

**ASSESSING TSA'S MANAGEMENT AND IMPLEMENTATION OF THE SCREENING PARTNERSHIP PROGRAM**

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**HEARING**  
BEFORE THE  
**SUBCOMMITTEE ON**  
**TRANSPORTATION SECURITY**  
OF THE  
**COMMITTEE ON HOMELAND SECURITY**  
**HOUSE OF REPRESENTATIVES**  
**ONE HUNDRED FOURTEENTH CONGRESS**

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## ASSESSING TSA'S MANAGEMENT AND IMPLEMENTATION OF THE SCREENING PARTNERSHIP PROGRAM

Tuesday, November 17, 2015

U.S. HOUSE OF REPRESENTATIVES,  
SUBCOMMITTEE ON TRANSPORTATION SECURITY,  
COMMITTEE ON HOMELAND SECURITY,  
*Washington, DC.*

The subcommittee met, pursuant to call, at 2:08 p.m., in Room 311, Cannon House Office Building, Hon. John Katko [Chairman of the subcommittee] presiding.

Present: Representatives Katko, Rogers, Walker, and Rice.

Also present: Representatives Mica and Jackson Lee.

Mr. KATKO. The Committee on Homeland Security, Subcommittee on Transportation Security will come to order.

I ask unanimous consent that the gentleman from Florida, Mr. Mica, be allowed to sit on the dais and participate in this hearing.

Without objection, so ordered.

The subcommittee is meeting today to examine the Transportation Security Administration's management and implementation of the Screening Partnership Program. I now recognize myself for an opening statement.

I would like to welcome everyone to today's hearing to assess TSA's management and implementation of the Screening Partnership Program, or SPP for short. I am pleased to have once again Jennifer Grover, the director for homeland security and justice for the Government Accountability Office; and Carolyn Dorgham, the SPP director for TSA.

If that is not enough acronyms in one sentence, I don't know what is.

They are our witnesses for today's hearing.

The hearing comes at a critical time for homeland security. Just before I came out, there was another incident on a jetliner where a woman tried to open up the back door of an airliner on the way to Boston. So it continues.

As we all mourn the innocent victims of the horrific terrorist attacks in Paris, Egypt, and Lebanon, we must continue to pray for the victims' families and for all the first responders who put their own lives on the line every day.

America and our allies must stand together to fight ISIS, their hateful ideology, and the violence it incites. As chairman of both the Foreign Fighter Task Force and this subcommittee, I am all too aware of the lengths to which ISIS will go to inflict terror. We must

remain vigilant and recognize that ISIS is intent on inflicting harm on anyone who opposes their radical beliefs.

As the story behind the Russian Metrojet plane unfolds, it is clear that the insider threat is real at airports. We must take steps to mitigate it both overseas and here at home.

Earlier this month, the *San Francisco Gate* reported that three screeners at San Francisco Airport were arrested for taking money to allow drug smugglers to pass through security checkpoints with large amounts of cocaine in their baggage.

In March, two other screeners at SFO were arrested and arraigned for taking bribes to allow smugglers to pass through checkpoints with methamphetamines. The SFO is one of 21 airports in the United States that participate in the Screening Partnership Program, where screening operations are run by a private contractor.

But these cases are not limited to SFO or to the privatized screening workforce. In 2012, four TSA screeners colluded with smugglers to allow drugs through checkpoints at LAX in exchange for cash payments. When screeners are taking bribes and turning a blind eye, terrorists can easily exploit this vulnerability and create catastrophic consequences.

I point to something that happened earlier this year, where a case—a drug smuggling case in Dallas-Fort Worth revealed the fact that the employees that were bringing the drugs through unmanned checkpoints, using their SIDA cards, offered not only to take in drugs, but also offered to take in bombs. So the threat is real from both a screening standpoint and from the employee standpoint at airports.

It is a systematic problem that we must deal with head-on or it will only be a matter of time before we hear a story about a screener or aviation worker in the United States intentionally allowing explosives or weapons to pass through security checkpoints.

TSA must step up its oversight of both the Federal and private-sector employees responsible for screening, and other important jobs at our Nation's airports. The stakes are simply too high not to do so.

The Aviation and Transportation Security Act of 2001 required TSA to conduct a pilot program to evaluate the performance of private screening at airports. The pilot was conducted from 2002 to 2004 at 5 airports, including Rochester, New York, which is near my home town of Syracuse. The five airports that participated in the pilot program transitioned to SPP and since then the number of airports participating in SPP has grown to 21.

Whether they are Federal workers or private contractors conducting screening at checkpoints, we must ensure that TSA is properly overseeing this workforce and guarding against potential threats, including those emanating from the screening workforce.

We all want the best and most effective security safeguarding our Nation's airports. It is also incumbent upon us to ensure that taxpayer money is being spent judiciously, without sacrificing the scope or quality of security operations.

However, without sufficient and reliable data from TSA, Congress is left to make important policy decisions based on assumptions rather than facts. This is not how we should be doing busi-

ness. A lack of adequate information exists to measure the success of SPP versus non-SPP screening operations almost 12 years after the implementation of the program. That is simply unacceptable.

For over 6 years, GAO reports have highlighted a lack of sufficient and reliable data to compare private versus Federal screener performance and costs—for 6 years. Today, GAO will testify on yet another report that found while TSA has made improvements to their cost-estimating calculations, there are still a number of shortcomings that need to be addressed.

It concerns me that TSA has failed to adequately address this issue with a transparent and accurate cost assessment over 6 years after concerns were initially raised. Furthermore, the recent termination of an SPP contract agreement in western Montana, only 1 year after the contract was awarded, is troubling. It raises questions about how TSA is evaluating contractor applications prior to award and the management of the workforce transition from non-SPP to SPP.

I look forward to hearing from the GAO on what can be done to address some of these critical information gaps. I look forward to hearing from TSA on how they plan to address this issue in an effective and timely manner, and once and for all.

Again, thank you both for being here today.

[The statement of Chairman Katko follows:]

STATEMENT OF CHAIRMAN JOHN KATKO

NOVEMBER 17, 2015

I would like to welcome everyone to today's hearing to assess TSA's management and implementation of the Screening Partnership Program, or SPP. I am pleased to have Jennifer Grover, the director for homeland security and justice for the Government Accountability Office, and Carolyn Dorgham, the SPP director for TSA, as our witnesses for this hearing.

Today's hearing comes at a critical time for homeland security. As we all mourn the innocent victims of the horrific terrorist attacks in Paris, Egypt, and Lebanon, we must continue to pray for the victims' families and for all of the first responders who put their own lives on the line every day. America and our allies must stand together to fight ISIS, their hateful ideology, and the violence it incites.

As Chairman of both the Foreign Fighter Task Force and this subcommittee, I am all too aware of the lengths which ISIS will go to inflict terror. We must remain vigilant, and recognize that ISIS is intent on inflicting harm on anyone who opposes their radical beliefs.

As the story behind the Russian MetroJet plane unfolds, it is clear the insider threat is real and we must take steps to mitigate it, both overseas and here at home.

Earlier this month, the San Francisco Gate reported that three screeners at San Francisco International Airport were arrested for taking money to allow drug smugglers to pass through security checkpoints with large amounts of cocaine in their baggage. In March, two other screeners at SFO were arrested and arraigned for taking bribes to allow smugglers to pass through checkpoints with methamphetamines. SFO is 1 of 21 airports in the United States that participate in the Screening Partnership program, where screening operations are run by a private contractor.

But these cases are not limited to SFO or to the privatized screening workforce. In 2012, 4 TSA screeners colluded with smugglers to allow drugs through checkpoints at LAX in exchange for cash payments. When screeners are taking bribes and turning a blind eye, terrorists can exploit this vulnerability and create catastrophic consequences.

This is a systemic problem that we must deal with head on or it will only be a matter of time before we hear a story about a screener or aviation worker in the United States intentionally allowing explosives or weapons to pass through security checkpoints. TSA must step up its oversight of both the Federal and private-sector

employees responsible for screening and other important jobs at our Nation's airports. The stakes are too high not to.

The Aviation and Transportation Security Act of 2001 (ATSA) required TSA to conduct a pilot program to evaluate the performance of private screening at airports. The pilot was conducted from 2002 to 2004 at 5 airports, including Rochester airport, which is near my home town of Syracuse. The 5 airports that participated in the pilot program transitioned to SPP, and since then the number of airports participating in SPP has grown to 21.

Whether there are Federal workers or private contractors conducting screening at security checkpoints, we must ensure that TSA is properly overseeing this workforce and guarding against potential threats, including those emanating from the screening workforce.

We all want the best and most effective security safeguarding our Nation's airports. It is also incumbent upon us to ensure that taxpayer money is being spent judiciously without sacrificing the scope or quality of security operations. However, without sufficient and reliable data from TSA, Congress is left to make important policy decisions based on assumptions rather than facts. This is not how we should be doing business.

A lack of adequate information exists to measure the success of SPP versus non-SPP screening operations almost 12 years after the implementation of the program. For over 6 years, GAO reports have highlighted a lack of sufficient and reliable data to compare private versus Federal screener performance and cost. Today, GAO will testify on yet another report that found while TSA has made improvements to their cost estimating calculations; there are still a number of shortcomings that need to be addressed. It concerns me that TSA has failed to adequately address this issue of a transparent and accurate cost estimate over 6 years after concerns were initially raised.

Furthermore, the recent termination of a SPP contract agreement in western Montana only 1 year after the contract was awarded is troubling. It raises questions about how TSA is evaluating contractor applications prior to award and the management of the workforce transition from non-SPP to SPP.

I look forward to hearing from the GAO on what can be done to address some of these critical information gaps, and I look forward to hearing from TSA on how they plan to address this issue in an effective and timely manner. Again, thank you both for being here today

Mr. KATKO. The Chair now recognizes the Ranking Minority Member of the subcommittee, the gentlewoman from New York, Miss Rice, for any statement she may have.

Miss RICE. Thank you, Mr. Chairman. Thank you for convening this hearing.

I would also like to thank the witnesses for being here to discuss how the Transportation Security Administration is managing and executing the Screening Partnership Program, as well as the Government Accountability Office's most recent report regarding the program.

After the attacks on September 11, the Aviation and Transportation Security Act established the Transportation Security Administration as the Federal entity responsible for transportation security and the Federal screener workforce. This represented a pivot away from the pre-9/11 model, but it also included an amendment that led to the establishment of SPP, which gives airports the opportunity to opt out of Federal screening, and instead contract private companies to conduct security screening services under Federal oversight.

We often hear in Congress that screening without TSOs will lead to a more pleasant and expedient travel experience, but this is simply not the case. When an airport opts out of Federal screening and begins to transition to private screeners, they recruit and, as we will hear today, in many cases depend on, the retention of TSOs who are given the right of first refusal for these positions.

The airports enforce the same policies and procedures, hoping to retain the same personnel, who are often forced to choose between accepting the same job with less benefits, relocating to continue working for TSA, or finding other jobs. To coincide with this hearing, GAO released a report that compares the costs incurred by TSA to perform screening, to the costs associated with privatized screening.

First, I believe that through this report, we will come to find that without certain changes, we cannot have a true comparison between the screening entities. I look forward to hearing Ms. Grover's testimony and thoughts on TSA's cost estimate methodology.

Second, we have the example of four airports in Montana that opted out of Federal screening, but ultimately terminated the contracts because the vendor couldn't attract or retain staff levels to perform screening duties.

So while these airports opted for private screening, in many instances they still had to rely on TSA's National deployment force to provide screening. That is obviously very concerning.

I thank Ms. Dorgham for being here today, and I hope she will speak to those concerns and discuss the oversight that takes place at these airports that opt out of Federal screening.

I am also eager to hear who pays for those TSA deployment forces and if those costs are included in TSA's cost estimates on the front end of the contracting process.

Finally, before closing, I would like to acknowledge the horrific acts of terrorism that occurred in Paris on Friday. Those attacks, along with the explosion of a Metrojet in Egypt remind us that the threat of terrorism has not gone away. That threat is very real. It is constant and it is always evolving.

TSOs play a critical role in confronting that threat. They serve on the front line of our Nation's airports screening millions of passengers daily, and I thank them for working to keep the traveling public safe.

Mr. Chairman, thank you again for convening this hearing. I look forward to a productive dialogue today, as well as the follow-up hearing scheduled for December where we will be able to consider additional perspectives.

I yield back the balance of my time.

[The statement of Ranking Member Rice follows:]

STATEMENT OF RANKING MEMBER KATHLEEN RICE

NOVEMBER 17, 2015

After the attacks on September 11, the Aviation and Transportation Security Act established the Transportation Security Administration as the Federal entity responsible for transportation security and a Federal screener workforce. This represented a pivot away from the pre-9/11 model—but it also included an amendment that led to the establishment of SPP, which gives airports the opportunity to “opt-out” of Federal screening and instead contract private companies to conduct security screening services under Federal oversight.

We often hear in Congress that screening without TSOs will lead to a more pleasant and expedient travel experience. But this is simply not the case. When an airport opts out of Federal screening and begins to transition to private screeners, they recruit—and as we will hear today—in many cases **DEPEND** on the retention of TSOs, who are given the right of first refusal for these positions.

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benefits, relocating to continue working for TSA, or finding other jobs. To coincide with this hearing, GAO released a report that compares the costs incurred by TSA to perform screening to the costs associated with privatized screening.

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Second, we have the example of four airports in Montana that opted out of Federal screening, but ultimately terminated the contracts because the vendor couldn't attract or retain staff levels to perform screening duties. So, while these airports opted for private screening, in many instances they still had to rely on TSA's National deployment force to provide screening. That's very concerning.

I thank Ms. Dorgham for being here today, and I hope she will speak to those concerns and discuss the oversight that takes place at these airports that opt out of Federal screening. I'm also eager to hear who pays for those TSA deployment forces, and if those costs are included in TSA's cost estimates on the front end of the contracting process.

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Transportation Security Officers play a critical role in confronting that threat. They serve on the front line of our Nation's airports, screening millions of passengers daily, and I thank them for working to keep the traveling public safe.

Thank you again for convening this hearing. I look forward to a productive dialogue today, as well as the follow-up hearing scheduled for December, where we will be able to consider additional perspectives.

Mr. KATKO. Other Members are reminded that statements may be submitted for the record.

[The statements of Ranking Member Thompson and Hon. Sheila Jackson Lee follow:]

STATEMENT OF RANKING MEMBER BENNIE G. THOMPSON

NOVEMBER 17, 2015

It is my understanding that this subcommittee will be holding a follow-up hearing to take testimony and question representatives of the workforce on their perspectives on the Screening Partnership Program.

At the beginning of this hearing, the Government Accountability Office released a report requested by Members of the Majority regarding the Transportation Security Administration's use of cost estimates and how these estimates for the Federal Government to perform screening measure against costs incurred by private contractors to provide screening in the Nation's airports through the Screening Partnership Program.

I look forward to Ms. Grover's testimony today, particularly on whether or not the statistics included in this estimation truly represent an apples-to-apples comparison of the costs to Federal screeners versus private screeners.

I believe that there are a number of factors that can significantly alter these statistics.

SPP allows airports the option of returning to the pre-9/11 model of using contract employees to screen passengers and baggage at our Nation's airports.

Mr. Chairman, after the recent plane crash in Russia and the horrific attacks in Paris, both of which ISIL has claimed responsibility for, any facet of aviation security that mirrors a pre-9/11 state should be strongly reconsidered.

After 9/11 it was clear to the vast majority of Members of Congress and the Bush administration that transitioning to a Federal screener workforce was the right thing to do for the security of our Nation.

Since the 9/11 terrorist attacks, there has not been a successful terrorist attack on our aviation system on U.S. soil.

Despite that fact, there have been numerous calls from across the aisle to return to a workforce that is increasingly composed of contract screeners.

Some claim that transitioning to a contract workforce results in more efficient and friendlier screeners, but there are no studies or information that back up this assertion.

As I have said on numerous occasions, Transportation Security Officers perform a thankless job.

These men and women, who go to work every day to ensure the safety of the traveling public, along with TSA practices and policies designed to do the same, are often ridiculed and singled out as the reason for unpleasant screening experiences.

Members of the Majority will point to this as well as gaps in our aviation security screening identified by the Inspector General and GAO as the basis for needing to transition to a privatized screening workforce.

However, what the public needs to know is that when an airport chooses to use contract screeners, the private company recruits the Federal workers. By law, privatized screeners follow the same screening protocols and procedures as Federal Transportation Security Officers.

Moreover, the vendors who are awarded these screening contracts depend on the retention of Transportation Security Officers to carry out their contracts.

For instance, in Montana, a contract was awarded to a vendor who assumed that it would be able to retain a significant portion of TSA's workforce in those airports to carry out screening functions.

Citing various reasons, including the vast difference in benefits, these Transportation Security Officers decided not to transition to a contracted workforce, and instead decided to stay within the Transportation Security Administration and secure jobs in other airports.

This contractor was in the predicament of not being able to attract the requisite number of employees required to conduct sufficient screening within these airports, and had to supplement their screeners with National Deployment Officers from the Transportation Security Administration.

This incident raises many questions, including the oversight that is in place to ensure that contractors are able to perform under the terms of their contracts.

I thank Ms. Dorgham for being here today, and look forward to her testimony on this subject.

Finally, I would like to point out that many of the changes made to the law controlling for entry into the Screening Partnership Program in the FAA Modernization and Reform Act of 2012 were ill-informed and should be repealed.

Chief among those is the provision allowing for subsidiaries of foreign-owned corporations to compete for and be awarded contracts for screening services.

Earlier this Congress, I introduced the Aviation Screening Contractor Reform and Accountability Act, which would reinstate the law stipulating that a company could only get a contract for screening services if it was owned and controlled by a U.S. citizen.

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STATEMENT OF HONORABLE SHEILA JACKSON LEE

NOVEMBER 17, 2015

Chairman Katko and Ranking Member Rice, I thank you both for the opportunity for the subcommittee to hear from today's witnesses on the topic of "Assessing TSA's Management and Implementation of the Screening Partnership Program." I thank the Chair for allowing me to participate in today's hearing.

As a senior Member of the Homeland Security Committee and former Chair of the Subcommittee on Transportation Security, I am a strong proponent of Transportation Security and see that mission as on-going.

I thank today's witnesses:

- Ms. Jennifer A. Grover, the director of homeland security and justice, at the Government Accountability Office (GAO); and
- Carolyn Dorgham, director, Screening Partnership Program, Office of Security Operations, TSA.

Today's hearing delves into the TSA's Screening Partnership Program (SPP), which is statutorily mandated to allow airports to "opt-out" of using the Federal passenger and baggage screening workforce and instead utilize contract screeners.

Private-contract employees were on the job screening passenger baggage on September 11, 2001, when 19 hijackers boarded 4 flights crashing 3 of them into buildings and one into a field in Pennsylvania. I will never forget that day. On September 11, 2015, the Nation marked the 14th anniversary of the attacks that killed 2,977 men, women, and children. I stood on the East Front steps of the Capitol on September 11, along with 150 Members of the House of Representatives and sang "God Bless America."

Eleven days after the September 11, 2001, terrorist attacks, Pennsylvania Governor Tom Ridge was appointed as the first director of the Office of Homeland Security in the White House.

Congressional action following September 11, led to the Aviation and Transportation Security Act (ATSA), that was signed into law. That law gave the Federal Government direct responsibility for airport screening. The Transportation Security Administration is created to oversee security in all modes of travel.

In November 2002, I was proud to join my colleagues in voting to create a Department of Homeland Security. As a Member of the House Committee on Homeland Security since its establishment, and Ranking Member of the Judiciary Subcommittee on Crime, Terrorism, and Homeland Security, today's hearing is of importance to me.

The work of the TSA is a front-line Department of Homeland Security and it is not easy—it can in fact be very dangerous.

Like many of my colleagues, I recall the shooting incident at LAX last year that killed Gerardo Hernandez, who became the first TSA officer killed in the line of duty; and the machete attack at the Louis Armstrong New Orleans International Airport earlier this year that resulted in injuries to Senior Transportation Security Officer Carol Richel.

Each day, TSA processes an average of 1.7 million passengers at more than 450 airports across the Nation. In 2012, TSA screened 637,582,122 passengers. The Bush International and the William P. Hobby Airports are essential hubs for domestic and international air travel for Houston and the region:

- Nearly 40 million passengers traveled through Bush International Airport (IAH) and an additional 10 million traveled through William P. Hobby (HOU);
- More than 650 daily departures occur at IAH;
- IAH is the 11th-busiest airport in the United States for total passenger traffic;
- IAH has 12 all-cargo airlines handling more than 419,205 metric tons of cargo in 2012.

I know that Congress has not done all that it could to make your work easier—sequestration, a Government shut-down, and a delay in fully funding the Department of Homeland Security was not in the security interest of the Nation.

The DHS IG continues to stress TSA's poor responses to confront problems concerning passenger and baggage screening, access controls to secure areas, and employee misconduct. The OIG has produced 115 reports on TSA with hundreds of recommendations, many of which remain unresolved.

In addition, to these reports:

- On May 6, 2015, the DHS OIG released a report claiming that TSA does not properly manage the maintenance of its airport screening equipment.
- On June 1, 2015 news media reported on alleged preliminary findings from an on-going undercover DHS Inspector General review.
- Essentially, Red Team auditors posing as passengers smuggled mock explosives and banned weapons through checkpoints at various U.S. airports. According to media reporting, TSA agents failed 67 out of 70 tests or 96 percent of trials. It is important to note that previous Red Teams investigations raised similar concerns. This IG review is still on-going and the report is to be released this fall.

The traveling public's confidence in the security of our Nation's airports should not be shaken because of Federal Government planned and managed tests of airport security.

The attacks in Paris last Friday and the continued uncertainty that the Nation faces regarding what terrorist may do next is something that as Members of this committee can understand. We cannot wait until the terrorists figure out a way past security before we act—because this would mean we have learned none of the lessons of September 11, 2001. We must commit ourselves to do everything possible to prevent another 9/11 from ever occurring again.

I am committed to ending sequestration and making sure that my colleagues in Congress comprehend the gravity of playing politics with security.

My conclusion is that TSA should not be in the business of privatization of screening duties in spite of airport requests. The climate of terrorism today argues against privatization at all of TSA screening responsibilities.

Mr. KATKO. Our first witness is Ms. Jennifer Grover, who currently serves as the director of the homeland security and justice team at the Government Accountability Office. Her portfolio includes GAO reviews of TSA and the U.S. Coast Guard programs and operations. Ms. Grover joined the GAO in 1991. She has testified before this committee many times and she has done a highly

competent job. We look forward to hearing your testimony again today.

The Chair now recognizes Ms. Grover to testify.

**STATEMENT OF JENNIFER GROVER, DIRECTOR, HOMELAND SECURITY AND JUSTICE, U.S. GOVERNMENT ACCOUNTABILITY OFFICE**

Ms. GROVER. Good afternoon, Chairman Katko, Ranking Member Rice and other Members and staff. Thank you for the opportunity to discuss TSA's Screening Partnership Program today. My remarks are based on a GAO report being released today.

Since SPP's inception, Congressional committees, industry stakeholders, and TSA have all sought information about how screening costs compare at airports with private and Federal screeners. To answer this question, TSA prepares estimates of what it would cost the agency to provide screening services at the SPP airports.

We found that TSA's cost-estimating process has improved since our last review, in particular by providing a detailed methodology. However, important limitations still affect the reliability of TSA's estimates. For example, TSA's cost estimates are not complete because they only include the costs incurred by TSA to perform screening at an airport, and not total Federal costs such as retirement benefits and insurance. We found that these other Federal costs add another 9 percent on average to total screening costs for the 13 airports in our review.

OMB guidance describes what should be included in estimates of Government costs. In this case, as in others, including all Federal costs would eliminate bias by ensuring that the estimated Government screening costs are accurately represented and not systematically understated.

TSA also uses a modified version of these cost estimates as part of their process for selecting SPP contractors. Specifically, the estimates serve as a cap to ensure that no SPP contracts are awarded for more than what it would cost TSA to provide screening services. We found that contract awards for 13 recent SPP airports ranged from 2 to 19 percent less than TSA's estimated costs, with an average savings of 11 percent.

Now, keep in mind my previous point that TSA's estimated costs are about 9 percent less than total estimated Federal costs. Therefore, under this procurement process, the contract award value will always be no more than TSA's estimate and even lower than total estimated Federal costs.

Does this mean that SPP airports cost less to run than airports with Federal screeners? We cannot answer that question because TSA does not continue to monitor the value of an SPP contract relative to TSA's estimated costs after the contract has been awarded.

For example, although TSA monitors changes in the contractor cost over time, TSA doesn't update how its own estimated costs would change in response to new situations such as providing additional staff if an airport opens a new terminal.

Continually monitoring how actual contract values compare to updated estimates of TSA's costs would provide program officials and policymakers with more accurate information about the rel-

ative costs of operating airports with private and Federal screeners.

Finally, although Congressional committees have sought information on the cost effectiveness of the SPP, we found that TSA has not regularly reported cost comparisons to policymakers.

Since 2013, TSA has prepared comprehensive annual reports that include a comparison of actual private costs with estimated Federal costs.

According to TSA, they have not shared these reports with Congress because they are developed for internal use. We concluded that while TSA has no legal requirement to report this information, doing so such as on an annual basis would enable Congressional committees to assess the effectiveness of the SPP program and its effect on Federal costs.

We have made several recommendations based on these findings: That TSA continue to improve its cost-estimating methods; continually monitor how contract values compare to TSA's estimated costs; and provide cost comparisons to Congress on a regular basis. TSA concurred with all of our recommendations and we will monitor TSA's progress toward their implementation.

Chairman Katko, Ranking Member Rice, this concludes my remarks. I look forward to your questions.

[The prepared statement of Ms. Grover follows:]

PREPARED STATEMENT OF JENNIFER GROVER

NOVEMBER 17, 2015

GAO-16-115T

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.<sup>1</sup> 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.<sup>2</sup> 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.<sup>3</sup> 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 developing its cost estimates.<sup>4</sup>

<sup>1</sup>The 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.

<sup>2</sup>See 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.

<sup>3</sup>Of 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.

<sup>4</sup>See GAO, *Aviation Security: TSA's Cost and Performance Study of Private-Sector Airport Screening*, GAO-09-27R (Washington, DC: Jan. 9, 2009) and *Aviation Security: TSA's Revised*

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.<sup>5</sup>

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*.<sup>6</sup> 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.<sup>7</sup> Additionally, we visited 9 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.<sup>8</sup> 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 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

*Cost Comparison Provides a More Reasonable Basis for Comparing the Costs of Private-Sector and TSA Screeners*, GAO-11-375R (Washington, DC: Mar. 4, 2011).

<sup>5</sup>GAO, *Screening Partnership Program: TSA Can Benefit from Improved Cost Estimates*, GAO-16-19 (Washington, DC: Nov. 16, 2015).

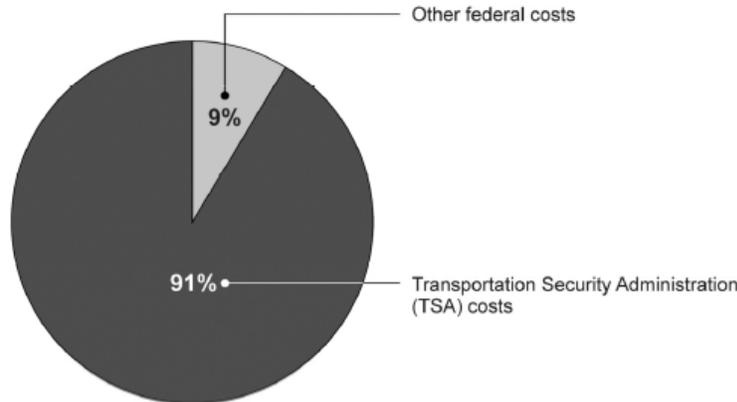
<sup>6</sup>GAO, *GAO Cost Estimating and Assessment Guide: Best Practices for Developing and Managing Capital Program Costs*, GAO-09-3SP (Washington, DC: Mar. 2, 2009). The methodology outlined in this guide is a compilation of best practices that Federal cost-estimating organizations and industry use 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, DC: November 1999).

<sup>7</sup>We 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 on-going 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.

<sup>8</sup>The 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.

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.<sup>9</sup> 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.

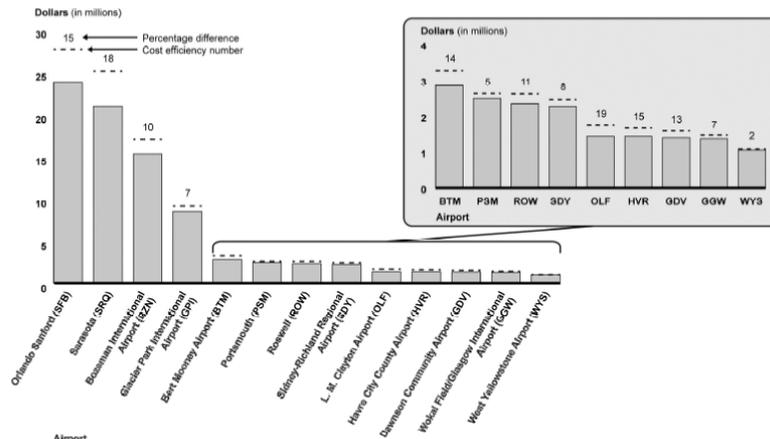
#### SELECTION OF CONTRACTORS AND MONITORING CONTRACTOR COSTS

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 per-

<sup>9</sup>Since 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.

cent 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.

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



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 policy makers 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.<sup>10</sup> 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.

<sup>10</sup>This 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.

Mr. KATKO. Thank you, Ms. Grover, for your testimony. We definitely appreciate your being here today.

Our second witness is Ms. Carolyn Dorgham, who currently serves as director of the Screening Partnership Program at the Transportation Security Administration's Office of Security Administration.

The Chair now recognizes Ms. Dorgham to testify.

**STATEMENT OF CAROLYN DORGHAM, DIRECTOR, SCREENING PARTNERSHIP PROGRAM, OFFICE OF SECURITY OPERATIONS, TRANSPORTATION SECURITY ADMINISTRATION, U.S. DEPARTMENT OF HOMELAND SECURITY**

Ms. DORGHAM. Good afternoon, Chairman Katko, Ranking Member Rice, and Members of the subcommittee.

I am pleased to appear before you today to discuss the Transportation Security Administration's Screening Partnership Program, or SPP. The SPP is a voluntary program under which airports apply to transfer screening operations from Federal to qualified private security screening companies. Upon an airport's acceptance into the program, TSA selects a company to conduct screening services under contract with the Federal Government.

These companies must comply with all TSA security screening procedures and TSA's Federal security directors oversee these contracted operations to ensure compliance.

TSA maintains its responsibility for security regardless of whether screening is conducted by private or Federal employees. Twenty-one airports are currently participating in the SPP and one additional airport has been accepted into the program and is currently in the source selection phase.

Current SPP airports screen approximately 32 million passengers per year, or 5 percent of the TSA annual passenger volume. The FAA Modernization and Reform Act of 2012 provided new requirements for the program, including standards for the SPP application, a time line for agency action on applications, and steps TSA must take if denying an application.

Since passage of the FAA Act, 7 airports have applied to the SPP program. All 7 airports were approved within the required 120 days, and 6 airports have private screeners in place today. The FAA Act also requires TSA to ensure that approving an airport operator's application would not compromise the security or detrimentally affect the cost efficiency or effectiveness of the screening of passengers or property at the airport.

In order to maintain cost efficiency as required by law, TSA includes the TSA cost estimate in all requests for proposal, and requires that cost proposals not exceed the TSA cost estimate. All offerers are evaluated on proposed costs as well as their ability to perform screening according to TSA standards.

GAO recently completed an audit focused on TSA's cost estimates. TSA is pleased that GAO recognized the improvements in our cost methodology. TSA concurs with all three of GAO's recommendations and has already taken steps to address them.

Our office of finance and administration is working to implement adjustments to our cost-estimating methodology based on GAO's recommendations. My office will include the cost comparison infor-

mation in our semiannual Screening Partnership Program report to Congress so that our oversight committees have visibility on our estimates and program figures.

Finally, TSA will compare on an annual basis, the actual contract expenditures for a given airport to TSA's estimate for screening with Federal officers. If an airport's SPP application meets all legal requirements and a qualified contractor is identified during the procurement process, TSA's goal for the SPP program is to award a contract within 1 year of receiving the application. Compared to Federal contracting practices, this is an aggressive goal. However, it reflects TSA's commitment to ensuring that airports opting for contract screeners can expediently transition from Federal to contract screening operations.

Additionally, TSA recently began changing its SPP contracting approach. Rather than awarding individual contracts, we are now working to award an indefinite delivery, indefinite quantity, or ID/IQ contract. Awarding the ID/IQ will provide a pool of highly-qualified vendors that are capable of running screening operations in a cost-efficient manner. Not detrimental to security per statutory requirements.

Successful offerors will then be able to compete for security screening services at specific airports through task orders. This new approach is expected to reduce procurement time lines for TSA while simultaneously streamlining the proposal process for industry.

TSA provides information to vendors interested in participating through numerous resources. TSA utilizes the Federal business opportunities website to communicate with vendors on SPP-related topics, such as annual industry day, opportunities at TSA headquarters, and posting draft statements for work and requests for proposals that solicit vendor feedback.

Additionally, TSA provides opportunities for industry days at airports which allow vendors to tour the airport, ask the airport specific questions concerning, for example, equipment requirements and airport layout. TSA also meets with vendors in other forums such as summits and roundtable discussions.

My responsibility as the senior executive responsible for the SPP is to focus on its security, effectiveness, and efficiency. I work to achieve transparency and engagement with industry so that our qualified private partners have access to information that helps them achieve these same goals.

I appreciate this committee's interest in the success of the program.

Chairman Katko, Ranking Member Rice, Members of the committee, thank you again for the opportunity to appear before you today. I would be happy to answer any questions you may have.

[The prepared statement of Ms. Dorgham follows:]

PREPARED STATEMENT OF CAROLYN DORGHAM

NOVEMBER 17, 2015

Chairman Katko, Ranking Member Rice, and Members of the subcommittee, I am pleased to appear before you today to discuss the Transportation Security Administration (TSA) Screening Partnership Program (SPP).

TSA's mission is to protect the Nation's transportation systems to ensure freedom of movement for people and commerce. We do this by providing the most effective security in the most efficient way to reduce the likelihood of attacks such as those that happened on the morning of September 11, 2001, from occurring in the future. Our operations provide an annual screening of nearly 660 million passengers and nearly 2 billion carry-on and checked bags. Transportation Security Officers (TSOs) prevented 180,000 prohibited items from being carried on airplanes last year alone. While our mission remains challenging, our workforce is dedicated to the task of keeping the American public secure from terrorist attacks on transportation systems.

#### SCREENING PARTNERSHIP PROGRAM (SPP) BACKGROUND

Congress established TSA through the Aviation and Transportation Security Act (ATSA) (Pub. L. 107-71), which designated passenger screening as a Federal responsibility. Included in ATSA was language authorizing a pilot program for privatized passenger screening at five airports of different sizes and risk categories. As part of the pilot, TSA entered into contracts with qualified private companies to conduct screening services with Federal oversight from TSA officials. Characteristics of the pilot included guidelines for private companies to maintain qualification standards set by TSA for Federal Transportation Security Officers (TSOs) and standards to provide personnel compensation and benefits at an equivalent level of those provided to their Federal employee counterparts.

The Federal Aviation Administration (FAA) Modernization and Reform Act of 2012 (Pub. L. 112-95) provided guidelines for the program, including standards for an SPP application, a time line for agency action on applications, and steps TSA must take if denying an application. Under section 830, the statute also requires TSA to ensure that approving an airport operator's application would not compromise the security or detrimentally affect the cost-efficiency or the effectiveness of the screening of passengers or property at the airport (49 U.S.C. 44920(b)).

TSA maintains overall responsibility for transportation security whether an airport operator has private or Federal employees conducting passenger screening operations. Federal Security Directors oversee the contracted security screening operations to ensure compliance with Federal security standards.

#### CURRENT SPP PARTICIPATION

The SPP is a voluntary program where airports apply to transfer screening operations at commercial airports from Federal to qualified private security screening companies. These companies run screening operations under Federal oversight and must comply with all TSA security screening procedures. Since the program began in 2004, 32 airports have applied, including the original five pilot airports designated by ATSA. Twenty-one of those airports are currently participating in the SPP program. Of the 11 airports that have applied but are not currently participating in the program, one is in the source selection phase, and the remaining 10 have either discontinued commercial air service, were initially denied participation in the program and did not reapply after a change to the statute, or withdrew their applications prior to contract award.

Current participant SPP airports represent screening of approximately 32 million passengers per year, or 5% of TSA's annual passenger volume. Eight of the 21 are "Category IV" airports meaning that they enplane between 2,500 and 10,000 passengers per year. The contract value for these 21 airports stands at approximately \$723 million over a 5-year period.

#### PROGRAM ACCOMPLISHMENTS

If the application meets all legal requirements and a qualified contractor is identified during the procurement process, TSA's goal for the SPP program is to award a contract within 1 year of receiving a new SPP application. Compared to general Federal Government contracting practices, this is an aggressive goal; however, it reflects TSA's commitment to ensure that airports opting for contract screeners can expeditiously transition from Federal to contract screening operations.

Since passage of the FAA Modernization and Reform Act of 2012, 7 airports have applied to the SPP program. All 7 airports were approved within the 120-day requirement for application approval, and currently have private screeners in place.

TSA also instituted improvements in its SPP application process to facilitate meeting its aggressive 1-year goal to award a contract on a new application. Process improvements include a reduction in SPP application length from 5 pages to 2, as well as co-locating the program and acquisitions teams that participate in the application review process to enhance collaboration, and streamlining the application.

Additionally, TSA recently began changing its SPP contracting approach. Rather than awarding individual contracts, we are now working to award an indefinite delivery/indefinite quantity (IDIQ) contract. Awarding the IDIQ will provide a pool of highly-qualified vendors that are capable of running screening operations in a cost-efficient manner not detrimental to security, per statutory requirements. Successful offerors will then be able to compete for security screening services at specific airports or groups of airports through task orders. This new contracting methodology is anticipated to reduce procurement processing time for TSA while simultaneously reducing the burden of preparation efforts on the vendor community.

#### INDUSTRY ENGAGEMENT

TSA provides information to vendors interested in participating through numerous resources. TSA utilizes the Federal Business Opportunities website to communicate with vendors on SPP-related topics such as annual Industry Day opportunities at TSA Headquarters, and posting draft statements of work (SOW) and Request for Proposals (RFPs) that solicit vendor feedback. Additionally, TSA provides opportunities for industry days at airports, which allow vendors to tour the airport and ask airport-specific questions concerning, for example, equipment requirements and the airport layout. TSA also meets with vendors in other forums, such as summits and roundtable discussions.

Successful offerors for the ID/IQ must also participate in a TSA-hosted Industry Conference in which all offerors are provided valuable information on screening requirements. In these conferences, vendors also have an opportunity to give TSA feedback on the RFP process. TSA uses this information to better refine its process, including adding any additional information to the RFP which might be helpful to vendors.

#### GAO RECOMMENDATIONS

GAO recently completed an audit entitled “Screening Partnership Program: TSA Can Benefit From Improved Cost Estimates” (GAO-16-19), continuing its oversight from previous reports in 2009 and 2011. TSA is pleased that GAO recognized the improvements in our cost methodology, including our comprehensiveness and documentation. TSA continually refines our cost-estimating methodology for airports participating in or applying to the SPP. We agree with GAO that reliable cost estimates are critical, and addressing current limitations can help better predict costs as well as allow us to make informed decisions about program participants.

Specifically, GAO recommended that TSA further revise our cost-estimating methodology to more fully conform to leading best practices; providing cost comparisons to Congress on a regular basis; and continually monitoring how contract values compare to our estimated costs and updating them as necessary. TSA concurs with all of these recommendations and has already taken steps to address them. Our Office of Finance and Administration is working to implement adjustments to our cost-estimating methodology based on GAO’s recommendations. My office will include the cost comparison information in our Semi-Annual Screening Partnership Program Report to Congress so that our oversight committees have visibility on our estimates and program figures. Finally, TSA will compare, on an annual basis, the actual expenditures for a given airport contract to TSA’s estimate for screening with Federal Transportation Security Officers.

#### CONCLUSION

My responsibility as the senior executive responsible for the SPP program is to focus on its security, effectiveness, and efficiency. I work to achieve transparency and engagement with industry so that our qualified private partners in the SPP program have access to information that helps them to achieve these same goals. I appreciate this committee’s interest in helping the program to be more successful.

Chairman Katko, thank you again for the opportunity to appear here today. I would be happy to answer any questions you may have.

Mr. KATKO. Thank you Ms. Dorgham for your testimony. We appreciate you taking the time to be here. I now recognize myself for 5 minutes for questions.

So, let’s get right at it. In 2009 and 2011 GAO did reports—am I correct on this matter? In both reports they noticed and they noted strongly that TSA’s cost estimates were not properly taking

into account, some other costs associated with having the screeners.

So until you have an appropriate cost estimate for both private screeners as well as the TSA screeners, you can't do a really good comparison because there are really two components. One is a cost estimate and one is a performance estimate. Those two have to be considered—they are intertwined.

So, with that as a background, does TSA have internal figures at their disposal that give a true cost estimate for the screeners that work for TSA?

Ms. DORGHAM. So, what I would like to clarify is that the TSA cost estimate that is being published as part of the RFP reflects TSA's actual costs for screening at that airport. It does not include long-term retirement benefits because those are not included in TSA's annual appropriation, so we would have to absorb that difference in cost—the 9 percent difference in cost that GAO outlined in their report by reducing funds somewhere else, in another security program for instance.

Which could be detrimental to security and it also would be creating a cost inefficiency because now we would be spending more on SPP screening at an airport than we would with TSA screeners.

So, this is the reason why it is not in the TSA cost estimate. From a cost comparison perspective, we don't see any challenge with putting—including the long-term retirement costs for cost comparison purposes.

Mr. KATKO. Okay. Now, I am not an accountant, but that is a cost attributed—there is a cost attributed with each employee that is a screener at TSA for retirement just like there is a cost estimate for people in the SPP program for the private entities—whether or not they have retirement and all that is part of their cost estimate.

So, how can we do an accurate cost comparison if you are not giving accurate figures? Now we are not telling you you have to shift funds or do whatever, we are just saying from a simple arithmetic standpoint—and I am not an accountant—but I, it seems pretty straight to me that you just tell—we have asked you since 2009 for the cost estimates associated per employee at TSA and you tell me that that 9 percent is the additional cost.

Correct? That is part of the cost for TSA screener?

Ms. DORGHAM. The 9 percent is their long-term retirement benefits—

Mr. KATKO. It is a cost?

Ms. DORGHAM. It is a cost—

Mr. KATKO. Okay, okay. So we have—so that is a cost, we have got that. Now, on top of that, is there other Federal agencies or other Federal entities that cause additional cost to be on top of what we have already talked about here?

So you have got the—published cost, plus the 9 percent for retirement cost. Is there more that other agencies incur in dealing with this program?

Ms. DORGHAM. No, sir. The 9 percent is the other Federal cost that other Federal agencies incur in long-term retirement benefits. The benefits that TSA provides its employees—it is Federal screen-

ers when they are on Federal payroll, we pass on to the vendors as part of the TSA cost estimate.

Mr. KATKO. Okay. Now, there is—they do—Ms. Grover you mentioned that there is an average savings of 11 percent for having the—for the private screeners, is that correct?

Ms. GROVER. Yes, sir.

Mr. KATKO. Does that include the 9 percent that we are talking about or—

Ms. GROVER. No, sir.

Mr. KATKO. No, okay. So is that on—if you—is that something you should add on to that 11 percent cost savings figure?

Ms. GROVER. Well, to be clear, our recommendation was that TSA should be sure to include all Federal costs for the purposes of the cost estimate comparison, as you were mentioning in your statement earlier.

Because it is critically important to understand an accurate apples-to-apples comparison of what it costs to provide screening services under the two scenarios.

But, for the purposes of procurement, that is an entirely different matter. TSA has a great deal of discretion under Federal acquisition regulations and setting the cap at TSA cost is certainly consistent with the FAR.

The other thing I would point out is that the fact that there have been multiple bids at that level and that most contracts have been carried out successfully, suggests that TSA is able to successfully compete contracts at the level of the TSA cap.

Mr. KATKO. So, is the only thing that is missing from the cost estimate this 9 percent retirement cost, or is there something else that is missing?

Ms. GROVER. It is retirement cost, it is liability insurance, and a little bit of forgone corporate tax revenues. But it adds up together to about 9 percent on average for the 13 airports that we looked at. So there could be some variation if you look more broadly at other airports.

But yes, that is about it.

Mr. KATKO. Okay, so. Okay. Alright. Well, I can keep going on this but I don't want to get too far over, so.

Miss Rice, you are up next.

Miss RICE. So it seems to me that the two main areas of concern when we are talking about screening and airport security are safety, right?

The quality of the screening process, and the cost to the American taxpayer to ensure that we have a quality screening process.

Would you both agree?

Ms. GROVER. Yes ma'am.

Ms. DORGHAM. Yes.

Miss RICE. I think that regardless of what side of the aisle you are on, there is no—you can't put a dollar amount on quality screening and safety in the aviation industry here in this country. Especially in light of what happened 2 weeks ago. Would you all agree?

Ms. DORGHAM. Yes.

Miss RICE. So is it accurate to say that those airports who have decided to go into the SPP and opt out and use private individuals,

right, that they are relying on the TSO's who have been trained through their employment with the TSA. Is that true?

Ms. DORGHAM. So, I can answer that question. TSA provides the training. TSA bears program cost, we provide the equipment and the standard operating procedures. The private-screener workforce works for a qualified private company.

So they are not TSA employees, but they are trained in the same manner.

Miss RICE. Right, so I guess my question is, the biggest disparity between the different—you know, the TSA doing the screening or airports opting to do it—opting out, right? Is a benefit cost, right? Wages, benefits cost?

Ms. DORGHAM. So approximately—based on our cost estimates, 76 to 85 percent of the overall TSA cost estimate is indirect wages and benefits and the like. Only—the remaining percentage is only for activities such as facility supplies and other costs.

Miss RICE. So the majority is the difference in wages.

Ms. DORGHAM. Correct.

Miss RICE. Okay. Would you both agree that there is a morale issue at TSA right now?

Ms. GROVER. The recent morale results for all of DHS are low, and TSA is low within DHS. Yes.

Miss RICE. So paying people less who are in a position where they are literally securing the safety of other human beings might not be a good morale booster, is that—

Ms. GROVER. If I could just clarify, the private contractors are required to pay their screeners with compensation and benefits that are not less than what the Federal screeners receive.

Miss RICE. So then just before, you said that there was a disparity in the benefits and the wages?

Ms. DORGHAM. So sometimes, it may appear as if there is a disparity because what we do or what we have historically done under ATSA, we establish wage rates for every screening category, and we pass that hourly wage rate, which is a composite of direct wage and fringe benefits, to the contractor or to the vendor.

Sometimes—as long as the vendor meets this composite number, we are—we are good with that. We consider them compliant. So one vendor may give their employees more direct pay than fringe benefits or vice versa.

So it may appear as if their benefits or their wages are being cut when, in reality, they are still receiving the same hourly wages. It is just a different distribution between direct pay and benefits.

There is a second scenario where we—it may have the appearance as if the vendor is not passing on those benefits, is if the vendor, even though they are paying the same costs that the Federal Government incurs for a specific package, is not able to secure the same benefits. But this is how it appears as if they are not receiving the same wages.

Miss RICE. Okay. Now the contract to the vendor in Montana was terminated apparently due to staffing issues. Is that correct, where the TSOs declined to stay on with a private vendor in Montana. Is that—

Ms. DORGHAM. The vendor in Montana was terminated because of their inability to conduct the screening of passengers and bag-

gage as outlined under the terms and conditions of their contract, not necessarily just the staffing aspect.

Miss RICE. Okay.

Ms. DORGHAM. The staffing issue just compounded the problem.

Miss RICE. So is there any—has there been a study done to see what the differences in terms of airport, actual airport security between these two different operations?

Ms. GROVER. In 2012, GAO issued a report where we did a review of the performance at SPP airports and airports with Federal screeners, and in general, we found that the performance was about the same.

In some areas, the Federal screeners did better, on some other different TSA tests, the SPP screeners did better. But it wasn't any significant overwhelming difference in one direction or another, so I would say for security effectiveness, performance seems to be about the same.

Miss RICE. TSA obviously in both scenarios oversees—

Ms. DORGHAM. Correct.

Miss RICE [continuing]. The implementation. I yield back. Thank you.

Mr. KATKO. Thank you. The Chair now recognizes Mr. Rogers for 5 minutes of questioning.

Mr. ROGERS. Thank you, Mr. Chairman. I agree with Miss Rice. We want to make sure that we have safe and secure passenger screening.

So it is obvious from the testimony we have had that there is no discernible difference in the quality of screening. We have—the private contractors have to pay at least as much as the Government contractors.

So Ms. Dorgham, why do you continue to drag your feet on getting accurate cost estimates when this has been brought to your attention in 2009 and again since then and not provide the documentation that GAO says that you should provide?

Ms. DORGHAM. So the good news is since 2012, with the passage of the FAA Modernization and Reform Act, we have made significant progress in improving our cost-estimating methodology. We have concurred with GAO's recommendations and we will on an annual basis start comparing the cost of Federal screening to the cost of private screening and provide those numbers in our semi-annual report to oversight committees so that lawmakers can get a better understanding of the cost.

Mr. ROGERS. I don't understand—this is not rocket science. They told you in 2009 what was deficient about your cost estimate analysis and processes. Why couldn't you provide it before 2010, much less here we are in 2015? I don't understand.

Ms. Grover just outlined the areas that were deficient. You said you agreed with them. Why does it take this long? Why hasn't it been done already? Do you not want the information to be out there?

Ms. DORGHAM. No, sir. We do have the information, we just didn't have a process for the comparison—

Mr. ROGERS. You didn't realize that benefits had to be calculated into it?

Ms. DORGHAM. Well, we will comply with the recommendations and we—I believe there was a misunderstanding in that the original requests were to include those benefits that TSA does not get as part of the appropriation in our actual estimate that we pass on and use as the ceiling contract. But there is no issue at all with using those for comparison purposes.

Mr. ROGERS. I think any reasonable person knows in order to get an accurate cost comparison, you have to factor in those costs.

Ms. Grover, in the 2009 study, did y'all make the suggestion that those benefits had to be included in the cost estimate analysis?

Ms. GROVER. Yes, sir.

Mr. ROGERS. Did y'all also recommend at that time that this needed to be a continued review to be able to get a long-term comparison?

Ms. GROVER. No, sir. We didn't.

Mr. ROGERS. So that is a new recommendation.

Ms. GROVER. Yes, sir. That is new and it is particularly important given the new information about the discrepancies between the TSA estimated costs and the award values, because it is through the on-going updates of TSA's estimated costs that they will be able to determine whether there are differences in costs over the long term.

Mr. ROGERS. Good. Ms. Dorgham, you already testified you intend to comply. You agree with these recommendations and you intend to comply.

Ms. DORGHAM. We agree, sir. Yes.

Mr. ROGERS. So when will you be able to implement these new methodologies so that we will have the more accurate information?

Ms. DORGHAM. We have already started making the changes to the cost methodology that we currently—that was under review by GAO. We will provide in our next semi-annual report, mid-2016, the first cost comparison information to Congress.

There are multiple contracts that expire at different times, so by providing 2 reports a year, you will be able to see the cost comparisons on all contracts, regardless of when they expire.

Mr. ROGERS. Ms. Grover, is that the earliest that that should be expected?

Ms. GROVER. I think that sounds like a reasonable time frame, sir.

Mr. ROGERS. Ms. Dorgham, do you have a bias against SPP programs?

Ms. DORGHAM. I do not, sir.

Mr. ROGERS. Thank you. I yield back.

Mr. KATKO. Thank you. The Chair now recognizes Mr. Mica for 5 minutes of questioning.

Mr. MICA. Well, thank you, Mr. Chairman and Ranking Member.

I think the Ranking Member, when she started, said there are two things that we want to determine here: One is performance. We have got to make certain the we have got the best performing screening process and security process out there. Then second, cost. That is what this is about.

Unfortunately, TSA has done everything they can to thwart the private screening. Let's go back to performance. In 2012, you just

said that, basically, looking at the two performance—and they were basically about equal, isn't that correct, in performance?

Ms. GROVER. Yes, sir, that is what we found.

Mr. MICA. We found that, too—now, let me say that at the end of when I was involved in setting this up, and we finished the—you testified about the finishing—after we had set up five airports with private screening under Federal supervision—it was San Francisco, Rochester, Tupelo, Kansas City, and the smallest one was Jackson Hole, Wyoming—which, actually, the airport does its own screening.

We tested them after having them in operation—that was at the end of that period. The report I got back, which was a Classified report at the time, said that private screening under Federal supervision performed statistically significantly better. Okay?

I assumed that from the beginning. I have sat in on numerous Classified reports. We have seen some leaks about performance. In 2007, we had 30,000 screeners, and the leak was 75 percent failure rate. That is anecdotal from the press.

Just recently, we saw, with 46,000 screeners, reported in the press, a failure rate of 95 percent. Some of you may have read that. So we have 46,000 screeners versus 30,000, and we have actually gotten worse in performance, which has been leaked.

Okay. Now have you—were you involved in the Sanford request for privatization—Orlando Sanford airport, ma'am?

Ms. DORGHAM. I was not, sir.

Mr. MICA. You were not. I would love to have as a witness the former director who requested in 2010 for private screening. TSA sent their goons down and intimidated this airport director—and they have done that around the country—to force—to keep them from applying. He told me the pressure that was exerted.

That is why I went back in 2012 and we changed the rules for this. From 2012, when we passed the law at the end of the FAA bill, to 2014, how many private applications did you approve?

Ms. DORGHAM. Seven.

Mr. MICA. No. You approved none—2012 to just the beginning of—the end of 2013.

Ms. DORGHAM. So—

Mr. MICA. There were none. I had you in the office—it took you 2 years to come up with this—you dragged your feet in the evaluation process and coming up with the terms. I can tell you, you had none.

I threw you—I threw TSA out of the office when they told me that, and I will be glad to document that.

The whole point is, here, is we have limited resources, and every study we have had—y'all—we just had—I have TSA oversight on my Transportation Subcommittee assignment. We just had a hearing at the full committee level, and the IG GAO came in and said almost every area, TSA is failing. Every area. Every layer. That is what they testified to us.

They built a huge bureaucracy—do you still have 4,000 people around Washington, DC, making, on average, \$103,000 apiece?

Ms. DORGHAM. I don't have that information.

Mr. MICA. Yes, I am telling you it is close to that, unless you moved some people into other agencies to try to camouflage the fig-

ure. They have close to 15,000 administrative personnel in TSA. Did you know that?

What I am talking about is getting the resources directed to where they should be: Private screening can be done. Didn't you just testify that it can be done anywhere from 2 to 19 percent cheaper? Ms. Grover? What was the—just tell us the figures for the record one more time.

Ms. GROVER. Yes, 11 percent difference on average—

Mr. MICA [continuing] On average.

Ms. GROVER [continuing]. At the time of award.

Mr. MICA. Yes.

Ms. GROVER. So the question is still open about whether that will actually play out over the 5 years.

Mr. MICA. It is not done at any cheaper wages or benefits. That is all baloney, okay? Because we require that. We require the standards. I have—we have looked at the airports and their performance. You should see the report we did on San Francisco, which is private, and Los Angeles.

In recruitment, in training, in management, and every category, it costs more, and TSA did an inept job at it. To support the thousands you have got here in Washington and across the country, and supporting this huge personnel bureaucracy, is not directing the resources towards what we need to do—is go after people who pose a risk.

So we are one of a few countries in the world—on the Western Hemisphere—or in the Western world—not just hemisphere, Western world—that employs an all-Federal operation, where you do everything and none of it is done well.

So my point here today is, making SPP work—it can work. We can use our resources and put them—right now, it should be intelligence, intelligence, intelligence. Connecting the dots, connecting the dots. TSA has failed almost every time in connecting the dots, and homeland security reports have verified that.

Thank you, Mr. Chairman. I am ready for a second round when you are.

Mr. KATKO. Thank you, Mr. Mica. Yes, I think—I know we have votes coming up, but let's try and just honor a couple minutes per questioning for this round—maybe 2 or 3 minutes—and then we will go from there.

I have a couple follow-up questions. First of all, Ms. Grover, when a—in your reports, do you find that there was a problem with the bid—the way the private contractors' bids were being treated for the starting rates for their people that they were going to employ? It seemed to be some disparity between that and what is going on with TSA and how they pay their employees.

Ms. GROVER. No, sir. No—necessarily—problem with that. Just a note that TSA is moving towards a wage requirement change, where, in the future, there would be a comparison between the wage that would be calculated under the ATSA wage rate, compared to the services contract wage rate, and then the contractor would be required to pay whichever is higher.

Mr. KATKO. In doing your evaluation, did you do anything—did you encounter any issues with respect to the ability of employees

at TSA versus SPP employees to have flexibility and make modifications and then whether you were doing their business?

I mean, who was more—was there one that was better at doing that than the other—at maybe making modifications to how employees are handled, or modifications to security procedures? If so, which one was seen to be more efficient?

Ms. GROVER. You know, the approach to security procedure should be exactly the same, because the SPP screeners are required to follow the TSA's SOPs, use the same equipment, and so on. The reason airports select SPP is because they often believe that they have prospects for better customer service.

So we don't know very much about that. TSA has a test that they use, called PACE, which looks at some aspects of customer service, but I don't believe that there is a record of complaints for SPP airports versus Federal airports that would really illuminate that.

Mr. KATKO. Now, if I understand the testimony correctly from both of you, there is not a discernible difference, really, in the performance of the SPP screeners versus the TSA screeners. Is that basically correct?

Ms. GROVER. That is correct.

Mr. KATKO. Okay. Now—and if that is the case, and we are in this era of trying to save as much money as we can for the Government, and trying to make Government agencies as efficient as possible, do you—either one of you have an opinion based on the cost estimates, which one is—would be more cost efficient to use?

Ms. DORGHAM—Ms. Grover, you can go first, please.

Ms. GROVER. Well, in our report, we noted that, with an 11 percent difference at the time of contract award, that it certainly raises questions about whether screening can be operated at less expense with private screeners.

But that question has not been answered yet because it would have to be monitored over the life of the contract.

Mr. KATKO. Okay. Ms. DORGHAM.

Ms. DORGHAM. I agree with Ms. Grover's assessment. We would have to wait for the life cycle of the contract to be over and compare every year the—both the Federal and the private screening cost to be able to come to a definite conclusion.

Because if we look at the sample under study, it was 13 airports out of the 21 that we currently have. So that is only 8.7 percent of the SPP airports, and it is 0.4 or 0.5 percent of the overall TSA volume that we process.

So it is, statistically, a small sample. But it would help if we allow the life cycle of the contract to conclude before we make any other conclusions. So I am hesitant to say it is more cost-efficient just because of the sample size.

Mr. KATKO. So how long do you think it would take to get for the life of the contract? How long are these contracts?

Ms. DORGHAM. So, it is a 1-year base contract, and 4 option years. Most of our contracts were awarded either last year or the year before, so we would be looking at 4 years.

Mr. KATKO. Is that accurate, Ms. Grover?

Ms. GROVER. Well, with every year, you will have additional information.

Mr. KATKO. Correct. Correct. I am not sure we have to wait 5 years for that, but we do need a base sample, and we can't get the base sample until we get the actual cost—correct cost figures from TSA as to what the costs are for a TSA screener versus an SPP screener.

Is that right?

Ms. GROVER. Well, I would look at it a little differently. I would look at it as two separate issues, because, on the one hand, you want to have an understanding of the cost comparison, but you already have what you need to begin looking at—because, look, the contractors are bidding, actively bidding, on these contracts with the cap at TSA's costs.

So that is a live concern already, and you already have what you need to begin monitoring that right now.

Mr. KATKO. Okay. Thank you. The Chair now recognizes Miss Rice for questioning.

Miss RICE. But are you comparing apples to apples in that scenario because it doesn't seem like you are?

Ms. GROVER. So the contractors—so, right. It is a question of what are the contractors willing to accept to do that work. Then, you are right, if you wanted to understand what would be the total cost to the Federal Government at those airports, then you would need to have the total cost.

Yes, ma'am, that is correct.

Miss RICE. So we shouldn't sit here and act like these are accurate apples-to-apples, oranges-to-oranges comparisons because that really hinders us from getting to the heart of the issue, in my opinion.

I would just like to talk about—comment on what Mr. Mica was talking about in terms of, there needs to be a focus now on intelligence. He said it three times—intelligence, intelligence, intelligence.

I couldn't agree more. I think there was wide-spread agreement across the aisle post-9/11 that we wanted the Federal Government to be responsible for screening at our airports given the tragedies of 9/11.

Unfortunately, for the TSA they were never empowered appropriately, so they are not for instance seen as a law enforcement agency and are not privy to a lot of the intelligence that other law enforcement agencies within the Federal Government are.

So I think that if you want to talk about privatization, that is a great conversation to have. But I think that we should look at the way that we have hamstrung the TSA from the very beginning from its very inception, and really never allowed it to do what we needed it to do, which is all the explanation you need as to why the morale is so poor.

So I just need to have—stop politicizing this and say it is either, you know, too much Government we have gotta privatized this. The Federal Government, you know, if everything has been happening over the last 2 weeks in the world is any indication, we have to put more resources and a higher premium on security of the homeland.

You know, talking about these numbers when you are not talking apples-to-apples comparisons as a justification for privatization

is not really a conversation that, you know, is appropriate. That is all. I yield back.

Mr. KATKO. Thank you. Mr. Mica, you are recognized for a few more moments of questioning, if you so choose.

Mr. MICA. Thank you, Mr. Chairman.

First, if you could—this is 2013 July 1. The headline says “Mica: TSA ‘Cooked the Books’ To Inflate Screening Costs”—if you could put this article in the record, I think it would be appropriate at this juncture.

Mr. KATKO. Without objection, so ordered.

[The information follows:]

ARTICLE SUBMITTED FOR THE RECORD BY HON. MICA

MICA: TSA “COOKED THE BOOKS” TO INFLATE SCREENING COSTS

*The Hill*, <http://thehill.com/blogs/floor-action/house/308775-mica-tsa-cooked-the-books-to-inflate-screening-costs>.

*By Ramsey Cox, July 01, 2013, 07:02 p.m.*

Mica’s comments were a response to a report Monday from the Department of Homeland Security’s inspector general that Mica said showed that the TSA’s cost analysis for the Screening Partnership Program (SPP) is “flawed.”

Mica said the TSA incorrectly inflated the cost of private screening operations, by more than \$420,000 in one case.

“This is outrageous,” Mica said. “In this case, TSA’s blatant disregard for private-federal screening has unfairly resulted in a 7 percent increase in the cost of private screening operations compared to federal screening.”

Mica said the security agency has also “wasted” taxpayer dollars by over hiring. It has 66,000 employees, including 15,000 administrators and 51,000 screeners.

“This excessive TSA staffing at airports participating in the SPP has resulted in duplicative costs that have still not been factored into estimates,” Mica said. “It is unacceptable that taxpayer funds are wasted on such unnecessary duplication of efforts.”

Mica, who serves on the House Transportation and Infrastructure Committee, said he would continue to try and rein in the “out-of-control agency” by attaining a true cost differential between the all-federal and private-federal screening models.

Mr. MICA. Okay. Again this just goes on and on about playing with these figures, but unfortunately, it requires a huge number of personnel to operate TSA with an all Federal force.

Thousands in Washington, tens of—10,000 out in the field. What I would like to do is get TSA out of that business.

The private sector can screen and they do it well. They perform even better, I am absolutely convinced on the covert screening that I have seen and the reports I have had back. So it costs less.

The other thing, too, is redirecting our resources. You have got thousands of people here in Washington, right ma’am?

You have thousands of people here, we have got the reports. You could—you can agree with me.

Ms. DORGHAM. So I don’t have the exact number, I apologize—

Mr. MICA. How many are in your program? In the private program?

Ms. DORGHAM. Fourteen people including myself.

Mr. MICA. Fourteen people. That is a huge bureaucracy, but you see how few it takes to operate that?

Even dragging your feet. Now, again, what I would like to do is redirect those personnel and those dollars, connecting the dots. TSA needs to be in the security business and Government responsibility.

We are going to lose this effort if we continue to put the money into a huge bureaucracy.

You still will screen under—Federal Government conduct the audits, that the rules the regulations like you do.

Isn't that what you think you do now, you set everything, right, for the private screeners?

Ms. DORGHAM. So we—the goal of the—

Mr. MICA. You set the standards, right?

Ms. DORGHAM. We do set the standards

Mr. MICA. The benefits and the pay and everything else as set at one level. Isn't that right, Ms. Grover?

Ms. GROVER. Yes, sir, TSA.

Mr. MICA. It is. No one is trying to do anything less, but what you do is, you get rid of the bureaucracy. At Rochester how—which is a private airport under Federal supervision—how many personnel, TSA people do you have there?

I can tell you, at one time you had 18. Many of them making between \$80,000 and \$100,000 to pack the books because you had a private-screening operation.

I went to Canada and saw they had one Federal TSA equivalent, an oversight position, which we should have at the airport. But you pack the books, you pad the costs.

You have 80 at San Francisco. Some are needed on international work and other work, which could also be assigned to private screeners while you get in the security business. Finding out who the hell poses a risk.

You don't even have your watch list and your other things so that we can identify people totally coordinated.

Are you aware of that ma'am? I mean, you probably are, you do run the SPP program.

Ms. DORGHAM. So what I—

Mr. MICA. That is where the sources need to be or they will get us. You need to be vetting your personnel. We have got report after report, the ones that were just released, they are not vetting their people. They hired people in my district that my sheriff fired and they were hired as TSA people, and my sheriff was appalled at what they were doing. Hiring people that shouldn't be working at an airport.

Vetting airport workers. We are going to see what happened in MetroJet, if that was an inside job. We have to—the people who are working at our airports need to be closely vetted. That is a Government responsibility.

But you need to get out of this Mickey Mouse business, let someone else do the screening, set the standards, conduct the audits, and then get in to the Government security business and connect the dots.

I am sorry, you are probably doing the best you can with the position you have. I don't mean to pick on you.

Thank you for your report and the update of their cooking the books. This goes on and on and on, a year from now, 4 years from now, but nobody wants to change it.

Thank you, I yield back Mr. Chairman.

Mr. KATKO. Well, I think that there is a desire to change it and that is why we are having his hearing today, and we are going to

be having a follow-up hearing in January with some other people to come testify before the committee. Those being, namely some from the private sector as well.

Is there anybody else? Any union representatives as well. So we can hear from their side of the story, too.

But as I understand it now, we are really not too far apart from getting what we need for points of comparison. That being the—you know—the accurate cost estimates and we are going to have those within 6 months when your next report is issued, correct?

Ms. DORGHAM. That is correct.

Mr. KATKO. Okay. Then we are going to have at least within a year at the latest, a pretty darn good idea of a 1-year cycle on a contract of comparisons as well. So we are going to be able to really use that time to really do our homework.

I asked Ms. Grover to do that, and Ms. Dorgham, as well. You are not on opposite sides of the fence, perhaps you can work together on this, and, you know, give an accurate think. Because what we basically want to is have TSA be the best it can be whatever iteration that is.

We can't do it unless we have the accurate comparisons we need to do that. I—so I appreciate that, and I am not going to tolerate any more delays in getting the accurate cost estimates. So, yes.

Now, Ms. Jackson Lee came in.

We only get—they called votes, so we are going to have about 5 minutes, but we can recognize you for 5 minutes of testimony, if that is okay ma'am?

Ms. JACKSON LEE. I will give it a try—I am so sorry to be—

Mr. KATKO. Well, I know that you are a very hard worker, so I have no problem with that.

Ms. JACKSON LEE. Thank you, Mr. Chairman. I thank the Ranking Member as well. Let me say that I will try to be pointed on the issue. I think this is an important issue, Mr. Chairman.

But as you well know, we have experienced enormous tragedy in Paris, France and part of the discussion, though, it was not train-related is the idea of screening, whether it is dealing with borders, dealing with transportation facilities.

So I am—just want to raise a question of concern, Mr. Chairman, that may have been in another hearing, but I think it is timely, and let me thank the witnesses for your presence here.

I think it is timely with respect to the employees of airports, which I understand, even now, I have chaired this committee before that there is a different process. There was not screening, there was badging. I would like to know, have we moved to the system of having the employees to be able to go through screening? Or are they able to enter an airport by way of the apron tarmac ID being shown, and just immediately being able to go on the tarmac and enter from the backside, which I call the apron of the airport?

Ms. DORGHAM. So I am not completely certain as to what we are doing in that regard from an SPP contractual perspective, all private screeners have to be vetted just like their Federal counterparts. They go through watch list matching and criminal background histories.

We also conduct recurrent screening for them. Additionally, they are supposed to notify TSA immediately if there are any summons to court, or if there are any arrests, or any misconduct allegation and for the most part—the vendors have been very good at keeping us informed in that regard. So, they are vetted exactly like the Federal employees are vetted at the airport.

Ms. JACKSON LEE. But they are still vetted separately in a different process or under a different operation than those at the airports. That correct?

Ms. DORGHAM. I—

Ms. JACKSON LEE. Even though you say they are the same, but they are still under a different process, meaning they screen somewhere else. Use—

Ms. DORGHAM. I am not familiar with the airport's vetting process. From a TSA perspective, any contractor that is under contract, any employee under contract with TSA receives the same vetting as the Federal employees at that airport.

Ms. JACKSON LEE. So, at that airport, they go through the same exact screening?

Ms. DORGHAM. Correct.

Ms. JACKSON LEE. Okay. Am I able to get from, I think, Ms. Grover, an answer to my question about the knowledge of what you do with the individual worker that is coming through TSA screening?

Are all workers screened regardless of where they might be posted in the airport, or is there a limitation?

I am sensing that they are not all screened, so if I am working on the backside—the apron of the airport, am I just showing an ID and going through?

Now, I realize that you make the point that anyone working at the airport is already vetted, and I raise this question on two points. I raise this question clearly in the backdrop of Paris. Again, I make it very clear that I know these were not transit-related. These were large-venue-related, these were people-related, this was a heinous tragedy.

But since we know that the mode of—transportation modes are still the most attractive form of potential terrorism, as my time runs out, do we have an understanding of what happens on the backside of the airport?

Then let me just refer you to a situation in Atlanta, where there was gun trafficking, and that is because workers were able to come on with a badge and not go through TSA screening. Can you comment on that, please?

Ms. DORGHAM. So, ma'am, the—

Ms. JACKSON LEE. No, I am asking—is this—I am asking the wrong person—Ms. Grover, I am asking you.

Ms. GROVER. Yes, ma'am.

Ms. JACKSON LEE. Thank you.

Ms. GROVER. I do not believe that all airport workers are screened at all checkpoints. I do know that TSA is making changes this year to reduce the number of employee access points, and to increase the frequency of random screening. But with respect to your specific question about employees working in the back parts of the airport—

Ms. JACKSON LEE. Right.

Ms. GROVER. They would have limited access to certain areas of the airport, and they wouldn't be able to access other areas without getting specific permission or being escorted.

But beyond that, I would have to go back and do some additional research for you.

Ms. JACKSON LEE. No—okay, now, the Chairman has been kind, let me finish on this and pursue this later, Mr. Chairman. What I am saying that they can access the backside. I am not—I shouldn't say I am not interested, but I am not directing my questions to the point of whether or not they can be on the backside and then get to a lunch counter somewhere.

I am interested in whether they are on the backside with just showing their ID and coming on, because if they are just showing their ID, they could have anything on their person that could be a dangerous contributor to terrorism on the backside of the airplane—I am sorry, the airport, which is where airplanes are.

Mr. KATKO. If I may add to that, we have had substantial hearings on this very issue of employee access controls, and it was the genesis of the Employee Access Control Act that passed the House and is now sitting in the Senate, hopefully going to pick up steam after what happened in Paris.

But the fact remains—it is an absolute fact that employees get much less screening at airports than travelers do, and it is an absolute fact that the vast majority of times, employees—once they get inside with a badge—have access to secure areas of airports without additional screening. That is just a fact.

Ms. JACKSON LEE. I will end on that note. Did you have any response?

Ms. DORGHAM. I would be happy to go back and get you that information, but I do not have anything to add to the conversation, because I am not really clear on what is being done in that regard. Employee vetting is not under my purview, but I would be happy to get back with an answer.

Ms. JACKSON LEE. Thank you. Ms. Grover, GAO.

Ms. GROVER. No, ma'am. Nothing to add, thank you.

Ms. JACKSON LEE. Okay. Mr. Chairman, I want to thank you, and I would just make the point that the bill is making its way through the Congress. I think we have a new sensitivity and cause for urgency in light of what we are seeing and the creativity of a new form of terrorism.

I say that it is scattered, it is unpredictable, which is what terrorism is, but it causes us to push on every aspect of security.

I thank you for allowing me to sit on this.

Mr. KATKO. Well, I thank you for your hard work on Homeland Security Committee. There is no doubt that you work hard and you care. I couldn't possibly agree with you more. We are in a different State.

As we are sitting here today, during this hearing, I just got word of another—vehicle laden with bombs found outside a soccer stadium in Germany 2 hours before the match.

So the terror continues, the terror is increasing, and it is clear that we have to step up our game, and I agree with you about the Employee Access Bill, not just because I wrote it, but because it

is—we have to plug that security gap. We have to continue to be vigilant.

Homeland security is at the forefront of fighting the war on terror, and whether we like it or not, we don't have the luxury of time, and we need to move.

Ms. JACKSON LEE. Well, I am glad to have a fellow traveler, and this is a great committee, and I also want to say to the witnesses, we look forward to working with the administration. I know they are dedicated and committed to protecting the American people.

Mr. Chairman, I yield back.

Mr. KATKO. Thank you, and I want to thank the witnesses. It is not always pleasant having to testify and take the fire for your agency, but, you know, that comes with the territory, and you know that when you sign up. I have been on that end as a prosecutor many a time, and I am on that end sometimes here.

But, it doesn't mean that we are in any way diminishing the good work you do for your country, and we know you have the best intentions at heart, so we thank you for your testimony.

I want to thank both witnesses for their testimony, and Members of for their questions. The Members of the committee may have some additional questions for the witnesses, and we will ask you to respond to these in writing.

Persuant to committee rule VII(E), the hearing will be open for 10 days. I will say, I hope that we can all get the information we need in the next 6 months. We can put this issue to rest, and to make an educated decision on which way to go, if at all.

If there is anything else you would like to offer, please do so in writing. We are going to have some additional questions for you that we are going to submit to both of you.

Want to ask that you respond in a timely manner. Without objection, the subcommittee stands adjourned. Thank you both very much.

[Whereupon, at 3:14 p.m., the subcommittee was adjourned.]

## APPENDIX

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### QUESTIONS FROM RANKING MEMBER BENNIE G. THOMPSON FOR JENNIFER GROVER

*Question 1.* Do we know whether TSA actually pays contractors less than the amount that it would cost TSA to provide screening at an airport?

Answer. The Transportation Security Administration (TSA) does not collect information that would allow it to determine if it is actually paying contractors less than the amount that it would cost TSA to provide screening services at an airport throughout the life of the contract and its option years. As noted in our November 2015 report, 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.<sup>1</sup> 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. Over the contract period, the value of the contract may increase or decrease due to 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. Continually monitoring how contract values compare to TSA's estimated costs, and ensuring the cost estimates are updated to correspond to major changes in the program or contract, would provide TSA with more accurate information about the relative costs of operating airports with Federal and private screeners.

*Question 2.* What are the strengths and limitations of TSA's method for estimating its screening costs at an airport?

Answer. Based on an analysis of TSA's 2013 cost-estimating practices and methodology compared to best practices, our November 2015 report concluded that TSA's cost estimates have some strengths, but also have limitations in 4 general characteristics needed to reflect a high-quality and reliable cost estimate.<sup>2</sup> 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 4 characteristics of a high-quality cost estimate (comprehensive, well-documented, accurate, and credible) 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. 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. A methodology that is more closely aligned with best practices for cost estimation can provide more reliable information.

*Question 3.* What's known about the relative performance of SPP and Federal screeners?

Answer. In our December 2012 report, we analyzed screener performance data for 4 measures and found that while there were differences in performance between screeners at Screening Partnership Program (SPP) and non-SPP airports, those differences could not be exclusively attributed to the use of either Federal or private screeners.<sup>3</sup> We selected these measures primarily based on our review of previous

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<sup>1</sup>GAO, *Screening Partnership Program: TSA Can Benefit from Improved Cost Estimates*, GAO-16-19 (Washington, DC: Nov. 16, 2015).

<sup>2</sup>GAO-16-19.

<sup>3</sup>GAO, *Screening Partnership Program: TSA Should Issue More Guidance to Airports and Monitor Private Versus Federal Screener Performance*, GAO-13-208 (Washington, DC: Dec. 6, 2012). The measures we selected to compare screener performance at SPP and non-SPP airports

Continued

studies that compared screener performance of SPP and non-SPP airports as well as on our interviews with aviation security subject-matter experts, including TSA's Federal Security Directors, SPP contractors, and airport and aviation industry stakeholders. We also selected performance measures for which TSA has, for the most part, consistently and systematically collected data from fiscal year 2009. On the basis of our analyses, we found that, generally, certain SPP airports performed slightly above the airport category and National averages for some measures, while others performed slightly below. For example, screeners at SPP airports performed above their respective airport category averages for recertification pass rates in the majority of instances, while the majority of SPP airports at which PACE evaluations occurred in 2011 performed below their airport category averages on their PACE evaluations.

*Question 4.* Several years ago, GAO recommended that TSA provide guidance to airport operators about applying to the SPP. Has TSA done that?

Answer. TSA has provided guidance as well as examples of the type of information TSA finds useful through its updated website. In December 2012, we found that TSA had developed some resources to assist applicants; however, it had not provided guidance on its application and approval process to assist airports with applying to the program.<sup>4</sup> We then recommended that TSA develop guidance that clearly: (1) States the criteria and process that TSA is using to assess whether participation in the SPP would compromise security or detrimentally affect the cost-efficiency or the effectiveness of the screening of passengers or property at the airport; (2) states how TSA will obtain and analyze cost information regarding screening cost-efficiency and effectiveness and the implications of not responding to the related application questions; and (3) provides specific examples of additional information airports should consider providing to TSA to help assess an airport's suitability for SPP. TSA updated its SPP website in December 2012 by providing: (1) General guidance to assist airports with completing the SPP application and (2) a description of the criteria and process the agency will use to assess airports' applications to participate in the SPP. While the guidance states that TSA has no specific expectations of the information an airport could provide that may be pertinent to its application, it provides some examples of information TSA has found useful and that airports could consider providing to TSA to help assess their suitability for the program. Further, the guidance, in combination with the description of the SPP application evaluation process, outlines how TSA will analyze and use cost information regarding screening cost efficiency and effectiveness. Airports are also informed in the guidance that providing cost information is optional and will not affect the application decision. The actions the agency has taken in response to this recommendation fully address the intent of the recommendation.

*Question 5.* What are the strengths and limitations of TSA's method for estimating its screening costs at an airport?

Answer. Please see the response to question 2.

*Question 6a.* Ms. Grover, during your investigation, did you have a chance to evaluate the Montana West Airports?

Answer. As part of our November 2015 report, we reviewed TSA's cost estimates and contracts from each of the 4 Western Montana airports.<sup>5</sup> We also conducted on-site interviews with TSA officials, airport executives, and contractor officials at 3 of the 4 airports.<sup>6</sup>

*Question 6b.* Is it true that the vendors who obtain these Screening Partnership Program contracts actually rely on specific percentages of TSOs remaining to work for the contractor?

Answer. When vendors are awarded SPP contracts, they are required to first offer positions to qualified TSA-employed screeners—i.e., Transportation Screening Officers (TSO)—at the airport. According to contractor officials we interviewed, there is an expectation that they will retain some of the TSOs.

*Question 6c.* As you are likely aware, the contract to the vendor in Montana, CSSI/Firstline, was terminated due to staffing issues. Are you aware of any particular reasons that the TSOs declined to stay on with the private vendor in Montana?

were TIP detection rates, recertification pass rates, Aviation Security Assessment Program (ASAP) test results, and Presence, Advise, Communicate, and Execute (PACE) evaluation results.

<sup>4</sup>GAO-13-208.

<sup>5</sup>GAO-16-19.

<sup>6</sup>We interviewed officials at Glacier Park International, Bozeman Yellowstone International, and West Yellowstone airports.

Answer. As noted in our 2015 report, according to TSA officials, the contractor at the 4 Western Montana airports experienced a low acceptance rate to its offer of employment to existing TSA screeners.<sup>7</sup> During the transition period, TSA offered its screeners at these airports the ability to transfer to a non-SPP airport and a \$10,000 fixed relocation payment to facilitate the transfer. While TSA and the contractor initially anticipated 90 percent of the TSA screeners at the airports to accept employment offered by the contractor at the transitioning airport, only 50 percent did so. Contractor officials stated that they were unaware of the full extent of transfer opportunities and relocation payments available to the Federal screeners and attributed the lower acceptance of offers to TSA's transfer option. As a result, the contractor had to hire additional employees during the transition period which delayed the completion of other necessary tasks. TSA provided personnel to assist the contractor during the transition period to ensure screening operations continued during the transition period. The contractor providing screening services at the Western Montana airports told us that it experienced a delay in obtaining the names and other human resource information—such as background check information—from TSA on the screeners that planned to accept its offer of employment. The contractor stated that this delay affected the contractor's ability to hire and train additional employees needed to provide screening services at the airport.

*Question 6d.* Do we know whether TSA actually pays contractors less than the amount that it would cost TSA to provide screening at an airport?

Answer. Please see the response to question 1.

*Question 7a.* Ms. Grover, according to the GAO report, TSA's cost estimates are, on average, 91 percent of the total Federal costs. Although it is not 100 percent:

What is the composition of the percentage to the Federal Government that is not associated with the sole costs to TSA?

Answer. As stated in our November 2015 report, 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. Other Federal costs are, on average, 9 percent of the total Federal costs.<sup>8</sup> The composition of the estimated 9 percent at the 13 airports is: Retirement Benefits, Pensions, and Insurance, 93 percent; General Liability Insurance, 6.7 percent; Corporate Tax Adjustments, .3 percent.

*Question 7b.* Do you think the unmentioned 9 percent would alter the cost estimates TSA uses for the procurement process?

Answer. If TSA were to include the estimates of non-TSA costs in the cost-efficiency number it uses in the procurement process and evaluate only those proposals that are less than or equal to the Federal Government's total estimated costs (as opposed to only TSA's costs), the amount that contractors could propose would increase up to the amount of the non-TSA costs.

*Question 8.* Ms. Grover, as I understand it, the cost estimates that TSA uses are simply a snapshot in time at the beginning of procurement, when the life of these contracts is usually 5 years.

Because of this, are we truly able to do an apples-to-apples comparison on costs, given that there are numerous factors that could increase the amount of these contracts within that 5-year span?

Answer. Please see the response to question 1.

#### QUESTIONS FROM RANKING MEMBER BENNIE G. THOMPSON FOR CAROLYN DORGHAM

*Question 1a.* Ms. Dorgham, in your testimony you stated that TSA concurs with all of the recommendations offered by GAO and has taken steps to address them.

Could you please detail what steps TSA has taken specifically?

*Question 1b.* Please provide a time line for which the recommendations will be completed.

Answer. The Government Accountability Office (GAO) provided a total of 3 recommendations; the Transportation Security Administration (TSA) is taking the following steps to address the recommendations:

*Recommendation 1.*—Ensure that the 2013 cost estimate 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 Actions.*—Additional documentation on the source of some data as well as its reliability and how it is normalized will be included in the methodology and individual estimate documentation as necessary. A sensitivity analysis and the risk and uncertainty analysis will now be created for each estimate used for the TSA Cost Estimate (TCE) and cost comparison. Lastly, GAO stated that imputed costs must

<sup>7</sup> GAO-16-19.

<sup>8</sup> GAO-16-19.

be included for cost comparisons in order for them to be fully comprehensive, and this will be included in all cost comparisons. Estimated completion date is March 2016.

*Recommendation 2.*—Provide cost comparisons that conform to leading cost estimating best practices to Congress on a regular basis.

*TSA Actions.*—As GAO has recommended recalculating the TCE annually for all SPP airports, TSA will provide the imputed cost comparisons to the committee following completion in March 2016.

*Recommendation 3.*—Continually monitor how contract values compare to 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 Actions.*—TSA will now update the TCE on a recurring basis to incorporate modifications to the contract or other changes to screening procedures that may have affected the estimated or actual cost over the course of the performance period. Estimated completion date is March 2016.

*Question 2.* Does TSA's cost comparison of SPP and Federal screeners take into account use of the National Deployment Force?

Answer. Yes, for current Screening Partnership Program airports, an assumption is made to the necessity of National Deployment Force (NDF) deployments based on historical experience, seasonal passenger demands, and location of airports. When calculating the costs for Federal screening, the Transportation Security Administration's National Deployment Office provides the actual costs for the NDF at that airport in the last 3 years; these costs are averaged and are included in the total cost of screening.

*Question 3.* In the past, TSA described plans for an electronic system to collect and manage SPP data and SPP contractor activities. What's the status of this system, and to what extent does TSA use it to monitor SPP contracts?

Answer. The Transportation Security Administration (TSA) uses an on-line database to collect relevant Screening Partnership Program data on a variety of areas including, but not limited to, coverage of required screening positions, results of procedural and administrative audits, daily incident reports, and other data demonstrating compliance with operational metrics. The data is reviewed by the TSA Contracting Officer's Representative and is discussed with TSA personnel at the airport (i.e., Technical Monitor, Transportation Security Managers, and Federal Security Director) and the contractors. This data is reviewed, at a minimum, on a monthly basis to ensure compliance with contract requirements.

*Question 4.* Ms. Dorgham, according to Ms. Grover's testimony, TSA is changing how wage rate determinations are made for employees of SPP contractors that perform screening service.

Could you please explain in detail this change?

Answer. As a matter of policy, the Transportation Security Administration is now following the requirements of the Service Contract Act and as such will be incorporating the Department of Labor (DOL)-determined minimum wage requirements in all contracts for screening services. To be compliant with the Service Contract Act, contractors must pay employees no less than the DOL-established prevailing wage rates, which are determined annually by the DOL. Pursuant to the Aviation Transportation Security Act (ATSA), TSA also requires SPP contractors to compensate their screeners at a rate no less than the compensation of Federal screeners. TSA will be responsible for any additional costs associated with the annual increases in the DOL wage determinations that are greater than the minimal compensation of screeners as required by ATSA. Given that the DOL wage determinations were developed, in part, based on the ATSA labor rates, TSA does not expect any additional labor costs to be significant.

*Question 5.* Ms. Dorgham, during the GAO investigation it was found that TSA's cost-estimating methodology is not fully comprehensive because it does not include the costs to all Federal entities. Specifically the cost estimates do not include retirement benefits and insurance.

Can you explain why TSA does not include these factors in their methodology, as well as how the lack of inclusion affects the comparison made by the GAO?

Answer. As dictated by the Federal Aviation Administration Modernization and Reform Act of 2012, the Transportation Security Administration (TSA) is required to determine the cost efficiency of a private screening contract proposal and only award such a contract if it would not detrimentally effect cost efficiency. TSA includes all costs directly attributed to screening operations, which include indirect costs such as TSA fringe benefits, headquarters overhead, airport administrative staff and supplies, hiring and recruitment costs, information technology support and other cost items.

A cost factor excluded from this estimate is the imputed costs of TSA's screening operations, which fall outside of TSA's annual appropriations. For TSA's purposes these costs include 3 items: (1) The unfunded portion of potential future retirement cost liabilities; (2) corporate tax adjustment; and (3) consideration for general liability insurance. When a contract is awarded, TSA realigns funds from appropriate sources (such as the account that pays salaries and benefits for Federal screeners) into the Screening Partnership Program. If an estimate is built with costs not in TSA appropriations and a contract is awarded at that cost ceiling, the agency would have to reduce funding from another critical security program in order to fund these other Government costs.

*Question 6.* Ms. Dorgham, in your testimony you stated that since the Screening Partnership Program's inception, only 32 airports have applied and currently 22 airports participate.

Given the category composition of these airports, do you think this program is more beneficial to category 3 airports and below?

Answer. Per the Aviation and Transportation Security Act (ATSA), airport authorities are given the authority to apply for the Screening Partnership Program (SPP) and "opt-out" of Federally-provided security screening services. Because participation in the SPP is a voluntary decision by the airport authority, TSA remains neutral with respect to the category of airports that opt-out as well as any perceived benefits it may have.

*Question 7.* Ms. Dorgham, do you believe the size of the airports used within the GAO study have an effect on the percentage of savings found within the report?

Answer. The passenger throughput of Screening Partnership Program (SPP) airports in the report represents a very small sample size (approximately 0.4 percent) of the entire Transportation Security Administration (TSA) passenger throughput in fiscal year 2015. Because the sample of airports is so small, definitive conclusions on the differences in cost between SPP and Federal airports cannot be reasonably determined.

*Question 8a.* Ms. Dorgham, this year, we have seen instances in which Secretary Johnson orders security directives to be taken out by the Transportation Security Administration, such as those implemented following the leaked passenger screening report.

*Question 8b.* When these directives are made, who implements them at SPP airports?

*Question 8c.* Who incurs the costs of implementing these directives?

Answer. When directives are made, the Transportation Security Administration (TSA) will issue a technical direction to the contractor and modify the contract to include the directive. Each directive and subsequent modification requires an analysis to determine if there is a change in cost due to the increase/decrease in level of effort. In cases where there is a change in cost, TSA will negotiate with each contractor to determine the cost impact and make appropriate modifications to increase or decrease the value of the contract. TSA provides oversight at the airports to ensure the directives are being implemented correctly and within the time frame as instructed by TSA.

*Question 9a.* Ms. Dorgham, recently four airports in Montana had their contracts terminated due to decreasing staff levels, and as a result TSA's National Deployment Force had to step in to provide screening.

Can you walk us through the termination of this contract?

Answer. On August 11, 2015, the Transportation Security Administration (TSA) issued a "Show Cause Letter" to the contractor, CSSI/First Line, due to 6 main issues observed since they assumed the contract. These were: (1) Inadequate staffing levels at Bozeman International Airport and Glacier Park International Airport; (2) Failure to conduct mandatory maintenance on Government-Furnished Equipment; (3) Standard Operating Procedures violations; (4) Not meeting Acceptable Quality Levels; (5) Failure to maintain accurate documentation; and (6) Failure to obtain a DD Form 254, which sets out security requirements for contractor personnel.

TSA received CSSI/First Line's response to TSA's Show Cause Letter on September 8, 2015. After careful review of the response, on September 24, 2015, TSA determined it was non-responsive, and decided to terminate the vendor's contract. On October 1, 2015, CSSI/FirstLine was presented with the termination letter, and on October 2, 2015, TSA's National Deployment Force (NDF) began screening operations at the four Montana airports.

*Question 9b.* Who is responsible for paying for the National Deployment Force?

Answer. TSA is reserving the right to hold the terminated contractor liable for administrative costs associated with the termination of the contract, including NDF and re-procurement costs.

*Question 9c.* If the contractor is responsible for the costs, are considerations such as these included in TSA's cost estimate?

Answer. Yes, for current Screening Partnership Program airports, an assumption is made to the necessity of NDF deployments based on historical experience, seasonal passenger demands, and location of airports. When calculating the costs for Federal screening, the Transportation Security Administration's National Deployment Office provides the actual costs for the NDF at that airport in the last 3 years; these costs are averaged and are included in the total cost to screen.

*Question 10.* Ms. Dorgham, the recent GAO report has noted accuracy as being one of TSA's limitations for the cost-estimate methodology; specifically TSA does not update their estimates for things such more staff for as a new terminal opening. TSA only provides point-in-time cost estimates.

Please explain the reasoning for not updating the estimates.

Answer. The Transportation Security Administration (TSA) Cost Estimate (TCE), used to determine the cost efficiency of a contract proposal at a point in time, will continue to represent TSA's 5-year "bid" for conducting screening operations, and be created when a contract is re-competed or a new airport is applying to the Screening Partnership Program (SPP). However, as a result of the GAO report, TSA will now update the TCE on a recurring basis to incorporate modifications to the contract or other changes to screening procedures that may have affected the estimated or actual cost over the course of the performance period. This will allow TSA to evaluate and track the actual savings, if any, seen over the life of the contract.

