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U.S. DEPARTMENT OF HOMELAND SECURITY

BEFORE THE

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

AND THE

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

U.S. HOUSE OF REPRESENTATIVES

CONCERNING

"PROCUREMENT, DEPLOYMENT, AND STORAGE OF

AIRPORT SECURITY-RELATED EQUIPMENT"

May 9, 2012

Good morning Chairman Issa, Chairman Mica, Ranking Members Cummings and Rahall, and distinguished Members of the Committees:

I am Charles K. Edwards, Acting Inspector General of the Department of Homeland Security (DHS). Thank you for the opportunity to testify today on issues associated with the procurement, deployment, and storage of airport security-related equipment.

As you know, the DHS Office of Inspector General (OIG) was established in January 2003 by the *Homeland Security Act of 2002* by amendment to the *Inspector General Act of 1978.* The DHS OIG seeks to promote economy, efficiency, and effectiveness in DHS programs and operations and reports directly to both the DHS Secretary and the Congress. We fulfill our mission primarily by issuing audit, inspection, and investigative reports that include recommendations for corrective action, and by referring cases to the United States Attorney General for prosecution.

At today's hearing, I will focus on the November 2009 report of our audit titled, Management of the Transportation Security Administration's (TSA) Logistics Center, OIG-10-14. We performed this audit as a result of the property, plant, and equipment material weakness reported in TSA's FY 2008 financial statement audit. Our report centered on the efficacy of TSA's deployment, redeployment, and disposal of transportation security-related equipment through its Logistics Center, a staging area for this equipment and related components.

At the time of our audit, we concluded that, because it had not established standard guidance, TSA did not efficiently deploy, redeploy, or dispose of transportation security equipment through its Logistics Center. As a result, the agency had potentially lost the utility of stored equipment, and it did not have an accurate accounting of its inventory. Furthermore, in FY 2009, TSA had leased additional warehouse space at a cost of $2 million. However, by the time of our report, TSA had already taken steps to address these issues and implement our recommendations. All three recommendations included in our report are now closed.

Deployment of New Equipment

TSA did not always deploy new equipment efficiently or take action to resolve deployment delays. In some instances, new equipment was stored for years before TSA program office personnel designated an airport to receive it. For example, in early 2007, the Logistics Center received eight explosive detection systems units worth about $7 million, which remained in storage as of January 2009. TSA officials stated that airports had not been ready to receive the equipment but, by the time of our audit, personnel had identified airports ready to receive 7 of the 8 units. In January 2009, TSA also had 345 new explosive trace detection systems units, which cost about $10.6 million, in storage for at least 1 year; some had been stored for more than 2 years. Deployment of this equipment had been delayed because, until that time, TSA did not have written transition plans for the units. As a result, the equipment may have lost its utility as it aged in storage.

Redeployment of Used Equipment

TSA did not assess the condition of used equipment in a timely manner to determine whether to redeploy or dispose of units. For example, as of January 2009, 291 used transportation security equipment units had been stored at the Logistics Center for more than 1 year; 142 used explosive detection systems conveyor units worth about $4.1 million had been stored longer than 2 years. The Logistics Center also stored equipment components for explosive detection systems units that may not have been needed, and the contractor's inventory system incorrectly classified some unusable equipment as available for redeployment. Further, TSA disposed of more than 250 used equipment units that were classified for redeployment.

These storage and redeployment issues resulted from TSA not having formal guidance and procedures to ensure periodic review and proper classification of inventory. Instead, inventory was sent to a warehouse, assigned a condition code, and never reviewed again to ensure the equipment was still useful. Thus, TSA's property and financial systems did not contain an accurate inventory of items available for use; did not allow TSA management to make informed deployment, redeployment, and disposal decisions; and did not ensure TSA disposed of equipment components that were no longer needed.

Equipment Disposal

TSA did not efficiently dispose of excess transportation security-related equipment stored at the Logistics Center because the agency did not have consistent guidance for equipment disposal. In May 2005, TSA personnel began developing a disposal plan, but the first disposal did not take place until November and December 2008. The delay was due to difficulty establishing an agreement with a government organization capable of properly destroying sensitive national security equipment and completing a review of hazardous material disposal requirements. In November and December 2008, Logistics Center personnel disposed of about 3,000 equipment units, of which more than 1,300 had been stored for more than 2 years. As of January 2009, 697 units were awaiting disposal, 169 of which had been in storage there for more than 1 year. At the time, TSA officials stated that disposals would continue through FY 2009 and that the goal was a continuous disposal process. The space occupied by new, used, and excess equipment contributed to TSA's FY 2009 decision to lease an additional warehouse at a cost of $2 million.

OIG Recommendations and Steps Taken by TSA

TSA concurred with all three of our recommendations. First, we recommended that TSA develop, implement, and monitor procedures for the efficient deployment, redeployment, and disposal of all transportation security-related equipment through the Logistics Center. Second, we recommended TSA periodically review its inventory to make sure it correctly classified its equipment. Finally, we recommended the agency develop a recurring process to redeploy or dispose of any excess equipment at the Logistics Center.

In January 2009, TSA chartered an Integrated Property Management Team to establish guidance for warehouse equipment management and risk mitigation strategies and, in March 2009, the team completed a Warehouse Management Gap Analysis. In July 2009, TSA issued a

Warehouse Management Procedures and Oversight Manual; in August 2009, it issued a *Property Disposition Process and Procedures Document* and a *Security Equipment Management Manual*. We agreed that the *Warehouse Management Procedures and Oversight Manual* and *Property Disposition Process and Procedures Document* met the intent of our first recommendation, which we closed. In regard to our second recommendation, TSA reported that its *Property Disposition Process and Procedures Document* required a quarterly review of warehouse inventory to ensure property condition codes are accurately classified and to validate and confirm quantities of deployed equipment and schedules. We agreed to consider closing the second recommendation once TSA provided a quarterly review. In March 2010, TSA provided the results of its quarterly review, and we closed this recommendation. Finally, the *Warehouse Management Procedures and Oversight Manual* and *Property Disposition Process and Procedures Document* included a recurring process to redeploy or dispose of any excess equipment at the Logistics Center. Thus, we also closed the third recommendation.

In September 2009, TSA also trained personnel on new procedures. In addition, TSA officials drafted an equipment transition plan outlining the roles, responsibilities, and processes for redeploying and decommissioning existing explosive trace detection systems and ready x-ray units.

In closing, I would like to reiterate that TSA has taken steps to resolve issues related to the storage, deployment, redeployment, and disposal of airport security-related equipment and has implemented our recommendations to improve its processes. The Office of Inspector General remains committed to identifying issues, and making recommendations to assist TSA in carrying out its mission effectively and efficiently.

Mr. Chairmen, this concludes my prepared statement. Thank you for the opportunity to testify, and I welcome any questions from you or Members of the Committee.

Acting Inspector General and Deputy Inspector General: Charles K. Edwards

Charles K. Edwards assumed the position of Acting Inspector General of the Department of Homeland Security on February 27, 2011. Prior to the Acting Inspector General position, Mr. Edwards served as Deputy Inspector General of the Department of Homeland Security.

Mr. Edwards has over 20 years of experience in the federal government and has held leadership positions at several federal agencies, including the Transportation Security Administration, the United States Postal Service's Office of Inspector General, and the United States Postal Service.
Furthermore, Mr. Edwards has received numerous awards for his outstanding contributions to the federal and law enforcement community, including awards for excellence and distinguished achievement from individual Offices of Inspector General as well as from the Inspector General community as a whole.
Mr. Edwards is a graduate of Loyola College in Maryland, with a double Masters Degree in Electrical Engineering and Computer Engineering. He also holds a Federal Chief Information Officer Certificate and Master's Certificate in IT Project Management from Carnegie Mellon University. In addition, Mr. Edwards is certified as a Project Management Professional.