federal costs (other federal costs added to TSA costs) ranges from 7 to 17 percent for each of the 13 SPP airports.

Figure 1: Total Federal Costs for 13 Transportation Security Administration Screening Partnership Program Airports



Source: GAO analysis of TSA data. | GAO-16-115T

Further, TSA's estimates are not regularly updated to reflect changes to the program that could affect costs and do not include an analysis that addresses the uncertainty inherent in cost estimates. We concluded that a methodology that is more closely aligned with best practices for cost estimation can provide more reliable information. We recommended that TSA ensure that the 2013 cost estimating methodology used to compare screening costs at SPP and non-SPP airports is revised to more fully conform to leading cost estimating best practices. TSA concurred with the recommendation and stated that it will implement the necessary changes. In addition, while multiple congressional committees have sought improved information on the cost effectiveness of the SPP to oversee the program, TSA has not reported cost comparisons between federal and

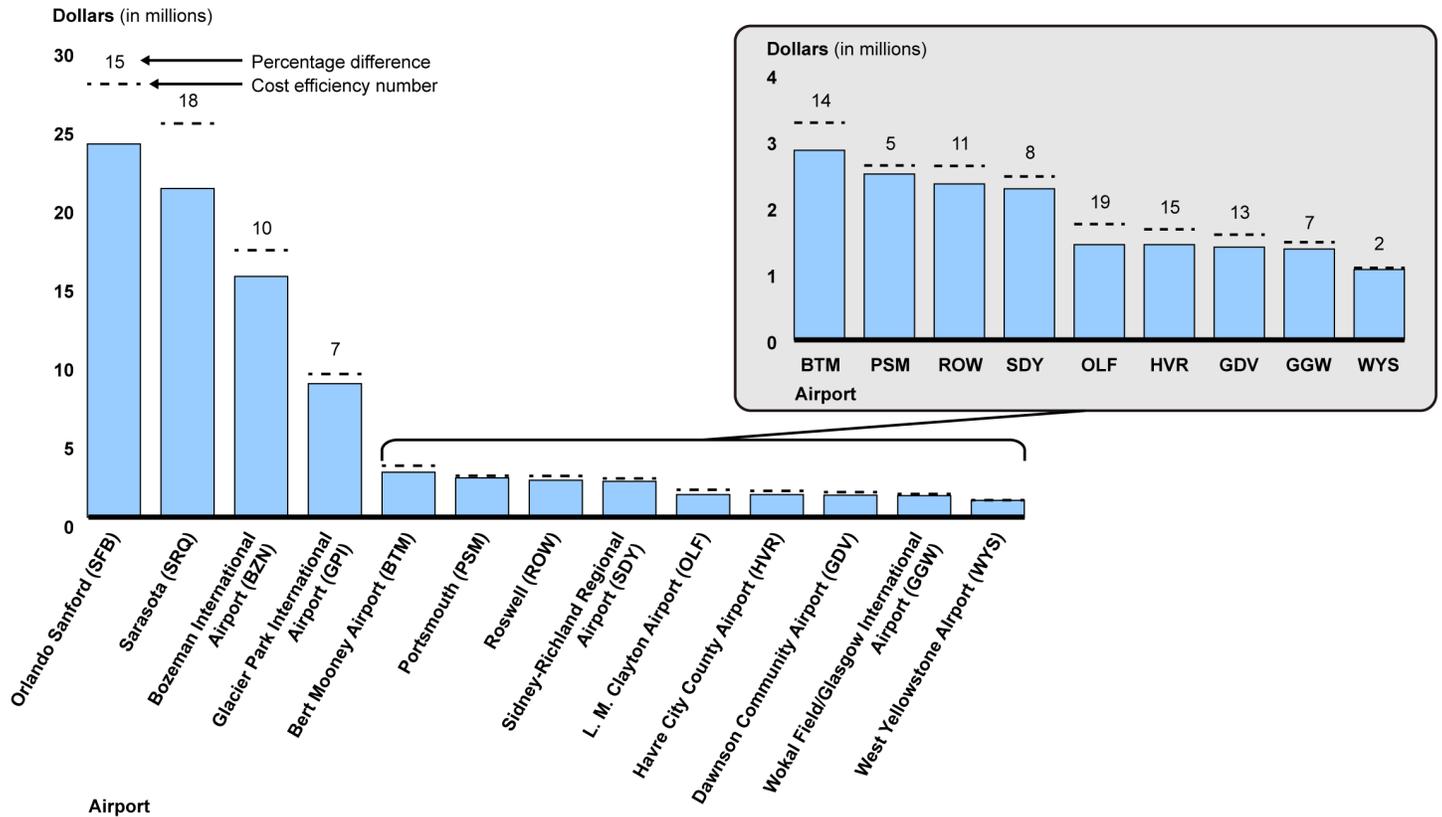
private screening at SPP airports to policy-makers.⁹ Since 2013, TSA has prepared comprehensive annual reports that include, among other things, a comparison of actual private costs with estimated federal costs. According to TSA officials, they have not shared these reports with Congress because they are developed for internal use. We concluded that although TSA has no standing requirement to report this information, doing so (such as on an annual basis) can better position policy makers to assess and understand the effectiveness of the SPP program and its effects on federal costs. We recommended that TSA provide cost comparisons that conform to leading cost estimating best practices to Congress on a regular basis. TSA concurred with the recommendation and stated that it plans to use its existing SPP Semi-Annual Report for Congress to provide this cost comparison beginning with the June 2016 report.

Selection of Contractors and Monitoring Contractor Costs

In our November 2015 report, we also reported that TSA limits its selection of contractors to those who propose costs less than or equal to TSA's estimated costs to perform the same services. However, once it has awarded a contract, TSA does not continually monitor the value of the contract relative to its estimated costs throughout the contract period. TSA also does not update its estimated costs to account for changes during the contract period that affect the estimates. TSA has determined that it will not consider a contractor's proposal to perform screening at an airport if the proposed cost exceeds its cost efficiency number—TSA's estimated costs to perform screening services at an airport—and will further evaluate only those proposals that are less than or equal to TSA's estimated costs. As shown in figure 2, contract award prices for 13 SPP airports ranged from 2 percent to 19 percent less than TSA's estimated costs for conducting screening, as reflected in the cost efficiency number, with an average of 11 percent savings at award compared with TSA's estimated costs.

⁹Since 2009, multiple congressional committees have requested evaluations of TSA's SPP cost comparisons or use of its estimates from GAO, the DHS Inspector General, and independent studies.

Figure 2: Transportation Security Administration’s (TSA) Cost Efficiency Number as Compared with Screening Partnership Program Contract Award Prices



Source: GAO analysis of TSA data. | GAO-16-115T

However, over the contract period, the value of the contract may increase or decrease because of modifications that address changes to the work. For example, if an airport opens a new terminal, the contract might be modified to accommodate the need to hire additional staff. Some of these changes may also affect TSA's estimated costs for performing the services provided in the contract. Therefore, we concluded that continually monitoring how contract values compare with TSA's estimated costs, and ensuring the cost estimates are updated to correspond to major changes in the program or contract, would provide program officials and policymakers with more accurate information about the relative costs of operating airports with federal and private screeners. We recommended that TSA continually monitor how contract values compare with TSA's estimated costs and, in doing so, update its cost estimates

when changes to the program or the contract may result in a major change to contract values to ensure the comparison is current and accurate. TSA concurred with the recommendation and stated that it will compare actual contract expenditures to TSA estimates on an annual basis, with updates as necessary, starting with all new estimates after March 31, 2016.

Changes in the SPP Program

In our November 2015 report, we found that since the beginning of fiscal year 2014, TSA has made and continues to make changes to the SPP. For example, TSA is in the process of changing its SPP contracting approach from awarding individual contracts for SPP airports, to awarding indefinite delivery/indefinite quantity (ID/IQ) contracts.¹⁰ Contractors awarded ID/IQ contracts will be allowed to compete for the award of task orders to perform screening at specific airports. TSA is also changing how wage rate determinations are made for employees of SPP contractors that perform screening services and have extended the time for a new contractor to complete the transition from federal screeners to private screeners from 90 to 120 days.

Chairman Katko, Ranking Member Rice, and Members of the Subcommittee, this completes my prepared statement. I would be pleased to respond to any questions you or other members of the subcommittee may have at this time.

For questions about this statement, please contact Jennifer Grover at (202) 512-7141 or GroverJ@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. Glenn Davis, Assistant Director, and Kevin Heinz also made key contributions to this statement.

¹⁰This type of contracting approach, called ID/IQ contracts, provides for an indefinite quantity of services, within stated limits, for a fixed period and are usually awarded for a base year and subsequent option years See 48 C.F.R. § 16.50. Under an ID/IQ contract, the government places task orders for services or requirements established in the contract.

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