

Statement of

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Good morning Chairman Hudson, Ranking Member Richmond, and distinguished Members of the Subcommittee. Thank you for the opportunity to testify today about the Transportation Security Administration's (TSA) acquisition and procurement policies and practices.

This morning my testimony reflects more than 20 years of experience in the area of federal procurement and I have worked with TSA's procurement process since that agency was established a little more than ten years ago.

I am here representing not only Intertek Testing Services, a nationally recognized testing laboratory whose history goes back to the days of Thomas Edison, but also the Security Industry Association, whose more than 480 member companies develop, install, and integrate many of the electronic security technologies purchased and in use by the TSA. Intertek is a member of the Security Industry Association and I serve on the association's government relations committee.

It is truly an honor to sit here today, representing these two outstanding organizations.

Specific to Intertek's role in the security industry, we test and certify products, help customers improve performance, gain efficiencies in manufacturing and logistics, overcome market constraints, and seek to help our customers reduce risk. Intertek also develops test procedures and methods to validate the compliance of the implementation of new technologies.

As the industry leader with more than 35,000 people in 1,000 locations in over 100 countries, we can ensure that products meet quality, health, environmental, safety, and social accountability standards for virtually any market around the world. Additionally, Intertek holds extensive global accreditations, recognitions, and agreement and we have extensive knowledge and expertise in how to overcome regulatory, market, and supply chain hurdles.

The issue before us is procurement reform at the TSA. The legislation Chairman Hudson is proposing has been well-received by the industry. As someone who works daily with the decisions made in Congress, the TSA, and several companies who sell directly to the TSA, I can tell you that collaboration with industry is always welcomed.

The aging workforce, experience gaps, and the technical talent shortage are global industry and government problems. Additionally, since Congress has recognized the need for a professional acquisition workforce by establishing education, training, and experience requirements for entry into and advancement in the acquisition career fields for federal agencies, industry collaboration and open dialogue is even more critical to continue innovative growth with transportation technologies in order to protect our nation with limited funds. Contractors sometimes do not understand the requirements. Additionally, the lack of understanding of industry practices leads to government contracting staff writing unnecessary tasks or tests requirements which drive high costs in the acquisition. This can be prevented with more collaboration between industry and government and also lead to

additional government savings. We commend your efforts to encourage more communication and dialogue between government and industry.

There are Four Key Areas TSA should consider when implementing best practices to improve transparency with regard to technology acquisition programs:

1. Acquisition Planning

The government contract cycle has three main phases; pre-award, award, and post-award. The pre-award cycle carries the most risks and is where acquisition planning takes place to identify requirements and associated costs with government estimates. This is the opportunity to conduct market research and the best time to have discussions with industry, prior to drafting requirements. By communicating with industry, government can learn best practices, common trends, and gain a better understanding of the level of effort required for completing tasks. TSA should conduct more requests for information, sources sought, and allow comments on the draft statement of work during the acquisition planning process. This will allow for a better acquisition plan that includes requirements that are both easy to understand and yield better pricing from prospective bidders. It is during this time that TSA can also identify small businesses that may be able to complete the work.

2. Test and Evaluation

New initiatives should be established with TSA testing and evaluation offices to contain costs and get products to market faster to maintain the ongoing safety of our nation's transportation system. Security products are needed for open- source and closed-source areas. The testing of products validates a product's safety and performance. Does the product function the way it is supposed to? Is it durable? Is it safe? Will it last? Testing and evaluation may include an assessment of a system, subsystem, or a component of a complete system. Additionally, the earlier testing begins in the process, the more chances for success of the product. Testing and evaluation should also include design review analysis, failure analysis, and corrosion analysis.

Test standards are written to instruct engineers on how to conduct the proper test with specific test methods. Testing laboratories purchase test standards to stay abreast of required test methods. Accredited third party testing laboratories like Intertek can test to various standards, although they did not write the test standard. It is important for contractors to know what information the Agency would like to obtain from the test results and how the test data will be used in order to ensure the proper test method and how test equipment is part of the test evaluation process. In some instances, the Agency requires test standards or specific test equipment where alternate test methods or test equipment can be used to provide the same information at different costs and time intervals. To ensure cost effective, full and open competition, TSA should not limit testing requirements solely to companies that write the test standards, but include equivalent testing certification marks which are allowed to test to a variety of standards. By utilizing skilled testing laboratories other than those that have developed the test standards, it ensures the external validity (generalizability) of the test results. Product manufacturers and developers will be able to get their products tested and certified by more labs. TSA can then benefit from more thorough validation of security products to get these technologies to market faster.

TSA recognizes the importance of getting products out faster and has released Request for Information (RFI), Solicitation Number: HSTS04-13-S-CT9999, Third Party Testing to identify third party testing facilities capable of providing testing and evaluation certification for Transportation Security Equipment (TSE). Original equipment manufacturers (OEMs) of security devices would have their equipment tested by commercial third party testing organizations *before* they brought their equipment to TSA to undergo its more formal test and evaluation process. We believe this will streamline TSA's formal qualification process and increase the likelihood of security products' success and get them to market faster. TSA would also be able to gather data which can then be used for cost benefit analysis.

The formal TSA T&E process begins with entry into Developmental Testing (DT) where product system and subsystems are assessed for their ability to satisfy sought-after capabilities then assessed with Quality Testing (QT). By requiring third party testing and certification, TSA can benefit from increased probability of quality security products being ready for an acquisition decision. Businesses will also save time and money because they are less

likely to lose money retesting products and increase the likelihood of their products passing TSA testing requirements.

Third party testing certification would allow the TSA T&E workforce to save time therefore increasing their capacity to direct planning efforts. TSA's test and evaluation organization can then focus more on the operational test and system evaluation processes. These efficiencies will also yield TSA more oversight needed to meet its acquisition plan goals for security products by being able to provide more management attention to product quality issues that may face the greatest risks.

3. Cost Benefit Analysis

Cost benefit analysis is critical to budget planning and accurate forecasts of project cost estimates. In conducting cost benefit analysis, one must be knowledgeable about cost realism and cost reasonableness. TSA procurement and program staff need specific, measurable, attainable, realistic, timely cost benefit analysis guidelines for all major projects. Cost benefit analysis guides should address the key elements of costs analysis, how to determine price reasonableness with emphasis placed on price analysis techniques and their appropriateness under a variety of contracting/procurement scenarios. Acquisition staff must understand the difference between price analysis, cost analysis, and cost realism while also being able to identify cost reasonableness based on the requirements. It is important for those involved in acquisition planning and program management to understand the meaning of cost realism and cost reasonableness to generate and to develop more accurate independent government costs estimates. In accordance with the Federal Acquisition Regulations (FAR) these terms are defined as the following:

Cost Realism Analysis (FAR 15.101, 15.401, and 15.404-1(d)):

Cost Realism Analysis is the process of independently reviewing and evaluating specific elements of each offeror's proposed cost estimate to determine whether the estimated proposed cost elements:

- Are realistic for the work to be performed;
- Reflect a clear understanding of contract requirements; and
- Are consistent with the unique methods of performances and materials described in the offeror's technical proposal.

Based on the offeror evaluation criteria stated in the solicitation, you can then use the results of your analysis in selecting the offer that provides best value to the Government.

Cost Reasonableness, FAR 31.201-3 -- Determining Reasonableness

A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person in the conduct of competitive business. Costs cannot be deemed reasonable if they are not allowable.

Cost benefit analysis training should include detailed policy for all of these criteria so that government staff have the ability to recognize unrealistic costs estimates. This will work to ensure the creation of more realistic project costs so that TSA can operate within budget. One common mistake among program and procurement staff is the lack of understanding of how the contract requirements affect the level of effort needed per tasks and related costs which can also be deterred with cost benefit analysis procedures.

It is imperative that cost benefit data is maintained and reviewed on an ongoing basis. To prevent cost benefit data limitations because of the rapid change in technology; internal controls need to be implemented to maintain, compare, and reconcile the data compiled from annual forecasts and spending reports. Data should be maintained to review and prepare an analysis based on actual spending and comparative data to validate recommended acquisition program changes. The data will also help validate the success of acquisition planning and forecasting. Annual reports should include the identification of the staff which contribute to the report as well as the data source and methods of the data used. Each department should use the same methods to calculate cost benefit data to ensure a fair and consistent analysis throughout TSA with the use of reliable aggregate data.

4. Government Contract Vehicles

TSA should also consider using GSA schedules. The General Services Administration reviews the technical ability, management, and financial solvency of companies that want to provide product and services to the federal government. Companies with GSA schedules have already been vetted and the best price has already been negotiated. This will save procurement lead time so that contracts can be awarded faster and TSA will receive discounted rates by qualified vendors. The following GSA Schedules could be beneficial to TSA:

- Schedule 70 - General Purpose Commercial Information Technology Equipment, Software, and Services
- Schedule 84 - Total Solutions for Law Enforcement, Security, Facility Management Systems, Fire, Rescue, Special Purpose Clothing, Marine Craft and Emergency/Disaster Response
- Schedule 871 – Professional Engineering Services
- Schedule 66 - Scientific Equipment and Services

Again, I would like to thank the committee for the invitation to be here today. On behalf of the Security Industry Association and Intertek, we appreciate your efforts in this area and I look forward to any questions you may have.