



Highlights of [GAO-08-1088](#), a report to congressional committees

Why GAO Did This Study

When the Department of Homeland Security (DHS) was created in 2002, it was granted “other transaction” authority—a special authority used to meet mission needs. While the authority provides greater flexibility to attract and work with nontraditional contractors to research, develop, and test innovative technologies, other transactions carry the risk of reduced accountability and transparency—in part because they are exempt from certain federal acquisition regulations and cost accounting standards.

In 2004, GAO reported on DHS’s early use of this authority. This follow-up report determines the extent to which nontraditional contractors have been involved in DHS’s other transactions, and assesses DHS’s management of the acquisition process when using this authority to identify additional safeguards.

To conduct its work, GAO reviewed relevant statutes, guidance, and prior GAO reports on other transactions, and interviewed contracting and program management officials, as well as contractors. GAO also reviewed 53 files for agreements entered into from fiscal years 2004 through 2008 and identified those involving nontraditional contractors.

What GAO Recommends

DHS concurred with both of GAO’s recommendations to improve the information DHS has on its other transactions and to strengthen its other transaction contracting workforce.

To view the full product, including the scope and methodology, click on [GAO-08-1088](#). For more information, contact John K. Needham at (202) 512-4841 or needhamjk1@gao.gov.

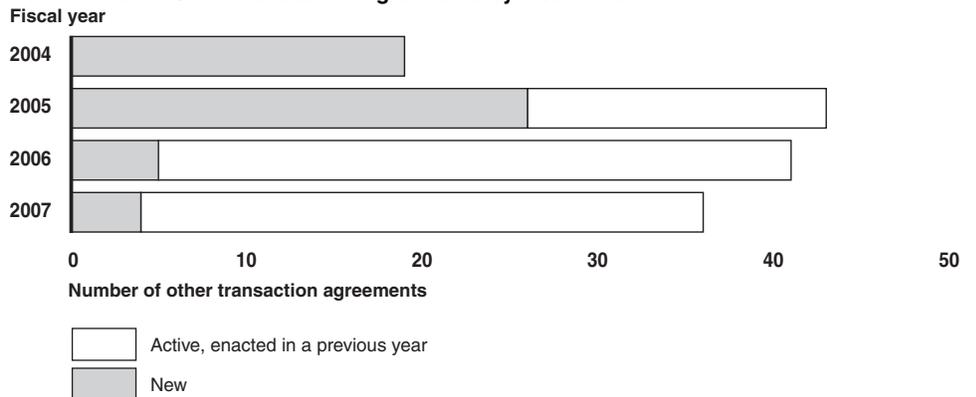
DEPARTMENT OF HOMELAND SECURITY

Improvements Could Further Enhance Ability to Acquire Innovative Technologies Using Other Transaction Authority

What GAO Found

DHS’s other transactions documentation indicates that nontraditional contractors played a significant role in over 80 percent of the Science and Technology directorate’s other transaction agreements. GAO identified 50 nontraditional contractors who participated in 44 agreements—one-third of them were prime contractors and about half of them were small businesses. These contractors provided a variety of technologies and services that DHS described as critical—including technology designed to detect chemical warfare agents after a suspected or known chemical attack. The proportion of dollars obligated for nontraditional contractors on an agreement did not necessarily indicate the importance of their contributions. For example, only 1 percent of total agreement obligations were allocated to a nontraditional subcontractor that, according to the prime contractor, was specially qualified for developing tests for a hazardous substance detection system.

New and Active Other Transaction Agreements by Fiscal Year



Source: GAO analysis of DHS data.

While DHS has continued to develop policies and procedures for other transactions, including some to mitigate financial and program risks for prototype projects, the department faces challenges in systematically assessing its use of other transactions and maintaining a skilled contracting workforce. DHS issued guidance in 2008 and continued to provide training to contracting staff on the use of other transactions. However, DHS does not track information on the amount of funds paid to nontraditional contractors or the nature of the work they performed, which could help the department assess whether it is obtaining the full benefits of other transaction authority. DHS recently updated its procurement database to capture information on other transaction agreements, but the database does not include all of the data DHS would need to assess nontraditional contractor involvement. Further, DHS’s ability to maintain a stable and capable contracting workforce remains uncertain due to high staff turnover and the lack of a staff planning method.