

May 2004

TRANSPORTATION
SECURITY
ADMINISTRATION

High-Level Attention
Needed to Strengthen
Acquisition Function



G A O

Accountability * Integrity * Reliability



Highlights of [GAO-04-544](#), a report to congressional requesters

Why GAO Did This Study

The Transportation Security Administration (TSA), within the Department of Homeland Security, was established to secure the nation's transportation systems, beginning with commercial airports. To meet its mission, TSA has awarded over \$8.5 billion in contracts since its creation in 2001. Spending on contracts accounted for 48 percent of TSA's fiscal year 2003 budget.

Because of TSA's reliance on contracts to carry out its mission, its acquisition infrastructure—including oversight, policies and processes, acquisition workforce, and information about its acquisitions—is critical. GAO was asked to review TSA's acquisition infrastructure to assess how well TSA is positioned to carry out its acquisition function.

What GAO Recommends

GAO is recommending that the Secretary of the Department of Homeland Security direct the Administrator of TSA to elevate the Office of Acquisition, develop adequate internal controls and performance measures to ensure effective policies and processes, and assess its current acquisition workforce and proposed knowledge management systems.

In commenting on a draft of this report, the Department of Homeland Security generally concurred with this report and its recommendations and provided additional information.

www.gao.gov/cgi-bin/getrpt?GAO-04-544.

To view the full product, including the scope and methodology, click on the link above. For more information, contact William T. Woods, (202) 512-8214, woodsw@gao.gov.

TRANSPORTATION SECURITY ADMINISTRATION

High-Level Attention Needed to Strengthen Acquisition Function

What GAO Found

Since its inception, TSA has been focused on meeting an urgent mandate to deploy more than 55,000 airport passenger and baggage screening personnel and equipment to secure the nation's airways. To do so, it created basic organizational and acquisition infrastructures. However, our review of TSA's acquisition function and inspector general reports identified a number of challenges in each of the four areas we assessed.

- *Organizational alignment and leadership:* TSA's Office of Acquisition is at an organizational level too low to oversee the acquisition process, coordinate acquisition activities, and enforce acquisition policies effectively. The position of the office hinders its ability to help ensure that TSA follows acquisition processes that enable the agency to get the best value on goods and services.
- *Policies and processes:* TSA's acquisition policies and processes emphasize personal accountability, good judgment, justifiable business decisions, and integrated acquisition teams. However, effective implementation of TSA's policies and processes has been hindered by several factors. For example, TSA has not effectively communicated its acquisition policies throughout the agency. TSA also lacks internal controls to identify and address implementation issues and performance measures to determine whether acquisition policies are achieving desired results.
- *Human capital:* TSA risks an imbalance in the size and capabilities of its acquisition workforce that could diminish the performance of the acquisition function throughout the agency. TSA's Office of Acquisition worked closely with the Department of Homeland Security to develop and begin implementing an acquisition workforce plan. However, TSA's Human Resource Office, which is responsible for recruiting and hiring the acquisition workforce agencywide, did not participate in developing the acquisition workforce plan. Without input from the Human Resources Office, it is not clear that the workforce plan can be effectively implemented throughout the agency. In addition, the Office of Acquisition reports that it is having difficulty attracting, developing, and retaining a workforce with the acquisition knowledge and skills required to accomplish TSA's mission.
- *Knowledge and information management:* While TSA is participating in the Department of Homeland Security's efforts to develop requirements for an enterprisewide solution, TSA does not currently have the strategic information needed to support effective acquisition management decisions. To manage on a day-to-day basis, program and acquisition managers are relying on data derived from informal, ad-hoc systems. TSA is in the process of adopting the Coast Guard's procurement and financial systems as interim solutions until the Department of Homeland Security implements a departmentwide system. However, near-term improvement in acquisition outcomes will be difficult because TSA does not have the data needed to analyze and improve its acquisition processes.

Contents

Letter		1
	Assessment Summary	3
	Background	5
	TSA’s Organizational Alignment and Leadership	7
	TSA’s Acquisition Policies and Processes	10
	TSA’s Human Capital Management	15
	TSA’s Knowledge and Information Management	19
	Conclusions	22
	Recommendations for Executive Action	23
	Agency Comments and Our Evaluation	23
Appendix I	Scope and Methodology	26
Appendix II	Key Activities, Roles, and Responsibilities of Key Personnel Involved in TSA’s Acquisition Process	29
Appendix III	Inspector General Testimony and Reports Reviewed	31
Appendix IV	Contracts Reviewed	32
Appendix V	Comments from the Department of Homeland Security	34
Tables		
	Table 1: Key Personnel Involved in TSA’s Acquisition Function	29
	Table 2: Department of Transportation Audit Reports on Contracting Issues at TSA	31
	Table 3: Department of Homeland Security Audit Reports Reviewed That Include Contracting Issues at TSA	31

Figures

Figure 1: Timeline of TSA's History	5
Figure 2: Organization of TSA	9
Figure 3: Key Activities in the Acquisition Process	29

Abbreviations

FAA	Federal Aviation Administration
FAR	Federal Acquisition Regulation
TSA	Transportation Security Administration

This is a work of the U.S. government and is not subject to copyright protection in the United States. It may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.



United States General Accounting Office
Washington, DC 20548

May 28, 2004

The Honorable Tom Davis
Chairman
The Honorable Henry A. Waxman
Ranking Minority Member
Committee on Government Reform
House of Representatives

The Honorable Don Young
Chairman
The Honorable James L. Oberstar
Ranking Minority Member
Committee on Transportation and Infrastructure
House of Representatives

The Honorable Martin Olav Sabo
Ranking Minority Member
Subcommittee on Homeland Security
Committee on Appropriations
House of Representatives

Since its creation in November 2001, the Transportation Security Administration (TSA) has awarded more than \$8.5 billion in contracts for goods and services used to secure the nation's transportation systems.¹ TSA currently has contracts to recruit, hire, train, and outfit passenger and baggage screeners, as well as contracts to develop and manufacture screening equipment and to provide the information technology needed to manage its day-to-day operations. TSA built its organization while simultaneously concentrating its resources on meeting tight deadlines for deploying more than 55,000 federal screeners to all of the nation's commercial airports.

Because of TSA's significant reliance on contracts to carry out its mission, its acquisition infrastructure—including oversight mechanisms, policies and processes, acquisition workforce, and information systems—will in large part determine whether the agency succeeds in its mission. However,

¹ This figure reflects contract awards through fiscal year 2003.

the Inspectors General of the Departments of Transportation and Homeland Security—the two executive departments TSA has been a part of since it was created— have repeatedly criticized the agency’s management and oversight of its contracts.² As a result, you asked us to review TSA’s acquisition infrastructure to assess how well TSA is positioned to carry out its acquisition function.

Based on our previous reviews of acquisition management issues governmentwide, at individual agencies, and at leading private sector firms, we have identified four broad areas that we believe are critical to the success of an acquisition organization:

- *Organizational alignment and leadership*: The appropriate placement of the acquisition function within an agency can facilitate efficient and effective management of acquisition activities. In addition, agency leaders need to create a climate that fosters good acquisition practices.
- *Policies and processes*: To facilitate effective planning, award, administration, and oversight of contracts, and to help ensure the best value on goods and services, the agency must have clear, consistent, and enforceable policies and processes. Internal controls and performance measures help to ensure that policies and processes are implemented and have the desired outcomes.
- *Human capital*: Strategic workforce planning—including workforce and skills assessments and succession planning—is key to recruiting, training, and rewarding staff and ensuring the acquisition workforce has the skills needed to carry out their responsibilities effectively.
- *Knowledge and information management*: To inform strategic decisions aimed at reducing costs, improving service levels, measuring compliance, and managing providers, the agency must have knowledge and information systems that can produce credible, reliable, and timely data.

We assessed TSA’s acquisition infrastructure against what our previous work has shown to be best practices in these four areas. To do so, we reviewed agency directives, memorandums, and other documentation; interviewed agency officials; and analyzed agency systems and processes. To gain further insight into how TSA’s acquisition system is functioning, we also reviewed 21 judgmentally selected contract files. For more on our scope and methodology, see appendix I.

² See appendix III for a list of Inspector General reports on TSA acquisitions.

We conducted our review from July 2003 through March 2004 in accordance with generally accepted government auditing standards.

Assessment Summary

Since its inception, TSA has been focused on meeting an urgent mandate³ to deploy more than 55,000 airport passenger and baggage screening personnel and equipment to secure the nation's airways. To do so, it created basic organizational and acquisition infrastructures. To date, however, TSA has not developed an acquisition infrastructure that facilitates successful management and execution of acquisition activities, helps ensure that the agency acquires quality goods and services at reasonable prices, and supports informed decisions about acquisition strategy. Specifically, our review of TSA's acquisition function and inspector general reports identified a number of challenges in each of the four areas we assessed.

- *Organizational alignment and leadership:* TSA's Office of Acquisition is at an organizational level too low to oversee the acquisition process, coordinate acquisition activities, and enforce acquisition policies effectively. The position of the office hinders its ability to help ensure that TSA follows the acquisition processes that enable the agency to get the best value on goods and services. Senior acquisition officials told us that the Office of Acquisition is not appropriately placed within TSA; however, TSA has not elevated the office to a position that would enable it to coordinate agencywide acquisition activities or enforce acquisition policies.
- *Policies and processes:* Because TSA's acquisition policies and processes emphasize personal accountability, good judgment, justifiable business decisions, and integrated acquisition teams, effective implementation of TSA's policies and processes depends on clear communication, measures to evaluate performance, and incentives to reward good acquisition practices. Effective implementation of TSA's policies and processes has been hindered, however, by several factors: (1) TSA has not effectively communicated its acquisition policies throughout the agency; (2) TSA

³ The Aviation and Transportation Security Act (Pub. L. No. 107-71, Nov. 19, 2001) mandated that the Under Secretary of Transportation for Security (1) deploy at all airports in the United States where screening is required a sufficient number of personnel to conduct screening of all passengers and property no later than 1 year from enactment of the act, and (2) ensure that airports have sufficient explosive detection systems (or alternative means) to screen all checked baggage no later than December 31, 2002. The Homeland Security Act of 2002 (Pub. L. No. 107-296) authorized an extension of the deadline for explosive detection systems in certain circumstances until December 31, 2003.

lacks internal controls to identify and address implementation issues and performance measures to determine whether TSA's acquisition policies achieve desired outcomes; and (3) TSA's deadline-driven culture fails to reinforce the importance of complying with policies.

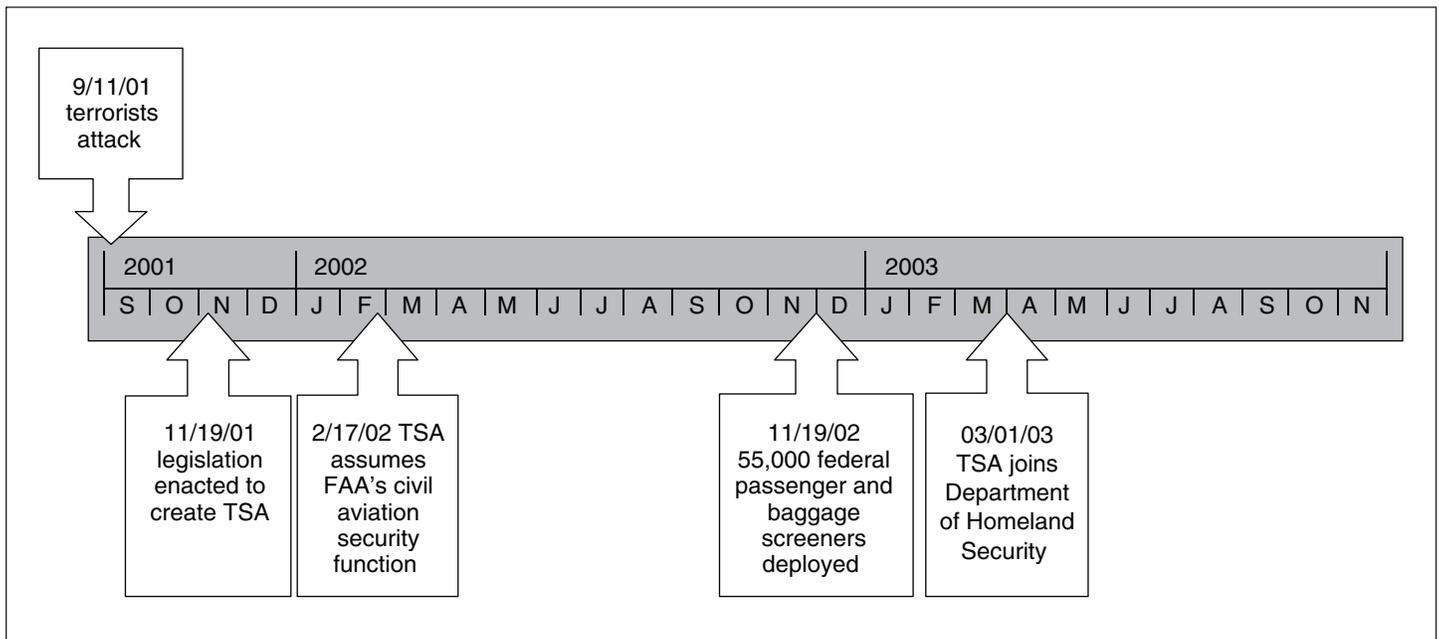
- *Human capital:* TSA risks an imbalance in the size and capabilities of its acquisition workforce that could diminish the performance of the acquisition function throughout the agency. TSA's Office of Acquisition worked closely with the Department of Homeland Security to develop and begin implementing an acquisition workforce plan. However, TSA's Human Resource Office, which is responsible for recruiting and hiring the acquisition workforce agencywide, did not participate in developing the acquisition workforce plan. Without input from the Human Resources Office, it is not clear that the workforce plan can be effectively implemented throughout the agency. In addition, the Office of Acquisition reports that it is having difficulty attracting, developing, and retaining a workforce with the acquisition knowledge and skills required to accomplish TSA's mission.
- *Knowledge and information management:* While TSA is participating in the Department of Homeland Security's efforts to develop functional requirements for an enterprisewide solution that supports the department's resource management functions—including procurement and finance—TSA does not currently have the strategic information needed to support effective acquisition management decisions. To manage on a day-to-day basis, program and acquisition managers are relying on data derived from informal, ad hoc systems—which are often out-of-date, incomplete, inaccurate, or otherwise unreliable. TSA is in the process of adopting the Coast Guard's procurement and financial systems as interim solutions until the Department of Homeland Security implements departmentwide systems. However, near-term improvements to TSA's acquisition outcomes will be difficult until TSA has critical financial and procurement information systems that allow decision makers to track spending, manage budgets, and collect detailed data on goods and services, suppliers, and spending patterns.

We are making four recommendations to the Secretary of Homeland Security to help improve TSA's acquisition capabilities by elevating the placement of TSA's Office of Acquisition, developing adequate internal controls and performance measures, addressing the needs of the acquisition workforce, and assessing proposed knowledge management systems. In written comments on a draft of this report, the Department of Homeland Security generally concurred with our report and recommendations. They also provided additional information about various initiatives related to our recommendations.

Background

Two months after the September 11, 2001, terrorist attacks, the President signed the Aviation and Transportation Security Act, establishing TSA as a new administration within the Department of Transportation responsible for securing the nation's transportation systems.⁴ In February 2002, TSA assumed responsibility for aviation screening, and by November 2002, the agency had deployed a federal security screener workforce in the nation's 429 commercial airports. In March 2003, TSA, along with 21 other agencies, began transferring to the Department of Homeland Security.⁵ Figure 1 shows the timeline of TSA's brief history.

Figure 1: Timeline of TSA's History



Source: GAO.

When TSA was established in November 2001, the agency had no personnel, no organizational structure, no policies and processes, and no legacy systems. To begin operating, TSA adopted some of the Department of Transportation's infrastructure components, such as the financial

⁴ Pub. L. No. 107-71.

⁵ The Department of Homeland Security was established in November 2002 under the Homeland Security Act (Pub. L. No. 107-296) to align and coordinate the nation's efforts to secure the homeland from terrorism.

management system, and developed others in-house, such as a procurement tracking system. In addition, the Aviation and Transportation Security Act directed TSA to adopt the Federal Aviation Administration's (FAA) Acquisition Management System,⁶ which establishes policy, processes, and guidance for all aspects of the acquisition life cycle. The act gives TSA's administrator the latitude to make modifications to FAA's system as appropriate. Because FAA is, by law, generally exempt from federal acquisition laws as well as the Federal Acquisition Regulation (FAR),⁷ and TSA was directed to adopt FAA's system, TSA is also exempt from these requirements.

TSA has relied on contractors to accomplish much of its mission. In fiscal year 2002, TSA obligated more than \$3.7 billion for goods and services procured under contracts awarded by TSA, FAA, and the Department of Transportation. TSA currently has contracts to manage human resource needs, including recruiting, hiring, training, and outfitting passenger and baggage screeners; develop and manufacture screening equipment; and provide the information technology systems the agency uses to manage its day-to-day operations. These contracts represent about 48 percent of TSA's fiscal year 2003 budget.

TSA's large expenditures on goods and services have prompted reviews by the Inspectors General of the Departments of Transportation and Homeland Security, who found a lack of contractor oversight and significant cost overruns.⁸ For example, in January 2004, the Department of Homeland Security Inspector General reported that inadequate contractor oversight contributed to TSA's lack of timely background checks on screeners at airports. Specifically, inadequate oversight of contractors contributed to more than 500 boxes of background check documentation remaining unprocessed for months.⁹ The Department of Transportation's Inspector General also found that inadequate oversight and contracts without clearly defined deliverables caused the cost of

⁶ This requirement is codified at 49 U.S.C. § 114(o) (Supp. I 2001).

⁷ The Federal Acquisition Regulation was established to provide uniform acquisition policies and procedures across the executive branch of the U.S. Government. The acquisition laws from which FAA is exempt are listed at 49 U.S.C. § 40110(d)(2) (2000). This statute also exempts FAA from the FAR, which implements these laws.

⁸ See appendix III for a list of inspector general testimony and reports on TSA acquisitions.

⁹ Department of Homeland Security, Inspector General, *A Review of Background Checks for Federal Passenger and Baggage Screeners at Airports*, OIG-04-08 (January 2004).

TSA's initial contracts to balloon. For example, TSA's initial human resource contract to recruit, screen, hire, and train screeners grew from \$100 million to \$700 million within 1 year.¹⁰

In late 2003, the Department of Homeland Security's Inspector General cited integrating the procurement functions of the department's component organizations as a major management challenge, adding that some of the procurement functions lacked important management controls.¹¹ Despite TSA's efforts to resolve initial problems, the Inspector General cited TSA as an example of an agency lacking procurement management controls.

In a 2004 update to the previous year's report on management challenges, the Inspector General's Office reported that TSA was taking steps to address weaknesses in contract oversight, such as increasing the size of its contract management staff, devising policies and procedures that require adequate procurement planning, and arranging for the Defense Contract Audit Agency to perform over 130 contract audits and support contract administration.

TSA's Organizational Alignment and Leadership

Best Practices

The appropriate placement of the acquisition function within an agency can facilitate efficient and effective management of acquisition activities. In our work on best practices,¹² we learned that leading companies elevated or expanded the role of the company's acquisition organization; designated commodity managers to oversee key services; and made extensive use of cross-functional teams to help identify the company's

¹⁰ Department of Homeland Security, Inspector General, *Review of the Status of Department of Homeland Security Efforts to Address Its Major Management Challenges*, OIG-04-21 (March 2004).

¹¹ Department of Homeland Security, Inspector General, *Major Management Challenges Facing the Department of Homeland Security* (December 31, 2003).

¹² U.S. General Accounting Office, *Best Practices: Taking a Strategic Approach Could Improve DOD's Acquisition of Services*, [GAO-02-230](#) (Washington, D.C.: Jan. 18, 2002).

service needs, conduct market research, evaluate and select providers, and manage performance. To cut across traditional organizational boundaries that contributed to a fragmented approach to acquiring services, these companies generally restructured their procurement organizations, typically assigning them greater responsibility and authority for strategic planning, management, and oversight of the companies' service spending. In making such changes, the companies acknowledged that acquisition is an important strategic function and that success in this area contributes to the accomplishment of company missions. These changes transformed the role of the purchasing unit from one focused on mission support to one that was strategically important to the company's bottom line.

Recent legislation recognizes the importance of placing the acquisition function at an appropriate level and mandates that most executive departments appoint a chief acquisition officer.¹³ This official will have the responsibility to monitor the performance of acquisition activities and programs; evaluate the performance of acquisition programs; increase the use of full and open competition; increase the use of performance-based contracting; establish clear lines of authority, accountability, and responsibility for acquisition decision making; manage the direction of the agency's acquisition policies; advise the head of the executive agency regarding the appropriate business strategy to achieve the mission of the executive agency; and develop and maintain an acquisition career management program to ensure that there is an adequate acquisition workforce.

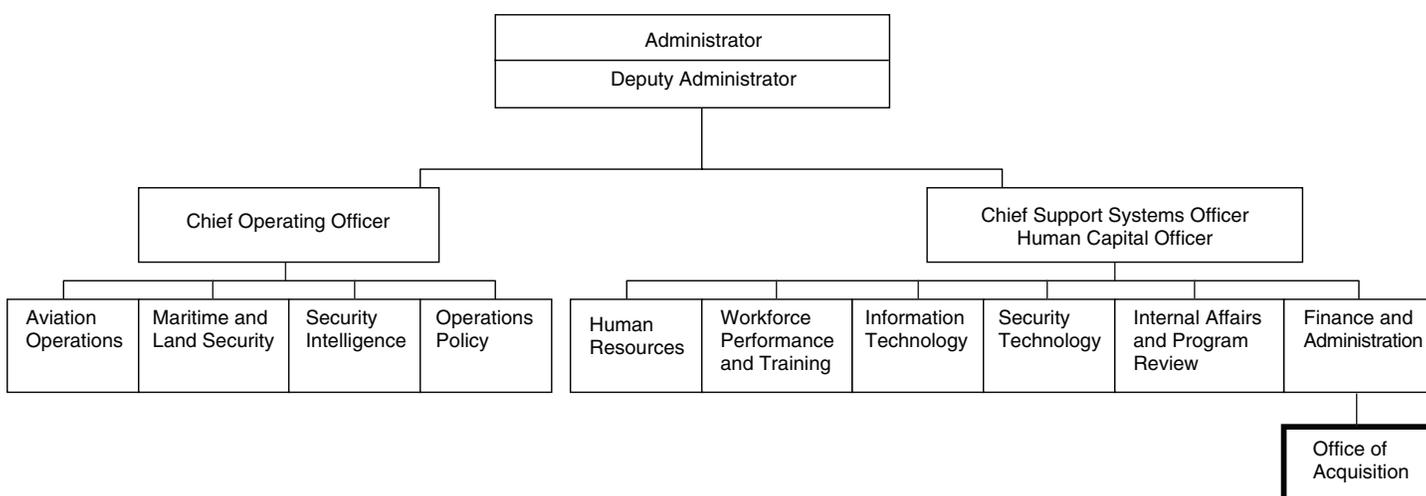
Assessment

TSA's Office of Acquisition is at an organizational level too low to oversee the acquisition process, coordinate acquisition activities, and enforce acquisition policies effectively. As shown in figure 2, the Office of Acquisition is at a lower level than other key offices involved in the acquisition process. Its current position within the organizational structure essentially relegates acquisition to the status of one of many administrative functions. The placement of the Office of Acquisition hinders the ability of the office to oversee the acquisition process and to coordinate with other offices involved in that process—responsibilities that are particularly critical given that almost half of TSA's budget is spent

¹³ Services Acquisition Reform Act of 2003, tit. XIV of the National Defense Authorization Act for fiscal year 2004, Pub. L. No. 108-136, § 1421, 117 Stat. 1663, 1666-67 (2003). TSA is not required to appoint a chief acquisition officer.

on acquisitions.¹⁴ This issue was also noted by senior acquisition officials who told us that the Office of Acquisition is not appropriately placed within TSA. Further, the Chief Support Systems Officer said that adjustments to the placement of the office might be worthy of consideration.¹⁵

Figure 2: Organization of TSA



Source: TSA.

From its current position, the office has not been able to coordinate the agency’s acquisition activities or enforce acquisition policies throughout the agency. This has resulted in certain inefficiencies, as the following examples demonstrate:

- Senior acquisition officials told us that some program offices within TSA bypass the Office of Acquisition at key points in the acquisition process or fail to consult the contracting officer early enough in the acquisition process—typically without consequence. For example, program offices have submitted purchase requests without allowing adequate time for planning, requiring the contracting officers to spend additional time on tasks such as rewriting the requirements or performing additional market research to ensure that the goods or services purchased satisfy the

¹⁴ TSA officials provided this figure but did not provide additional verification.

¹⁵ The director of the Office of Acquisition’s position was elevated to Deputy Assistant Administrator for Acquisition before we began our audit.

program offices' needs. Had the program offices consulted with the Office of Acquisition earlier in the process, much of the additional work could have been avoided.

- Different support offices involved in managing contracts for the airport screening function did not coordinate when contracting for airport screening equipment because, according to a senior operations official, TSA failed to ensure effective communication between the support offices. As a result, the number of personnel needed to operate the additional equipment was not sufficient once the equipment was installed.
- Reports from the Inspectors General of the Department of Homeland Security and the Department of Transportation also noted that TSA's program offices failed to plan for and coordinate contractor oversight. While TSA's Office of Acquisition now requires program offices to have oversight plans in place before major contracts are awarded, the office does not have the means to ensure that oversight plans are actually implemented.
- The lack of recognition of the importance of the acquisition function was also evident at a senior level of the organization. For example, an acquisition official told us that a representative from the Office of Acquisition was not initially consulted when senior TSA officials were developing strategies for responding to questions following congressional testimony on TSA's acquisition problems.

TSA's Acquisition Policies and Processes

Best Practices

Implementing strategic acquisition decisions to achieve agencywide outcomes requires clear, transparent, and consistent policies and processes that govern the planning, award, administration, and oversight of acquisitions.¹⁶ Agency policies and processes, along with their rationale, need to be clearly communicated to all involved in the acquisition function. In addition, appropriate actions are needed to ensure acquisition personnel understand the organization's acquisition policies and processes, as well as their roles and responsibilities in adhering to them. Appropriate internal controls to ensure that acquisition personnel follow

¹⁶ Policies provide guidance on how the procurement function should be managed, while processes outline the actions to be taken to implement the policies.

policies and processes, and performance measures to assess the effectiveness of policies and processes in achieving desired outcomes, also are needed.

In our work on best practices, we learned that maintaining clear lines of communication among all organizations involved in the acquisition function, and using performance measures to evaluate acquisition processes, were critical to successfully implementing strategic approaches to acquisition. Leading companies also found that the use of metrics increased the likelihood that acquisition processes would be successfully implemented. Metrics can be used to assess an organization's current performance level, identify the critical processes that require focused management attention, obtain the knowledge needed to set realistic goals for improvement, and document results over time.

Assessment

Since TSA was established, it has issued management directives, policy letters, and guidance on its acquisition policies and processes. These have been based on FAA policy and guidance for acquiring goods and services and on Department of Homeland Security directives. TSA's policies and processes emphasize personal accountability, good judgment, justifiable business decisions, and integrated acquisition teams. However, the following examples indicate that several of these policies have not been effectively implemented.¹⁷

- Despite acquisition policies regarding contractor oversight, the Department of Homeland Security's Inspector General reported that a lack of adequate oversight on TSA's early contracts resulted in airline passenger screeners being allowed to begin work without completing a criminal history records check or to continue to work with adverse background checks. Some screeners who had been hired failed background checks, were determined to be ineligible, and were subsequently fired.
- TSA also failed to implement policies and processes intended to ensure coordination of acquisition activities. TSA guidelines call for integrated product teams—which may include representatives from program, technical, finance, contracting, and legal offices—to coordinate key acquisition activities and to work together to make decisions throughout the acquisition process. According to TSA acquisition officials, however,

¹⁷ We were not able to assess all of the policies because of time constraints and the fact that some were still in draft at the time of our review.

such teams are often not formed, and there is currently no formal process for doing so. Without such teams, TSA risks having acquisition activities that are not well coordinated and key decisions that fail to take into account all essential considerations.

TSA's acquisition policies and processes have not been effectively communicated throughout the agency. The Office of Acquisition has implemented training initiatives in an attempt to educate key staff about their responsibilities, but officials across the agency told us that they or their staffs are unclear about their roles and responsibilities in the acquisition process. Because TSA's personnel were hired from other agencies and from the private sector, which may have defined their roles and responsibilities differently, it is critical that personnel throughout TSA have a clear understanding of the agency's acquisition policies and processes. Personnel must be properly trained in applying the flexibilities inherent in TSA's acquisition policies to ensure fair and open competition and effective procurement practices.

TSA lacks performance measures to determine whether its acquisition policies are achieving desired outcomes. TSA also lacks internal controls to identify and address implementation issues. Each office within TSA is responsible for developing its own performance measures. TSA's Office of Acquisition has measures to track the number of contracts awarded and the amount of the awards, but does not have measures to assess how well personnel carry out acquisition activities, such as oversight. For example, TSA does not track the number of contracts awarded that include incentives for performance, such as performance-based contracts or contracts with fees based on different levels of performance.¹⁸ The Office of Acquisition is currently considering the use of customer satisfaction measures used by the U.S. Navy and the Department of Transportation to determine whether they would be suitable for measuring the office's performance. TSA's template for individual performance agreements attempts to tie individual goals to organizational goals. However, the template has no acquisition-specific goals. Supervisors may add acquisition-specific goals for individuals. Without such goals it may be difficult to hold individuals accountable for performance on acquisition activities.

¹⁸ Performance-based contracts are intended to ensure that required performance quality levels are achieved and that total payment is related to the degree that services performed meet contract standards. Performance-based contracts generally specify the objective to be achieved and allow the contractor to determine the best way to meet the objective.

TSA's deadline-driven culture fails to reinforce the importance of compliance with policies. TSA officials acknowledged, and Inspector General reports and testimony confirmed, that TSA initially sacrificed cost concerns and disciplined acquisition practices in order to meet schedules. As a result, TSA created a culture that prioritized meeting deadlines at the expense of other acquisition goals. TSA's initial deadlines for deploying its screener workforce were met. However, senior officials from multiple TSA offices told us that the agency has maintained its sense of urgency, and that program offices still expect acquisition functions to be accomplished quickly, even if the appropriate acquisition practices are not always followed.

Contract File Reviews

Our review of 21 contract files showed that TSA did not always use practices that help to ensure quality and cost efficiency. While some of the problems we identified in early contracts stemmed from shortcuts taken to meet urgent deadlines, the persistence of such problems suggests that TSA did not consistently follow disciplined acquisition practices. TSA's policies require that the agency perform quality assurance, but several contract files we reviewed contained little evidence that contract oversight or quality assurance was performed. For example, the contract files for background investigations, baggage screening, and engineering and technical services contained no evidence of oversight or quality assurance plans. TSA's policies also require that performance metrics be identified in the requirements of complex contracts. Our review of the contract files found that TSA failed to develop performance metrics for the contractor prior to award. Instead, TSA often asked the contractor to develop these plans or metrics after award. Because of problems with inadequate contractor oversight, however, TSA now requires that an oversight plan be in place prior to award.

Several of the contract files we reviewed were cost reimbursement¹⁹ or time and materials²⁰ contracts and did not contain evidence of government surveillance to ensure cost efficiency. Of the 21 contracts we reviewed, 6

¹⁹ In a cost-reimbursement contract, the government establishes a cost ceiling and assumes the cost risk, since the contractor will receive reimbursement for all reasonable, allocable, and allowable incurred costs.

²⁰ Time and materials contracts provide for the acquisition of supplies or of the actual services on the basis of direct labor hours at specified fixed hourly rates and materials at cost, plus handling costs where appropriate.

were awarded on a fixed-price basis, and 9 were awarded on a cost-reimbursable or time and materials basis, while 6 were a combination. Cost-reimbursement and time and materials contracts are generally only suitable when appropriate government surveillance during performance will provide reasonable assurance that efficient methods and effective cost controls are used. Frequent use of cost-reimbursement and time and materials contracts, coupled with the inspector generals' findings that TSA failed to monitor its contracts, diminishes the assurance that efficient methods and cost controls are being used.

TSA generally used single-source contracts judiciously for the contract files we reviewed. TSA's policies, which encourage competition as the preferred method of contracting, state that use of single-source contracts is permitted when necessary to accomplish TSA's mission and merely require that a rational basis for the decision be documented.²¹ Of the 21 contract files we reviewed, 3 were for single-source contracts.²² The remaining contracts were awarded using a variety of procurement methods, including use of existing government contracts, the Federal Supply Schedule, required government supply sources, and competitive procedures. In the 3 single-source contract awards we reviewed, the contract files contained justifications for using such noncompetitive procedures as required by TSA's policies. The justifications for awarding contracts on a single-source basis varied. In one case, for example, the agency identified a need for additional office furniture to be integrated with furniture systems already installed at the work site. The justification stated that the furniture components were not interchangeable between manufacturers and that it would be more costly to hire a different contractor to perform follow-on work. (See appendix IV for a description of the other contracts we reviewed.)

²¹ In comparison, the Federal Acquisition Regulation, applicable to most other executive agencies, permits the use of other than full and open competition only for certain specified circumstances, which are: that only one responsible source and no other supplies or services will satisfy agency requirements; unusual and compelling urgency; industrial mobilization, engineering, developmental, or research capability, or expert services; international agreement; authorized or required by statute; national security; or public interest. The regulation also establishes the required content for each justification and requires approval of the justification at a level above the contracting officer for contracts above a certain dollar threshold.

²² One file was for a contract awarded by FAA, not TSA—and was thus not included in our review.

TSA's Human Capital Management

Best Practices

A strategic human capital management approach enables an agency to recruit, develop, and retain the right number of personnel with the right skills to accomplish its mission effectively. Through our work on human capital management, we have found that high-performing organizations identify their current and future human capital needs and then develop acquisition workforce plans containing strategies—such as targeted investments in employees or recruiting and retention bonuses—to meet these needs.²³ These plans enable the organization to address the critical skills and competencies needed to achieve results.²⁴ Strategic human capital approaches need sufficient resources. Senior managers should devote adequate resources to recruiting, hiring, developing, rewarding, and retaining talented personnel.²⁵ Succession planning is also needed to ensure that the workforce is composed of the right number of personnel with the necessary skills and qualifications to perform the acquisition function into the future. Changes in the required skill sets of the acquisition workforce, coupled with the prospect of a decline in experienced acquisition personnel throughout the government, make the need for acquisition workforce planning more significant.

Industry and government experts alike recognize that having the right people with the right skills is key to making a successful transformation toward a more effective acquisition environment. Over the last decade, the emergence of several procurement trends, including a rise in services contracting, has created a need for acquisition workers with a much

²³ In December 2003, we issued a report describing principles of human capital planning that contribute to effective strategic workforce plans. The five key principles strategic workforce planning should address include agencywide involvement in implementation of the plan; determination of critical skills and competencies; development of strategies to address gaps; building the capability needed to address administrative, educational, and other requirements; and monitoring and evaluating the agency's progress towards its human capital goals. U.S. General Accounting Office, *Human Capital: Key Principles for Effective Strategic Workforce Planning*, [GAO-04-39](#) (Washington, D.C.: Dec. 11, 2003).

²⁴ U.S. General Accounting Office, *High Risk Series: Strategic Human Capital Management*, [GAO-03-120](#) (Washington, D.C.: Jan, 2003).

²⁵ U.S. General Accounting Office, *A Model of Strategic Human Capital Management*, [GAO-02-373SP](#) (Washington, D.C.: Mar. 15, 2002).

greater knowledge of market conditions, industry trends, and the technical details of the commodities and services they procure.

Assessment

TSA risks an imbalance in its acquisition workforce that could diminish the performance of the acquisition function throughout the agency. With almost half of TSA's fiscal year 2003 budget devoted to acquisition, a qualified and trained workforce is critical to ensuring the efficiency of TSA's acquisition activities.

The Department of Homeland Security has developed a departmentwide acquisition workforce plan, and TSA began implementing it in February 2004. The plan focuses on formalizing competencies and skill sets; establishing certification standards;²⁶ and identifying training requirements, first for contracting specialists and then for acquisition professionals in other key career fields—including program management, financial management, engineering, and information technology.²⁷ Subsequent phases of the plan include establishing career paths, targeting positions for recruitment, establishing mentoring programs, and creating a strategy for succession planning.

TSA's Office of Acquisition contributed significantly to the Department of Homeland Security's acquisition workforce plan. However, TSA's Office of Human Resources, which is responsible for recruiting and hiring and for succession planning throughout TSA—including the acquisition workforce, did not participate in developing the plan. Since there are many acquisition-related positions in offices throughout TSA, the involvement of key TSA personnel offices—particularly the Human Resources Office—is important to the success of the acquisition workforce plan. It is not yet clear how effective the acquisition workforce plan will be, given that an office responsible for key aspects of implementation did not participate in the plan's development.

²⁶ Certification refers to the formal process through which the Department of Homeland Security recognizes an individual for meeting the standards or achieving the competencies in an acquisition career field.

²⁷ The Department of Homeland Security's draft management directive lists the following career fields as part of the acquisition workforce: Business, Cost-Estimating, and Financial Management; Contracting; Facilities Engineering; Industrial and/or Contract Property Management; Information Technology; Production, Quality, and Manufacturing; Program Management; and Purchasing and Procurement Technician.

In responding to a draft of this report, TSA officials commented that the Human Resources Office was unable to participate in departmentwide acquisition workforce planning because it has been facing critical day-to-day problems associated with supporting growth in the workforce throughout TSA. After functioning for just over 1 year, the office has hired a manager who will be working on their human capital strategic planning in conjunction with the overall departmental human capital planning effort. They also said that TSA is drafting a Human Capital Officer Strategy that will focus on identifying career paths for all occupations, including acquisitions and contracting.

Effective implementation of the acquisition workforce plan is all the more important because acquisition officials face challenges in attaining sufficient staffing levels. Office of Acquisition officials are concerned that their staff of 61 is not adequate to support the mission. In January 2003, the Deputy Assistant Administrator of the Office of Acquisition conducted a study to determine appropriate staffing levels for TSA's Office of Acquisition. This study assumed contract awards in excess of \$4 billion per year,²⁸ to estimate staffing requirements. Using three different benchmarks that attempted to estimate staffing needs based on total awarded value of contracts,²⁹ the study concluded that the Office of Acquisition would require a staff of between 179 and 628 employees. We did not conduct an independent assessment of this TSA study to verify the validity of the study's results. Further, the Office of Human Resources has not conducted similar studies to determine appropriate staffing levels for other acquisition professionals not assigned to the Office of Acquisition.

TSA's Office of Acquisition has been challenged in trying to maintain its existing acquisition workforce. According to TSA acquisition officials, attrition among its contracting workforce has been a problem. In the time period from March 2002 to December 2003, TSA's Office of Acquisition experienced attrition of approximately 22 percent of its contracting workforce. To identify the causes for attrition, the Office of Acquisition began conducting exit interviews. According to acquisition officials,

²⁸ This was the total value of contracts awarded in fiscal year 2002.

²⁹ The TSA benchmarking study cited three benchmarks—one developed by Acquisition Solutions, Inc.; another adopted by the Procurement Executives Council; and a third that was based on other civilian agencies' contract obligations and staffing levels. These benchmarks took into consideration whether the contracting function was centralized, but did not take into consideration other factors, such as the types of contracts used.

attrition is a result of the heavy workload, as well as a lack of incentives, such as tuition reimbursement and performance awards.³⁰ TSA's human resource officials have not monitored the acquisition workforce throughout the agency to determine if there are similar troubles retaining acquisition professionals outside the Office of Acquisition. TSA's human resources officials said they conducted a job satisfaction survey and plan to begin conducting exit interviews, but acknowledged that the survey and exit interviews would be concerned primarily with screener satisfaction.

Efforts to hire acquisition professionals to work in the Office of Acquisition have been undercut by the limited number of qualified applicants and possible negative perceptions about TSA. According to TSA acquisition officials, there is a lack of applicants with adequate acquisition experience, and TSA is competing with other agencies that offer more generous benefits, such as tuition reimbursement and clear career tracks. TSA is authorized to use recruiting and retention incentives. However, according to officials, the agency has not provided funding for these types of incentives. Further, qualified applicants are difficult to recruit because TSA's role within the Department of Homeland Security is not clearly understood and TSA has a reputation for long work hours. Human resources officials admitted that their focus is primarily on screeners, and they do not know whether other offices are experiencing similar difficulties hiring acquisition professionals.

In addition, acquisition and training officials told us that training funds for the acquisition workforce are very limited. Training officials said that funds are sufficient for meeting federal training mandates; however, there are no additional training funds for further professional development. Acquisition officials told us that funding for training Office of Acquisition personnel is limited to \$1,000 per year per employee—an amount that acquisition officials say is insufficient to train staff who came to TSA without prior contracting experience. The Office of Acquisition's training funds do not cover training of other acquisition professionals outside this office. Without sufficient training funds, TSA is able to provide few professional development opportunities for the acquisition workforce—limiting career growth. To address the most critical training needs for the acquisition workforce outside the Office of Acquisition—such as program

³⁰ Although the agency did not provide funding for performance awards in fiscal year 2003, human resources officials stated that in fiscal year 2004 offices do have funds for performance awards. Agency officials told us that no funding had been made available for other retention incentives.

managers, contracting officers' representatives, and technical monitors—TSA's Office of Acquisition has proactively developed workshops in-house. However, these workshops are not mandatory for the acquisition workforce.

TSA's Knowledge and Information Management

Best Practices

To make strategic, mission-focused acquisition decisions, organizations need knowledge and information management processes and systems that produce credible, reliable, and timely data about the goods and services acquired and the methods used to acquire them. Leading companies use procurement and financial management systems to gather and analyze data to identify opportunities to reduce costs, improve service levels, measure compliance and performance, and manage service providers. For example, organizations need integrated financial management systems that provide reliable, accurate, relevant, and timely financial data to help ensure dollars are well spent. Such data are needed to estimate and control program costs, support funding decisions, and oversee contract spending. Many leading organizations have already implemented an enterprisewide system to integrate financial and operating data to support both management decision-making and external reporting requirements.

In a 1994 study of fundamental practices that led to performance improvements in leading private and public organizations, we reported that electronic business system initiatives must be focused on process improvements. Information systems that simply use technology to do the same work the same way, although faster, typically fail, or reach only a fraction of their potential.³¹ In May 2000, we reported that when developing new electronic business processes, it is important to ensure that current

³¹ U.S. General Accounting Office, *Executive Guide: Improving Mission Performance Through Strategic Information Management and Technology*, GAO/AIMD-94-115 (Washington, D.C.: May 1994).

business processes are working well before applying new technology.³² In fact, agency heads are required by statute to analyze an agency’s mission and revise mission-related and administrative processes, as appropriate, before making significant investment in information technology that is to be used in support of the performance of those missions.³³ Not improving business processes prior to investing in new technology creates the risk of merely automating inefficient ways of doing business.

Assessment

While TSA is participating in the Department of Homeland Security’s efforts to develop functional requirements for an enterprisewide solution that supports the department’s resource management functions—including finance and procurement,³⁴ TSA does not currently have the strategic information needed to support effective acquisition management decisions. Near-term improvements to TSA’s acquisition outcomes will be difficult until TSA has critical knowledge management systems, such as financial and procurement information systems, that allow decision makers to track spending and manage budgets and collect detailed data on goods and services, suppliers, and spending patterns. Despite the fact that TSA lacks detailed information on the goods and services it purchases, some aggregate data is available. TSA is an active participant in the Department of Homeland Security’s strategic sourcing program, which is using the aggregate data to develop a strategy that will allow the department to leverage its buying for particular commodities.

To manage on a day-to-day basis, inform acquisition decisions, and oversee contracts, program and acquisition managers are relying on data derived from informal, ad hoc systems—which are often out of date, incomplete, inaccurate, or otherwise unreliable. TSA’s Office of Acquisition is temporarily relying on an Access database developed in-house to track manually entered procurement information and make acquisition decisions. However, the temporary database does not contain

³² U.S. General Accounting Office, *Electronic Government: Federal Initiatives Are Evolving Rapidly But They Face Significant Challenges*, GAO/T-AIMD/GGD-00-179 (Washington, D.C.: May 2000).

³³ 40 U.S.C. § 11313(5) (formerly 40 U.S.C. § 1423(5)), as enacted and recodified by Pub. L. No. 107-217. This requirement was established by the Clinger-Cohen Act of 1996.

³⁴ These efforts are part of a larger effort by the Department of Homeland Security to develop an enterprise architecture that is intended to provide a roadmap for reforming mission operations of business functions and implementing standardized, nonduplicative, supporting information systems.

enough information to analyze purchases or measure the acquisition function's performance. For example, a TSA official told us that when a congressional committee asked for a list of sole-source contracts, TSA officials had to compile the list manually, by asking contracting officers which contracts had been awarded on a sole-source basis, because this information was not in TSA's database. Further, the database does not automatically track the status of a procurement request. Currently, program officials must contact the Office of Acquisition to determine the progress being made on a procurement request—relying on manually compiled paper files, which are frequently incomplete or inaccurate, to track the status of a purchase. TSA is now voluntarily reporting its contract actions to the Homeland Security Contract Information System, which feeds into the Federal Procurement Data System. This system can produce some aggregate data, but lacks detailed information on goods and services purchased.

Until a departmentwide solution is developed, TSA's Office of Acquisition is planning to adopt the Coast Guard's procurement information system as a faster and more cost-efficient way of obtaining the basic capability to track purchase requests and write contracts.³⁵ But TSA officials told us that, in its current configuration, the system does not have all the components necessary to enhance strategic acquisition decisions or enable effective evaluation and assessment of acquisition outcomes.

An additional challenge to data collection and analysis is TSA's financial management system. According to TSA officials, the agency's current financial management system, run by the Department of Transportation, does not provide the information needed to track financial events, summarize financial information, or otherwise provide critical acquisition-related information. For example, because program offices do not have access to reliable financial information, program budget officials cannot certify funds availability to approve a procurement request. As a result, the Office of Finance must certify funds availability centrally. According to finance officials, the inability to track spending has also resulted in difficulties in processing invoices and procurement requests.

³⁵ TSA's Office of Strategic Management and Analysis has proposed a "business value analysis" study to identify best technology solutions to solve organizational business priorities. The study will consolidate the information requirements of the various organizational units within TSA so that these requirements can be prioritized based on shared, strategic, and agencywide business needs. However, TSA has not yet approved this plan.

Here too, while the department-level enterprise architecture effort is proceeding, TSA is in the process of adopting the Coast Guard's financial management system, which TSA finance officials say is more user-friendly and provides better reporting capabilities and access than the system TSA currently uses. It is unclear, however, whether the Coast Guard's financial management software will facilitate TSA's financial accountability activities. Independent auditors gave the Department of Homeland Security's financial statement a qualified balance sheet opinion based, for the most part, on problems with the Coast Guard's financial statements. The Coast Guard was unable to provide sufficient documentation to support certain financial conditions prior to the completion of the audit.³⁶

Conclusions

As a new agency, TSA was tasked to build an organization from the ground up to meet a critical and demanding mandate. TSA worked quickly to put a transportation security workforce in place, creating basic organizational and acquisition infrastructures and subordinating cost concerns and disciplined acquisition practices to meet deadlines. With the challenging initial mandate fulfilled, TSA has begun to build a permanent infrastructure. TSA now has the opportunity to build a model acquisition function based on best practices. The opportunity may be lost, however, if TSA fails to think strategically about the practices it uses to carry out its acquisition function. By assessing its existing organizational alignment, policies and processes, human capital approaches, and knowledge and information systems against a framework of best practices and in coordination with the Department of Homeland Security, TSA can identify weaknesses and risk areas to target for improvement.

Attention from TSA's leadership is needed to help TSA's Office of Acquisition improve acquisition practices agencywide—focusing on all elements key to a successful acquisition program. Ensuring a strong workforce and developing well-built procurement and financial management systems, coupled with a strong message of compliance with

³⁶ The auditors noted that it is “not uncommon for a large established agency such as the U.S. Coast Guard to require additional time to get its processes and systems in place to facilitate a financial statement audit.” The auditors also reported that, prior to their audit, the Coast Guard's financial statements had never been audited on a stand-alone basis, nor had they been audited at the level of detail required by the Department of Homeland Security. U.S. Department of Homeland Security, Independent Auditors Report No. OIG-04-10.

policies and processes and supported by performance measures, would demonstrate the agency's commitment to effective acquisition practices.

Recommendations for Executive Action

To help ensure that TSA receives the goods and services it needs at the best value to the government, we recommend that the Secretary of Homeland Security direct the Administrator of the Transportation Security Administration to take the following three actions:

- Elevate the Office of Acquisition to an appropriate level within TSA to enable it to identify, analyze, prioritize, and coordinate agencywide acquisition needs.
- Develop an adequate system of internal controls, performance measures, and incentives to ensure that policies and processes for ensuring efficient and effective acquisitions are implemented appropriately.
- Direct the TSA Human Capital Office to do the following in coordination with key offices in the Department of Homeland Security:
 - assess TSA's current acquisition workforce (as defined by the Department of Homeland Security) to determine the number, skills, and competencies of the workforce;
 - identify any gaps in the number, skills, and competencies of the current acquisition workforce; and
 - develop strategies to address any gaps identified, including plans to attract, retain, and train the workforce.

We also recommend that the Secretary of Homeland Security ensure that its planned departmentwide knowledge management system provides TSA sufficient data and analytic capability to

- measure and analyze spending activities and performance—and thereby highlight opportunities to reduce costs and improve service levels;
- support effective oversight of acquisitions; and
- facilitate the timely reporting of the agency's acquisition activities and its compliance with acquisition policies and processes.

Agency Comments and Our Evaluation

In written comments on a draft of this report, the Department of Homeland Security generally concurred with our report and recommendations and stated that our identification of areas for improvement will help to develop the efficiency and effectiveness of TSA's Office of Acquisition. In response to our recommendation to elevate the position of the Office of Acquisition, the department stated that the office has been elevated once before. We have acknowledged this in our report and note that the office was elevated before we began our review

of TSA's acquisition function. Our review found that even after the office was elevated, it remained at an organizational level too low to oversee the acquisition process, coordinate acquisition activities, and enforce acquisition policies effectively. The department further noted that the Department of Homeland Security's Chief Procurement Officer is on par with the Chief Financial Officer and Chief Information Officer, stating that TSA will consider this option along with others as it works toward improving the efficiency and effectiveness of its acquisition program. Whichever option is chosen, we maintain that the Office of Acquisition should be elevated to an appropriate level within TSA to enable it to identify, analyze, prioritize, and coordinate agencywide acquisition needs.

The department also commented that its Office of Human Resources has only been functioning as a distinct office for a year and that after focusing on establishing policies, processes, and effective contract management services, it has hired a manager for planning. TSA has committed to providing a more proactive approach to all human capital planning.

The department also noted that it is moving towards the enterprisewide implementation of Oracle Financials and Prism starting in October 2004, stating that the knowledge management tools recommended in the draft report will be available to provide TSA sufficient data and analytic capability to evaluate its processes, performance, and spending. Our report acknowledges that TSA will be using these Coast Guard procurement and financial systems; however, we maintain that these systems do not have all the components necessary to enhance strategic acquisition decisions or enable effective evaluation and assessment of acquisition outcomes.

As requested by your offices, unless you publicly announce the contents of this report earlier, we plan no further distribution of it until 30 days from the date of this letter. We will then send copies of this report to interested congressional committees, the Secretary of Homeland Security, and the Administrator of the Transportation Security Administration. We will make copies available to others upon request. In addition, the report will be available at no charge on the GAO Web site at <http://www.gao.gov>.

If you or your staff have any questions regarding this report, please call me at (202) 512-4841 or Blake Ainsworth, Assistant Director, at (202) 512-4609. Other major contributors to this report were Lara Laufer, Gordon Lusby, William Petrick, Shannon Simpson, Karen Sloan, Adam Vodraska, and Kelli Ann Walther.

A handwritten signature in black ink that reads "William T. Woods". The signature is written in a cursive style with a large, prominent 'W' and 'T'.

William T. Woods
Director, Acquisition
and Sourcing Management

Appendix I: Scope and Methodology

To review how well TSA is positioned to carry out its acquisition function, we used GAO's previous best practices work as our criteria. Our studies of best business practices show four interrelated elements—organizational alignment, policies and processes, human capital, and information management—that help to promote good acquisition outcomes. We used each of the elements to assess TSA's acquisition function.

To assess TSA's acquisition function across the four elements, we interviewed senior agency officials, including the Chief Support Systems Officer and a representative for the Acting Chief Operating Officer. We also interviewed management and staff within the Office of Acquisition regarding acquisition policy and processes, contracting training, program support, and quality assurance.

To assess how well the organization is aligned to facilitate the integration of the acquisition function throughout the agency, we reviewed TSA organizational charts, process flowcharts, and presentations by agency officials on key roles and responsibilities to understand how the acquisition process is integrated into TSA's organization. To assess leadership commitment to good acquisition, we also reviewed TSA's strategic plan and investment review board meeting agendas, minutes, and investment criteria. For an understanding of organizational alignment and coordination, we interviewed the Chief Support Systems Officer and a representative for the Acting Chief Operating Officer. To assess how well acquisition activities are coordinated and carried out throughout the agency, we interviewed Assistant Administrators of all major Operations offices—Aviation Operations, Maritime and Land Security, Security Intelligence, and Operations Policy—and Mission Support offices—Finance and Administration, Human Resources, Information Technology, and Workforce Performance and Training.

To determine TSA's current policies and processes, we reviewed applicable laws and policies that granted TSA the flexibility to use and modify FAA's system, and we also interviewed a member of TSA's Legal Counsel. We analyzed FAA's Acquisition Management System and reviewed TSA's modified version of this guidance. To assess TSA's progress towards developing and implementing policies and processes, we reviewed TSA and Department of Homeland Security memoranda, directives, internal newsletters, handbooks, quality assurance checklists, and policy documents. To analyze TSA's effectiveness in implementing policies and processes, we interviewed Assistant Administrators for each of the Operations offices, as well as the Division Directors within the Office of Acquisition for each of the contracting support offices.

Additionally, we interviewed management and staff within the Office of Acquisition regarding acquisition policy and processes, program support, and quality assurance.

To assess TSA's effectiveness in hiring, developing, and retaining its acquisition workforce, we interviewed Office of Acquisition management and staff, the Director and staff of the Workforce Performance and Training Office, and two Assistant Administrators for Human Resources. We also interviewed the Department of Homeland Security's Acquisition Workforce Manager regarding the department's Acquisition Workforce Plan and TSA's role in its development and implementation. We reviewed documents and spoke with agency officials about acquisition workforce training requirements, available courses, and means of tracking acquisition training and other workforce data. In addition, we reviewed studies on TSA's acquisition workforce size, one of which was conducted by a contractor on behalf of TSA.

To help us assess how effectively the existing TSA information management system enables the agency to track and manage its acquisition process and facilitate strategic decision-making, officials from the Office of Acquisitions, Assistant Administrators for each of the Operations offices, and Division Directors within the Office of Acquisition explained TSA's existing and planned information systems and outlined their information needs. The same officials explained the capabilities of the information management systems to perform acquisition transactions in support of TSA's mission. Office of Acquisition staff discussed their data entry and internal control processes and shared supporting documentation to help us understand their current systems. To assess the capabilities and limitations of the financial management system and financial management processes, we interviewed the Chief Financial Officer and Chief Technology Officer, as well as additional Finance and Administration staff. To determine how much knowledge and information is available and accessible to TSA management, we reviewed the Office of Acquisition's procurement database, and Strategic Sourcing operations documents. To assess TSA's plans for future information systems, we reviewed documentation describing the operations of TSA's systems, proposals for planned initiatives, and summaries of existing challenges. A representative from the office of Strategic Management & Analysis provided insight about TSA's strategic direction.

To gain further insight into how TSA's infrastructure affects its acquisitions, we judgmentally selected 40 contract files for review. Using TSA's database of contracts, we identified four types of contract actions

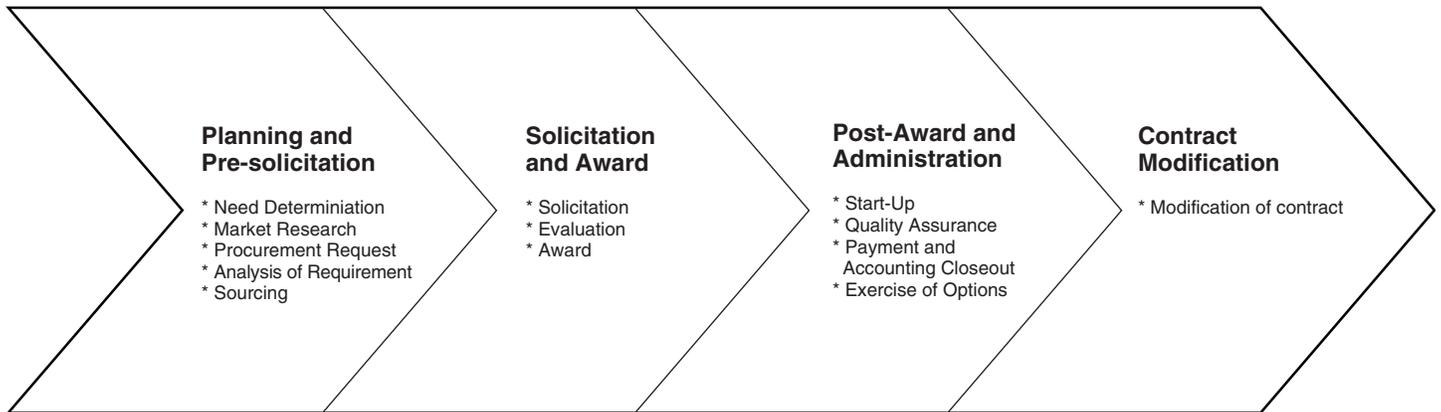
from which to sample—new contracts, task and delivery orders, blanket purchase agreements, and purchase orders. In each category, we selected contracts based on award value. Nineteen of the 40 files were not available or removed from the sample for the following reasons: they were being closed out at a payment center, FAA awarded the contract rather than TSA, it represented a duplicate contract, it had already been reviewed by the Inspector General, they were actually interagency agreements, or it was being managed by the Defense Contract Management Agency. We reviewed the remaining 21 pre- and post-award contract files to assess key aspects of the acquisition process at TSA—such as requirements development, market research and analysis, acquisition planning, procurement method (including use of competitive procedures and single-source contracting), and contract administration.

We conducted our review from July 2003 through March 2004 in accordance with generally accepted government auditing standards.

Appendix II: Key Activities, Roles, and Responsibilities of Key Personnel Involved in TSA's Acquisition Process

Figure 3 shows key activities performed during TSA's acquisition process.

Figure 3: Key Activities in the Acquisition Process



Source: GAO.

Table 1 identifies some of the major acquisition responsibilities associated with the roles of key personnel.

Table 1: Key Personnel Involved in TSA's Acquisition Function

Office	Role	Responsibilities ^a
Program Office	Program Manager	Leads the <i>planning</i> phase of the process. Identifies the program needs and works through the investment review process to justify funding for the acquisition. Together with the Office of Budget, develops a budget for the acquisition. With assistance from the Contracting Officer, conducts market research; develops the technical requirements; and prepares a procurement request package containing, among other items, a statement of work and an acquisition plan. Obtains appropriate purchase request approvals. After <i>solicitation</i> , serves on evaluation panels and selects source for award. After <i>award</i> , the office is responsible for monitoring and reporting contractor performance.
	Contracting Officer's Technical Representative (member of the program office)	In the <i>planning</i> phase, supports the program manager in defining the requirement, conducting market research, and developing the acquisition strategy. After <i>award</i> , serves as a liaison between the government and contractor—monitors and reports on contractor performance to determine whether contract deliverables and contractor performance meet expectations.
	Program Resource Manager (May be the Program Manager or Contracting Officer's Technical Representative)	After <i>award</i> , ensures award documentation is correctly entered into the financial system and collaborates with the Office of Acquisition to ensure prompt payment of invoices. <i>Throughout</i> the process, monitors funds available, spending against the contract, financial status of the contract, funds obligated for acquisitions, and status of commitments.

Appendix II: Key Activities, Roles, and Responsibilities of Key Personnel Involved in TSA's Acquisition Process

Office	Role	Responsibilities^a
Office of Acquisition	Chief Acquisition Officer	<p><i>Throughout</i> the acquisition cycle, provides leadership, vision, and direction to ensure the integrity of the acquisition function by developing effective relationships with key acquisition stakeholders. Also serves as the principle interface with the Department of Homeland Security and other agencies' senior acquisition executives.</p> <p>In the <i>planning</i> phase, participates in investment review board decisions for TSA and the Department of Homeland Security.</p>
	Contracting Officer	<p>Collaborates with program officials to advise on acquisition strategies and alternatives, and participates in acquisition planning.</p> <p>Participates in market research with the program office.</p> <p>Ensures that sufficient funds are available for the obligation.</p> <p>Prepares the solicitation document.</p> <p>Publicizes acquisitions.</p> <p>Issues and amends solicitations.</p> <p>Conducts negotiations with offerors, and awards and signs contracts for the government.</p> <p>Performs contract administration, including delegating certain functions to the assigned Contracting Officer's Technical Representative.</p> <p>Assists in monitoring contractor performance where applicable.</p> <p>Terminates contracts.</p>
Office of Finance & Administration	Chief Financial Officer	Participates in investment review decisions to ensure that program plans are consistent with the budget.
	Office of Budget	In the <i>planning</i> phase, certifies the availability of funds for procurement requests. (This is normally the responsibility of the program office; however, because timely budget information is not readily accessible from the financial system, the Office of Budget is performing this function.)
Chief Counsel	Counsel	<p>Primarily <i>before award</i>, responsible for interpreting and providing legal advice related to applicable acquisition laws and rules, and providing assistance regarding contract clauses and justifications for exceptions to applicable rules.</p> <p><i>Throughout</i> the process, provides necessary legal assistance.</p>
Information Technology Office	Chief Technology Officer	<p><i>Before award</i> of goods or services related to information technology, helps the program office to determine requirements, conduct market research, assess acquisition alternatives, and prepare statements of work and other pieces of the solicitation document.</p> <p><i>After award</i>, may also assist in monitoring deliverables and contractor performance. For information technology systems, also develops, maintains, and facilitates implementation of information technology.</p>
	Small Business Program Manager	In the <i>planning and solicitation</i> phases, reviews and approves purchase requests over \$200,000 to facilitate small business acquisition initiatives that enable the agency to accomplish socioeconomic goals.
Investment Review Board		Reviews and authorizes requests for funding.

Source: GAO.

^a This is not an all-inclusive list of responsibilities for the role as indicated.

Appendix III: Inspector General Testimony and Reports Reviewed

Table 2 shows the Department of Transportation Inspector General testimony and reports reviewed to identify issues associated with the contracting process at the TSA.

Table 2: Department of Transportation Audit Reports on Contracting Issues at TSA

Report number	Title
CC-2002-098	Key Issues Concerning Implementation of the Aviation and Transportation Security Act (Feb. 5, 2002)
CC-2002-124	Key Budget Issues Facing the Transportation Security Administration (Apr. 17, 2002)
CC-2002-180	Key Challenges Facing the Transportation Security Administration (Jun. 20, 2002)
CC-2002-197	Progress in Implementing Provisions of the Aviation and Transportation Security Act (Jul. 23, 2002)
CC-2002-203	Progress in Implementing Provisions of the Aviation and Transportation Security Act (Aug. 7, 2002)
CC-2003-066	Aviation Security Costs, Transportation Security Administration (Feb. 5, 2003)
FI-2003-025	Oversight of TSA Security Screener Contracts, TSA (Feb. 28, 2003)
PT-2003-012	Top Management Challenges (Jan. 21, 2003)
QC-2003-016	Quality Control Review of TSA's Audited FY2002 Financial Statements (Jan. 27, 2003)

Source: GAO

Table 3 shows the Department of Homeland Security Inspector General reports reviewed to identify problems associated with the contracting process at the Transportation Security Administration.

Table 3: Department of Homeland Security Audit Reports Reviewed That Include Contracting Issues at TSA

Report number	Title
None	Major Management Challenges Facing the Department of Homeland Security (March 2003)
None	Major Management Challenges Facing the Department of Homeland Security (Dec. 31, 2003)
OIG-04-08	A Review of Background Checks for Federal Passenger and Baggage Screeners at Airports (January 2004)
OIG-04-21	Review of the Status of Department of Homeland Security Efforts to Address Its Major Management Challenges (March 2004)

Source: GAO.

Appendix IV: Contracts Reviewed

Vendor	Requirement	Contract award amount	Procurement method
Covenant Aviation Security, LLC	Gate, checkpoint, and baggage screener services	\$71,270,476	Competed
Cooperative Personnel Services	Human resource services and supplies	\$553,579,473	Competed
McNeil Technologies, Inc.	Gate, checkpoint, and baggage screener services	\$7,911,363	Competed
International Total Services, SMS	Gate, checkpoint, and baggage screener services	\$29,297,371	Competed
Garrett Metal Detectors, Inc.	Metal detection equipment	Not priced, various unit prices recorded	Federal Supply Schedule Used qualified vendors list ^a
Accenture, LLP	Human resource services and supplies	\$214,799,495	Competed
Deloitte Consulting	Development and support of TSA's eGov operating platform	\$205,000,000	Federal Supply Schedule 4 schedule vendors considered
L3 Communications Corporation	Explosive detection equipment	\$352,000,000	Used Qualified Vendors List from FAA
Unisys Corporation	Security technology systems integration	\$17,056,153	Used existing government contract
Grant Thornton, LLP	Accounting services	\$962,674	Federal Supply Schedule 3 schedule vendors considered
Global Distributors, Inc.	Office components—filing cabinets and installation	\$22,365	Federal Supply Schedule
Dozier Technologies	Parts and labor for installation of office furniture	\$1,750,000	Noncompetitive award under SBA's 8(a) program ^b
Maximus, Inc.	Technology evaluation, analysis, and report of test results for identification credentials	\$3,776,377	Existing multiple award contract Evaluated 3 prime vendors
Regus Business Center Corporation	Temporary use of workstations and support services	\$1,260,000	Limited competition due to urgent and compelling need Contacted 3 vendors and analyzed quotes
ManTech, MSM Security Services, Inc.	Background investigations and reports	\$1,579,805	Federal Supply Schedule Contacted 4 schedule vendors Received 1 response
Planet Associates, Inc.	Engineering and technical support services to develop an interim TSA property and asset management database	\$499,954	Single Source—cited "logical follow-on" as rational basis

Appendix IV: Contracts Reviewed

Vendor	Requirement	Contract award amount	Procurement method
Kimball International	Parts and labor for modification of existing furniture and installation of new furniture	\$462,039	Single Source—cited “only one responsible vendor” as rational basis Need to integrate with furniture systems already installed at worksite, and furniture components are not interchangeable among manufacturers
Unicor Federal Prison Industries, Inc.	Chairs and installation	\$308,000	Required government source of supply ^c
Accenture, LLP	Human resource services and supplies—reduce work backlogs that remained from the previous vendor	\$20,754,095	Single Source—cited “only one responsible source” as rational basis Vendor is only vendor that can eliminate backlog and format data to conform to current database without additional delay
Wackenhut Corporation	Baggage screening services at selected airports	Undefinitized at \$106,568,616	Not awarded by TSA; awarded by FAA and later taken over by TSA GAO did not review FAA award
Unisys Corporation	Development and maintenance of IT infrastructure	\$23,300,000	Used existing government contract

Source: GAO.

^a Orders placed against a General Services Administration multiple award schedule that use the required ordering procedures are considered to be issued using full and open competition. The policy of the FAA Acquisition Management System used by TSA permits placing orders against General Services Administration schedules for recurring products and services when it is determined to be in the best interest of the agency.

^b Section 8(a) of the Small Business Act (15 U.S.C. § 637(a)) established a program that authorizes the Small Business Administration to enter into all types of contracts with other agencies and let subcontracts for performing those contracts to firms eligible for program participation. These subcontractors are referred to as “8(a) contractors.” The purpose of the 8(a) program is to assist eligible small disadvantaged business concerns to compete in the economy through business development. The policy of the FAA Acquisition Management System used by TSA allows individual procurements to be noncompetitively awarded to 8(a) vendors when the anticipated total value of the procurement does not exceed a certain threshold (\$3 million or, if assigned an industry classification, \$5 million).

^c The policy of the FAA Acquisition Management System used by TSA is to continue to acquire products and services from required government supply sources, such as Federal Prison Industries.

Appendix V: Comments from the Department of Homeland Security

U.S. Department of Homeland Security
Washington, DC 20528



May 20, 2004

Mr. William T. Woods
Director, Acquisition & Sourcing Managing
U.S. General Accounting Office
441 G Street, N.W.
Washington, D.C. 20548

Re: GAO-04-544, Transportation Security Administration: High-Level Attention Needed to Strengthen Acquisition Function, May 2004, GAO Case 120234

Dear Mr. Woods:

Thank you for the opportunity to comment on GAO's draft report and recommendations entitled, "*Transportation Security Administration: High-Level Attention Needed to Strengthen Acquisition Function*," GAO-04-544.

The Department of Homeland Security (DHS) appreciates the work done in this report to identify areas where the Transportation Security Administration's (TSA) acquisition process can be improved. The Department believes that GAO's identification of areas for improvements will help to develop the efficiency and effectiveness of TSA's Office of Acquisition. We generally concur with the report and its recommendations and appreciate the discussion of challenges and next steps this report contains. However, there are areas within the report about which the Department would like to comment.

The first of the draft recommendations is for the Administrator of TSA to elevate the Office of Acquisition within the organizational structure of TSA. As the figure below illustrates, the original organization alignment had the Office of Acquisition at a Director level, reporting to the Deputy Chief Administrative Officer who in turn reported to the Deputy Assistant Administrator for Administration. Recognizing the importance of acquisition within TSA, the position was elevated to where it currently stands: Deputy Assistant Administrator for Acquisition reporting to the Assistant Administrator for Finance and Administration.

The organizational structure of the Office of Acquisition will continue to be evaluated based on the findings of this report and the organizational alignment of the Chief Procurement Officer's organization within Headquarters DHS. The Chief Procurement Officer at DHS is on par with the Chief Financial Officer and Chief Information Officer providing appropriate

**Appendix V: Comments from the Department
of Homeland Security**

authority and leadership. TSA will consider this option along with others as we work toward improving the efficiency and effectiveness of our acquisition program.

Initial Organization Alignment	Revised Organization Alignment
TSA Administrator	TSA Administrator
Deputy Administrator	Deputy Administrator
Chief Systems Support Officer	Chief Systems Support Officer
Assistant Administrator for Finance & Administration (CFO)	Assistant Administrator for Finance & Administration (CFO)
Deputy Assistant Administrator for Administration (Chief Administrative Officer)	Deputy Assistant Administrator for Acquisition (Chief Procurement Executive)
Deputy Chief Administrative Officer	
Director, Office of Acquisition	

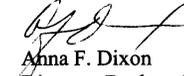
As TSA continually reviews its human resource plan to improve overall staffing, it is important to note that TSA's Office of Human Resources has only been functioning as a distinct office for a year, having grown from 35 employees at the beginning of CY 2003 to 100 at the present time. Its focus has been on establishing policies, processes, and effective contract management services in the first year. The Office of Human Resources has also recently hired a manager for planning in conjunction with the overall developmental Human Capital planning effort. As TSA further develops this staff, the Office of Human Resources will be able to provide a more proactive approach to all human capital planning according to the priorities set by the organization. The TSA Office of Human Resources will work with the DHS Acquisition Workforce staff to conduct gap analyses and remedy deficiencies.

TSA along with DHS is moving enterprise-wide towards the implementation of Oracle Financials and Prism starting in October 2004. As these systems come on line throughout the Department, the knowledge management tools recommended in the draft report will be available to provide TSA sufficient data and analytic capability to evaluate their processes, performance and spending. They will also enable effective oversight and facilitate timely reporting of the agency's activities and compliance with laws and policies.

We appreciate your review of TSA's acquisition process and thank you for the thorough analysis and discussion that comprises this report. We will continue to reevaluate our acquisitions process to ensure that its organization and alignment within TSA's leadership structure contribute to its overall effectiveness.

Thank you for the opportunity to contribute comments to the draft report.

Sincerely,



Anna F. Dixon
Director, Bankcard Programs and
GAO/OIG Liaison

GAO's Mission

The General Accounting Office, the audit, evaluation and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through the Internet. GAO's Web site (www.gao.gov) contains abstracts and full-text files of current reports and testimony and an expanding archive of older products. The Web site features a search engine to help you locate documents using key words and phrases. You can print these documents in their entirety, including charts and other graphics.

Each day, GAO issues a list of newly released reports, testimony, and correspondence. GAO posts this list, known as "Today's Reports," on its Web site daily. The list contains links to the full-text document files. To have GAO e-mail this list to you every afternoon, go to www.gao.gov and select "Subscribe to e-mail alerts" under the "Order GAO Products" heading.

Order by Mail or Phone

The first copy of each printed report is free. Additional copies are \$2 each. A check or money order should be made out to the Superintendent of Documents. GAO also accepts VISA and Mastercard. Orders for 100 or more copies mailed to a single address are discounted 25 percent. Orders should be sent to:

U.S. General Accounting Office
441 G Street NW, Room LM
Washington, D.C. 20548

To order by Phone: Voice: (202) 512-6000
 TDD: (202) 512-2537
 Fax: (202) 512-6061

To Report Fraud, Waste, and Abuse in Federal Programs

Contact:

Web site: www.gao.gov/fraudnet/fraudnet.htm

E-mail: fraudnet@gao.gov

Automated answering system: (800) 424-5454 or (202) 512-7470

Public Affairs

Jeff Nelligan, Managing Director, NelliganJ@gao.gov (202) 512-4800
U.S. General Accounting Office, 441 G Street NW, Room 7149
Washington, D.C. 20548