U.S. Department of Homeland Security Contract and Grant Spending and the Supporting Industrial Base, 2004–2013

CSIS | CENTER FOR STRATEGIC & INTERNATIONAL STUDIES

PROJECT DIRECTOR
David J. Berteau

PRINCIPAL AUTHORS
Jesse Ellman
Gregory Sanders

JUNE 2014

A Report of the CSIS National Security Program on Industry and Resources

U.S. DEPARTMENT OF HOMELAND SECURITY CONTRACT AND GRANT SPENDING AND THE SUPPORTING INDUSTRIAL BASE, 2004–2013

Project Director
David J. Berteau

Lead Authors
Jesse Ellman
Gregory Sanders

A Report of the CSIS National Security Program on Industry and Resources

June 2014

CSIS | CENTER FOR STRATEGIC & INTERNATIONAL STUDIES

ROWMAN & LITTLEFIELD
Lanham • Boulder • New York • Toronto • Plymouth, UK

About CSIS

For over 50 years, the Center for Strategic and International Studies (CSIS) has worked to develop solutions to the world's greatest policy challenges. Today, CSIS scholars are providing strategic insights and bipartisan policy solutions to help decisionmakers chart a course toward a better world.

CSIS is a nonprofit organization headquartered in Washington, D.C. The Center's 220 full-time staff and large network of affiliated scholars conduct research and analysis and develop policy initiatives that look into the future and anticipate change.

Founded at the height of the Cold War by David M. Abshire and Admiral Arleigh Burke, CSIS was dedicated to finding ways to sustain American prominence and prosperity as a force for good in the world. Since 1962, CSIS has become one of the world's preeminent international institutions focused on defense and security; regional stability; and transnational challenges ranging from energy and climate to global health and economic integration.

Former U.S. senator Sam Nunn has chaired the CSIS Board of Trustees since 1999. Former deputy secretary of defense John J. Hamre became the Center's president and chief executive officer in April 2000.

CSIS does not take specific policy positions; accordingly, all views expressed herein should be understood to be solely those of the author(s)

ISBN: 978-1-4422-4016-2 (pb); 978-1-4422-4017-9 (eBook)

Center for Strategic & International Studies
1616 Rhode Island Ave, NW
Washington, DC 20036
202-887-0200 | www.csis.org

Rowman & Littlefield
4501 Forbes Boulevard,
Lanham, MD 20706
301-459-3366 | www.rowman.com

Contents

List of Figures and Tables

Executive Summary

Since 2004, the Center for Strategic and International Studies (CSIS) has been analyzing and reporting on contract obligations for national security and across the federal government. This report is the third in the annual series that analyzes contracting for products, services, and research and development (R&D) by the Department of Homeland Security (DHS) and its key components. It provides an in-depth look at trends in DHS contracting since the establishment of the agency. It also assesses the impact that sequestration has had on DHS contracting and the associated homeland security industrial base. It updates reports from previous years and provides greater breadth of analysis. One significant change from previous edition is that this report, rather than primarily reporting the changes across dozens of graphs, lists key factors behind growth or decline. However, because the ability to dive deeply into raw data is important to many readers, CSIS has significantly upgraded the project website http://www.csis.org/program/nspir to include the graphs and table contained within this report as well as additional variants of analysis results by component and by product or service area. Throughout the year, the study team will publish and update the data underlying shorter publications on key issues relevant to DHS and its supporting industrial base. The authors of this report encourage readers to visit the website, view the material available there, and provide thoughts and comments back to CSIS at nspir@csis.org.

The first chapter of this report describes the methodology used, including the study team's sources and methods as well as changes in techniques from prior reports.

The second chapter analyzes contract data across eight key facets, including:

- By DHS component
- By product or service area
- By levels of competition
- By contract pricing mechanism
- By contract vehicle
- By size of contract
- By size of vendor
- Top 20 vendors

This executive summary focuses on the first two facets. The remainder are covered in detail in Chapter 2.

The third chapter goes beyond contracts to examine trends in DHS grant awards. This aspect of DHS spending is analyzed for the first time in this report; consequently, the data and analysis do not cover as many key facets as for contracting.

The fourth chapter looks deeper into the available data to raise and address current policy questions.

The Impact of Hurricane Sandy

Between 2012 and 2013, as federal government agencies grappled with the budget limits imposed by sequestration, total DHS discretionary outlays increased by 18 percent, from $48.4 billion to $57.2 billion. Neither contracts nor grants drove this increase, however. The main driver of the increase in discretionary DHS outlays under sequestration was non-contract/grant outlays, particularly within the Federal Emergency Management Agency (FEMA). While non-FEMA non-contract/grant outlays declined by 4 percent, from $23.9 billion in 2012 to $23.0 billion in 2013, FEMA non-contract/grant outlays more than tripled, from $4.4 billion in 2012 to $14.5 billion in 2013, a one-time increase of 226 percent. At the same time, DHS-funded contract obligations[1] declined by 4 percent between 2012 and 2013, falling from $13.4 billion to $12.8 billion, while DHS grant awards increased by 4 percent, from $6.6 billion to $6.9 billion.

The response to Hurricane Sandy is the primary reason for the huge increase in FEMA non-contract/grant outlays between 2012 and 2013. Between 2012 and 2013, outlays under the Disaster Relief Fund increased by nearly $3 billion, while outlays under the National Flood Insurance Fund increased by nearly $7 billion. Taken together, these two budget accounts alone comprise nearly the entire increase in FEMA non-contract/grant outlays between 2012 and 2013.

This pattern of outlays, contracts, and grants in response to Hurricane Sandy differs significantly from the pattern seen in 2005 and 2006 in the aftermath of Hurricanes Ivan and Katrina. Between 2004 and 2005, in response to Hurricane Ivan, DHS contract obligations increased by two-thirds (driven mainly by a near-fivefold increase in FEMA contract obligations) and grant awards nearly tripled (driven by a near-fivefold increase in grants for Disaster Response). Between 2005 and 2006, in response to Hurricane Katrina, both contract obligations and grants awards increased again by nearly a quarter, again driven by increases in FEMA contract obligations and disaster response grant awards, respectively. FEMA non-contract /grant outlays, which were less than $2 billion in both 2004 and 2005, increased nearly twentyfold in 2006, to $29 billion. In contrast, spending by most other DHS components were relatively stable from year to year.

FEMA contract obligations and Disaster Response grant awards began to return to pre-2005 levels after 2006. Between 2012 and 2013, as a result of Hurricane Sandy, FEMA had significant increases in contract obligations (4 percent, an increase of $50 million) and Disaster Response grant awards (30 percent, an increase of $1.3 billion). For Hurricane Ivan, the response was funded primarily through contracts and grants, and for Hurricane Katrina, through contracts, grants, and other outlay mechanisms. In contrast, the response to Hurricane Sandy appears to have been funded largely out of non-contract/grant outlays, perhaps due to very different post-disaster needs.

[1] "DHS-funded contract obligations" includes all contracts funded by DHS, including those implemented by other agencies. This total is, on average, approximately $500 million higher than the total for contract obligations implemented by DHS. "DHS-implemented contract obligations" are used throughout this report except where specifically noted.

Assessing the wisdom and efficacy of these different approaches to post-disaster response funding is outside the scope of this report. The study team urges DHS policymakers and congressional overseers to examine what, if any, effect the change has had on planning for future DHS disaster response and relief efforts.

The Impact of Sequestration on DHS Contracting

Between 2012 and 2013, DHS-implemented contract obligations declined by 3 percent.[2] Given the budget cuts required by sequestration, this decline appears to be relatively minor, especially when compared with the 16 percent decline in DoD contract obligation over the same period. Initially, the study team suspected that this was related to the response to Hurricane Sandy. FEMA contract obligations did increase slightly (4 percent) under sequestration, but that increase totaled only $50 million, from $1.18 billion to $1.23 billion.

In addition, despite the stated statutory intent that sequestration funding reductions would impact equally across government entities, the distribution was widely varying among DHS components between 2012 and 2013, as seen in Figure 2-2. Contract obligations by Customs and Border Protection declined by 6 percent (from $1.86 billion to $1.74 billion), while Coast Guard contract obligations increased by 6 percent (from $2.77 billion to $2.93 billion.) Contract obligations for the Office of Procurement Operations (0 percent, from $2.50 billion to $2.48 billion) and "Other DHS" (1 percent, from $1.21 billion to $1.22 billion) were steady under sequestration. Two components that significant declines: the Transportation Security Administration (-15 percent, from $1.84 billion to $1.58 billion) and Immigration and Customs Enforcement (-13 percent, from $1.30 billion to $1.13 billion).

Looking at changes in what DHS contracted for, which is discussed under Figure 2-3, overall contract obligations for products increased by 8 percent under sequestration, from $2.83 billion to $3.04 billion, driven primarily by increases within the Coast Guard. Overall contract obligations for services and R&D, by contrast, declined by 6 percent between 2012 and 2013, from $9.83 billion to $9.26 billion. Within services and R&D, the impact of sequestration was highly variable, depending on the service area. Equipment-Related Services (-22 percent, from $0.77 billion to $0.60 billion), Medical services (-21 percent, from $0.14 billion to $0.11 billion), and Information & Communications Technology services (-11 percent, from $2.49 billion to $2.22 billion) all declined far more steeply than overall DHS contract obligations (-3 percent). Contract obligations for Professional, Administrative, & Management Support services (-4 percent, from $3.76 billion to $3.62 billion) declined similarly to overall DHS contract obligations, while Facilities-Related Services & Construction (0 percent, $2.31 billion in both 2012 and 2013) was unchanged. The only service area that saw an increase between 2012 and 2013 was DHS contract obligations for Research & Development, which went up by 12 percent (although that increase totaled only $40 million, from $0.37 billion to $0.41 billion.)

[2] This rate of decline is lower than the rate for DHS-funded contract obligations (-4 percent). "DHS-funded" is used to provide proper context when comparing to outlay levels, but "DHS-implemented" is the more appropriate categorization for analysis of DHS contracting behavior, since it includes only those contract obligations administered by DHS.

One reason DHS contract obligations fell so little between 2012 and 2013 is that considerable decline had already occurred between 2009 and 2012. From 2009 to 2012, overall DHS contract obligations declined steadily (-6.3 percent compound annual growth rate). In one year alone, between 2011 and 2012, DHS contract obligations declined by 15 percent, from $14.8 billion to $12.7 billion; for context, DoD contract obligations declined by only 6 percent between 2011 and 2012. The large cut in DHS contract obligations between 2011 and 2012 enabled DHS to take smaller cuts in contracts under sequestration.

Looking at the DHS industrial base by size of vendor, as discussed under Figure 2-8, contract obligations awarded to the Big 6 defense vendors (Boeing, Lockheed Martin, Northrop Grumman, Raytheon, General Dynamics, and BAE) declined by 24 percent under sequestration, after declining by over half between 2011 and 2012 (from $2.1 billion in 2011 to $1.0 billion in 2012 to $0.8 billion in 2013.) By contrast, contract obligations for small, medium, and other large vendors did not decline disproportionately under sequestration. As seen in Table 2-1, there was relatively little fluctuation among the top DHS vendors, with only Huntington Ingalls Industries moving up into the top 5 in 2013 (from 26th in 2012.) There was more volatility in the rest of the top 20, as four other vendors that were outside the top 20 in 2012 moved into the top 20 in 2013.

An Initial Look at DHS Grant Awards

Chapter 3 of this report examines trends in DHS grant awards. This analysis uses data from the publicly available Federal Assistance Award Data System (FAADS), which is the grants equivalent of the Federal Procurement Data System (FPDS) that CSIS uses for contracting data (see chapter 1, Methodology, for more details.) Compared to FPDS, FAADS is a relatively immature public database, and there are significant gaps and entry issues in the FAADS data. These limit the ability to perform meaningful trend analysis. Most notably, most or all grant awards under DHS's largest grant program, the Homeland Security Grant Program (HSGP), are included through 2009 and in 2011, but are missing (either entirely or in significant portion) from FAADS in 2010, 2012, and 2013. In 2010, approximately $1.8 billion in HSGP grant awards were missing from FAADS, representing nearly 20 percent of total DHS grant awards for the year.

To analyze trends in DHS grant awards, the study team grouped DHS grants into six categories, based on the purpose or program of the grant: Counter Terrorism and Infrastructure Security, Disaster Preparedness, Disaster Response, the Homeland Security Grant Program, Transportation Security, and Other. Since FAADS does not provide visibility into activity within a grant program, the study team has assigned programs into the category that best fits the main purpose of the program, even though some grant programs have subprograms that fit under more than one of these categories.

The largest share of DHS grants are awarded for Disaster Response programs, which accounted for more than 60 percent of grant awards in 7 of the 10 years observed. Grant awards for Disaster Preparedness have remained around the $1 billion level in most years. Transportation Security grant awards have fluctuated significantly, rising from negligible amounts during the period 2004–2006 to $1.3 billion in 2009, but only exceeding $110 million in one year since then ($610 million in 2011). Grant

awards for Counter Terrorism and Infrastructure Security were less than $170 million until 2013, when they totaled $300 million. Similarly, the category of "Other" has exceeded $110 million only once in the period observed ($220 million in 2010).

Table 3-1 in Chapter 3 examines the top 20 recipients of DHS grant awards in 2010 and 2013. CSIS has attempted to differentiate between grants awarded to state, county, and local government entities, but this analysis is difficult prior to 2010 due to issues with the data fields used to identify level of government. The most notable trend between 2010 and 2013 is the shift from awards to county governments to state governments, but the study team believes this is likely an artifact of the same data issues mentioned above, rather than a wholesale shift in grant-award policy.

Unsurprisingly, government agencies in New York and New Jersey, which bore the brunt of the damage from Hurricane Sandy, were the top recipients of grant awards in 2013, showing the degree to which disaster response drove DHS grant awards. The data also show that grant awards are highly concentrated, as the top five grant award recipients in 2013 accounted for 59 percent of overall DHS grant awards.

Final Thoughts

The data on DHS contracting show that, because of prior year reductions in DHS contract obligations, sequestration did not force significant reductions in DHS contract obligations in 2013. The data also show a major shift in how DHS funds disaster response since Hurricane Katrina: away from contracts and grants, and toward other funding mechanisms. Gaps in grants data reduce confidence in trend analysis, but the study team hopes to stimulate attention and action on the part of DHS and federal government policy makers.

Chapter 1: Methodology of the Study

The Center for Strategic and International Studies (CSIS) has studied and reported on federal and national security contract spending for a decade. This chapter describes the methodology used in this report.

Most of the data used for this study were derived from the Federal Procurement Data System–Next Generation (FPDS). This publicly available government database covers all federal contract actions that have been awarded during a particular year, although this study is limited to those contracts managed by DHS between fiscal years 2004 and 2013. Notably, with the exception of Figure 2-1, this approach excludes some contracts funded by DHS but managed by other agencies, because this report focuses on the acquisition decisions of DHS rather than its budget. Because of the limitations of the online FPDS database, the study team has traditionally built a series of annual databases to make the challenge of FPDS's sheer size manageable. Since the prior report, the CSIS team created a single database with all 35 million rows of federal data and all of the data fields available through USASpending.gov.

For the purpose of this study, the Department of Homeland Security (DHS) contracting industrial base is defined as all vendors and individuals awarded contracts by DHS. This includes contracts for products, services, and research and development (R&D), classified with the federal supply classification (FSC) codes (also referred to as product or service codes, or PSCs).

Inherent Restrictions of FPDS

Since the analysis presented in this report relies so heavily on FPDS data, it incurs four notable restrictions. First, contracts awarded as a result of supplemental appropriations are not separately classified in FPDS. As a result, we do not distinguish between contracts funded by base budgets and those funded by supplemental appropriations. Second, FPDS includes only prime contracts, and the separate subcontract database remains substantially incomplete and inadequate for analysis. Therefore, only prime contract data are included in this report. Third, reporting regulations require that only unclassified contracts be included in FPDS. This means that few, if any, classified contracts are in the database. Finally, classifications of contracts differ between FPDS and individual vendors. For example, some contracts that a vendor may consider as services are labeled as products in FPDS, and vice versa. This may cause some discrepancies between vendors' reports and those of the federal government.

Constant Dollars and Fiscal Years

All dollar amounts in this report are reported as constant fiscal year 2013 dollars unless specifically noted otherwise. Dollar amounts for all years are deflated by the implicit GDP deflator calculated by the U.S. Bureau of Economic Analysis, with FY 2013 as the base year. This measurement allows the CSIS team to compare and analyze changes in spending more accurately across time. Similarly, all compound

annual growth values and percentage growth comparisons are based on constant dollars and thus adjusted for inflation.

Similarly, due to the FPDS format and the ease of comparison with government databases, all references to years conform to the federal fiscal year. Thus fiscal year 2013, the most recent complete year in the database, spans October 1, 2012, to September 30, 2013.

Small, Medium, and Large Vendors

To analyze the breakdown of competitors in the market by vendor size, the CSIS team assigned each vendor in the database to one of these size categories. Any organization designated as "small" by the FPDS database—according to the criteria established by the federal government—was categorized as such unless the vendor was a known subsidiary of a larger entity. Due to varying standards across sectors, an organization may meet the criteria for being a small business in certain contract actions and not in others. The study team did not override these differing entries when calculating the distribution of value by vendor size.

Vendors with total annual reported revenue of more than $3 billion, including from nonfederal sources, are classified as large. This classification is based on the vendor's most recent revenue figure at the time of classification. For vendors that have gone out of business or been acquired, this date may be well before 2013. A joint venture between two or more organizations is treated as a single separate entity, and those with a large parent were also defined as large. Contractors are classified as "medium" if they are neither small nor large.

To analyze the DHS industrial base, the study team used available public information to consolidate data related to subsidiaries and newly acquired vendors with their parent vendors. For example, this results in a parent vendor appearing once on CSIS's top 20 lists rather than being divided between multiple entries. The assignment of vendor revenue is done on an annual basis and a merger must be completed by the end of March to be consolidated for the fiscal year in question. This enabled the study team to analyze the industrial base, the number of players in it, and their level of activity more accurately.

Over the past four years, the study team has applied a systematic approach to these vendor roll ups. Since the prior report, there have been significant changes in the raw data. FPDS still uses hundreds of thousands of DUNS (Data Universal Numbering System) codes from Dun and Bradstreet to identify service providers, but have switched from using detailed 13-digit codes to standardized 9-digit codes. A salutary benefit of that standardization is that FPDS now provides parent vendor codes. These parent codes track the current ownership of vendors, but are not backward looking. Thus, a merger that happened in 2010 would not affect parent assignments in 2000. This prevents the study team from adopting these assignments in their entirety. Finally, as mentioned above, the study team is no longer limited to considering a single year at a time for technical reasons. These changes have allowed us to undertake significant upgrades to the vendor parent assignments.

In prior years, the study team had investigated and classified all DUNS numbers associated with more than $500 million of contract revenue in any single year. Building off the work of our departmental reports, we have now expanded *and lowered* that criterion to $250 million of total contract revenue. We have also added an alternate threshold and investigate every DUNS number with more than $1 billion in total obligations between 2000 and 2013, no matter how much they receive in any individual year.

We have reinforced these manual DUNS number assignments with automated assignments based on the vendor name. Qualifying for automated assignment by name requires meeting three criteria: 1) a standardized vendor name matches with the name of a parent vendor, 2) that name has been matched to the parent vendor by CSIS or the Parent DUNS number field, and 3) there are no alternative CSIS assignments of that vendor name. This process reduces the risk that a DUNS number is considered large in one year but overlooked in another. As an error-checking mechanism, the study team compares CSIS assignments to those made in FPDS' Parent DUNS Number field for every DUNS number with $500 million in annual obligations or $2 billion in total obligations, and investigates contradictions.

Finally, to identify large vendors, the study team investigates any vendor with total obligations of $500 million in a single year or $2 billion over the study period. Assigning revenue value is the most labor-intensive part of the process and involves use of vendor websites, news articles, various databases, and public financial documents. All of this work taken together explains occasional increases in the market share of large vendors in the back years versus our prior reports. While large vendors are, on rare occasions, reassigned into the middle tier, the vast majority of investigations either maintain the status quo or identify small or medium vendors that should be classified as large.

Changes to the Handling of Contract Vehicle

This report, as well as all CSIS contract trends reports, classifies contract obligations into specific types of contract vehicles. This requires integration and consolidation of multiple FPDS data fields. Some contract vehicle types present unique problems. For example, prior to 2012, the CSIS study team relied on separate queries using the FPDS web tool to gain access to the referenced indefinite delivery vehicle (IDV) fields to classify contract vehicles for analysis. Those fields are still unavailable from USAspending.gov, but thanks to technical upgrades, the study team was able to integrate referenced IDV data into the larger database. This switch allows cross-tabulation and reduces inconsistences that can result from use of multiple sources.

Changes to the Handling of Competition

Reconstructing contract vehicle information also allows CSIS to apply previously inaccessible government methodology for classifying competition, particularly for contracts using IDV contract vehicle types. This change both makes this report more closely comparable to government reporting and better reflects the level of competition in these increasingly prevalent contract vehicles. Additionally, to evaluate better the rate of "effective competition" within DHS, the study team shifted focus to the number of offers received for competitive contracts. See the competition section of Chapter 2 for additional details.

Federal Assistance Award Data System (FAADS)

CSIS analysis for this report incorporates DHS grant awards for the first time. Data are from the Federal Assistance Award Data System (FAADS). For specific methodological issues tied to grants data, please see Chapter 3 of this report.

Data Reliability Notes and Download Dates

Any analysis based on FPDS is naturally limited by the quality of the underlying data. Previous studies by the Government Accountability Office (GAO) have highlighted the problems of FPDS (for example, the December 30, 2003, report: "Reliability of Federal Procurement Data," and the September 27, 2005, report: "Improvements Needed for the Federal Procurement Data System–Next Generation").

In addition, FPDS data for past years are continuously updated over time. For example, while fiscal year 2007 was long past, over $100 billion worth of entries for that year were modified in 2010. This can create some discrepancies between the data presented in this report and those in previous editions. Such changes to FPDS may well be worthwhile, but should be monitored and clearly identified (via a publically available change log) due to the potential for misunderstanding and abuse.

Despite its flaws, FPDS is the only comprehensive data source of government contracting activity. It provides an adequate basis for any analysis focused on trends and order-of-magnitude comparisons. In order to be transparent about weaknesses in the data, this report consistently describes data that could not be classified due to missing entries or contradictory information as "unlabeled" rather than including them in an "other" category.

The data used in this report were downloaded in February 2014.

Chapter 2: Overall DHS Contracting Trends

Since 2004, the Center for Strategic and International Studies (CSIS) has been analyzing and reporting on contract obligations for national security and across the federal government. This report analyzes contracting for products, services, and research and development (R&D) by the Department of Homeland Security (DHS) and its key components. It provides an in-depth look at trends in DHS contracting since the establishment of the agency and provides an initial picture of the impact that sequestration has had on government contracting and the supporting industrial base. This third edition of the DHS report updates reports from previous years and provides greater depth of analysis. Rather than reporting primarily the changes across dozens of graphs, the analysis lists key factors behind growth or decline. However, the ability to dive deeply into raw data is important to many CSIS readers. To meet that need, CSIS has significantly upgraded the project website http://www.csis.org/program/nspir to include the graphs and table contained within this report as well as variants by component and by product and service area. This website will be a living repository. Throughout the year, the study team will publish and update the data underlying shorter publications on key issues relevant to DHS and its supporting industrial base. The authors of this report encourage readers to visit the website, view the material available there, and provide thoughts and comments back to CSIS at nspir@csis.org.

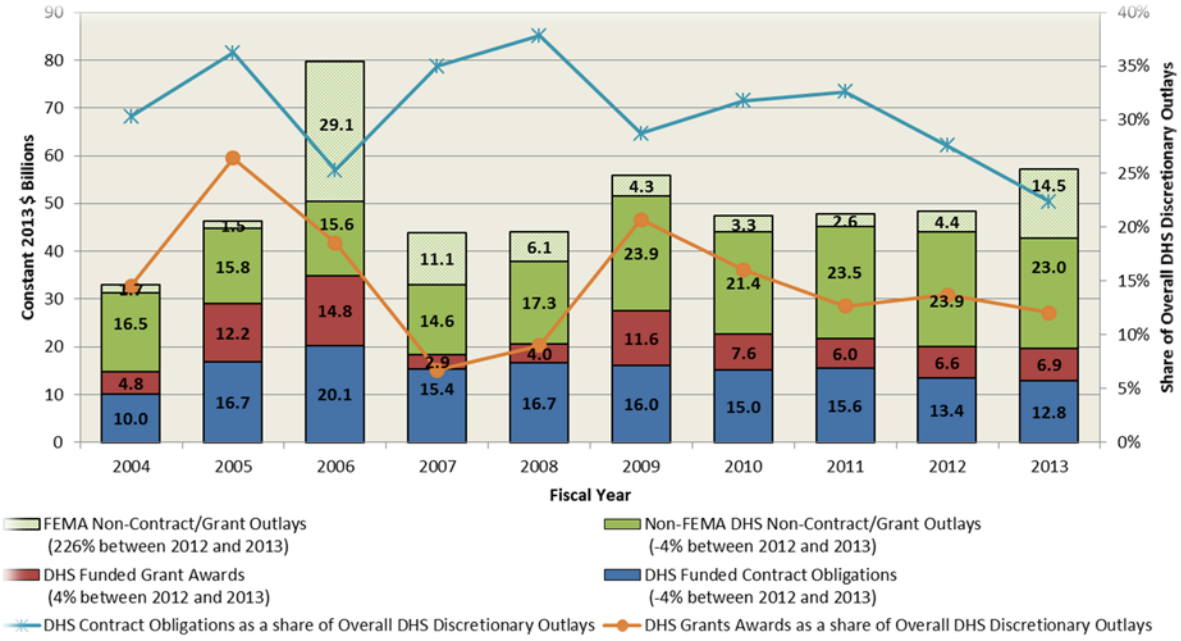
In addition to analyzing overall DHS spending (Figure 2-1), this chapter analyzes eight key facets of the defense industrial base:

- DHS component (Figure 2-2)
- Product and service area (Figure 2-3)
- Competition (Figure 2-4)
- Pricing mechanism (Figure 2-5)
- Contract vehicle (Figure 2-6)
- Contract size (Figure 2-7)
- Vendor size (Figure 2-8)
- Top 20 vendors (Table 3-1)

The text accompanying each figure or table provides insight into particular aspects of the data, but does not repeat each fact in the figure.

Topline DHS Contract Obligations, Grants, and Outlays

Figure 2-1: Topline DHS Contract Obligations, Grants, and Outlays, 2004–2013



Source: FPDS; FAADS; CFDA; OMB historical tables; CSIS analysis.

Figure 2-1 shows overall DHS outlays, broken down into three major categories: contract obligations, grants, and non-contract/grant outlays. Because much of the variation in the non-contract/grant outlay category is the result of natural disaster-related activities by the Federal Emergency Management Agency (FEMA), that third category is further divided to separate FEMA non-contract/grant outlays (light green) from non-FEMA DHS non-contract/grant outlays (dark green). The two lines on the chart, using the secondary y-axis on the right, show DHS contract and grant awards as shares of overall DHS discretionary outlays. On the legend, the percentages refer to the percent change in obligations/awards/outlays between 2012 and 2013.

Note that, for this chart only, contract obligations for DHS are aggregated based on DHS being the agency funding the contract, rather than simply implementing the contract (the standard used for the rest of this study). Aggregating contract obligations by funding agency captures contracts funded by DHS but implemented by other agencies, which is relevant when looking at DHS contract obligations in the context of its overall discretionary outlays. Due to this differing methodology, contract obligations totals on this chart are higher than for the rest of this study, by approximately $500 million–$1 billion per year. The difference can be seen in the rates of decline between 2012 and 2013: while DHS-funded contract obligations declined by 4 percent, DHS-implemented contract obligations declined by only 3 percent.

The remainder of this report focuses on contracting behavior within DHS, making implementing agency the more useful standard for analysis. Thus, for example, the -3 percent figure for the decline in DHS contract obligations between 2012 and 2013 will be the standard used through the rest of this report.

Between 2004 and 2013, as overall DHS discretionary outlays increased moderately (6.3 percent 9-year Compound Annual Growth Rate, CAGR), DHS-funded contract obligations increased at less than half that rate (2.8 percent 9-year CAGR). As a share of overall DHS discretionary outlays, contract obligations fluctuated dramatically between 2004 and 2008, from a low of 25 percent in 2006 to a high of 38 percent in 2008. That share stabilized somewhat from 2009 to 2012, as DHS-funded contract obligations were between 28 percent and 32 percent of overall DHS discretionary outlays.

DHS grant awards increased at a rate (4.1 percent 9-year CAGR) slower than that of overall DHS discretionary outlays. As a share of overall DHS discretionary outlays, grants fluctuated significantly in the early years of DHS's existence, rising from 15 percent in 2004 to 26 percent in 2005, falling to 7 percent in 2007, and rising back to 21 percent by 2009. From 2010 through 2013, however, DHS grant awards have steadily declined as a share of overall DHS discretionary outlays, to 12 percent in 2013.

Non-contract/grant outlays by FEMA have been highly variable, dramatically increasing after significant natural disasters. Accounting for only 3 percent of overall DHS discretionary outlays in 2005, FEMA non-contract/grant outlays accounted for 37 percent of discretionary outlays in 2006, gradually decreasing to 5 percent in 2011, then rising to 25 percent in 2013, likely due to Hurricane Sandy response and relief efforts.[3] Non-FEMA DHS non-contract/grant outlays have similarly fluctuated, but these fluctuations speak to larger changes in how federal disaster relief is funded. Between 2004 and 2005, non-FEMA DHS non-contract/grant outlays declined as a share of overall DHS discretionary outlays from 50 percent to 34 percent, as money was reallocated in response to Hurricane Ivan. That money was disbursed primarily through FEMA disaster assistance grants, which accounts for the large increase in grant awards between 2004 and 2005, while FEMA non-contract/grant outlays were relatively unchanged. By 2006, grants were still a major instrument for disaster response and relief, but they are overshadowed by the huge increase in FEMA non-contract/grant outlays. By 2013, when Hurricane Sandy hit, there was a relatively minor increase in grant awards, while FEMA non-contract/grant outlays more than tripled.

In the 2010–2013 period, as overall DHS discretionary outlays increased at a 6.5 percent 3-year CAGR, DHS-funded contract obligations have declined moderately (-5.2 percent 3-year CAGR), falling as a share of overall DHS discretionary outlays from 32 percent in 2010 to 22 percent in 2013. DHS grant awards also declined moderately during the 2010–2013 period (-3.2 percent 3-year CAGR), though this is distorted by approximately $1.8 billion of FY 2010 grant awards missing from the FAADS database and several hundred million missing in 2012 and 2013; this and other data issues with DHS grants data are

[3] While the study team does not have the ability to examine DHS outlays on a state-by-state basic, the main drivers of the increase in FEMA non-contract/non-grant outlays in 2013 were the large increases in outlays under the National Flood Insurance Fund and the Disaster Relief Fund. CSIS feels confident that the increase is largely the result of Hurricane Sandy response and relief.

discussed further in Chapter 3. DHS grant awards fell as a share of overall discretionary outlays from 16 percent in 2010 to 12 percent in 2013. FEMA non-contract/grant outlays, which accounted for single-digit shares of overall DHS discretionary outlays from 2010 to 2012, rose to 25 percent in 2013 due to Hurricane Sandy, while other (non-FEMA) DHS non-contract/grant outlays rose from 45 percent in 2010 to 49 percent in 2011 and 2012, before falling back to 40 percent in 2013.

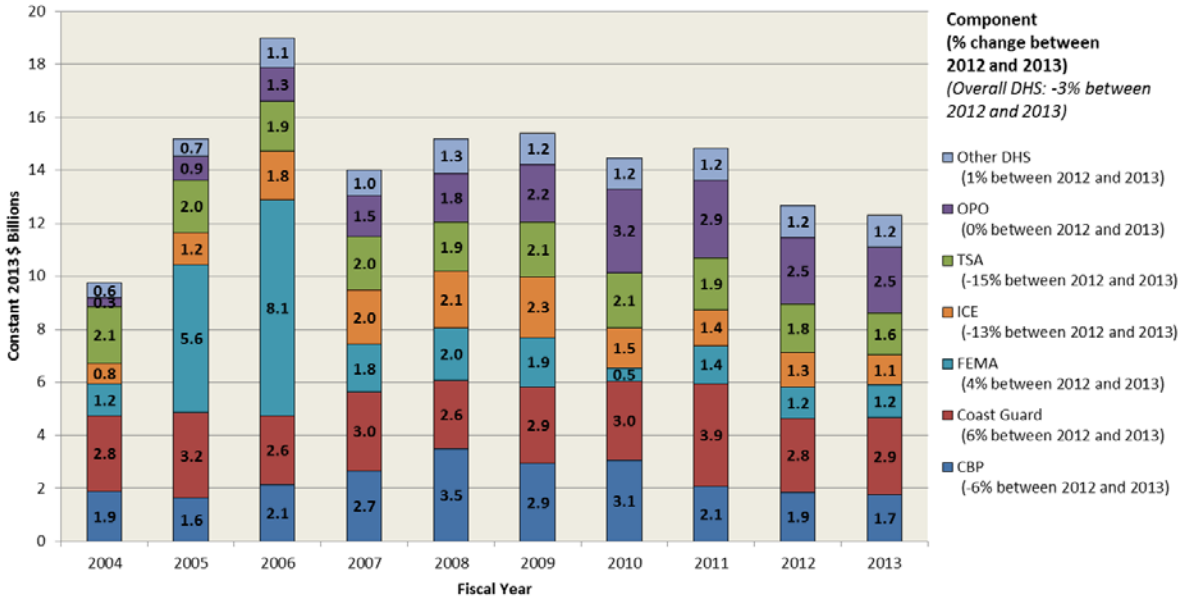
Between 2012 and 2013, as overall DHS discretionary outlays increased by 18 percent,[4] DHS-funded contract obligations declined by 4 percent, falling as a share of overall DHS from 28 percent to 22 percent. Compared to the Department of Defense, which saw contract obligations decline by 16 percent, DHS executed sequestration in 2013 without drastic reductions in contract obligations. One factor mitigating the decline in contract obligations between 2012 and 2013 may have been the large decline between 2011 and 2012 (-14 percent)—the steep drop in contract obligations in 2012 may have helped ensure that only moderate reductions were needed in 2013 to comply with sequestration spending levels.

DHS grant awards increased by 4 percent between 2012 and 2013, driven primarily by an increase in grants for disaster response. FEMA non-contract/grant outlays increased by 226 percent due largely to Hurricane Sandy, rising as a share of overall DHS discretionary outlays from 9 percent to 25 percent. Other (non-FEMA) DHS non-contract/grant outlays declined by 4 percent, falling as a share of overall DHS discretionary outlays from 49 percent to 40 percent.

[4] Nearly the entire increase in overall DHS discretionary outlays between 2012 and 2013 can be tied to two accounts linked to Hurricane Sandy relief: the Disaster Relief Fund and the National Flood Insurance Fund. According the CBO, the first 6 months of FY 2014 have seen drastically reduced outlay levels in these accounts. See CBO, "Monthly Budget Review for March 2014," April 7, 2014, http://www.cbo.gov/sites/default/files/cbofiles/attachments/45237-MBR.pdf.

DHS Contract Obligations by Component

Figure 2-2: DHS Contract Obligations by Component, 2004–2013



Source: FPDS; CSIS analysis.

Figure 2-2 presents DHS contract obligations by seven major DHS components:

- Customs and Border Protection
- Coast Guard
- Federal Emergency Management Agency
- Immigration and Customs Enforcement
- Transportation Safety Administration
- Office of Procurement Operations
- "Other DHS" contracting entities

2004–2013: Longer-Term Trends across DHS Components

The share of DHS contract obligations awarded by Customs and Border Protection (CBP) has fluctuated significantly, from a low of 11 percent in 2005 and 2006 to a high of 23 percent in 2008, and has remained between 14 percent and 15 percent since 2011. The share awarded by the Coast Guard fell from 29 percent in 2004 to 14 percent in 2006, but rose steadily afterwards, to 26 percent in 2011. The share of DHS contract obligations awarded by the Transportation Safety Administration (TSA) was 22 percent in 2004, but has remained between 12 percent and 15 percent in all but one year since (10 percent in 2006).

The share of DHS contract obligations awarded by FEMA rose dramatically for two years in response to Hurricanes Ivan and Katrina (from 12 percent in 2004 to 37 percent and 43 percent in 2005

and 2006, respectively) but has otherwise remained between 9 percent and 13 percent. The share awarded by Immigration and Customs Enforcement (ICE) rose from 8 percent in 2004 and 2005 to 15 percent in 2009 but has not exceeded 10 percent since. The share awarded by the Office of Procurement Operations (OPO, formerly known as the Office of the Secretary) has risen steadily, from 3 percent in 2004 to 22 percent in 2010, in large part due to reorganizations moving contracting entities under the auspices of OPO. The share awarded to the category of "Other DHS" (comprising all DHS contracting entities not covered by the other six component categories), which remained between 4 percent and 7 percent from 2004 to 2007, has remained between 8 percent and 10 percent in every year since.

2010–2013: Changes to DHS Components during the Decline

Overall DHS contract obligations declined at a -5.3 percent 3-year CAGR between 2010 and 2013. When viewed by component, this decline varied considerably. CBP contract obligations declined at triple the overall rate (-17.1 percent 3-year CAGR), falling as a share of overall DHS contract obligations from 21 percent in 2010 to 14 percent in 2013. Within CBP, contract obligations for overall services and R&D (-22.7 percent 3-year CAGR), information and communications technology (ICT) services (-29.2 percent 3-year CAGR), and facilities-related services and construction (FRS&C) (-34.6 percent 3-year CAGR) all declined faster than overall CBP contract obligations. Meanwhile, CBP contract obligations for products declined at less than one-fourth the rate of overall CBP (-4.0 percent 3-year CAGR), driven by new obligations for uniforms and badges.

Despite government-wide guidance to increase competition in contracting, the share of CBP contract obligations awarded without competition has nearly tripled since 2009, from 17 percent to 46 percent in 2013. The use of contract vehicles in CBP contracting has changed dramatically since 2008—single-award IDCs, which accounted for 47 percent of CBP contract obligations in 2008, fell to 18 percent by 2013, while use of definitive contracts (11 percent in 2008, 25 percent in 2013) and Federal Supply Schedule or other Indefinite Delivery Vehicles (FSS or other IDVs) has risen dramatically (21 percent in 2008, 42 percent in 2013). And, unique among DHS components, CBP has not obligated any significant prime contract dollars to any of the Big 6 defense firms.

Coast Guard contract obligations were nearly steady during the 2009–2012 budget drawdown (-0.4 percent 3-year CAGR), growing as a share of overall DHS contract obligations from 20 percent in 2010 to 24 percent in 2013. Within the Coast Guard, contract obligations for ICT services increased at a 15.2 percent 3-year CAGR, while contract obligations for professional, administrative, and management support (PAMS) services declined sharply (-14.0 percent 3-year CAGR). The use of fixed-price contract types, already high within the Coast Guard, grew further during this period from 77 percent in 2010 to 92 percent in 2013. Similarly to CBP, the use of definitive contracts has increased significantly (23 percent in 2009, 43 percent in 2013).

Analysis of FEMA contract obligations during this period is complicated by an approximately $800 million deobligation in FY 2010 of previously obligated natural disaster-related funds over multiple years. Because of this deobligation, the data show significant growth in FEMA contract obligations

between 2010 and 2013, but absent the deobligation, FEMA contract obligations have actually declined slightly year-over-year since 2010. The share of FEMA contract obligations awarded without competition has surged in recent years (8 percent in 2011, 31 percent in 2013), coinciding with proportional improvements in data labeling. Over half of FEMA contract obligations were awarded under multiple-award IDCs between 2009 and 2013, but that share declined to 45 percent in 2013.

ICE contract obligations declined more steeply than overall DHS (-9.0 percent 3-year CAGR), but declined only slightly as a share of overall DHS contract obligations (10 percent in 2010, 9 percent in 2013). ICE has had the highest rate of any DHS component of contract obligations awarded after competition with a single offer, with over 25 percent in every year since 2008. ICE has also had the lowest rate of contract obligations awarded without competition, with that share falling from 11 percent in 2010 to 9 percent in 2013.

ICE has seen a significant increase in the share of contract obligations awarded under fixed-price contract types, from 62 percent in 2010 to 95 percent in 2013. In terms of contract vehicles, ICE has trended in the opposite direction of CBP and the Coast Guard: the use of single-award IDCs has surged (34 percent in 2010, 54 percent in 2013), multiple-award IDCs have fallen dramatically (28 percent in 2010, 5 percent in 2013) despite guidance in the Federal Acquisition Regulation (FAR) to promote their use, and definitive contracts have never been a significant factor in ICE contracting (between 1 percent and 4 percent since 2005). ICE has steadily increased its reliance on small contractors (36 percent in 2010, 46 percent in 2013) and medium contractors (40 percent in 2010, 43 percent in 2013) during the downturn, as the share of ICE contract obligations awarded to large vendors dropped by half (22 percent in 2010, 11 percent in 2013).

TSA contract obligations declined at the same rate as with ICE (-9.0 percent 3-year CAGR), falling slightly as a share of overall DHS contract obligations (14 percent in 2010, 13 percent in 2013). Within TSA, contract obligations for equipment-related services (ERS) fell at nearly twice the rate of overall TSA contract obligations (-17.8 percent 3-year CAGR), while PAMS showed moderate growth (6.3 percent 3-year CAGR). The share of TSA contract obligations awarded after effective competition (defined by the study team as competition with two or more offers) rose significantly, from 50 percent in 2010 to 67 percent in 2013, coinciding with proportional improvements in data labeling. Similarly to ICE and the Coast Guard, TSA has seen a growing majority of contract obligations awarded under fixed-price contract types (62 percent in 2010, 79 percent in 2013).

OPO contract obligations declined slightly faster than overall DHS (-7.7 percent 3-year CAGR), falling as a share of DHS contract obligations from 22 percent in 2010 to 20 percent in 2013. Within OPO, contract obligations for PAMS have declined at over three times the rate of overall OPO (-23.9 percent 3-year CAGR). The use of time and materials contract types has surged within OPO (28 percent in 2010, 48 percent in 2013), while the use of cost reimbursement contract types has declined (23 percent in 2010, 14 percent in 2013).

The category of “Other DHS” saw slight growth (1.1 percent 3-year CAGR) during this period, rising as a share of overall DHS contract obligations from 8 percent in 2010 to 10 percent in 2013. The

share of Other DHS contract obligations awarded after competition with a single offer has risen steadily since 2010 (7 percent in 2010, 17 percent in 2013), while the share awarded after competition with five or more offers declined sharply (42 percent in 2010, 32 percent in 2013). Other DHS contract obligations have steadily shifted away from the Big 6 vendors (14 percent in 2010, 4 percent in 2013), and toward small vendors (30 percent in 2010, 39 percent in 2013).

2012–2013: DHS Components under Sequestration

Overall DHS contract obligations declined by 3 percent between 2012 and 2013. As with the trends from 2010-2013, this decline varies considerably by DHS component. For example, CBP contract obligations declined at twice that rate (6 percent). Within CBP, contract obligations for PAMS increased by 16 percent, while obligations for ERS and FRS&C declined by 40 percent and 57 percent, respectively.

Coast Guard contract obligations increased by 6 percent between 2012 and 2013. The main source for that increase was a 29 percent rise in Coast Guard contract obligations for products, driven by obligations for the sixth National Security Cutter. Meanwhile, contract obligations for overall services and R&D declined by 10 percent, while contract obligations for PAMS and FRS&C declined more steeply (-12 percent and -13 percent, respectively).

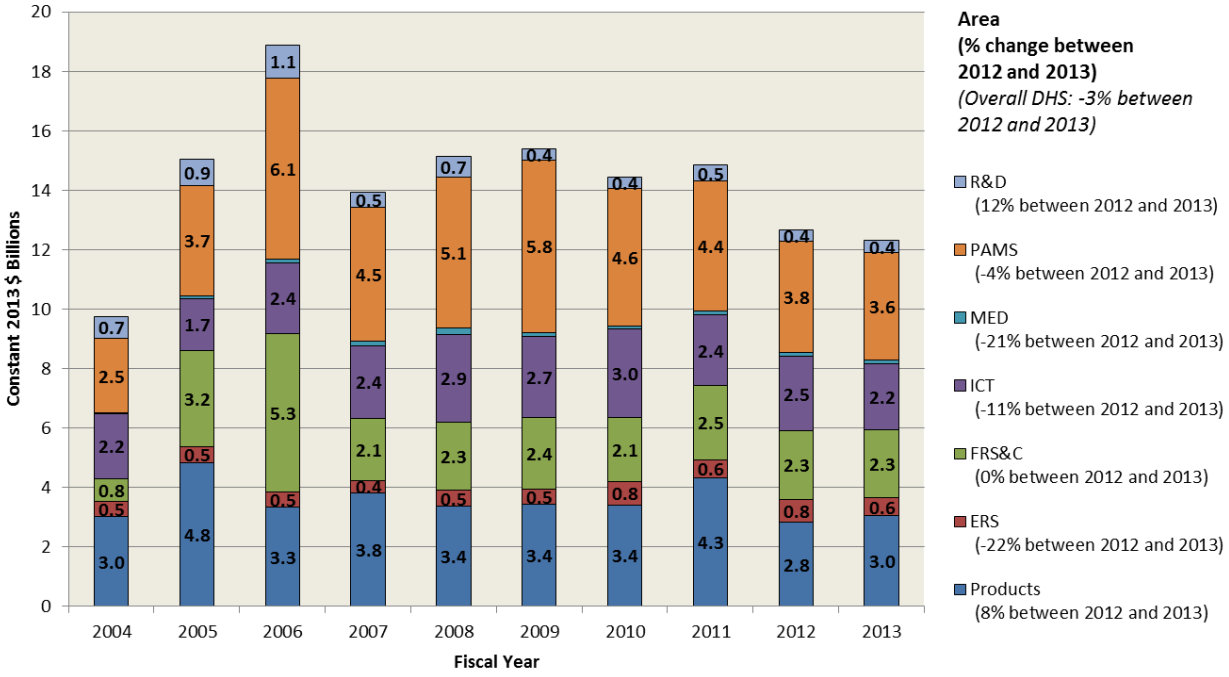
ICE contract obligations declined at over four times the rate of overall DHS (-13 percent). Contract obligations for FRS&C rose by 15 percent, but this was counterbalanced by a 21 percent decline in contract obligations for PAMS and a 43 percent decline in contract obligations for ICT services.

Contract obligations for the category of “Other DHS” rose by 1 percent between 2012 and 2013. This was driven primarily by an 81 percent increase in contract obligations for FRS&C and partially counterbalanced by a 20 percent decline in ICT contract obligations.

Among the remaining DHS components, TSA contract obligations declined by 15 percent (driven by a 42 percent decline in ERS), OPO contract obligations remained steady (0 percent change), and FEMA contract obligations increased by only 4 percent, despite significant challenges from the response to Hurricane Sandy. This is particularly notable, because FEMA contract obligations increased several times over in 2005 and 2006 in response to Hurricane Katrina and other major natural disasters. The study team expected to see similar Hurricane Sandy-related increases, but it appears that FEMA has shifted its approach to disaster response away from contracts (and grants), and toward other disbursement mechanisms, such as reimbursements to other federal agencies.

DHS Contract Obligations by Area

Figure 2-3: DHS Contract Obligations by Area, 2004–2013



Source: FPDS; CSIS analysis.

Figure 2-3 presents DHS contract obligations by what is being purchased, aggregated by Product or Service Code (PSC).

2004–2013: Longer-Term Trends across DHS Areas

Since 2004, services and R&D have accounted for over two-thirds of DHS contract obligations in every year and have accounted for over three-quarters of DHS contract obligations in all but two years since 2006 (72 percent in 2007, 71 percent in 2011). Within that category, contract obligations for PAMS have been the most prevalent, accounting for over 25 percent of overall DHS contract obligations in every year examined and over 30 percent from 2006 to 2012. Both FRS&C and ICT have accounted for between 15 percent and 20 percent of overall DHS contract obligations in most years. R&D, which accounted for between 4 percent and 6 percent of DHS contract obligations from 2005 to 2008 (though the 2006 figure is the result of some Hurricane Katrina response contracts being anomalously classified as R&D), has not exceeded 3 percent since. ERS has fluctuated between 3 percent and 6 percent of DHS contract obligations, while medical (MED) services have never exceeded 1 percent. DHS contract obligations for products, meanwhile, exceeded 30 percent in 2004 and 2005, fell to 18 percent in 2006, and have mostly remained near 25 percent since.

2010–2013: Changes to DHS Areas during the Decline

Between 2010 and 2013, DHS contract obligations for products declined more slowly than did overall DHS contract obligations (-3.7 percent 3-year CAGR) and increased slightly as a share of DHS contract obligations (from 24 percent in 2010 to 25 percent in 2013). There was a significant increase in products contract obligations in 2011, due to the acquisition of two National Security Cutters by the Coast Guard, but that appears to have been a one-year phenomenon. Products contract obligations saw increases over the period for the Coast Guard (5.5 percent 3-year CAGR) and FEMA (35.2 percent 3-year CAGR), while products contract obligations fell several times faster than overall DHS products for ICE (-20.2 percent 3-year CAGR) and TSA (-26.7 percent 3-year CAGR). Competition for products contract obligations fluctuated greatly: the share of products contract obligations awarded without competition rose from 21 percent in 2010 to 53 percent in 2011, fell to 34 percent in 2012, and then rose back to 47 percent in 2013, likely driven in part by procurement of National Security Cutters by the Coast Guard. Meanwhile, the use of fixed-price contract types, which were already high for DHS products contract obligations, increased dramatically, from 71 percent in 2009 to 93 percent in 2013.

Contract obligations for services and R&D contracts declined slightly faster than overall DHS contract obligations (-5.7 percent 3-year CAGR), declining as a share of overall DHS from 76 percent in 2010 to 75 percent in 2013. Within the category, FRS&C showed slight growth (2.5 percent 3-year CAGR), R&D held nearly steady (-0.2 percent 3-year CAGR), and PAMS (-7.7 percent 3-year CAGR), ERS (-8.9 percent 3-year CAGR), and ICT (-9.5 percent 3-year CAGR) declined somewhat faster than overall services and R&D.

Within CBP, contract obligations for services and R&D have declined at over four times the rate of overall services and R&D (-22.7 percent 3-year CAGR), driven primarily by large declines in contract obligations for ICT. The share of DHS services and R&D contract obligations awarded after effective competition increased from 44 percent in 2010 to 61 percent in 2013, coinciding with proportional improvements in data labeling. The use of fixed-price contract types in services and R&D contracting has increased notably, from 48 percent in 2010 to 60 percent in 2013, with only part of that increase attributable to improvements in data labeling. There has been a shift away from FSS and other IDVs in DHS services and R&D contracting, with the share of contract obligations awarded under those contract vehicle types declining from 34 percent in 2010 to 25 percent in 2013, driven largely by decreases in the use of Blanket Purchasing Agreements (BPAs).

2012–2013: DHS Areas under Sequestration

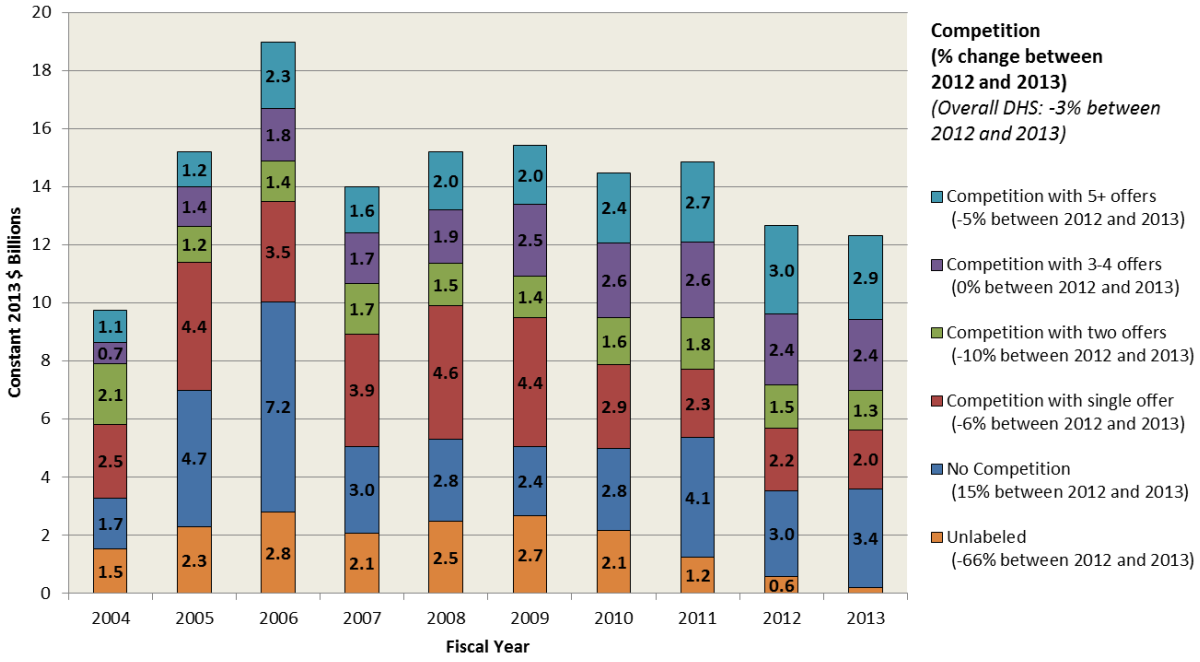
The previous section focused on the period from 2010-2013. The impact of sequestration in 2013 merits specific attention.

Between 2012 and 2013, as DHS contract obligations declined by 3 percent, DHS contract obligations for products increased by 8 percent. This was primarily attributable to Coast Guard contract obligations for products increasing by 29 percent. Products contract obligations by ICE (-10 percent), OPO (-16 percent), and TSA (-21 percent) declined dramatically.

Contract obligations for services and R&D declined by 6 percent under sequestration, but there were significant differences between the various service areas. Contract obligations for ICT (-11 percent), MED (-21 percent), and ERS (-22 percent) declined more steeply than did overall services and R&D. PAMS declined at a similar rate (-4 percent) to overall services and R&D, FRS&C held steady, and R&D actually saw significant growth (12 percent), though the increase totaled only $40 million. As a share of overall DHS contract obligations, contract obligations for products increased from 22 percent in 2012 to 25 percent in 2013, whereas services and R&D declined from 78 percent in 2012 to 75 percent in 2013.

DHS Contract Obligations by Competition

Figure 2-4: DHS Contract Obligations by Competition



Source: FPDS; CSIS analysis.

Figure 2-4 shows DHS contract obligations by level of competition. CSIS classifies obligations not just by whether a competitive solicitation was issued, but also by the number of offers received. Effective competition is defined as a competitive solicitation with two or more offers.

The level of competition within DHS contract obligations has fluctuated greatly since 2004. Only 18 percent of DHS contract obligations were awarded without competition in 2004, but that increased to 38 percent by 2006, due to the response to Hurricane Katrina. The share awarded without competition fell steadily in the following years, to a low of 15 percent in 2009, but have since risen, to a high of 28 percent in 2011 and 2013. Competitions receiving only a single offer have been a consistent issue within DHS, with over 25 percent of contract obligations awarded under such circumstances in all but one year between 2004 and 2009. The share has since declined, to 20 percent in 2010 and 16 percent in 2011, but has leveled off at 17 percent since then, despite DHS guidance in 2011 designed to

reduce the incidence of single-offer competition. Competition with two offers has accounted for between 9 percent and 12 percent of DHS contract obligations since 2007, while the share awarded after competition with three or four offers (9 percent in 2005, 20 percent in 2013) and competition with five or more offers (8 percent in 2005, 23 percent in 2013) have both risen steadily.

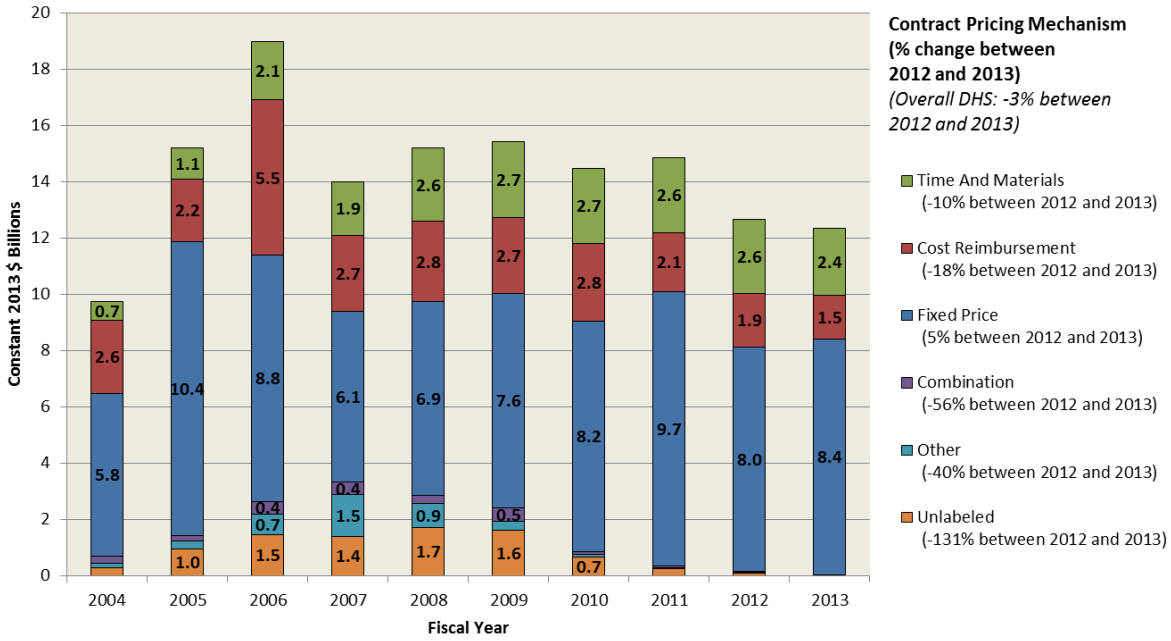
Between 2010 and 2013, the share of DHS contract obligations awarded without competition rose from 19 percent to 28 percent, despite government-wide guidance to increase the use of competition in contracting. The jump from 19 percent in 2010 to 28 percent in 2011 coincides with a proportional decline in unlabeled contract obligations, indicating that data-quality issues may have led to the underreporting in prior years of contract obligations awarded without competition. The share awarded after competition with a single offer declined from 20 percent in 2010 to 17 percent in 2013. This decline in single-offer competition may also have contributed to the increase in awards without competition. Competition with two offers held steady at 11 percent, whereas competition with 3 or 4 offers (18 percent in 2010, 20 percent in 2013) and competition with five or more offers (17 percent in 2010, 23 percent in 2013) both increased as a share of DHS contract obligations. Overall, the share of DHS contract obligations awarded after effective competition rose from 46 percent in 2010 to 54 percent in 2013.

Looking specifically at trends in the last year under sequestration, from 2012 to 2013, the share of DHS contract obligations awarded without competition rose from 23 percent to 28 percent. Competition with a single offer held steady at 17 percent. The rate of effective competition declined very slightly (55 percent in 2012, 54 percent in 2013); none of the three categories that make up effective competition shifted by more than one percentage point.

Overall, trends in competition for DHS contract obligations seem to be driven by trends within DHS components, rather than by centrally issued DHS policy guidance. Chapter 4 contains additional analysis of trends in competition for DHS contract obligations, looking at rates of contract obligations awarded without competition and after competition with a single offer by DHS component.

DHS Contract Obligations by Contract Pricing Mechanism

Figure 2-5: DHS Contract Obligations by Contract Pricing Mechanism, 2004–2013



Source: FPDS; CSIS analysis.

Figure 2-5 shows DHS contract obligations by contract pricing mechanism. CSIS classifies each contract into one of four categories, as well as two additional categories called "Other" and "Unlabeled" that have become statistically irrelevant in recent years due to marked improvements in data quality.

Fixed-price contract types have been the predominant contract pricing mechanism within the DHS components throughout its existence, but the share of DHS contract obligations awarded under fixed-price contract types has fluctuated significantly. From a high of 69 percent in 2005, fixed price fell to 43 percent in 2007, but has increased steadily since, to 68 percent in 2013. It should be noted that, prior to 2011, data-labeling issues appear to have masked the true levels of fixed-price contracting in DHS; as data labeling improved, fixed-price contract share has increased proportionately. Cost reimbursement contracts, which accounted for 29 percent of DHS contract obligations in 2006, has not exceeded 19 percent since, and has declined steadily since 2010, to 13 percent in 2013. The share awarded under time and materials contract types has increased steadily, from 7 percent in 2004 to a high of 21 percent in 2012.

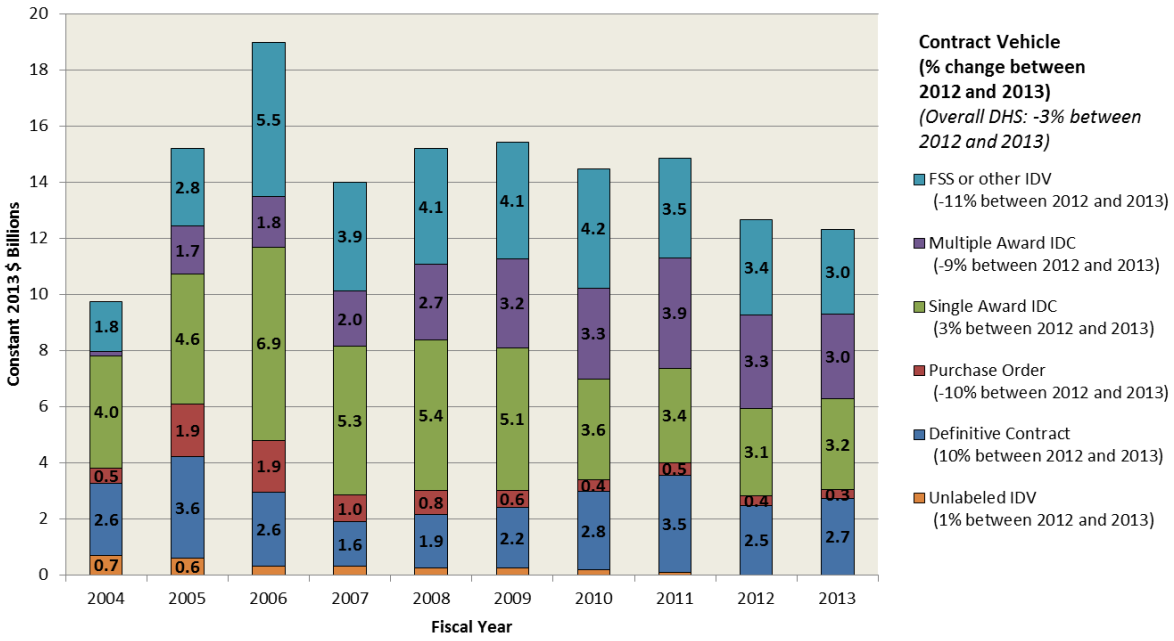
Between 2010 and 2013, the share of DHS contract obligations awarded under fixed-price contract types rose from 57 percent to 68 percent, with most of that increase apparently unrelated to any data-labeling improvements. Cost reimbursement contract types declined from 19 percent to 13 percent. Time-and-materials contract types increased in DHS from 18 percent to 19 percent. Here, DHS contracting practices are notable when compared to those of the Department of Defense, where time-

and-materials contract types never exceeded 5 percent of overall contract obligations between 2000 and 2012, and have fallen to 1 percent in 2013.

In the sequester year from 2012 to 2013, the share of DHS contract obligations awarded under fixed-price contract types rose from 63 percent to 68 percent, whereas cost reimbursement contract types fell from 15 percent to 13 percent, and times and materials contract types fell from 21 percent to 19 percent.

DHS Contract Obligations by Contract Vehicle

Figure 2-6: DHS Contract Obligations by Contract Vehicle, 2004–2013



Source: FPDS; CSIS analysis.

Figure 2-6 shows DHS contract obligations by the type of contract vehicle used. CSIS combines more than a dozen FPDS categories into six contract vehicle types, as shows in the figure. Trends and recent changes in contract obligations vary considerably by contract vehicle type.

The use of contract vehicles within DHS contracting has changed dramatically between 2004 and 2013. Definitive contracts, which accounted for 26 percent of DHS contract obligations in 2004, fell to 11 percent by 2007 but have risen steadily since, to 22 percent in 2013. Purchase orders rose to account for 12 percent of overall DHS contract obligations in 2005 but have declined steadily since and have not exceeded 4 percent since 2008. Single-award IDCs accounted for 38 percent of DHS contract obligations in 2007, declined to 23 percent by 2011, and have risen slightly since. Multiple-award IDCs, which accounted for only 2 percent of DHS contract obligations in 2004, have risen steadily since, to over 25 percent from 2011 to 2013. And FSS and other IDVs, which accounted for 18 percent of DHS contract obligations in 2004 and 2005, have accounted for between 27 percent and 29 percent in all but two years since (24 percent in 2011 and 2013). The increase in FSS and other IDVs between 2005 and 2006

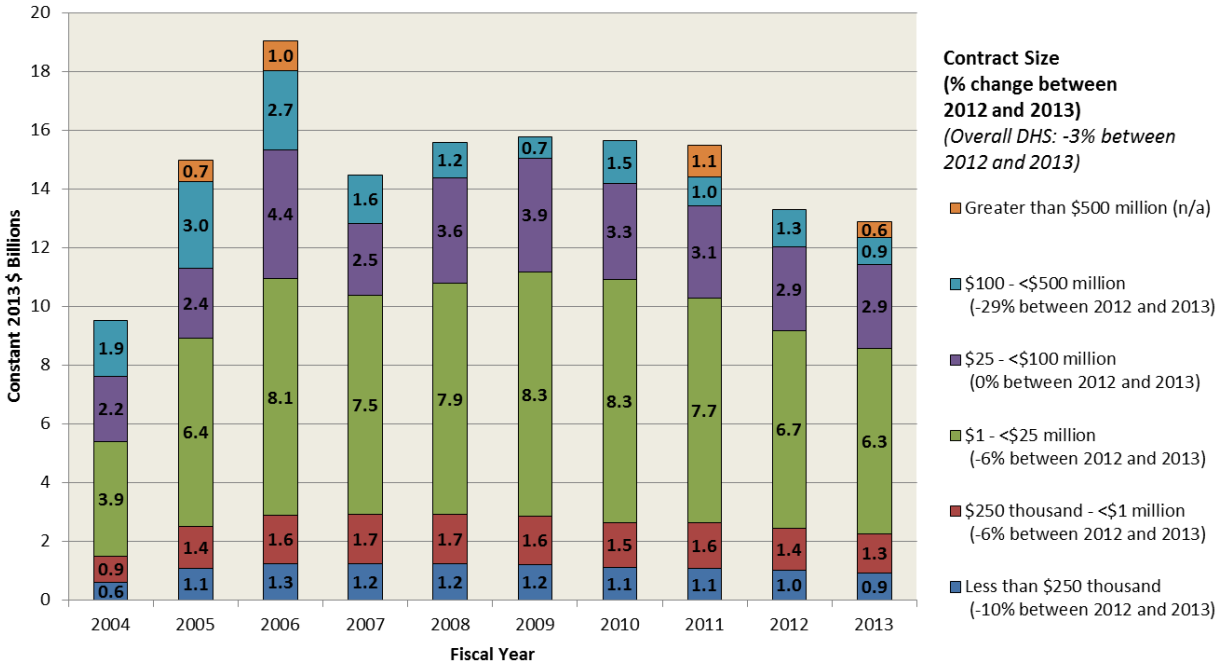
was driven by growth in the use of Blanket Purchasing Agreements (BPAs), particularly in CBP, FEMA, and OPO.

Between 2010 and 2013, the share of DHS contract obligations awarded under definitive contracts rose from 19 percent to 22 percent. The share awarded under single-award IDCs (25 percent in 2010, 26 percent in 2013) and multiple-award IDCs (23 percent in 2010, 25 percent in 2013) increased slightly. The share of DHS contract obligations awarded under FSS and other IDVs declined from 29 percent in 2010 to 24 percent in 2013, driven by a decrease in the use of BPAs, while purchase orders remained at 3 percent for the entire 2010–2013 period.

The sequester year of 2013 had little impact. Between 2012 and 2013, only two categories saw changes of more than a percentage point: the share of DHS contract obligations awarded under definitive contracts rose from 19 percent to 22 percent, whereas the share awarded under FSS and other IDVs fell from 27 percent to 24 percent.

DHS Contract Obligations by Contract Size

Figure 2-7: DHS Contract Obligations by Contract Size, 2004–2013



Source: FPDS; CSIS analysis.

Figure 2-7 shows DHS contract obligations by size of contract.

For the purposes of this analysis, "contract size" is defined by the total obligations under a contract in a given fiscal year. As a result, any individual contract may fall under different size categories in different years, depending on how much is obligated under that contract in a particular year. Also

note that the analysis of this data breakdown excludes deobligations, so the totals depicted here will be different than for the other charts in this study.

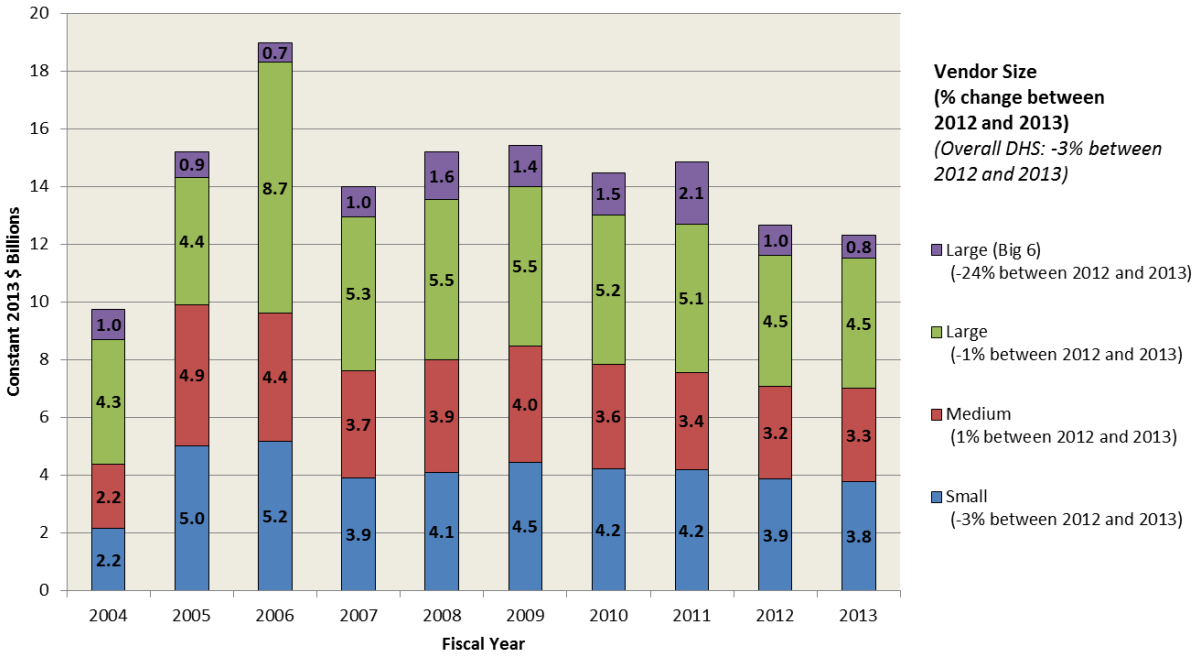
The most notable feature of DHS contracting, especially when compared with the Department of Defense, is the rarity of contracts greater than $500 million. In only four years were there any contracts that obligated more than $500 million in that fiscal year, and such contracts never accounted for more than 7 percent of overall DHS contract obligations. By far the most common contract size category for DHS contracting is between $1 million and $25 million, which accounted for greater than 50 percent of DHS contract obligations in every year since 2007. Contracts less than $250,000 have accounted for between 7 percent and 9 percent of contract obligations in every year since 2005, while contracts between $250,000 and $1 million have accounted for between 9 percent and 12 percent in every year observed. Contracts between $25 million and $100 million have remained between 21 percent and 25 percent of DHS contract obligations in all but two years observed (16 percent in 2005, 18 percent in 2007). Contracts between $100 million and $500 million, which accounted for 20 percent of DHS contract obligations in 2004 and 2005, declined steadily to 5 percent in 2009, and have remained between 6 percent and 10 percent since.

Between 2010 and 2013, the share of DHS contract obligations under contract between $1 million and $25 million fell from 57 percent to 51 percent. Contracts between $100 million and $500 million declined from 10 percent in 2010 to 7 percent in 2011. Contracts greater than $500 million increased from 0 percent in 2010 to 5 percent in 2013. No other size category changed by more than one percentage point.

Between 2012 and 2013, contracts between $100 million and $500 declined from 10 percent in 2012 to 7 percent in 2011. Contracts greater than $500 million increased from 0 percent in 2012 to 5 percent in 2013, likely due to one large contract. No other size category changed by more than one percentage point.

DHS Contract Obligations by Vendor Size

Figure 2-8: DHS Contract Obligations by Vendor Size, 2004–2013



Source: FPDS; CSIS analysis.

Figure 2-8 presents DHS contract obligations by the size of the vendor (see the chapter on methodology for additional information on how CSIS classifies vendors as small, medium, or large.)

Between 2005 and 2013, between 27 and 33 percent of DHS contract obligations were awarded to small vendors. The 31 percent share in 2013 well exceeds the 23 percent target set by the Small Business Administration. Medium vendors accounted for between 23 percent and 27 percent of DHS contract obligations from 2006 to 2013. Large vendors, which accounted for 46 percent of DHS contract obligations in 2006, fell to 38 percent in 2007, and have remained between 35 percent and 37 percent since. The Big 6 defense vendors, a separate category of large vendors, have seen their share of DHS contract obligations fluctuate significantly. From 11 percent in 2004, the share fell to 4 percent in 2006, rose back to between 9 percent and 11 percent from 2008 to 2010, rose to 14 percent in 2011, and has fallen since, to 6 percent in 2013. (Some of that recent decline resulted from the spin-off of Huntington Ingalls Industries, a prime contractor for Coast Guard cutters, from Big 6 vendor Northrop Grumman.)

Between 2010 and 2013, the share of DHS contract obligations awarded to small vendors (29 percent in 2010, 31 percent in 2013), medium vendors (25 percent in 2010, 26 percent in 2013), and large vendors (36 percent in 2010, 37 percent in 2013) all increased slightly. The share awarded to the Big 6 defense vendors declined by nearly half (10 percent in 2010, 6 percent in 2013).

Between 2012 and 2013, the share of DHS contract obligations awarded to the Big 6 defense vendors fell from 8 percent to 6 percent, whereas large vendors increased from 36 percent to 37 percent. Small vendors (31 percent) and medium vendors (26 percent) were unchanged.

The data above show that medium-sized vendors are increasing, not losing, their overall market share for DHS contract obligations. This increase holds both for products and for services and R&D, though the levels of participation differ. For DHS products contract obligations, the share awarded to medium vendors fluctuated between 15 percent and 19 percent between 2006 and 2009, but exceeded 20 percent in three of the last four years, with a high of 23 percent in 2012 and 2013. For DHS services and R&D contract obligations, the share awarded to medium vendors has remained between 26 percent and 29 percent since 2008. It increased slightly between 2012 and 2013, from 26 percent to 27 percent.

While there are legitimate challenges facing medium vendors in terms of transitioning out of small-business set-asides and growing business by competing for large contracts against larger vendors, the data show that medium vendors have actually been gaining ground in DHS contracting (as opposed to DoD, where medium vendors have only been maintaining their share).

Top 20 DHS Vendors

Table 2-1: Top 20 DHS Vendors, 2008 and 2013

Rank	Top 20 Vendors in 2008	Obligations in 2013 Millions	2007 Rank	Top 20 Vendors in 2013	Obligations in 2013 Millions	2012 Rank
1	Boeing	656	6	Computer Sciences Corp.	641	1
2	IBM	557	2	Huntington Ingalls	607	26
3	Accenture	425	9	Lockheed Martin	425	2
4	General Dynamics	405	12	IBM	333	4
5	Unisys	398	4	SAIC	259	3
Subtotal for Top 5	-	**2,441**	-	-	**2,265**	-
6	SAIC	387	5	Bollinger Shipyards	255	5
7	L3 Communications	353	3	Securitas AB	236	6
8	Lockheed Martin	319	8	Geo Group	202	9
9	Integrated Coast Guard Systems*	272	1	Hewlett-Packard	175	8
10	Computer Sciences Corp.	264	28	General Dynamics	165	7
11	Booz Allen Hamilton	263	7	Booz Allen Hamilton	139	12
12	EADS	173	20	Mythics	129	22
13	Qinetiq Group	173	14	EADS	123	11
14	General Electric	156	129	CSI	122	17
15	G4S	147	37	DSS*	117	21
16	Siemens	144	16	VF	111	29
17	Akal Security Group	143	21	Dell	107	14
18	Northrop Grumman	143	13	General Electric	103	13
19	Motorola	141	29	Accenture	102	36
20	ERMPC*	122	24	L3 Communications	96	10
Total for Top 20	-	**5,640**	-	-	**4,447**	-
Total for all industry	-	**15,189**	-	-	**12,304**	-

Source: FPDS; CSIS analysis.

Table 2-1 presents the top 20 DHS vendors, by prime contract obligations. The left columns in the table show the top 20 in 2008, along with their 2007 rank. The right columns show the top 20 in 2013, along with their 2012 rank.

There is considerable fluctuation in the DHS top 20. Of the top 5 DHS vendors in 2008, only IBM remains in the top 5 in 2013. General Dynamics and Accenture are still in the top 20 in 2013, but Boeing and Unisys have fallen out of the top 20. Three of the new vendors in the top 5 in 2013 (Computer Sciences Co., Lockheed Martin, and SAIC) were in the top 10 in 2008.

Between 2007 and 2008, there was a significant shift in the top 5 vendors for DHS, as three companies that were outside the top 5 in 2007 moved into the top 5 in 2008: Boeing (6th in 2007, 1st in 2008), Accenture (9th in 2007, 3rd in 2008), and General Dynamics (12th in 2007, 4th in 2008). Six companies outside the top 20 in 2007 rose into the top 20 in 2008, most notably General Electric, which rose from 129th rank in 2007 to 14th in 2008. Between 2012 and 2013, there was less variability in the top 5, with only Huntington Ingalls (26th in 2012, 2nd in 2013) moving into the top 5, replacing Bollinger Shipyards (5th in 2012, 6th in 2013). There was more variability in the rest of the top 20, as four companies outside the top 20 in 2012 rose into the top 20 in 2013. These fluctuations are on par with those seen in larger agencies such as DoD.

Overall, the data show a moderate concentration of the DHS industrial base toward the largest vendors. Most notably, the top 5 vendors accounted for 43 percent of the contract obligations received by the top 20 vendors in 2008, rising to 51 percent in 2013. Similarly, the share of overall contract obligations awarded to the top 5 vendors increased from 16 percent in 2008 to 18 percent in 2013. By contrast, the share of overall DHS contract obligations awarded to the top 20 has decreased slightly, from 37 percent in 2008 to 36 percent in 2013.

Final Thoughts

Overall for DHS, sequestration had a much smaller effect on contracting trends than many would have anticipated. Within the major DHS components, however, sequestration had much more significant impacts, especially when looking at the impact on obligations by product/service area. This dichotomy emphasizes the point that contracting policy within DHS is not merely a function of the guidance from the top, but a function of how the major DHS components implement that guidance. The study team will continue to monitor these trends in future editions of this report. Further considerations are discussed in Chapter 4.

Chapter 3: DHS Grant Awards Trends

Unlike the Department of Defense, grants are a significant part of DHS outlays, accounting for between 12 percent and 16 percent of overall DHS discretionary outlays between 2010 and 2013. In consideration of this reality, the CSIS study team has expanded the scope of its analysis to include trends in DHS grant awards, utilizing data from the Federal Assistance Award Data System (FAADS). Nearly all DHS grant awards are funded through FEMA, covering a broad universe of purposes, and awarded to a wide range of recipients. This chapter will focus on examining trends in how DHS grant awards are distributed by purpose, and in the top recipients of DHS grant awards. It represents initial CSIS work in assessing grants in the context of government spending on contracts.

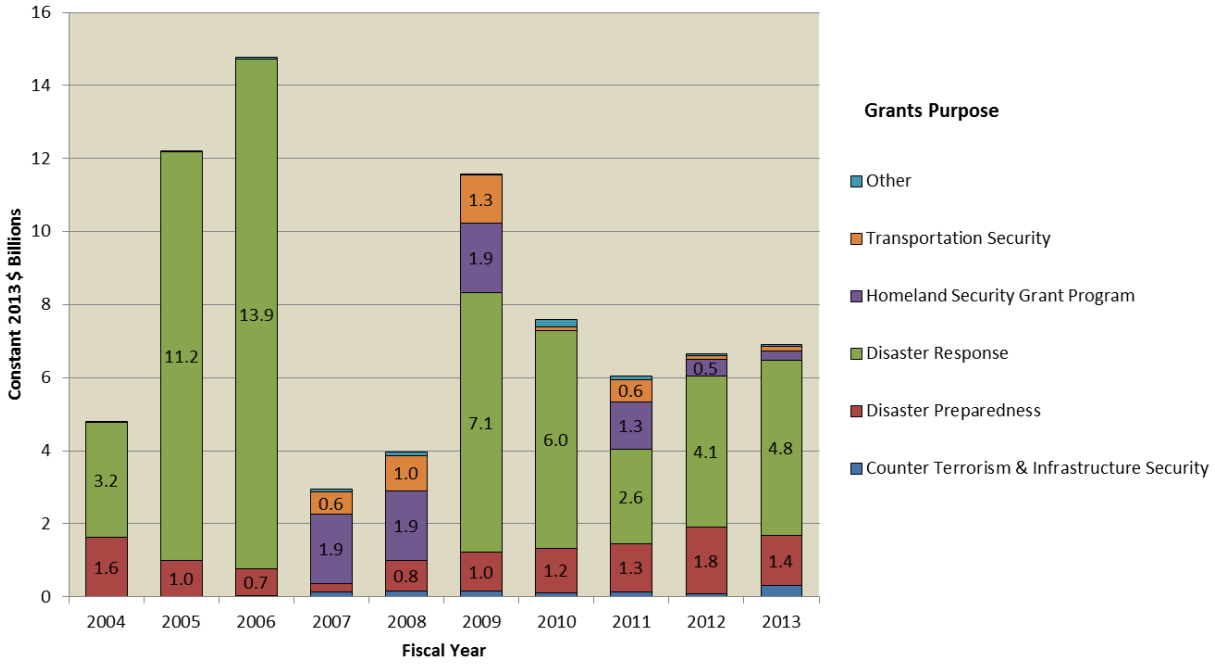
DHS Grant Awards by Purpose

To conduct meaningful analysis on DHS grant awards, the study team grouped all DHS-funded grant programs into six "purpose" categories, using program descriptions and classifications from the Catalog of Federal Domestic Assistance (CFDA) as a starting point, and supplementing that information with directed research into individual grant programs. These categories are subject to evolution over time. Note that some grant programs have elements that fit into two or more categories; in those cases, the study team used its best judgment as to the primary purpose of the grant program, as FAADS does not provide visibility into the breakdown of awards within a particular grant program.

As a result of that research effort, the study team has divided DHS grants contract obligations into six categories:

- **Disaster Preparedness** (includes, among other programs, various mitigation grants and aid to state and local first-responders)
- **Disaster Response**
- **Counter Terrorism and Infrastructure Security** (includes, among other programs, chemical, biological and nuclear (CBN) and cyber security)
- **Homeland Security Grant Program (HSGP)** (a grouping of three large grant programs: the State Homeland Security Program (SHSP), the Urban Areas Security Initiative (UASI), Operation Stonegarden (OPSG))
- **Transportation Security** (includes programs for port, rail, and truck security, among other programs)
- **Other** (includes smaller grant programs that do not fit into any of the other categories)

Figure 3-1: DHS Grant Awards by Purpose, 2004–2013



Source: FAADS; CFDA; CSIS analysis.

Figure 3-1 presents DHS grant awards, as reported in FAADS, for each of the six purposes in the years from 2004 through 2013.

There appear to be significant gaps in the DHS grant reporting in FAADS. For example, the HSGP, with approximately $1.8 billion (in then-year dollars) of funding in FY 2010,[5] has -$1.5 million in awards for FY 2010 in the FAADS database. Award levels for the HSGP from FAADS in 2012 and 2013 are also significantly below the stated funding levels for the program (around $900 million in each year). The study team confirmed with the FAADS administrators that their data showed this same gap. Subsequently, the study team contacted DHS officials within the Office of the Chief Financial Officer, which has responsibility for ensuring the accuracy of FPDS and FAADS submissions, to try and track down the source of this gap in the data. DHS officials confirmed the apparent data discrepancy and their intention to investigate, but as of time of publication, the study team has not received any further information from those officials.

The biggest driver of DHS grant awards is for the purpose of Disaster Response, which fluctuate significantly in response to major disasters. The study team suspects that the absence of disaster response grant awards in 2007 and 2008 is due to the level of awards from 2005 and 2006, as undispersed funds were perhaps sufficient to meet 2007 and 2008 needs. This theory correlates with the existence of large deobligations in the various disaster-relief accounts in FY 2010 of prior year funds.

[5] See FEMA, "FY 2010 Homeland Security Grant Program," http://www.fema.gov/fy-2010-homeland-security-grant-program.

Also noteworthy is the relatively small jump in grant awards for disaster response between 2012 and 2013, despite the damage inflicted by Hurricane Sandy. As mentioned in the discussion of Figure 2-1, this seems to be an indication of a shift in the requirements for DHS disaster response funds. Rather than using the grants award process, disaster response efforts seem to be focused on non-grant funding sources, such as the National Flood Insurance Fund and the Disaster Relief Fund.

Among the other grant purpose categories, disaster preparedness has been largely stable, with award levels at or slightly above $1 billion in most years. Counter terrorism and infrastructure security had never accounted for more than $170 million in grant awards until 2013 ($300 million), though some programs under disaster preparedness have elements related to both purposes. Grant awards for transportation security were virtually nonexistent until 2007, and have returned to that level since 2012. And the category of "Other" has accounted for less than $100 million in grant awards in most years, peaking at $170 million in 2010.

Top DHS Grant Awardees, 2008 and 2013

Table 3-1: Top DHS Grant Awardees, 2010 and 2013

Rank	Top 20 Awardees in 2010	Awards in 2013 Millions	2009 Rank	Top 20 Awardees in 2013	Awards in 2013 Millions	2012 Rank
1	LA county-level governments	3,044	1	NY county-level governments	1,785	3
2	TX county-level governments	507	2	NY state government	916	27
3	IL local-level governments	241	16	NJ state government	591	16
4	EFSP	213	17	LA county-level governments	442	1
5	IA county-level governments	203	4	LA state government	313	4
Subtotal for Top 5		**4,209**			**4,048**	
6	TN local-level governments	171	55	CA state government	257	2
7	ND county-level governments	139	50	TX state government	236	7
8	CA state government	137	-	IL state government	146	19
9	KS county-level governments	117	8	FL state government	98	48
10	MS local-level governments	115	49	AL state government	82	29
11	OK county-level governments	115	53	CT state government	70	14
12	NY county-level governments	104	42	VT state government	64	12
13	NJ county-level governments	85	-	DC state government	56	28
14	MO county-level governments	74	12	NJ county-level governments	56	13
15	MS county-level governments	74	7	PA county-level governments	50	18
16	LA local-level governments	62	40	MS state government	50	25
17	MA local-level governments	61	41	PA state government	43	20
18	SD county-level governments	59	76	MN county-level governments	42	33
19	AR county-level governments	55	11	TX county-level governments	36	10
20	IA local-level governments	55	98	KY county-level governments	31	44
Total for Top 20		**5,633**	-		**5,363**	
Total for all grants		**7,599**	-		**6,902**	

Source: FAADS; CSIS analysis.

For contracts, this reports lists the top 20 DHS vendors (see Table 2-1 in Chapter 2.) For grants, Table 3-1 shows the top 20 awardees for DHS grants in 2010 and 2013, by total grant awards in those respective years. The columns to the right of the awards totals show where that awardee ranked in the prior year.

For the purposes of this analysis, the study team has endeavored to make a distinction between grants awarded to state, county, and local government agencies, to provide a clearer picture of which entities are receiving DHS grant awards. This analysis is difficult prior to 2010 due to issues with the data

fields used to identify level of government, which results in most, if not all, awards to government entities being identified as going to local government agencies. The study team is working to find a way to overcome this data limitation, but in the meantime, this analysis will focus on recent years, where CSIS is reasonably confident in the quality and reliability of the data.

The most notable trend in the top 20 DHS grant awardees in 2010 and 2013 is the shift from awards to county governments to state governments, but the study team believes this is likely an artifact of the same data issues mentioned above, rather than a wholesale shift in grant award policy. The shift of awards from county agencies to state agencies starts in 2011, coinciding with improvements in data quality.

Unsurprisingly, government agencies in New York and New Jersey, which bore the brunt of the damage from Hurricane Sandy, were the top recipients of grant awards in 2013, showing the degree to which disaster response drives DHS grant awards. Only one nongovernment awardee appears on either list: the Emergency Food and Shelter National Board Program (EFSP), a consortium of charity organizations (chaired by representatives from FEMA) that addresses issues of hunger and homelessness.

In both 2010 and 2013, DHS grant awards were highly concentrated among the top awardees. In both years, the top 5 grant awardees accounted for 75 percent of the grant awards to the top 20. The share of overall DHS grants awarded to the top 5 contractors actually increased between 2010 and 2013, from 55 percent to 59 percent. Similarly, the share of overall DHS grants awarded to the top 20 rose from 74 percent in 2010 to 78 percent in 2013.

Final Thoughts

This chapter represents the study team's first efforts to use the publicly available grant awards data from FAADS. As was the case with the study team's early work with FPDS, CSIS has discovered significant data gaps and discrepancies that limit the ability to draw solid conclusions on trends from the data. The study team believes that the quality of data improves only when it is used and viewed, and will continue to highlight and report on data issues in FAADS as they are discovered.

Chapter 4: Policy Implications

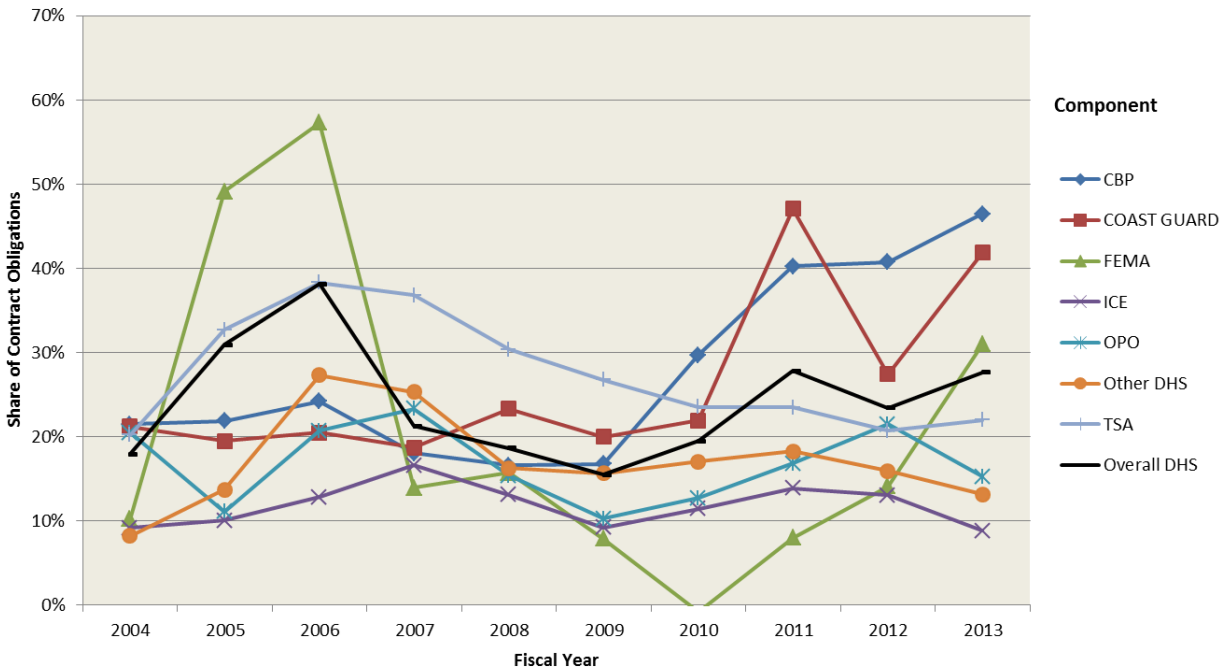
This chapter assesses some of the key trends identified in Chapter 2 to provide additional context on the key drivers and consequences of those trends. The two trends analyzed are:

- How successfully have DHS components been in reducing contract obligations awarded without competition?
- How successfully have the DHS components been in reducing contract obligations awarded after competition with only a single offer?

How successfully have DHS components been in reducing contract obligations awarded without competition?

Overall, the share of DHS contract obligations awarded without competition has risen significantly since 2009, from 15 percent to 28 percent in 2013. This has occurred despite specific guidance, both from OMB in 2009 and from within DHS in 2011, calling for a focus on increasing competition in contracting. That overall trend does not tell the whole story, though, because there are distinct differences in competition trends among DHS components. Figure 4.1 shows the share of contract obligations awarded without competition in each year, broken down by DHS component.

Figure 4-1: Share of Contract Obligations Awarded without Competition, by Component, 2004–2013



Source: FPDS; CSIS analysis.

Two components, CBP and the Coast Guard, stand out as having rates of contract obligations awarded without competition that are both increasing dramatically and notably higher than overall DHS. The share of CBP contract obligations awarded without competition rose from 17 percent in 2009 to 30 percent in 2010, 40 percent in 2011, and up to a high of 46 percent in 2013, the highest of any DHS component. The Coast Guard has seen similar increases, but with more volatility: the share of Coast Guard contract obligations awarded without competition rose from 22 percent in 2010 to 47 percent in 2011, fell to 27 percent in 2012, and rose again to 42 percent in 2013. Coast Guard changes may be driven by large contracts for ships.

The remaining DHS components have either seen slight increases or declines of varying magnitudes in their rates of contract obligations awarded without competition in recent years. ICE contract obligations awarded without competition declined from 11 percent in 2010 to 9 percent in 2013 (after a brief spike to 14 percent in 2011), whereas TSA has seen a steady decrease in the share of contract obligations awarded without competition since 2006, from a high of 38 percent to 22 percent in 2013. The share of "Other DHS" contract obligations awarded without competition declined from 17 percent in 2010 to 13 percent in 2013, whereas the share of OPO contract obligations awarded without competition rose from 10 percent in 2009 to 21 percent in 2012, before falling back to 15 percent in 2013.

FEMA is a unique case in two respects. The 2010 data for FEMA is distorted by an $800 million deobligation of disaster-related contract obligations from prior years. But overall, FEMA's rate of contract obligations awarded without competition has increased drastically in years with significant natural disasters and reverted to previous (relatively low) levels afterwards.

Contracts awarded without competition need to cite the exception under which the award is made. These exceptions tie to the Competition in Contracting Act of 1984, as amended (often called CICA). For the Coast Guard, the sharp increases in the rate of contract obligations awarded without competition fall under the "Only One Source" exception. For CBP, the "Only One Source—Other" exception to Fair Opportunity rules (used for IDVs, which make up two-thirds to three-quarters of CBP contract obligations) is the primary source of growth for contract obligations awarded without competition.

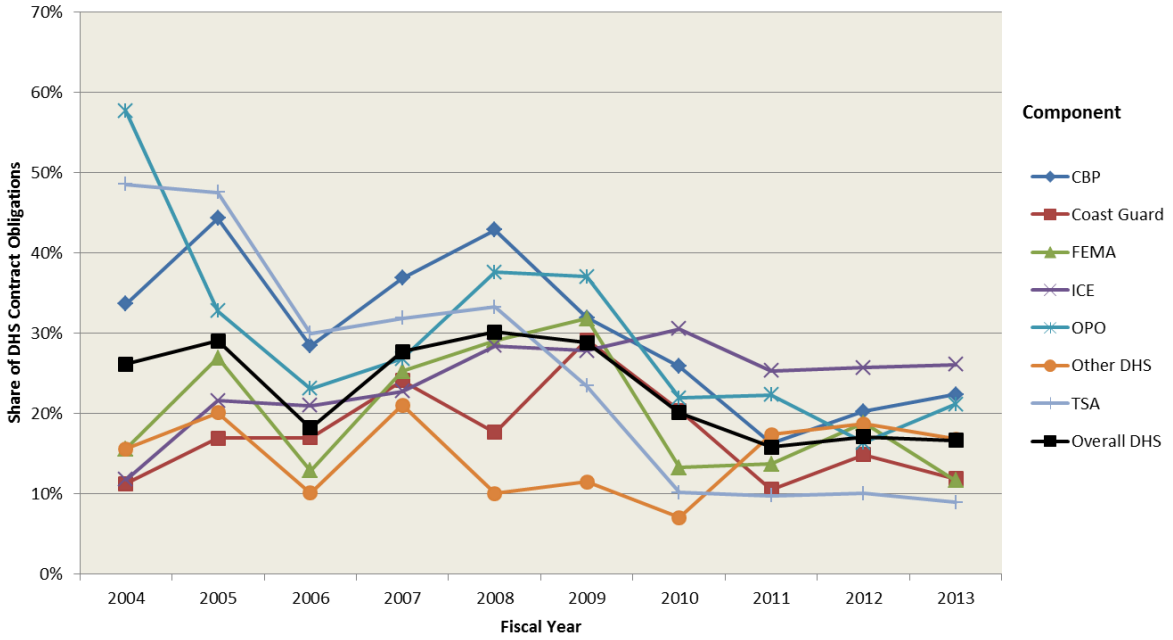
How successfully have the DHS components been in reducing contract obligations awarded after competition with only a single offer?

In 2008, 30 percent of DHS contract obligations were awarded after competitions that received only one offer, almost three times higher than the rate for DoD. Though this share declined to 20 percent by 2010, there was sufficient concern about the prevalence of single-offer competition within DHS that the Office of the Chief Procurement Officer issued a guidance memorandum in February 2011 addressing the issue. The guidance memorandum laid out procedures for contract actions valued at $700,000 or more that received only one offer. According to this memo, a competitive solicitation that was open for less than 30 days and received only one offer was to either be re-solicited for an additional 30 days (at minimum), or else the single offer received was to be reviewed to ensure that the price was fair and

reasonable (as per the Federal Acquisition Regulation). In the previous CSIS report analyzing DHS contracting trends, "U.S Department of Homeland Security Contract Spending and the Supporting Industrial Base, 2004–2011," the study team noted that DHS was the first agency of which CSIS is aware addressing the issue of single-offer competition in such a direct manner.

For overall DHS, despite the memorandum, the share of DHS contract obligations awarded after competition with a single offer declined from 20 percent in 2010 to 16 percent in 2011, continuing the trend since 2008. The rate of single offer competition has stagnated at 17 percent in both 2012 and 2013. To understand better the impact, if any, of the February 2011 memorandum, the study team examined the trends in single-offer competition within DHS components. Figure 4-2 shows the share of contract obligations awarded after competition with a single offer for each DHS component.

Figure 4-2: Share of Contract Obligations Awarded after Competition with a Single Offer, by Component, 2004–2013



Source: FPDS; CSIS analysis.

ICE had the highest rate of single-offer competition in 2010, with 31 percent of contract obligations awarded after competition with a single offer. While that share declined to 25 percent in 2011, the share has remained at 26 percent in the last two years. (Note that ICE has both the highest rate of competition with a single offer and the lowest rate of contract obligations awarded without competition.) CBP, which had the highest rate of contract obligations awarded without competition, also has high rates of competition with a single offer; the share declined from 26 percent in 2010 to 16 percent in 2011 but has rebounded to 22 percent by 2013. The share of "Other DHS" contract obligations awarded after competition with a single offer increased from 7 percent in 2010 to 17 percent in 2011 and has remained around that level since. Meanwhile, OPO awarded 22 percent of its

contract obligations after competition with a single offer in both 2010 and 2011, and though the share declined to 16 percent in 2012, it subsequently rebounded to 21 percent in 2013.

FEMA saw a large decline in single-offer competition between 2009 and 2010, from 32 percent to 13 percent, but it has remained near that level since (aside from a one-year spike to 19 percent in 2012). The share of Coast Guard contract obligations awarded after competition with a single offer declined from 20 percent in 2010 to 11 percent in 2011, but that continued a downward trend that started in 2009. Since then, the share rose to 15 percent in 2012, and then fell back to 12 percent in 2013. TSA, which awarded 48 percent of its contract obligations after competition with a single offer in 2004 and 2005, has seen steady declines since and has remained between 9 percent and 10 percent between 2010 and 2013, the lowest of any DHS component.

Overall, the data shows that challenges remain in DHS following the 2011 guidance designed to reduce single-offer competition.

Final Thoughts

Improvements in the technical tools CSIS uses to do analysis of contracting data have enabled the study team to analyze trends more easily across different contract and vendor characteristics. In future editions of this and similar government contract trends reports, the study team will leverage these capabilities to continue to dig deeper into notable trends in DHS contracting, to understand not just what is happening, but why it is happening.

About the Project Director and Authors

David J. Berteau is senior vice president and director of the CSIS National Security Program on Industry and Resources, covering national security plans, policies, programs, budgets, and resources; defense management, contracting, logistics, and acquisition; and national security economics and industrial base issues. Mr. Berteau is also an adjunct professor at Georgetown University and at the Lyndon B. Johnson School of Public Affairs, a director of the Procurement Round Table, and a fellow of both the National Academy of Public Administration and the Robert S. Strauss Center at the University of Texas. Before he joined CSIS full time in 2008, he was director of national defense and homeland security for Clark & Weinstock, director of Syracuse University's National Security Studies Program, and senior vice president at Science Applications International Corporation (SAIC), as well as a nonresident senior associate at CSIS. He served at senior levels in the U.S. Defense Department under four defense secretaries, including four years as principal deputy assistant secretary of defense for production and logistics. Mr. Berteau graduated with a B.A. from Tulane University in 1971 and received his master's degree in 1981 from the LBJ School of Public Affairs at the University of Texas.

Jesse Ellman is a research associate with the National Security Program on Industry and Resources at CSIS. He specializes in U.S. defense acquisition policy, with a particular focus on recent U.S. Army modernization efforts, federal government cost estimation methodologies, contract audit/management issues, and federal government contracting policy. Mr. Ellman holds a B.A. in Political Science from Stony Brook University, and a M.A. with honors in Security Studies, with a concentration in Military Operations, from Georgetown University.

Gregory Sanders is a fellow with the National Security Program on Industry and Resources at CSIS, where he manages a research team that analyzes data on U.S. government contract spending and other budget and acquisition issues. He employs data visualization and other ways to use complex data collections to create succinct and innovative tables, charts, and maps. His recent research focuses on contract spending by major government departments, contingency contracting in Iraq and Afghanistan, and European and Asian defense budgets. This work requires management of data from a variety of databases, most notably the Federal Procurement Database System, and extensive cross-referencing of multiple budget data sources. In support of these goals, he employs SQL Server, as well as the statistical programming language R. Sanders holds an M.A. in international studies from the University of Denver and a B.A. in government and politics, as well as a B.S. in computer science, from the University of Maryland.

CSIS | CENTER FOR STRATEGIC & INTERNATIONAL STUDIES

1616 Rhode Island Avenue NW | Washington DC 20006
t. (202) 887-0200 | f. (202) 775-3199 | www.csis.org

ROWMAN & LITTLEFIELD

Lanham • Boulder • New York • Toronto • Plymouth, UK

4501 Forbes Boulevard, Lanham, MD 20706
t. (800) 462-6420 | f. (301) 429-5749 | www.rowman.com

Cover photos: (Top left) U.S. Department of Homeland Security photo by Josh Denmark. (Top right) Photo by Walt Jennings/FEMA. (Bottom) U.S. Coast Guard photo by PA2 Thomas M. Blue.