Review of the Transportation Security Administration’s Management Controls Over the Screener Recruitment Program
Preface

The Department of Homeland Security (DHS) Office of Inspector General (OIG) was established by the Homeland Security Act of 2002 (Public Law 107-296) by amendment to the Inspector General Act of 1978. This is one of a series of audit, inspection, and special reports prepared as part of our DHS oversight responsibility to promote economy, efficiency, and effectiveness within the department.

This report assesses the strengths and weaknesses of the Transportation Security Administration’s management controls over its screener recruitment program during calendar year 2002. It is based on interviews with employees and officials of relevant agencies and institutions, direct observations, and a review of applicable documents.

The recommendations herein have been developed according to the best knowledge available to our office, and have been discussed in draft with those responsible for implementation. It is our hope that this report will result in more effective, efficient, and economical operations. We express our appreciation to all of those who contributed to the preparation of this report.

Richard L. Skinner
Inspector General
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## Abbreviations

- OIG: Office of Inspector General
- DCAA: Defense Contract Audit Agency
- ATSA: Aviation and Transportation Security Act
- TSA: Transportation Security Administration
- FAA: Federal Aviation Administration
- FAM: Federal Air Marshall
Executive Summary

In response to the September 11, 2001, terrorist attacks, Congress passed the Aviation and Transportation Security Act (ATSA)\(^1\), which established the Transportation Security Administration (TSA) and required TSA to hire a federalized airport screener workforce within a mandated one-year time period. With no prior experience with a large-scale recruitment program, only a few personnel, and no established requirements concerning project management, TSA successfully recruited more than 56,000 airport screeners.

Troubled by press reports of wasteful government spending by the Transportation Security Administration’s (TSA’s) recruitment contractor, NCS Pearson, Senators Dorgan and Wyden requested\(^2\) us to perform a review of TSA’s management and oversight of the recruitment program. Specifically, Senators Dorgan and Wyden expressed concerns about the following issues:

- Cost of TSA’s recruitment activities performed at various resort hotels, including the Wyndham Peaks Resort and Golden Door Spa located in Telluride, Colorado;
- TSA’s oversight of the recruitment program;
- Criteria governing the assessment center selection process; and
- Responsibility for selection of assessment center locations used for recruitment purposes.

The Defense Contract Audit Agency (DCAA), which had already been engaged by TSA, conducted an incurred cost audit of the contract. However, DCAA could not determine the reasonableness, allowability, and allocability of NCS Pearson’s contract costs. Although DCAA identified deficient expenses in the categories of labor, travel, and other direct costs, totaling $298 million, a lack of information from NCS Pearson and TSA limited its ability to express an opinion. As a result, DCAA issued a disclaimed audit report in May 2004. In December 2004, based, in part, on DCAA’s report, TSA and NCS Pearson settled the contract at the then ceiling price of $741 million, $144 million less than the total invoiced amount. Certain matters associated with NCS Pearson’s contract costs are still under investigation.

\(^1\) Public Law 107-71.
\(^2\) See Appendix C for the request letter.
We relied exclusively on DCAA’s compilation of invoiced costs to determine site specific and unspecified assessment center costs, and we express no opinion on the individual cost elements billed by NCS Pearson. This report focuses solely on TSA’s management of the airport federalization process; not NCS Pearson’s performance on the contract or the reasonableness of its incurred costs.

TSA faced a formidable challenge: hire a federalized screener workforce within 1-year from the agency’s inception. As a brand new agency, TSA did not have the staff or infrastructure necessary to plan and manage actions and contracts, such as the NCS Pearson contract, needed to complete the federalization process within this timeframe. As a result, TSA made critical decisions without the benefit of sound acquisition planning or adequate cost control.

TSA had not finalized screener staffing requirements prior to the contract solicitation phase and recommended that bidders use a nationwide estimate of 28,000 to 50,000 screeners in preparing their bids. In response to TSA’s solicitation, NCS Pearson’s proposal, on which TSA’s initial contract with NCS Pearson was based, was to hire 30,000 screeners using Pearson’s existing systems and office locations to process and hire the screeners. However, within a month of awarding the contract, TSA concerns about NCS Pearson’s existing assessment center capacity, in conjunction with TSA’s decision to have assessment centers located within two hours driving time of the prospective screeners’ local airports, caused TSA to significantly change the contract’s scope. Without any apparent analysis of the cost impact, TSA dramatically changed its recruitment approach and directed the contractor to establish approximately 150 temporary assessment centers.

The establishment of temporary assessment centers; delays and revisions in issuance of the airport federalization schedule and staffing requirements, including the requirement for a ready pool of approved applicants beyond those initially hired; and higher than expected applicant rejection rates significantly impacted NCS Pearson’s costs to establish and operate the assessment centers. By the contract’s end, NCS Pearson had assessed more than nine times the number of screeners originally estimated in less than half the time originally allotted. Consequently, the increased candidate volume increased the size of assessment centers needed and the length of time those centers had to be available. These factors contributed to increasing contract costs from the original estimate of $104 million to a final settlement amount of $741 million.

Factors such as the increased staffing requirements would have increased contract costs even if Pearson’s proposed approach had been used, and we have no way to estimate with certainty what the final recruitment cost would
have been had TSA used NCS Pearson’s existing systems and assessment centers. Apart from this consideration, and without addressing the impact of other actions NCS Pearson may or may not have taken, we believe TSA’s planning and management issues contributed to the increased costs. In addition, TSA’s delay in recording contractual obligations may have put them at increased risk for Antideficiency Act violations.

TSA has made significant progress in the development of project management and acquisition polices and procedures since the airport federalization process in December 2002. TSA’s policy and procedure changes, together with other procurement related improvements that DHS has agreed to make on a department wide basis should help to prevent such circumstances from occurring in the future. Nevertheless, TSA needs to continue to strengthen its policies, procedures, and controls. We are recommending that TSA continue its efforts to improve its policies and procedures as they relate to controlling contract costs and providing effective project management. We also are recommending that TSA strengthen and formalize its policies and procedures governing funds certification, status of funds reporting, and recordation practices. TSA concurred with both recommendations.

**Background**

In response to the September 11, 2001, terrorist attacks, Congress passed the Aviation and Transportation Security Act\(^3\) (ATSA) on November 19, 2001. The ATSA established TSA as an operating administration of the Department of Transportation, responsible for all types of transportation security. To increase aviation security, ATSA specifically required TSA to recruit and hire a federalized passenger and baggage screener workforce by November 19, 2002, and December 31, 2002, respectively, at all passenger airports nationwide. The federalization process would systematically replace private contract screeners with newly hired federal workers.

On January 18, 2002, TSA issued a Request for Proposal (RFP) for the recruitment, assessment, and hiring of the federalized screener workforce and to provide HR support services. The RFP did not specify the number of screeners TSA needed to hire, and the agency received several questions requesting clarification of the staffing requirement. TSA responded that it could not yet determine the number of positions needed and recommended that offerors use a nationwide estimate of 28,000 to 50,000 plus screeners. TSA also disclosed that it intended to hire an undetermined number of other support, management, and law enforcement personnel.

As expected by TSA, the proposals received showed extreme price variances. Offerors made various assumptions about the level of work necessary to meet

\(^3\) Public Law 107-71.
the proposed contract’s requirements. Proposed hours, average loaded labor rates, and other direct costs fluctuated significantly among proposals. After reviewing all proposals, TSA selected NCS Pearson. According to TSA, NCS Pearson had extensive experience testing and hiring large numbers of personnel for various commercial companies and government agencies and appeared to have the best technical approach using its extensive assessment center locations throughout the United States.

Since many of the airport federalization requirements remained unknown at the time of the award, TSA could not realistically negotiate a firm fixed priced contract. Firm fixed priced contracts generally present relatively lower performance and cost risks for the government since the contractor is responsible for specific performance at a predetermined cost. On February 25, 2002, TSA awarded NCS Pearson a labor hour contract with a contract ceiling of $104 million for recruitment of the federalized workforce, as NCS Pearson had proposed. A labor hour contract is a type of time and materials contract used in situations where the type or total amount of resources necessary cannot be predicted with any reasonable degree of confidence. Time and material contracts function much like cost type contracts, and are considered to carry the most performance and cost risk for the government. Accordingly, close government supervision and direction is critical to ensuring that the contractor achieves the desired results at a reasonable cost. Using fixed labor categories and rates to manage and track its costs, NCS Pearson proposed to hire 30,000 screeners over a 32-week period from its existing assessment center network, at a cost of $104 million. NCS Pearson assumed that it would need to screen approximately 35,000 applicants to find 30,000 qualified screeners.

The independent assessment center process established by NCS Pearson at TSA’s direction was designed to process applicants at one location in a single day. After applicants passed an on-line preassessment center screening process, NCS Pearson scheduled applicants for a two-phased on-site assessment. The first assessment phase consisted of three computer tests and an initial interview. Candidates who successfully passed Phase 1 continued through Phase 2, consisting of numerous physical and medical tests. Applicants who successfully completed both phases were qualified for hire by TSA. TSA made contingent job offers to these qualified candidates, subject to appropriate background checks.

By December 31, 2002, NCS Pearson had qualified approximately 129,000 candidates and TSA had hired 56,267 passenger and baggage screeners to work at approximately 433 airports. The contract ceiling grew from $104 million to $741 million during the performance period.

The Department of Transportation’s Office of Inspector General (DOT OIG) expressed concerns over NCS Pearson’s cost growth. In response, TSA
initiated a DCAA cost audit in September 2002. DCAA could not determine the contract’s cost reasonableness and issued a disclaimed audit opinion in May 2004.

Although the DCAA reported that it was not able to obtain sufficient, evidential matter from NCSP and TSA on which to base an audit opinion, it provided comments concerning deficiencies in the invoiced costs. Specifically, DCAA identified “deficient expenses,”\(^4\) totaling $298 million, regarding in-house, interdivisional, and subcontractor labor; travel; and other direct costs invoiced by NCS Pearson. TSA used DCAA’s report findings to develop a settlement position and, in December 2004, it settled with NCS Pearson at the contract ceiling of $741 million. Certain matters are still under investigation, and the agreement did not settle or preclude any other claims the federal government may have against NCS Pearson or anyone else.

TSA Management Controls to Federalize the Airport Screener Workforce

TSA did not have the infrastructure, including people, policies, and procedures, to properly plan for and manage the task of hiring screeners within the mandated deadline. With only 12 employees at its inception in November 2001, TSA relied extensively on loaned executives from various government and private sources to supplement staff. Initially, TSA utilized a “Go-Team” structure to manage the federalization process. The “Go-Teams” consisted of working groups responsible for concurrent rollout projects relating to individual ATSA requirements. The “Go-Teams” generally reported to one or more of the original 12 employees. Senior Department of Transportation management officials also provided support for the “Go-Teams.” Although the “Go-Teams” coordinators met regularly to discuss issues encountered during the airport federalization process, the magnitude of the mission required more coordination than the “Go-Team” structure could provide. Further, TSA had no acquisition or implementation plan to coordinate the various ATSA requirements.

In June 2002, seven months after the agency’s inception, TSA established a high-level program management team, called the dedicated workforce transition team (transition team) headed by a loaned executive from private industry. The loaned executive said he hired a program management consulting firm specializing in government projects to aid him with management oversight and to advise him on government limitations and restrictions.

\(^4\) Deficient expenses are costs that have inadequate supporting documentation that limits the auditor from rendering an opinion on the reasonableness, allowability, or allocability of those costs.
However, by the time TSA formed the transition team and hired the management consulting firm, only about six months remained to execute the federalization process. Many prior decisions had already been implemented, such as the significant changes in the NCS Pearson’s contract scope, that had to be managed. Despite the formation of the transition team and the hiring of the management consulting firm, TSA continued to react to daily events instead of properly planning and managing the federalization process. Senior program management overseeing the federalization process included many loaned executives with extensive experience in private industry. However, they had little or no federal acquisition process training or experience.

**Federalization Planning Process**

Generally, legislative deadlines, rather than detailed requirements or cost analyses, drove TSA’s management decisions. TSA began the process of hiring a federalized screener workforce without the ability or time for an adequate planning process to consider and address critical program elements, such as cost, schedule, and performance requirements. In essence, TSA started the acquisition process without understanding how many screeners were needed, whether it had sufficient budget authority to hire those screeners, what the contractor could realistically provide within limited timeframes, or how other options, such as establishing independent assessment centers, could affect cost and schedule.

During the solicitation phase, TSA acknowledged that it had not finalized staffing requirements and recommended that offerors use a nationwide estimate of 28,000 to 50,000 plus screeners. According to TSA officials, the hiring numbers had not been finalized with either OMB or Congress at that time. TSA also disclosed that it intended to hire an undetermined number of support, administrative, and law enforcement positions to serve as administrative staff at the airports. In response to TSA’s solicitation, NCS Pearson proposed, in February 2002, to hire approximately 30,000 screeners over a 32-week period according to a federalization schedule to be provided by TSA. Numerous other bidders proposed a wide variety of approaches. TSA told us that it chose NCS Pearson based on its technical merits and company’s prior performance.

TSA began the airport federalization process and awarded the NCS Pearson contract without having the ability or time to develop a formal project management plan, an acquisition plan, or an acquisition baseline. These plans should have contained detailed information concerning the number of screeners needed, the airport federalization schedule, and the program budget and cost constraints for the recruitment program. Furthermore, the plans should have identified the interdependency between various contractual
actions, established an optimal integrated work schedule among all the contractors, and set baselines for monitoring contract performance.

TSA did not provide NCS Pearson an airport federalization schedule until June 14, 2002, because the redesign of airport security checkpoints and the installation of security equipment were not complete. Major discussions occurred between TSA, the Office of Management and Budget, and various contractors concerning the right mix of screeners and explosive and trace detection equipment to use at each airport. Staffing models, which recommended staffing levels ranging between 60,000 and 90,000 during the federalization process, constantly changed in an attempt to find the right balance between technology, human capital, and congressional limitations. These factors impacted the federalization dates and the staffing requirements, as well as the location, size, and space requirements for establishing independent assessment centers. Consequently, NCS Pearson could not start opening assessment centers and recruiting and hiring screeners until almost halfway through the contract term.

Even after issuance, the airport federalization schedule and the number of screeners per airport constantly fluctuated, which impacted NCS Pearson’s assessment center selection. Delays in the federalization schedule ranged up to 85 days at individual airports, with an average delay of approximately one month for all airports. Additionally, staffing changes became significant at the individual airport category level. For example, TSA increased the staffing requirements at larger airports by 18 percent, while decreasing staffing requirements at the smaller airports by 56 percent. This increased the number of assessments for the larger airports by approximately 39,000 while concurrently decreasing the number of assessments for the smaller airports by approximately 43,000.

Overall, the number of applicants to be qualified grew from NCS Pearson’s original proposal of 30,000 to approximately 129,000 over the 10-month contract period, about 330 percent. By the time NCS Pearson received the airport federalization schedule in June 2002, TSA had set the staffing requirements at approximately 58,000. TSA also required NCS Pearson to establish an employment ready pool for subsequent attrition hiring. To meet TSA’s revised requirements, NCS Pearson had to qualify 129,000 personnel for 433 airports in approximately 13 weeks—less than 100 days. From these qualified applicants, TSA hired more than 56,000 screeners and placed the remainder in a ready pool for subsequent hiring opportunities.

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5 Category X and I airports represent larger airports, with 2.5 million or more annual planned flights.
6 Category II, III, and IV airports represent the smaller airports, with less than 2.5 million annual planned flights.
7 At the contract’s inception, a qualified candidate was offered a screener position. As the contract progressed, TSA decided to establish a ready pool to handle future attrition. A qualified candidate that had successfully passed the assessment center process could be offered a screener position or placed in the ready pool as a qualified potential hire.
8 A qualified applicant was an applicant that had successfully completed the assessment center process and met TSA’s hiring standards.
Increased Funding Needs

TSA knew as early as April 2002 that the cost of the NCS Pearson contract would exceed its initial $104 million estimate and could cost as much as $542 million based on NCS Pearson cost proposals. In July 2002, NCS Pearson submitted an additional cost estimate of $531 million. By this time, NCS Pearson had established several temporary assessment centers, incurred significant costs, and notified TSA that it was working at risk. Working at risk means that the contractor may not receive reimbursement for the work performed. The NCS Pearson contract had a Limitation of Funds Clause that provided for incremental funding of the contract. Under this clause, the Government was not obligated to reimburse the contractor for costs incurred in excess of the total amount allotted by the Government to the contract, and change orders were not considered an authorization to exceed the amount allotted by the Government, unless they contained a statement increasing the amount allotted.

TSA did not add funds to the contract to cover the estimated cost at that time. TSA personnel advised us that they had concerns about the reasonableness of the cost estimate provided by NCS Pearson. However, TSA program managers directed the contractor to continue working without funding and to do whatever was necessary, including working outside the contract’s scope without prior approval, to meet the deadline. TSA’s contracting officer did not formally approve the scope change by modifying the contract until September 6, 2002. At that time, TSA increased the contract ceiling to $154 million and prepared a justification for other than full and open competition based on unusual and compelling urgency.

When a contract contains a Limitation of Funds Clause that provides for incremental funding, appropriations law stipulates that an agency does not incur an obligation on a labor hour contract until the contracting officer signs the modification increasing the funding. However, once the agency becomes aware that the contractor is incurring costs in excess of the limitation of funds clause, the agency should promptly obtain funding and programming information pertinent to the contract’s continuation and decide whether to allocate additional funds to the effort, bring the work to a halt, or take other appropriate action.10

TSA did not promptly respond to NCS Pearson’s notifications that it had exceeded the contract ceiling or to its revised cost estimates showing

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9 NCS Pearson’s July 2002 cost estimate did not provide sufficient detail to determine the basis for the $11 million cost reduction from the April 2002 cost proposal.
10 Federal Acquisition Regulation, 48 C.F.R. §32.704.
significant cost increases. For example, by September 26, 2002, TSA knew that it would need at least an additional $200 million to cover NCS Pearson’s incurred costs through the end of the month. In response to increased pressure from NCS Pearson to increase the contract’s ceiling and funding levels, TSA modified the contract on October 4, 2002, and again on November 4, 2002. These modifications incrementally funded the contract up to $620 million and increased the contract’s total ceiling to $660 million. See Appendix G for a list of NCS Pearson contract modifications and funding.

TSA said that its evaluation and decision-making process was impeded by NCS Pearson’s failure to provide sufficient documentation for the costs. We cannot say whether NCS Pearson’s actions hindered TSA’s ability to monitor contract costs. Whatever the cause, the delay placed TSA at risk of having insufficient funds to cover contract performance in the event that the costs were ultimately allowed.

Once the contract was modified, TSA also encountered a delay in recording actual obligations in the accounting system. Contract obligations exceeded the obligations recorded in the financial system by as much as $303 million, and contract obligations continued to exceed the recorded obligations through at least September 30, 2003, as shown in the following chart.

Proper evaluation of contract funding requirements and recording practices are essential to sound funds control. GAO’s Principles of Federal Appropriations Law warns managers that failure to record legitimate obligations makes it impossible to determine the precise status of the appropriation and may result in violating the Antideficiency Act.

TSA agreed that weaknesses existed with its funds control during the federalization period. Since that time, it has established a centralized funds certification process, implemented a system that allows offices with budget authority to generate daily status of funds reports, and has reduced the average
time for recording obligations to two business days. TSA has committed to finalizing a Management Directive concerning the funds certification process and closely monitoring the recordation function.

Costs of Temporary Assessment Centers

TSA did not adequately consider the monetary and technical costs associated with reproducing NCS Pearson’s existing infrastructure and business processes in temporary locations. Although TSA believed that time was of the essence and that meeting the legislative mandate justified making quick decisions, TSA acknowledged that it performed no cost-benefit analyses to support the establishment of temporary assessment centers. Furthermore, file documentation showed no analysis of whether NCS Pearson’s existing assessment center capacity, availability, or locality could meet any of TSA’s needs. Although we cannot quantify the cost impact of establishing independent assessment centers compared to using NCS Pearson’s existing assessment centers, we believe that proceeding with this decision resulted in a constructive change to the contract that significantly increased its scope and potential overall cost.

TSA acknowledged it did not properly manage the assessment centers and the contract. When TSA awarded the contract on February 25, 2002, TSA’s one contracting officer was also responsible for numerous other high dollar contracts key to the agency’s mission. By June 2002, the acquisition office had grown to 13 employees, with the majority comprised of contract specialists. Nevertheless, this staffing level was still not adequate to handle the volume of mission critical contracts underway and contributed to the lack of project management and contract oversight during the federalization process.

Criteria for Selection of Assessment Center Locations

TSA wanted a localized recruitment program to reduce the impact on incumbent screeners and other applicants. TSA wanted to ensure standardized applicant testing at assessment centers located within a 2-hour drive time from the applicant’s local airport. The Federal Aviation Administration (FAA) in the Federal Air Marshall (FAM) recruitment program used such an approach.

Under the FAM recruitment program, FAA collocated the testing and medical assessment centers, streamlined the assessment center process, and allowed single day assessments. Within one month of contract award, TSA decided to follow the FAM recruitment program approach and directed NCS Pearson to

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11 A constructive change occurs when a contracting officer directs a contractor to perform work not required by the contract, but no formal change order or contract modification is issued.
establish temporary assessment centers separate from its existing testing and medical assessment center network. Assessment center candidates passing the computerized testing portion could then immediately proceed to the medical testing portion without leaving the examination area.

Based on using the FAM model, TSA developed the following criteria for NCS Pearson’s use in assessment center selection:

- **Cost**: Government rates for lodging.
- **Space**: Adequate meeting space for conference, testing, and medical facilities.
- **Connectivity**: T-1 lines or other high-speed capability for transmitting test results, personnel information, and digital fingerprints and photographs.
- **Availability**: Assessment centers had to be available for the extended time periods required by the airport federalization schedule.
- **Proximity**: Assessment center had to be located within a 2-hour drive time from the local airports for which NCS Pearson was hiring.

Once NCS Pearson received a specific airport’s federalization date and staffing numbers, it established the temporary assessment center using TSA’s specified location requirements and timeframe. According to TSA and NCS Pearson personnel, NCS Pearson received little prior notification of federalization dates and sometimes had only a few days to find a location and establish an assessment center.

NCS Pearson used Helms Briscoe, a travel and event arrangement firm, to identify potential assessment center sites based on TSA’s criteria. TSA did not specifically select the location of the temporary assessment centers, but was aware of the selection process, as well as the selected hotels, and expressed no concern regarding the use of resorts and other high cost temporary assessment center locations.

The selection of the Wyndham Peaks Resort in Telluride, Colorado, illustrates how the process worked. Newspaper articles criticizing TSA’s recruitment program cited NCS Pearson’s use of the Wyndham Peaks Resort for recruitment efforts as an example of wasteful government spending at the taxpayer’s expense. The Wyndham served as the assessment center where 51 screeners were hired for five local airports:

- Four Corners Regional Airport (Category IV)
- Telluride Regional Airport (Category IV)
- Durango-La Plata County Airport (Category III)

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12 Category II, III, and IV airports represent the smaller airports, with less than 2.5 million annual planned flights.
• Cortez Municipal Airport (Category IV)
• Alamosa-San Luis Valley Airport (Category IV)

According to TSA files, NCS Pearson selected the Wyndham site because it met the space, availability, and connectivity requirements. Helms Briscoe reviewed 13 hotels in four cities using TSA’s criteria before recommending the Wyndham as the assessment center site. These cities included Telluride, Colorado; Durango, Colorado; Farmington, New Mexico; and Cortez, Colorado. Most hotels could not meet the extended time period required by the airport federalization schedule. Additionally, many hotels did not have or could not install T-1 lines within the timeframes required.

DCAA identified approximately $1.7 million in invoiced costs for the Telluride, Colorado recruitment trip. This equates to $10,984 per person assessed and $39,727 per person hired at the Wyndham site.

Establishment of Approximately 150 Temporary Assessment Centers

By the end of the federalization process, NCS Pearson had established approximately 150 temporary assessment sites used to hire more than 56,000 screeners. As of July 2004, costs billed by NCS Pearson for site-specific temporary assessment centers totaled $435 million,13 with individual assessment center costs ranging from $204,000 to $30 million. For detailed listings of the top twenty assessment centers ranked by highest total cost, highest cost per person hired, and highest cost per person assessed, refer to Appendices D through F. A strong correlation exists between the number of applicants assessed and assessment center costs. Applicant rejection rates were higher than anticipated and greatly increased the number of applicants assessed and the length of time the centers remained opened. The original contract pricing assessment-to-hire ratio estimate of 6:5 ended up closer to approximately 29:5 in practice. By the contract’s end, NCS Pearson assessed approximately 328,000 candidates to meet TSA’s staffing requirements14—more than 9 times its original estimate, thus greatly increasing overall costs.

Improved Program and Contract Management

TSA has made changes to its recruitment program since it completed the initial hiring phase. Current screener hiring occurs due to attrition, is significantly lower in volume, and is not mainly controlled by congressional deadlines. However, the follow-on recruitment contractor, CPS, still faces

13 Excludes assessment center costs for pilot program.
14 Staffing requirements consisted of qualifying 129,000 screeners for hiring and establishment of a ready pool.
challenges in the recruitment process, such as frequent changes to staffing requirements and a lack of predictable airport attrition rates. According to CPS, the frequency of these changes makes it difficult to plan and execute the appropriate recruiting and outreach activities and to develop a hiring plan that allows time to assess an adequate number of candidates at each airport.

TSA’s acquisition office also continues to grow. As of January 2005, TSA’s acquisition office had grown to 73 contracting personnel. In addition, TSA has formed an integrated project management team led by an experienced, certified project manager to provide oversight of the follow-on recruitment contractor. This team includes TSA personnel from program operations, budget, and acquisition offices. This team provides detailed direction to the contractor and actively reviews daily, weekly, and monthly reports concerning contract performance.

In addition, TSA has developed and implemented several program management and acquisition policies since the airport federalization process in December 2002 for strengthening project management and contract planning and oversight throughout the acquisition lifecycle. In conjunction with DHS requirements, TSA has begun implementing certification requirements for program managers and contracting professionals. All program managers and contracting professionals must be certified at a level commensurate with the responsibilities of their position. The certification processes consider the level of education, training, and work experience of program managers and contracting professionals to determine their eligibility for certification and the appropriate certification level.

TSA has also established an Acquisition and Program Management Support Division (PM Support Division) that provides program management support and develops acquisition policy relating to the acquisition life cycle process. For example, the PM Support Division has developed and implemented policy guidance requiring acquisition plans for contracting actions exceeding $5 million. Further, a management directive requires program offices to develop mission needs statements that detail TSA’s capability shortfalls to meet mission requirements.

The DHS Investment Review Board (IRB) provides acquisition oversight of major acquisition investments and conducts portfolio management. The DHS Investment Review Process directive requires that the IRB review and approve all DHS acquisitions exceeding $50 million (level 1 acquisition). All level 1 acquisition projects must include critical planning documents, such as a mission needs statement, a program plan, a risk management plan, an acquisition plan, an operational requirements plan, an alternatives analysis, and an acquisition baseline. Program managers must review and revise the documents at each key decision point, as necessary, and submit the information to the IRB. The IRB will use the documentation to monitor
initiatives, direct corrective actions, and determine when an investment is ready to proceed to the next phase.

GAO and OMB best practices identify a comprehensive planning phase as a core part of the acquisition process and critical to the successful completion of acquisition projects. These practices include identifying program needs that align with specific agency goals, determining necessary resources it lacks to achieve results, and evaluating alternative approaches to achieve the desired results. The DHS program manager certification requirements and the investment review process will help TSA improve its project management and acquisition planning.

Conclusion

TSA faced a formidable challenge to hire a federalized airport screener workforce within a one year Congressional mandate. With no prior experience with a large-scale recruitment program, limited personnel, and no established requirements or procedures concerning project management, TSA successfully recruited more than 56,000 airport screeners within the mandated period.

TSA faced critical decisions daily and did not always fully analyze the impact of its decisions on the federalization process. Limited funding and a lack of sound funds control became problems. Furthermore, TSA staffing levels were not adequate to handle the volume of mission critical contracts underway and contributed to the lack of management oversight during the federalization process.

TSA has taken significant steps to improve acquisition planning and program management. Additionally, we recently assessed DHS’s overall procurement and program management operations and made several recommendations to the Secretary, including the need to address the staffing level of procurement offices in the department. These additional policies and procedures will help TSA to strengthen project management and use procurement activities more effectively. However, TSA needs to further improve its acquisition policies and procedures in certain areas, particularly: (1) increasing emphasis on defining requirements, (2) performing cost-benefit and alternative analyses, and (3) estimating life cycle costs. We will continue to monitor TSA’s procurement and project management operations.

We focused our audit on TSA’s management of the airport federalization process. We did not consider actions by NCS Pearson that may have contributed to increased costs. We did not express an opinion on the contract’s individual cost elements or determine the cost of other screener recruitment approaches. Contract scope changes identified during our audit
would have increased contract costs regardless of the recruitment methodology.

**Recommendations**

We recommend that:

1. TSA's Deputy Assistant Administrator for Acquisition, Chief Procurement Executive, Office of Acquisitions, further improve TSA acquisition policies and procedures to control contract costs and provide effective project management as indicated in the conclusion section of the report.

2. TSA’s Assistant Administrator for Finance and Administration and Chief Financial Officer, Office of Finance and Administration, strengthen and formalize TSA’s policies and procedures governing funds certification, status of funds reporting, and recordation practices, consistent with OMB and DHS guidelines.

**Management Comments and OIG Analysis**

TSA concurred with our recommendation to continue to improve TSA acquisitions policies and procedures to control contract costs and to provide effective project management. In its response to our report, TSA highlighted additional actions it has taken to improve its overall program and contract management. These include development of an integrated program management policy, assignment of expert program management support personnel to each program, development of acquisition issue workshops for program offices, and implementation of an acquisition program status system. TSA will continue to work with DHS to implement a contract oversight program that provides a system of internal controls. A copy of TSA’s response is included as Appendix B.

We consider the recommendations resolved and will close the recommendations when TSA completes its planned actions and addresses the areas identified in this report, such as improving its policies and procedures concerning defining requirements, performing cost-benefit and alternative analyses, and estimating life cycle costs.

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*TSAs Management Controls Over the Screener Recruitment Program*

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The audit objective was to determine the efficacy of TSA’s management and oversight of its screener recruitment program. Specifically, we focused on the following congressional concerns regarding the cost recruitment activities performed at various nationwide resort hotels:

- Cost of TSA’s recruitment activities performed at various resort hotels, including the Wyndham Peaks Resort and Golden Door Spa located in Telluride, Colorado;
- Oversight of TSA’s past and current recruitment program;
- Criteria governing the assessment center selection process; and
- Officials responsible for selection of assessment center locations used for recruitment purposes

We focused our audit on TSA’s management of the airport federalization process, not on NCS Pearson’s incurred costs. We did not express an opinion on the contract’s individual cost elements or determine the cost of other screener recruitment approaches. Contract scope changes identified during our audit would have increased contract costs regardless of the recruitment methodology.

In an attempt to reconstruct TSA’s decision-making process, we reviewed contract files, contractor files, staffing numbers, federalization schedules, emails, and miscellaneous file documentation. Data limitations from TSA and NCS Pearson impacted our ability to validate the accuracy of much of this information. Basic information, such as the number of screeners actually hired at specific airports as of December 31, 2002, existed, but was not readily retrievable. TSA compiled the staffing information at our request and we did not test its accuracy. Many of the management decisions were orally communicated or sent via email. Little file documentation exists to show accountability for decisions, such as when and who made the actual decision to establish temporary assessment center sites. As a result, we could not identify any one official or officials responsible for making the decision to establish temporary assessment center sites.

To gain an understanding about TSA’s oversight of the recruitment program, the criteria governing the assessment center process, and the personnel directing contract decisions, we interviewed people involved in the initial federalization process. This included the former Deputy Secretary for the Department of Transportation, several members of the initial recruitment Go-Team, and several members of the dedicated workforce transition team. We also interviewed numerous personnel from the office of acquisition, policy, legal, budget, and program management. In addition, we interviewed NCS
Pearson and the follow-on contractors, Accenture, and CPS Services, Inc. We also reviewed TSA’s acquisition and project management policies and procedures, relevant sections of the ATSA, the Federal Acquisition Regulations, and the Federal Aviation Administration’s Acquisition Management System.

We relied exclusively on DCAA’s May 2004 compilation of invoiced costs to determine site specific and unspecified assessment center costs. DCAA began an incurred cost audit of the NCS Pearson contract in August 2002. While DCAA could validate that NCS Pearson spent the amount of invoiced costs, it could not determine the allocability, allowability, and reasonableness of contract costs due to a lack of certain information from NCS Pearson and TSA. As a result, DCAA issued a disclaimed audit opinion in May 2004. Using DCAA’s report, as well as additional documentation provided by NCS Pearson after the DCAA audit, TSA developed a negotiation position and settled the contract at $741 million.

We used information from DCAA, TSA, and NCS Pearson to compile and compute the information contained in appendices D through F. Using a list of assessment centers containing basic logistical information from NCS Pearson, we identified the DCAA site-specific cost associated with each assessment center. We then used information provided by NCS Pearson and TSA to identify the number of candidates assessed and hired, respectively. Once we identified the site-specific cost, number of candidates assessed, and number of candidates hired per assessment center, we calculated a site-specific cost per person assessed and hired. We allocated a portion of those costs invoiced by NCS Pearson that were not included in site-specific costs (unspecified costs) to the site-specific cost per person assessed and hired. We ranked total costs per person assessed and hired to show the top 20 for each specific category. Data displayed in the appendices represents the best available information at the time of our review.

We conducted our audit between April 2003 and July 2005. The audit was conducted according to generally accepted government auditing standards and pursuant to our authority under the IG Act of 1978 as amended.

15 Accenture manages TSA’s human resource management system.
16 CPS Services, Inc. performs the recruitment and assessment portion of TSA’s continued screener hiring process.
INFORMATION

MEMORANDUM FOR: Richard L. Skinner
Inspector General
Department of Homeland Security

THROUGH: Randy Beardsworth
Acting Under Secretary
Border and Transportation Security

FROM: Kip Hawley
Assistant Secretary
Transportation Security Administration


This memorandum constitutes the Transportation Security Administration’s (TSA) response to the findings and recommendations made in the Department of Homeland Security Office of Inspector General (OIG) draft report, "Review of the Transportation Security Administration’s Management Controls Over the Screener Recruitment Program."

The accompanying attachment is TSA’s official agency response to the recommendations made in the draft report. TSA appreciates the OIG’s efforts to provide a clear and thorough account of TSA’s activities related to the issues of concern in this report. TSA looks forward to an ongoing relationship with your office as we work towards improving our agency’s contracting function.

Attachment

TSA’s Management Controls Over the Screener Recruitment Program
Page 18
TSA Response to the DHS OIG Report:
"Review of the Transportation Security Administration's Management Controls
Over the Screener Recruitment Program"

OIG Recommendation 1: TSA's Deputy Assistant Administrator for Acquisition, Chief Procurement Executive, Office of Acquisitions, further improve TSA acquisition policies and procedures to control contract costs and provide effective project management.

TSA concurs. The Office of Acquisition has made significant strides towards strengthening the management of TSA's acquisition programs since completion of the contract with NCS Pearson for screener recruitment. Most importantly, staffing in the office has grown from two people (at the time of NCS Pearson award) to a ceiling of 94 and the Office of Acquisition has been elevated to the Assistant Administrator level, equivalent to the Chief Financial Officer and Chief Information Officer. TSA has an active improvement program to address a broad array of acquisition issues, key highlights of which are provided below:

• **Integrated Program Management Policy:** In May 2005, TSA released a Management Directive (MD) that synthesized policies on acquisition program planning, review, and reporting (MD 300.8). In addition to fulfilling Department of Homeland Security (DHS) directives on investment review, functional integration, and program management certification, the MD provides a structured approach for management of TSA's programs. The MD guides program managers and other decision makers through a systematic process for review and approval, visibility, and accountability. Attached to the MD are practical guides for acquisition decisions and documentation. A streamlined policy such as this was a critical step towards improving TSA program management.

• **Program Outreach:** Within the Office of Acquisition, an Acquisition and Program Management Support Division focuses on policy development and implementation of best practices to improve lifecycle acquisition processes at TSA. Its mission is to provide targeted expert assistance to program managers, guide leadership through the investment review process, and maintain the corporate knowledge base of acquisition information and programs. An expert has been assigned to each program to increase the overall effectiveness of TSA's program management. In addition, the office leads a portfolio of workshops that provide critical information for program offices regarding acquisition. Topics include statement of work development, acquisition planning, and market research. Over 1,500 employees have been trained through these workshops so far, 725 in FY 2005 alone.

• **Contract Oversight:** In coordination with DHS, TSA is implementing a contract oversight program that provides a system of internal controls. It includes developing oversight policy within the Office of Acquisition that guides evaluation and monitoring of contractor performance, monitoring contract expenditures, evaluation of and acceptance of deliverables, and reviewing and
approving invoices. In addition, a portion of TSA’s budget is earmarked for contract oversight, and is used for support from experts including the Defense Contract Audit Agency and the Defense Contract Management Command. In FY 2004 alone, TSA spent roughly $2.5M for professional services from these organizations.

- **Cost, Schedule, and Performance Tracking and Reporting:** Over the past year, TSA has developed, implemented, and now coordinates a program reporting system called TAPSR, or the TSA Acquisition Program Status Report. This capability provides a snapshot for TSA’s leadership of the current status of all acquisition programs, including program manager certification and acquisition documentation approval. A newly-added feature provides the program manager’s assessment of cost, schedule, and performance. Visibility of this level of data is critical to cost control and effective program management, as well as strategic review of TSA’s resources. Additionally, TSA is leveraging expertise on Earned Value Management, or EVM, to increase the overall effectiveness of acquisition program management.

TSA has demonstrated significant progress towards development of a best-in-class acquisition program. The Office of Acquisition continues to seek overall improvement through development and implementation of sound policies, process enhancements, and through selection and retention of a highly-qualified workforce.

**OIG Recommendation 2:** TSA’s Assistant Administrator for Finance and Administration and Chief Financial Officer, Office of Finance and Administration, strengthen and formalize TSA’s policies and procedures governing funds certification, status of funds reporting, and recordation practices, consistent with OMB and DHS guidance.

**TSA concurs.** Since its inception in 2002, TSA has taken steps to continually improve its policies and procedures over funds certification, status of funds reporting, and practices for recording of transactions in the financial systems. The events described within the draft report took place during FY 2002 and 2003, at a time when TSA’s management controls had not reached their present level of maturity. The following paragraphs describe some of the major control improvements that have been implemented and will help prevent recurrence of the events described in the draft report.

- **Policies and Procedures Governing Funds Certification.** TSA has established a centralized funds certification process. Presently, all funds are certified by the Office of Budget, which reports directly to the Chief Financial Officer. Senior budget analysts are assigned to monitor different program areas (i.e. Aviation Passenger Screening) and must review all Procurement Requests and certify that funds are available before the Office of Acquisition can act on the Procurement Request. This control ensures that funds are available before a contractual obligation is made, and greatly reduces the likelihood of anti-deficiency act violations. Beginning in FY 2006, the TSA CFO will begin to delegate funds...
TSA's Management Controls Over the Screener Recruitment Program

Appendix B
Management Comments

authority to certain program areas. Management Directives establishing strict controls over the delegated authority will be issued in the first quarter of FY 2006.

- **Status of Funds Reporting.** TSA has implemented the Finance and Procurement Desktop (FPD), a front-end portal to the core accounting system. Through FPD, all TSA offices with budget responsibility are able to generate daily, real-time, status of funds reports. These reports provide detail of all spending transactions, facilitating budget vs. actual comparisons, identification of accounting discrepancies, and adjustments to spending plans as required.

- **Recordation Practices.** In FY 2002 and FY 2003, contract awards and modifications issued by TSA’s Office of Acquisition (located at the agency’s Washington Headquarters) were mailed to an FAA Accounting facility in Oklahoma for manual entry into TSA’s accounting system. This process was prone to mail delays, at times resulting in obligations not being recorded in the accounting system promptly. Since then, the CFO’s Financial Management staff has assumed responsibility for this data entry function. All contract awards and modifications are posted into the accounting system at Headquarters. The average time between a contracting officer executing a contract or modification and the obligation being posted in the accounting system is two business days. TSA will closely monitor this function through FY 2006 to ensure timely posting of obligations continues.
Appendix C
Congressional Request for OIG Review

United States Senate
WASHINGTON, DC 20510

March 12, 2003

Admiral James Loy
Administrator
Transportation Security Administration
Washington DC 20590

Dear Admiral Loy:

We are troubled by recent press reports that the Transportation Security Administration (TSA) spent hundreds of thousands of dollars in Telluride, Colorado last summer on a single recruiting trip for security screeners that yielded very few results. In view of the fact that TSA has recruited a screener workforce of 62,000 employees, including 28,000 temporary employees, and will undoubtedly need ongoing recruiting efforts to maintain this large workforce, we believe the Office of the Inspector General should undertake immediately an investigation of TSA’s recruitment programs.

According to press accounts, 20 recruiters from the TSA spent seven weeks – nearly two months - at the Wyndham Peaks Resort and Golden Door Spa, a luxury resort in remote Telluride, Colorado, where the most inexpensive luxury room for a comparable time period in 2003 runs from $259 to $339 per night. In addition to the deluxe accommodations, complete with 18-hole golf course, indoor and outdoor pools, and fluffy robes, TSA spent more than $29,000 on additional security for its recruiters.

The stated purpose of the recruitment trip was to hire federal security screeners; however, the reports indicate the luxury resort is so isolated from working population centers, and the effort was so poorly publicized, that in some cases only one or two potential recruits came in per day. Overall, the 20 TSA recruiters hired only 50 people in the seven week period. The information available about this recruitment trip calls into question TSA’s entire recruitment program and leads us to ask whether TSA has exercised any oversight over that program.

Congress established the Transportation Security Administration in response to the September 11 attacks. The purpose of the agency is to enhance the security of the flying public through Federal direction of all aviation security activities, especially of passenger and baggage screening. It is particularly disturbing that TSA appears to have chosen to spend scarce taxpayer dollars on an ineffective recruitment operation at one of the most exclusive resorts in the Rockies. We fail to see any justification for such an extravagant recruitment effort: it is neither consistent with the purposes of the Aviation Security Act nor effective in enhancing the security of the flying public.

We therefore believe the Inspector General should conduct a thorough review of the TSA recruitment program. In particular, we request that you look into the following:

TSA’s Management Controls Over the Screener Recruitment Program
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Appendix C
Congressional Request for OIG Review

- What criteria govern, and who is responsible for, decisions about which cities will be selected as bases for recruitment efforts, and where TSA recruitment personnel stay?

- Why was Telluride, Colorado chosen and why was the Wyndham Peaks Resort and Golden Door Spa selected as a base for recruitment? Did TSA consider other cities and accommodations in the region that are more accessible to labor centers and more reasonably priced? If so, on what grounds were they rejected? If not, why were they not considered?

- What was the total cost of the TSA recruitment trip to Telluride?

- How many TSA recruitment trips have taken place, how many were taken to comparably-priced resort communities, and what were the results of each such recruitment trip?

- How much has TSA spent on its entire recruitment program to date, how many personnel have been hired and how many more need to be hired?

- Does TSA exercise oversight over its recruitment program, and does it have authority to take disciplinary action against personnel who abuse the system?

- What steps, if any, have you taken to address this problem? Is it your view that the TSA now conducts its recruitment efforts in an efficient and cost-effective way?

These reports about TSA’s recruitment program are more than just embarrassing indictments of waste in government; they threaten to undermine the extremely important aviation security program Congress established to prevent future terrorist attacks on the aviation sector and the flying public. We believe they also undermine efforts to exercise fiscal responsibility in a time of ballooning deficits.

We recognize that TSA had a change in leadership last summer, and that you have since undertaken a review of some of TSA’s management problems. Moreover, on February 5, you assured the Senate Aviation Subcommittee that you would personally look into TSA’s management controls — in response to testimony that anywhere from $6 million to $9 million might have been wasted in the process of hiring TSA screeners.

In view of this, we would appreciate your prompt and personal attention to our request, and look forward to your response.

Sincerely,

[Signatures]

Byron L. Dorgan
United States Senator

Ron Wyden
United States Senator
## Top 20 Assessment Centers Ranked by Highest Total Costs

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<thead>
<tr>
<th>Location</th>
<th>Airport Code</th>
<th>Candidates Assessed</th>
<th>Candidates Hired</th>
<th>Site Specific Total Cost</th>
<th>Total Cost Per Person Assessed Prior to Allocation of Unspecified Costs</th>
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17 Costs were calculated using total invoiced costs of $867 million instead of the $741 million agreed to at settlement.
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### Top 20 Assessment Centers Ranked by Highest Cost Per Person Hired

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<td>$5,658</td>
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<td>$47,131</td>
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18 Costs were calculated using total invoiced costs of $867 million instead of the $741 million agreed to at settlement.

---

Appendix E

Top 20 Assessment Centers Ranked by Highest Cost Per Person Hired

TSA’s Management Controls Over the Screener Recruitment Program

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### Top 20 Assessment Centers Ranked by Highest Cost Per Person Hired (cont’d)

<table>
<thead>
<tr>
<th>Location</th>
<th>Airport Code</th>
<th>Candidates Assessed</th>
<th>Candidates Hired</th>
<th>Site Specific Total Cost</th>
<th>Total Cost Per Person Assessed Prior to Allocation of Unspecified Costs</th>
<th>Unspecified Cost Per Person Assessed</th>
<th>Total Cost Per Person Assessed</th>
<th>Allocation of Unspecified Costs</th>
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<tr>
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<td>ADQ</td>
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<td>9</td>
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<td>124</td>
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<td>$5,349</td>
<td>$1,243</td>
<td>$6,592</td>
<td>$38,846</td>
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<td>26</td>
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<td>$5,919</td>
<td>$1,243</td>
<td>$7,162</td>
<td>$36,423</td>
<td>$7,256</td>
<td>$43,679</td>
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<td>RAP, PIR</td>
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<td>170</td>
<td>51</td>
<td>$1,656,021</td>
<td>$9,741</td>
<td>$1,243</td>
<td>$10,984</td>
<td>$32,471</td>
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<td>$9,721</td>
<td>$30,959</td>
<td>$7,256</td>
<td>$38,215</td>
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### Top 20 Assessment Centers Ranked by Highest Cost Per Person Assessed ¹⁹

<table>
<thead>
<tr>
<th>Location</th>
<th>Airport Code</th>
<th>Candidates Assessed</th>
<th>Candidates Hired</th>
<th>Site Specific Total Cost</th>
<th>Total Cost Per Person Assessed Prior to Allocation of Unspecified Costs</th>
<th>Total Cost Per Person Assessed</th>
<th>Unspecified Cost Per Person Assessed</th>
<th>Total Cost Per Person Hired Prior to Allocation of Unspecified Costs</th>
<th>Unspecified Cost Per Person Hired</th>
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<td>$1,243</td>
<td>$7,162</td>
<td>$36,423</td>
<td>$7,256</td>
<td>$43,679</td>
</tr>
</tbody>
</table>

¹⁹ Costs were calculated using total invoiced costs of $867 million instead of the $741 million agreed to at settlement.
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<tr>
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<th>Total Cost Per Person Assessed</th>
<th>Total Cost Per Person Hired Prior to Allocation of Unspecified Costs</th>
<th>Total Cost Per Person Hired</th>
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</thead>
<tbody>
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<td>SBY</td>
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<td>$663,223</td>
<td>$5,349</td>
<td>$1,243</td>
<td>$6,592</td>
<td>$7,256</td>
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TSA’s Management Controls Over the Screener Recruitment Program
Page 29
### Appendix G
#### NCS Pearson Contract Modifications and Funding

<table>
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Appendix H
Major Contributors To This Report

Judy Leonhardt, Program Director, Management Services
William Schroeder, Audit Supervisor
Ruth Blevins, Senior Analyst
Pat Gibson, Senior Analyst
Douglas Thomas, Analyst
Department of Homeland Security

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Deputy Secretary
Chief of Staff
General Counsel
Executive Secretariat
Assistant Secretary, TSA
Under Secretary, Management
Chief Procurement Officer
Assistant Secretary, Public Affairs
Assistant Secretary, Policy
Assistant Secretary, Legislative Affairs
DHS OIG Liaison
TSA Audit Liaison

Office of Management and Budget

Chief, Homeland Security Branch
DHS OIG Budget Examiner

Congress

Congressional Oversight and Appropriations Committees, as appropriate
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